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Exploring Child Care Subsidy Contracting Patterns in Arizona: Enablers and Barriers

CHILDREN'S EQUITY PROJECT

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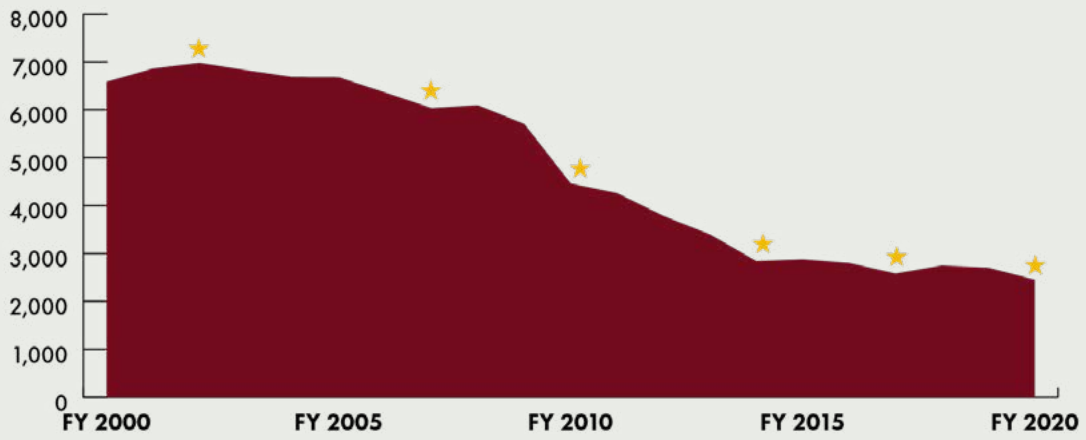
ABOUT THIS REPORT

In this report, we share an extension of the Evaluation of Arizona's Federal Pandemic Recovery Investments in Child Care. This extension was motivated by a finding that the number of child care providers contracted with the Arizona Department of Economic Security (DES) to serve children receiving child care subsidies had declined since the early 2000s. This extension aimed to explore the potential reasons for this decline. We examined the landscape of contracted providers, enablers or barriers to becoming a contracted provider, and reasons providers are not contracted. To address these questions, we combined administrative data, Child Care Provider Pandemic Relief Experiences Survey data ("provider survey"), and DES-contracted status focus groups (See Appendix A for descriptions of data sources).

BACKGROUND

Figure 1: Arizona Child Care Providers Receiving CCDF



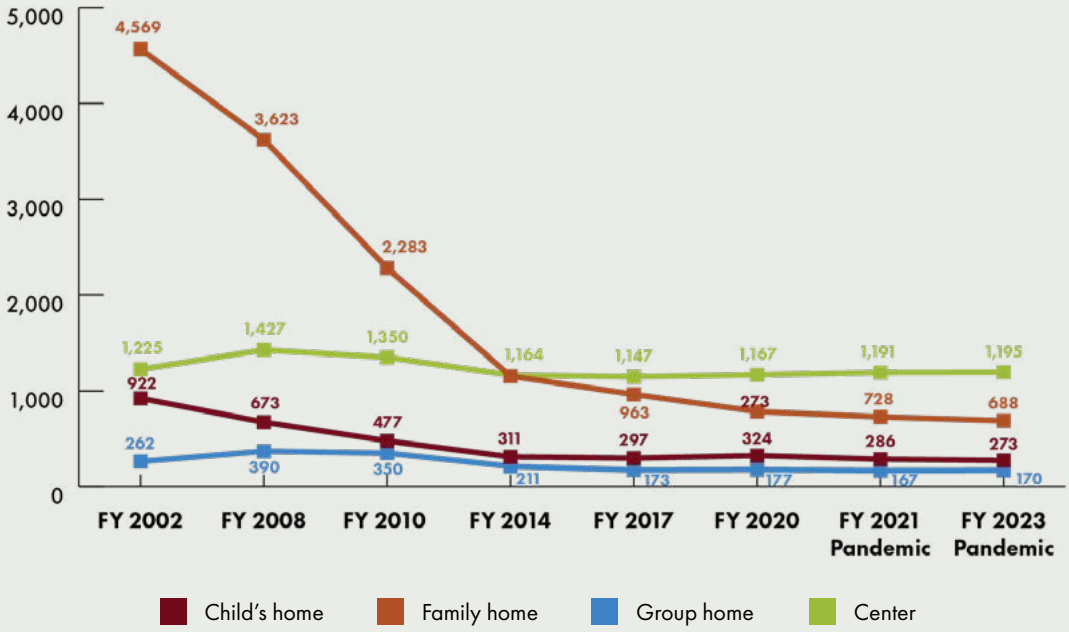
Note. (Data source: Office of Child Care CCDF state-by-state data tables, FY2000-FY2020).

DES is the state's Child Care and Development Fund (CCDF) Lead Agency, which is the nation's primary and largest child care assistance program providing federal funds to every state and territory to improve access to quality child care for low-income families.[1] In order to fully utilize child care assistance, eligible children must be paired with an available slot at a DES-contracted child care provider or with a Non-Certified Relative Provider (NCRP). Yet, over the last two decades, the number of Arizona child care providers contracted with DES to receive CCDF subsidies had declined, with drops in 2008 that continued to decrease through 2013 by more than 50% (see **Figure 1**).[2] At this same time, the total number of providers who were licensed and certified to operate by Arizona Department of Health Services (DHS), which manages the licensing dimension of the state child care system for child care facilities and group home care, or DES, which certifies family child care providers and contracts with NCRPs, also declined. An increase in the number of children served through CCDF over this same period of time, may have left families receiving subsidies with fewer DES-contracted child care provider options.[3]

Upon further disaggregation by provider type (see **Figure 2**), family homes saw the largest drops of 84.9% between FY2002 and FY2023, with a 70% decrease for providers in the child's home during that same period. Of note, the categories of "child's home" and "family home" included data of both NCRPs and DES certified family child care providers. There was a relatively constant pattern for centers and group homes. For example, there was a 2.4% decrease in centers between FY2002 and FY2023, though the number of contracted centers has increased steadily since FY2017.

