

Using Contracts and Grants to Build the Supply of High Quality Child Care: State Strategies and Practices

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Introduction

On November 19, 2014, the Child Care and Development Block Grant (CCDBG) Act of 2014 was signed into law. Developed with bipartisan support in the House and Senate, this law reauthorized the Child Care and Development Fund (CCDF) program¹ and made changes aimed at improving the quality, health, and safety of child care, especially for low-income families and vulnerable children; streamlining eligibility policies; and ensuring that parents and the general public have transparent information about the child care choices available to them.

The reauthorization brought changes to the purpose of the CCDF, which are described in Section 658A of the CCDBG statute as noted below. The italicized words represent changes to the statutory language, which in turn change how the Child Care and Development Fund is implemented in States beginning October 1, 2016:

(b) Purposes. —The purposes of this subchapter are—

1. to allow each State maximum flexibility in developing child care programs and policies that best suit the needs of children and parents within that State;
2. to promote parental choice to empower working parents to make their own decisions *regarding* the child care *services* that best suit their family's needs;

¹ The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 consolidated three federal funding streams previously serving low-income families under the program formerly known as Aid to Families with Dependent Children into the Child Care and Development Block Grant (CCDBG). The Child Care and Development Fund (CCDF) consists of discretionary funds authorized by the CCDBG and entitlement (or mandatory and matching) funds provided by the Social Security Act. CCDF is the regulatory term; this language is not directly found in the statutes. In the context of this paper, CCDF refers to the state implementation of the child care program and CCDBG refers to the statute that defines the purpose and intent of the federal funding.

3. to encourage States to provide consumer education information to help parents make informed choices about child care *services and to promote involvement by parents and family members in the development of their children in child care settings*;
4. to assist States *in delivering high-quality, coordinated early childhood care and education services to maximize parents' options and support parents trying to achieve independence from public assistance*;
5. to assist States in improving the overall quality of child care services and programs by implementing the health, safety, licensing, training, and oversight standards established in this subchapter and in State law (including State regulations);
6. to improve child care and development of participating children; and
7. to increase the number and percentage of low-income children in high-quality child care settings.

These changes focus on increasing the supply of high-quality, coordinated child care and on increasing the participation of low-income families in high-quality child care settings. As a result of these changes, States and Territories are exploring new ways to implement CCDF, as well as expanding and enhancing established strategies. One strategy that has been consistently available to States since the inception of CCDBG is the use of contracts and grants.² States and Territories have typically used contracts and grants with providers to ensure the stability of child care focused on serving low-income families, as well as to influence the quality of child care available to families participating in CCDF. This strategy has been used in States and Territories to advance the overall goals of CCDBG, as well state- and territory-specific priorities, since CCDBG was first implemented.

This paper provides information on state and territory efforts to use contracts and grants with providers. We start by providing an overview of States and Territories whose 2016–18 CCDF Plans indicate that they are currently using contracts and grants, and then discuss the following:

- ◆ The overall approach of States and Territories that use contracts and grants, including examples
- ◆ Contract and grant payment practices
- ◆ Monitoring processes for grants and contracts

The last section addresses lessons learned and best practice approaches for using contracts and grants to advance the goals of the Child Care and Development Block Grant.

The information in this paper was gained from a review of all the approved 2016 CCDF Plans, as well as interviews with CCDF Administrators from Connecticut, Georgia, Hawaii, Illinois, Indiana, and Oregon. These States were selected based on their current and past work using contracts and grants to advance their state visions and the goals of CCDBG. The interviews were informed by an interview protocol, shared with all in advance. State leaders also generously provided additional written materials as well as insights that inform the last section on lessons learned and best practices.

How States and Territories Are Using Grants and Contracts

Typically, States and Territories use contracts and grants to purchase slots, generally establishing reasonable standards for maintaining minimum enrollment levels for providers to receive the full contract payment. States establish the parameters of these contracts, including payment rates, method of payment, performance measures, and reporting requirements. Contracts and grants can be a key strategy for building the supply of quality child care in underserved areas or for vulnerable populations. Often, these grants and contracts are used in combination with vouchers to build supply and ensure there are legitimate choices for families when selecting the most appropriate care for their children.

² A *contract* is a legally binding document in which parties promise to deliver a product or service in exchange for money. A *grant* is when one party grants funds to another party to engage in a particular activity or produce a specific outcome or result.

Using Contracts and Grants to Advance CCDBG Goals

Based on a review of the approved 2016–2018 CCDF Plans, 30 States and Territories are either currently using contracts or grants directly with providers to address specific goals of their state systems, or are exploring ways to use contracts or grants that are aligned with the new CCDBG law.

