



Stabilization Fund Strategies: Using Federal Child Care Funds to Reach Home-Based Child Care Providers

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Introduction

Home-based child care (HBCC) is an essential element of the early childhood education landscape and has been an active participant in the provision of child care since the onset of the pandemic. HBCC providers include licensed family child care, family child care that might be exempt from licensure in your state, as well as license-exempt family, friend and neighbor providers.

When the pandemic hit, child care centers, schools, and Head Start programs closed rapidly, but the majority of HBCC remained open. HBCC providers - a workforce that is 97% female and 50% people of color - continue to provide child care to essential and frontline workers, despite the risks to themselves and their families.

Given the critical role that HBCC providers play, and the challenges they currently face, it is essential that we focus resources on HBCC providers and move quickly to meet their needs. The pandemic has impacted HBCC providers both personally and professionally. Most HBCC providers are sole operators, both caring for children and running their business. This one person needs to balance education, business management, and daily facility cleaning, and as a result they are often stretched thin under even the best of circumstances.

The federal relief package approved by Congress in December 2020 includes \$10 billion for the Child Care and Development Block Grant, and each state will receive an allocation of these funds. This is a renewed opportunity for states to create “stabilization funds” and an opportunity to apply the lessons of the CARES Act to ensure even deeper impact for HBCC.

Through effective relief funding programs, state administrators have an opportunity to both respond to the immediate needs of HBCC providers and begin to address structural challenges that impact the long-term sustainability of HBCC.

SECTION 1

Essential Financial Supports for HBCC

COVID-19 has created an unprecedented set of challenges for providers, which vary based on a myriad of factors, such as: open/closure status; licensure status; quality level; enrollment; regional and local regulation; provider and provider family member health status; HBCC age, race and ethnicity; HBCC

business legal structure; business assets and liabilities; and funding diversification. Administrators should allow funds to be used for multiple COVID-related purposes.

The following grant-based financial support is essential for home-based child care providers:

- Replace lost revenue due to closure or enrollment reduction.
- Support new expenses that result from the crisis (materials, supplies, facilities renovation or enhancement, services, staff supports).
- Support providers in enabling paid leave for assistants and/or paying substitutes.
- Ensure the stability of providers to maintain operations by maintaining homes (ownership or leases).
- Support regular expenses that can no longer be afforded, such as utilities.
- Improve compensation for providers serving families of essential personnel, particularly those in the healthcare sector where the risks to providers are higher (i.e., hazard pay).
- Purchase materials or access supports to shift to serve new populations (children of essential personnel, school age children).
- Create cash reserves to enhance flexibility in crisis response.

Home Grown recently surveyed a small group of providers that serve as advisors regarding how they might use equipment or supply grants in support of implementing Center for Disease Control and Prevention (CDC) health and safety guidance. The most common responses were:

- Portable sinks
- Touchless faucets and soap dispensers
- HVAC to improve indoor air quality
- Hand sanitizer dispenser
- Ultraviolet air purifier
- Automatic door opener and flusher toilet
- Touch free waste bin
- Steam cleaner vacuum
- Childcare waiting area with wall dividers
- Table with tabletop clear divider or individual student desks
- Outdoor tables and play equipment

SECTION 2

Fund Design

Be flexible.

The funding should be flexible to allow providers to address the variety of challenges they may be experiencing. For instance:

- Portable sinks placed at the entrance to their home from the backyard play area.
- New play materials or additional sets of play materials in alignment with CDC guidelines.
- Supplement lost income to maintain their homes and ongoing program expenditures such as purchasing program supplies, food and paying assistants.
- Child care management software to generate electronic invoices and allow parents the choice of payment via debit, credit card, or other convenient means.

Design relief funding programs to ensure equity.

It is essential to design relief programs that ensure that providers with barriers to participation (access to technology, language barriers, disability) are substantively included. Relief funding programs can work toward equity by:

- Reducing application process burden and using effective communications and outreach to ensure a diverse set of applicants.
- Providing step-by-step guides for or direct support in filling out the forms to support participation.
- Providing bonus points or allowing greater overall funding amounts for providers of color and for providers that serve families of color, disadvantaged families, and children with language barriers or ability challenges to prioritize these providers.
- Ensuring funding amounts are determined equitably across setting types, accounting for actual operating costs and true costs of quality.

The crisis posed by COVID-19 has increased the cost of operations for HBCC and impacted demand. CCDF Administrators must act quickly to design and implement HBCC relief funding programs that rapidly get funds into the hands of HBCC providers.

Payment choices include options such as: advance of full amount of award; partial advance and reimbursement based on attestation of full expenditure; reimbursement based on attestation of expenditure, or reimbursement based on receipt submission. Given the precarious financial position of HBCC providers, it is **recommended that relief funds should be paid to providers upon award** rather

than setting the expectation that providers spend their own funds in order to be reimbursed via public funds sometime later.

