Enhancing Compensation Structures for Family, Friend, and Neighbor Providers in Jefferson County

Recommendations from the Thriving Providers Project

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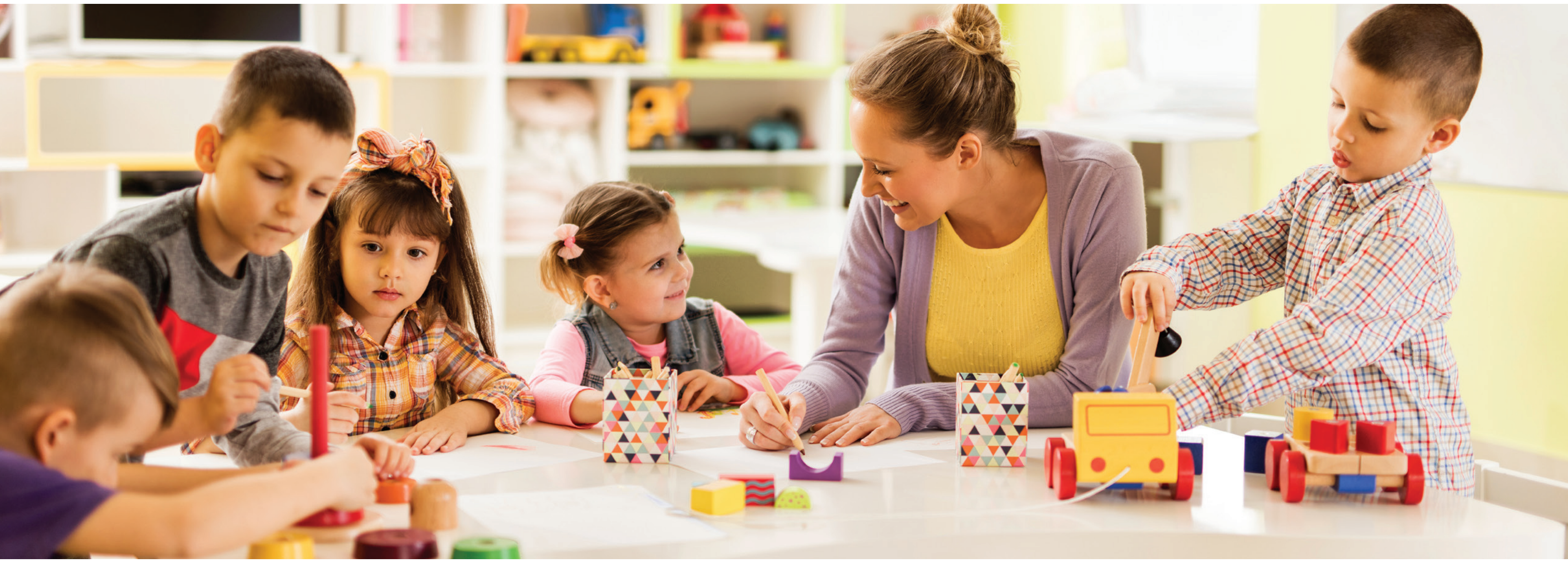
Acknowledgments



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Introduction

The United States is currently facing a childcare crisis, driven by a severe shortage of providers and rising attrition, resulting in high ratios of children to providers and frequent disruptions to caregiving relationships. These disruptions harm child development and limit parents' ability to work. A recent report from Ready Nation[i] estimated that the childcare shortage in the United States is costing the economy over $122 billion annually in lost earnings, productivity, and revenue.

Outside of parental care, care by family, friends, and neighbors (FFN) is the largest source of child care in the United States[ii]. FFN care is the arrangement of choice for many families due to cultural responsiveness, trust, language, affordability, flexibility, and low provider-to-child ratios[iii]. In addition, many parents turn to FFN care because it is the only option they can find. FFN care is increasingly important in the context of the current childcare crisis and provides a critical lifeline for working families.

Across the United States, child care is funded by a combination of subsidies and parent payments, with the bulk of payments coming out of parents' pockets. This current system of payment mechanisms for care means that parents are typically spending more than they can afford. In the case of FFN care, many FFN providers care for families who cannot afford to pay the market rate for child care, and as a result, pay little or nothing to the FFN providers for the care received. Additionally, public subsidy payments are often unstable, sporadic, and insufficient to cover the true cost of care for providers. Less than 1% of Colorado's Child Care Assistance Program (CCCAP) funds are being used in FFN care[iv].

The growing childcare crisis and the needs of families in the community are the backdrops in which Jefferson County (Jeffco) developed the Bright Futures Roadmap to chart a path forward for a coordinated effort to support early childhood in the community. In Roadmap listening sessions, Jeffco parents described challenges with child care affordability, availability, operating hours, and provider turnover. As such, the Roadmap highlights the importance of a mixed-delivery model for child care that includes a variety of licensed and unlicensed providers that "allow families to choose the program that best meets their needs."

THRIVING PROVIDERS PROJECT

The critical role of FFN providers and the insufficiency of FFN provider wages was the impetus for the Thriving Providers Project (TPP) in Colorado, including an extension in Jefferson County. Led by Impact Charitable in partnership with Colorado Statewide Parent Coalition, United Way Weld County, Valley Settlement, Early Childhood Network, the Early Childhood Council of San Luis Valley, and Home Grown, this project seeks to increase economic stability for FFN providers by providing wage supplementation. Providers enrolled in the Thriving Providers Project receive monthly, unrestricted cash payments for 18 months, access to language-accessible and culturally-responsive mental health services, and wrap-around services, including resource navigation.

The Thriving Providers Project aims to determine the level of payment and consistency required to stabilize providers and to assess the impact of stable funding on the availability and quality of care offered to children and families. Stanford University's RAPID-EC is leading the evaluation, and early results show an **increase in economic stability, decreased material hardship, and other promising findings for FFN providers' well-being.**

POLICY CHANGE

As a result of this work, the Thriving Providers Project aims to shift policy to embrace FFN providers and stabilize their economic well-being as a strategy to improve the availability of care for families and achieve positive impacts on child outcomes. Specifically, TPP aims to inform policy reforms that increase providers' income, decrease providers' costs, and increase providers' access to subsidy programs by reducing structural barriers.

The goals of this report are to:

1. Frame pathways and opportunities for policy reform as it pertains to childcare workforce compensation
2. Identify policy barriers and ways to overcome them
3. Identify specific policies to prioritize for support

The information in this report was gathered through a scan of existing and proposed policies, interviews with stakeholders in Jefferson County, and interviews with experts in childcare policy, childcare workforce compensation, and FFN care. It compiles examples from across Colorado and the country to demonstrate what might be possible if we think creatively and innovatively to reimagine compensation models for FFN providers.