The number of States using contracts and grants with providers has increased as a result of the Early Head Start–Child Care Partnership (EHS-CCP) grants, first made available in 2014. Both local providers and state entities are eligible grantees for EHS-CCP. Thus, in States with EHS-CCP grants, States may contract with providers to implement the state-level EHS-CCP grant, or they may contract with local EHS-CCP grantees to support implementation of the program’s full-day and full-year requirements. In addition, some States with public prekindergarten use contracts to support full-day and full-year programming for subsidy-eligible children.

Some States have aligned provider eligibility for contracts and grants with their quality rating and improvement systems (QRISs) by setting requirements that providers be at higher QRIS levels. Additional requirements for contracted providers include using child assessment tools and serving target populations such as infants and toddlers, children with special needs, school-age children, children experiencing homelessness, and children engaged with the child welfare system. Finally, States use contracts to stabilize child care in underserved areas as well as to test new concepts with small pilot projects.

Table 1 is drawn from the 2016–18 CCDF Plans. Unless specifically noted in the column describing state activities, States have been using these strategies before the implementation timeline of CCDBG reauthorization. The information in table 1 is based on responses to Section 4.1.3.

Table 1. States and Territories Using Contracts and Grants Directly with Providers to Advance CCDBG Priorities (Section 4.1.3)

State or Territory	Use of Contracts or Grants
Alabama	Beginning October 2016, Lead Agency will offer contracts to child care center programs rated at the higher end of the state QRIS to increase slots for infants and toddlers. The Lead Agency will also offer contracts for child care providers to serve children with diagnosed disabilities.
Arizona	Lead Agency uses contracts to link comprehensive services for children in child care settings. Coverage of care ranges from birth through age 12, unless the child receives special education services, in which case care continues to age 18. The State also contracts with providers who offer child care services that include 24 hour or weekend care, and with providers who are nationally accredited or at the higher levels of the QRIS. The Lead Agency also contracts with providers for services to children with special needs, with licensed child care programs operating in homeless or domestic violence shelters, and with military and tribal child care programs to ensure that quality services are available for all families who receive CCDF funds.
California	Lead Agency is required by state law to disburse all child development funds for direct services through a contracting process. Disbursement occurs through direct contracts to providers, as well as voucher-management entities at the county level. The Lead Agency also contracts with direct-service providers to administer the California State Preschool Program. The California Department of Education is the grantee for Early Head Start–Child Care Partnerships in northern California; it contracts with local providers to implement the EHS-CCP program.
Colorado	Colorado implements a micro-grant program to increase the supply of licensed child care programs in noted child care deserts. The micro-grant program aims to increase access to child care in child-care-desert communities by providing startup funding for community-based providers, including equipment, education, and developmental materials and access to training, coaching, and educational opportunities.

State or Territory	Use of Contracts or Grants
Delaware	<p>Lead Agency contracts with statewide agency to provide social services to refugee and immigrant families. Delaware also uses a capacity grant, administered by a subcontractor, to increase the supply and quality of care for infants and toddlers, children with special needs, children who need care during nontraditional hours and children who are English-language learners. The Delaware Department of Education is a grantee for Early Head Start–Child Care Partnerships and contracts with child care providers to implement that program.</p>
Georgia	<p>Lead Agency is an Early Head Start–Child Care Partnership grantee and contracts with child care providers to implement that program. In addition, the Lead Agency maintains grant agreements with the other Early Head Start–Child Care Partnership grantees in the State. CCDF provides funding for full-year, full-time educational care, and Early Head Start provides for the comprehensive services.</p> <p>The State is in the process of developing a subsidy grant pilot program focused on serving infants and toddlers; the program will reimburse high-quality providers at a higher subsidy rate. Programs receiving contracted slots will have to agree to meet higher quality standards established by the regional infant/toddler center. The grants will be awarded to programs and communities to serve children with high needs (i.e., dual-language learners, children with disabilities, children in foster care, and children in rural areas) from birth to kindergarten in high-quality care settings, including child care centers and family child care learning homes. These grants will build upon the subsidy grant model currently funded through the State's Early Learning Challenge grant.</p>
Hawaii	<p>Lead Agency currently has three types of contracted services for slots. One targets infant and toddler care in group settings for teen parents at or near public high schools throughout the State, operated by the Department of Education (DOE) or a private provider. The second contracted service provides drop-in care for Temporary Assistance for Needy Families (TANF) families when they meet with their work participation case manager or participate in other activities at work participation offices. This service is available to families who do not already have child care arrangements for their children between 2 and 12 years old. Private providers bid for the contracted services, which are delivered at the TANF work participation offices. The third contracted service is with the DOE to fund slots at afterschool care providers at public elementary schools for children who qualify for free and reduced-price lunch. The DOE operates the afterschool care programs or contracts with private providers to operate them.</p>
Illinois	<p>Lead Agency contracts with several child care centers and agencies to provide site-administered child care assistance to eligible parents. Contracts are awarded to licensed child care centers and family child care networks. Contracts are available to providers serving all target populations identified by the Administration for Children and Families. Contracted programs determine eligibility onsite and submit eligibility determinations to the Lead Agency for final review.</p>
Indiana	<p>Lead Agency contracts with child care centers from low-income areas that are at the highest level of the QRIS to deliver CCDF services. The contract center predetermines eligibility of the family; an electronic referral is then sent to the CCDF intake agent. The intake agent then schedules an initial appointment to determine eligibility. Once the family is determined to be eligible, the child or children can begin attending the contract provider.</p>
Iowa	<p>Lead Agency contracts with programs that provide comprehensive services, meet higher quality standards, or both. The intent of these contracts is to promote continuity of care; they aim to ensure wraparound services for the following programs: Head Start, Early Head Start, Shared Visions, Title I preschool programs, and early childhood special education program. These contracts are designed to expand services to a full day, full week, and full year.</p>

