



# Opportunities Exchange

## INNOVATION FOR HOME-BASED CHILD CARE: A National Organization Pilots Technology Transformation

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### BACKGROUND

The **Low Income Investment Fund** (LIIF) is a national nonprofit Community Development Financial Institution (CDFI) with a strong portfolio in early care and education facility and business development, and primary markets in San Francisco, Los Angeles, the District of Columbia and New York City (NYC). LIIF's NYC footprint increased significantly in 2020 when several private foundations requested help administering pandemic recovery funding to small child care businesses (the Child Care Emergency Grant Program) and coordinating the NYC Family Child Care Technical Assistance Hub. These initiatives paved the way for a deeper look at how to grow supply and support sustainability of small child care settings.

LIIF's experience in NYC was similar to experiences in other cities and states where they helped distribute pandemic relief funding. Time and again, the small child care businesses with whom they worked struggled with recordkeeping, budgets, collections, account reconciliation—procedures that are routine business practices in other sectors. These challenges made sustainability—including accessing federal relief funds such as the Payroll Protection Program—an almost impossible goal for many child care providers.

In recent years, new technology with potential to help address child care business challenges has become widely available. LIIF leadership was interested in testing a new approach to business support that paired grants and technical assistance with access to state-of-the-art technology and decided that NYC would be a good place to try a pilot. To this end, LIIF engaged Opportunities Exchange (OppEx) to assist with the design and launch of a project aimed at exploring ways to help child care businesses access and leverage the power of Software as a Service (SaaS) business management tools.

SaaS products designed to support operations in the child care sector are collectively referred to as Child Care Management Software (CCMS) and can be purchased as off-the-shelf products. There are dozens of these tools—with brand names like Procare, Brightwheel, Wonderschool, Alliance CORE, to name a few—with varying features and target customers. Some CCMS focus on larger centers and include the capacity to remotely administer multiple sites and robust staff management tools; others are designed for home-based child care, with the ability to run from a smartphone or tablet. Ensuring that providers can effectively use the software requires a good product/market fit as well as on-boarding support, business coaching and customer service supports from the vendor.

### SELECTING A PARTNER

LIIF was keenly interested in testing CCMS as a strategy to strengthen home-based child care businesses. In NYC, a significant percentage of these small business owners affiliate with a Family Child Care Network. LIIF staff had worked closely with several NYC Networks



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## What is a Family Child Care Network?

Family Child Care Networks offer home-based child care providers a menu of quality improvement services and supports including technical assistance, training and support delivered by a paid staff member. In New York City, some Networks are funded by the New York City Department of Education (DOE). Home-based providers that receive funding from DOE must be part of a Network with a DOE contract to support early care and education services for children birth to 5 years of age. These Network staff help providers comply with high quality standards, assist families in applying for subsidy and administer public funding. NYC family child care homes may also affiliate with Networks that tap a variety of public and private dollars, including Head Start/Early Head Start, the Child and Adult Care Food Program, foundations, employers and others. Network providers may also choose to serve publicly funded children via vouchers administered by the NYC Agency for Children's Services as well as private fee-paying families.

during the pandemic and believed they could be key partners in both introducing CCMS to providers as well as supporting deeper engagement with technology over time.

The first step was to interview the NYC Networks with whom LIIF had previously partnered, to gauge experience with CCMS and interest in participating in a technology pilot. LIIF quickly learned that the NYC Networks—like many intermediary organizations across the US—were unfamiliar with CCMS, unaware of the potential power of technology to help providers boost revenue, and reluctant to change their current business training, technical assistance and reporting systems. A few Networks were using technology to manage provider monitoring

and payment—often for the Child and Adult Care Food Program (CACFP) or other public funding—but felt uncomfortable considering a product with capacity to go beyond this limited use. “I didn’t realize how much we would need to educate folks,” reported Amy Shea, Senior Program Officer at LIIF. “Managing misinformation and fear was a big part of the job. The persistent reluctance to change was challenging. And to my surprise the resistance was mostly from the intermediaries, not the home-based child care providers.”

After research and interviews with several partner agencies, **Cypress Hills Child Care Corporation** was selected for the pilot. Cypress Hills is a Brooklyn-based non-profit that includes a child care center, a

Head Start program and a Family Child Care Network. Cypress Hills Network staff administer the Child and Adult Care Food Program and offer training on child care health, safety, and regulatory issues as well as business start-up supports and Child Development Associate classes in both Spanish and English. Fifty-six home-based providers currently affiliate with the Network, and collectively serve nearly 650 children. “The home-based providers in our Network are entrepreneurs,” noted Teresa Council, Executive Director of Cypress Hills Child Care Corporation. We want to support them and help them be successful.”