Jefferson County has an opportunity to be a model for taking the Thriving Providers Project from "pilot to policy," leveraging the evidence generated from the program to inform, shape, and ultimately change policy as defined by the Bright Futures Roadmap.

DEFINITIONS AND ACRONYMS

CACFP: Child and Adult Care Food Program, Federal funding that provides food subsidies for care providers

CCDF: Child Care and Development Fund, Federal funding provided to states for childcare subsidies

Child care: non-parental care provided for a child Childcare provider: an individual who provides child care in any setting, with or without payment

CCCAP: Colorado Child Care Assistance Program, Colorado subsidy program for child care funded by CCDF

CDEC: Colorado Department of Early Childhood

Compensation: monetary or non-monetary resources provided to a childcare provider
ECE: Early Childhood Education

Family, Friend, and Neighbor (FFN) provider: a childcare provider who provides informal, unlicensed child care

Licensed child care: childcare programs or providers that have gone through the process to obtain a license

License-exempt child care: childcare programs or providers that are not required to have a license

Non-relative provider: within CCDF, a childcare provider who is not related to the child they provide care for

Qualified Exempt (QE) provider: a license-exempt childcare provider who has completed Colorado's process to receive CCCAP subsidy payments

Relative provider: within CCDF, a childcare provider who is related to the child they provide care for

Policy Scan

Promising Funding Models

The policy scan identified five promising funding models that provide an opportunity to support FFN providers. The application of some models is straightforward, while others will require innovative and creative approaches to support a full mixed-delivery model that includes all types of providers. Technical details and example programs are included in separate appendices to this report.

MODEL 1: WAGE SUPPLEMENTS FOR PROVIDERS

There are a plethora of examples across the country of giving unrestricted cash payments in the form of wage supplements to early childhood education (ECE) providers. These programs provide cash to improve a provider's economic well-being, increase recruitment and retention, or both. The payments are most often considered additional wages or structured as a grant to the provider, and therefore there are no restrictions on how the provider spends the money. Below is an example of one existing program that reflects this funding model. See Appendix C for more examples of wage supplements.

EXISTING PROGRAM: FEDERAL (AMERICAN RESCUE PLAN ACT) AND STATE STIMULUS SUPPORTS[V]

Colorado received $271 million of federal childcare stabilization funds to support childcare programs and providers. Colorado combined these funds with additional state General Funds to provide monthly, reoccurring grants for new and existing licensed and qualified exempt (QE) providers, as well as a financial incentive to become licensed or QE. More details on these programs can be found in Appendix D.

MODEL 2: NON-CASH COMPENSATION AND SUPPORTS

In addition to supporting providers with wage supplements, some programs give them access to other resources to reduce their financial burden. These resources help support their housing, healthcare, or food needs. For example, Mission-Driven Finance, a California-based impact investment organization, launched the Care Access Real Estate (CARE) initiative to help family childcare providers to purchase real estate. CARE is funded by a real estate investment trust (REIT) and aims to reduce the cost of housing for home-based childcare providers. See Appendix C for more examples of non-cash compensation and supports.

MODEL 3: QUALITY INCENTIVES

Some programs provide ECE providers with cash rewards or incentives for completing activities deemed to increase "quality" in their childcare setting; some include unlicensed providers and others do not. For example, in New Mexico, Growing Up New Mexico has created a program that provides any home-based provider (licensed or not) the opportunity to earn "rewards" between $25 and $500 for activities such as completing a child development certificate, getting licensed, registering in the state's system, or increasing their quality rating. See Appendix C for more examples of quality incentives offered across the United States.

MODEL 4: ASSISTANCE TO PARENTS

Many funding sources provide financial support to parents, typically in the form of tuition assistance. While this assistance is usually only available to pay for licensed care, FFN care is often the arrangement of choice for parents, and providing parents with financial support that allows them to pay FFN providers would improve the economic well-being of both families and FFN providers. Below is an example of one existing program that reflects this funding model. See Appendix C for more examples.

EXISTING PROGRAM: COLORADO CHILD CARE ASSISTANCE PROGRAM (CCCAP)

The Colorado Child Care Assistance Program (CCCAP) is the state program that distributes Federal Child Care and Development Fund (CCDF) money along with additional state and local funds. CCDF goals are to make child care programs more healthy, safe, and high quality, support child development and school readiness, and help working low-income parents achieve financial stability[6]. In Colorado, this program is overseen by the Colorado Department of Early Childhood (CDEC), with many decisions and processes delegated to county departments of human services. More information on CCCAP can be found in Appendix A.

MODEL 5: EXPENSE REIMBURSEMENT

A fifth funding model is reimbursement for expenses incurred as a result of providing care and/or becoming QE. FFN providers incur expenses related to providing care, including purchasing food and materials (e.g., diapers, toys, and books) . In addition, when they go through the process of becoming Qualified Exempt for CCCAP, they purchase required health and safety items and background checks and spend significant time completing training and paperwork. Reimbursement programs can help cover the costs of these items to reduce the financial burden on FFN providers. It is important to recognize, however, that a reimbursement program can create significant cash flow concerns for a provider because they make the purchases on the front end and then wait to be reimbursed. Below is an example of one existing program that reflects this funding model to provide reimbursement for food[1]. See Appendix C for more examples.

EXISTING PROGRAM: CHILD AND ADULT CARE FOOD PROGRAM (CACFP)

The Child and Adult Care Food Program (CACFP) is a federally funded (USDA Food and Nutrition Service) entitlement program that provides reimbursement for some food costs in childcare centers and family childcare settings as well as adult day care centers. In Colorado, it is managed by the Colorado Department of Public Health and Environment (CDPHE). Recently, Colorado expanded eligibility for CACFP reimbursements to include QE providers. More information on CACFP can be found in Appendix B.

[1] Food assistance may be a particularly important compensation strategy to meet provider needs. Many FFN providers feed the children in their care out of their own pockets. In recent surveys, [1]23% of families with young children and 34% of FFN providers reported experiencing food insecurity in the past six months.

Policy Recommendations

Drawing from the existing and model programs described above, recommendations for policy change are outlined below. Within each section, policies that could be implemented locally are highlighted first, followed by opportunities to advocate for state-level policy changes. Because of Colorado's county administration of state-level programs, there is a strong tie between state and county policies. However, informants for this report shared that sometimes there can be a disconnect between the two, so it is especially important to note that all policy changes should be followed through to implementation to ensure that the resulting changes have achieved the desired outcomes for providers and families.

