



Supporting Business Development for Child Care Providers: A BDO Playbook

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LISC

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Introduction

This playbook is intended to help business development organizations (BDO), community navigators, partners, stakeholders, and funders understand the child care industry, the ongoing challenges child care programs face today, and how to help providers become more stable and financially sustainable.

While child care is in some ways a business like any other, there are many aspects of child care businesses that are very specialized and specific to the industry. Our goal is to remove barriers and bias towards child care providers due to a lack of industry knowledge and bolster a better understanding and content of how organizations and individuals may work together to achieve a common goal of supporting high-quality child care within communities.

Even without specific child care knowledge, [BDOs are well positioned to help child care providers](#). Providers need support with basic skills like marketing and financial management. BDOs can offer help with these topics and while also connecting providers to child care experts in their market, such as Child Care Resource & Referral Organizations.

This resource includes background information about the child care industry, a discussion of specific challenges providers and owners face, and best-practice solutions to address those challenges. It also includes lists of general and state-specific resources in the appendix.

Supporting Business Development for Child Care Providers was prepared by Susan Fitter Harris Consulting, LLC and LISC Economic Development. LISC wishes to thank Quality Care for Children and LISC's National Child Care and Early Learning team for their contributions to this resource.

What you need to know about child care

What is child care?

Child care is the care and supervision of children by persons other than their parents, typically while the children's parents are working. While some early childhood professionals may still use the term "daycare," most prefer to use the term "child care," as it is more accurate and better reflects the reality of programs providing early childhood care and education services.

Child care is broadly defined; the industry serves children 4 weeks to 12 years of age, so the term encompasses, infant, toddler, and preschool early learning, pre-K, Head Start/Early Head Start, and before and after school care. In terms of child care businesses (by contrast to babysitters), care typically is provided in a child care facility (home or center-based). Hours of care can vary, but typical hours range between 6 am and 6:30 pm. There are some options for non-traditional hours, typically weekend and evening hours for parents with varying work schedules. These are mostly offered by home-based providers. However, 24-hour care is rare.

Professional certification requirements for child care workers vary from state to state and between types of facilities. There are multiple pathways for the child care workforce to become credentialed and demonstrate their content knowledge and teaching skills. These include early childhood certifications, associate's degrees, and professional development training courses in a wide variety of topics.

As of 2019 there were more than 23 million children aged 5 and under in the U.S. Of those, 71% lived in households in which all parents worked.¹ Child care is critical to families' well-being, allowing parents to earn income while knowing their children are safe and well cared for. Lack of reliable child care has serious economic impacts for

families. In a 2021 survey, 2.7 million parents reported they had to make job changes because of issues with child care.ⁱⁱ

High-quality child care is good for children, families and society,ⁱⁱⁱ but it is expensive and there are few resources to help parents cover the cost of care. As of 2020, the most recent year for which this statistic is available, only 14.5 percent of children under age 6 who met federal subsidy eligibility standards actually received them.^{iv}

The child care crisis

The child care system is broken and has been for years. For parents, high-quality child care is often hard to find and is not affordable even when it is available.^v For child care business owners, generating the revenue to be sustainable while keeping quality child care affordable for families is nearly impossible, especially in under-resourced communities. Owners operate in a complex regulatory environment and they typically have no buying power, little administrative capacity, and very low profit margins in the best of circumstances. These conditions [existed before the COVID-19 pandemic](#), and that event only made the challenges starker. The pandemic made it clear that child care is essential for working families. We have seen devastating effects of child care programs [closing their doors](#).

The child care and early learning workforce is underpaid and undervalued.^{vi} Despite the crucial nature of their work in supporting the growth, learning, and development of young children, early childhood educators—overwhelmingly women and disproportionately women of color—are paid poverty wages with few, if any, benefits. Many child care providers cannot afford to raise wages because doing so would require increasing tuition beyond what most families are able to pay.^{vii}

Most child care providers aren't financial experts. They started their businesses because they wanted to provide safe and loving care for children. But they struggle with financial challenges that interfere with their ability to provide quality care. These business owners need support to navigate budget challenges, gain access to capital, and remain sustainable businesses that serve their communities.

THE EVOLUTION OF CHILD CARE

A 2017 documentary film, [No Small Matter](#), describes the ups and downs of the history of early education in the United States, from day nurseries to professional development for preschool teachers to nearly universal early education during World War II.

At one point in history, the United States had universal early childhood education. So, what happened? [A Brief History of Early Learning](#) continues with the historical perspective of how the child care system evolved.

History of child care in the U.S.