Application Support

An important step to a successful application process is making supports available to ensure providers can complete the application process. Support tools might include:

- **Webinar:** host a webinar to explain the program and allow applicants to ask questions. Record this and make it available on a website and consider using technologies already popular with providers (e.g., Facebook Live).
- **FAQ Sheet:** create a basic frequently asked questions sheet that can be sent out with the initial communications blast, shared on a website, and updated with any changes.
- **Office Hours:** be explicit about how and when staff will be available to answer questions. Consider hosting office hours or set times of day to field inquiries, being mindful that evenings or weekends might be the best time for HBCC providers to take advantage of office hours.
- **One-on-One:** One-on-one or small group technical assistance offered via video chat or phone.

Engage HBCC in the Relief Program

Include stakeholders in the process and in the identification of uses of funds and equitable distribution. Timely and effective communication will be critical to getting the word out about and ensuring the participation of the providers who need it most. It is critical to help providers navigate information and support them to engage in the opportunities available to them.

- Consider what you know about the caregivers and providers and how to best communicate with them.
- Engage your network to use the right terminology and language.
- Translate materials into other languages and provide support to providers in their home language.
- Engage local press to promote the relief funding program will also be helpful to gain momentum around policy changes.

SECTION 3

Distribute Funds Via Community-based Intermediaries

Partnering with a community-based intermediary can ensure rapid disbursement of funds into the hands of HBCC providers.

Existing hubs, CCR&R agencies, family child care networks, CACFP sponsors are well positioned to:

- Communicate to their providers about a relief funding opportunity
- Assist their providers in the application and reporting process
- Distribute funds equitably
- Aggregate data across the network regarding outcomes.

It is critical that an intermediary partner possess the capacity and be positioned strategically in a community in order to meet the needs of HBCC providers and achieve program goals. Timing is of the essence and all funding intermediaries, upon initial program set-up, should be able to commit to specific turnaround times for application review and disbursement of a grant award.

The following should also be considered when identifying the appropriate intermediary organization:

- Entity that can leverage existing relationships for outreach and communication
- Entity with existing financial relationships with the provider community (i.e. those administering other funding sources). This may remove some process points such as setting up vendor files (required paperwork such as W-9 and ACH information) in order to process grant funds.
- Entity has staffing capacity and/or access to temporary staff to responsibly administer grant dollars.
- Entity has the technology necessary to work remotely and remain accessible to interested providers and awardees.
- Entity has financial systems in place to administer funds electronically without the need for signatures or check-cutting.

SECTION 4

Use of Technology

Any grant program should be set up with fully electronic systems to enable completely remote management. The program should be able to operate with no in-person interactions or travel required. An applicant should be able to apply for and receive funding through only an internet accessible device. However, a paper application submission, in addition to an online application, is needed in order to assure equitable access for HBCC providers who do not have computer or internet access in their home. The online application should be strongly encouraged as the primary method in order to streamline the process if an applicant is able.

- **Electronic File Management:** All application documents and disbursement information (if needed) will be collected through the online application system and can be stored securely and remotely.
- **E-Signatures:** Accept electronic signatures through the application itself, and do not require a wet signature. ***If the application portal does not allow for a signature field, consider using applications such as DocuSign to sign and attest.
- **Electronic Banking:** Ideally entities administering the grant have an existing financial relationship with the HBCC applicant pool, as this will streamline the disbursement process. All disbursements should be done electronically through an automated clearinghouse (ACH), and checks should not be used.
 - Entities with existing financial relationship: should make sure that they have the ability to disburse funds directly into a bank account for all accepted applicants.
 - Entities without an existing financial relationship with applications: should collect a W9 and ACH form from applicants at the time of approval and award acceptance. Many institutions have a verification process whereby account information is submitted electronically and then confirmed over the phone; this works to ensure funds are sent to the right account.

SECTION 5

Tax Implications

The IRS federal tax regulation that governs all HBCC providers makes distinctions between repairs and improvements and which can be deducted or depreciated. Grant materials (applications, FAQs, webinars and reporting forms) should support providers in thinking through the tax and other financial

implications of any facilities project that they might undertake. Consider creating resources or providing technical assistance to support providers in retaining necessary documentation for their accounting processes and tax preparation.¹ States can also increase the efficiency and effectiveness of HBCC facility projects by offering guidance to providers on how to select contractors, including best practice of seeking multiple bids and asking firms to provide proof of licensure and bonding.

SECTION 6

Lessons Learned: The Paycheck Protection Program (PPP)

HBCC providers' experience with the Paycheck Protection Program (PPP) offers lessons for those administering Stabilization Funds.