CRITICAL RECOMMENDATION: ENGAGE FFN PROVIDERS IN CO-CREATION

Policies related to the early childhood workforce must include FFN providers in leadership and stakeholder conversations, policy formation, implementation plans, and evaluation. This needs to be more than a survey or opportunity to weigh in. It is a mindset shift that considers FFN providers as valued members of the childcare workforce and engages them in the true co-creation of policies that impact them. As a starting point, this report identifies several possible supports for FFN providers. While drawn from available research and data on FFN providers, including that gathered through the Thriving Providers Project, these recommendations have not been vetted by the providers themselves. As such, this list should be considered a menu of possibilities. A prerequisite to advocating for or implementing any of the recommendations below is engaging with providers to understand how these policies would impact them and meet their needs (or not) using a provider-centered approach. Equally, the implementation of any new policies should be done in partnership with FFN providers who can help design responsive, community-centered processes that reduce barriers to entry and build trust.

CRITICAL RECOMMENDATION: INVEST IN NARRATIVE CHANGE

Both state and local work must include elevating the voices and perspectives of FFN providers as valued members of the childcare workforce. This should include a concerted effort to help community, constituents, and leaders understand that FFN providers are providing a very large proportion of care that supports the economy and the well-being of children and families. Efforts should also highlight the fact that many parents choose FFN care as the most appropriate care for their families for a variety of reasons. Providing a platform and a microphone for FFN providers to tell their own stories is critical, and amplifying these voices and supporting the delivery of impactful messaging should be thought of as a foundation for policy change.

PRIORITY RECOMMENDATION 1: MAKE MODIFICATIONS TO CCCAP

Colorado has an opportunity to significantly increase FFN provider participation in CCCAP. Because much of the program administration and rate-setting for QE providers is done at the county level, Jefferson County also has a significant opportunity to increase access to CCCAP dollars for FFN providers and the families who utilize their care. CCCAP is the most established funding source for FFN providers identified in this policy scan. Three distinct policy change opportunities that would benefit FFN providers and the families they serve are outlined below.

1A: INCREASE RATES FOR QE PROVIDERS

In stakeholder interviews, the low rate of reimbursement for QE providers was identified as a significant barrier to participation. The maximum rate of reimbursement in Jeffco (set by the Department of Human Services) is currently $15 per day. This means that a QE provider who provides care for the maximum allowed number of 4 children will be reimbursed no more than $60 per day ($7.50 per hour for an 8-hour day). In comparison, Colorado's minimum wage in 2023 is $13.65.

Comments from informant interviews regarding the reimbursement rate included:

- The low rate is not worth the effort required for providers to become QE
- When providers reach out to the county or early childhood council about the process, they are discouraged from pursuing QE status and are instead driven toward becoming licensed because the rate of reimbursement will be much higher
- A higher reimbursement rate would increase participation from FFN providers

Possible methods for calculating increased rates for QE providers include incorporating a cost-of-care model, setting a rate that achieves the state minimum wage or Colorado's recommended salary scale for providers, or implementing a tiered rate structure that accounts for age, quality level, disability status, time of day, etc.

1B: REMOVE FINANCIAL AND PROCESS BARRIERS TO ACCESS

FFN providers' access to becoming Qualified-Exempt is severely limited by barriers including:

1. Language of materials and support
2. Cumbersome processes
3. Immigration status
4. Financial burden from background checks and purchasing of mandatory health and safety items

*See Appendix A for full detail of requirements and barriers

Because CCCAP is administered at the county level, Jefferson County Human Services has an opportunity to evaluate their processes and identify ways to improve access for FFN providers. It is recommended that an evaluation of the QE process from the perspective of both the FFN provider and CCCAP-eligible families choosing FFN care be completed to identify opportunities to remove process barriers and mitigate financial constraints. This analysis should utilize human-centered design methods and focus on changes at the county level while also identifying those barriers that could be resolved with changes in state policy. Such analysis should also consider the possibility of reimbursement or incentive programs to offset the financial and time costs to providers in becoming QE.

1C: INCREASE SUPPORT FOR FFN PROVIDERS TO NAVIGATE THE QE PROCESS

When attempting to understand CCCAP requirements for becoming a QE provider, one encounters a morass of information that is difficult to navigate, primarily in English, and at times conflicting. The state directs FFN providers to their county department of human services. Jefferson County's website information for providers does not include any reference to license-exempt care. The only information provided is about becoming licensed. The implementation of Recommendation 1b, above, will identify which of these barriers can be alleviated. However, many State and Federal requirements are still likely to be in place and increasing provider access to CCCAP will also require support for navigating the process.

To create an accessible process for FFN providers to become QE, it will be critical to create clear and accessible information for providers and CCCAP-eligible families and engage and leverage navigator support through trusted partners.

STATE LEVEL RECOMMENDATIONS

- **Include FFN in CCCAP quality incentive programs** in addition to subsidy programs. Currently, Colorado only includes licensed programs in their CCDF plan for quality incentives. In future applications, QE providers should be included as well.

- **Support a higher rate of subsidy pay for QE providers.** The state should provide recommendations, guidelines, and/or standards for counties to increase the rate paid to QE providers. The state can guide counties, include QE providers in alternative rate-setting methodology, and/or set a state-level minimum rate. Currently, there are no state guidelines for QE rates other than an expectation that they are lower than licensed providers.

- **Consider and include the unique context of FFN providers when evaluating changes to compensation structures.** The recent Colorado Early Childhood Compensation & Benefits Task Force report mentions FFN providers but does not include recommendations that apply to the context in which FFN providers operate. Updating this report and/or future reports to include the voice and unique needs and strengths of FFN providers is critical to improving compensation structures.

- **Remove barriers to access** that are not federal requirements. Some barriers to access have been created by the state in excess of federal rules. Colorado should evaluate QE requirements and remove any barriers that are not required by CCDF rules.

- Create systems to **support FFN providers to navigate barriers** that are federal requirements. Some federal-level requirements cannot be changed by the state, but state resources can be used to lower these barriers by supporting QE providers to navigate them.

PRIORITY RECOMMENDATION 2: ENSURE CACFP ACCESSIBILITY

QE providers are newly eligible for CACFP in Colorado. As a result, there are few systems in place to support their participation at the time of this report. In the next year, CDEC will work with CDPHE to bring QE providers into the CACFP system. Leaders in Jefferson County should take opportunities to build a human-centered system that helps to support QE provider participation in CACFP as outlined below.

2A: ENGAGE IN OUTREACH TO NEWLY-ELIGIBLE PROVIDERS

FFN providers are likely not aware that they could be eligible to receive CACFP reimbursements, and outreach will be critical to ensure uptake. It is recommended that trusted messengers who are engaged with FFN providers be engaged to support outreach and engagement to QE and FFN providers. Outreach will be most effective when combined with CCCAP outreach.