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State or Territory	Use of Contracts or Grants
Kansas	Lead Agency contracts with providers to implement Kansas Early Head Start–Child Care Partnerships.
Maryland	Lead Agency contracts with EHS-CCP providers in support of full-day and full-year programming for eligible families. The grantees determine eligibility using criteria established in the child care subsidy regulations.
Massachusetts	Lead Agency provides grants to over 100 local entities across the State known as Coordinated Family and Community Engagement grantees. These grants are designed to create a statewide system of access to locally available comprehensive services and supports that strengthen families and promote optimal child development. The Lead Agency meets with the recipients of these grants quarterly to share and gather information. The Lead Agency also contracts to provide the following early education and care services to prioritized populations: low-income families, families who have active protective services cases, teen parents, and families experiencing homelessness.
Michigan	Lead Agency has developed a pilot program centered on Michigan's Early Head Start–Child Care Partnership grants. The pilot allows EHS-CCP child care partners to bill for the full amount of subsidy a partnership-enrolled child is eligible for. The goals of the pilot are to encourage continuity of care for infants and toddlers in poverty and increase providers' capacity to provide quality care to infants and toddlers from low-income families.
Mississippi	Lead Agency provides grants to various entities to provide child care to eligible families in their communities by using child care subsidy funds and a required local match. Additional requirements of grants include achieving a 3-star rating in the state QRIS and conducting child assessments using the Brigance assessment tool.
Missouri	Lead Agency contracts with nine community-based service providers in urban areas with high levels of poverty throughout Missouri. Out-of-school time contracts have been expanded to include the preschool-age population, allowing more families in public prekindergarten to receive full-day services. The Lead Agency contracts with Early Head Start providers for implementation of EHS-CCP.
Montana	Lead Agency has a pilot program for child care slots through the state QRIS program. There are 39 slots available to 12 programs in the pilot program. Plans are underway to implement slots for families enrolled in child care facilities participating in Early Head Start–Child Care Partnerships. The child care providers must be at a level 3 or higher in the state QRIS and located in one of four high-need areas identified by a needs assessment.
Nevada	Lead Agency contracts with providers for school-age care before and after school and during school breaks. It also provides contracts for wraparound services that provide full-day care to children attending Head Start and Early Head Start. Lead Agency also contracts Nevada Early Intervention services to expand child care services and increase the quality of services for infants and toddlers with disabilities.
New Mexico	Lead Agency contracts for prekindergarten and early prekindergarten services with community-based child care programs, including Head Start. Providers are required to participate in the QRIS. Applications are accepted statewide, with priority given to applicants who propose to provide services within the New Mexico Early Childhood Investment Zones.
North Dakota	Lead Agency contracts with the EHS-CCP grantee for wraparound services and continuity of services. CCDF payment is at maximum reimbursement rate and there is no parent copay for participating families.
Oklahoma	Lead Agency contracts with tribal child care programs to expand accessibility and supply of state-subsidized child care. Tribal families may choose to receive state-subsidized child care, even if the Tribe has its own subsidy program. In addition, tribal families may receive state