U.S. child care began as a charity enterprise in the late 19th century when settlement houses – establishments that provided services and education in poor communities – opened nurseries to keep the children of factory workers in urban industrial centers safe while their mothers toiled. In 1941, Congress passed the Lanham Act, which was intended to create community facilities in “war-impact areas.” By 1943, policymakers interpreted the Lanham Act as authorizing support for child care. Throughout its history, the U.S. child care system has largely been staffed by women of color. [Built on a foundation of entrenched inequities](#), the system today is dangerously unsustainable.

Myths vs. facts about the industry

Test your knowledge of the child care industry. Are the following statements myths or facts?

1. Myth or Fact? Child care is just babysitting.

Answer: MYTH

Child care is much more than babysitting. Child care providers are long-term caregivers and educators. Babysitters come and go. However, a child care provider is one of a child's first caregivers and has an establishment set up as a business to care for children. Providers pay taxes, keep more than one child or family, work excessive hours while parents are working, are governed by licensing standards to meet safety requirements and undergo inspections, and, more importantly, provide teaching for the child's overall health and well-being. Children derive multiple benefits while attending child care: Social interaction, relationships and conflict resolutions with peers; increased cognitive and physical abilities; language development; structure and routine; brain development; better health, nutrition and wellness skills; independence; better school readiness in higher levels and new environments; better behaviors; new experiences; growth; better communication skills; and fun.

2. Myth or Fact? Child care is too expensive.

Answer: FACT

Yes, child care is too expensive for most families. The nationwide average monthly cost for center-based infant care is more than \$1,300 and the average monthly cost for family home care is only slightly less.ⁱ Tuitions in some areas far exceed the national average. For example, families may pay more than \$24,000 annually for center-based infant care in Washington, DC.^{viii}

3. Myth or Fact? Most child care owners make a lot of money.

Answer: MYTH

In fact, most home care providers don't pay themselves, and many operate at a loss. The [national median income](#) for a child care administrator is \$54,290. Location and demand for services affect income, as with all professions. Those in lower-income communities make less, and those who run larger centers will typically make more money.

4. Myth or Fact? Child care programs could pay teachers more and don't need subsidy.

Answer: MYTH

Although child care programs bring in a lot of money to care for children, their overall expenses, especially payroll, often exceed the amount they bring in. Unfortunately, they can't charge more in most cases because the rate would be more than what parents could afford to pay. However, most child care providers believe their teachers should be paid more. In addition, because of the strain of child care costs, private businesses could offer subsidy to help the provider, which would help the teachers' pay go up.

The business of child care

While it is a uniquely emotional profession and is critical both to children and their families, the economy, and to society at large, child care is a business like any other. It must be financially sustainable. Providers must be able to pay their rent or mortgage, utilities, insurance, payroll, and other costs of operating. Therefore, they must generate sufficient revenue to pay those expenses. And in order to keep providing their services, the business owner must make enough additional revenue to earn a living wage.

Most child care owners/operators are skilled caregivers who care deeply about children and their welfare. They are professional educators and industry experts. But many do not see themselves as business owners or entrepreneurs and they are *not* always skilled bookkeepers, accountants, financial managers, or marketing professionals.

Providers may be reluctant to place a high priority on profitability. They feel they are doing this work as part of a mission to care for children. However, if they don't prioritize their financial wellbeing, they will not remain open for long and the quality of the care they offer will suffer.

Local needs

To understand the specific needs of child care providers and owners in your market, you can conduct a local landscape analysis. What does child care look like in your market? What forms of business are most prevalent: Centers? Home-based care? Less formal arrangements? It will be critical not only to understand the types and numbers of providers in your area, but also the local regulations that affect child care and the payment and subsidy environment. Talking with providers is the best way to learn about the environment in which they operate.

Several sources can help you discover what kinds of providers are in your market, and in what numbers:

- State licensing departments and [child care resource and referral agencies \(CCR&R\)](#) should be able to provide lists of centers and regulated homes and their enrollment capacity. They may also have lists of partners and local resources available to the field.
- The [National Child Care Information Center](#) provides a profile for each state including contact information for state agencies and child care resource and referral organizations.
- In some states, [Kids Count](#) provides information on child care enrollment by community as well as other early childhood indicators that may be relevant to your community.
- There are also [mapping tools](#) to identify locations of child care deserts and [state-by-state reports](#) that identify locations where there are major child care gaps.
- Tools and resources that can offer useful data points to collect and assess data to understand community need and provider service area also include the [U.S. Census American Community Survey](#); [PolicyMap](#); the [Prosperity Now Scorecard](#); and the [Black Wealth Data Center](#).