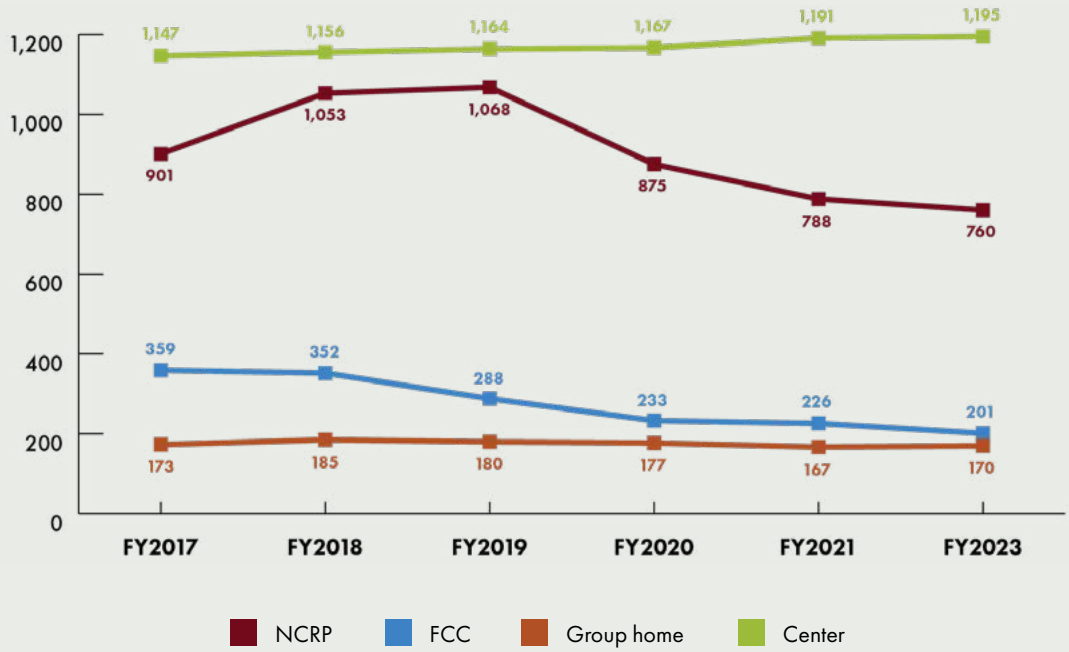
Further, we zoomed in to understand the number of specific contracted provider settings—NCRPs, family child care, centers, and group homes (see **Figure 3**). First, we found that the number of NCRPs had a 15.6% increase between FY2017 and FY2019 but sharply declined by 28% into FY2023. Second, the number of family child care providers declined by 44% between FY2017 (pre-pandemic) and FY2023 (during the pandemic). Third, in contrast during that same period, the number of contracted

Figure 2: Arizona Child Care Providers Receiving CCDF by Provider Type FY2002-FY2023



Note. (Data Source: Office of Child Care CCDF data, FY2002-FY2022). FY2023 was added using state-reported CCDF data.

Figure 3: Providers Receiving CCDF Funds Over Time by Provider Type FY2017-FY2023



Note. (Data source: Office of Child Care CCDF data, FY2002-FY2022). FY2023 was added using state-reported CCDF data.

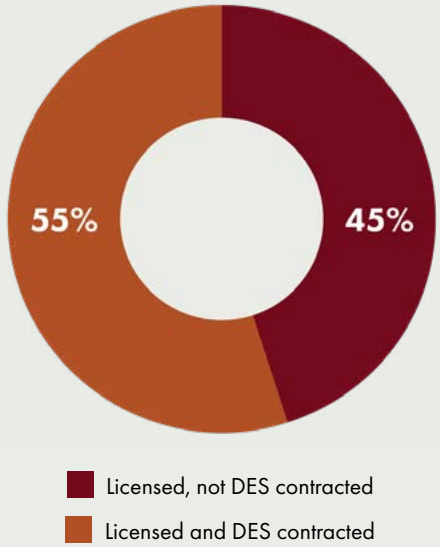
centers increased by 4% from 1,147 to 1,195 while contracted group homes stayed steady, only declining 10 providers between its highest point in FY2019 and FY2023.

These drops in the number of contracted providers continue to underscore the overall trends across the past twenty years wherein settings that were family home or child's home decreased significantly since FY2002. The reason for this drop is unclear from the data available, though it could be explained by a variety of factors such as attrition, children aging out or no longer requiring child care services, providers retiring or leaving the field, or even a decline in birth rates over the past decade including an Arizona birth rate slightly lower than the national average in 2022.[4]

This may be of particular concern given that a 2023 national survey of parents conducted by the Bipartisan Policy Center found that, increasingly, families prefer relative care or small group home-based settings due to their convenience, affordability, and sense of safety, trust and security. Indeed, more than half of parents surveyed would continue to use informal care options even if formal center-based child care slots were available to them.[5] Other research has shown that working parents and parents in low-income households are more likely to choose home-based, non-parental care because of the difference in affordability and flexibility in non-traditional hours compared to center-based settings.[6] Families in low-income households were more likely to select home-based options for infants and center-based settings for preschool-age children with a perception that formal environments like Head Start and school district sites may better promote school readiness skills ahead of Kindergarten.[7]

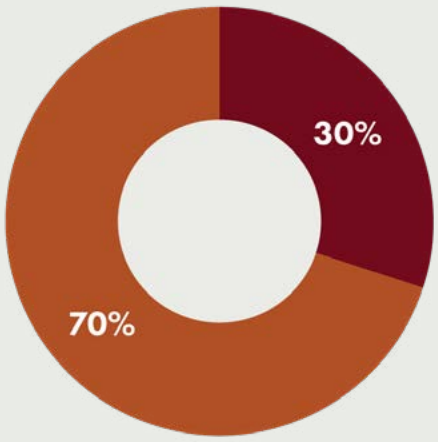
From the available literature and data, it is clear that license-exempt providers like NCRPs serve an important role in caring for young learners in the ECE system, especially by potentially reaching CCDF priority populations. For example, 59% of parents nationally reported using non-parental child care arrangements for children ages five and younger at least once per week in 2019. 38% of whom reported using relative care.[8] Parents who are Black (45%), Hispanic (44%), and Asian or Pacific Islander (35%) had higher reported rates of relative care use compared to White parents (34%). Parents of very young children reported

Figure 4: Licensed Child Care Providers Not Contracted with DES



Note. N = 3,720 (Data Source: DES Administrative Data and DHS Administrative Data, 2023). Analysis completed by DES.