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State or Territory	Use of Contracts or Grants
	and tribal subsidy at the same time as long as services are not duplicated. Additionally, the Lead Agency contracts with a child care facility located at a homeless shelter so that parents participating in an alcohol and drug rehabilitation program have subsidized child care on site.
Oregon	Lead Agency contracts with community providers for Head Start, Early Head Start, and services for teen parents, parents attending select drug and alcohol treatment programs, and migrant and seasonal farmworkers. Additionally, child care facilities participating in the Early Head Start–Child Care Partnership grant are eligible for contacts.
Pennsylvania	Lead Agency is an EHS-CCP grantee and contracts with local organizations to implement that program. Additionally, the Lead Agency uses grants to support child care start-up in rural communities where state data indicate that a limited number of providers exist but there is a high incidence of CCDF-eligible children.
Puerto Rico	Lead Agency contracts with center-based providers and family child care networks located in different municipalities and low-income identified communities. Proposals for the provision of child care services with contracted slots are submitted annually. Lead Agency allocates funds to increase supply of high-quality services, giving priority to rural areas and target populations (infants and toddlers).
South Carolina	Lead Agency has maintained contracts for a limited number of slots with providers for more than 10 years. This approach is expanded in 2016 to target center providers on the highest end of the QRIS in order to expand access to those highest quality levels for eligible children from low-income families. Targeted children include those in underserved areas, infants and toddlers, children with disabilities, and children needing care in nontraditional hours.
South Dakota	Lead Agency contracts for slots with two centers in Sioux Falls and Rapid City ensure child care availability for very low-income families (TANF participants) to address areas where there are higher concentrations of TANF recipients and families of lower income.
Tennessee	Lead Agency contracts with EHS-CCP grantees to maintain 25 percent subsidy enrollment per child care agency in collaboration with Early Head Start.
Vermont	Lead Agency contracts for slots with providers who serve high-need families. Priorities are for teen parents, children with open cases with the Department of Children and Families Family Services Division; children eligible for or receiving early intervention services; and children whose parents receive Reach Up services (TANF).
Washington	Lead Agency has implemented an Early Head Start–Child Care Partnership pilot that offers features associated with contracts, including enrollment-based payment. These 316 pilot slots are available from January 1, 2016, through December 31, 2016.
Wisconsin	Lead Agency contracts with a nonprofit organization that provides child care services to children of migrant farmworkers throughout the State. Nonprofit organization also subcontracts with local area child care providers to provide services during times when their centers are not available.

Using Contracts and Grants for Building Supply and Stabilizing

Contracts are useful tools to build supply, and for increasing parent choice when there is limited or no child care available in a community or among specific populations such as children with special needs, infants and toddlers, etc. States and Territories have used various tools for assessing the current supply of and demand for child care for low-income families to determine the location of *child care deserts*—geographic regions with a lack of licensed child care—and are using contracts and grants to expand and improve the market. This approach helps ensure families have true choices when selecting child care. States also use contracts in high-risk communities as part of a larger strategy to improve child and family outcomes, wrapping comprehensive services for both generations around the child care subsidy component. This section focuses on how States use contracts and grants to stabilize programs, improve access for low-income and vulnerable families and target populations, as well as increase the supply of high-quality child care settings. Finally, this section presents examples of recent innovative thinking in States' work to meet the need in their states.

Child Care

Building Supply in Underserved Communities

As shown in table 1, States and Territories are using or plan to use contracts to influence the availability of child care in underserved communities. For example, **Delaware** subcontracts with an organization to increase capacity in underserved areas identified by various state and private agencies. The intent is to increase supply and quality of care for infants and toddlers, children with special needs, children who need care during nontraditional hours, and children who are English-language learners. **Connecticut**, not mentioned table 1 because its CCDF Plan does not reference the use of CCDF funds for this type of activity, does use state funding to designate grants intended help to stabilize child care programs in low-income communities and neighborhoods.

Colorado implements a micro-grant program to increase the supply of licensed child care programs in noted child care deserts. The program aims to increase access to child care in identified communities by providing start-up funding for community-based providers, including equipment, education, and developmental materials and access to training, coaching, and educational opportunities.

Building Supply for Families Enrolled in TANF

A primary goal of CCDBG is to ensure that low-income working families can access affordable, quality, stable child care. To that end, States use contracts and grants to aid families participating in TANF.

South Dakota contracts for slots with two centers to ensure child care availability for very low-income families in areas where there are higher concentrations of TANF recipients and families of lower income. **Hawaii** focuses on the needs of low-income working families, contracting with local providers for on-site child care at local TANF offices. Child care at the TANF office sites in **Hawaii** is provided for two-week increments while families work to secure more permanent arrangements.

