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POLICY DRIVES PRACTICE: Building the Roadmap for Staffed Family Child Care Networks

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2020 was a wake-up call for the early care and education sector. At first, it was dramatic: nearly every program closed its doors as the COVID-19 pandemic swept our country. When programs slowly began to re-open, the reality of a pandemic loathe to leave took hold and it became clear nothing was as before. Families were working—but mostly from home. Children were attending school—but largely virtually. Many child care programs closed permanently. Others remained open for essential workers and, over time, re-configured services to support families in the new COVID reality: drastically reducing class size, implementing a host of new health and safety procedures, re-thinking staff roles and responsibilities.

2021 promises hope—we now have a vaccine and strong national leadership—but a return to the pre-pandemic normal is unlikely. It has become increasingly clear that assumptions which fueled growth in the US child care industry over the past 30 years may no longer be accurate. Demand for child care has dropped precipitously. Child care centers that were previously full, with long waiting lists, are now struggling to maintain enrollment. Others are being asked to provide part-day and part-year schedules, or sponsor hybrid programs for school-age children engaged in virtual learning.

Not only has the level of demand changed, but so have family choices. Before the pandemic, growth in child care centers strongly and swiftly out-paced home-based care. This has now shifted. A strong preference for small, home-based child care settings is emerging, and appears to be fairly consistent across the US. National and state survey data suggest that enrollment in center-based programs is about 50% pre-pandemic levels, while home-based care is about 75% and growing.

How do we reinvent the early care and education (ECE) sector in a new world? And what role can home-based care play? Opportunities Exchange (OppEx) believes that home-based child care is essential and that policy that bolsters provider networks—commonly referred to as Staffed Family Child Care Networks (or SFCCN, for short)—is a foundational strategy to ensure the ongoing supply of quality home-based care.

WHAT IS A STAFFED FAMILY CHILD CARE NETWORK?

A 2019 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.” 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. Bromer and Porter's findings underscore the success equation coined by Opportunities Exchange: pedagogical leadership + business leadership = high quality ECE. 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)

A third question, which undergirds both business and pedagogical leadership, must also be explored: *Is it possible to run a successful home-based child care business and also work reasonable hours?* For many, time is worth more than money. A business that leaves the owner drained and exhausted on a regular basis is not desirable.

In an effort to advance a shared understanding of SFCCNs that support both business and pedagogical leadership, OppEx developed a framework—**Defining Staffed Family Child Care Networks**—that places myriad SFCCN services along a continuum, based on likely impact, and expressed as tiers or levels of service. The framework can be applied to a single agency responsible for leading the Network (we refer to this entity as the Hub agency), or several agencies working in collaboration.

The **Defining Staffed Family Child Care Networks** framework enables a comprehensive characterization of SFCCN that is directly linked to services provided by Hub agencies. To this end, it is a helpful tool to not only guide SFCCN planning and expansion but also inform a policy agenda. Best practice ensures that participating providers have access to Tier 3 Pedagogical and Business Leadership, and ideally, policy and finance are structured toward this end.

> **Networks support caregivers …**
> so caregivers can support children and families

Presently, most home-based child care providers work alone. While some have access to quality coaches and/or support during the process of obtaining a license, almost none receive assistance understanding or tapping available business supports, including state-of-the-art automated systems that can make business management so much easier. Even when state or federal grants are available, few home-based providers take advantage of the opportunity—in large measure because the grant writing and reporting requirements are daunting.

Staffed Family Child Care Networks can play a much-needed leadership role by serving as an industry intermediary focused on ensuring the financial well-being and sustainability of small, home-based child care providers. The OppEx tiered approach is designed to help SFCCNs craft a plan to build that capacity. In addition to including well-understood strategies to support teaching and learning, the tiers document offers a staged intentional pathway for business leadership. The goal is to ensure that SFCCNs remain focused on provider compensation, businesses stability, and a supportive work environment while helping to address some of the fundamental (and often institutional) inequities that plague small and home-based child care programs in low-income communities.

POLICY REFORM

A significant challenge for SFCCNs is that most US child care policy was crafted with the assumption that small child care programs can—and should—operate independently. Public systems license and assign a quality rating to each individual site, establish a unique payment rate for each individual site, and expect individual attendance or accountability records (often via paper) from each site. When grant funds are made available, each site—no matter how small—is typically required to apply individually. Thus, countless time and money is spent to teach each individual provider how to correctly complete each form or meet each accountability requirement—even when those tasks could be more effectively performed by shared staff or a collaborative back office. In short, ECE leaders that seek to build SFCCNs that transform the business model (as defined in Tier 3 of the OppEx framework) are challenged to do so given the parameters of current ECE policy and finance.

