



# Promising Practices for High-Quality Home-Based Child Care Networks: Supporting Providers' Economic Well-Being and Sustainability

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## Overview of Series

This series examines the underlying values and goals of home-based child care networks, network services offered to providers, and network implementation practices that **research suggests** most likely contribute to positive outcomes for providers, children, and families.

The **Building Comprehensive Networks** initiative seeks to develop and enhance home-based child care networks (“networks”) through the development of benchmarks and indicators for high-quality service delivery and support.

Guiding this series is the **Strengthening Home-Based Child Care Networks** brief, which describes a set of 11 evidence-based benchmarks and indicators for high-quality networks grouped into three broad categories:

- “Why” benchmarks unpack fundamental values and goals of a network.
- “What” benchmarks articulate network services that meet goals for providers, children, and families.
- “How” benchmarks reflect evidence-based implementation strategies used by networks.

## Introduction

This brief examines the ways home-based child care networks (“networks”) support the economic well-being and sustainability of licensed family child care (FCC) providers, who often operate as their own small businesses and are self-employed. Helping home-based child care (HBCC) providers attain financial security is a key benchmark for high-quality networks.

Findings are based on focus groups of network directors and affiliated licensed FCC providers from six networks in six states. These networks were selected because their responses to a survey about benchmarks for high-

quality networks (see Box 1) indicated that they were offering promising opportunities to promote economic well-being and sustainability. The six networks primarily serve licensed, registered, or certified FCC. No FFN (family, friend, and neighbor) providers attended our focus groups.

This brief highlights network strategies and supports that aim to enhance FCC providers’ business and financial management to ensure economic well-being and sustainability.

## Definitions

The **Strengthening Home-Based Child Care Networks** brief includes a benchmark and associated indicators that describe **economic well-being** and **sustainability** (See Box 2). We asked network directors and providers to define what these terms mean to them in the context of supporting HBCC providers. Network directors and providers shared an understanding of both terms. They defined

**economic well-being** as having a steady, stable income that meets basic needs, that can cover emergencies, and that contributes to quality of life. They defined **sustainability** as a secure income that enables providers to continue to offer services, to pay for retirement and health benefits, and to achieve long-term goals such as homeownership or college education for their children (Figure 1).

Figure 1



### Economic Well-Being

Stable income for basic needs, emergencies, and quality of life



### Sustainability

Secure income for retirement, health benefits, and long-term goals

## Benchmark E

The network offers services that promote economic well-being and sustainability. Related indicators:

**E1.** Facilitates providers' access to benefits, including paid time off, vacation, health insurance, and retirement

**E2.** Helps providers maintain full child enrollment to ensure steady and reliable income

**E3.** Offers support on managing revenues and expenses as well as business operations.

**E4.** Offers support around managing family expectations for care.

**E5.** Collects parent fees and/or helps manage state subsidy or other payments for providers to

maximize consistency and reliability

**E6.** Offsets cost of business burdens through financial assistance and material supports

**E7.** Supports provider navigation of federal, state, and local regulatory systems, such as the federal Child and Adult Care Food Program (CACFP) and Early Head Start child care partnerships; PreK initiatives; state licensing, subsidy, and Quality Improvement Systems (QIS); and local zoning systems

**E8.** Offers opportunities for provider advocacy around support and sustainability of HBCC

From *Strengthening Home-Based Child Care Networks*. [https://homegrownchildcare.org/\\_resources/strengthening-hbcc-networks-an-evidence-based-framework-for-high-quality/](https://homegrownchildcare.org/_resources/strengthening-hbcc-networks-an-evidence-based-framework-for-high-quality/)

## Findings

### Networks aim to help providers achieve economic well-being and sustainability.

Network directors see their goal as helping providers understand best business practices as well as ensuring that providers can attain financial stability.

*"What's the most important for the business owner is for them to have a sense of what all of this means. Because when they're on their own [without network support] or, you know, some kind of tragedy strikes, we really want them to understand what type of insurance they have, how they're covered, what their plan is."*

—Network director

Network directors highlighted the importance of helping providers gain control over finances as a key to achieving long-term financial security.

*"...to decide how that money is spent, where it gets dedicated, what they can and can't purchase, and what the timeline is for that, and that they can retire or stop working when they're ready."* —Network director

### Networks provide a wide range of supports around basic business management functions through direct services or partnerships with other organizations.

