



A Strategy Guide **for State, Tribal & Territorial Administrators**

**Using our Child Care Business Ecosystem framework to build
a sustainable child care supply – in times of crisis or stability.**



National reach, resources, and expertise for stronger child care businesses and communities.

As child care shortages are increasingly in the spotlight, state, tribal, and territorial administrators are faced with both the opportunity and challenge to think more holistically about how to ensure a sustainable child care supply. This Strategy Guide is designed explicitly to help you meet that need.

It's comprehensive. The Ecosystem encourages leaders to examine all the programs and policies that impact child care businesses. It highlights the interconnected business impact of elements that may not frequently be thought of together, such the connections between training and access to capital or subsidy participation.

It's adaptable. The Ecosystem does not encourage one-size fits all solutions. Within each element, examples highlight diverse solutions representing varied approaches and costs.

The Child Care Business Ecosystem can be an effective tool to support child care businesses in times of growth, change, and uncertainty.

It's responsive. This Strategy Guide can be especially useful in times of instability and crisis to ensure efforts to address emergent needs also benefit your community in the long term. In times of uncertainty, administrators can turn to our Ecosystem Framework to comprehensively examine policy, systems, programs and government funding mechanisms, assess their assets and gaps, their current and potential funding sources, and then design and implement a financing plan to stabilize the thousands of small businesses that comprise the child care sector.

How it works. This Strategy Guide includes the Essential Elements, best practices, and example strategies to encompass the programs and funding streams that (1) CCDF administrators can influence and that (2) make an impact on business creation and sustainability. We've also highlighted considerations for financing, such as recommended process and cost drivers, among others, along with a few reflective questions to jump start your thinking.

Building towards an evidence-based practice.

First Children's Finance recognizes that there is no one answer to building a sustainable child care business ecosystem, but that addressing each of these 11 elements is essential to closing the gaps and crafting the right solutions for your state, tribe, or territory.

The example strategies listed in this guide include both administrative and legislative changes and represent everything from small policy adjustments to significant systems reforms. Every strategy listed in the Ecosystem currently exists in at least one state, tribe, or territory, allowing them to serve as pragmatic examples to be replicated, scaled, or adapted.

The strategies listed in the Ecosystem are simply examples of the *type* of interventions that can be used to address each best practice. The lists are not exhaustive. We also do not have data on the implementation or impact of every program and policy listed. This Strategy Guide should be considered a library of resources, not a list of endorsed strategies.

Historically, child care business sustainability has been under-researched. This Strategy Guide is part of an ongoing effort to build an evidence base of the policies and programs that contribute to an adequate supply of quality child care.

Join us. Finally, we would like to acknowledge that our work with states and Native nations has contributed to the Child Care Business Ecosystem Framework. To learn more about how we use this tool, visit [our website](#).



The ECE Business Collaboratory

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Our Mission, Purpose & Approach

We grow the supply and business sustainability of excellent child care.

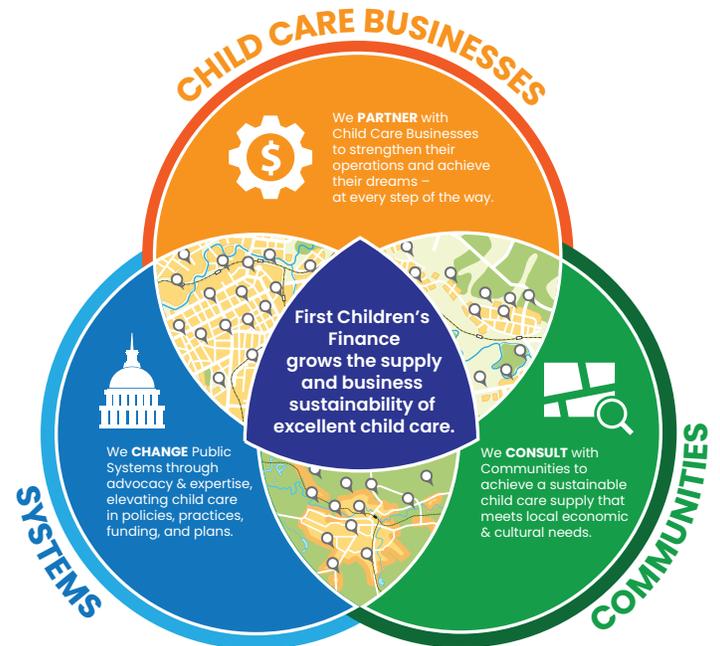
We help children, families and communities thrive by increasing the availability, affordability and quality of early care and education.

We accomplish this by providing financial and business development assistance to child care businesses serving low- and moderate-income families, and building partnerships that connect these vital businesses with the resources of the public and private sectors.

Our Value Add

First Children's Finance is the only national organization dedicated exclusively to expanding child care supply. We're unique in working at all three levels: Child Care Businesses, Communities, and Systems – and where they intersect.

Our holistic approach ensures policies, practices, planning, and systems are informed by community and child care business owner needs while leveraging national resources, connections, and expertise.



Our Services



CHILD CARE BUSINESSES

We **partner** with child care businesses to strengthen their operations and achieve their dreams – every step of the way.



COMMUNITIES

We **consult** with communities to achieve a sustainable child care supply that meets local economic & cultural needs.



PUBLIC SYSTEMS

We **change** public systems through advocacy & expertise, elevating child care in policies, practices, funding, and plans.

