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A New Role for Community Development Financial Institutions: Supporting the ECE Technology Transformation

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Early care and education (ECE) is one of the last industries to benefit from a technology transformation. Experience navigating the Covid pandemic underscored that access to web-based technology is key to sustainability in a modern world. Community Development Financial Institutions (CDFIs) play a unique and important role in the ECE sector—serving as non-profit banks expanding access to capital, with some also focusing on strengthening business leadership across the sector. CDFIs can also play a transformative role, enabling the field to not only embrace technology but maximize the benefits of these tools.

With support from Opportunities Exchange, the Low Income Investment Fund (LIIF), a national CDFI, launched a project designed to help home-based provider networks access and leverage the power of Software as a Service (SaaS) business management tools. Cypress Hills Child Care Corporation, a Brooklyn-based non-profit that administers the Child and Adult Care Food Program (CACFP) and offers training as well as a host of support services to 56 home-based child care providers in their network, served as the implementation partner. Cypress Hills was not using any

technology systems (other than the occasional excel spreadsheet) when the project began. With financing and strategic leadership from LIIF, the Network is now engaged in implementing technology solutions, tracking progress and measuring results.

Although the pilot is still in early-stage implementation, staff in LIIF's Early Childhood Division believe the potential impact is significant. Indeed, encouraging and funding Child Care Management Software (CCMS) technology is a promising strategy that can—and should—be scaled among CDFIs. Potential steps are summarized below.

- **Recognize that technology is an important part of ECE capacity-building. Investments in bricks and mortar can be paired with investments in technology hardware and software.**
- **Deepen 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.**
- **Leverage public and private dollars to support the cost of CCMS.**
- **Help public sector leaders understand how modern technology can improve provider sustainability and deliver critical data on the health and needs of the ECE sector as a whole.**

The LIIF pilot also revealed an intriguing potential pathway to scale technology among home-based child care providers—tapping CACFP sponsors such as Cypress Hills Child Care Corporation as change agents. 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.

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