Networks offer training and coaching to provide basic business management competencies such as marketing and enrollment, creating a business plan, budgeting income and expenses, developing contracts, and recordkeeping. These supports are often grounded in the "iron triangle," a financial stability model for child care businesses that includes full enrollment, timely collection of full fees, and the full cost of care.<sup>1</sup> One network director explained how her network uses the iron triangle to track providers' business practices:

*"Every time we meet with them [we'll] have some data points that we're tracking on. ... These are fairly in depth around the iron triangle. So, we will actually be able to start tracking on what do they carry? Are they saving for retirement? Are they actively using child care management software?"*

—Network director

Network directors who do not view business management as part of their network's portfolio of expertise turn to other organizations that offer specialized business training. For example, a director of a provider-led network explained that the network partners with a child care resource and referral agency to offer business training for affiliated providers. Another network partners with a community-based organization that offers a child care business workshop series.

### **Support for the “iron triangle” of business management**

Many of the economic well-being and sustainability benchmark indicators articulate the three fundamental concepts in the iron triangle: full enrollment; timely collection of fees; and full cost of high-quality child care. Budgeting is also a key component of business management.

#### Full enrollment

Full enrollment means the program is operating at total licensed capacity, which ensures that it is maximizing revenue. Networks focus on marketing and referrals to help providers achieve this goal. Providers reported receiving coaching from their networks around marketing their programs and how to maintain full enrollment, as well as direct referrals for openings. Yet, some providers mentioned that budget cuts at the network have resulted in inconsistent support in this area:

*“In the past, a [network staff member] was assigned to our day care, but now these [staff members] were cut back due to lack of funding. ... [She] used to know about our enrollment situation, did we recruit any employees, how many kids did we have. ... However, it seems that there is not much communication for the time being due to lack of connection of this kind.”*  
—Provider

In addition, some providers want more help with marketing the assets and strengths of HBCC: *“The [network] could find a way to make us known by highlighting our selling point of home-based child care and our focus.”* One provider described the lack of family referrals from her network as an indicator of systemic disrespect for HBCC:

*“I’ve been in this industry for more than 10 years. Some of [the network staff] can call me correctly, but many of them still call me child care worker.”*

*They are unable to call me by my name. This makes me feel very strange. ...I know that there is a barrier ...[where] they [don’t] know the selling points of our home-based child care.”* —Provider

#### Timely collection of full fees from all sources

Timely collection of full fees, whether from parents, subsidy, the Child and Adult Care Food Program (CACFP), or other public sources, ensures that providers have the anticipated cash flow to cover expenses. Some networks also offer providers access to child care management systems that help ensure enrollment and payment. In addition, networks help providers address timely collection of fees by helping develop parent contracts with clear expectations for payment amounts, schedules, and care termination policies.

Networks also help providers prepare parent handbooks that articulate clear, consistent policies around issues such as vacation and sick days, provision of supplies (e.g., diapers and food), and parent-provider communication to mitigate possible misunderstandings. One network director described how her network uses training followed by coaching to help providers manage cash flow and payments from families:

*“We may have a training on how to write policies to protect cash flow. Like making sure you get paid. How to write a legally binding contract. Then our coaches work with the folks that have taken those trainings to say, ‘All right. ... Let’s look at your handbook. Oh, well, you give two weeks away for free vacation. Have you done the math? Per family, per eight families times five years? Like you’ve just given away \$50,000? Are you OK with that?’ So that’s kind of the connection between the pieces that we do.”* —Network director

#### Understanding the full cost of child care

Providers’ understanding and access to information about the full cost of child care may help them set private pay fees that cover these costs, and when they do not, identify other funding sources to fill the gaps. For providers who rely on subsidy systems for payment, determining fees is not an option, as rates are set by government agencies. Here, providers need access to timely financial data so they can make informed decisions about budgeting.

Network directors did not address this issue directly. Rather, they talked about the full cost of child care in

general terms, primarily in the context of line items for expenses such as providers' own salaries and retirement or health insurance costs. Many providers, however, reported struggles with the issue of how to set tuition levels to cover the full cost of care. For providers who enrolled private pay parents, determining how much they could charge without losing enrollment was often a challenge. Only one provider in our focus groups, who was new, cited the specific help she received from her network on setting rates:

*"They help you to know what's a tuition increase that can help you and won't overburden the parents. Because I was gonna raise my tuition by \$65. She was like, wait, no, you can't do that. You might not have parents." —Provider*

Without guidance from their networks, some providers reported developing their own strategies for covering the full cost of care. One seasoned provider described how she sets fees that reflect the quality of care she offers. Initially, she charged \$20 above the state market rate because *"I'm doing a little extra stuff. So, I'm going to add a little bit more."* And then she continued to raise her fees after achieving national accreditation from the National Association for Family Child Care and completing her bachelor's degree.

