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STAFFED FAMILY CHILD CARE NETWORKS:
An Opportunity to Reimagine the Kentucky Child Care Landscape

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January, 2021

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*This Issue Brief is prepared by Opportunities Exchange for **The Prichard Committee for Academic Excellence of Kentucky** and their Strong Start Coalition to support **their Expanding High Quality Family Child Care in Kentucky** initiative. It presents a case for strengthening the family child care infrastructure in Kentucky by way of Staffed Family Child Care Networks designed to increase the quality and financial viability of family child care businesses. A tailored cost model and analysis accompanies the report to demonstrate the essential need to fundamentally rethink the path forward.*

Twenty-five years ago, most of our nation's children with working moms were enrolled in home-based child care settings with non-related caregivers.[1] Today, this picture is dramatically different. In recent years the number of regulated home-based child care options has rapidly declined, falling by 35% nationally between 2011 and 2017[2] with even greater decline in some states including Kentucky (KY). Since 2003, the number of regulated family child care (FCC) providers in Kentucky, (Certified and Licensed Type II) has plummeted from over 1,200 to less than 300 (see line graph, below).[3]

Number of Kentucky **Family Child Care Home Providers**
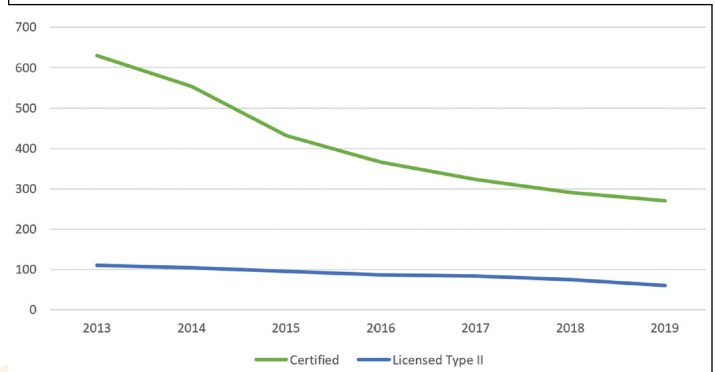
Source: Kentucky Cabinet for Health and Family Service, 2019

The Family Childcare Landscape in Kentucky

Despite data indicating a decline in FCC, the Committee for Economic Development reports that 5,555 Kentucky residents recorded home-based care as their source of income on 2018 IRS tax returns. This suggests that the problem is not a shortage of home-based child care options but rather a shortage of regulated home-based options. In short, these data suggest that a very significant number (almost 93%) of home-based child care providers in KY are not part of the formal regulated system that was designed to ensure safety, health, development, and program quality standards. (Note: Not all unregulated child care providers are operating illegally. Some may be serving less than four children or otherwise not required to pursue regulation.) (See Table 1, page 3)

These data underscore an opportunity and a challenge. KY has significant capacity to not only help families find the child care they need to work or attend school but to also strengthen child care options so that children get the early learning opportunities that are so important for future success. Tapping technology solutions to more easily share information on child care options, make sure

that all legal care is listed, and include real-time data on vacancies is a promising next step. The challenge, however, will be to revise the regulatory system so that that it aligns well with home-based child care businesses and links to supports aimed at making home-based child care a viable career.

Families across Kentucky deserve safe, affordable child care options—especially in rural areas. Home-based child care is a key strategy to meet that need.

TABLE 1

Committee for Economic Development 2019 Child Care in State Economies, Kentucky

# family child care providers based on 2018 IRS Filings	5,515	
# of Type II FCC Providers	75	1%
# of Certified FCC Providers	300	5%
Unregulated (or regulation exempt) Providers	5,140	93%

Kentucky Family Child Care **Definitions**

Certified Family Child Care Home is a private home that provides full- or part-time care for up to four related children, in addition to six unrelated children, for a maximum of 10 hours at any one time.

Licensed Type II Child Care is a child care center located in the primary residence of the licensee in which child care is regularly provided for at least seven, but not more than twelve children, including the licensee's own children.

BARRIERS IDENTIFIED BY KENTUCKY FAMILY CHILD CARE PROVIDERS

Recent focus groups with Kentucky family child care providers from underserved regions underscored barriers to opening and sustaining regulated home-based care for infants and toddlers. The report, *No Place Like Home*, highlighted the following barriers:

1. Intimidating start-up processes, insufficient housing, unfavorable local zoning laws, and prohibitive costs to meet regulatory guidelines.
2. Lack of business knowledge and skills as well as ongoing challenges with technology.
3. Isolation and elusive peer-to-peer guidance.
4. Public supports, including coaches, far more familiar with center-based environments than in-home care.
5. Extraordinary challenges securing sufficient and stable funding.[4]

Provider demographics appears to be another barrier. Younger Kentuckians view becoming a certified or licensed home-based child care provider a less appealing vocation than the previous generation. Many current FCC providers entered the profession as a result of early 1990's TANF and CCDF programs and are now aging out. The 2014 freeze on Kentucky's publicly-funded child care assistance also led to a dramatic decrease in the number of regulated FCC; supply has only continued to decrease.

INFANT AND TODDLER CARE SHORTAGE

While the U.S. has made noteworthy strides in improving the affordability, quality and supply of care for children over the age of three, our nation has struggled to effectively respond to the needs of working families with infants and toddlers.[5] There are an estimated 165,000 infants and toddlers under the age of three in Kentucky[6] and little evidence that the State has capacity to serve those children. Indeed, a 2018 report from the Center for American Progress indicated that half of Kentuckians live in child care deserts—areas with more than three young children for every child care slot. Nationwide, the report found that rural and low-income areas are more likely to be child care deserts, Hispanic/Latino families are more likely to live in childcare deserts, and care for infants and toddlers is sparser than for preschool-age children.

Because family child care homes care for smaller numbers of children, they have greater viability than do centers in rural areas with low population density or neighborhoods with few young children. Even in regions with sufficient population to support child care centers, family child care homes may prove an attractive option for families with infants and toddlers, who may prefer a smaller, more family-like environment.

FAMILY CHILD CARE NETWORK PILOTS

Recognizing the dramatic need to reverse the trend of unregulated family child care, in 2018 the Prichard Committee received a multi-year grant from the W.K. Kellogg Foundation to launch the **"Expanding High Quality Family Child Care in Kentucky"** initiative. In partnership with the Kentucky Cabinet for Health and Family Services Division of Child Care, the Kellogg Initiative aims to develop innovative methods to support family home child care providers with two intended impacts: increase access to high quality infant and toddler care and build capacity to support and recruit new family child care home providers. Under a research and development framework, four components were established:

▶ **Statewide advisory group:** To serve as a sounding board to provide input, guidance and advice to the regional pilots as well as to learn from experts and practitioners;
▶ **Regional and local pilot projects:** To seed, assist, and learn from models that fit local contexts and conditions;
▶ **Focus groups with providers, parents, and businesses:**

To better understand challenges and opportunities for infant and toddler care in family child care home settings; and,

◗ **Formative evaluation**: To clarify goals, document learning, and recommend course adjustments when needed.

As a major step, in 2019 five Regional Pilots received small grants to create networks of home-based child care educators and explore this approach as a strategy to increase the supply of high-quality child care. The pilots and their descriptions are presented in the table below.

TABLE 2

Five Regional FCC Network Pilots under Expanding High Quality Family Child Care in Kentucky Initiative

Eastern KY	Brokering community & business support to increase availability of infant & toddler care in family child care homes
Louisville	Strengthening support systems for Spanish-speaking family child care home providers
Northern KY	Increasing prominence of family child care homes for infant & toddler care in regional support networks and in communication to parents
Western KY	Building relationships among family child care home providers and enhancing quality of infant & toddler care
Southern KY	Recruiting new certified family child care home providers and improving quality of existing providers

Each Regional Pilot implemented its own customized network approach, with varying degrees of progress and success. As expected, the COVID-19 pandemic interrupted their progress. However, to date, each of the Pilots has encountered one or more of the challenges noted above—family child care is not an appealing business and recruiting new providers, under current conditions, is a significant challenge. A deeper look at what is needed to tap the underground market and scale regulated care follows.