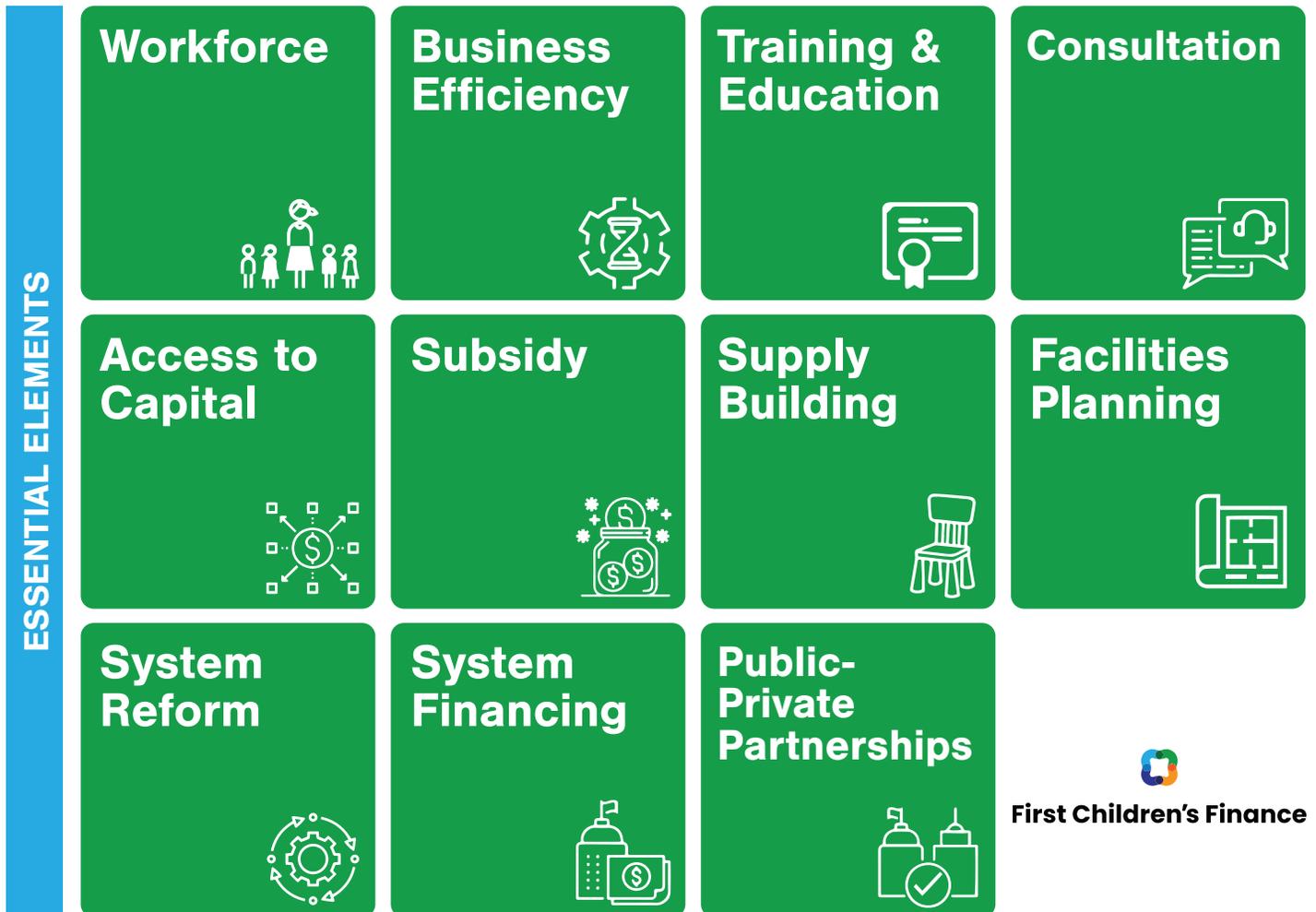
Loans. Technical Assistance. Assessments. Start Up & Expansion Planning. Training. Business Consulting. Grants. Business & Leadership. Development.

Supply Building Initiatives. Needs Analysis. Community Engagement. Feasibility Studies. Custom Solutions. Technical Assistance. Workshops.

Policy & Practice Review. Needs Assessments. Resource Alignment. Cost of Care Studies. National & Cross-Sector Collaboration.

A flexible, field-tested framework to ensure a sustainable child care supply.

About the Child Care Business Ecosystem



An adaptable, practical, and comprehensive tool for you.

Informed by our 30+ years of experience, our Child Care Business Ecosystem serves as both an assessment and planning tool.

The Ecosystem identifies the essential elements of a strong, sufficient, and sustainable system of high-quality child care.

Such a child care system:

- Meets the practical, educational, and cultural needs of local children and families.
- Provides child care owners and staff with a viable business model, career pathways, livable wages, and valuation of their skills.
- Enhances the local economy, community vitality, and civic life.



BEST PRACTICE

States, tribes, or territories fund and facilitate access to capital for child care businesses of all license types in the form of grants, loans, forgivable loans, credit guarantees, and/or business technical assistance.

STRATEGIES	EXAMPLES
State, tribal, territorial, or local governments fund physical plant improvement (beyond the allowable uses of the CCDBG)	<ul style="list-style-type: none"> • CA Child Care Facilities Revolving Loan Fund • Family Child Care Renovation & Repair Grant in San Francisco, CA • City of Philadelphia Child Care Facilities Fund • WA Early Learning Facilities Program
State, tribal, territorial, or local governments fund grants	<ul style="list-style-type: none"> • NE Child Care Start Up and Expansion Grants • CO Emerging and Expanding Child Care Grants • City of Boston Child Care Entrepreneur Fund
State, tribal, territorial, or local governments fund no or low interest loans	<ul style="list-style-type: none"> • VA Child Care Financing Program • First Children's Finance Loan Program in MN
Tax increment financing (TIF), linkage fees, or community benefit agreements (CBAs) include funding for child care	<ul style="list-style-type: none"> • TIF for Child Care Legislation: ME • TIF Examples: Fort Dodge, IA TIF, DeKalb, IL TIF, Waukegan, IL TIF • Child Care Impact Developer Fees in San Francisco, San Mateo, Palm Desert, and South San Francisco, CA. Example: Santa Monica, CA Early Childhood Linkage Fee • Valley Jobs Coalition CBA in North Hollywood, CA
Loans are available for child care businesses from nontraditional banking institutions to increase the favorable conditions of these loans	<ul style="list-style-type: none"> • First Children's Finance • Self-Help Credit Union • Reinvestment Fund • WomenVenture • LISC
State, tribe, or territory provides tax credit for business expansion	<ul style="list-style-type: none"> • Child Care Investment Tax Credit in MA

Access to Capital

CONSIDERATIONS

Consider Developing Relationships with CDFI's

A CDFI is a bank, a credit union, a loan fund, or other capital provider that help facilitate economic development, community development, and financial support.

CDFI's can offer vital support to child care businesses in the form of capital for low- and moderate-income borrowers who may experience barriers in accessing conventional lending. States, tribes, and territories can support the work of CDFI's by funding the TA child care business owners receive when working with CDFI's. This TA could increase the business owners' capacity for financial management and help them access more conventional lending in the future.

Partner with Economic Development Agencies

Consider mobilizing economic development agencies to support child care. Establishing close relationship with these agencies can bring about access to capital for child care businesses as well as help states, tribes, and territories to further ensure the needs of children, families, and child care business owners are considered during economic development conversations and projects.