PUBLIC SECTOR SUPPORT FOR CHILD CARE

In FY 2023, Congress and the White House added nearly \$2.8 billion in funding increases for core federal early learning and care programs, including:

- \$8B for the Child Care and Development Block Grant program, up \$1.8B from FY22
- \$12B for Head Start/Early Head Start, up \$960M
- \$315M for the Preschool Development Grant Birth Through Five program, up \$25M
- \$420M for IDEA Part B Preschool Grants, up \$10.4M
- \$520M for IDEA Part C Grants for Infants and Toddlers, up \$43.7M

MORE IS NEEDED! Robust, long-term public support is still needed to make child care affordable for families and ensure more children have access to high-quality early learning experiences.

Source: <https://www.childcareaware.org>

Challenges for providers

Simply put, child care is too scarce and too expensive. Parents have a hard time finding care that is affordable and conveniently located. Providers have a hard time generating enough revenue to sustainably cover their costs while maintaining *quality* child care. Staff don't make enough to live on and don't have access to needed benefits.

This was all the case before the pandemic. The effects of the pandemic both heightened the need for quality affordable child care and exacerbated the existing financial and human resource gaps.

Child care providers' challenges fall into four major categories:

1. Regulations
2. Financial stability
3. Business knowledge and systems
4. Staffing

All of these challenges affect the financial stability – and therefore the continued existence – of child care businesses.

Regulations

Child care operates in a complex regulatory environment. Licensing requirements are stringent compared to other industries.

Compliance

There are a lot of different regulations to follow: State licensing, fire codes, building codes, Head Start inspections. It can lead to a lot of paperwork, a lot of people coming in and out, and a lot of rules to follow. Braiding together funding streams can pose additional challenges as each funder brings its own requirements.

The stakes are high for compliance. Violations can mean loss of licensure. In the worst-case scenario, violations can literally mean life or death for the children in care. Mistakes can leave little room to recover.

Staffing ratios and space considerations

Child care businesses must observe mandated minimum ratios of providers to children. To ensure the best care for children, low teacher-child ratios and small group sizes should be combined with rigorous safety standards, especially in infant and toddler programs.^x The regulations governing staff ratios can differ by the type and amount

of space, locality, and funding source, but providers must adhere to the most conservative rules. For example, local regulations may mandate 1 provider per 4 toddlers, but if the center is receiving Head Start funding, it must follow the Head Start rules mandating a 1:3 ratio. Figuring out the right staffing ratio therefore is not as easy as simply looking up the local regulations. It is best not to apply different practices to individual classrooms in the same facility based on funding sources. Providers should determine the best practice for their facilities and apply across all programs.

Meeting the ratio requirements may limit the number of enrollments when there are staffing shortages. The size of the space may also limit how many children the facility can serve and remain in compliance with regulations. Providers may need assistance to investigate how they can maximize their space, move to new space, or renegotiate a lease to extend their current space.

Staff credentialing

Just as different ratios are required for staff, there are also different requirements for teacher credentialing depending on the age of the children, the state or local regulations, and/or the program funding source. The most common credentials are the Child Development Associate Degree, a Technical Certificate, or a Bachelor's Degree. Higher credentials should earn higher pay, but child care owners may find it challenging to pay teachers' salaries commensurate with the required level of credentialing. The Bipartisan Policy Center includes information about staffing competencies in its 2024 report [Top Down, Bottom Up: Building a State Child Care Center Workforce](#).

Subsidy

Federal, state, and local subsidies may be available to help providers cover the costs of care, but they can be difficult to find and even harder to apply for. Some subsidies are structured as contracted slots to providers. Other income-based subsidies follow the child, but a provider needs to be prepared to accept them. Parents must apply for the child-based subsidies, necessitating coordination over which the provider has little or no control. All programs have their own regulations, requiring separate applications, reporting, and approvals. This presents a significant burden of paperwork and documentation that small operators may find hard to produce. Even when subsidy is acquired, the reimbursement rates to providers are often not enough to cover the true cost of the programs. Some public subsidy reimbursement rates are tied to [quality rating and improvement systems](#) (QRIS), resulting in a tiered reimbursement structure based on quality ratings and an additional set of guidelines for providers to achieve. Finally, public sector subsidy often comes with burdensome reporting requirements that can be hard on a small staff with a lot of other duties.