2B: PROVIDE RESOURCES TO SPONSOR AGENCIES

CACFP participation for any home-based provider (licensed or unlicensed) requires working with a sponsor agency. FFN providers typically require more support than a licensed provider to complete all necessary compliance activities, so providing resources to sponsor agencies will incentivize their support for FFN providers. Funding could be provided through per-enrollee or flat-rate grants to fund comprehensive navigation supports.

STATE LEVEL RECOMMENDATIONS

- **Create accessible materials and support** for FFN providers to participate in CACFP by using human-centered and participatory co-design techniques. As the system for QE provider participation is being built, Colorado should focus on ensuring that FFN providers have access to language-appropriate, culturally responsive, easy-to-understand information and supports about CACFP (and CCCAP if they are not currently QE providers).
- **Use CCCAP outreach efforts** to support CACFP participation. Because CACFP reimbursements are linked to CCCAP QE status, and because CACFP does not have funding for outreach efforts, any CCCAP outreach to FFN providers should be used to promote CACFP participation.
- Explore **delinking CACFP from CCCAP**. Participation in CCDF is not a federal requirement for CACFP funding. It is possible to create a system of access to CACFP for all FFN providers that is not dependent on becoming a QE provider (Louisiana has done this). Colorado should explore this possibility.
- Identify the systems, processes, and department(s) best equipped to **support provider access to CACFP.** Wherever CACFP is housed within the state, it should be accessible to all providers, including FFN. It is important to critically examine the existing systems and determine whether new systems or structures may provide more streamlining and accessibility.

PRIORITY RECOMMENDATION 3: INCLUDE FFN PROVIDERS IN FUNDING PRIORITIES

The creation of new local programs in Jeffco will require repurposed or additional funding. The Bright Futures Roadmap contemplates the creation of a public funding source to support early childhood programs in Jefferson County. While the Roadmap identifies a target date of 2024 for this funding, stakeholder interviews indicate that the time horizon is likely to be longer. It will be critical for Triad Bright Futures and community leaders to maintain the importance of FFN providers in Jefferson County's mixed-delivery model by including them in funding supports and conversations in the lead-up to any local funding source development.

3A: CREATE STRATEGIC ACTION ITEMS FOR SUPPORTING FFN PROVIDERS IN THE BRIGHT FUTURES ROADMAP IMPLEMENTATION

The Bright Futures Roadmap lays the groundwork for the inclusion of FFN providers in the mixed-delivery childcare system in Jefferson County. Implementation of the Roadmap is just beginning and should continue to be inclusive of FFN providers. This will include the creation of strategic action items that support FFN providers. Priorities for strategic action items should include FFN providers in any compensation mechanisms that are established for Cornerstone #1 and identify additional supports for FFN providers as parts of Cornerstones #2-4. In addition, Triad Bright Futures should advocate for consideration of the needs of FFN providers (and perhaps other childcare providers as well) in economic security initiatives focused on cash assistance, housing, food programs, etc.

3B: ELEVATE THE VISIBILITY OF FFN PROVIDERS AS CARE PROVIDERS FOR THE COMMUNITY

FFN care needs to be seen as a critical part of the care infrastructure of Jefferson County by the community as a whole. To accomplish this, it will be important to elevate the voices and visibility of FFN providers. Two prerequisites for this work will be collecting and disseminating data on FFN providers in the county as well as engaging in targeted outreach to FFN providers. Equally, supporting storytelling and narrative change work will be important to build an understanding of the critical role of FFN providers in Jefferson County's childcare workforce.

STATE LEVEL RECOMMENDATIONS

- **Extend ARPA-supported programs.** State and federal stimulus funding is temporary. Discussion of extending these programs with other funding sources will likely occur, and any extension of the components of this program must continue to include FFN providers.
- **Include FFNs in the ECE teacher tax credit.** The state should consider extending the state tax credit for ECE teachers (detailed in Appendix C) to include all childcare providers.
- Identify how **FFN providers support or supplement UPK** and consider access to funding. FFN providers are likely to fill gaps in care for families who are enrolled in 10-15 hours per week of UPK programs as a part of the mixed delivery model. The state should investigate how funding can be utilized to support the supplemental care parents need to work full-time.
- **Include FFN providers in economic security initiatives** for housing, food, healthcare, etc. As issues of economic security are addressed with state-level policy, designing programs that recognize and respond to the needs of FFN providers creates a particularly impactful type of two-generational support for families by positively impacting both the provider's family and the child's family.

Conclusion

FFN providers are providing the same critical services as licensed providers in ensuring children have access to child care, parents can go to work or school, and our economy can continue to thrive. However, they are different from licensed providers in many key ways as well. They are typically providing care for a family they have a preexisting relationship with, they are providing care for a very small number of children, and they are often providing more off-hours care to families who work non-traditional hours.

To achieve the goals identified for this policy scan, it will be important to acknowledge the critical role that FFN providers play in upholding our economy by advocating for their inclusion in local program and policy development. Equally important is recognizing the differences between FFN and licensed providers and developing programs that are designed to meet the unique needs of each.

Leaders, policymakers, and advocates should identify ways to strengthen and improve access and reimbursement rates within existing programs while designing innovative programs that will meet the unique needs of FFN providers and help to stabilize this critical part of the childcare workforce.

Appendix

APPENDIX A: CCCAP/CCDF DETAILS

The Colorado Child Care Assistance Program (CCCAP) is the Colorado program that distributes Federal Child Care and Development Fund (CCDF) money. This program is managed by the state Department of Early Childhood (CDEC) with several significant decisions being managed locally by county departments of human services. The stated Federal goals for CCDF are to make child care more healthy, safe, and high quality, support child development and school readiness, and help working, low-income parents achieve financial stability.[VIII]

CCCAP Opportunities

The CCCAP system presents a significant opportunity for increasing compensation for FFN providers because this is an existing system that has funding, is locally managed, and is open to FFN providers to participate. If an FFN provider is caring for a child who is eligible for CCCAP funding, then the provider can complete a state process for becoming "Qualified Exempt" (QE). A list of requirements for becoming QE is found in Appendix A. After completing this process, they can be reimbursed at a rate of $8.25-$15.00 per day per child (Jefferson County rates for part-time and full-time care).

FFN provider participation in CCCAP is very low. Across Colorado, fewer than 1% of children served by CCCAP are in license-exempt settings. However, license-exempt provider participation in subsidy programs is not universally low. In at least 12 states, the number is over 20%[IX] (see list of state below). This is promising because it means that there is a set of changes that could increase access to this subsidy program for FFN providers in Colorado, leveraging learnings from states with higher participation.