Moving Forward: The Promise of Staffed Family Child Care Networks

To help address the systemic challenges underscored by Regional Pilots, the Prichard Committee invited Opportunities Exchange (OppEx) to take a closer look at the issue, identify national best practice, and recommend how Kentucky could revitalize the FCC sector. As the national leader of Shared Services in the ECE sector, OppEx is able to draw on learnings from networks across the U.S. The Prichard Committee was specifically interested in learning how to implement effective Staffed Family Child Care Networks (SFCCNs) in underserved areas of Kentucky to increase access to high-quality infant and toddler care.

This report summarizes our findings, frames best practices in SFCCNs, and makes specific recommendations for the State as a whole as well as the Regional Pilots. OppEx also recognizes that provider compensation is key to increasing the supply and quality of FCC. To that end, we created a customized FCC cost model to support recommendations made in this report.

BUSINESS SUSTAINABILITY: THE CHALLENGE FOR FCC

What caused the significant drop in home-based child care over the past 10 years in Kentucky and nationally? Opinions vary. Some believe the culprit was our nation's low unemployment rate and numerous opportunities for better, competing jobs. Others underscore the toll that increased regulatory requirements and quality standards have taken on these small businesses. Isolation is another factor, as is the number of family child care providers who have retired. The barriers found by Kentucky's FCC Provider focus group echoed many of these national factors.

However, without question, a primary factor suppressing the growth of home-based child care nationally and within KY is overall financial instability and inconsistent cash flow. Earning a decent living in the business of family child care is possible, but not easy.

Sustainable, high-quality early care and education requires both pedagogical leadership (teaching and learning) and business leadership (fiscal and administration). In a center-based child care

program, it may be possible to employ a leadership team focused on ensuring both pedagogical and business success. Large or multi-site centers typically build internal administrative capacity to meet these needs. Smaller centers struggle with scale but typically employ a director charged with completing administrative tasks. Because of the high level of regulation in the field, even the director

of a small center might spend significant hours in the classroom to ensure that adult/child ratios are met—further limiting time for administrative tasks. Increasingly small centers are recognizing the need for Shared Service Alliances to enable scale. But in family child care the teacher and director are the same person. FCC businesses typically have only one individual responsible for every task: planning the curriculum and teaching the children; handling challenging behavior issues; helping families find needed supports; shopping for, preparing and serving snacks and meals; developing a budget, invoicing and collecting fees, balancing the books; maintaining records required by licensing and quality rating and finding time to attend all required meetings and trainings; and more. Add to this that most home-based providers are providing direct service for, on average, 11 hours a day to accommodate working parents' schedules, it is clear that the demands on home-based child care providers are significant.

Across the nation, a growing number of public and private sector funders have sought to help family child care providers attain scale and sustainability by creating and strengthening provider networks, like the five Kentucky Regional Pilots funded in part by W.K. Kellogg. While many networks are structured as peer groups with volunteer leadership, research has underscored that networks with dedicated staff, termed *Staffed Family Child Care Networks* (SFCCN), are most able to provide effective and sustainable support.[7]

WHAT IS A STAFFED FAMILY CHILD CARE NETWORK?

A recent study by Bromer and Porter of the Erikson Institute defined a SFCCN as "an organization that offers home-based child care a menu of quality improvement services and supports including technical assistance, training and/or peer support delivered by a paid staff member."[8] This broad definition includes a range of sponsoring organizations and services. The study authors noted a lack of consensus on the definition of SFCCN and thus intentionally "cast a wide net" in order to include many examples, such as those sponsored by Child Care Resource and Referral (CCR&R) agencies, Head Start/Early Head Start agencies, child care centers, unions and professional membership organizations.

A broad definition is helpful for survey research. However, scaling best practice requires a more focused look at what works. A growing body of evidence suggests that SFCCNs can have an important impact on program quality. Two studies in particular—one quasi-experimental and another evaluative—provide convincing evidence that family child care home operators that participate in a SFCCN provide higher quality services than those who do not.[9] While the Erikson report focused on mapping the SFCCN landscape, Bromer and Porter conclude with several suggestions regarding the potential of these networks to increase both the supply of care (by helping providers navigate and participate in state and local regulatory and subsidy systems) and business sustainability (by helping providers stay fully enrolled, collect all revenue, and access new resources).

Bromer and Porter's findings underscore the OppEx success equation: pedagogical leadership + business leadership = High Quality ECE. In a center-based environment skilled leadership means thinking critically about how to deploy staff for each of these tasks in ways that make most effective use of individual talents and maximize efficiency. Indeed, OppEx is guided by core values which underscore that every director deserves an administrative team, every teacher deserves a pedagogical 'coach' and every child deserves a skilled, reflective teacher. But how is it possible to practice these values in a home-based child care setting that has only one or two staff responsible for all tasks? From the perspective of a home-based provider, best practice is linked to two key questions:

◗ Do I have the child development knowledge and support I need to be an effective teacher? (Pedagogical Leadership)
◗ Can I earn a decent living running a home-based child care business? (Business Leadership)

These questions can be used to guide a working description of what is meant by a SFCCN. Each will be explored in more detail below.

### PEDAGOGICAL LEADERSHIP: EFFECTIVE TEACHING

A growing body of research underscores that best practice teaching outcomes are more likely in programs that don't just have credentialled teachers, but also embody effective leadership and a culture of collaboration that embraces reflective supervision and practice through on-going, job-embedded professional development.[10] A SFCCN makes opportunities for regular, collaborative professional development available from staff with deep skills in child development and early education. There are multiple examples of SFCCNs that demonstrate a positive impact on program quality and child outcomes through these strategies, including results reported by SFCCNs in Chicago, Illinois[11] and the All Our Kin Network in Connecticut.[12]

In Kentucky, support for pedagogical leadership in regulated family child care is one of many responsibilities assigned to the Child Care Resource and Referral (CCR&R) system. These agencies have myriad responsibilities in communities with varying needs. Not surprisingly, CCR&R capacity to effectively reach the FCC sector across all regions has been cited as a concern.

BUSINESS LEADERSHIP: EARNING A DECENT LIVING

Provider income in family child care is directly linked to business success. The Iron Triangle of Early Care and Education Finance (full enrollment, full fee collection and revenue that covers per-child cost) is a simple formula for success in all child care businesses. In family child care, effective management of the Iron Triangle, coupled with meticulous recordkeeping to reduce the tax burden for these business owners, are the defining factors in provider compensation.

Unfortunately, effectively managing the Iron Triangle of ECE
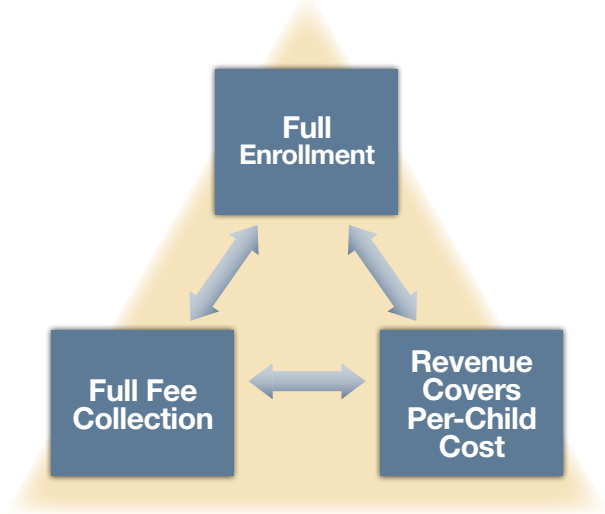
Finance is difficult in home-based child care settings, for several reasons. First, establishing tuition rates that cover all costs—including decent earnings for the home-based child care provider/owner—is not a simple task. Tuition must be based on what families can afford or are willing to pay for child care. Indeed, the strongest predictor of child care market prices is not the cost of delivering services but the incomes of families that use the program.[13] Even when government helps families pay tuition (i.e. Kentucky Child Care Assistance Program subsidies), the reimbursement rate is based on market prices—not the cost of delivering services. Cost modeling conducted for this project underscored that low market prices are a very serious barrier to family child care sustainability in Kentucky.

