

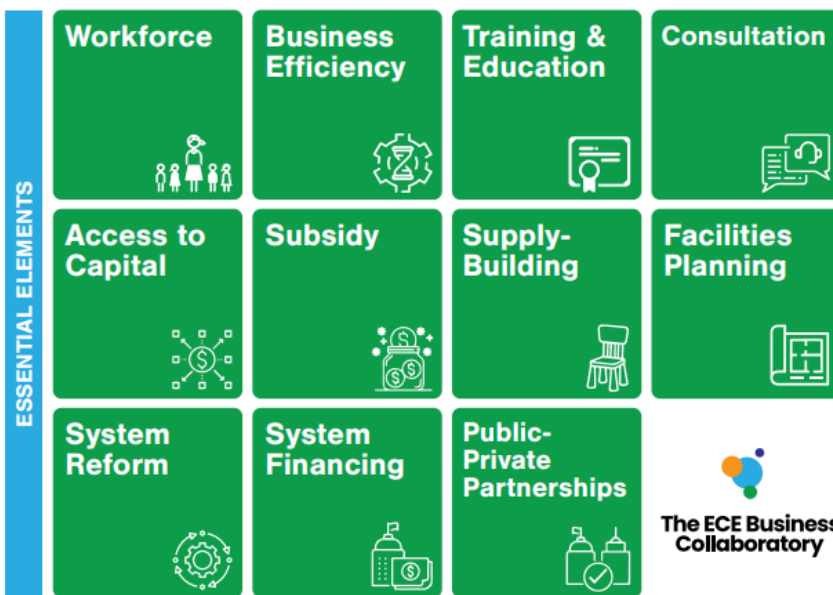


The ECE Business Collaboratory

Strengthening Child Care Systems

STATE CHILD CARE BUSINESS ECOSYSTEM STRATEGY GUIDE

Version 3: September 2021



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

Such a 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.

States participating in the [ECE Business Collaboratory](#) use the ecosystem framework to coordinate their child care systems. The Collaboratory is a program of First Children's Finance (FCF), a national nonprofit focused on the business side of child care. FCF works with businesses, communities, states, and federal partners to increase the sustainability and supply of quality child care.





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HOW TO USE THE STATE CHILD CARE BUSINESS ECOSYSTEM STRATEGY GUIDE

The State Child Care Business Ecosystem serves as both an assessment and a planning tool, promoting innovation and flexibility to meet local needs. The Strategy Guide including the Essential Elements, best practices, and example strategies are intended to encompass the programs and funding streams that (1) state ECE administrators can influence and that (2) make an impact on business creation and sustainability. We believe there is no one answer or “magic bullet” to building a sustainable child care business ecosystem, but that addressing each of these 11 elements is a necessary part of crafting the right solutions for your state or tribal nation.

The example strategies listed in this guide include both administrative and legislative change, local community initiatives to state-level programs, and represent everything from small policy adjustments to significant systems reforms. Strategies may be deployed across a state’s child care landscape or may be targeted to address geographic disparities or racial and economic inequities.

Our goal is that every state can find something within this guide that they can act upon within the context of their own political and economic environment and

current priorities. Every strategy listed in the Ecosystem exists currently in at least one state 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. They are not an exhaustive list. Historically, child care business sustainability has been under-researched. This Ecosystem 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. However, we do not have data on the implementation or impact of every program and policy listed within the framework. The ECE Business Ecosystem Strategy Guide Ecosystem should be considered a library of resources, not a list of endorsed strategies.

First Children’s Finance constantly updates the Strategy Guide as more is learned. Please visit www.ECEcollaboratory.org for the latest version of this guide. As we work to expand this resource, we welcome contributions and suggestions. Please send feedback to Mollys@firstchildrensfinance.org.



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WORKFORCE

BEST PRACTICE: States build the supply of diverse, skilled ECE professionals, such as through recruitment and training initiatives, compensation and benefits programs, and career ladders.