POTENTIAL SOLUTIONS TO CHALLENGES WITH REGULATIONS



[Advocacy](#) for better streamlined licensing processes, subsidy applications, and reporting burdens



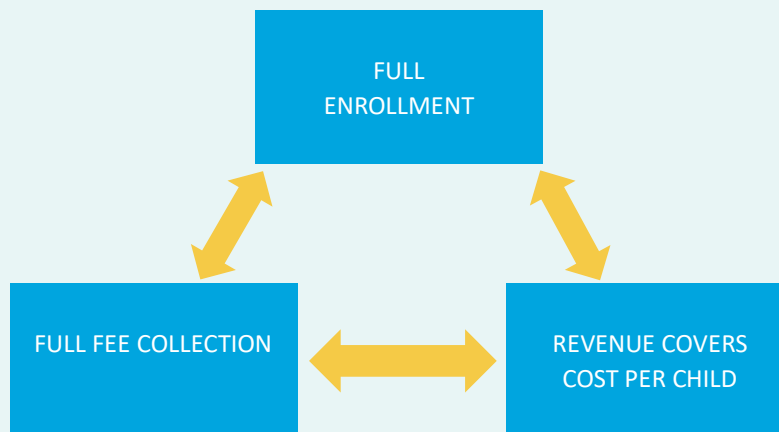
[Business process improvements](#) to make data and paperwork more readily available for reporting and licensing needs



[Training and technical assistance](#) to help providers understand which regulations they must comply with and how to navigate the necessary paperwork

The Childcare Iron Triangle Model

As explained by Louise Stoney in [Opportunity Exchange](#), the child care “Iron Triangle” provides a simple formula that lays out the keys to financial stability for child care businesses.



1. **Full Enrollment:** Child care businesses must have full enrollment in the entire program or at least total capacity in each classroom. Most programs will need to be at a minimum of 80% enrollment to cover operating costs. It is important for child care providers to understand that "full enrollment" should be based on full-time equivalent (FTE), or the total hours of both full-time and part-time enrolled children compared against total full-time capacity. FTE is not the same as the number of children enrolled. For example, a program may have 50 children enrolled, but an FTE of only 40 when the hours of part-time enrolled children are considered.
2. **Full-Fee Collection:** The best business practice is for providers to set *and enforce* a policy of collecting all fees in full and on time, before service. Many providers fall short in enforcing this policy because they are understandably sympathetic to parents and more focused on the children's well-being and continued care than on their financial position. If a parent can't pay in full and on time, providers often allow the child to stay in care. However, this causes a significant problem with the provider's cash flow. Providers should have clear policies in place about expectations for payment and the consequence of nonpayment. Policies should be clearly communicated, for example, in a parent handbook.
3. **Revenues Cover Per-Child Cost:** The third part of the triangle is to set the correct rate for tuition to cover the business' operating expenses. Providers often set rates based on competition or what they think a parent can afford to pay. This costly mistake is one of the main reasons child care programs go out of business. Providers need support to understand all their operating expenses, including fixed versus variable expenses, and in using budgeting and projections to inform tuition rate decisions.

Financial stability

Child care businesses earn very low profit margins in the best of circumstances. More typically, revenues do not cover costs.^{xi}

Providers:

- don't get enough subsidy reimbursement,
- lack private or public (local/state/federal) investment,
- can't raise rates without affecting families' ability to pay,
- can't offer better wages, raises, or benefits to retain higher quality teachers and staff,
- don't have sources from which to borrow for deferred maintenance, quality improvement or expansion needs, and
- can't achieve economies of scale with bulk purchasing (particularly family home providers).

There is an urgent need for more government subsidy, affordable loan dollars, and grant funds to help child care providers meet their programming, facility, and overhead expenses.

POTENTIAL SOLUTIONS TO CHALLENGES WITH FINANCIAL STABILITY



[Advocacy](#) to encourage more – and more accessible – resources to support the true costs of child care



[Resource development](#) to identify additional sources of funds, including grant and loan dollars



[Business process improvements](#) to streamline operations, identify potential efficiencies and cost savings, and aid in collection of revenue



[Training and technical assistance](#) to understand the importance of the Iron Triangle model and how to implement it

Business knowledge & systems

Business knowledge

Child care provider/owners are passionate about working with children, but typically do not have training in the financial management skills necessary to effectively operate their business. They often do not actively use financial reports (P&L, cash flow, balance sheet, budget forecast) to manage their finances and inform decision-making and they face barriers adhering to the child care “Iron Triangle” Model: full enrollment, fee collection on time and in full, and revenues that cover the cost per child.