CCCAP Barriers

Despite opportunities for increasing FFN provider compensation, there are significant barriers to accessing CCCAP for both eligible families and FFN providers. The process to become a QE provider is quite onerous, often lengthy, and the reimbursement rate is very low. The provider must navigate a system that is primarily in English, requires upfront costs, involves many different state and county offices, and requires a significant amount of paperwork. The access barriers created by this bureaucracy are significant, especially for providers who are hesitant to interact with government systems due to historical discrimination, exclusion, or negative experiences. In addition, the people and processes that FFN providers interact with often reflect an institutionalized belief that licensed care is superior to unlicensed care, and so providers may be actively discouraged from pursuing QE status.

In addition, a provider can only apply for QE status when a CCCAP-eligible family has identified them as their care provider. This is different from the process for licensure or CCCAP eligibility for a licensed provider in which the provider applies independently of identifying the family(s) they will serve.

These significant barriers are reflected in the fact that fewer than 1% of children subsidized by CCCAP are being cared for by QE providers even though about 25% of children are being cared for in an FFN setting. In Jefferson County, there are only two current providers who have completed the process to become QE[XI].

ELIGIBILITY

On a statewide basis, families are eligible for CCCAP if their income is 185% of the Federal Poverty Level (FPL) or less. CCCAP can be used for child care for children from birth to 13 years old. Colorado sets the minimum eligibility level, and counties have the latitude to serve families with higher incomes as well. In Jefferson County, families qualify for CCCAP assistance if their income is up to 225% of FPL.

License-exempt in-home providers[XII] who provide care for less than 24 hours, for 4 or fewer children under 18, and no more of those children are under age 2 (including the provider's own children) can become eligible to receive CCCAP payments if a CCCAP-eligible family selects them as a caregiver and the provider completes the state's process to become "Qualified License-Exempt"[XIII].

REQUIREMENTS

The process to become a QE provider is quite onerous. The process for a family to qualify for CCCAP (which is the entry point for QE providers) is also extensive. The application is an 18-page PDF document (available in English and Spanish). A 22-page redetermination application is also required regularly. Requirements are listed below.

CCCAP REQUIREMENTS FOR QE PROVIDERSX[XIV, XV]

Requirement	Pre-Qualification	Ongoing or Annual	Available in Spanish	Available in languages other than English or Spanish	Required for relative providers	Parent	Federally mandated[XVI]
FORMS							
Immunization records of children						X	X
County fiscal agreement	X	X			X		
Form W-9	X				X		
Statement of Criminal History	X				X		X
Authorization to Supply Information	X				X		
Provider Information Form	X				X		
Child Care Standards for non-Licensed providers agreement	X				X	X	
Background Checks	X	Every 5 Years			X		X

Requirement	Pre-Qualification	Ongoing or Annual	Available in Spanish	Available in languages other than English or Spanish	Required for relative providers	Parent	Federally mandated[XVI]
TRAINING							
15 hours of pre-qualification training (online)	X		X				X[2]
15 hours of annual ongoing training across 10 content areas*		X					X
HEALTH AND SAFETY							
Health and safety inspection (must be posted onsite and available publicly online)	X	X					X
Maintain accident, injury, hopsitalization, or fatality forms		X					X
Emergency Plan	X						
Home Fire Escape Plan	X						
OTHER							
Attendance Tracking System (see below)		X	Guides only		X	X	
Work with a Qualified Exempt "outreach specialist"	X	X			X		
CCCAP-eligible family identifies the provider	X	X			X	X	

[2] Training is required by CCDF, but there is not a mandated number of hours.

ATTENDANCE TRACKING SYSTEM[XVII]

The Attendance Tracking System (ATS) is web-based and requires a tablet or smartphone with an Internet connection. Parents are required to use the system to check their child in and out daily, the provider verifies these attendance records. The ATS is also used as the payroll system for providers. It is possible to receive a waiver for the ATS. If the waiver is granted, then a provider submits claims manually to their county.

BACKGROUND CHECKS

Background checks are required for all providers, including relative providers. If care is being provided in the providers' home, then background checks are also required for all residents over 18 in the home. The background check includes fingerprinting and is sent to both the Colorado Bureau of Investigation and the Federal Bureau of Investigation for a criminal background check. The Colorado Department of Human Services also runs a check for abuse and neglect in their system. The cost of these checks is $49 (not including fingerprinting). Counties are authorized by the state to use CCCAP funding to cover the cost of fees charged to QE providers to obtain background checks. Jefferson County does not cover this cost.

IMMIGRATION STATUS

Many FFN providers are immigrants, some have legal residency and some do not. Below are some of the unique barriers that may be faced by immigrant providers and families.

Child Benefit Federal-level CCDF requirements identify the child as the beneficiary of the funding[XVIII]. Therefore, only the child being served by CCCAP needs to have legal residency in the United States - parents and providers do not.

Form W-9 A W-9 is required to receive reimbursement. Following Colorado legislation in 2021, the requirement for a social security number was removed and now a Taxpayer ID number can be used instead[XIX]. This is still a perceived barrier by many FFN providers who historically lack trust in governmental systems and/or don't know about the change in rules.

Background Check A background check is required for all providers regardless of their relationship to the child. Even if the provider has legal immigration status, those who live in mixed-status households face an additional barrier if care is provided in this provider's home as everyone who lives in the household is required to submit to a background check.

QUALITY RATINGS AND INCENTIVES[XX]

For licensed providers, a quality level rating (Colorado Shines) is used to determine the daily rate they receive. A licensed provider can receive a quality level rating of 1-5. License-exempt providers are not given a quality-level rating. Quality level 1 indicates that a program has met basic health and safety requirements, levels above that require completion of various requirements to demonstrate "quality" across various categories including staff professional development, family partnerships, administrative practices, educational environments, and child health.

Some Colorado CCDF funding is directed toward supporting "quality incentives" for licensed providers including:

- One-time grants, awards, or bonuses
- Ongoing or periodic quality stipends
- Higher subsidy payments
- Training or technical assistance related to quality improvement systems
- Coaching/mentoring
- Scholarships, bonuses, or increased compensation for degrees/certificates
- Materials and supplies
- Priority access to other grants or programs

CCDF does allow states to provide similar quality incentives for license-exempt providers, but Colorado has opted to include only licensed providers.

RATES AND PAYMENTS

The state sets county-level rates for licensed providers. Rates for QE providers are set by each county. There are not any rules governing these rates except that the state says that the county "must not set Qualified Exempt Provider rates such that they inhibit or deter providers from becoming licensed"[21]. This is not a requirement of CCDF, and it could be argued that the assumption and requirement run counter to CCDF principles. CCDF rules state that to allow for equal access, rates should be set at least at a level sufficient to cover the costs to providers of health, safety, quality, and staffing requirements. They state that "below market payment rates limit access to high-quality care for children receiving CCDF-funded care and violate the equal access provision that is central to CCDF." CCDF does require states to take into account the cost of "higher quality care" when setting rates[XXII].