REFLECTIVE QUESTIONS

1. Does your state, tribe, or territory offer any of the following financing tools for child care?

TIF CBAs Linkage Fees Other _____

2. Do non-banking institutions make loans to child care businesses?

Yes No Unsure

3. Are these loans available throughout your entire state, tribe, or territory?

Yes No Unsure

4. Can you identify one of these institutions as an example?

5. Is investment in child care business an integral part of your economic development planning efforts?

Yes No Unsure

NOTES

FUNDING SOURCES

- Community Development Financial Institutions (CDFI)
- New Tax Revenue, such as Sin Taxes
- Endowed Trusts
- Social Impact Investments
- Community Development Block Grant
- USDA Rural Economic Development Loan & Grant Program
- USDA Community Facilities Grant
- Community Economic Development Grant
- Refugee Family Child Care Microenterprise Development Grants
- New Market Tax Credit
- Small Dollar Loan Program
- State, Tribal, or Territorial Small Business Credit Initiative
- SBA Loan Guarantee Programs
- Child Care Access Means Parents in School Programs
- Registered Apprenticeship Program
- Work Opportunity Tax Credit
- Opportunity Zones



BEST PRACTICE

States, tribes, or territories fund and facilitate efficiencies of scale that result in true cost-savings for child care businesses.

STRATEGIES	EXAMPLES
Efficiencies of scale are funded by the state, tribe, or territory	<ul style="list-style-type: none"> • ECE Shared Resources™ platforms are in place in 32 states • Essential Supplies Purchasing Platform in MS • Shared Services RFP in WI
State, tribe, or territory funds and staffs substitute pools	<ul style="list-style-type: none"> • NV Early Childhood Support Network • WA Early Care and Education Substitute Pool
State, tribe, or territory subsidizes the acquisition of curriculum & assessment tools for community-based child care businesses	<ul style="list-style-type: none"> • TexasHomeLearning initiative • Child Care Curriculum Initiative in LA • Georgia offers “Bonus Packages” of supplies, materials, assessment packages, and more to all Quality Rated programs based on their star rating
State, tribe, or territory purchases child care management software (CCMS) for child care businesses, audits and addresses barriers to automation, and supports integration with state, tribal, or territorial databases	<ul style="list-style-type: none"> • Alliance CORE in CO • ProCare in WI • ChildWare in PA • Purchasing laptops and tablets for providers to support access to unified data system in VA
State, tribe, or territory supports staffed and funded licensed family child care businesses networks/hubs	<ul style="list-style-type: none"> • Staffed Family Child Care Networks in CT • Focused Family Child Care Networks in OR • Family Child Care Networks in NYC • Family Child Care Home Education Networks in CA
State, tribal, or territorial licensure and QRIS facilitate shared services (e.g., shared pedagogical leadership, portable background checks/PD to support shared staff/substitute pools)	<ul style="list-style-type: none"> • Issue Brief on Barriers to Shared Services in PA QRIS
State, tribe, or territory coordinates data systems across programs and agencies and reduces administrative burden for child care businesses	<ul style="list-style-type: none"> • Provider Hub in CO • White Earth Nation Rite Track data system

Business Efficiency

CONSIDERATIONS

Develop a Definition and Approach to Shared Services

Nationally, states, tribes, territories, foundations, nonprofit organizations, and other stakeholders use “shared services” as a term to describe varying initiatives with varying goals. To ensure that the shared services initiatives led by a state, tribe, or territory and its regional entities are in alignment, administrators must define its shared service approach and use this approach to outline an integrated, systemic implementation plan, and lastly, a sustainability goal. If administrators are anticipating shared services to ultimately be self-sustaining based on user fees, services and initial promotion will need to be carefully designed to engage users. Alternatively, administrators can think of shared services as an efficient use of state, tribal, or territorial resources, but one that will require ongoing public funding. A shared service implementation plan should include a definition of shared services, its different models (shared information, shared resources, and shared staff), and how these models will be applied in the state, tribe, or territory. This shared service implementation plan should also include a vision for shared services that outlines what activities might be shared and what remains a business owner’s individual responsibility. Louisiana is refining its statewide approach to shared services and how child care businesses will benefit.

Evaluate All Shared Services Strategies

An administrator and their partners should also generate process and impact goals and metrics for each model of shared services. Evaluation can clearly demonstrate the uptake, utility, and impact of each shared services strategy. Administrators can then share results at the conclusion of any pilots and/or projects. This would help compare similar efforts across regions and inform which pilots to expand and which to sunset.

Cross-References Current Trainings and Public-Private Partnerships with Shared Services Needs

If an administrator is seeking to implement shared services to “take some duties off the lists of child care business owners” then the administrator should consider areas that their current trainings do not support; are there content areas and management responsibilities missing from the current trainings? If so, this may be an area that an administrator could shore up using shared services. Once a gap and need has been identified, administrators can then review their current list of public-private partnerships. If a current partner offers a shared service strategy that fills this gap, the administrator may want to approach them about meeting this identified need for stabilization. State, tribal, and territorial teams participating in the ECE Business Collaboratory engage in evaluating their shared services strategies through a mapping and analysis activity.

REFLECTIVE QUESTIONS

1. How do you evaluate the effectiveness and impact of the shared services initiatives you fund/support?

Yes No Unsure

2. Do you coordinate data systems across agencies?

Yes No Unsure

NOTES

FUNDING SOURCES

- PDGB-5 Grant
- CCDF (Child Care and Development Fund) Quality Funding to support training
- City, State, Tribal, or Territorial Tax Revenue, such as the DC Pay Equity Fund
- State, Tribal, or Territorial Tax Credits, such as in Louisiana and Nebraska



BEST PRACTICE

States, tribes, or territories fund personalized start-up, crises, and expansion coaching and consultation, including financial modeling, for child care businesses, and this coaching is in alignment with a competency framework for businesses included in licensing and professional development.

STRATEGIES	EXAMPLES
<p>States, tribes, or territories offer or fund personalized consultation and coaching, including financial modeling, for child care businesses during start-up, expansion, and as crises intervention</p>	<ul style="list-style-type: none"> • First Children's Finance consultations offered in MN, IA, and MI • Institute for Early Education Leadership and Innovation in MA • All Our Kin Family Child Care Business Coaching and Consultation in CT & NY • Business and Automation Coaching in GA
<p>States, tribes, or territories offer or fund business development cohorts that provide a combination of training, consultation, coaching, and technical assistance to peer groups of child care businesses</p>	<ul style="list-style-type: none"> • First Children's Finance Cohort Models in MN, NC & IA • NYCHA Childcare Business Pathways in NYC • Child Care Entrepreneur Fund in Boston, MA • Refugee Family Child Care Microenterprise Development Initiative Grantees
<p>States, tribes, or territories partner with business consultation organizations (e.g., Small Business Development Centers, Women's Business Development Centers) to ensure their offerings are relevant and responsive to the needs of child care business owners</p>	<ul style="list-style-type: none"> • First Children's Finance Partnership with SBDC in MN • Partnership with Women's Business Development Council in CT • Partnership with SBDCs in CO • Child Care Business Lab in ME

Consultation

CONSIDERATIONS

Leverage Agency Expertise

Administrators likely have expert partners to work with in order to deliver customized consultation to child care businesses, such as Child Care Resource and Referral agencies, women’s business development centers, economic development agencies, and First Children’s Finance. When seeking to stabilize child care, administrators can work directly with these partners to help child care entrepreneurs navigate revenue loss, as the Minnesota Department of Human Services has done with First Children’s Finance in Minnesota, Iowa, and Michigan.