| STRATEGIES | EXAMPLES |
|--|--|
| Financial relief programs (tax credits, bonuses) | <ul style="list-style-type: none"> • School Readiness Tax Credits in Louisiana and Nebraska • Child Care WAGE\$ in many states • R.E.E.T.A.I.N. in Minnesota • REWARD in Wisconsin • Jeannette Watson Wage Supplement Project in Austin, TX |
| Student loan forgiveness | <ul style="list-style-type: none"> • Teacher Loan Repayment Program in New Mexico • Loan Repayment Program in Vermont |
| 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 Minnesota • Pennsylvania Statewide Articulation Agreement • Indiana Transfer Single Articulation Pathway for ECE • Florida Child Care Credentials to AS/AAS Degree Program |
| State 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 California • Collective Bargaining Statute in New Jersey • First Negotiated Contract with Union in Illinois |
| Access provided to insurance and retirement benefits | <ul style="list-style-type: none"> • State-funded, union-administered health care in Illinois and Washington • Navigators connect FCC to Health Insurance Exchange in Colorado • Retirement fund in union contract in California, Retirement Account Program in Massachusetts (PROPOSED) • Access to telemedicine, vision & dental insurance through 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 • Montana Early Childhood Apprenticeship Program • Texas Apprenticeship Program • Registered Apprenticeship Program in Pennsylvania • Family Child Care Apprenticeship Program in California |
| Wage increases scheduled through state funding | <ul style="list-style-type: none"> • Wage parity funded through income tax increase in Washington, DC (PROPOSED) • Educator Pay Raise Fund in Colorado (enacted, not yet funded) • Percentage of QRIS incentives earmarked for compensation in Montana • State-Funded Workforce Grants in Massachusetts • Up Front Payment Quality Pilot in Illinois |
| 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 • Alabama, Hawaii, Nevada, New Jersey, Oklahoma, and Rhode Island have pre-K salary parity across all settings |



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BUSINESS EFFICIENCY

BEST PRACTICE: states 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 | <ul style="list-style-type: none">• ECE Shared Resources™ platforms are in place in 32 states• Essential Supplies Purchasing Platform in Mississippi• Shared Services RFP in Wisconsin |
| State funds and staffs substitute pools | <ul style="list-style-type: none">• Nevada Early Childhood Support Network• Washington State Early Care and Education Substitute Pool |
| State subsidizes the acquisitions of curriculum & assessment tools for community-based child care businesses | <ul style="list-style-type: none">• TexasHomeLearning initiative• Child Care Curriculum Initiative in Louisiana |
| State purchases child care management software (CCMS) for child care businesses, audits and addresses barriers to automation, and supports integration with state databases | <ul style="list-style-type: none">• Alliance CORE in Colorado• SmartCare in Vermont• ProCare in Wisconsin• ChildWare in Pennsylvania• Purchasing laptops and tablets for providers to support access to unified data system in Virginia |
| State supports staffed and funded licensed family child care businesses networks/hubs | <ul style="list-style-type: none">• Staffed Family Child Care Networks in Connecticut• Focused Family Child Care Networks in Oregon• Family Child Care Networks in New York City• Family Child Care Home Education Networks in California |
| State 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 Pennsylvania QRIS |
| State coordination of data systems across programs and agencies reduces administrative burden for child care businesses | <ul style="list-style-type: none">• Provider Hub in Colorado |



TRAINING & EDUCATION

BEST PRACTICE: States 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 processes 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 • Example: Nebraska's Getting Down to Business Training |
| Child care business curriculum includes specific strategies and tools | <ul style="list-style-type: none"> • Example FCF Tools • Business Accelerator in Texas • Child Care Business Practices Pilot in Washington State |
| 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 (Examples: Texas, Washington, Pennsylvania) • 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"> • Connecticut Director Credential • Florida 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 FCF in Michigan, Minnesota, and Iowa • Business training is available frequently or on demand. (Examples: Better Kid Care online training in Pennsylvania) • Business training is offered in languages other than English (Example: Child Care Business Practices Pilot in Washington State) |





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CONSULTATION

BEST PRACTICE: States 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 |
|--|--|
| States offer or fund personalized consultation and coaching, including financial modeling, for child care businesses during start-up, expansion, and as crises intervention | <ul style="list-style-type: none">• FCF consultations offered in Minnesota, Iowa, and Michigan• Institute for Early Education Leadership and Innovation in Massachusetts• All Our Kin Family Child Care Business Coaching and Consultation in Connecticut and New York• Business and Automation Coaching in Georgia |
| States offer or fund business development cohorts that provide a combination of training, consultation, coaching, and technical assistance to peer groups of child care businesses | <ul style="list-style-type: none">• FCF Cohort Models in Minnesota, North Carolina, and Iowa• NYCHA Childcare Business Pathways in New York City• Child Care Entrepreneur Fund in Boston, MA• Refugee Family Child Care Microenterprise Development Initiative Grantees |
| States partner with business consultation organizations (e.g., Small Business Development Centers (SBDCs), Women's Business Development Centers (WBDCs)) to ensure their offerings are relevant and responsive to the needs of child care business owners | <ul style="list-style-type: none">• FCF Partnership with SBDC in Minnesota• Partnership with Women's Business Development Council in Connecticut• Partnership with SBDCs in Colorado• Child Care Business Lab in Maine |