A portion of the daily rate is required to be paid by the parent ("parent copay"). The amount required varies based on the family's income with some low-income families having a zero-dollar copay[XXIII]. It is the expectation that this fee is collected directly by the provider, although it is clear that for FFN providers this can be a challenge due to the relationship between the provider and family[XXIV].

Below is a chart comparing the established rates for QE providers to the in-home licensed rates for a Level 1 licensed provider[3]. Level 1 is the lowest rating for a licensed provider and has the corresponding lowest rates for licensed providers. Level 1 is automatically granted upon licensure and is described as "currently licensed and in good standing with the State of Colorado. Level 1 programs meet basic health and safety requirements."

SELECTED JEFFERSON COUNTY CCCAP REIMBURSEMENT RATES PER CHILD

	QE PROVIDERS	IN-HOME LICENSED (LEVEL1)
Maximum number of children allowed	4	6-12 (depending on license type)
Regular <5 years FT	$15.00	$40.31 - $47.28 (depending on age)
Regular >5 years FT	$15.00	$30.59
Regular <5 years FT	$8.25	$22.17-$26.00 (depending on age)
Regular >5 years PT	$8.25	$16.82

Absences and Holidays

A critical component of any tuition subsidy is the policy related to payment for days that children are absent and holidays because payment for these events creates stability for the provider. By state statute, only licensed providers are eligible to be compensated for holidays and absences[XXV]. The state sets a minimum for absences, and counties have the latitude to increase, but not decrease from this. The state minimum is 3-4 absences per month (based on quality rating). Counties can also pay for up to 10 holidays observed by the state per year. Jefferson County pays for 10 absences per month and 6 holidays per year for children in licensed care.

[3] Colorado's quality-rating system includes 5 levels for licensed (in-home and center) providers. Level 1 is the lowest and is automatically granted with licensure. CCCAP subsidy payments are higher for higher quality-rating levels. License-exempt providers are not a part of the quality-rating system.

CCDF PARTICIPATION LEVELS

Nationally, in 2018, 6% of children who received subsidies were in a legally exempt setting with participation varying greatly by state. Although many more children are in some type of FFN care in Colorado, only 1% of children served by CCDF in Colorado were in legally exempt settings in 2022[XXVI]. This aligns with information collected in interviews in which it was regularly expressed that there are very few QE providers statewide (currently 68 statewide including 2 in Jefferson County).

However, there are several states where participation in the system is much higher. Below, states with more than 20% of CCDF-served children in legally unregulated settings are listed:

- Alabama, 43%
- California, 20%
- Connecticut, 31%
- Hawaii, 70%
- Illinois, 26%
- Indiana, 21%
- Iowa, 23%
- Michigan, 21%
- Missouri, 23%
- Nevada, 33%
- New York, 27%
- Oregon, 26%

This list demonstrates that participation in CCDF subsidy programs does not have to be limited to licensed providers. Rather, states can create an environment that incentivizes participation from license-exempt providers.

APPENDIX B: CACFP DETAILS

The Child and Adult Care Food Program is a federally-funded program of the USDA that reimburses some food costs for providers. CACFP funds can be used for food that meets the program's nutritional guidelines, gardening costs, and labor and equipment for food preparation and storage.

Colorado recently expanded access to CACFP to include QE providers in addition to licensed providers[XXVII]. Funds flow through the Colorado Department of Public Health and Environment (CDPHE) and in-home providers (licensed or license-exempt) are required to work with a sponsor agency to participate. There are 4 sponsor agencies in Colorado, and three of them serve Jefferson County.[XXVIII]

CACFP Opportunities

Like CCDF, CACFP is a federally-funded program that can provide financial resources to FFN providers. Because the system for FFN providers is nascent, there are significant opportunities to build a system that is inclusive and accessible for them. Tom Copeland, a leading author and advocate for the business of family child care, has stated that "providers are always better off financially if they join the Food Program,"[XXIX] estimating that the after-tax benefits of CACFP are about $393 to $945 per child per year. In addition, once they are enrolled in the CACFP system, license-exempt providers are not differentiated from licensed home-based providers[XXX], which presents an opportunity for increasing equitable access to cash for FFN providers.

CACFP Barriers

Colorado only recently opened up eligibility for CACFP to include FFN providers (spring 2023). For both licensed and unlicensed home-based providers, CACFP access is controlled by a system of sponsor agencies, and the existing sponsor agencies do not yet have systems in place to facilitate access to reimbursement for FFN providers. These systems need to be built before there is any real opportunity for FFN providers to participate. CACFP also has many of the same barriers to access as CCCAP including language access, paperwork requirements, and navigating complex systems of accountability. In addition, completing the process to become QE under CCCAP is currently required for CACFP eligibility in Colorado, so all of the CCCAP barriers exist for access to CACFP. Finally, CACFP is reimbursement based, which can create cash flow challenges for providers as they spend money on food and then have to wait for reimbursement.

RATES/PAYMENT[XXXI]

Providers deemed eligible by the state (which now includes both licensed and QE - although the state's CACFP website has not yet been updated) can be paid on a tiered reimbursement system. An in-home provider can qualify for Tier 1 reimbursement based on their location, their own household income, or the income of the families they provide care for. Providers can request reimbursement for 2 meals and 1 snack or 2 snacks and 1 meal per day per child.

MEAL	TIER 1 REIMBURSEMENT RATE	MONTHLY REIMBURSEMENT PER CHILD (22 DAYS)	TIER 2 REIMBURSEMENT RATE	MONTHLY REIMBURSEMENT RATE PER CHILD (22 DAYS)
Breakfast	$1.39	$30.58	$.50	$11.00
Lunch	$2.61	$57.42	$1.58	$34.76
Snack	$.078	$17.16	$0.21	$4.62
Supper	$2.61	$57.42	$1.58	$34.76

These reimbursement rates will not fully cover the cost of food, and some question the program design and reimbursement rates. In addition, reimbursements through CACFP are considered taxable income for the provider, further reducing the financial benefit to a provider.

REQUIREMENTS[XXXII]

Colorado's manuals outline requirements for centers and sponsor agencies. There is no corresponding manual available for in-home providers who are working with a sponsor agency. Only a two-page brochure is available directly from the state. Other information is provided by the sponsor agency. The state brochure is available in English, Spanish, and Arabic.

CACFP participation requires a provider to complete many requirements. Below is a list of some, but it is likely not exhaustive as information about CACFP is scattered across many locations and difficult to navigate.

An In-Home Provider participating in CACFP must:

- Be licensed or CCCAP Qualified Exempt
- Work with a sponsor agency
- Track attendance and menus daily
- Meet "meal pattern" and meal schedule requirements
- Have 3+ inspection visits per year (two of which are unannounced)
- Notify the sponsor agency every time they take the children out of the house during a meal or snack time
- Participate in annual trainings
- Complete annual recertification.