Second, collecting tuition in full and on time is very challenging when the individual responsible for collecting weekly fees has a personal relationship with the parents and a strong attachment to the child(ren)—as do family child care providers. It is very hard to look a parent in the eye and request payment, especially when families are financially strapped. Even families receiving child care subsidy to assist them in paying for child care can struggle to consistently meet the obligations of the family co-pay.

Not surprisingly, the level of uncollected tuition (bad debt) in home-based child care is often high—and rarely acknowledged. When OppEx conducted national focus groups with family child care providers in years past, several participants referred to what they called their "non-profit" children. Perplexed by this term we inquired further, to learn this was a euphemism for children whose parents had stopped paying (because they had fallen on hard times, lost their child care subsidy, or both) but who continued to attend child care because the provider did not want to terminate them. Precise data on the amount of bad debt in KY home-based child care settings is not available. However, in cost models for this project, we estimated 15% bad debt based on work conducted with the FCC sector across many states.

SFCCNs can play a vital role in helping providers collect tuition in full and on time. Strategies include helping providers:

◗ Establish clear, written payment policies that are enforced consistently for all families.
◗ Effectively use automation and electronic tuition collection systems that enable regular, weekly payment to ensure steady revenue for the provider and predicable payment schedules for families.
◗ Secure private funds to cover the tuition gap in situations where genuine hardship is present—keeping both families and providers "whole".
◗ Gather and track data from families and providers about the impact of subsidy rates and parent co-payments, to better under-stand industry norms and inform state policy. In some states, such as Massachusetts, SFCCNs negotiate subsidy contracts with the state and administer these dollars to family child care homes that serve children eligible for child care subsidy.

The third component of the Iron Triangle—full enrollment—is rare. One might assume that full enrollment would be the easiest component of ECE Finance, given the strong demand for child care. However, low enrollment is a common reason that home-based child care providers go out of business or fail to fully launch.[14] There are many reasons that child care enrollment might fluctuate—parents move, lose their jobs, or change schedules; children 'age out' and move on to Kindergarten or publicly funded preschool; family circumstances change and a friend or relative can now help. The COVID-19 pandemic had a dramatic impact on child care use patterns, and enrollment is likely to be rocky for quite some time as families slowly return to work and regain confidence in out-of-home care settings. Indeed, KY's survey of FCC providers cited extraordinary challenges in securing sufficient and stable funding which is directly tied to enrollment.

THE IRON TRIANGLE:
A KY FAMILY CHILD CARE EXAMPLE

Earning a decent living in family child care is difficult—and can vary significantly based on local market prices and effective business management. Tables 3 & 4 (at top right) estimate family child care earnings under various circumstances in two regions of the State. These tables make clear that operating a family child care business does not generate a lucrative income. However, management of the Iron Triangle of ECE Finance, coupled with cost savings on non-personnel costs (i.e. education, office and cleaning supplies, food, phone and internet) can make a huge difference in provider income.

TAX PREPARATION

As sole proprietor business owners, home-based child care providers are responsible for filing federal and state tax returns. Federal tax law allows providers to claim deductions for expenses related to the

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TABLE 3
Total Maximum Annual Revenue for Certified FCC in Eastern-Rural Region (Star 3)

	100% Full	75% Full	50% Full
6 Full-Time Children—Average fee @ $100/week per child	$33,605	$25,204	$16,802
Actual Gross Revenue (assume 15% uncollected tuition)	$29,656	$22,242	$14,828
Less Expenses (non-personnel—not including shared use of home)	$12,069	$12,069	$12,069
Net Income	**$17,587**	**$10,173**	**$2,759**

TABLE 4
Total Maximum Annual Revenue for Certified FCC in Central-Urban Region (Star 3)

	100% Full	75% Full	50% Full
6 Full-Time Children—Average fee @ $140/week per child	$41,535	$31,151	$20,768
Actual Gross Revenue (assume 15% uncollected tuition)	$36,397	$27,298	$18,199
Less Expenses (non-personnel—not including shared use of home)	$12,069	$12,069	$12,069
Net Income	**$24,328**	**$15,229**	**$6,130**

business. Careful tracking of these costs can have a significant, positive impact on annual provider earnings. However, taking advantage of all possible deductions is complicated by the unique calculations applied to family child care business taxes.

Most family child care providers do not keep adequate records, which results in paying more taxes than necessary. Technology tools, along with back office supports from a SFCNN, could make this record keeping easier and consequently, enable more profitable home-based businesses. In fact, FCC providers with young children may be able to demonstrate an adjusted gross income that qualifies them for the Earned Income Tax Credit, which can have a significant positive impact on household resources. Unfortunately,

> **Most providers are not keeping adequate records, which results in paying more taxes than necessary.**

Kentucky's child care technical support staff working in various licensing and quality improvement initiatives (including the Regional FCC Pilots) lack the skills to advise providers on tax preparation, and are not as a general practice referring them to skilled accountants or providing other specialized tax prep supports.[15]

THE CHILD AND ADULT CARE FOOD PROGRAM

Another way to augment income for family child care providers—particularly those that serve low-income children—is to ensure that they take advantage of the Child and Adult Care Food Program (CACFP). The CACFP not only provides an important revenue source for family child care providers but is an uncapped, federally-funded program that can bring much-needed resources into the State. Kentucky home-based businesses can be reimbursed for up to two meals and one snack, or one meal and two snacks per day per child. The Food Research and Action Center (FRAC) reports that nationally, the number of CACFP meals provided by family child care providers declined almost 20 percent from 1996 to 2016. Many providers do not take advantage of this resource because of misunderstandings about the program, including concerns about increased taxes, losing food deductions, and the required paperwork.

A majority of certified FCC providers in Kentucky (63% or 189 businesses) currently participate in CACFP.[16] This is a significant number, but it could increase. More importantly, the estimated 5,140 unregulated Kentucky home-based child care businesses are not participating at all. Every FCC provider who serves 6 children and enrolls in the CACFP could leverage approximately $6,000 per year in federal dollars.[17] Moreover, Federal regulations require that home-based providers who participate in CACFP must do so via a 'sponsoring organization' and federal administrative funds are available to cover the cost of monitoring CACFP participation. In short, CACFP sponsorship is not only an important service for SFCCNs but a potential source of revenue for a third party such as a Child Care Resource and Referral agency (CCR&R), a large center, or other ECE sector stakeholder organization.

Best Practice: Successful Staffed Family Child Care Networks

While Staffed Family Child Care Networks have the potential to offer the pedagogical and business supports home-based providers need to succeed, many fall short of that goal. The recent SFCCN survey conducted by Bromer and Porter reported that most Networks they surveyed offered "…what could be considered "light touch" services to providers…" and few concrete examples of best practice were underscored. The authors conclude that further research is needed "to more fully understand the fit between services and provider needs…" as well as the "…combinations of services that are effective in increasing supply or improving quality."[18] With deep respect for the Erikson Institute research team, and full support for deeper inquiry into best practice, OppEx believes that we already have enough evidence to frame best practice and guide public and private sector funding of Staffed Family Child Care Networks. To this end, and in an effort to advance a shared understanding of SFCCNs that support both business and pedagogical leadership, OppEx developed an infographic—**Defining Staffed Family Child Care Networks**—which describes SFCCN services and creates a tiered framework based on likely impact. A copy of this document is included in Appendix A.