Of the approximately 118,000 listed and paid home-based child care providers in this country, only a tiny fraction successfully accessed the federal Paycheck Protection Program (PPP). According to the Bipartisan Policy center report ([BPC report](#)) approximately 34,886 child care providers received PPP loans, with the likely majority of these going to center-based programs. The lack of detail of loan size below \$150,000 makes it hard to ascertain the exact figure from this reporting. A National Association for Family Child Care (NAFCC) survey in May 2020 survey of 1,636 family child care providers in both English and Spanish revealed:

- 12% of respondents had applied for PPP, but had not heard back
- 13% had applied and were approved
- 8% had applied and had been denied

Data collected by NAFCC in August of 2020 indicated that of providers that did not apply for loans, 55% reported fear of debt and payback consequences.²

¹ For reference see [Tax Consequences of Grant Funds for HBCC Providers](#), a supplement to Home Grown and the Reinvestment Fund's [Home-Based Child Care Emergency Fund Toolkit](#), 2020.

² [National Association for Family Child Care](#). (2020). Essential and Open for Business: The Impact of COVID-19 on Family Child Care.

Home Grown reviewed data and specialized initiatives related to the PPP as a means of informing more general grant making, particularly in terms of how funding information is disseminated to HBCC, how information is acted upon by HBCC providers, and the impact of funding programs on HBCC. Findings have influenced many of the recommendations made in this report, and include:

- Build awareness. Many HBCC providers would benefit from funding programs but often miss out on the opportunity to do so. The disconnect between need and action begins at awareness. Some providers were not aware of the PPP opportunity or that they might be eligible for it.
- Clear communication. Grant programs should make applications, supports, and other resources and systems clear and available in multiple languages. Limit the use of jargon. Grant programs need to make very clear whether funds need to be repaid if they are spent in accordance with the application and whether providers may apply for grants if they have received other funding previously. Consider a “sales” approach of providing messages on opportunities multiple times in different ways.
- Provide supports. Providers that worked with intermediary organizations had higher PPP application and loan receipt rates. Providers specifically struggled with new financial terminology in the PPP process. Many government forms are unclear, use very specific and unfamiliar terms that are not defined within the document, and suggest high stakes consequences for errors. Many HBCC providers operate in underserved communities and neighborhoods that may distrust government. TA must be available to assist providers to fully understand all aspects of the grant program - from the application to the grant document itself to the reporting requirements - and to assure HBCC providers that the funding does not come with a “catch”.
- Minimize paperwork. Very few HBCC providers had an accountant or bookkeeper to aid the PPP application process and very few use electronic accounting systems that can create reports to use in the loan application process. Instead, the providers needed to navigate a complex process alone and with only basic financial records. Grant making programs that minimize financial documentation will reduce this barrier for providers.

SECTION 7

Considerations for Family, Friend, and Neighbor Caregivers

There are some additional considerations for funding approaches for FFN caregivers. There are several funds across the country that support individuals and these models may be more appropriate for FFN. Providing direct assistance to individuals FFN caregivers may be challenging depending on factors such

as: whether they have bank accounts; their immigration status; their housing status; or any apprehension they have about sharing their identifying information.

Direct aid programs must be designed with input from the caregiver community and in coordination with intermediaries who have existing relationships and can manage resource deployment to this group of caregivers. Administrators will need to consider alternative methods of support depending on key attributes of the caregivers. In some cases, directly purchasing needed supplies or materials may work best. Consider purchasing Visa/Mastercard gift cards that caregivers can use to purchase items and pay bills. Purchasing grocery or warehouse store gift cards may also be a good option to enable providers to buy various items including food, cleaning supplies and toys or books.

The strongest approach to providing support to this population is to partner with a trusted intermediary organization that can purchase and deliver either gift cards or products to FFN caregivers. In addition to having trusting relationships with caregivers, these organizations can bulk purchase and negotiate bulk discounts on behalf of caregivers. Please note, that depending on your community, many of these strategies may be relevant and helpful to licensed FCC providers as well.

ACKNOWLEDGEMENTS

Home Grown is grateful to Mary Beth Salomone-Testa of MBST Solutions for her contributions to this resource.

About Home Grown

Home Grown is a national collaboration of philanthropic leaders committed to improving the quality of and access to home-based child care. We use numerous strategies to better understand and support various forms of home-based child care including regulated family child care, regulation-exempt care, and family, friend and neighbor care. Learn more on our website.

REFERENCES:

- 1 For reference see [Tax Consequences of Grant Funds for HBCC Providers](#), a supplement to Home Grown and the Reinvestment Fund's [Home-Based Child Care Emergency Fund Toolkit](#), 2020.
- 2 [National Association for Family Child Care](#). (2020). Essential and Open for Business: The Impact of COVID-19 on Family Child Care.