For providers who rely solely on the subsidy system, the challenge is low subsidy reimbursements. To achieve a sustainable income, some providers reported relying on a mix of funding streams from private pay fees, subsidies, CACFP, part-day PreK, and Early Head Start. Some providers expressed a deep commitment to providing care to families with low incomes who were not eligible for subsidies because of immigration status or other challenges. One seasoned provider wrestled with how to set her fees at levels that these families could afford and still make a profit:

*"I'm still contemplating whether I will raise [my tuition rates] this year or not. Because I see so many parents that ... won't even qualify for child care systems but that may be able to swing my rate the way it is right now." —Provider*

### **Budgeting**

The iron triangle conceptualizes budgeting as a key component of business stability. Networks help providers develop comprehensive budgets that include expenses related to owner compensation, paid time off, retirement, and other savings that contribute to economic well-being.

*"We've had trainings ... where we get to dig down to the nitty-gritty of the financial part of our business, the professionalism part of our business, because we are our business, how we look, how we act, all of that. ... I get 90% of my training from [the] network. Everything that we need, they provide." —Provider*

New providers value basic budgeting tools, like pre-populated spreadsheets, that networks offer because these tools enable them to track expenses and revenues. One new provider noted how this tool helped her: *"[I]t relaxed my mind a bit and let me organize myself."* Another new provider described learning about budgeting in a business workshop series offered by a national organization with which her network partnered. Seasoned providers said network support on budgeting, combined with other business topics, contributes to their competence as business owners.

On the other hand, some providers expressed a need for more support from their networks on budgeting to create a sustainable business. They described needing more technical assistance with which expenses to include in budgeting and how to manage finances for their businesses to thrive.

### **Networks offer providers information about, and access to, direct financial support to cover specific business costs.**

Grants are an essential support for providers who may lack the income to cover start-up costs related to licensing requirements, as well as costs associated with operating a child care business. Yet providers may not know about the availability of this funding or how to apply for it. A network director described working with providers to obtain start-up mini grants between \$1,000 and \$1,500 to help with any costs related to starting a licensed FCC business. A provider in this network described how the grant helped her FCC business thrive:

*"We get a lot of questions on writing grants because funds are floating around out there, and people may or may not qualify for things, but they don't know how to go about doing that." —Network director*

*"Sometimes we are really busy with our home-based child care, we have a lot of roles, and we don't have time to understand ... funding applications." —Provider*

*"I used that [grant] money to open, to renovate my home, to buy stuff to become professional. ... I'm a new [educator] and we're doing real good, but we are struggling, you know. If it wasn't for grants, I would not still be in business." —Provider*

## **Networks provide support to help providers address housing challenges.**

Stable housing is essential for FCC providers, yet providers may face housing obstacles from landlords or homeowners associations (HOAs) that do not allow them to operate a child care business in their home. None of the providers in our focus groups had experienced these kinds of challenges. However, network directors described interventions they offer with landlords or HOAs to help providers resolve disagreements. One network director described a conversation a network coach had in response to an HOA not allowing an FCC business to operate. The coach talked to the HOA representative about the benefits for working families of having an FCC business in the neighborhood which resulted in the HOA allowing the FCC business to operate.

In addition to case-by-case support, several network directors described their network's advocacy for changes in local or state legislation to redress issues with HOAs. One director explained her network's efforts to bring in partners to help stop price gouging by landlords after providers' reports that landlords had raised the rent when they learned that providers had received American Rescue Plan Act funding through the local child care resource and: referral: agency.

## **Networks recognize the importance of supporting providers' financial management.**

Beyond business supports, network directors recognize that sound financial management practices, more broadly, are key to wealth building to achieve long-term economic well-being and sustainability. Yet they acknowledge that providing specific financial information such as accounting, filing taxes, planning for retirement, purchasing health insurance, buying a home, or sending children to college may be beyond their expertise.