Supporting School-Age Child Care

Many low-income families struggle to find quality care for their school-age children during out-of-school hours. States are using grants and contracts to facilitate access to this type of care. **Indiana** contracts with school-age providers to support implementation of a state law requiring every school district to have a plan for before- and

afterschool care. Typically, school districts have agreements with local organizations that provide before- and afterschool services, and these contracts help support these local plans. Funds must be used within at least one of four categories: professional development, equipment, program enrichment, and staffing costs.

Illinois has been using contracts as part of a long-term strategy for decades. Contracts are awarded to licensed child care centers and family child care networks and serve eligible children from 6 weeks through 12 years of age. About 25 percent of the child care subsidy in Illinois supports families with school-age children.

Boosting Quality

States are using contracts to increase the quality of child care. To do so, they have incorporated their quality rating and improvement systems into their contract processes and designed additional performance measures and reporting requirements to ensure accountability. Providers who agree to a contract with the state are often required to participate in the quality rating and improvements systems and may be required to meet specific performance measures in addition to the base requirements of all providers in the state that accept child care subsidy. Additionally, contracted providers are often expected to report enrollment, attendance and other relevant items in more detail and with greater frequency than other providers.

In response to an assessment of the child care market as well as the recent changes to CCDBG, in 2016 **Indiana** released a request for proposals to improve access to quality child care in targeted areas that lack a robust market of quality child care serving infants and toddlers. Contracted providers must be at the highest level of the State's QRIS. Additionally, they must use the State's child assessment tool based on the early learning standards, which is available for free online from the state Department of Education.

Mississippi uses child care subsidy funds and a required local match to make grants to local organizations to provide child care to eligible families in their communities. Additional requirements of these grants include achieving a 3-star rating in the QRIS and conducting child assessments using a specific assessment tool.

Like **Indiana** and **Mississippi**, a number of States (e.g., **Alabama, Arizona, Georgia, Iowa, Montana, New Mexico, and South Carolina**) use contracts to add quality criteria and requirements that do not exist for providers accepting subsidy through vouchers or certificates. Additionally, some States, such as **Georgia** and **Massachusetts**, negotiate a higher reimbursement rate attached to the additional quality criteria in the contract. **Massachusetts** has established a specific rate for providers who agree to provide comprehensive services within the contract agreement. In addition to having higher quality expectations, **Illinois** requires that contracted providers deliver a higher degree of family and community engagement, linking families to other needed community services. While some States negotiate specific rates related to increased quality requirements, other States align the tiered reimbursement attached to the higher levels of their QRISs with these additional contract requirements and pay providers accordingly (e.g., **Indiana, Alabama, and New Mexico**).

Increasing the Infant/Toddler Care Supply through Early Head Start–Child Care Partnerships

Since the initial implementation of the Early Head Start–Child Care Partnerships in 2014, there are increased opportunities for States and Territories to use contracts or memoranda of understanding directly with participating providers as well as the grantees for this federal program. A number of States have entered into or are exploring contracts with EHS-CCP grantees because of the need to address layered funding of Early Head Start and CCDBG. For example, **Montana** is exploring ways to partner with EHS-CCP grantees, contracting with child care providers at specified level of the state QRIS and located in one of four high-need areas identified by the State's child care quality needs assessment. **Maryland, Michigan, Missouri, North Dakota, and Oklahoma** have developed agreements with EHS-CCP grantees regarding eligibility and parent copay amounts for the child care portion of the layered-funding approach of this initiative.

Yet another approach is found in States such as **Georgia, California, Pennsylvania, and Delaware**, where the States themselves are EHS-CCP grantees. These grantee States contract with child care providers for the direct

implementation of the EHS-CCP program. These States may also contract with local EHS-CCP grantees to secure slots and conduct specific tasks in support of implementation of this program. For example, in **Georgia**, providers who have entered into a contractual agreement with the State determine program eligibility for child care subsidy with families as part of the enrollment process. Providers submit the eligibility documentation to state staff who then review and confirm eligibility. Georgia also contracts with the other EHS-CCP grantees in the State for similar services, thus enabling all EHS-CCP grantees to integrate their EHS resources and the resources from the State's child care assistance program.

Serving CCDBG Target Populations: Child Welfare, Special Needs, Homeless Families, Teen Parents, and Adults in Recovery

CCDBG reauthorization specified that CCDF implementation must include concerted efforts to serve target populations, including infants and toddlers, school-age children, children experiencing homelessness, children with special needs, and children in the child welfare system. While the CCDBG language provided more specifics in regard to priority populations, most States included at least one of these priorities in their CCDF Plans before reauthorization.