When the technology pilot began, the Cypress Hills Family Child Care Network was not using any technology systems (other than the occasional excel spreadsheet) to gather and manage information. A deeper look at time spent on paperwork revealed that Ethel Cordova, Director of the Network, spent about two weeks each month manually verifying the paper documents—menus, attendance and meal count records—that each of the 56 providers delivered (typically in person) to her office. While implementing an automated system would be new for both the Network and participating providers, the right technology system could be a win-win for everyone. Ms. Cordova recalls that she was cautious at first but soon warmed to the idea. “Technology was new to me ... that was my main concern. But it sounded like something that was doable, something that would benefit both me and the providers, make our life easier.”

Experience navigating the pandemic also accelerated provider interest in technology. “Here is the truth,” noted Ms. Cordova. “When the pandemic hit, technology was the only way providers could get paid. They were figuring it out...sending me pictures of the menus because they had no other way to get it to me. I realized then how much we needed to modernize.”

### SELECTING SOFTWARE

The next step was to select a software product. After consulting several home-based child care providers in the Network as well as the Cypress Hills administrative team, it was clear that the CCMS selected for the technology pilot must be mobile first and available in an enterprise version. Other key features and functions included:

- Enrollment and attendance tracking
- Child and family information tracking
- Billing and fee collection
- Financial reporting (including tax statements for families and time/space percentage for providers)
- CACFP menus, meal counts, and reports needed for food program billing
- Family communication

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OppEx identified several CCMS vendors that met these criteria and scheduled software demonstrations for Network leaders and providers. Reviewing various CCMS options was an eye-opener for the Cypress Hills Network staff. “I moved out of my bubble,” recalls Ethel Cordova. “I didn’t realize that there were so many child care technology products out there. And I realized that this is not as complicated as I thought it would be.”

Ultimately, [Brightwheel](#) was chosen as the CCMS vendor. This CCMS not only met all of the identified ‘must haves’ but was already being used by one provider in the Cypress Hills Network. Herein lies another key message—providers can be the best ambassadors. This particular provider started using the free version of Brightwheel, independently, and was so pleased with it that she subsequently spent her own revenue to purchase a subscription. Her enthusiasm was infectious—with the Cypress Hills team as well as other providers in the Network.

“I started my program in 2017 and used the Brightwheel app from the start,” said Melissa Stroman, owner of [The Chosen Generation](#) in Howard Beach. “To me, it was a marketing tool. I put myself in the parents’ shoes, especially first-time parents who were worried about leaving their baby. I wanted them to be able to see their child, know what they were doing, feel reassured that their baby was in a good facility and good hands ... Plus, when the pandemic hit Brightwheel really enhanced my program. Parents could check in on phones and easily stay in touch.”

It is important to underscore that, for this project, Brightwheel was the most appropriate software product. However, Network and provider needs vary. One product cannot meet all needs. To this end, it is important to carefully consider a wide range of CCMS products. Indeed, there may be cases where more than one CCMS may be appropriate. While keeping up-to-date on myriad CCMS can be challenging, Opportunities Exchange staff gather and maintain information on these tools and also suggest checking the [Capterra](#) website for user reviews.

## BUILDING BUY-IN

Cypress Hills Network staff were involved in all aspects of the project from day one—planning meetings, attending vendor demos, developing implementation plans—but to officially launch, a grant agreement had to be signed by Network leadership. This step took longer than expected—in large measure because it involved decision-makers other than the Network Coordinator. LIIF realized, in retrospect, that bringing Cypress Hills organizational leadership into the conversation early on would have been strategic. While Cypress Hills leadership staff continually stressed that they supported the idea of automation *in theory*, concerns about the time needed to implement a transition to technology as well as long-term cost of maintaining the software license and appropriate hardware needed to be addressed.

The OppEx team knew from experience that the best messenger for the power of technology transformation would be a peer organization, so they set out to find an organization willing to share their experience with Cypress Hills. A meeting was arranged with a CACFP sponsoring organization in upstate New York that had recently embraced automation, and Cypress Hills staff was encouraged to speak to them, privately and frankly. The result was overwhelmingly positive. Cypress Hills staff learned firsthand that automation saved significant time—literally days of time each month—and freed up staff to focus on supporting providers rather than processing paper.

## FINALIZING THE DEAL

In May 2022 LIIF and Cypress Hills signed a Child Care Management Software Grant Agreement to cover the cost of Brightwheel licenses for all family child care homes in the Network for one year. A step-by-step plan for roll-out was then crafted, to include the following:

- **Baseline Metrics:** a set of baseline metrics was established, so that Cypress Hills and LIIF can determine where providers are at the outset and track progress;
- **Initial Outreach:** an overall communication plan was created to ensure that all providers in the Network fully understand the opportunity as well as any requirements for participation;



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- **Rolling Onboarding:** providers will be on-boarded in cohorts, based on a plan that was co-created by LIIF, Cypress Hills and Brightwheel;
- **Provider MOU:** each provider that participates in the technology pilot will sign a Memorandum of Understanding (MOU) so that expectations regarding use of Brightwheel software, as well as roles and responsibilities of Cypress Hills and Network providers are clearly understood and documented;
- **Community of Practice:** effective implementation of CCMS requires consistent data entry, data analysis and reflection. A Community of Practice will be created among Family Child Care providers and Cypress Hills staff to support this learning process.