It is also important to underscore that a wide range of skills is needed for effective leadership of a Staffed Family Child Care Network. Expecting a single individual to have deep skills in both ECE pedagogical leadership and business leadership is not reasonable or advised and can be a downfall of a SFCCNs. Best practice stems from tapping multiple skill sets and leveraging scale, including the power of business software and state-of-the-art technology that enable distance learning and support from top-notch experts. Examples of best practice follow, guided by services included in Tier 3 of the **Defining Staffed Family Child Care Networks** document.

TIER 3 BUSINESS LEADERSHIP

As noted above, the OppEx approach is focused on SFCCNs that are not only able to offer family child care providers a range of pedagogical supports but can also ensure that *providers are able to earn a decent living and work reasonable hours*. SFCCNs that embrace this approach are keenly focused on supporting tasks such as: billing and fee collection, marketing and enrollment, tapping third party revenue (from philanthropy as well as public funding via CACFP, Head Start/Early Head Start, PreK and more), financial recordkeeping and tax prep, maintaining child records and other licensing compliance paperwork, creating dashboards to track key business metrics, and more. These services often require unique skills not traditionally held by early care and education organizations. Chief among these is technology.

Why Automation Matters

Saves Time: Automating operations greatly reduces the amount of staff time needed

Saves Money: Reduced labor translates to cost saving for administrative tasks

Increases Revenue: Automated payments reduce bad debt, reconciliation of subsidy reimbursement, etc.

Skilled Financial Management: Data available in electronic format can be analyzed; informs financial decisions

AUTOMATION: ESSENTIAL INFRASTRUCTURE

One of the best ways to improve financial performance of family child care providers is to ensure that they use an automated **Child Care Management System** (CCMS). These systems are essential for two reasons: automation helps maximize provider income through optimal business practices, and automation makes it easier to gather and use data to inform child care policy and finance. Unfortunately, most family child care businesses do not have the automated systems they need to fully track their time and expenses, maximize tax deductions or effectively manage the Iron Triangle of ECE finance. For some, the cost, time and expertise needed to "go digital" seems daunting. Others have been operating "by the seat of their pants" for so long that they will continue to do so unless change is incentivized or required.

While family child care providers need automation, they also need the skills to effectively use technology to strengthen administration and track key business metrics. In short, the answer is not to just give providers free connectivity, computers, and software, but rather to include technology information, resources and support as the foundation for a comprehensive package of services.

Business training is also important, but often ineffective. As research on the "forgetting curve" has underscored, we retain only 10% of what we learn if we don't put it into practice right away. To ensure results, family child care providers need training that is linked to site-specific financial management support and customized coaching on how to operate a sustainable child care business, along with the technology to tools to implement these practices.

Several promising projects are delivering business training in small bites, linked to use of technology. Learning from and expanding on this work is an important next step.[19] A growing number of states and cities are beginning to craft partnerships with national

software vendors that have unique capacity in the family child care space. Two examples are highlighted below.

Wonderschool

Launched in 2016, Wonderschool has become a partner for SFCNNs seeking to maximize automation for the home-based child care providers in their networks. Statewide projects have recently launched in Nebraska, North Carolina, Virginia and Wisconsin, and local projects are underway in Oregon, Pennsylvania, Georgia, and Tennessee, among others. The mobile first technology platform makes it easy for family child care providers to keep tabs on finances and automate their businesses while parents receive information they need to be satisfied customers. SFCCNs that partner with Wonderschool can create a summary dashboard that allows them to quickly view network-wide metrics in real time. These data help SFCCN staff provide targeted supports in critical areas such as helping providers improve wages via stronger enrollment and collections.

Alliance CORE

Alliance CORE is a CCMS developed by **Early Learning Ventures**, a project of the David and Laura Merage Foundations in Colorado. Alliance CORE is designed to support a Shared Services approach to center- and home-based child care; the software enables an agency supporting a network of providers to view data among all participating providers and work in partnership with ELV staff to support successful business operations. Alliance CORE is also uniquely designed to support providers that participate in Early Head Start—Child Care Partnership grants, which require a host of data reporting requirements specific to that federal funding stream. Moreover, Alliance CORE includes Application Program Interfaces (APIs) with various State of Colorado systems to help streamline licensing paperwork and subsidy billing. Shared Services projects in several states are currently partnering with ELV's Alliance CORE software, including projects in South Carolina, Michigan, Hawaii, New York, Wisconsin, and Wyoming.

REAL-TIME SUPPLY AND DEMAND DATA

SFCCNs that use technology to help providers manage operations can not only support on-line marketing and enrollment but also begin to gather the provider-based data needed to keep programs full, better understand trends, and make decisions about the allocation of resources. Maintaining real-time information about child care vacancies serves many purposes, including connecting families to the child care they want and need, maximizing resources by keeping homes fully enrolled, helping public and private investors better allocate available resources where they are most needed, and more. These data will be particularly important during the COVID-19 recovery period, when demand for, and enrollment in, child care will likely be sporadic, inconsistent and hard to predict. Both Wonderschool and Alliance CORE, along with many other technology partners, include this capacity.

Automated systems that support and aggregate data on child care enrollment also serve an important public policy role. Kentucky, like most states, does not collect or report data on child care supply by age of child nor does child care supply data currently include prekindergarten services provided by public schools. Child care supply data are based on licensed capacity (not enrollment) and generalized across all age groups. Some may believe that the shortage of child care is so large that generalized data is "good enough" but studies that probe a bit deeper suggest otherwise. Two years ago, the Center for American Progress (CAP) released an analysis of age-based child care supply data from nine states—including the neighboring State of West Virginia. The CAP analysis found that the scarcity of child care in these states was largely due to a shortage of infant/toddler care.[20] A similar analysis from the City of Los Angeles actually revealed an oversupply of care for preschool aged children alongside a huge shortage of care for children under the age of three.[21] In short, even before the pandemic, data on the perceived shortage of child care may have been misleading; now, as we seek to recover from a pandemic that has left our economy reeling, generalized data is not good enough. Child care programs seeking to stay fully enrolled need accurate data on the number of child care slots, by age of child, available in their community and targeted strategies to reach families who need care. Automated systems that track and report enrollment in "real time" can go a long way toward building this capacity.

BOOSTING SUPPLY

Without question, Kentucky will need more child care spaces. SFCCNs that help providers purchase, on-board and use automated CCMS can provide vital leadership aimed at increasing overall supply as well as targeting underserved areas. SFCCNs that use state-of-the art technology to support professional practice and compensation are more likely to attract and recruit younger providers who see technology as an asset and are willing to embrace a new, networked business model.[22] As noted earlier, many current FCC providers are at or near retirement; if home-based child care is to survive and thrive, the field must recruit a new cadre of younger providers. Addressing gaps in child care supply will also require more accurate data on current vacancies as well as capacity to use the internet and social media to better understand and predict parental demand.

Another challenge facing home-based child care providers in Kentucky—and across the US—is the difficulty of navigating local zoning and fire codes as well as securing needed liability insurance and legal support. SFCCNs can provide essential leadership, timely information and strategic support to help small child care business owners navigate complex legal issues.

TIER 3 PEDAGOGICAL LEADERSHIP

Pedagogical leadership is the heart of early care and education, designed to help children receive the developmentally appropriate learning they need to succeed in school and life. Research and

practice have underscored that *time* is a key factor in successful teaching and learning;[23] time to observe children and reflect on those observations with a skilled supervisor or coach; time to assess and, if needed, seek out special services for children with developmental challenges; and time to meet with parents to share observations and offer support.

Best practice SFCCN business leadership not only helps boost provider income and sustainability but also frees up time previously spent on administrative functions that can now be re-directed to pedagogical leadership. Best practice pedagogical leadership (Tier 3) suggests a structure for how SFCCN staff can guide and support reflective teaching practices linked to child assessments and, when needed, additional child and family supports. SFCCNs can also implement substitute pools for release time and opportunities for peer support and collaborative learning.