Building a better business model will require a significant shift in perspective and policy. SFCCNs will not only need to re-think their leadership role and explore a host of new ways to help child care providers increase compensation and stabilize their businesses, but they will also need to step into a new policy landscape that encourages scale, technology and

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innovation. Some of these reforms can occur nationally—via leadership from the Health and Human Services Office of Child Care—however most will need to be enacted by state or local governments.

Myriad reforms are needed and will no doubt vary by state or city. However, key policy revisions that can be enacted in states across the US, and that pave the way for a new approach to SFCCN leadership, are identified in the table below and discussed in more detail in the narrative that follows.

GOAL	POLICY REFORM
Improve Compensation	Public reimbursement rates informed by cost, not price, and paid on the basis of enrollment not attendance.
	Parent co-payments that are affordable for families and aligned with other public funding streams such as Head Start and PreK.
	Public funding for slot contracts administered by SFCCNs.
	Refundable tax credits for home-based child care providers that serve infants and toddlers.
	Public support for tax prep assistance designed for home-based child care.
	Public support for ECE health care navigators (for the Affordable Care Act).
Stabilize Businesses	Funding to start or expand Staffed Family Child Care Networks.
	Grants to purchase CCMS software and hardware needed for effective, efficient business operations.
	Funding for business training and technical assistance linked to use of CCMS technology.
	Assistance tapping grants, loans, and supports available to small business.
	Electronic transmission of accountability documentation and data required for licensing/QRIS, subsidy, and more.
Address Inequity	Revisit quality standards to ensure that they are appropriate for small child care settings with mixed ages and do not reinforce institutionalized bias.
	Revisit eligibility criteria for ECE funding streams, to ensure that small settings, and home-based care, are able to participate.
	Enable SFCCNs to access funding to offer comprehensive health/mental health/social support services at scale.
	Prioritize and commit resources for SFCCNs that serve under-resourced communities, especially those who serve children and families that are Black, Indigenous, and people of color (BIPOC).

PROVIDER COMPENSATION

ECE leaders concur that low compensation has been a perpetually vexing issue, and likely a primary reason for the steep decline in regulated home-based child care. In small, single operator businesses, compensation and business success is the same thing: revenue generated from tuition, less expenses, equals business owner income.

Ensuring that the public reimbursement rate (tuition paid by government) is sufficient to cover costs, that the family portion of that fee (the co-payment) is affordable, and that payment is not reduced when a child is absent (enrollment-based payment), are essential steps—and typically on the agenda of most ECE advocates. Less common, however, is a recommendation that these dollars be awarded to a network of providers via a slot contract. This underutilized strategy deserves deeper exploration.

A contract to cover tuition for a specific number of children (e.g., purchasing a slot), awarded to an SFCCN on behalf of participating homes, can help ensure that tuition dollars are available to low-income families that seek to enroll in Network homes. A slot contract provides a steady and predictable source of revenue, making it possible for homes to make space available to low-income children. Moreover, the SFCCN could manage enrollment for both subsidy and space in a child care setting, making it easier for families to enroll their child, and secure financial assistance, all in one place. The SFCCN could identify eligible families, help them complete necessary and often overly complex paperwork, gather documentation, and craft a regular payment structure for any required family fee.

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Publicly funded child care assistance reaches only a fraction of children and families in the US. Without question, public ECE funding needs to grow. However, a SFCCN can also provide vital supports to home-based providers that serve private fee-paying families, including: marketing assistance so providers stay fully enrolled, business coaching and support to ensure prompt and regular fee collection and accounting support to better understand their per-child cost as well as accurately report income and expenses. OppEx refers to this work as the **Iron Triangle of ECE Finance**, and the table below demonstrates what a significant impact this can have on the bottom line—even for a family child care home with average tuition of about $140 a week.

Enrollment + Revenue in a Small Family Child Care Home

Average Monthly Market Price Per Child	$ 600		
Max Annual Revenue @ 6 Children	$ 43,200		
Vacancy Rate	5%	15%	25%
Revenue Invoiced	$ 41,040	$ 36,720	$ 32,400
Bad Debt	0%	10%	15%
Total Gross Revenue	$ 41,040	$ 33,048	$ 27,540

Another key support that SFCCNs can offer is assistance with filing taxes. Many financial supports for small businesses are actually delivered via the tax system. Additionally, eligibility for targeted supports such as the Earned Income Tax Credit or Affordable Care Act health insurance credits are based on a taxpayers Adjusted Gross Income (which, in this case, is based on business revenue and expenses). In short, for home-based child care, assistance with taxes can be a strategy to boost compensation.