Shortly after signing the MOU Cypress Hills began to recruit providers to participate in the pilot, starting with a general overview of Brightwheel software and how it can be used to not only automate CACFP participation but support many other child care business functions. Feedback was overwhelmingly positive. Most providers signed up right away. “A provider who came here yesterday said she feels like this pilot is taking 10 years off her shoulders,” said Ms. Cordova. “Once she fully implements the software, she will no longer have to deal with families about tuition payments; it will just be an automatic electronic payment each week. She is very happy about that.”

### NEXT STEPS

While most of the home-based providers who participate in the Cypress Hills Network have volunteered to participate in the technology pilot, some remain reluctant. To help address concerns, project leaders will provide targeted assistance with on-boarding and implementing electronic systems and encourage peer support. “Change is scary on a lot of levels,” remarked Teresa Council, Executive Director of Cypress Hills Child Care Corporation. “The initial hesitancy is going to take work to overcome.”

Tracking results is key to documenting the benefits of a pilot, strengthening the value proposition, and ensuring continuous improvement. To this end, LIIF will work closely with Cypress Hills to gather baseline data from participating providers and track progress over time. Key metrics will focus on improved provider revenue and reduced time spent on administrative tasks, as well as accurate and timely completion of CACFP reporting.

As the Cypress Hills Network begins to embrace automation, LIIF will need to offer strategic leadership aimed at aligning the public systems with which home-based providers work. For instance, some have already asked if the City’s Administration for Children’s Services will accept electronic check-in via Brightwheel as documentation for child care subsidy reimbursement. Other providers are wondering about public entities and funding programs like Head Start, the Department of Education or the Health Department (which oversees licensing)—how can data flow from Brightwheel to these entities? Change begets change. If successful, this project can pave the way for technology links with myriad systems, which will not only save time but likely boost participation in public subsidy among home-based providers and the families they serve.

Building community among Networks and providers that use CCMS for reporting and business management is another helpful next step. During the discovery process for this pilot, staff at Cypress Hills were encouraged to speak with a fellow CACFP sponsor that had recently implemented technology and reported that this connection significantly helped to address worries. Regular communication among peers can help Cypress Hills staff feel less isolated and offer opportunities to learn and grow.

### FROM PILOT TO SCALE

LIIF staff engaged in the pilot concur that encouraging and funding CCMS technology is a promising strategy that can—and should—be scaled. Recommended next steps include the following:

1. Train all LIIF staff on CCMS—so they fully understand what the software can do and how to embed it into their daily practice as financial and facilities advisors, lenders and grant managers, technical assistance providers, and more.



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2. Deepen LIIF staff capacity to tap and benchmark data from CCMS, using it as a tool to better understand the sector, guide business management support and ECE policy.
3. Embed information on CCMS in all LIIF start-up products, including business training curricula, the Director's ToolKit, the Technical Assistance Hub, the loan fund application process, and more.
4. Deepen engagement with state- and city-leaders, with an eye to leveraging public dollars to support the cost of CCMS at scale as well as linking data collection and reporting to provider CCMS.
5. Explore new strategies for scaling CCMS among providers who may not be part of a provider Network. This could include creating a new grants-based program where funding for CCMS is paired with facilities funding and business supports.
6. Offer national leadership on the benefits of CCMS, so that intermediaries, funders and policymakers across the US better understand how and why technology can help transform the ECE sector.

LIIF has known for many years that ECE capacity-building is about more than facilities and must also include strategic support for finance and operations. Ensuring that providers can secure and effectively use modern technology is the next frontier. “The timing was right for this project” commented Angie Garling, LIIF's Vice President of Early Care and Education. “The sector rose to the occasion during Covid and learned to use technology. Plus, recovery funding is uniquely flexible, so we could pilot something new.”

The CCMS pilot also revealed an intriguing potential pathway to scaling technology among home-based child care providers—tapping Child and Adult Care Food Program sponsors as ambassadors for change. CACFP sponsors exist in every state in the nation, and larger states may have as many as 50 or more sponsors, each supporting a network of home-based providers. While sponsors often use technology to internally manage food program paperwork, very few use technology to help strengthen home-based child care business operations or enable links with public systems to streamline reporting paperwork. Thinking strategically about how to reach sponsors and support them in scaling technology could prove fruitful.

The early care and education sector is one of the last industries to benefit from a technology transformation. Experience navigating the Covid pandemic underscored that access to modern technology is key to sustainability in a modern world. Industry intermediaries like LIIF can—and should—play a pivotal leadership role, helping the field to not only embrace technology but maximize the benefits. 