All our Kin (AOK), a SFCCN that supports home-based child care providers in Connecticut and New York City, has deep skills in pedagogical leadership. AOK networks offer a 'high touch' approach to ECE consultation and teacher mentoring via regular home visits, monthly peer meetings and a 'warm line' for advice. All services are bilingual in Spanish and English. As an Early Head Start grantee, AOK can augment reimbursement rates for home-based providers that serve children from low-income families, as well as tap into a network of supplemental services, including medical, early intervention, and family supports.

PARTNERSHIP MODELS

Effective implementation of Tier 3 pedagogical and business leadership increasingly involves strategic partnerships among two or more organizations. Several examples follow.

The Wisconsin Early Education Shared Services Network (WEESSN) offers many Tier 3 pedagogical and business leadership services including teacher coaching, accreditation and quality rating support and assistance with child assessments. WEESSN employs ECE professionals that serve as substitutes (called the Relief Squad) so that teachers and business owners receive paid time for professional development and planning. Strategic partnerships with both Wonderschool and Alliance CORE make it possible to streamline and strengthen administrative tasks. WISER, a comprehensive resource platform, offers joint purchasing via a partnership with CCA for Social Good. Funding from the Wisconsin Department of Children and Families Division of Early Care and Education currently supports statewide expansion of the work.

The Nebraska Early Childhood Collaborative was established by the Buffett Early Childhood Fund and initially focused on supporting Educare Schools and Early Learning Centers in Omaha and Lincoln Nebraska, via partnerships with Head Start and Early Head Start, CCA Global Partners and Early Learning Ventures, among others. The backbone organization then began offering supports to home-based child care providers via strategic partnerships with All Our Kin

and Wonderschool. NECC is now focused on pioneering technology designed to improve ECE business operations and promoting best practice pedagogical leadership. Additionally, NECC is working closely with First Five Nebraska to enable data linkages between provider CCMS and state-level data systems, via APIs and data trusts.

Several states—including NC, OR and VA, among others—are currently engaged in strategic partnerships aimed at helping home-based child care providers and other small child care businesses access state-of-the art technology and scaled supports for business leadership. While these efforts are not currently linked to SFCCNs, they are paving the way for innovation. In each case, links to local leadership organizations such as Smart Start Local Partnerships and Child Care Resource and Referral (CCR&R) agencies are a core component of the scaling plan.

Business leaders and employers play a significant role in all of the initiatives mentioned above. For example, WEESSN works closely with Organic Valley Foods, a key employer in some rural Wisconsin communities. Oregon has engaged business leaders in planning for statewide scale, via Social Venture Partners in Portland, Oregon. Smart Start (the North Carolina Partnership for Children) and the Virginia Early Childhood Foundation have a long history of deep engagement with the business community.

PUBLIC SECTOR ENGAGEMENT

All of the best practice examples highlighted thus far have engaged public and private sector leaders; however, some SFCCN efforts are fundamentally rooted in the public sector. The Early Head Start Child Care Partnership is a notable example. Several states—including CA, IL, MA, NY, and others—also have a history of awarding public funds to family child care networks.

The Massachusetts approach is uniquely long-standing. Started in the 1970's, Massachusetts Family Child Care Network Systems represent the oldest and most expansive SFCCN's in the country with 40 Networks currently in operation. MA Networks may apply for state slot contracts to oversee administration of public subsidy in participating family child care homes. The contracting approach helps the Network Hub offer participating homes the predictable revenue they need to ensure full enrollment. Many Networks also serve as the CACFP food program sponsor, offer support for licensing, quality rating and professional development, and some—such as Acre Family Child Care and The Community Group—also offer back office business supports.

More recently, a growing number of states are stepping into a leadership role aimed at stemming the decline in regulated home-based child care options. Some states, like Wisconsin, Oregon and Nebraska have linked SFCCNs to a statewide strategy to expand ECE Shared Services networks. Others, such as Connecticut and the District of Columbia, have made public funding available to help start and sustain local SFCCNs.

Support for Operations: Contracts, Grants and More
The examples noted above are largely focused on building SFCCN leadership capacity. Indeed, start-up funding is important. But, as stressed throughout this report, the SFCCN strategy cannot survive if participating homes do not earn a decent living. To this end, ECE leaders in states across the US are seeking strategies to not only strengthen the Iron Triangle in home-based child care settings but also leverage additional public funding for family child care.

Like most publicly-funded child care in the US, reimbursement rates for family child care are typically based on market prices. Opportunities Exchange has investigated **the challenges of market prices**, underscoring that prices are more likely to reflect the incomes of families in a region rather than the actual cost of delivering services. In family child care these challenges are even greater; home-based child care market prices are traditionally significantly lower than center-based prices, making it even harder for family child care providers to earn a decent living.

At least fourteen states have crafted strategies to offer public prekindergarten in home-based care settings (including AL, AZ, AR, DE, IL,MD, MA, MI, MO, NM, ND, OH, PA, VT, and WA)[24] and several others have unique state initiatives that include home-based child care (Oregon's Baby Promise is a notable example). Opportunities to tap public support that is not only stable and predictable but also reimburses at rates that more closely align with the cost of delivering services is essential to growing the supply of home-based child care, especially in rural or underserved communities.
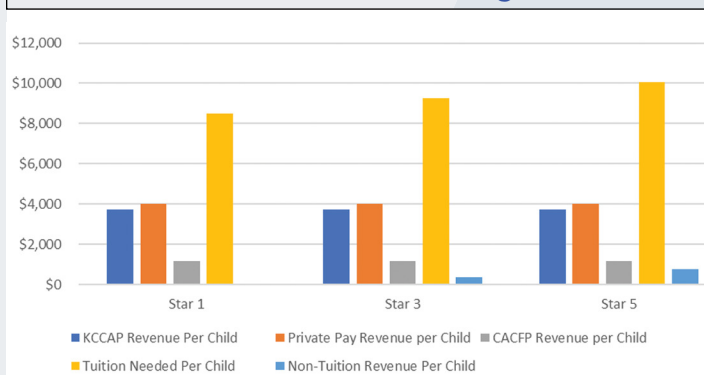
Family Child Care Costs and Revenues: Results of Cost Modeling

What does it cost to operate a regulated family child care business in Kentucky? To help answer this question OppEx crafted a business cost model analysis for a Certified or Type II FCC business under varying conditions. Variables included three regions (East, West and Central) with scenarios across five quality levels of Kentucky All Stars and provider wage assumptions based on child care wage data from the U.S Bureau of Labor Statistics. Likely revenue for each scenario was estimated, including Kentucky Child Care Assistance Program (CCAP) reimbursement, family co-pay, private tuition at the 75th percentile, and all star quality awards. Detailed information on wage assumptions, costs and results are appended to this report and summarized below.

Cost modeling underscores that, at current Kentucky CCAP subsidy rates, all regulated family child care providers experience a significant loss. Tapping funding from the child care food program (CACFP) can help fill a portion of the gap; however, the only way for a provider to currently balance the budget and generate even a modest income is to charge families a 'second co-payment' to cover the difference between the total of the CCAP subsidy plus mandated parent co-payment, and the actual per child cost.

The chart below, representing data from KY's East region (as defined by CCAP), reveals that deficits occur across the board—regardless of star level—even after additional star quality funding is included. Similar patterns can be found in each region of the state. (See Appendix for Charts for West and Central Regions). Moreover, the cost model assumes enrollment at 85% of capacity, which is the industry norm but unlikely in the current COVID pandemic and anticipated aftermath. Thus, many home-based child care businesses are generating even less revenue than estimated by our model.