Moreover, the tax system offers an opportunity to provide financial incentives for specific services or supports—especially if structured as **refundable tax credits**. This approach has been very effective in Louisiana and is now being replicated in Nebraska and Colorado. Exploring a new, nationally-available, refundable tax credit specifically targeted to home-based providers that serve infants and toddlers could be an effective way to not only address the severe shortage of care for this age group but also increase compensation to providers that serve babies. A previous **OppEx issue brief** underscored the inequity of basing payment for infants and toddlers on market prices. A refundable tax credit could be one way, among several, to address this inequity.

> For home-based child care, **assistance with taxes is a critical strategy** to boost compensation.

A strategic focus on tax prep support is timely. While some COVID relief benefits were structured as **tax credits** others—such as forgivable loans from the Payroll Protection Program (PPP) have potential tax implications that need to be clearly understood by providers. While the CARES Act made clear that PPP loans should not be considered income, it was only recently made clear that expenses used to justify loan forgiveness will also be deductible business expenses.

Securing affordable health insurance is a perineal challenge for all small businesses and low-wage employees. The Affordable Care Act (commonly referred to as Obamacare) offers significant opportunity to address this need—if providers know how to access the benefit and navigate their state Health Care Exchange. The Biden Administration recently released a **$1.9 trillion plan** aimed at shoring up the ACA and expanding premium subsidies. In short, it appears that affordable health insurance options, so vital for low-wage workers like those in the child care sector, may once again become available. SFCCNs could step into this important space by identifying staff or collaborators able to help participating providers navigate the insurance exchange, understand tax credits and find affordable options.

BUSINESS STABILITY

Inconsistent and unstable finances is a key reason why home-based child care programs close their doors—or fail to launch initially. Excessive work hours and isolation add fuel to the fire. There are a host of ways that SFCCNs can help—if they are willing to step into a business leadership role.

SFCCNs that assume responsibility for managing slot contracts or offering back-office business supports quickly realize that Child Care Management Software (CCMS) is key to success. Indeed, a growing number of leaders from across the US have launched projects focused on helping providers purchase, on-board and use CCMS software. Leveraging funds from a range of public and private sources—including the CARES Act, Preschool Development Grant B-5 (PDG) and the Child Care Development Fund (CCDF), among others—these leaders have offered free software and (when needed) hardware, along with technical assistance, to home-based providers. Trail blazers in Colorado, District of Columbia,

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Georgia, Idaho, Nebraska, New York, North Carolina, Oregon, South Carolina, Virginia and Wisconsin, among others, have forged partnerships with technology companies such as Wonderschool, Early Learning Ventures and Procare to make software available to home-based child care providers.

In addition to underwriting the cost of software, ECE leaders are crafting **new approaches to business training** and technical assistance strategically linked to use of CCMS. Experience has underscored that generic business training is rarely effective—especially with time-strapped and overwhelmed home-based providers. To address this need, innovations include training that is delivered in small, concrete steps and linked to learning how to use an automated CCMS to support daily operations, billing and record-keeping. Coaching sessions focus on reports generated by the CCMS, so that providers learn business practices by gathering and analyzing their own data. Some Hubs augment this training with opportunities to tap deeper back-office business supports—so that participating providers can spend more time working with children and families.

Investment in CCMS technology is most likely to have a lasting effect when state-level staff are engaged in the effort. Well-meaning initiatives can quickly derail when an uninformed monitoring staff person states that electronic data is not allowed and insists on duplicative paper-based transactions. Thus, best practice efforts engage state-level staff—ideally from licensing and quality rating, subsidy, the food program (CACFP) and more.

Indeed, state-level leadership is key to effectively scaling CCMS technology. While SFCCN leadership can use CCMS to strengthen provider operations, when these data are linked to public sector systems, the impact can be profound. The **2020 child care data report** from Child Care Aware of America pulled attendance and enrollment data from Early Learning Ventures, Brightwheel, Wonderschool and ProCare, to better understand enrollment trends during the COVID-19 pandemic. Several states are currently working with software vendors to craft the data trusts and electronic bridges (called APIs) needed to pull supply and demand data directly from CCMS and have “real-time” supply and demand data at the community level. Others are revising policy to enable electronic submission of accountability documentation for licensing and QRIS. A few–such as Colorado and Missouri—have enabled data links to pull the attendance data needed for subsidy payment directly from CCMS. In short, many reforms are possible if States embrace technology and take steps to fund purchase and use of CCMS as well as data links.