APPENDIX C: FUNDING MODEL EXAMPLES

FEDERAL

Educator Expense Tax Deduction

The IRS allows eligible educators to deduct qualified expenses from their income for expenses. The amount allowed varies from year to year, and in Tax Year 2022 it is $300. This is a tax deduction, meaning that it reduces the amount of taxable income, regardless of whether the filer itemizes deductions. Eligible expenses include books and classroom supplies, technology used in the classroom, professional development, and PPE, disinfectant, and other supplies to prevent the spread of COVID. Teachers, counselors, principals, and classroom aides in K-12 settings can claim the deduction. Preschool teachers and FFNs are not eligible for the deduction.

STATE

Farm to Child

In addition to CACFP reimbursements for food, the state of Colorado maintains a list of grant programs that support the purchase of local food for children (called “Farm to Child” opportunities). They state that many of these opportunities are available to both licensed and license-exempt providers.

FARM TO CHILD	Wage Supplements	Other Compensation	Quality Incentives	Assistance to Parents	Expense Reimbursement
Licensed		X			X
License Exempt		X			X

Care Access Real Estate (CARE)[XXXIV, XXXV]

Mission-Driven Finance is a California-based impact investment organization. Their CARE initiative is funded by a real estate investment trust (REIT) and helps family childcare providers to purchase real estate. They are expanding into Clark County, Nevada where they plan to renovate approximately 50 single-family homes in 2023-2024 where childcare providers will live with their families and provide licensed care.

Washington State Child Care Health Benefits[XXXVI, XXXVII]

CARE	Wage Supplements	Other Compensation	Quality Incentives	Assistance to Parents	Expense Reimbursement
Licensed		X			
License Exempt					

As a result of a collective bargaining agreement, licensed family childcare providers are eligible for health care and dental care benefits through the state with a $30 monthly premium. They are eligible if they do not have other health insurance and they are caring for children receiving subsidy payments. They also have state funding that provides some (below 300% of the Federal Poverty Level) employees of licensed childcare facilities $0 monthly premiums for insurance purchased through the state exchange.

Escalones Rewards[XXXVIII]

WA HEALTH BENEFITS	Wage Supplements	Other Compensation	Quality Incentives	Assistance to Parents	Expense Reimbursement
Licensed		X			
License Exempt					

In New Mexico, Growing Up New Mexico has created a program that provides any home-based provider (licensed or not) the opportunity to earn "rewards" between $25 and $500 for activities such as completing a child development certificate, getting licensed, registering in the state's system, or increasing quality rating.

ECE Teacher Tax Credit[XXXIX]

ESCALONES REWARDS	Wage Supplements	Other Compensation	Quality Incentives	Assistance to Parents	Expense Reimbursement
Licensed			X		
License Exempt			X		

For the tax years 2022-2025, Colorado has established a refundable tax credit for early childhood educators who make less than $75,000 per year. Because it is refundable, if the credit exceeds the taxpayer's liability, the provider receives a cash payment. To be eligible, the provider must hold an early childhood professional credential from the state for at least part of the year, and the amount of the credit is based on their credential level. In the tax year 2022, the credit ranges from $750-$1,500. Eligible teachers also must be employed by a licensed program for at least 6 months of the year.

LOCAL

Colorado ECE teacher Tax Credit	Wage Supplements	Other Compensation	Quality Incentives	Assistance to Parents	Expense Reimbursement
Licensed	X				
License Exempt					

Examples below were pulled primarily from Colorado, for a more comprehensive list of programs in other states, the Center for the Study of Child Care Employment has a database[XL].

Triad Early Childhood Council Reimbursement Program

One informant shared that Triad Early Childhood Council used to have a reimbursement program for materials, and FFN providers were eligible to participate. The program reimbursed providers up to $500 for any non-consumable materials associated with providing care. Providers were required to create a budget and then send receipts for reimbursement. However, at that time, no FFN providers submitted for reimbursement. This informant indicated that her belief was because the W-9 form required a social security number and also indicated that this is no longer required due to the change in Colorado law related to lawful presence requirements.

Educator Expense Tax Credit	Wage Supplements	Other Compensation	Quality Incentives	Assistance to Parents	Expense Reimbursement
Licensed					X
License Exempt					X

Summit County, Colorado[XLI]

Summit County first passed a dedicated early childhood property tax in 2005. It is a 0.5 mil levy which raises about $1.1 million per year. This tax includes a line item for workforce recruitment and retention. They started with a stipend model but determined that this was not moving the needle on the retention of providers. They modified their offerings and now provide:

- Free access to basic health services, mental health, and limited dental coverage
- $30,000 to $40,000 grants to licensed programs - 50% of funding must be used for workforce supports including benefits and salary
- Professional development funding
- Quality improvement incentives for completing trainings
- Free ski passes

In addition, Summit County passed a second property tax measure supporting early childhood. This tax funds a range of programs, with the portion dedicated to early childhood being about $3 million per year. The program includes a line item for salary support at the Summit Pre-K programs which is provided to centers for increasing compensation to their employees. An example provided by informants was that a large center with 21 staff could receive up to $115,000 per year through this program.

Summit County	Wage Supplements	Other Compensation	Quality Incentives	Assistance to Parents	Expense Reimbursement
Licensed	X	X	X	X	
License Exempt					

San Miguel County, Colorado LIFT-EC[XLII]

San Miguel County has a 0.75 mil levy that was first passed in 2017 and generates about $500,000 a year to support the Strong Start program. The funding supports early childhood with:

1. Grants to licensed childcare facilities
2. LIFT-EC program (detailed below)
3. Reimbursement for coursework and professional development
4. Financial aid for families.

About $150,000 per year is dedicated to the LIFT-EC or "Lifting Incomes For Teachers in Early Childhood" program, which provides an unrestricted cash "award" to early childhood providers. A program administrator is housed under the local early childhood council. Providers are eligible for an award of $1,250 to $3,250 every 6 months. These awards are equal to a 12% raise on average[XLIII]. The stipend amount varies based on the credential level of the provider and how many hours they work in child care.

Eligible providers:

- Have worked in a licensed facility for at least 6 months
- Work as a provider an average of 15 hours per week or more
- Have a PDIS credential level of 1 or higher

The requirement for PDIS credentialing was included in the ballot language and so it cannot be changed. Program staff described this requirement as the largest barrier to participation for teachers because the paperwork is cumbersome and this state system is difficult to navigate.