Design and Deliver Consultation with New Funding Streams in Mind

Consultation will be a powerful stabilizing strategy if the consultants working with child care businesses are aware of all related relief funding, local funding streams, and underutilized federal funding resources. Louisiana’s Department of Education has offered free tax consultation and access to First Children’s Finance consultation to all Type III child care providers in the state.

Begin with the End in Mind

Expert consultation can be a key strategy for stabilizing child care if a goal is established for the work ahead of implementation. If a state, tribal, or territorial QRIS includes business competencies, these should shape the consultation. Throughout the ongoing COVID-19 pandemic and all of its related disruptions, state, tribal, and territorial administrators have sought out business-specific training that focused on financial and operation management from local CCR&Rs, the Early Childhood Quality Assurance Center, and First Children’s Finance, to build the capacity of child care entrepreneurs to make financial decisions about their businesses.

Other Resources

[Early Childhood Finance Toolkit: A Curated Resource to Support State Leaders in a Mixed Delivery System \(hhs.gov\)](#)

REFLECTIVE QUESTIONS

1. Do you offer customized consulting and financial modeling for child care businesses at all stages: start-up, crisis management, and growth?

Yes No Unsure

2. Who are some organizations you partner with to deliver this assistance in a way that’s accessible and tailored to child care business owners and the communities they serve?

3. Are there associations offering peer learning opportunities for child care business owners?

Yes No Unsure

NOTES

FUNDING SOURCES

- CCDF quality dollars
- PDGB-5 funds



BEST PRACTICE

States, tribes, or territories support the development and maintenance of safe, quality child care facilities, including family child care homes, through planning and design, financing, and health and safety supports or by removing zoning or licensure barriers.

STRATEGIES	EXAMPLES
School lease levy is approved by local school boards and provides facilities for community-based child care businesses	<ul style="list-style-type: none"> • Seattle, WA Public Schools • Lanesboro, MN Public Schools
Low or no interest loans are available to providers for facilities	<ul style="list-style-type: none"> • First Children's Finance loans to child care businesses in 12 states • Detroit, MI Zero Interest Home Repair Loans • All Our Kin Zero Interest Loan Program
Early childhood bonding program is being implemented	<ul style="list-style-type: none"> • MA Early Education and Out of School Time (EEOST) Capital Fund • RI Early Childhood Care and Education Capital Fund
Technical assistance, testing, or grants are offered to help businesses select, develop, or remediate child care facilities where children can be safe and healthy	<ul style="list-style-type: none"> • TX Safe Child Care Siting Initiative • CA Lead Testing Grants • Funding for Lead Testing and Remediation in VT
Disaster planning is required of all providers and personalized coaching is provided by non-licensing entities	<ul style="list-style-type: none"> • Child Care Aware Emergency Preparedness Train-of-Trainers CCR&R Program
States, tribes, or territories address common barriers to licensing new facilities such as for multi-unit dwellings, alternative outdoor space, etc.	<ul style="list-style-type: none"> • Legislative Report on Licensing Innovation in WA • Co-Creation of a Licensing Innovation Plan in KS
State, tribe, or territory supersedes local zoning or business licensing limitations to facilitate the startup of new family child care homes; municipalities streamline land use approval process	<ul style="list-style-type: none"> • CA Keeping Kids Close to Home Act • CO legislation to reduce HOA and zoning barriers • Streamlined land use approval process facilitates the start-up of child care centers in residential zones in San Francisco, CA; Zoning code update permits child care centers in residential zones in Redwood City, CA
State, tribe, or territory waives payment of land tax for child care businesses	<ul style="list-style-type: none"> • Enterprise Zone Child Care Property Tax Exemption in FL • Partial real property tax exemption for child care centers in OH
States, tribes, or territories facilitate or fund partnerships with transit, housing, or community/rural development to co-develop facilities	<ul style="list-style-type: none"> • Transit-Linked Facilities Examples from CA, MD & OH • Housing and Child Care Collaboration in CA • Planning Code Requires Real Estate Developers to Assess and Address Child Care Impact of their Project in Contra Costa County, CA
Tribal administrators use federal funding streams for facilities construction and improvement	<ul style="list-style-type: none"> • Rosebud Sioux Tribe Child Care Construction Project (CCAP) • Red Lake Nation Child Development Center (USDA-RD) Tribal College Initiative Grants

Facilities Planning

CONSIDERATIONS

Embedded Technical Assistance

In addition to offering ongoing and regular access to business training through their training and technical assistance systems, states, tribes, and territories should consider opportunities to embed technical assistance into facilities planning opportunities. This technical assistance focused on business competencies, facilities development and disaster planning can increase the efficiency, sustainability, and overall success of facilities projects.

Address Zoning Barriers

Tribal administrators have flexibility in their CCDF funding to support major construction and renovation projects. The Rosebud Sioux Tribe is funding the design and construction of a culturally relevant child care facility in their community.

Partnerships

Partnerships can be used to connect child care business owners to existing funding opportunities that can support facilities improvements. States, tribes, and territories may find they have aligned goals with other agencies administering capital for child care facility development such as Small Business Development Centers, Housing and Urban Development Offices, State Rural Development Offices, and Economic Development entities.

REFLECTIVE QUESTIONS

1. Do the majority of K-12 districts in your state, tribe, or territory allow community-based child care businesses to lease available space in school buildings?

Yes No Unsure

2. Have you streamlined land use approval and zoning processes, with laws implemented to supersede local zoning processes if/as needed to ensure a sustainable child care supply?

Yes No Unsure

3. Are grants and/or free technical assistance provided to ensure child care businesses are suited for maximum child health and safety and family access (e.g., near to transit, schools, etc.)?

Yes No Unsure

4. Is free disaster planning by an accredited professional required/provided (annually?) for each facility run by a child care business?