## **Reliance on external professionals to deliver content**

To support providers with financial management needs, many networks turn to professionals such as tax preparers, accountants, and financial planners. Experts can provide accurate information, alleviating network concerns about unintentionally misguiding providers. Providers' reports of receiving support from these external financial experts were mixed. Some value the option to obtain information from professionals, as well as the opportunity to choose with whom to work. Others indicate that outside experts do not provide the specific information that would help them plan for the future:

*"There are some trainings [but] not much about benefits. We have heard about financial management and retirement, but it's relatively superficial, and we still don't know how to manage [finances] in detail." —Provider*

Providers often expressed frustration with experts' failure to answer questions and saw the presentations as pitches for their own services:

*"They didn't tell us in detail what should be done when filing taxes, how should we do it, what benefits we can get.... We asked in-depth questions, and they just talked about them generally without telling us clearly....They seem to be promoting their own business. I feel that they just kept saying, 'If you have any questions, you can go there and ask us,' ... as if they want us to engage them to do our bookkeeping and tax declaration." —Provider*

As self-employed, independent contractors with networks, FCC providers must seek health insurance and retirement benefits on their own, rather than obtain these benefits directly through their networks. For providers, choosing among health insurance plans, including the Affordable Care Act (ACA), and retirement plans can be challenging. Those struggling with enrollment and unstable income as well as those with more stable economic circumstances expressed the need for additional guidance with strategies for long-term financial management and security.

*"I would also like to be able to afford my retirement, my health care, and other benefits that, at this time, I'm not really giving myself, but I'm trying." —Provider*

## Networks offer relationship-based support and opportunities for peer support around business and financial management

Directors acknowledge that for FCC providers, conversations about finances, especially in a group setting, can be “delicate,” because many providers enter the FCC field with little experience as small-business owners. Some providers may not feel comfortable working with budgets and financial data, while others may feel that finances are personal. Given the sensitivities around business and financial management, networks rely on relationship-based approaches, such as coaching and individualized technical assistance.

*“We talk about numbers, and we talk about math. And that’s painful for some folks.”* —Network director

*“The financial part of this business ... people keep it secret. Us as providers, we don’t talk about it.”* —Provider

### Coaching to meet individual providers’ needs

Networks use coaching as a strategy to address money issues related to the business. Network directors see these one-on-one interactions as opportunities to implement and deepen training content, as well as to provide spaces where providers can reveal concerns that they may be uncomfortable discussing in a training workshop. Network directors stress that it is crucial for network staff to build “trust” and “rapport” to have these sometimes-fraught discussions. Staff with prior experience as FCC providers may be well positioned to engage with providers on these topics.

*“Understanding the financial reality of actually having lived that and having to talk to angry parents who don’t want to pay you or want a refund when it’s a nonrefundable deposit. Whatever the case is, [it] gives our folks a level of street cred that allows us to jump ahead with that trust factor quite a bit.”*—Network director

Providers value this individual coaching support. One provider described her long-time coach, a former FCC provider, as “the backbone of the network” and went on to explain the nature of their relationship: “Because it’s not just a business relationship that we have with

her. She just engulfs you, like you can tell the true passion and love she has for people.”

### Providing opportunities for peer support

Networks offer opportunities for peer support when providers can share their business and financial management experiences.

#### Network-led peer support

Networks use formal learning communities or cohorts to deepen content that has been conveyed through training workshops. Some providers indicated that these formal peer support opportunities are a useful source of information. A new provider described the benefit:

*“From the moment we are considering [starting a business] to the moment we open up a day care, what do we need to do? ... We learn from what we hear and based on other people’s experiences.”* —Provider

*“Being a minority-owned business as a woman, one of the things that was really important to me was to connect with other women in my field. I tell everyone ... if you are [in] the same profession that I’m in, you’re not my competition, you’re my sister. ... I felt that whatever knowledge I had, others could benefit from. So, I made it a point to be supportive to other providers as well. And ... it’s almost like a wildfire. It’s spreading where I now see more providers offering advice and being more supportive than even just six or seven years ago.”* —Provider

#### Provider-led peer support

Beyond what networks formally offer, providers who belong to a network may informally support one another with business and financial information. Some providers view their relationships with other providers in the network as a sisterhood. One provider explained: “They’re my people. ... I know, for a fact, that if I need support, I could check ... and she’s there for me.” Newer providers especially value learning from seasoned providers who have established their own retirement plans and have overcome business and financial challenges. As one provider said, “I feel like we need someone like Miss XX who has the wisdom of all of this, that can lead us through.” Providers also turn to one another for referrals to specific services or professionals such as tax preparers. Another provider described weekly meetings where

she and others share their experiences with financial experts. Some providers turn to organizations such as provider-run FCC associations to obtain information and even direct support with financial management:

*“We just formed a new child care association, a nonprofit that we were able to get through a [community] grant. And health care is actually one of the main reasons we requested the [community] grant so we could offer child care providers group health insurance.” —Provider*

Despite the power of peer support, some providers indicated that business and financial information shared by peers may not always be helpful because it reflects the individual and personal experiences of other providers and may not be relevant to everyone’s needs.