States may articulate different goals for ensuring child care supports for these vulnerable families, such as providing continuity of care, facilitating parental access to addiction or counseling services, or providing dual-generation programming. Often, the services needed to best support these populations cannot fit into a traditional early learning program schedule's days and hours of operation. States have developed various approaches to best serve vulnerable families in a way that meets the goals of CCDBG and also recognizes families' unique circumstances.

Massachusetts contracts with providers to serve families in the child welfare system. Funds from the child welfare agency support initial child care services while families are directly engaged within the child welfare system, and CCDF funds are later used to extend the service and eligibility periods for families that are classified as post-protective status. This is managed through a memorandum of understanding between agencies within the state department of human services and contractual agreements with specific providers who meet criteria established by the State.

There are several examples of dual-generation approaches that align child care services with services for the adult family members of children served by CCDF. Contracts and grants allow States to develop innovative models that can address multiple needs of families participating in CCDF. **Oklahoma** contracts with a child care facility located at a homeless shelter so that parents participating in an alcohol and drug rehabilitation program have subsidized child care on site. **Oregon** and **Hawaii** contract with providers who are primarily engaged in non-child care services but serve families with very specific needs, such as GED programs for teen parents and addiction recovery residential programs.

Oregon has contracts with addiction recovery service providers to ensure that there is onsite child care for children with parents participating in residential programming. In addition to meeting CCDBG goals for target populations, this contracting approach focuses on the equally important priorities of continuity of care and stable settings for vulnerable children. While parents are participating in recovery programming, their children are cared for in an approved setting at the same location.

Hawaii contracts with the State's Department of Education to ensure access to child care for teen parents. The sites where these services are provided are not required to meet all the licensed facility requirements for other child care programs, but do meet the DOE facility requirements, as the priority is for them to be located onsite at the schools where parents are attending classes. These programs have an expectation that parents will be engaged in the child care program. Specific activities for parents include volunteering in the classroom and participating in parent skill-building activities. The staff providing care to the children of teen parents meet the licensing requirements for infant and toddler caregivers, and are required to participate in the Program for Infant/Toddler Care professional development program. The licensing requirements for staff to child ratio and the group size limits are also adhered to in these programs.

Exploring New Approaches to Building the Supply of Quality Child Care Settings

The opportunities presented by CCDBG reauthorization have caused some States to use contracts for new initiatives. For example, starting in fall 2016, **Alabama** will offer contracts for child care providers to serve children with diagnosed disabilities. And although **Rhode Island** is not currently using contracts, according to its CCDF Plan, the State is reviewing available funding and data from its contracting pilot (funded by the Race to the Top–Early Learning Challenge grant) to determine the best approach for developing a contract strategy within CCDF implementation.

Georgia also used contracting with providers as part of implementation of its Race to the Top–Early Learning Challenge (RTT-ELC) grant. The State engaged in a process of identifying high-risk communities based on a set of reliable and consistent data elements, and used RTT-ELC dollars to support providers in moving up the levels of the QRIS and serving the vulnerable families in their communities. Georgia is committed to sustaining this effort beyond the RTT-ELC grant period by developing contracts with providers in parts of the State that have identified risk factors, including high percentages of infant mortality, families with young children at or below the federal poverty guideline, and so forth.

Payment Practices in the Use of Contracts and Grants

The CCDBG law requires that States will manage their payment systems in a way that is reflective of how the private market purchases early learning services. The final rules require States to pay providers in a timely manner based on generally-accepted payment practices for non-CCDF providers and delink provider payments from children's absences to the extent practicable.

While the goal of mirroring the payment practices of the private child care market has not been at the forefront of state grant and contracting work, the nature of contracting has inherent similarities to how parents interact with the private child care market, such as payment based on enrollment rather than attendance and negotiated billing cycles. This section describes the different methods States use for paying contracted providers.

Grants and contracts are one strategy for aligning the subsidy system with private-market industry norms. These norms include paying in regular weekly or monthly installments based on enrollment rather than attendance and paying prospectively rather than on a reimbursement basis. The reason for these norms is to ensure stable, predictable, and timely funding for early learning providers. Without stable funding, it can be difficult for providers to pay for the higher costs associated with serving children and families in a comprehensive, high-quality manner.