Yes No Unsure

NOTES

FUNDING SOURCES

- Business and Industry Loan Guarantees
- Community Development Financial Institutions (CDFI)
- Department of Agriculture Community Facilities Programs
- Department of Health and Human Services Child Care and Development Fund (CCDF)
- Department of Housing and Urban Development, The Community Development Block Grant (CDBG) Program
- Department of Treasury, Community Development Financial Institution Fund
- Economic Impact Initiative Grants
- Head Start
- Rural Microentrepreneur Assistance Program
- State, Tribal, or Territorial Tax Credits
- SBA Loan Guarantee Programs
- Child Care Access Means Parents in School Program
- Brownfield Grants
- Community Facilities Direct Loan & Grant Program
- Rural Economic Development Loan & Grant Program
- Low Income Housing Tax Credit
- New Market Tax Credit

Public-Private Partnerships



BEST PRACTICE

Business sector, philanthropy, and government agencies blend and leverage public funding and private financing to invest in child care business innovation, research, development, and financing.

STRATEGIES	EXAMPLES
Child care partnerships (public school, private employer, faith community, etc.) are in place	<ul style="list-style-type: none"> • Sixpence Early Learning Fund in Nebraska • CEO Initiative in Denver, CO • Caring for Kids Initiative, Wayzata, MN
Philanthropy and state, tribal, or territorial government supports business innovation, research, and development	<ul style="list-style-type: none"> • Buffet Early Childhood Institute in NE • New Profit Partnership in MA • Let's Grow Kids in VT
Financial institutions direct Community Reinvestment Act (CRA) investments to child care initiatives	<ul style="list-style-type: none"> • Issue Brief: How Early Care and Education Intersects with the CRA • PNC Bank's CRA-funded Grow Up Great® Initiative
Business community is engaged in improving child care access and affordability for employees or facilitating employer-sponsored care	<ul style="list-style-type: none"> • Executives Partnering to Invest in Children (EPIC) in CO • VT Business Roundtable • WA Child Care Collaborative Task Force • Missoula Area Chamber of Commerce Childcare Initiative in MT
State, tribal, or territorial cost sharing incentivizes employer-sponsored care	<ul style="list-style-type: none"> • MI Tri-Share Pilot Program
State, tribe, or territory provides a tax credit to employers that operate, contract for, or contribute toward the cost of child care for their employees	<ul style="list-style-type: none"> • In place in 18 states
State, tribe, or territory provides tax credit to incentivize individual or corporate contributions to the child care sector	<ul style="list-style-type: none"> • Child Care Contribution Credit in CO • Child Care Contribution Tax Credit in OR • Income tax credit for qualified prekindergarten program support contributions in MS

Public-Private Partnerships

CONSIDERATIONS

Facilitate Ongoing and Robust Engagement with Employers and Philanthropy

States, tribes, and territories will select the best, most locally appropriate strategies within this element of the Ecosystem if they continually engage local philanthropy and employers to understand their needs, preferences, and capacity. Some employers have great capacity and interest in supporting child care businesses. Examples of these employer groups include Executives Partnering to Invest in Children (EPIC) and the CEO Initiative, which are both in Colorado.

Matching Fund Program Possibilities

Public-private partnership can generate matching funds to support for child care businesses. For example, Michigan Tri-Share is a pilot initiative to increase access to quality child care by splitting the costs among an employer, an employee, and the State of Michigan.

Landscape Analysis of Employers

Consider the type of employers in a state, tribe, or territory, the employees they recruit, and what the trends in child care are and will be. Administrators are well-positioned to facilitate this engagement with cross-agency partners such as departments of labor, employment, economic development, and education. Other governmental partners such as the Small Business Association regional offices could be involved. Chambers of commerce can be local leaders in this work and several across the country are involved in building the supply of sustainable child care, such as the Missoula Area Chamber of Commerce and the Vermont Business Roundtable.

REFLECTIVE QUESTIONS

1. Are the majority of employers in your state, tribe, or territory financially supportive of child care, whether directly for their employees or for broader community benefit?

Yes No Unsure

2. Are cross-sector partnerships in place to assess needs, research supply solutions, and ensure a sustainable supply of quality child care?

Yes No Unsure

3. Do local cultural, economic, and business needs determine the type, location, and hours of care needed?

Yes No Unsure

4. What percentage of businesses utilize tax credits or incentives for supporting child care for their employees:

0-25% 26-50% 76-100% 26-50%

Unsure N/A (no such credit/incentive exists)

5. If less than 75%, what are some barriers to utilization?

NOTES

FUNDING SOURCES

- Local, state, tribal, territorial, and regional foundations
- Tax credit funding supports administrative costs
- Small Business Administration (SBA) funding
- Matching funds



BEST PRACTICE

States, tribes, or territories accurately analyze the cost of care and design subsidy programs that address families' needs, are responsive to varying costs, and reduce administrative barriers to participation for child care businesses and families.

STRATEGIES	EXAMPLES
Child care subsidy payment rates reflect the true cost of care	<ul style="list-style-type: none"> • Washington, D.C.
Subsidy pays at or above current market rates (at or above 75% percentile)	<ul style="list-style-type: none"> • MA, MS, SD & ND
The cost of quality is accurately analyzed and defined regularly, including in-person data collection from child care businesses	<ul style="list-style-type: none"> • DE • Washington, D.C.
States, tribes, or territories set differential rates to incentivize targeted supply-building; differential rates are informed by detailed cost of care data	<ul style="list-style-type: none"> • AK Inclusive Care Program • VT Specialized Child Care Program • WI Shares Inclusion Rate • WA Non-Traditional Hours Add-on • OR Non-Traditional Hours Incentive Pay
State, tribe, or territory contracts for slots for infants, toddlers, and children under age 5	<ul style="list-style-type: none"> • CO Contracted Slots Pilot • PA Infant Toddler Contracted Slots Program • OR Programs of Quality • Georgia's Quality Rated Subsidy Grant Initiative
Expanded subsidy eligibility, community eligibility policies, or coordinated enrollment help stabilize enrollment for child care businesses	<ul style="list-style-type: none"> • NY Facilitated Enrollment Child Care Subsidy • LA Coordinated Enrollment and Funding • IL Site Administered Contracts • Subsidy Eligibility up to 350% FPL in VT
Subsidy policies support methods of reliable, predictable reimbursement payments	<ul style="list-style-type: none"> • Delinking Payment from Attendance to Promote Predictable Revenue in Many States • Timely Payments including Paying Providers Prior to Service Delivery in UT & OR; Weekly Billing of Subsidy Reimbursement in AL, GA & CO
Local funding (scholarships, vouchers, etc.) addresses eligibility gaps	<ul style="list-style-type: none"> • Madison, WI, Child Care Assistance Program • Lincoln Littles Early Childhood Fund in Lincoln, NE • Thrive By Three Early Learning Scholarships in Santa Cruz, CA
States, tribes, or territories coordinate access to complementary federal funding streams, reduce duplicative administration	<ul style="list-style-type: none"> • Issue Brief on Expanding Access to the Child and Adult Care Food Program (CACFP)