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ACCESS TO CAPITAL

BEST PRACTICE: States 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 and local governments fund physical plant improvement (beyond the allowable uses of the CCDBG) | <ul style="list-style-type: none">• California Child Care Facilities Revolving Loan Fund• Family Child Care Renovation & Repair Grant in San Francisco, CA• City of Philadelphia Child Care Facilities Fund• Washington State, Early Learning Facilities Program |
| State and local governments fund grants | <ul style="list-style-type: none">• Nebraska Child Care Start Up and Expansion Grants• Colorado Emerging and Expanding Child Care Grants• City of Boston Child Care Entrepreneur Fund |
| State and local governments fund no or low interest loans | <ul style="list-style-type: none">• Virginia Child Care Financing Program• First Children's Finance Loan Program in Minnesota |
| 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: Maine• 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 provides tax credit for business expansion | <ul style="list-style-type: none">• Child Care Investment Tax Credit in Maine |



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SUBSIDY

BEST PRACTICE: States 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 the 75% percentile or above) | <ul style="list-style-type: none"> • Maine, Mississippi, South Dakota, and North Dakota |
| 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"> • Delaware • Washington, D.C. |
| States set differential rates to incentivize targeted supply-building; differential rates are informed by detailed cost of care data | <ul style="list-style-type: none"> • Alaska Inclusive Care Program • Vermont Specialized Child Care Program • Wisconsin Shares Inclusion Rate • Washington State Non-Traditional Hours Add-on • Oregon Non-Traditional Hours Incentive Pay |
| State contracts for slots for infants, toddlers, and children under age 5 | <ul style="list-style-type: none"> • Colorado Contracted Slots Pilot • Pennsylvania Infant Toddler Contracted Slots Program • Oregon Programs of Quality |
| Expanded subsidy eligibility, community eligibility policies, or coordinated enrollment help stabilize enrollment for child care businesses | <ul style="list-style-type: none"> • New York Facilitated Enrollment Child Care Subsidy • Louisiana Coordinated Enrollment and Funding • Illinois Site Administered Contracts • Subsidy Eligibility up to 350% FPL in Vermont |
| 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 Utah and Oregon; Weekly Billing of Subsidy Reimbursement in Alabama, Georgia, and Colorado |
| Local funding (scholarships, vouchers, etc.) addresses eligibility gaps | <ul style="list-style-type: none"> • Madison, Wisconsin Child Care Assistance Program • Lincoln Littles Early Childhood Fund in Lincoln, Nebraska • Thrive By Three Early Learning Scholarships in Santa Cruz, CA |
| States 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) |



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SUPPLY BUILDING

BEST PRACTICE: States 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 bringing together strategies in other Essential Elements such as access to capital, facilities planning, and business consultation.

| STRATEGIES | EXAMPLES |
|--|--|
| State conducts child care supply-demand gap analysis on state and local levels annually to inform the development of policies and practices | <ul style="list-style-type: none">• Minnesota Rural Child Care Innovation Program• Illinois Early Childhood Asset Map• Bipartisan Policy Center Report from 25 states |
| Bonuses, wage or slot incentives are offered to incentivize care for priority areas, types, or ages | <ul style="list-style-type: none">• Colorado Shines Infant/Toddler Quality Improvement Capital Grant• North Carolina Infant and Toddler Educator AWARD\$ program; Weekly Per-Infant Incentives in Maine• Baby Promise Contracts in Oregon• Subsidy rate add-on in child care deserts and distressed counties in Tennessee, low-income areas in Milwaukee, Wisconsin, for programs serving 50% or more subsidy-eligible children in Missouri |
| Innovative licensing mechanisms allow family child care businesses to operate in nontraditional spaces that meet licensing standards | <ul style="list-style-type: none">• Minnesota Pod Model; Minnesota Nonresidential Programs• Small Child Care Facilities License Type in Maine |
| Innovative licensing mechanisms allow family child care businesses to care for an increased number of infants/toddlers | <ul style="list-style-type: none">• Minnesota Specialized Infant and Toddler Family Child Care License Class |
| States offer Early Head Start-Child Care Partnerships to increase provision of quality slots in community-based programs | <ul style="list-style-type: none">• Alabama, D.C., Georgia, Louisiana, Maryland, Oklahoma, and Washington State |
| Economic development initiatives include partnering with local entities and local dollars | <ul style="list-style-type: none">• New York Regional Economic Councils partner with CCR&Rs• Minnesota Rural Child Care Innovation Program |