Figure 5: Quality First Providers Not Contracted with DES



Note. N = 1,284 (Data source: FTF Administrative Data, 2023).

higher rates of relative care use than preschool-age children—58% (infants under age 1) and 44% (children ages 1-2) compared to only 26% for 3-5 year olds. What's more, license-exempt providers nationally disproportionately serve infants and toddlers, families who need care during non-traditional hours, and children from immigrant families.[9] Home-based child care more broadly, including license-exempt relative care, is more prevalent in Black and Latine communities, neighborhoods with concentrated poverty, and rural areas.[10] More research is needed to understand the landscape of license-exempt providers in Arizona and what may have caused this decline in NCRPs and family child care providers.

Next, we examined the two other state agencies involved in the child care system in the state—DHS, which manages state child care licensing regulation, and First Things First Quality First (QF), which is the statewide early childhood quality improvement and star rating system managed by the state's early childhood government agency—and the extent to which providers from these systems contract with DES. It is important to note that providers may overlap across these systems in order to understand which supports providers are receiving. Out of the overall universe of 3,720 Arizona child care providers in July 2023, 2,548 were licensed by DHS, 2,327 were contracted with DES or DES certified, and 1,433 were both DHS licensed and DES contracted. As of 2023, according to administrative data there were 2,327 DES-contracted providers, which represented 62.5% of all licensed and certified providers in the state. However, large percentages of providers in other systems were not contracted, including 45% of DHS-licensed providers and 30% of QF providers, leaving substantial room for growth (see **Figures 4 and 5**).

It is clear that license-exempt providers like NCRPs serve an important role in caring for young learners in the ECE system, especially by potentially reaching CCDF priority populations.

FINDINGS

Key Findings

- There were large drops in the number of certified family child care providers and non-certified relative providers between FY2022 and FY2023—a **84.9%** decrease in "family home" and a 70% decrease in "child's home."
- There was an increase of nearly **16%** in contracted providers with the capacity to serve over 60 children between January 2020 and September 2023.
- During the same period, all other capacity levels saw a decrease in the number of contracted providers—**22.5%** decrease for providers with a 1-4 children capacity, **3.8%** decrease for 11-59 capacity, and **2.1%** decrease for 5-10 capacity.
- The majority of providers across all groups who responded to the provider survey cited the enrollment of families who received subsidies in their program as the main reason their program was contracted.
- Many contracted group homes cited that DES subsidy funding made up a large percentage of their revenue source.
- Reported barriers to becoming contracted providers included burdensome administrative paperwork and time, lack of real-time technical assistance and responses to questions about the contracting process, and misalignment of and difficulty managing multiple state early childhood system regulations and rules.
- A cap on the number of children with disabilities who can be enrolled in DES-contracted programs was reported as a significant barrier for school district-based providers who are responsible for implementing early childhood special education services in the least restrictive environment.

CHANGES IN NUMBER OF CONTRACTED PROVIDERS BY LICENSED CAPACITY

Parent choice is a central aspect of increasing access. One preference that parents have is the size of the program. Providers operate programs of varying sizes in alignment with licensing requirements based on the physical space available for children to play and learn. "Licensed capacity" means the maximum number of enrolled children a program can provide child care services in a facility or a part of a facility at any given time. Licensed capacity is one important dimension of access as it illustrates the upper limit of potential slots available in programs to serve children.

The following analysis includes DHS licensed centers, DES certified family child care providers, and DHS group homes that were contracted with DES. In January 2020 and August 2023 programs with the capacity to serve up to 60 children made up the majority of contracted providers. The following table uses providers' self-reported licensed capacity. Our analysis found that there was an increase of nearly 16% in DES-contracted providers among programs with the capacity to serve over 60 children. Further, all other provider capacity levels saw a decrease ranging from 2.1% (providers licensed to

Table 1: Change in the Number of DES Contracted Providers between January 2020 and September 2023

Capacity	Contracted Providers January 2020	Contracted Providers September 2023	Percent Change
1–4	271 (16%)	210 (12%)	22.5% decrease
5–10	192 (12%)	188 (11%)	2.1% decrease
11–59	498 (30%)	479 (28%)	3.8% decrease
60 and over	705 (42%)	817 (48%)	15.9% increase

Note. N = 1,666 in January 2020 and N = 1,710 in August 2023 (Data Source: DES GIS File, January 2020 and September 2023).

serve 5-10 children including DHS licensed group homes and DHS licensed centers) to 22.5% (DES certified family child care providers with a 1-4 capacity) (see **Table 1**). These trends indicate a potential shift in the system, with shrinking numbers of smaller capacity providers and increases in larger capacity providers.

ENABLERS TO BEING DES CONTRACTED

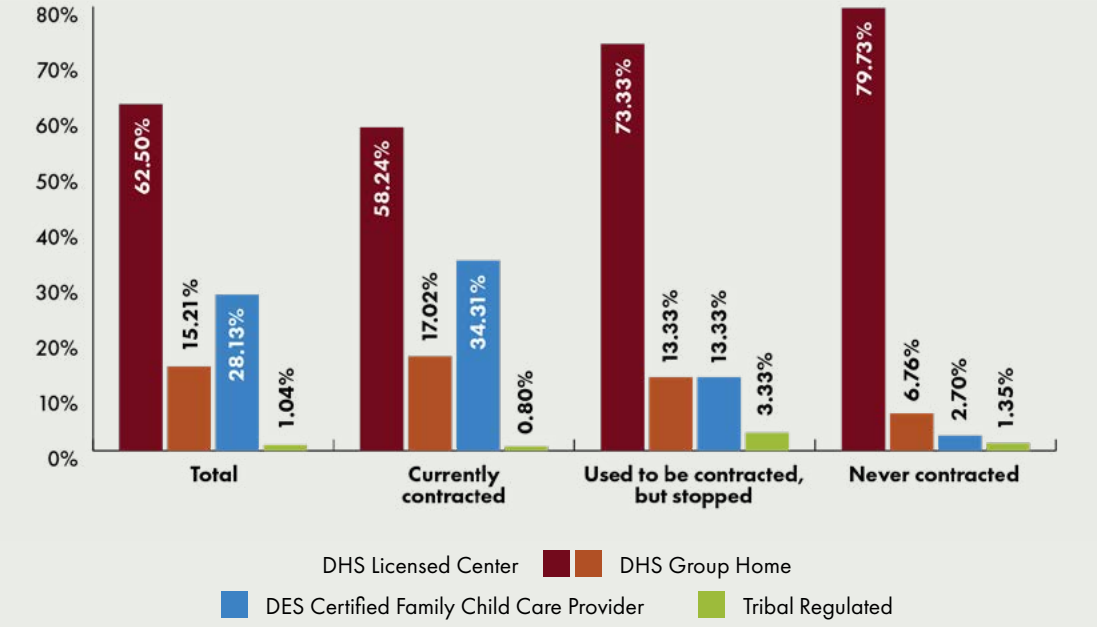
In this part, we explored the reasons providers cited for being contracted and the enablers they described to maintain this status. First, we examined the contracted status of providers who completed the provider survey. Though these providers may not fully represent the Arizona child care system, they provide initial insights of providers. The vast majority of those who completed the survey were contracted or certified providers, but notably, of those who reported never having been contracted, nearly 80% were center-based providers, and of those who used to be contracted, but stopped 73.33% were center-based (see **Figure 6**).