FCC Certified—Per-Child Costs + Revenues: East Region

our analysis reveals that this would be an insufficient response. The line graph (below), which compares likely cost to both the subsidy rate and market price (at the 75th percentile), clearly underscores the problem: child care costs more than what most families can pay, whether they are receiving a subsidy or paying privately. See Appendix for data on Central and Western Regions.

Cost vs. CCAP Subsidy vs. Market Rate Per Infant/Toddler: East Region

Without question, public subsidy for home-based child care is too low to cover provider costs. Some would argue that the answer is to increase public reimbursement to the "market price;" however,
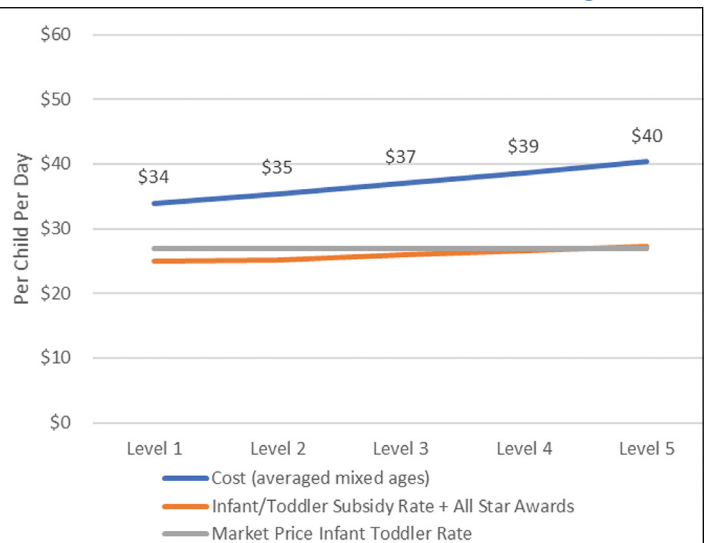
Recommendations

Kentucky, like every state in our nation, is at a critical juncture. The COVID-19 pandemic has had a devastating impact on the child care sector and 'right sizing' the industry for a new normal will not be easy. Now is the time to re-imagine what is possible and craft a path forward. Given that much of Kentucky is rural, and that child care enrollment will continue to be episodic and hard to predict, small child care settings like family child care will play a pivotal role. Thus, addressing the structural and practical challenges of the family child care sector is paramount and the mechanism of so doing via provider networks holds significant promise.

OppEx proposes a series of recommendations for Kentucky focused primarily, but not exclusively, on establishing high functioning SFCCNs. Most important is the question of whether FCC providers can earn a decent living under current regulatory standards, the prevailing market rates, and public subsidy reimbursement rates. Our recommendations are designed to bolster the Prichard Committee's *Expanding High Quality Family Child Care in Kentucky* initiative, which sought to develop innovative methods to support family home child care providers with two intended impacts: increased access to high quality infant and toddler care, and improved capacity to support family child care home providers.

Recommendations include Foundational Issues, which must be addressed in order for any program to succeed; Reinvention Proposals, that underscore potential new ideas; and Leadership Strategies to promote statewide application. While implementation should be intentional, it can occur incrementally, building and beginning with pilots across one or more regions.

FOUNDATIONAL RECOMMENDATIONS

These recommendations focus on ensuring that FCC is a financially viable profession and identifying the first steps that must be taken to boost the supply of regulated FCC in Kentucky. Our analysis makes clear that home-based child care providers who consider entering the regulated system in Kentucky soon discover that their income potential is the equivalent of riding on deflated tires. A journey soon abandoned, or one never begun. Addressing this fundamental problem must be step one.

RECOMMENDATION: Increase Child Care Assistance Program Reimbursement rates to more closely align with the cost of high-quality care—especially for infant and toddler care.
The Federal Child Care Development Fund requires that states conduct a Market Price Survey every two years and to base rates on market prices. However, federal rule also allows states to use an 'alternative rate-setting strategy'—such as cost modeling—to establish child care subsidy reimbursement rates. Most states, including Kentucky, have not yet taken advantage of this option.

Cost modeling conducted by OppEx underscored the challenges with basing public reimbursement on market prices and demonstrated a methodologically sound alternative to craft rates. Taking this step is especially important for infant and toddler care—which experiences the largest gap between likely cost, market prices and public subsidy rates.

In addition to requesting permission to use an alternative rate-setting methodology, the Kentucky Cabinet for Health and Family Services should also make sure that providers are able to receive the full public rate even if their current rates (e.g. prices currently charged to families) are lower. The OppEx analysis underscored that in many cases market prices—even at the 75th percentile—are insufficient to cover costs—especially in rural areas Thus, if the public rate is raised but reimbursement is capped at the tuition charged to non-subsidized families, many home-based providers in Kentucky will still be unable to make ends meet.

> **Kentucky Cabinet for Health and Family Services should also make sure that providers are able to receive the full public rate even if their current rates (e.g. prices currently charged to families) are lower. The OppEx analysis underscored that in many cases market prices—even at the 75th percentile—are insufficient to cover costs—especially in rural areas.**

RECOMMENDATION: Continue to waive parent co-payments for Child Care Assistance Program subsidy.
As noted above, nearly every family that receives subsidy from the Kentucky Child Care Assistance Program is required to make a co-payment. While these co-payments may appear to be reasonable, for a low-income family, paying $40 a week for child care could be the difference between buying food or putting gas in the car to get to work. The good news is that the Kentucky Division of Child Care has waived parent fees due to the COVID pandemic and paid that portion to providers through public funds. This is a welcome and extremely important policy. It should be continued for the foreseeable future.

RECOMMENDATION: Boost Participation in the Child and Adult Care Food Program.
As discussed earlier, an estimated 5,140 unregulated Kentucky home-based child care businesses are not participating in Child

and Adult Care Food program (CACFP). Every FCC provider who serves 6 children and enrolls in the CACFP could leverage approximately $6,000 per year in federal dollars.[25] Boosting participation in CACFP should be a strategic priority for Kentucky not only as part of SFCCN pilots but as part of a statewide strategy to boost supply and encourage unregulated providers to enter the regulatory system. Ideally, the new proposed pilot SFCCNs should become CACFP sponsors or create a solid partnership with local sponsors. At a minimum, all SFCCNs should be prepared to inform participating home-based providers of the benefits of CACFP participation, understand the automated systems available to support required record-keeping, and refer providers to local organizations that serve as qualified CACFP sponsors.

RECOMMENDATION: Revisit standards for Type II Child Care.
Many states have two types of family child care homes: small homes, where one caregiver may typically serve up to 6 full-time children, and larger homes, where a caregiver plus an assistant can typically serve between 12 and 16 full-time children. Kentucky also has two types of family child care—a Certified provider and a Type II provider. However, a Type II child care is actually defined as "…a *center* that is located in the primary residence of the licensee in which child care is regularly provided for at least 7 and not more than 12 children, including children related to the licensee."[26] The standards required of Type II providers have much more in common with center-based care than home-based care—even though the setting is in a home. This is a significant barrier and the likely reason that Kentucky has very few Type II providers.

In many states larger family child care homes are more likely to achieve sustainability, but this does not appear to be the case in Kentucky. Revision of Type II standards, so that they more closely align with what is expected of certified child care, could forge a new pathway to sustainable, home-based child care. If reform went even further, and allowed small programs to operate in non-residential settings, Kentucky could embrace a new innovative strategy currently under exploration in other parts of the US: micro-centers. This recommendation is discussed in more detail on page 18.

RECOMMENDATION: Revise licensing and zoning rules to remove barriers to home-based child care.
Kentucky focus groups identified zoning as a potential obstacle to establishing a regulated FCC business. State policy makers and ECE leaders have also identified zoning as an obstacle to expanding the supply of home-based care. In response to these concerns, a state legislative proposal is planned for introduction in January 2021. While zoning is typically a local responsibility, given the need for expanded child care supply there is good reason to consider statewide legislation. Indeed, last year, California Governor Newsom signed a new law (SB234, the Keeping Kids Close to Home Act) to ensure that the many successful local models will apply statewide and help increase the supply of child care available in both large- and small home-based settings. In addition to policy reform, Kentucky FCC providers may need start-up funding to address zoning barriers as well as assistance addressing building code challenges.