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FACILITIES PLANNING

BEST PRACTICE: States 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">• Detroit, MI Zero Interest Home Repair Loans• All Our Kin Zero Interest Loan Program |
| Early childhood bonding program is in place | <ul style="list-style-type: none">• Massachusetts Early Education and Out of School Time (EEOST) Capital Fund• Rhode Island 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">• Texas Safe Child Care Siting Initiative• California Lead Testing Grants• Funding for Lead Testing and Remediation in Vermont |
| 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 address common barriers to licensing new facilities such as for multiunit dwellings, alternative outdoor space, etc. | <ul style="list-style-type: none">• Legislative Report on Licensing Innovation in Washington• Co-Creation of a Licensing Innovation Plan in Kansas |
| State 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">• California Keeping Kids Close to Home Act• Colorado 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 waives payment of land tax for child care businesses | <ul style="list-style-type: none">• Enterprise Zone Child Care Property Tax Exemption in Florida• Partial real property tax exemption for child care centers in Ohio |
| States 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 California, Maryland, and Ohio• Housing and Child Care Collaboration in California• Planning Code Requires Real Estate Developers to Assess and Address Child Care Impact of their Project in Contra Costa County, CA |



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SYSTEM FINANCING

BEST PRACTICE: States implement a strategic financing plan to align existing local, state, and federal funding streams and identify new funding sources to support an adequate supply of sustainable community-based child care.

| STRATEGIES | EXAMPLES |
|---|--|
| Sin Tax proceeds fund the business needs of child care | <ul style="list-style-type: none">• Philadelphia and Santa Fe sugary beverages for PreK• California First Five Program is tied to cigarette tax• Arizona Early Learning Scholarships Funded through Cigarette Tax• Sports Betting Revenue for Early Learning in Louisiana |
| State facilitates local taxing initiatives to support child care businesses | <ul style="list-style-type: none">• LB840 in Nebraska• Colorado Early Childhood Development Special Districts• Florida Children's Services Councils• Missouri 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 is provided to ECE system on an annual basis | <ul style="list-style-type: none">• Vermont Capacity-Building Act 104• Student Success Act in Oregon |
| State endows a trust to fund ECE system | <ul style="list-style-type: none">• Early Childhood Trust Fund in New Mexico• Sixpence Early Learning Fund in Nebraska• Massachusetts 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 Utah 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 low-income families (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 Colorado, Connecticut, and Utah |



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PUBLIC PRIVATE PARTNERSHIPS

BEST PRACTICE: Business sector, philanthropy, and public entities 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 government supports business innovation, research, and development | <ul style="list-style-type: none">• Buffet Early Childhood Institute in Nebraska• New Profit Partnership in Massachusetts• Let's Grow Kids in Vermont |
| 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• Example: PNC Bank's CRA-funded Grow Up Great® Initiative |
| Business community is engaged in improving child care access and affordability for their employees or facilitating employer-sponsored care | <ul style="list-style-type: none">• Executives Partnering to Invest in Children (EPIC) in Colorado• Vermont Business Roundtable• Washington Child Care Collaborative Task Force• Missoula Area Chamber of Commerce Childcare Initiative in Montana |
| State cost sharing incentivizes employer-sponsored care | <ul style="list-style-type: none">• Michigan Tri-Share Pilot Program |
| State 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 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 Colorado• Child Care Contribution Tax Credit in Oregon• Income tax credit for qualified prekindergarten program support contributions in Mississippi |



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SYSTEM REFORM

BEST PRACTICE: States fund or provide oversight and coordination over the array of programs that impact child care business sustainability, identifies opportunities for partnerships and alignment, and addresses 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

- [Virginia Early Childhood Foundation](#)
- [Let's Grow Kids in Vermont](#)

State-level coordinator oversees financing, systems change, direct service delivery, workforce supports, facilities, and quality assurance and improvement

- [Virginia Early Childhood Foundation](#)
- [State-Level Child Care Financing Consultant in New York](#)

State-level fiscal mapping, when used to identify funding gaps and opportunities to support child care business sustainability

- [Illinois Commission on Equitable Early Childhood Education and Care Funding](#)
- [New York Child Care Availability Task Force - Cross-Systems Work Group on blended and braided child care business models](#)

Centralized administration of the programs that impact child care business sustainability, when used to leverage opportunities to support child care business sustainability

- [Video highlights centralization efforts in Georgia, Maryland, and South Carolina](#)
- [50-State Comparison](#)