We found that 222 providers from the larger survey sample opted to answer the question "Why did your program *become* DES contracted?" (see **Figure 7**). Of those, the majority of providers across all groups cited the enrollment of families who received subsidies in their program (see **Figure 7**). Both centers and DES certified family child care providers selected grant opportunities or additional funding sources from DES (46.8% centers, 40.6% family) as the second most common reason they were contracted. For group homes serving DES children, the second most commonly cited reason was that state DES subsidy funding made up a large percentage of their revenue source (51.6%). Additionally, more than 1/4 of all types of providers indicated that increased reimbursement rates was a reason their program was contracted. **More than 1/3 of group homes (34.4%), more than 1/4 of family child care providers (26.6%), and 1/5 of centers (21.8%) reported that increases in the enhanced quality rate were a reason for becoming DES contracted.** These responses highlight the critical nature of reimbursement rates to provider contracted status.

When providers were asked "What has helped your program stay DES contracted or certified?" (see **Figure 8**), grant opportunities and enrollment of DES subsidy families were selected by the majority of providers across provider type. Additionally, higher percentages (36%-63%) of providers selected increased reimbursement rates motivated them to remain contracted.

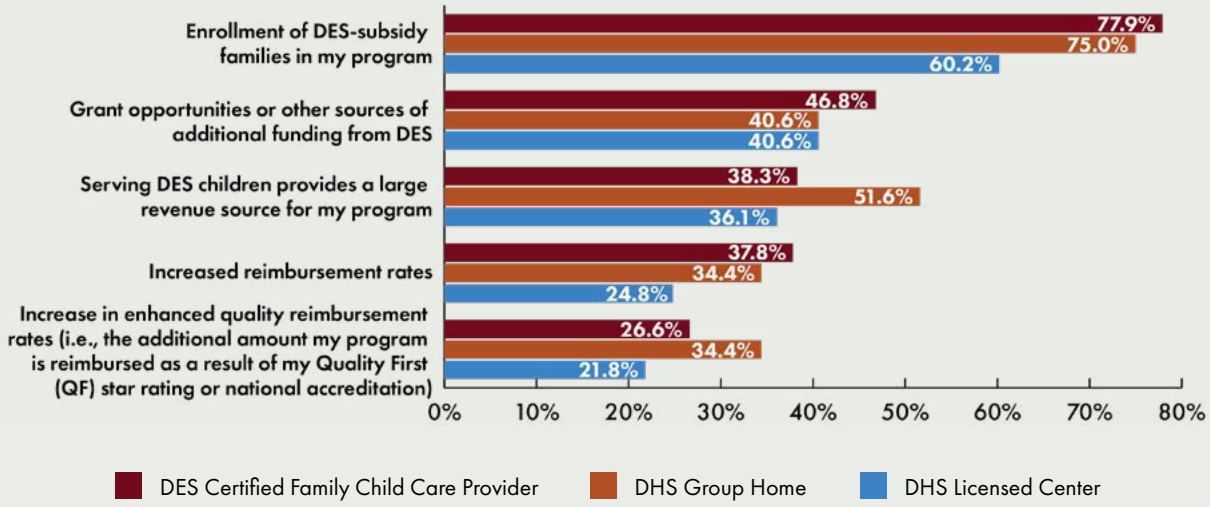
These quantitative findings were echoed and expanded upon in the focus groups. Two major themes emerged when considering the purpose of DES child care subsidies, across all settings and contracted status. First, providers

Figure 6: Survey Respondent Contracted Status by Provider Type



Note. N = 480 (Data source: Provider survey).

Figure 7: "Why did your program become DES contracted?" by Provider Type



Note. N = 222 (Data source: Provider survey).

saw subsidies as a financial support for families. Second, providers explained child care assistance increases access to child care. Several times, providers referenced that their goals of ensuring children who needed care had access to it aligned with the purpose of the DES child care assistance program.

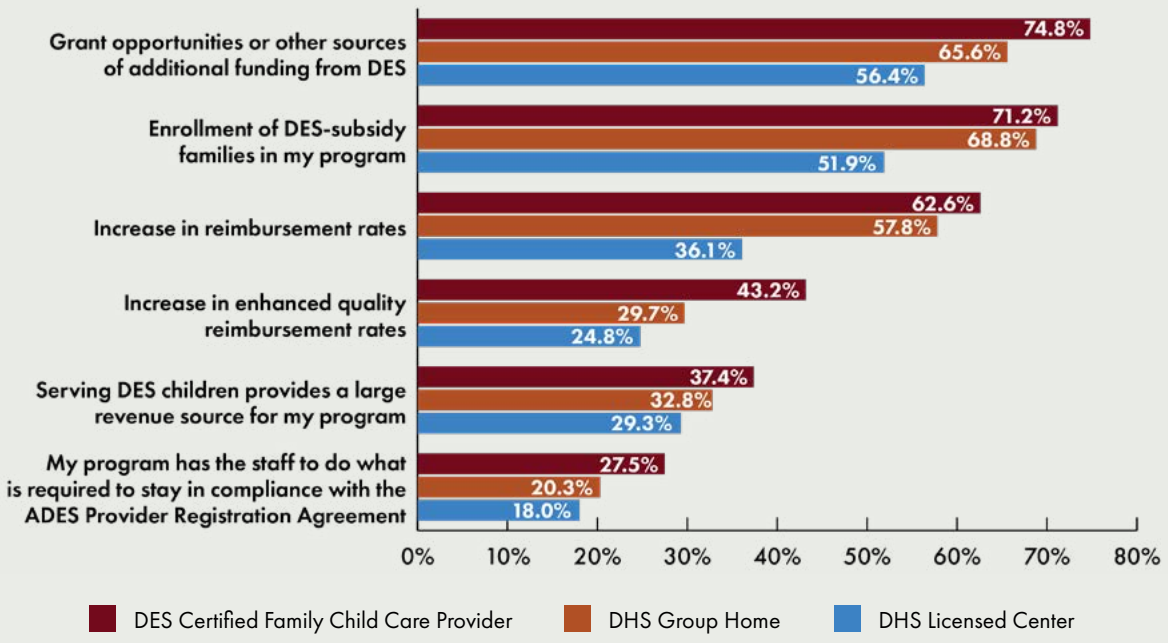
A faith-based, currently contracted provider in Maricopa County explained:

> **"We became... contracted with DES... shortly after we opened. And I feel like DES is one of the many support systems that families can use to access child care assistance. [It] provides them a place of stability, while families utilize that child care assistance to obtain employment or seek out other services they need..."**

Providers in under-resourced communities expressed the importance of DES subsidies as a vital financial resource to help families access child care, and that the funding serves as a revenue stream for providers to provide child care services that may be otherwise unaffordable for families.

Overwhelmingly across settings, providers' currently contracted with DES named their main purpose for being contracted with DES was to serve families who needed care. Their self-defined purpose of becoming DES contracted seemed to act as a major enabler for maintaining contracted status. Many noted that they served families through DES, though providers stated the rates did not cover the full cost of providing care. Providers explained they are dedicated to serving children and families despite in some cases taking a financial loss. Despite these differences in cost, providers expressed gratitude for having access to financial support for families, noting that their rates, reflective of the cost of quality, are unaffordable for many families. For providers in less resourced areas, DES makes accessing child care possible for children and families.

Figure 8: "What has helped your program stay DES contracted or certified?" by Provider Type



Note. N = 419 (Data source: Provider survey).

A home-based, currently contracted provider in Gila County responded:

> **"The reason I came back to DES is because I know how beneficial it is for the parents and to help them...I know how beneficial it is for the parents and to help them. And that's the only reason why I'm with [DES] for the... parents and the kids."**

A center-based, currently contracted provider in Maricopa County said:

> **"If the DES is not in our life, I don't think any of my schools will survive, because it's 85% to 90% DES kids. We don't charge any... extra charges, nothing, even the copay... it's hard for them to give. So if the DES is done, they leave. Sometimes... we have accrued $2,000 because their DES was not renewed. So every year around $10,000 we lose because we can't track them. It's in the poorest zip code... I don't think any of my kids can afford, the parents can't afford, or whether they will use that money for something and keep the kids at home. So if the DES is done, they don't come. So in our life, DES is everything."**

BARRIERS TO BEING DES CONTRACTED

Next, we explored barriers cited by providers to being contracted with DES.

Administrative Burden

"Never contracted" providers perceived that contracting with DES would require a burdensome amount of administrative time and paperwork. Several providers explained that it would even require its own specific staff member just to handle those responsibilities. For example, never contracted providers identified paper-and-pen attendance tracking and hours spent on reporting as a barrier and indicated that digital procedures may be more efficient for their time, especially given the many tasks that child care directors have to complete on a daily basis. Despite being named specifically as a challenge by contracted providers, the motivation to stay contracted seemed to outweigh the paperwork and administrative challenges for this population of child care providers.

This was also reflected in the survey in which 65.2% of respondents that used to be contracted and 53.3% of respondents that have never been contracted listed "too much paperwork" as a barrier and 17.4% and 36.7% of respondents respectively stated "I didn't have the staff to keep up" (see **Figure 9**). A never contracted center-based provider explained:

> **"I have inquired with [the] Arizona Department of Health Services when our licensing comes around, and they told me that there are just so many more hoops to jump through and so many more forms to fill out. That, really, it's not worth our time and our effort."**

A center-based provider that used to be contracted in Maricopa County said:

> **"It was the paperwork for the attendance. I did not realize when I signed up that our electronic system was not one of the accepted ones. So, then that was my mistake. But, then got the triplicate forms in the mail, and I was advised that now, even though I had one family that I was enrolling through DES, that every single family in my center would have to be signing these triplicate forms. To me, it was just too big of an operational shift to expect...other families to change their whole procedure."**

A school-based, never contracted provider in Yavapai County responded:

> **"From what we've heard, it's extensive and there's a lot of paperwork. We have just a three [staff] administrative team... that does everything."**

Providers across all contracted types and settings cited the process for reporting and the procedures to maintain contracted status as time-consuming, inefficient, and administratively burdensome enough to require one or more dedicated staff to complete the required tasks.

Providers that were never contracted also shared that finding clear, concise information for unique questions they had was a challenge and that often the information was held in a variety of different locations.