In addition, child care businesses have such lean margins, there is often limited ability to hire accounting, financial management, or other business professionals to build administrative capacity. The director/owner typically does it all. This is a capacity gap that BDOs, with their general business knowledge and experience working with small business owners of all types, are ideally suited to address. Child care owners would benefit from typical training and coaching in financial management, budgeting, and accounting that BDOs often provide.

Systems

In addition to doing things themselves, director/owners are likely to do things manually. Child care facilities often operate with minimal automated management systems, which can be incredibly time consuming.

TYPICAL PAPERWORK RESPONSIBILITIES FOR A CHILD CARE DIRECTOR

STAFF	FAMILY ENGAGEMENT	ACCOUNTING	MANAGEMENT & ORGANIZATION
<ul style="list-style-type: none"> • Substitutes • Schedules • Attendance • Communication • Evaluations • Training 	<ul style="list-style-type: none"> • Enrollment • Attendance • Communication – cell/tablet/email • Daily report • Pictures/Videos • Accident/Incident reports • Immunization • Schedules • End of Year tax statements 	<ul style="list-style-type: none"> • Family billing • Online payment • Collections • Third party • Reconciliation • Expense tracker • Meal reimbursement • Payroll • Benefits/PTO • Financial reports 	<ul style="list-style-type: none"> • State compliance • Emergency plan • Immunization • Accident/incident • Bus schedules • Attendance records • Marketing • Waitlist • Facility upkeep and maintenance • Quality rating and improvement systems

Spending significant time on paperwork leaves directors with less time for other important tasks: directing and managing staff, designing programs, and interacting with children and families. This leads to working in “crisis mode” as the norm most days, rather than directing their program strategically. In addition, the manual nature of recordkeeping means the director and staff do not have data at their fingertips and do not get many opportunities to look at the big picture of the facility and its programs. Specialized child care management systems (CCMS) can solve many of these challenges and result in better management and time savings. BDOs can support the process of selecting, implementing, and integrating the new system into a provider’s business practices.

POTENTIAL SOLUTIONS TO CHALLENGES WITH BUSINESS KNOWLEDGE & SYSTEMS



[Business process improvements](#), particularly implementation of a CCMS, to reduce paperwork burden and improve access to data



[Training and technical assistance](#) to increase knowledge of sound business practices and understanding of financial reports

Staffing

Child care is a labor-intensive industry. It requires skilled workforce that provides critically important hands-on care. Unfortunately, the industry also sees high rates of staff turnover as workers leave for higher-paid jobs and benefits. A lot of facilities that want to hire can't find the staff. With COVID-related funding boosts, some sites were able to offer higher salaries, but those funding sources are ending. In the post-COVID labor market there is also more competition for workers. Lacking the ability to offer higher wages and benefits, child care businesses are losing out on the workers they need.^{xiii} According to the National Association for the Education of Young Children, staff shortages are a [major factor](#) in child care programs reducing their enrollments or closing their doors entirely.

POTENTIAL SOLUTIONS TO CHALLENGES WITH STAFFING



[Resource development](#) to find additional means of funding staff salaries and/or benefits



[Business process improvements](#) to streamline scheduling, daily reports, and other tasks and reduce burden on staff



[Training and technical assistance](#) for both provider/owners and staff professional development

Unique challenges for home-based providers

Home-based providers face similar challenges to their center-based counterparts, but are too often left out of investments in early childhood and do not benefit from equitable access to resources and professional learning opportunities that may help strengthen their businesses. It is true that most of them do not need to manage payroll, but they still must meet licensing, reporting, and compliance requirements. If they receive reimbursement through the federally funded nutrition program, they must be able to navigate government forms and regulations. As self-employed, home-based business owners, their taxes are more complicated to prepare. For example, they must calculate the percentage of space used for their business and therefore the percentage of their rent/mortgage and utilities that the business comprises. They must ensure their home meets the requirements for a safe child care space. And they must do it all on their own, and often for lower rates than center-based providers charge.

Resources for home-based providers

- 2023 [tax guide for home-based operators](#)
- A tax season guide in [English](#) and [Spanish](#)
- [Facility checklist](#) for home-based providers.
- Information about the federally funded [Child and Adult Care Food Program](#)
- Resources and toolkits from [Home Grown Child Care](#)

How business development organizations can help

Next to the quality of care, financial stability is the cornerstone for a child care business' sustainability and success. Financial stability affects every aspect of the business – the ability to comply with regulations, the functioning of business processes, and staff hiring and retention – and it is in turn affected by those factors. Therefore, it is essential that operators understand the importance of financial stability and how to attain it.