RECOMMENDATION: Negotiate KY Child Care Assistance Program slot contracts with Staffed Family Child Care Network Pilots.
As noted earlier, full enrollment is key to family child care financial sustainability. However, consistent enrollment can be challenging—especially if the families served are low- and moderate-income and require public subsidy to afford care. Jobs change—often frequently among low-wage workers. Families move—often frequently when housing is unstable. Families switch caregivers—often choosing free Head Start or public PreK when it becomes available. Each of these changes not only impacts enrollment but also revenue. The loss of even one child, for even a portion of the year, can have a significant impact on a home-based provider budget.

Establishing slot contracts with SFCCNs is an important strategy to ameliorate the impact of fluctuating enrollment especially during turbulent times. Slot contracts can also streamline administrative costs for the State, guarantee services for priority populations, and help build the supply of quality providers. Slot contracts have been used for FCC in Massachusetts (as described previously) as well as in Georgia, Hawaii, Illinois, Indiana, New York, Oregon and South Carolina.

SFCNNs that offer business leadership and back-office supports are uniquely poised to administer slot contracts, especially if they maximize technology. The SFCCN could manage parent intake, subsidy eligibility, enrollment, billing and reporting, and a host of back office services on behalf of participating FCC providers. The SFCCN would be responsible for collecting and reporting data that demonstrates outcomes such as utilization rates, quality standards, child outcomes, etc. Through this mechanism, families and providers can be matched to ensure that providers stay fully enrolled while also supporting the right "fit" for children, families, and providers—and the promise of strong enrollment and dependable income can serve as powerful incentives to attract formerly unregulated providers.

RE-INVENTION RECOMMENDATIONS: PROMOTE INNOVATION.
Creating the conditions for a strong, more sustainable family child care sector in Kentucky will require innovation. Maximizing technology, encouraging networks and crafting new business models are three necessary steps aimed at enabling scale and strategic leadership. Key strategies for Kentucky are described below.

RECOMMENDATION: Embrace automation and encourage SFCCNs to play a leadership role in helping home-based providers launch automated Child Care Management Systems.
The importance of business leadership, and automated Child Care Management Systems (CCMS) to effectively manage operations

and track key business metrics, has been underscored time and again throughout this report. Working in partnership with the State Child Care Division, the Prichard Committee could help family child care providers take important steps forward by endorsing automation, encouraging electronic maintenance and submission of data, and helping providers purchase and on-board automated CCMS. There are several ways to accomplish this goal:

◗ Existing SFCCN pilots could be encouraged to partner with one or more technology vendors to deliver a state-of-the art technology solution for business management.

◗ Additional local or regional organizations could be offered the opportunity to provide business leadership to a cohort of existing or newly recruited home-based providers.

◗ The Prichard Committee could create a statewide Community of Practice for staff engaged in helping home-based providers launch and use automated CCMS, aimed at deepening understanding and engagement of technical assistance and CCR&R staff in automated CCMS.

◗ State-level staff from licensing, quality rating, subsidy and more could be engaged in the process early on, and invited to participate in an on-going Community of Practice, to ensure acceptance of any compliance documentation in electronic format as well as alignment of required forms, policies, and procedures.

RECOMMENDATION: Fund Staffed Family Child Care Networks, focused on Tier 3 business + pedagogical support services.

Philanthropic funding has been used to seed pilot SFCCNs in regions across the state. Findings from these pilots include important lessons about building relationships, encouraging peer support and identifying systemic barriers. Long term sustainability of home-based child care will, however, require deeper engagement focused on Tier 3 business and pedagogical leadership as well as additional financial support. Continued operational support for SFCCNs could be leveraged in multiple ways, including:

◗ **Start-up funding**—CCDF dollars, federal Preschool Development Grant (PDG) funding or private sector funds can support start-up. Wisconsin leveraged PDG funding to launch provider networks in many regions of the State. Virginia tapped both CCDF and PDG funding.

◗ **Administration of CARES Recovery dollars**—SFCCNs can be key partners in administering recovery dollars to home-based providers. North Carolina and Virginia recently used CARES funding to help providers purchase, on-board and launch the Wonderschool CCMS.

◗ **Administration of slot contracts for CCAP subsidy**—As noted earlier, SFCCNs can help administer subsidy dollars to

participating FCC homes. MA, CA, IL and New York City all take this approach.

◗ **Administration of a state ECE initiative**—A new, emerging provider network in the Coos/Curry area of rural Oregon has agreed to link Baby Promise (a state initiative for infants and toddlers that was created in conjunction with the state's pre-kindergarten program called PreK Promise) to participation in the Wonderschool technology platform. A shared back office will administer state dollars and also offer participating providers a host of business and pedagogical leadership supports.

◗ **Serving as an Early Head Start (EHS) Child Care Partner**—This approach makes it possible to leverage the deep pedagogical and family supports enabled by the Early Head Start-Child Care Partnership (EHS-CCP) to benefit children enrolled in community-based child care settings. Early Learning Ventures is an EHS grantee in Colorado and supports FCC providers across the state who use the Alliance CORE CCMS to support EHS-CCP compliance data as well as business leadership. Porter-Leath, a HS/EHS grantee in Memphis, Tennessee, supports NEXT Memphis, a network of centers (all of whom use the ProCare CCMS) and will soon launch a home-based provider cohort via a partnership with Wonderschool.

RECOMMENDATION: Establish a new approach to Staffed Family Child Care Network accountability guided by progress metrics and data dashboards.

Most ECE leaders came to the field because they cared about children and were schooled in best practice child development and early learning—not business. As a result, the ECE field has struggled to establish performance measures that accurately reflect business viability or sustainability. However, change is on the horizon. The Iron Triangle of ECE Finance is a simple formula to measure meaningful results. And CCMS systems can track and report these results in aggregate dashboards.

> **A key first step, however, is to require that SFCCNs gather data on key business metrics and use the data as an important driver of their work.**

Automated systems also make it possible to align pedagogical leadership data (e.g. CLASS and Environment Rating Scales scores, teacher credentials, wages, etc.) alongside business leadership data—helping to craft a more complete picture of program quality and business viability all in one place.

An essential step for assuring accountability is building capacity to collect and analyze these data so they can be used to drive

improvement. This is a whole new set of skills for the field and will require time to fully understand and implement. A key first step, however, is to require that SFCCNs gather data on key business metrics and use these data as an important driver of their work.

RECOMMENDATION:

Link state and provider data systems.

Automation and Child Care Management Systems can have a profound impact on child care fiscal management. However, if state data systems, particularly subsidy, do not enable links to, or uploads from, provider-based CCMS, FCC providers will spend precious time and resources managing and reconciling multiple payment systems.

> **One of the best ways to encourage use of CCMS is to enable links to subsidy billing, licensing, quality rating, professional development and more—pulling data directly from the provider's CCMS into the databases the state uses to track payment and monitor programs.**

One of the best ways to encourage use of CCMS is to enable links to subsidy billing, licensing, quality rating, professional development and more—pulling data directly from the provider's CCMS into the databases the state uses to track payment and monitor programs. This link is called an Application Programming Interface (API). An API acts as a door or window into a software program, allowing other programs to interact with it without the need for a developer to share its entire code. APIs are routinely used by millions of people across the US every day; they allow us to bank on-line, buy gas using our credit card, download music or get credit for a virtual distance learning course. Bringing API functionality to child care businesses—linked to the Child Care Management Software they use on a daily basis—could help streamline a host of time-consuming activities for providers, families and state agencies.