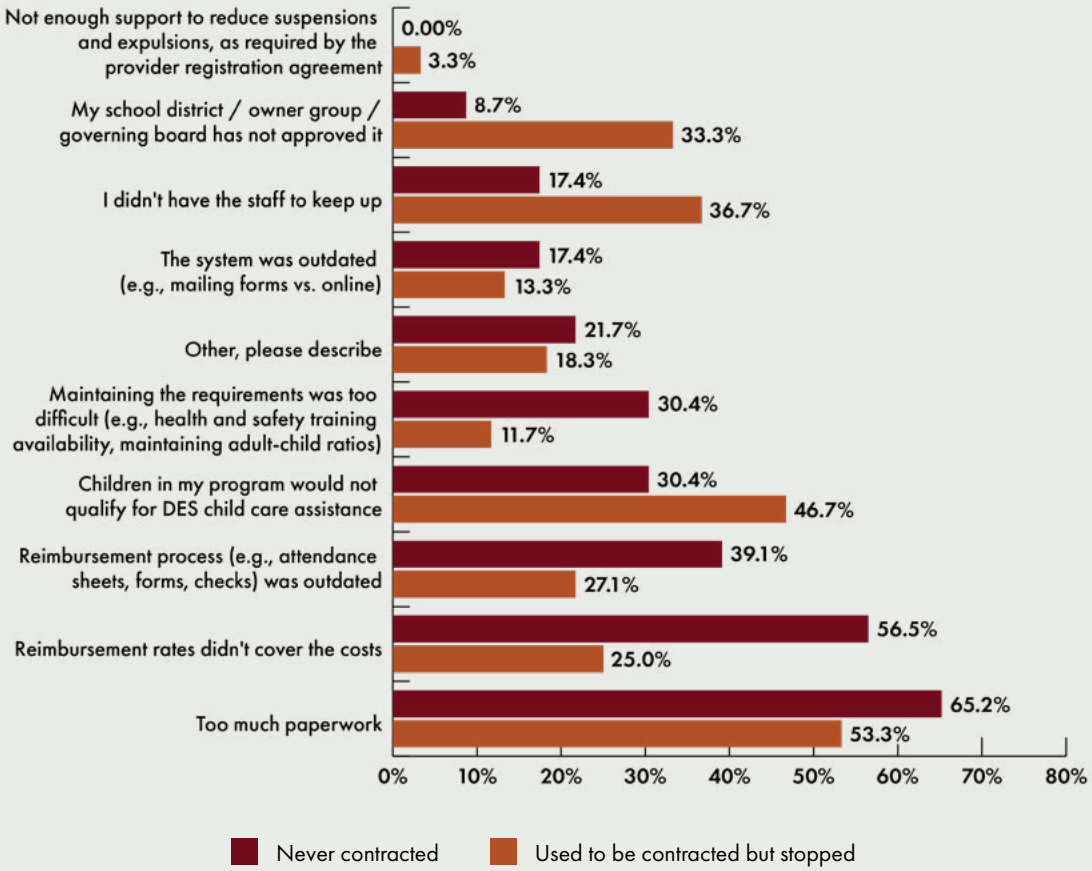
A school-based, never contracted provider from Yuma County suggested:

> **"If [DES] made it simple, like they did during COVID, when they had that COVID money, everybody should be jumping on board. Because that form was really easy to fill out every month... something simple. I understand the checks and balances, but there's got to be a little simpler way."**

Lack of Clarity and Understanding about DES and the Contracting Process

Providers that were never contracted and previously contracted indicated that they lacked a full understanding of the process to becoming and maintaining contracted status with DES. Yet, they also expressed interest in learning more and seeking answers to questions they had. Consistently, providers that were not contracted explained that they found it difficult to find all of the information in one simple place. We also found that providers were receiving bits of information from a variety of sources—QF coaches, DHS licensing compliance officers, other

Figure 9: "Why is your program not DES contracted or certified?" by Provider Type



Note. N = 83 (Data source: Provider Survey).

directors, or their direct supervisor—which seemed to have developed some misconceptions about the DES contracting process. Further, providers who are currently contracted also indicated receiving unclear information regarding DES policy changes. This unclear information led to confusion for providers. Providers each had different definitions and understandings of policies related to reimbursement rates, electronic attendance guidelines, and family copayments. These discrepancies seemed to be traced back to the source of each provider's information including emails from DES, conversations with specialists and Quality First coaches.

Notably, currently contracted providers shared how their experience varied based on the timely responses, welcoming interactions, and accurate information provided by a DES specialist. When providers had access to timely, accurate information from friendly staff, they reported being able to keep up with required paperwork for maintaining DES contracted status. A center-based, never contracted provider in Yavapai County and a currently contracted home-based provider in Gila County shared their perspectives, respectively:

> **"The reason... that we've been reluctant in the last couple of years is because I don't know enough about it and can't get the information. [DES will] just send me the application and stuff for it. They don't explain, 'What are the steps we are going to have to follow? What... is going to change about our program? What is the expectation for our teachers and for the admin?' So without that knowledge, I'm not willing to take the leap."**

> **"When I first started when I got certified. They have enhanced rates, and then they had special needs rates. So on the information that she gave me, it had the rates and then [had] special needs rate. Well, I didn't know that the special needs rate was already enhanced. It reflected enhanced rates... because the other rates didn't reflect the enhanced rates.... I'm thinking those are the rates, because these aren't enhanced. So why would the special needs be enhanced? It didn't say it [was] enhanced rates."**

Lack of Real-Time, Responsive, Individualized Technical Assistance

Providers cited a lack of responsive communication from DES as a challenge, including turnover in DES staffing leading to confusion around who to connect with for specific questions about procedures and difficulty getting a hold of a DES staff over the phone. For example, several providers explained that they did not receive a response after calling or emailing a DES contract specialist or did not feel like their questions were fully answered when reaching out to DES to clarify policies, learn more information, or follow up on a concern.

These findings were consistent with the provider survey that showed providers referenced training and technical assistance as an enabler to staying DES contracted from DES certification staff (15.6% DHS group homes, 15.3% DHS licensed centers, 13.5% DES certified family child care providers) and DES contract staff (23% DHS licensed centers, 21.9% DHS group homes, 13.5% DES certified family child care providers) (see **Figure 10**).

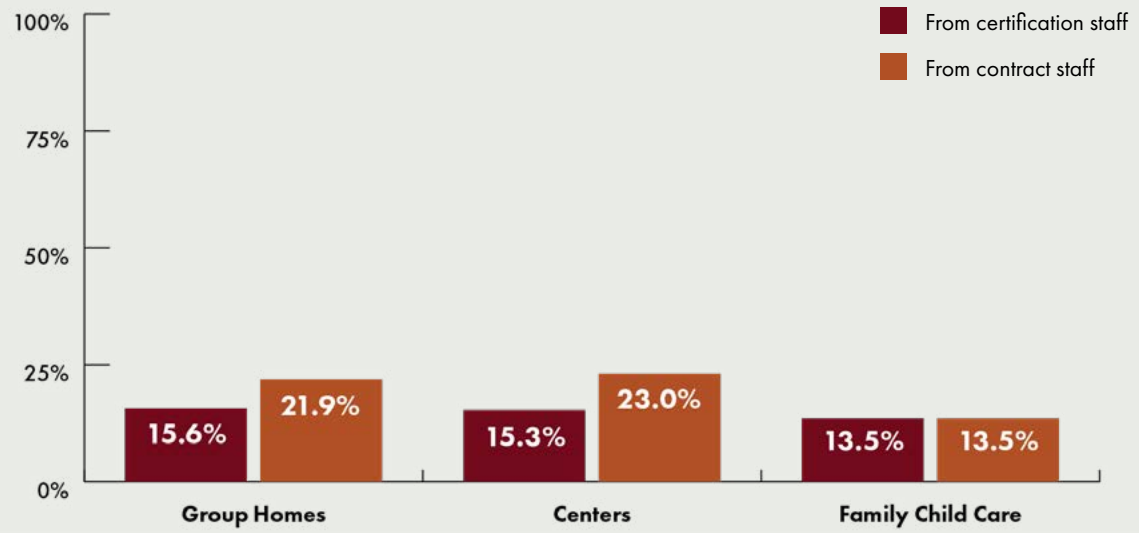
A never contracted center-based provider in Maricopa County recommended:

> **"I don't even know if they have a hotline because I've never been able to really speak with anybody at DES. I do know that [Arizona Department of Health Services child care licensing] has a contact number during office hours that you can contact and ask some general questions to. But does DES have something like that? And how are we able to obtain that?"**

A faith-based, never contracted provider in Maricopa County suggested:

> **"How [Quality First] has a coach that comes out, even if there was just a [DES] person, they wouldn't have to come out consistently. But... even if they went to different preschools who were not DES contracted and were like, 'Why? How can I help you become that?' I mean, that seems like it would be beneficial."**

Figure 10: Survey Respondents Reporting that Support from DES Staff was an Enabler to DES Contracting



Note. N = 367 (Data Source: Provider survey).

Misalignment between DES Contracting Requirements and Other State Early Childhood Systems and Difficulty Managing Multiple, Varying Requirements

Several center-based providers that were never contracted Several center-based providers that were never contracted or used to be contracted expressed their challenge that there was misalignment in the expectations between DES and DHS. Specifically, the providers said that the regulations and requirements were in direct conflict with one another (i.e., group size limits, attendance tracking requirements, the sign in process, a limit on the number of children with disabilities allowed to be enrolled). In some cases, providers confused DES contracting with the process of receiving the pandemic-related child care stabilization grants (CCSG), participation in Quality First, or regulations from the child care licensing system. This may indicate that the provider experience includes interactions with multiple different agencies and staff with varying requirements without clear distinction around the purpose and role of each agency. As a result, this seems to have contributed to confusion or misunderstanding about the DES contracting process. A never contracted center-based provider in Maricopa County said:

> **"Our understanding is we would still follow the rules of the state licensing through the Department of Health Services, but now also have to follow other rules. And we're learning with Quality First that we participated with and Department of Health Services, a lot of their views don't align with each other... they contradict a lot. It just takes a toll on the staff."**

A Yuma County school-based provider that has never been contracted said:

> **"[A cap on the number of children with disabilities] is crazy, because... you know how [Arizona Department of Education] is pushing for us to get to 50% inclusion? This is kind of like working against us."**

Among the providers that had never been contracted and those that used to be contracted with DES, different types of providers identified specific reasons related to policies or priority populations that either inhibited, unmotivated, or disincentivized their program from becoming DES-contracted.

The cap on the number of children with disabilities served in DES-contracted programs was a main reason school-based providers were unable to become contracted.

School-based providers—which are required to serve children with disabilities through early childhood special education services under Part B 619 of the Individuals with Disabilities Education Act (IDEA)—were concerned that they would exceed the cap for children with disabilities according to the DES application which they felt disincentivized their goals for more inclusive early childhood environments. In the school-based never contracted focus group, one provider specifically referenced the cap on the number of children with disabilities "on page 13 of 67" of the DES application. A Pinal County school-based provider that has never been contracted explained:

> **"When we started looking at the DES application, one of the things that would throw us out of qualifying is they put a cap on [early childhood special education] students you're allotted. It says here that 'not more than 10% of the providers' licensed capacity can be children with disabilities.' We're the only district out here. We're a small, rural school, and we always run higher than 10% because we're the only preschool out here… we don't have charter schools. We don't have private schools. So, of course, as you know, we can't limit our [early childhood special education] kids because we're the local education agency."**

Faith-based providers were worried that DES requirements might conflict with their statements of faith and religion-based curriculum.

While faith-based providers said that DES subsidies would help them to serve more families in need, they also identified concerns that DES contracting requirements would limit their ability to provide a religious educational experience for enrolled families. To address this barrier, faith-based providers suggested that DES have a specific staff member who is familiar with faith-based programming serve as a liaison with providers and conduct listening sessions and community engagement to recruit more faith-based providers. Two never contracted faith-based providers in Maricopa County shared:

> **"I think that's our biggest… concern is if we are contracted with DES, can we still have our statement of faith and… only admit families into our program [who] aligned with that statement of faith?"**

> **"It would depend on requirements for our curriculum, what we're allowed to teach, what we are allowed to keep in the classrooms… because we are a faith based program. And I know, Quality First does limit curriculum on faith-based, and we want to be able to still teach the way we want to teach."**

Only two center-based providers referenced changes in the DES suspension and expulsion policy as a reason for not renewing their DES contract.

Two center-based providers of the four total providers in the used to be contracted focus group explained they had major concerns about the revised 2016 policy that described the process for suspension and expulsion prevention. The providers shared specific examples of when they thought disenrolling a child from the program would be acceptable and explained that the decision would be made in partnership with families for "what is best for the child". The providers said that the revised expulsion prevention policy was not responsive to the behavioral challenges that happen day-to-day in child care programs and that there are circumstances in which they felt might require removal if the safety of a child or adult was threatened or the program was not a "good fit". The providers decided to stop contracting with DES before implementing these new policy changes. Therefore, we interpreted that they seemed to be influenced by their perception about a need to have the flexibility to suspend or expel children for certain behaviors. This could be mitigated by additional comprehensive resources like Early Childhood Mental Health Consultation (ECMHC), individualized technical assistance and coaching, and other suspension prevention supports.

The providers who used to be contracted brought up this barrier in conjunction with concerns that lowered ratio requirements would hurt their program financially and that requiring all families to track attendance the same way as families utilizing child care assistance—even if they themselves weren't receiving DES subsidies as a family—would lead to more time and energy spent on administrative tasks.