With their focus on skill building, business coaching and mentorship, BDOs are well equipped to help providers address many of the challenges they face. BDOs may not be experts in child development, but they can help providers with financial literacy and coaching, business administration, and other universal business needs like marketing. BDOs are also well-connected locally and can refer providers to others in the local market that are equipped to help with specific and more complex concerns.

LISC has produced guides that can help BDOs better understand and support child care providers, including:

[How to Model Business Training & Technical Support to Meet the Needs of Early Childhood Educators](#)

[Engaging Business in Child Care](#)

Following are specific solutions to the challenges described above that BDOs can help providers learn and implement.



Advocacy

Child care providers need to engage with their state representatives and other decision makers and explain the ongoing need for subsidies and investment in systems that support providers in their compliance with regulations. In order to make a compelling case and offer reasonable solutions, they need to be armed with good information.

BDOs can be both partners and advocates for child care providers in this effort, particularly in helping them calculate the true cost of care. This information is useful for business operations as well as for carrying the message to policy makers and funders that child care support is needed. Providers may need help to understand things like how to incorporate utilities and other expenses to calculate the true cost of care per child. They may also need guidance to express the effects of paperwork burdens, full enrollment, and staffing turnover on business operations.



Business process improvements

Many child care owners need help to build their knowledge of how to run a business effectively and change their operations accordingly. One critical change is to set and enforce strong business policies as shown in the child care Iron Triangle model: full enrollment, fee collection in full and on time, revenue that covers cost per child. Owner/directors may need assistance writing these policies, including how to handle violations and enforcement.

BDOs may also provide value by coaching providers on how and when to delegate tasks to their staff. For example, assigning a staff member to take on some administrative tasks for additional compensation.

Two other process improvements that can make a significant difference for child care businesses are automation of administrative tasks and participating in shared services.

Automation

Automation simply means using computer programs and software to do some of the tasks that owners do manually. In the previous section, we demonstrated the administrative burden of all the paperwork providers must routinely complete. [Specialized Child Care Management Software \(CCMS\) systems](#) can help alleviate this burden so providers can operate their businesses more efficiently. These are software programs specifically designed for management of child care businesses.

Child care technical assistance and support providers often offer or recommend CCMS software to the child care providers they serve as a way to increase their business efficiency and sustainability. These systems are specifically designed to help child care providers automate their day-to-day operations and help support proactively managing their business and programming. For example, helping to streamline enrollment, track and report daily attendance, generate invoices and collect payment electronically, and communicate with families easily and consistently. Some systems can link directly to accounting software like QuickBooks.

Benefits of using these specially designed systems include:

- Ready access to student and employee data
- Easier reporting
- Accurate and timely billing/accounting
- Tracking payments and expenses
- Teacher meeting/observation tracking

BDOs can help providers by supporting them to adopt and install new CCMS systems and providing training on the use of them. BDOs may also be able to help providers find grant or small business loan funds to pay for the cost of purchasing a management system and assisting with set-up. There may be community partners or corporations in your market with funds available for this effort.

Specific funded items could include:

- Purchase of child care software
- Payment for a full year subscription
- Purchase of tech devices (laptop or tablet)
- One-on-one TA or training for system mastery

There are several child care management software programs on the market. When helping providers choose a system, guide them to consider options that include the following features:

- An all-in-one system
- Accessible from any device
- Payment feature
- Food program management
- Reputable company
- Support staff

- Strong training/videos
- Demo/trial access

Converting to automated systems has proven benefits for child care providers. In the challenges section above, we discussed the amount of time child care owners spend in doing paperwork manually. Georgia-based [Quality Care for Children](#) (QCC) implemented an automation pilot program for providers, which yielded impressive results. QCC found that, once fully operational, automation could save owners up to 78.5 hours per month and had numerous other benefits.

ESTIMATED TIME SAVINGS FROM AUTOMATION

Task	Before Automation	After Automation
Payroll/HR tracking (biweekly)	6-8 hours	1 hour
Tuition/subsidy billing and tracking (weekly)	2-3 hours	30 minutes
Attendance tracking/subsidy reconciliation (weekly)	10 hours	30 minutes
Waitlist management/enroll new families (monthly)	6 hours	30 minutes
Total (monthly)	66-86 hours	7.5 hours

ADDITIONAL RESULTS FROM QCC AUTOMATION PILOT

When the program began:	Eleven months later:
<ul style="list-style-type: none"> • Many programs were not fully enrolled and did not have procedures in place to track and boost enrollment • Average bad debt was \$52,532 per program • None of the sites were using automated systems to support best practice business management 	<ul style="list-style-type: none"> • Enrollment (filling vacancies) grew by 34% • Average bad debt was \$877 per program. • Providers now have systems to flag problems and address them before debt accumulates. • Overall program revenue increased by 24% • Two programs more than doubled revenue and one almost tripled revenue • Programs using automation were more likely to survive the pandemic.

