

## Introduction

Lead Agencies can use direct service grants and contracts to increase the supply of quality child care for underserved or vulnerable populations. Grants and contracts support continuity of care in quality programs by requiring providers to meet higher standards and by providing stable and equitable reimbursements.

## Key Issues and Goals

Lead Agencies can use grants and contracts as a strategy to:

- **Build the supply of care for specific types of care, age groups, special and at-risk populations, or geographic areas.** The proposed rule would require States to use a portion of CCDF funds to provide direct services to families through grants and contracts. Grants and contracts promote access to and help maintain enrollments in higher quality settings by purchasing spaces for subsidy eligible families. Lead Agencies can use grants and contracts to support homeless families, children with special needs, and other at-risk populations, and to increase supply of specific types of care in geographic areas with concentrations of low-income families. Many Lead Agencies already provide extended support services through contracts and collaborations with:
  - Early Head Start, Head Start, or prekindergarten extension
  - High quality care for infants and toddlers and school-age children
  - Special care for families that are homeless, minor parents, victims of disasters or domestic violence, and children in protective services
  - Rural or inner-city providers
  - Temporary care for TANF families during orientation and training
- **Promote higher quality care.** Grants and contracts help providers become stable businesses by providing consistent enrollment and funding levels over prolonged periods. They allow Lead Agencies to establish higher quality and performance standards for contracted facilities and make lasting investments to improve provider services and practices.
- **Extend comprehensive services.** Lead Agencies can use contracts to provide additional support services, including family support, developmental screening and assessment, parent engagement and education, and health and mental health screening and referral.
- **Reduce Administrative Burden.** Grants and contracts can reduce administrative workload. Lead Agencies generally purchase blocks of spaces and establish reasonable standards for maintaining minimum enrollment levels. Programs receive contract payments at scheduled intervals, instead of individual payments for each child in care.

## Top Policies and Practices

What are the top policies and practices to consider in planning and implementing direct services grants and contracts?

- **Assess the supply of care to understand shortages, especially for specific populations or geographic areas.** Lead Agencies should conduct needs assessments of targeted demographic groups, geographic areas, and underserved populations. This will help Lead Agencies to understand shortages and the most effective use of direct service grants and contracts.
- **Link the contracted services to other quality improvement efforts.** Coordinating direct service contracts with other quality improvement initiatives will produce the best results and provide for the efficient use of available funds. Lead Agencies should consider the feasibility of layering CCDF with other State and Federal funding sources to secure adequate long-term financial support.
- **Use the State's procurement process.** Lead Agencies need to develop a comprehensive scope of services and performance standards. Important program decisions include whether to delegate family outreach and eligibility determination to the contractor, how to establish rates and payment provisions, and how long to make the term of the contract.
- **Develop accountability controls.** Lead Agencies are responsible for ensuring grantees and contractors expend CCDF funds for their intended purpose. Developing adequate monitoring and accountability controls is critical to maintaining program integrity.

## Progress

The following questions can help Lead Agencies evaluate their progress toward implementing direct service grants and contracts:

- Have you identified shortages in the supply of high quality child care for specific populations or geographic areas?
- Do you have State authority to contract directly with providers?
- Have you considered using or leveraging other funding sources to finance direct service grants and contracts?
- Have you pursued partnerships with organizations that could become contracted providers?
- Do you have the resources to establish direct service grants and contracts?
- Have you included reporting requirements in your contracts to help measure overall stability in your provider supply?
- Have your contractual relationships led to program improvements and expansions?