San Miguel County	Wage Supplements	Other Compensation	Quality Incentives	Assistance to Parents	Expense Reimbursement
Licensed	X		X	X	
License Exempt					

Denver Preschool Program [XLIV, XLV]

The Denver Preschool Program (DPP) is funded by a 0.15% sales tax. It was first approved by voters at 0.12% in 2006 and raised to 0.15% in 2014. The tax generates approximately $18-20 million annually. The program has primarily served 4-year-olds and started including some 3-year-olds in 21-22. The regular budget of the program does not include wage supplements for providers. However, during the COVID pandemic, DPP did provide several financial supports for providers:

- $100,000 in emergency grants to centers and licensed homes providers to cover payroll and other immediate needs
- $785,350 to help providers offset significant pandemic-related financial losses and operating expenses
- $380,000 in Quality Improvement Grants for providers that could be used on staff bonuses/wages and other expenses
- $294,000 in teacher/director achievement awards for the completion of quality improvement activities
- In conjunction with Denver's Office of Children's Affairs (CARES Act funding), offered every staff member at a DPP community site (not including Denver Public Schools) a one-time stipend of $100-$400

Denver Preschool Program	Wage Supplements	Other Compensation	Quality Incentives	Assistance to Parents	Expense Reimbursement
Licensed	X		X	X	
License Exempt					

Towns of Breckenridge and Frisco[XLVI]

The Town of Breckenridge uses revenue from local tobacco and marijuana taxes for a dedicated childcare fund. This fund used to provide direct payments to providers, but they suspended the provider payment program after determining that it was not increasing the retention of teachers. Now the funding includes both Frisco and Breckenridge and is used to support tuition assistance for parents. As a part of this program, providers are required to work toward tuition rates that cover the full cost of providing care, which helps to generate additional revenue for compensation and other expenses. Recent data shows that the average provider wage in Breckenridge is $25 per hour, far exceeding the national average.

Breckenridge and Frisco	Wage Supplements	Other Compensation	Quality Incentives	Assistance to Parents	Expense
Licensed				X	
License Exempt					

Strong Families, Strong Future D.C.[XLVII]

In February 2022, Washington, D.C. launched a $1.5 million direct cash transfer pilot program which provides $900 per month for one year to a pilot group of 132 new and expectant parents. Other basic cash assistance programs target parents across the country.

Strong Families, Strong Future*	Wage Supplements	Other Compensation	Quality Incentives	Assistance to Parents	Expense
Licensed				X	

*Because these funds are not designated for child care, there is no distinction between licensed/ unlicensed

Lodging Taxes

Following a change in state legislation that allows lodging taxes to be used for "workforce supports,"[xlviii] several Colorado Counties passed new or re-purposed lodging taxes in 2022 and have stated their intent to use funding, in part, to support early childhood. To date, no specific plans have been identified publicly.

PRIVATE

ReSchool Learning Dollars [L]

ReSchool Colorado is a nonprofit focused on addressing inequities in education through parent choice and access to learning opportunities. ReSchool provides a program called Learning Dollars which provides funding to offset the cost of learning resources and experiences for children. The money can be used to pay for a wide range of things including instruments, language classes, library classes, magazine subscriptions, museums, music, online classes, outdoor activities, performing arts, puzzles, rec centers, sports, STEM activities, subscription kits, swim lessons, tutoring, yoga, art supplies, board games, books, camps, coding classes, cooking, creative writing, driver's education, and equipment.

ReSchool Learning Dollars*	Wage Supplements	Non-cash Compensation	Quality Incentives	Assistance to Parents	Expense Reimbursement
Licensed				X	

*Because these funds are not designated for child care, there is no distinction between licensed/ unlicensed

APPENDIX D: COLORADO SUPPORTS FOR PROVIDERS

Federal (American Rescue Plan Act) and State Stimulus Supports[LI]

Colorado received $271 million of federal childcare stabilization funds to support childcare programs and providers. This money, combined with state general fund money, was deployed to support families and childcare providers in Colorado. There are many different facets of this program, and QE providers are eligible for several of them[4], including:

- **Provider Support Grants: Child Care Stabilization and Workforce Sustainability Grants:** There are three categories of grants: child care stabilization, workforce sustainability, and new provider success. QE providers can use these grants for operational expenses, to help pass along financial relief to families, and/or for workforce support. Existing providers are eligible for both the Stabilization and Sustainability grants totaling $106 per month for 9 months. New providers can also receive $106 per month for 9 months under the New Provider Success grant. Providers are required to "complete a simple monthly report" to continue receiving grant payments. A May 2023 report indicates that these types of grants have been critically important nationally for home-based childcare providers.
- **Licensing Incentive:** This grant is for anyone who became newly licensed or CCCAP QE after March 11, 2021. The grant amount is $5,000 for licensure and $500 for QE. The use of this funding is unrestricted. As of May 2023, 397 providers in Colorado have become licensed under this incentive, creating 17,926 licensed childcare slots. As of May 2023, thirty-six providers have become newly Qualified Exempt and are eligible to receive the $500 incentive payment.[LII]

Opportunities

This funding represents an important step forward for FFN provider compensation. By including FFN providers alongside licensed providers, the state has indicated its willingness to recognize FFN providers as an important part of the childcare ecosystem in Colorado. These grants are innovative programs that aim to use direct cash assistance to providers to increase the availability and stability of care while supporting providers with much-needed resources to help offset some of the cost of care and licensing. As the continuation of these temporary programs is considered, there is hope that the state will draw on this precedent and continue to include FFN providers in compensation and incentive programs.

[4] The website for providers lists several more funding streams for QE provider eligibility, but several are not applicable because they are related to quality ratings, which QE providers do not participate in. For this report, it was confirmed that this grant was not used to provide increased subsidy payments for QE providers even though it is listed. Those listed here are the only programs QE providers are eligible for.

[5] While there are 36 eligible QE providers, as of May 2023, only 7 had received the licensing incentive payment at the time of writing.

Barriers

Funding for FFN providers is accessed through the CCCAP QE process, so the barriers to accessing this system exist for this funding source as well. In addition, this is a temporary funding source, and programs are unlikely to be able to continue at their current funding levels into the future.

SB 22-213[LIII]

In 2022, the Colorado legislature passed Senate Bill 22-213 which created new supports for the childcare system. This bill was unprecedented in its inclusion of FFN providers, and for many advocates, it represents an important shift in the thinking of state policymakers around the role of FFN in Colorado's childcare ecosystem. The bill created a "family friend and neighbor training and support program" which includes:

- FFN advisory group to the Department of Early Childhood
- FFN training and support program[6]
- Extending state programs including (but not limited to) home visitation, early intervention, early childhood mental health consultants, workforce recruitment and retention, and family resource center services to FFN providers
- Allocation of $7.5 million of ARPA money for the above activities

While this bill represents a major milestone in increasing access to support for FFN providers, it cannot be used for direct cash assistance and therefore does not help increase provider's compensation.

[6] Support is narrowly defined. Funding can be used for some capital investments and materials, but not provider payments.

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