Shared services

A shared services alliance is a group of child care and early education programs that come together in a partnership to share the costs of critical, often back-office, services. In this arrangement, each provider pays a portion of the costs of services, rather than shouldering the entire cost and the responsibility for performing these tasks alone. Shared services alliances frequently handle tasks such as:

- Marketing
- Enrollment
- Tuition collection
- Accounting and payroll

- Professional development
- Child screening
- Quality assurance

On its Shared Services platform website, Quality Care for Children offers classroom resources, vendor discounts, administrative resources, a job board, national child care industry updates, and resources for home-based child care providers.

Pooling services in this way has several benefits. Providers save time on administrative tasks and might also save money due to more efficient management. The centralized service provider – which has expertise in areas the child care business owner does not – helps ensure that important financial and administrative responsibilities are done correctly. For smaller providers, there can also be benefits such as bulk purchasing of supplies, providing cost savings.

Learn what [shared services organizations](#) are available in your state.



Resource development

Help them develop a clear road map with the right (industry-specific) systems in place to keep finances organized and cash flow properly managed, meet compliance requirements, and offer rates that are affordable for families while paying for the overall operations of the program. In addition, aid to help programs understand how to build reserves so that they can better weather volatility in funding.

Seeking new resources

BDOs can help providers access new funding, starting with counseling them on how to apply for a loan or grant, what financial information they will need to provide, and the requirements of different funding sources.

Potential investment sources for providers might include local banks, nonprofit community partners, small business grants, SBA 7a loans, microfinance solutions, and an early childhood funders collaborative, if one is active locally.

BDOs can also provide counsel about revenue diversification and seeking nontraditional resources. For example, local utilities sometimes offer grants for outdoor play space.

Stewarding resources effectively

Providers need to understand the key financial reports that are used to determine their performance and the overall health of their business. BDOs can help them analyze financial reports and advise on areas for attention and improvement. At a minimum, child care providers should regularly review:

- Child care budget
- Balance sheet
- Income statement
- Cash flow statement
- Scheduled C-eligible deductions

Other ways to help

- Explore the business impacts of offering flexible care, nontraditional/ weekend hours to increase enrollment (if appropriate for the market)
- Determine what a sustainable tuition increase could be
- Establish a local network for shared services or bulk purchasing
- Consider how to offer non-cost staff benefits/incentives/flex schedules
- Analyze ways to maximize space/move/negotiate lease for bigger space
- Determine the best possible alignment across program types and funding sources



Training and technical assistance

One of the most important things BDOs can offer child care providers is training and technical assistance on every aspect of their business. As previously noted, most child care owner/directors are not well-versed in business practices. Training from business experts will be key to improving their financial health and overall stability.

In addition to business and management training for directors, there is a need for staff training in regulations and compliance.

Suggested training topics include:

- Finance/accounting/bookkeeping
- Marketing
- Human resources and labor laws
- Grant funding
- Automation
- Taxes
- Succession planning
- Navigating public contracts

Trainings can be held in person, virtually, or recorded for convenient viewing. It's important to consider the demands of the child care schedule when planning a training. The best times to offer trainings for providers are naptime (12-2 pm), evenings after 6 pm, or on weekends. Also consider the need to offer training and materials in multiple languages. Many providers, particularly home-based providers, may speak first languages other than English.

Conclusion and call to action

For child care programs to survive, they will need support from community partners and organizations that understand the critical need for child care within our communities. Government and private funding are necessary for this industry. As we have all felt the impact of closed programs during the pandemic, having reliable quality child care programs open is essential to our economy getting back to work.

BDOs can help meet this critical community need by providing child care programs with resources, tools, and trainings that can strengthen their business skills, help them achieve financial stability, and position them for growth.