Subsidy CONSIDERATIONS

Expand Eligibility

In times of financial instability for families and child care businesses, consider a temporary expansion of subsidy eligibility. Many states, tribes, and territories did this throughout the early months of the COVID-19 pandemic. The guiding assumption is that expanding subsidy eligibility expands the number of families that are likely to enroll in licensed child care. This increase in demand can help providers maintain the high enrollment ratios needed to stabilize their business and thus be able to pay ECE professionals more. Diversified revenue from subsidy, private pay, and other sources can support sustainability by helping child care businesses adapt during economic downturns and other changes to their local child care market.

Political Will

Any change to subsidy policy will require political will of the policymakers in a state, tribe, or territory. Strategies to address subsidy are likely to be among the most efficient strategies to stabilize child care businesses. During the initial two years of the COVID-19 pandemic, legislators undertook dramatic subsidy policy changes to increase stability for families and child care providers.

Expansion of Public Preschool

As public schools increase the number of preschool classrooms they are funding, the child care business model will continue to be destabilized. Licensing ratios are a critical component of the cost drivers of child care. Administrators should analyze the unintended consequences of public preschool expansion and assess if contracted slots, for example, might be a stabilizing strategy, as they are in Oregon and Pennsylvania.

REFLECTIVE QUESTIONS

1. How do you assess unintended consequences of changes in eligibility and renewal processes?

Yes No Unsure

2. Are your eligibility requirements designed to maximize enrollment in child care and minimize burdens on families and child care businesses?

Yes No Unsure

NOTES

FUNDING SOURCES

- CCDBG
- Local tax revenues



BEST PRACTICE

States, tribes, or territories regularly study child care supply and demand and have prioritized supporting the development of specific types of care to address identified community needs. Supply building activities typically bring together strategies in other Essential Elements such as access to capital, facilities planning, and business consultation.

STRATEGIES	EXAMPLES
Agency conducts child care supply-demand gap analysis on systems and community levels annually to inform the development of policies and practices	<ul style="list-style-type: none"> • First Children First Nations Child Care Collaborative • MN Rural Child Care Innovation Program • IL Early Childhood Asset Map • Bipartisan Policy Center Report from 25 states
Bonuses, wage incentives, or slot incentives are offered to incentivize care for priority areas, types, or ages	<ul style="list-style-type: none"> • CO Shines Infant/Toddler Quality Improvement Capital Grant • NC Infant and Toddler Educator AWARD\$ program • Weekly Per-Infant Incentives in ME • Baby Promise Contracts in OR • Subsidy rate add-on in child care deserts and distressed counties in TN, low-income areas in Milwaukee, WI, for programs serving 50% or more subsidy-eligible children in MO
Innovative licensing mechanisms allow family child care businesses to operate in nontraditional spaces that meet licensing standards	<ul style="list-style-type: none"> • MN Pod Model • MN Nonresidential Programs • Small Child Care Facilities License Type in ME
Innovative licensing mechanisms allow family child care businesses to care for an increased number of infants/toddlers	<ul style="list-style-type: none"> • MN Specialized Infant and Toddler Family Child Care License Class
States, tribes, or territories offer Early Head Start-Child Care Partnerships to increase provision of quality slots in community-based programs	<ul style="list-style-type: none"> • AL, D.C., GA, LA, MD, OK & WA • Colusa Indian Community, Hand-in-Hand Learning Center is an Early Head Start - Child Care Partner (EHS - CCP) with the California Department of Education for their infant/toddler classrooms.
Economic development initiatives include partnering with local entities and local funds	<ul style="list-style-type: none"> • NY Regional Economic Councils partner with CCR&Rs • MN Rural Child Care Innovation Program

Supply Building

CONSIDERATIONS

Supply-Demand Gap Analysis and Priority Areas for Supply Building

Consider commissioning a supply-demand gap analysis to understand the supply building needs in your state, tribe, or territory. This will help set priorities, which can be geographic, related to care type (e.g., infant care, alternative hours care), or both.

First Children First Nations Child Care Collaborative provides assistance to Native nations seeking sustainable, community-based solutions to increase the supply of child care. The first step of this work is to conduct a community supply-demand gap analysis. This information provides a clear idea of the number of child care slots needed.

Consider Community Engagement Costs

It is vital to solicit community input on the causes of local child care supply gaps and the right-size solutions to meet their needs. Consider convening, facilitation, and planning costs when developing community supply building programs.

No Cost Solutions

Supply-building strategies can be extremely expensive, such as supporting the financing of new facilities or the renovation of existing facilities. However, there often are low or no cost ways to make a meaningful impact on supply. Consider innovative licensing types for family child care providers. Listening sessions with child care providers can reveal barriers to getting licensed. Streamlining your variance process, funding high-ticket start-up items like fire systems, or clarifying policies on multi-unit dwellings or outdoor space, might be the answer to addressing a significant barrier in your state, tribe, or territory that is preventing the development of new child care slots.

REFLECTIVE QUESTIONS

1. Have you identified priorities for supply-building?

Yes No Unsure

2. Have you identified partners in supply-building in your state's, tribe's, or territory's economic/community development efforts?

Yes No Unsure

3. How do you engage local communities in supply-building?

4. Where do you see opportunities for innovation in your supply-building efforts?

NOTES

FUNDING SOURCES

- CCDF Quality Funding
- Community and Economic Development Funding
- Federal Relief Funding



BEST PRACTICE

States, tribes, or territories implement a strategic financing plan to align existing local, state, tribal, territorial, and federal funding streams and identify new funding sources to support an adequate supply of sustainable community-based child care.