States are dedicating small percentages of their combined state and federal CCDF investments to contracts and grants with providers. For example, **Oregon** uses just under 4 percent of its total child care subsidy funding for contracts with providers. **Illinois** uses roughly seven percent of its total child care subsidy funds for contracts with providers. **Georgia** has a long-term goal of dedicating twenty percent of total funding to contracts, but is currently at a rate similar to Oregon.

While financial procurement and oversight processes vary because of state-specific requirements, all States develop annual agreements with contracted providers and review cost allocations and payments on a regular basis. Most States have developed simple procedures that are aligned with other procurement and payment processes already established within their departments of state government.

For example, **Hawaii** pays for the teen program child care services by contracting directly with the state Department of Education or with private providers in partnership with local high schools. The negotiated amount of the contract is agreed upon and payments are made on a monthly basis. The contracted provider submits a payment request, or claim, which is reviewed and approved by Lead Agency staff.

Georgia pays contracted providers with the same payment system used for all other child care subsidy payments in the State. A higher payment rate is established for contracts with EHS-CCP providers, as they are required to provide comprehensive services to the children enrolled. Payment is based on enrollment and is rendered upon receipt of a billing form from the provider. **Georgia** is currently exploring a new funding model for contracts to support infant and toddler care. The new model is based on the State's current payment system for prekindergarten classrooms. This innovation will develop a classroom-based cost model for providing high-quality care to infants and toddlers; it will be initiated in partnership with a small group of 12 providers before the end of 2016. This new approach will be informed by the way Georgia currently contracts for its prekindergarten program services.

Monitoring, Oversight, and Technical Assistance

States that have been successful in using contracts and grants consistently review and revise the intent and purpose of their contracts. States are focused on using good data and analysis to inform their decision making, and are clear about the purpose of the contracts and grants. Over the years, many have learned the importance of developing consistent performance measures and controls that ensure strong accountability. Additionally, many States recognize the value of providing technical assistance to contracted providers as part of their partnership. In this section, state approaches to accountability systems and technical assistance and supports to help contracted providers be successful are highlighted. Approaches to reviewing contracting goals and processes are also discussed.

States have varied approaches to monitoring and oversight of contracts. Some States have built these elements into their licensing systems, while others use different approaches, including leveraging child care resource and referral (CCR&R) agencies to provide targeted technical assistance to their contracted providers. For example, state staff located regionally in **Indiana** work closely with providers, monitor contract performance measures, and recommend specific technical assistance from local CCR&R agencies to help providers with their efforts to reach and stay at the highest level of the state QRIS. **Georgia** and **Oregon** rely on both their state and local CCR&R systems to provide technical assistance and coaching to providers, and expect all contracted providers to be active participants.

States that have used contracts for a number of years identify the importance of consistent and rigorous review of the goals of and approach to contracting. **Indiana** and **Illinois**, for example, have contracted with providers for decades, before CCDBG, using Title XX funds for child care contracts. The recent changes in the CCDBG law, as well as the changing economy and child care market, have influenced a review of their contracting goals and priorities. In addition to regular written communication with contracted providers, **Illinois** meets quarterly with contracted providers to ensure a strong communication and feedback loop. Illinois monitors contracts with an annual desk review as well as a site visit every three years. The fiscal review is conducted separately from the program implementation review. States using contracts also have methods for monitoring service delivery by those they contract with throughout the year to ensure that services are provided. Such monitoring is typically managed through quarterly service reports and occasional random service audits.

Every State reviews its contractual agreements annually, and at times may engage in a full review of the intent and implementation of its contracts. Typically, such reviews result in a new request for proposals, and revisions to the performance measures and provider criteria and the contracting process.

For example, **Oregon** is embarking on a review in the fall of 2016. The Oregon Department of Early Learning has convened a group of providers and other stakeholders through a committee of its state advisory council to explore the following questions:

- ◆ What are the guiding principles for our contracting approach?
- ◆ How do we best target resources to meet the needs of the vulnerable populations we most want to reach?

- ◆ Are there vulnerable populations in need of supports who are currently not being served?

The use of contracts and grants is an effective strategy for meeting the goals of CCDBG, particularly in the effort to serve target populations. Contracts and grants give CCDF Administrators the opportunity to focus on program design for vulnerable families and children and increase the likelihood of self-sufficiency for those families. Contracts and grants can build supply for target populations and geographic areas, and can also help providers by providing consistent enrollment and funding levels over prolonged periods. States and Territories can also use contracts and grants as part of a commitment to quality by requiring certain QRIS attainment and establishing higher quality and performance standards for contracted facilities. This section addresses lessons learned from States that use contracts, as well as recommended best practice approaches.