This finding differs from the provider survey in which 0% of respondents who used to be contracted and only 3.3% of never contracted providers believed they did not receive enough support to reduce suspensions and expulsions as required in the Provider Registration Agreement (PRA). As such, we lift up this finding only to highlight the perceptions that providers may have about suspension and expulsion prevention requirements under contracting with DES to inform potential future training and technical assistance support from DES. DES should reference the ***Start with Equity Arizona*** report for recommendations on improving the Expulsion Prevention Program. Two center-based never contracted providers from Yavapai and Maricopa Counties respectively explained:

> **"The whole policy of expelling children, a child, I felt like that tied my hands quite a bit... having three or four pages of this policy and the steps you have to take when a child is acting up was not okay with me. Sometimes you have to act a little more quickly than that."**

> **"There are some times where certain unpredictable, unsafe behaviors or certain extreme behaviors [are] on such a scale that your center is not capable of handling them. That it is a concern to me that I would have to be tied to a certain procedure."**

CONCLUSION

Our analyses of contracted providers prior to and during the course of the pandemic found that the number of providers contracted with the state remained largely consistent.

Indeed, pandemic relief investments in reimbursement rate increases, CCDF quality improvement activities and child care stabilization grants, and the contracts with First Things First (FTF) to enhance program quality supports and Local Initiatives Support Corporation (LISC) to manage child care infrastructure grants each, in theory, should have provided incentives for providers to contract with DES. Our analyses found small increases in the number of DHS licensed centers and group homes contracted with DES, but found a 25% decrease in the number of family child care providers.

Additional barriers that DES can address to build on pandemic-era policies and increase the supply of providers contracted with DES. Indeed, clear themes across both our survey and focus groups showed that a key barrier for providers contracting with DES is administrative burden—whether real or perceived. Providers also reported that interactions with DES staff and systems are often slow and not always positive. As such, DES should develop policies and practices that ensure responsive interactions from DES staff, establish a goal and timeframe for following up with providers, and identify a method for providers to get real-time answers to their questions. To ensure that DES remains informed of provider sentiment and experiences, DES should also establish consistent, ongoing advisory meetings with contracted and non-contracted providers, especially in areas where there are supply gaps for families using DES subsidies.

APPENDIX A

DATA SOURCES USED TO EXPLORE CHILD CARE SUBSIDY CONTRACTING PATTERNS

Administrative Data

DES GEOGRAPHIC INFORMATION SYSTEM (GIS) FILE

The GIS data file consisted of provider and client data in monthly files from August 2019 to July 2023. The provider files included a record of each provider contracted with Arizona Department of Economic Security (DES) including demographic data on the provider (i.e., provider service address, language spoken), descriptive information on the program (i.e., service type, address), and demographic data on the children served (i.e., race/ethnicity, age).

DES AND DHS PROVIDER UNIVERSE FILE

This file was created by DES staff by combining Arizona Department of Health Services (DHS) and DES administrative data to create a file with both sets of providers, receipt of child care stabilization grants (CCSG), program type, program name, license capacity group, DES contracted status, and open/closure status of these programs. The file was created in July 2023.

Survey

CHILD CARE PROVIDER PANDEMIC RELIEF EXPERIENCES SURVEY

In partnership with DES, the Children's Equity Project (CEP) designed and launched the Child Care Provider Pandemic Relief Experiences Survey (referred to as the "provider survey") to Arizona-based child care providers regarding their program's receipt of COVID-19 relief funding including CCSG and other programs funded by American Rescue Plan Act (ARPA) and Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) dollars including the expansion of Quality First (QF) and Early Childhood Mental Health Consultation (ECMHC), High Quality Early Learning (HQEL) program, and child care infrastructure grant. Providers were asked about their receipt of supports, experiences with and perceptions of CCSG, and interactions with DES. The sampling frame was all DES and DHS child care providers (N = 3,687 as of July 2023). The listed program point of contact email address was used to reach out to providers. The survey was available for two weeks between September 25 and October 13, 2023. Reminders were sent every three days to those who had not completed the survey. Providers were offered an incentive of a $10 gift card to compensate for their time. A total of 898 providers completed the survey, which was a response rate of 25%.

The survey included a total of 64 questions with sections regarding the characteristics of the program, stabilization grant experiences and outcomes, areas of need pre-pandemic and current (September/October 2023), workforce retention, experiences contracting with DES, and information regarding child care subsidy reimbursement rates. The sample included 51% Licensed Centers, 20% non-certified relative providers (NCRPs), 13% Group Homes, and 16% Certified Family

Providers. The sample was 85% DES contracted, 64% DHS Licensed, and 53% both DES and DHS. The racial/ethnic and language make up of the survey included 3.12% American Indian/Alaska Native or Indigenous, 3.7% Asian, 11.5% Black or African American, 38.5% Hispanic/Latino(e/a), <1% Native Hawaiian/Pacific Islander, 40% White Non-Hispanic/Latino, 2.44% Other. Roughly half (51%) of participants spoke a language other than English, the most common of which was Spanish (81%).

Focus Group

DES CONTRACTED PROVIDERS FOCUS GROUPS

Sampling for this set of focus groups came from email addresses of Arizona child care providers reported through the provider CEP CCSG survey, which included respondents from centers, group homes, family child care providers, and NCRPs. For survey respondents who completed the survey and answered whether or not they were currently contracted with DES or if they had been historically, we generated and sent an email (N = 480) in April 2024 inviting them to consent to participate in one of three focus groups: currently contracted (N = 378), never contracted (N = 72), used to be contracted (N = 30). For those that completed the consent form (N = 90), we invited the first six respondents for each of the six provider setting types (home-based, faith-based, school-based, center-based, Head Start, and Montessori) to join the virtual focus group through Zoom. Nineteen currently contracted providers, 12 never contracted providers, and 4 providers that used to be contracted attended the focus groups. We also conducted outreach through email to a subset of providers with the word "Montessori" in their email addresses (N = 17) in June 2024. However, none of the child care providers consented (N = 0). Of the focus group participants, providers lived or worked in ten of the state's 15 counties (Coconino, Gila, Maricopa, Mohave, Pima, Pinal, Santa Cruz, Yavapai, Yuma), and 31% were center-based, 25% were faith-based, 20% were school-based or Montessori, 20% were home-based, and 4% were non-certified relative providers. First, to establish a baseline and to identify any misinformation that may influence providers' desire and ability to contract with DES, we asked "In your own words, describe DES child care subsidies." Finally, the next set of questions directly related to the reason they were or were not contracted with DES, barriers, enablers, and challenges with DES contracting. Participants were offered an incentive of a $20 gift card to compensate for their time.

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