In most cases, APIs are written by the software vendor, so the cost to the state is minimal. States need to enable an 'open API' into state systems, so that vendors have an incentive to build the links into the off-the-shelf products they sell to child care providers. An excellent example is Colorado, where Early Learning Ventures made APIs a part of their Shared Services work. The technology system built by ELV, called Alliance Core, includes an API with various State of Colorado systems to help streamline licensing paperwork and subsidy billing.

APIs offer a host of opportunities, including support for real time supply and demand efforts. For example, child care search databases, such as those used by Child Care Resource and Referral Agencies, can be automatically updated on a daily basis from provider-based child care management systems.

RECOMMENDATION: Align documentation of quality standards to support a network approach.

SFCCNs that embrace technology offer yet another opportunity—streamlining standards and quality documentation. When SFCCNS help scale and aggregate data for participating programs they not only have data to help programs make key business and program decisions, they can also help to streamline reporting to public entities responsible for accountability *so long as government allows a third party entity to play this role*.

Currently, SFCCNs are not awarded that authority. But future policy could make it possible. This could be extremely helpful with time-consuming tasks like fingerprints and background checks (which could be held in a common data base supported by the network Hub), compliance with family eligibility rules and documentation, or standards that require specific knowledge (such as health or infectious disease prevention). For example, in Tennessee the Child Care Matters Substitute Service, led by the Community Foundation of Middle Tennessee, conducts background checks and centralizes records in a single database for all Child Care Matters substitutes. Centralizing these data is possible because the state enabled a shared, third party back office to gather and maintain background check compliance.

> **When SFCCNS help scale and aggregate data for participating programs they not only have data to help programs make key business and program decisions, they can also help to streamline reporting to public entities responsible for accountability *so long as government allows a third party entity to play this role*.**

When public entities see the SFCCN Hub as an extension of participating providers and make it possible for the Hub to maintain and report compliance data on behalf of their providers, the result can be a win-win for everyone. Providers get the support they need to manage myriad complex and time-consuming rules and government regulators need go to only one place to verify compliance for many. The first step is to review current quality standards to identify barriers to, and opportunities for, collaborative compliance led by a Staffed Family Child Care Network.

RECOMMENDATION: Explore micro-centers especially for scaling high quality care for infants and toddlers.

A micro-center is a one-classroom early childhood program located in a school, hospital, office building or community organization and was pioneered in Tennessee by the Chambliss Center for Children. The Chambliss network currently includes one-classroom child care programs located in 13 Chattanooga public schools. These sites, which have had a pivotal impact on teacher turnover, are possible because they fall into a licensing definition (Group Child Care) with standards designed for a small, one-classroom site with no more than two teachers and leadership provided by off-site administration.

Ideally the space and related facility costs (e.g. maintenance, janitorial, utilities), as well as furnishings/equipment, are donated by the school or a private sector sponsor—keeping start-up and overhead costs to a minimum. A micro-center network creates economies of scale and specialization using a leadership and management model rooted in Shared Services. As a model for children of all ages, the approach holds particular promise for infant and toddler care which is expensive to deliver and in short supply.

During the pandemic, and as demand slowly rises during recovery, our nation will need many small child care sites in disparate locations. This makes micro-centers an intriguing option. It is also a growth strategy for family child care providers who want to grow in their careers and begin to operate services outside of their homes, as well as multi-site centers that might want to grow capacity in a new way.

Best practice micro-centers operate as a network, with classrooms in multiple locations linked by pedagogical leadership and back-office supports provided by a network Hub that functions much like a SFCCN. A single qualified individual, employed by the Hub, serves as "director" for the network of micro-centers and is responsible for supervision, coaching, and instructional leadership of classroom teachers as well as overseeing curriculum, child assessment, parent engagement and other pedagogical leadership tasks. All administrative services (enrollment, billing and fee collection, grants management, CCMS, licensing and quality rating liaison, etc.) are provided by the Hub central staff. Teachers in the micro-centers are employees of the Hub, with access to employee benefits, an internal career ladder, reflective supervision and other professional supports.

At present, Kentucky child care licensing standards would require a micro-center to secure a Type II child care license—which would make the model impossible to implement. As noted earlier, exploring if and how a new form of Type II license could be crafted, designed to expand both larger, home-based programs as well as micro-centers, could be a worthy endeavor. Seven states (AK, ID, KS, MO, MS, NV, WI) currently allow family child care to operate in a non-residential setting, and an additional eight (AK, IA, ND, NE, PA, TN, WV, and WY) allow group or large family child care in these settings. This definition makes it possible for small sites to maintain appropriately credentialed staff for small, mixed-age groups in a micro-center Network.

Effective implementation of a statewide strategy for home-based child care will require careful thinking about scale. We have thus far underscored the importance of regional SFCCNs that maximize automation. However, a strategy to link regional SFCCNs and ensure that policies regarding automation, metrics, standards, staffing and reporting are effective will require statewide leadership.

How state leadership is structured and where is it housed is a key decision. Some states—such as North Carolina—have a public-private authority, Smart Start's North Carolina Partnership for Children, to lead local collaborative efforts. Vermont took a similar path when establishing the Permanent Fund, now called Lets Grow Kids. Virginia chose a non-profit—the Virginia Early Childhood Foundation. These existing statewide structures can be used to spearhead regional SFCCNs. Statewide leadership can also be provided by the Child Care Resource and Referral System, a state Association for the Education of Young Children affiliate, or a strong Head Start/Early Head Start network.

> A strategy to link regional SFCCNs and ensure that policies regarding automation, metrics, standards, staffing and reporting are effective will require statewide leadership.

Which organizations in Kentucky are best equipped to lead SFCCN support and scaling is currently not clear. Thus, the most likely path forward is to solicit interest and develop a collaborative. Several states have taken this approach, most recently Wisconsin, which issued a Request for Applications (RFA) earlier this year with sound success. Oregon has recently engaged a Co-Design Team to craft a plan for scaling child care provider networks using Shared Service principles including both home- and center-based care.

Conclusion *continues on next page*

Conclusion

With record-high unemployment, continued work-from-home policies, and parental fear about contagion, the future of family child care might seem bleak. Coming back from the pandemic will not be easy, but states have an opportunity to reimagine family child care and launch bold strategies that will lead to stronger, more sustainable family child care businesses. Pandemic aside, Kentucky families need safe, affordable child care options—especially in rural areas and for infants and toddlers. Formal, licensed home-based child care holds great promise as a key strategy to meet that need especially if engaged in quality systems. However, making that promise a reality will require bold thinking, new approaches to finance and policy, and the willingness to acknowledge cost-revenue gaps that steer providers into unlicensed businesses to make ends meet. Stepping outside the comfort zones of conventional thinking to rethink and change the way family child care businesses operate is finding support in many high level policy and philanthropic arenas. It is time for bold action.

Staffed Family Child Care Networks: An Opportunity to Reimagine the Kentucky Child Care Landscape presents a multiprong pathway of short- and long-term strategies for *Expanding High Quality Family Child Care in Kentucky* initiative. Strengthening the family child care infrastructure by way of Staffed Family Child Care Networks designed to increase the quality and financial viability of family child care businesses is a central strategy that aims to strengthen providers, adopt innovative approaches, and address policy challenges. Together, the recommendations proposed can strengthen Kentucky's family child care infrastructure and preserve the supply of home-based child care businesses.

Opportunities Exchange stands ready to support ECE stakeholders to build sustainable family child care businesses and to strengthen the early childhood education infrastructure in their communities. By providing technical assistance to networks that want to develop new, sustainable business models with and for their providers members and by shaping public policy and finance in ways that incentivize high quality, sustainable care, Opportunities Exchange is reimaging new models for family child care in Kentucky and across the country.

Appendix

APPENDIX A

Defining Staffed Family Child Care Networks—OppEx info-graphic describing SFCCN services.

APPENDIX B

OppEx Kentucky Family Child Cost Model, Methodology and Analysis

END NOTES

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