Lessons Learned and Best Practices

Using Contracts and Grants to Test New Approaches

States use contracts to test assumptions and theories about the child care market, such as the cost of quality, and reasons geographic areas have instable child care services. Contracted providers can give Lead Agencies information about the impact and actual implementation of policies developed at the state level, and can be test sites for innovation that may be too risky to implement in a statewide approach.

Georgia's exploration of cost modeling with a small group of infant/toddler care providers described earlier in this paper is a good example of how states can use contracts and grants to test innovative ideas. This is something that would be difficult to explore within the full subsidy system because of logistic and possibly political challenges. But when targeted and focused on a small population, the information from such a pilot can provide substantial information for improving policies at the full system level. States can develop questions and assumptions that can be tested in these smaller pilot settings and eventually inform policies and decision making within the larger child care subsidy system and the broader early learning system. As States and Territories begin to explore alternative methodology for setting rates, or determining the best approach for supporting continuity of care, contracting with a small group of providers to test ideas can be an effective strategy.

Using Contracts to Influence Child and Family Outcomes for Vulnerable Families

Whether through EHS-CCP-related contracts with providers or efforts implemented by States such as **Oregon**, **Massachusetts**, and **Hawaii**, contracts and grants are essential for helping to increase success and self-sufficiency for families with complex issues. As one CCDF Administrator interviewed for this paper said, "vulnerable families can get lost when not connected to targeted efforts within the larger subsidy system."

Using Contracts and Grants to Ensure Families Have Access to Stable Child Care

Oregon developed a pilot program using contracted slots to assess best policies and practices for ensuring continuity of care for families participating in the subsidy system. A 3-year project that began in 2012, the goals of the contracts were to ensure the following:

- ◆ Children have continuous access to quality care and education

Using Contracts and Grants to Advance CCDBG Goals

- ◆ Families have continuity of quality child care and education to support their employment
- ◆ Providers have stable funding to serve low-income children in programs of documented quality

An evaluation of the pilot project was implemented by the Oregon Child Care Research Project. Administrative data were used to determine the extent to which participating in the pilot program resulted in low-income children experiencing high-quality, stable child care and early education. The primary source of data was the child care subsidy program provided by the Oregon Department of Human Services. These data included information on the circumstances of families and characteristics of children, as well as type of care provider (Weber & Grobe, 2015).

The results of this evaluation showed that contracted programs had higher rates of continuity of enrollment with children and their families, and that parents who participated in the pilot had greater stability of employment than the comparison group of parents who used vouchers. This evaluation will be part of the information used as the Oregon Early Learning Division engages in a process to discuss the intent, goals, and purpose of contracts and grants in the state subsidy system.

Strong Fiscal and Program Monitoring and Accountability Is Critical to Success

States that have been consistently using contracts and grants to implement CCDF have developed strong monitoring and accountability systems to ensure adherence to CCDBG fiscal and programmatic requirements. These States recognize the importance of consistent communication with contracted providers and of ensuring there are supports and technical assistance to help providers be successful when implementing certain aspects of contracts, such as eligibility determination. **Illinois** meets quarterly with contracted providers, as does **Massachusetts**. These meetings not only offer an opportunity for CCDF Administrators to provide information and communication about implementation of the contracts, but also give them an opportunity to hear directly from providers about the challenges families are facing, as well as what policies or processes are most effective for achieving the goals of the CCDF program.

Administrative Workloads Can Be Reduced

Contracts and grants can reduce administrative workload for States and Territories. Programs receive contract payments at scheduled intervals, instead of individual payments for each child in care, and can conduct at least some of the eligibility determination processes to facilitate more streamlined enrollment processes for families. **Georgia, Illinois, and Massachusetts**, for example, have reduced the burden of eligibility determination by including it in the required activities of contracted agencies.

Best Practice Advice from CCDF Administrators

The CCDF Administrators interviewed for this paper identified specific suggestions for States and Territories that are considering contracts as part of their strategy for meeting the newly framed goals of the CCDBG law.

- Develop clear goals and priorities for contracts
- Develop clear provider criteria
- Build your approach within your existing systems as much as possible
- Begin discussions with the finance staff in your department early in your process; develop contracts with providers that are aligned with existing state processes and procedures
- Establish a monitoring and oversight process that recognizes the capacity of your department
- Be sure to have clear role delineation and strong monitoring processes for eligibility determination, enrollment, and the like written into agreements with providers
- Build in regular routines and processes for reviewing the contracting goals and intent
- Engage the field—particularly the providers who are connected to the populations you are most interested in reaching
- Remember to build in evaluation to test your assumptions

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