ACTIONS BDOs can take now

- Conduct a landscape analysis and become familiar with the child care industry in your market
- Compile a list of funding and training opportunities that child care providers can access
- Connect with organizations that might support providers in various ways including social service providers, child care resource and referral agencies, community-based organizations, CDFIs, and others.
- Join or become familiar with the child care shared alliance in your area
- Tailor some of your business training to single-provider, home-based businesses
- Facilitate peer-to-peer learning
- Offer free services and training
- Sponsor program events
- Stay familiar with the child care licensing agency in your community
- Attend relevant public meetings

HOW TO REACH PROVIDERS

In order to help child care providers, you must first be able to connect with them. There are several ways to approach this:

- If there is a provider network in your area, reach out about collaboration or connections. This could include outreach to your local [child care resource and referral agency](#).
- Directly approach providers you identified during your local landscape scan.
- If your local community college has a certification program, they might help connect you to their current students or alumni.
- You may find them on social media, e.g. providers' own pages or pages for provider networks or affinity groups.
- Once you have served a few providers, they may be able to connect you with others through recommendations or spreading the word among their peers.

It may be more difficult to reach home-based providers, but here are a few strategies.

- Check to see if your area has a network of home-based providers and reach out to the network.
- Post flyers on community bulletin boards at the library and other places they might go.

Appendix

General resources and trainings for providers

[Child Care Technical Assistance Network](#)

Information about the [Child and Adult Care Food Program](#)

Child care [financial assistance](#) information

Shared services

Child Care Aware blog post, [The Value of Shared Services](#)

[What Are Shared Services?](#)

[Shared Services as a Strategy to Support Child Care Providers](#)

LISC resources for TA providers and partners

Child Care basics

[The ABCs of Child Care](#)

Child care [regulations by state](#)

Developing child care facilities

[Making Space Matter](#)

[Child Care Design Guide](#)

[Child Care Facility Checklists](#)

[Child Care Capital Budgets and Predevelopment Funding](#)

The business of child care

[Funding sources](#) unique to child care operators

[How to Model Business Training & Technical Support to Meet the Needs of Early Childhood Educators](#)

[Engaging Business in Child Care](#)

Other

[Trainings and events](#) from the LISC Rhode Island Child Care and Early Learning Facilities Fund, including recorded trainings available for viewing.

[Recommended Community Needs & Engagement Materials](#)

State-by-state links

[Comprehensive list of state resources for child care](#)

[Licensing regulations](#) by state

[Child Care Resource and Referral organizations](#)

[State licensing agencies](#)

Endnotes

- ⁱ “National and State Child Care Data Overview,” Bipartisan Policy Center. <https://bipartisanpolicy.org/report/national-state-child-care-data-2023/>
- ⁱⁱ “Data Dashboard: An Overview of Child Care and Early Learning in the United States,” Center for American Progress. <https://www.americanprogress.org/article/data-dashboard-an-overview-of-child-care-and-early-learning-in-the-united-states/>
- ⁱⁱⁱ “Quality Child Care Pays Off,” Child Care Aware. <https://info.childcareaware.org/hubfs/Quality%20Child%20Care%20Pays%20Off%202019%20%20FINAL%20ONE-PAGER.pdf>
- ^{iv} “Accessing Child Care Subsidies,” Bipartisan Policy Center. <https://bipartisanpolicy.org/blog/accessing-child-care-subsidies/>
- ^v “The U.S. and the High Price of Child Care,” Child Care Aware. <https://www.childcareaware.org/our-issues/research/the-us-and-the-high-price-of-child-care-2019/>
- ^{vi} “Top Down, Bottom Up: Building a State Child Care Center Workforce,” Bipartisan Policy Center. <https://bipartisanpolicy.org/report/building-state-child-care-center-workforce/>
- ^{vii} “The True Cost of High Quality Child Care Across the United States,” Center for American Progress. <https://www.americanprogress.org/article/true-cost-high-quality-child-care-across-united-states/>
- ^{viii} “The True Cost of High Quality Child Care Across the United States,” Center for American Progress. <https://www.americanprogress.org/article/true-cost-high-quality-child-care-across-united-states/>
- ^{ix} “Rising Cost of Child Care Services a Challenge for Working Parents,” United States Census Bureau. <https://www.census.gov/library/stories/2024/01/rising-child-care-cost.html>
- ^x “Data Dashboard: An Overview of Child Care and Early Learning in the United States,” Center for American Progress. <https://www.americanprogress.org/article/data-dashboard-an-overview-of-child-care-and-early-learning-in-the-united-states/>
- ^{xi} “The True Cost of High Quality Child Care Across the United States,” Center for American Progress. <https://www.americanprogress.org/article/true-cost-high-quality-child-care-across-united-states/>
- ^{xii} “The Child Care Sector Will Continue to Struggle Hiring Staff Unless It Creates Good Jobs,” Center for American Progress. <https://www.americanprogress.org/article/the-child-care-sector-will-continue-to-struggle-hiring-staff-unless-it-creates-good-jobs/>