STRATEGIES	EXAMPLES
Excise tax proceeds fund the business needs of child care	<ul style="list-style-type: none"> • Philadelphia and Santa Fe sugary beverages for PreK • CA First Five Program is tied to cigarette tax • AZ Early Learning Scholarships Funded through Cigarette Tax • Sports Betting Revenue for Early Learning in LA
State, tribe, or territory facilitates local taxing initiatives to support child care businesses	<ul style="list-style-type: none"> • LB840 in NE • CO Early Childhood Development Special Districts • FL Children's Services Councils • MO Children's Services Funds
New Market Tax Credit is in place	<ul style="list-style-type: none"> • Examples from all over the country and a tribe
Support from the state legislature or tribal or territorial government is provided to ECE system on an annual basis	<ul style="list-style-type: none"> • VT Capacity-Building Act 104 • Student Success Act in OR
State, tribe, or territory endows a trust to fund the ECE system	<ul style="list-style-type: none"> • Early Childhood Trust Fund in NM • Sixpence Early Learning Fund in NE • MA Early Education and Care Public Private Trust Fund
Social impact investing/Pay for success financing is facilitated	<ul style="list-style-type: none"> • Social Impact Bond for UT High Quality Preschool Program • Child-Parent Center Pay for Success Initiative in Chicago, IL • Evansville, SC Feasibility Study
Strategic coordination of federal funding streams for families with low incomes (TANF, SSBG, Child Welfare) supports access to licensed child care	<ul style="list-style-type: none"> • Issue Brief on the Intersection of TANF and Child Care • Two Generational CCDF/TANF efforts in CO, CT & UT

System Financing

CONSIDERATIONS

Cost Modeling

Cost modeling can be used to understand the per-child costs of achieving varying levels of quality, compensation changes, or other goals. Cost modeling can also be used to calculate the level of system investment needed to achieve goals, such as a sufficient number of child care slots in a state, tribe, or territory.

The State of Illinois completed a [“Cost Model for Early Childhood Education and Care Services”](#) that was used to support a grant program for child care businesses during the early phase of the COVID-19 pandemic.

Strategic Financing Plans

Developing a strategic financing plan can help build political will for new revenue generation by clarifying how revenue will be used and tying it to shared goals. Working through the process of developing the plan and achieving buy-in can also avoid negotiation and delays once funding is available.

Sustainability/Future Growth

When considering new revenue options, consider what funding sources offer the potential for revenue growth in a modern economy. This is especially important for excise taxes, which have been a popular source of ECE funding. However, they can be vulnerable to changing consumer behavior over time and during periods of economic recession (e.g., cigarette taxes, lottery taxes).

Maryland’s tax on digital advertising is a recent example of an innovative approach to the development of a new tax.

REFLECTIVE QUESTIONS

1. Have stakeholders in your state, tribe, or territory identified funding goals for financing your ECE system?

Yes No Unsure

2. Have stakeholders in your state, tribe, or territory identified strategic revenue sources to increase system financing?

Yes No Unsure

3. Are stakeholders in your state, tribe, or territory building the political will for system financing reform at the legislature or ballot box?

Yes No Unsure

4. Where do you see the highest potential for sustainable new revenue for your ECE system?

NOTES

FUNDING SOURCES

- City or County Taxes or the Development of ECE special funding districts
- State, Tribal, or Territorial General Funds
- State, Tribal, or Territorial School Funding Formulas
- New Tax Revenue, such as Excise taxes
- Endowed Trusts
- Social Impact Investments
- TANF (Temporary Assistance for Needy Families), SSBG, or Child Welfare Transfers



BEST PRACTICE

States, tribes, or territories fund or provide oversight and coordination over the array of programs that impact child care business sustainability, identify opportunities for partnerships and alignment, and address discrepancies or barriers.

STRATEGIES	EXAMPLES
Backbone organization addressing business issues holds the responsibility of developing and implementing strategies to support the business side of child care	<ul style="list-style-type: none"> • VA Early Childhood Foundation • Let's Grow Kids in VT
State, tribe, or territory-level coordinator oversees financing, systems change, direct service delivery, workforce supports, facilities, and quality assurance and improvement	<ul style="list-style-type: none"> • VA Early Childhood Foundation
Systems-level fiscal mapping identifies funding gaps and opportunities to support child care business sustainability	<ul style="list-style-type: none"> • IL Commission on Equitable Early Childhood Education and Care Funding • NY Child Care Availability Task Force - Cross-Systems Work Group on blended and braided child care business models
Centralized administration of programs that impact child care business sustainability, when used to leverage opportunities to support child care business sustainability	<ul style="list-style-type: none"> • Video highlights centralization efforts in GA, MD & SC • 50-State Comparison

System Reform

CONSIDERATIONS

Cost-Benefit Analysis

Cost-benefit analysis efforts can help states, tribes, and territories to identify financing disparities and ensure equitable funding that supports child care business sustainability. For example, Illinois commissioned a committee to provide recommendations on equitable early childhood education and care funding which began with understanding the multiple funding streams at play. This analysis can also help to ensure that proposed governance changes will help the state, tribe, or territory to meet its goals.

Champion

Finding an organization that will spearhead system reform efforts in each state, tribe, or territory can play a significant role in the success of efforts to create sustainable and equitable strategies for child care business sustainability. Similar efforts as conducted in Vermont and Virginia have helped to provide the foundation for partners to help lead systems building work.

REFLECTIVE QUESTIONS

1. Does your state, tribe, or territory have a central coordinating agency for all programs, policies, and funding streams that impact child care businesses?

Yes No Unsure

2. Have you engaged in fiscal mapping of your entire child care business ecosystem?

Yes No Unsure

3. What are the gaps?

NOTES

FUNDING SOURCES

- Federal funds
- Grant opportunities
- Philanthropy



BEST PRACTICE

States, tribes, or territories fund robust professional development that addresses the financial and operational management of child care and is aligned with a competency framework for businesses.

STRATEGIES	EXAMPLES
Licensure process includes opportunities for child care businesses to develop business models and assess their business management capacities	<ul style="list-style-type: none"> • 21 states have pre-service requirements that include business administration for center administrators; 6 have pre-service requirements that include business administration for family or group providers
Child care business curriculum includes specific business strategies and tools	<ul style="list-style-type: none"> • First Children's Finance Tools • Business Accelerator in TX • Child Care Business Practices Pilot in WA
Competency framework for businesses is included in licensing and professional development	<ul style="list-style-type: none"> • Specific business administration competencies are named in professional development frameworks (e.g., TX, WA, PA) • 13 States Embed Business Administration Scale (BAS)/Program Administration Scale (PAS) in their QRIS
Director's credential / administrator's credential includes training and opportunities to build business management capacity	<ul style="list-style-type: none"> • CT Director Credential • FL Director Credential • Aim4Excellence™ National Director Credential
Child care business professional development is specific and offered to all child care professionals at least on an annual basis	<ul style="list-style-type: none"> • Trainings offered by First Children's Finance in MI, MN, and IA • Business training is available frequently or on demand. (e.g., Better Kid Care online training in PA) • Business training is offered in languages other than English (e.g., Child Care Business Practices Pilot in WA) • Choctaw Nation of Oklahoma provide multi-agency early childhood training annually

Training & Education

CONSIDERATIONS

Enhancing or Supplementing Existing Training

States, tribes, and territories seeking to improve the business training and education offered to their child care business community need to first take inventory of current offerings. Often, existing business curriculum can be deepened, or funding can be reallocated to increase offerings at little to no additional cost. Some states, tribes, and territories may decide they need to increase funding to bring new expertise or a higher volume of training into their TA infrastructure.