SYSTEMIC INEQUITY

The sustainability challenge home-based child care providers face is further exacerbated by a host of institutional inequities that require attention. SFCCNs can help bring voice to these issues and, in some cases, offer a pathway to reform.

A common challenge is that, in some states, the quality standards imposed on home-based child care are simply revised versions of standards established for child care centers. All-too-often home-based providers are so challenged to navigate complex and detailed requirements that they just give up. SFCCNs provide skilled support navigating these systems, but reform is clearly needed.

Similarly, many ECE public funding streams focus solely on center-based care and fail to acknowledge that early care and learning can also occur in a home-based setting. Alternatively, funding might be theoretically available to home-based providers but accountability requirements and reporting documentation is so complex that small providers feel that it is impossible to apply. Even accepting child care vouchers can be challenging. All too often complicated subsidy enrollment and payment systems assume that the child care provider has dedicated staff able to focus on fiscal matters, failing to acknowledge that in a home-based child care setting the director, teacher, family worker, cook and janitor are all the same person!

Public and private funding to support comprehensive health, mental health and social services in home-based settings are also sorely needed, but very difficult to secure. Once again, finding time to identify a qualified specialist and funding to pay for them is typically beyond the capacity of a small setting with one or two staff (who are required to be with children all day).

All of these challenges are even greater for family child care homes located in low-income and under-resourced communities or led by providers for whom English is a second language. Again, SFCCNs can play a vital role in helping these communities tap much needed resources.

Each issue noted above is multi-faceted and requires deeper exploration that is beyond the

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scope of this brief. Their importance, however, must be noted. At minimum, SFCCNs can play a key role in ensuring that the provider voice is heard and made part of the reform process.

NEXT STEPS

This issue brief raises a host of issues that can appear daunting. To guide reform, the table below identifies key players and next steps as well as potential models, resources and links.

Strategies to effectively finance and scale the SFCCN approach—both in start-up as well as sustainable operations—also require a deeper look. OppEx is keenly interested in exploring strategies that link Tier 3 supports to direct services, such as a per child reimbursement rate that includes SFCCN administrative costs + provider fees. Early Head Start-Child Care Partnership grants, as well as the Massachusetts Family Child Care Systems, are two examples of this approach.

POLICY REFORM	NEXT STEPS/DRIVERS	MODELS/RESOURCES/LINKS
Public reimbursement rates informed by cost, not price, and paid on the basis of enrollment not attendance	Federal CCDF regulation allows states flexibility in these regards.	ACF guidance CAP cost calculator www.costofchildcare.org
Parent co-payments are affordable for families—ideally zero	Federal CCDF regulation allows states flexibility in these regards.	Co-payment policy guidance
Public funding for slot contracts administered by SFCCNs	Federal CCDF regulation allows state administrator flexibility in these regards.	Massachusetts Family Child Care Systems PA Infant Toddler Slot Contracts
Refundable tax credits for home-based child care providers who serve infants and toddlers	State legislation is needed.	Louisiana, Colorado and Nebraska have refundable tax credits for ECE—but not specifically earmarked for infants and toddlers in home-based care.
Public support for tax prep assistance designed for home-based child care	Funding from CCDF quality set-aside, CARES Act, or PDG could support the cost of ensuring that tax preparers understand home-based child care and can provide effective tax prep support.	Tom Copeland Taking Care of Business
Public support for ECE health care navigators (for the ACA)	Some Medicare or Medicaid funcing has been earmarked for navigators. States could also use CCDF quality set-aside funding for ECE-specific navigators.	Shared Service Alliances, like Chambliss Center for Children in Chattanooga, TN have successfully implemented this approach.
Grants to purchase CCMS software and hardware needed for effective, efficient business operations	Public funding via the state's CCDF quality allocation, CARES Act funding, or PDG funding could support this cost.	North Carolina: CARES funding Virginia: PDG, CCDF, CARES New York and Wisconsin: PDG
Funding for business training and TA linked to use of CCMS technology	Public funding via the state's CCDF quality allocation, CARES Act funding, or PDG funding could support this cost.	Business Training + Automation for Child Care Programs Georgia Arizona
Assistance tapping grants, loans, and supports available to small business	Public funding via the state's CCDF allocation, CARES Act funding, or PDG funding could support this cost.	SBA Loans + Grants for ECE ECESharedResources.com
Electronic transmission of accountability documentation for licensing/QRIS, subsidy, and more (APIs)	Public funding via the state's CCDF allocation, CARES Act, or PDG funding could support staff time to map changes and cost of technical programming needed to implement.	Colorado: Alliance CORE licensing and subsidy Missouri: Controltec North Carolina: electronic licensing documentation

SOURCES

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