Embedded Training

In addition to offering ongoing and regular access to business training through their training and technical assistance systems, states, tribes, and territories should consider opportunities to embed training into grant programs, subsidy or preschool contracts, and QRIS participation. These programs can create natural learning opportunities and incentivize participation and engagement with business curriculum. Business content should be targeted toward successful participation in the associated program. The state of Oregon is providing additional training and TA opportunities for their CCR&R partners who will directly support child care businesses to comply with federal funding requirements.

Partnerships

Partnerships can be used to connect child care business owners to existing training opportunities at no cost or to maximize training funding by leveraging existing relationships and expertise. States, tribes, and territories may find that they have goals aligned with those of local Small Business Development Centers and Women's Business Development Centers.

REFLECTIVE QUESTIONS

1. Do your current licensure processes include (or require) business management training?

Yes No Unsure

2. Do your business management training programs include tailored content for child care professionals?

Yes No Unsure

NOTES

FUNDING SOURCES

- CCDF Quality Funds
- Small Business Administration (SBA) Funding
- USDA Funding (in rural areas)



BEST PRACTICE

States, tribes, or territories build the supply of diverse, skilled ECE professionals, such as through recruitment and training initiatives, compensation and benefits programs, and career ladders.

STRATEGIES		EXAMPLES
COMPENSATION	Financial relief programs (tax credits, stipends, and bonuses)	<ul style="list-style-type: none"> • School Readiness Tax Credits in LA & NE • Child Care WAGES\$ in many states • R.E.E.T.A.I.N. in MN • REWARD in WI • Jeannette Watson Wage Supplement Project in Austin, TX • Bilingual Incentive for Early Childhood Educators in NM
	State, tribal, or territorial QRIS incentivizes higher compensation standards	<ul style="list-style-type: none"> • Percentage of QRIS incentives earmarked for compensation in MT • QRIS standards include salary scales and/or the provision of paid leave and benefits in OH & MA
	Subsidy program uses contracted slots to increase state, tribal, or territorial oversight on child care business salary standards	<ul style="list-style-type: none"> • Up Front Payment Quality Pilot in IL • Baby Promise Contracts in OR • Contracted Slot Pilot in CO • Infant Toddler Contracted Slots Program in PA
	State, tribal, or territorial dollars leveraged for compensation	<ul style="list-style-type: none"> • Wage parity funded through income tax increase in Washington, DC • Educator Pay Raise Fund in CO¹ • State-Funded Workforce Grants in MA
	Salary scales create parity (compensation and benefits) with K-12 teachers	<ul style="list-style-type: none"> • Preschool for All in Multnomah County, OR • EarlyLearn in NYC • AL, HI, NV, NJ, OK, and RI have pre-K salary parity across all settings
BENEFITS	Access provided to insurance and retirement benefits	<ul style="list-style-type: none"> • State-funded, union-administered health care in IL & WA • Licensed Childcare Worker Premium Assistance Program in WA • Earnings Disregard for Direct Care Workers in WI • Navigators connect FCC to Health Insurance Exchange in CO • Retirement fund in union contract in CA, Retirement Account Program in MA² • Access to telemedicine, vision & dental insurance though online shared service platforms in several states
	Apprenticeships in place for child care professionals pays a stipend, links to certification, and is a stackable credit	<ul style="list-style-type: none"> • Issue Brief • MT Early Childhood Apprenticeship Program • TX Apprenticeship Program • Registered Apprenticeship Program in PA • Family Child Care Apprenticeship Program in CA
EDUCATIONAL & PROFESSIONAL ADVANCEMENT	Career pathway from certification to B.A. degrees supported with articulation agreements	<ul style="list-style-type: none"> • Early Childhood and Education Transfer Pathway in MN • PA Statewide Articulation Agreement • IN Transfer Single Articulation Pathway for ECE • FL Child Care Credentials to AS/AAS Degree Program
	State, tribe, or territory funds scholarship programs	<ul style="list-style-type: none"> • T.E.A.C.H. in many states
	Child care businesses are unionized	<ul style="list-style-type: none"> • Collective Bargaining Bill in CA and Statute in NJ • First Negotiated Contract with Union in IL

Workforce CONSIDERATIONS

Defining Your Workforce

One of the first considerations for financing workforce strategies requires defining the workforce. The ECE workforce encompasses diverse roles. Will the workforce strategy include teachers and teacher's assistants, licensed family child care providers, licensed-exempted providers, or non-teaching roles such as administrators or bus drivers? Different strategies and funding sources may necessitate different answers. However, it is important to consider any unintended consequences for the labor market when interventions only benefit certain segments of the workforce.

Funding Sustainability

Programs' hesitancy to increase wages that they may not be able to maintain has been a significant barrier to meaningful movement on compensation. One-time funding is often used instead to support training and scholarships or bonuses/stipends. Consider ways to increase financial sustainability through new revenue sources. Also consider how policy levers such as contracts, attendance, eligibility policies, and others can normalize the funding that programs receive each month. This can enable centers to increase payroll commitments and family child care providers to experience more consistent household budgets.

Political Will

Strategies to address workforce compensation are among the most resource intensive within the state, tribal, or territorial child care business ecosystem. Several states, tribes, and territories have produced cost models that anticipate child care costs would double or even triple if the ECE workforce were paid in parity to K-12 teachers. Yet, efforts in Multnomah County, WA, for example, demonstrate that addressing compensation for the entire ECE workforce is possible when there is the political will to generate significant new revenue.

REFLECTIVE QUESTIONS

1. Are child care employees part of your state's, tribe's, or territory's business and workforce development strategy?

Yes No Unsure

2. How does your agency support innovative workforce compensation strategies?

NOTES

FUNDING SOURCES

- CCDF Quality Funding to support training and scholarships
- WIOA and other Department of Labor Funding to support registered apprenticeship and other programs
- City or State, Tribal, or Territorial Tax Revenue, such as the DC Pay Equity Fund
- State, Tribal, or Territorial Tax Credits, such as in Louisiana and Nebraska



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