## Recommendations for networks and states

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Findings from this brief have implications for how networks and states may support FCC providers’ economic and financial well-being. The first set of recommendations consists of actions that networks can take to implement services related to supporting the economic well-being and sustainability of providers, including support for FCC businesses and long-term financial management. The second set of recommendations relates to procedures and policies that states, territories, and tribes can implement to enhance FCC providers’ economic well-being and sustainability. Box 3 lists external resources related to supporting the economic well-being and sustainability of home-based child care providers broadly.

### For networks

#### General support around business and financial management

- **Ensure that network staff members who work with providers have deep knowledge about FCC** and clear understanding of the business sustainability and economic well-being challenges that providers face.
- **Expand formal opportunities for seasoned FCC providers to serve as trainers, mentors, and peer support group facilitators** around business and financial management. Pair FCC providers with financial experts to offer joint training.
- **Offer all business and financial management materials and supports in the preferred languages** of providers at the network.

### Networks offer business and financial supports in preferred languages of providers.

Central to network directors’ concerns is limited access to business and financial materials and related training in providers’ preferred languages. One director described her network’s discovery that none of the materials from an organization with which it planned to partner was translated into the native language of its affiliated providers. To make this partnership work, the network team translated the materials, which meant additional labor for the network. Another network director noted that federal- and state-provided information related to FCC businesses was not accessible to the Spanish language community.

- **Collect data on the effectiveness of services and supports** for business sustainability and economic well-being, including provider satisfaction with services and provider outcomes related to sustainability. Data should inform service delivery improvement.

#### Supporting FCC business management

- **Increase supports to help FCC providers market their programs** through network websites that offer information about the value of HBCC and promote individual program strengths. Assist providers to identify and implement recruitment and marketing strategies, such as social media, referral incentive programs, offering virtual tours, and holding open house events.
- **Assist providers with automated child care management systems and other business tools** that help save time on routine administrative tasks, reduce errors, and improve cash flow.
- **Assist providers to understand the importance of tax strategies** as profitability drivers and to implement recordkeeping, budgeting, and tax preparation practices that maximize success.
- **Seek funding to offer providers start-up and ongoing grants** for home renovations, program improvements, required background checks, required training, and professional development.
- **Facilitate navigation of and participation in public programs** FCC providers might be eligible for, including child care subsidies, CACFP, Head Start/Early Head Start, and publicly-funded PreK, to help providers maximize revenue.



- **Develop formal collaborations with other networks and organizations**, including FCC associations, to strengthen supports for providers' economic well-being and sustainability. Partner with other organizations that can offer FCC-specific business management support if this is not an area of network expertise.

### Supporting FCC providers' long-term financial management

- **Collect timely and actionable data** and information regarding the financial well-being of providers and their needs. Use this information to develop services that are responsive and relevant.
- **Help providers select financial management experts.** Offer training and/or checklists on what to expect from tax preparers, accountants, and financial planners.
- **Facilitate access to health care benefits** by linking providers to organizations that offer ACA Marketplace navigators, benefits brokers, and telemedicine.
- **Increase providers' knowledge about and access to child care unions** that can offer retirement benefits.
- **Facilitate access to housing supports by intervening with landlords** around disputes related to FCC businesses in rental housing. Advocate for policies and legislation to reduce housing barriers for FCC providers who are renters and homeowners; support new initiatives for affordable housing for FCC providers.

### For states, territories, and tribes

- **Invest public funding in home-based child care networks**, including FCC associations, to strengthen support for providers' economic well-being and sustainability.
- **Provide clear, easy to comprehend, accessible information in providers' preferred languages** about the full range of publicly-funded programs in which FCC providers might be eligible to participate (for example, CACFP, Head Start/Early Head Start, publicly-funded PreK). Make information available in a single place on state websites.
- **Conduct cost modeling on the full cost of quality care in FCC** and implement a subsidy rate that reflects the full cost of care.
- **Expand public funding for grants specifically focused on home-based child care**, including start-up grants for home renovation as well as grants for required professional development associated with quality rating and improvement system requirements.
- **Reduce providers' costs of participating in publicly-funded systems and programs.** Pay the full cost of provider background checks. Pay the full cost of any required health and safety training. Eliminate licensing fees required for a child care license.
- **Advocate with the IRS** for a policy change so that the IRS's Volunteer Income Tax Assistance (VITA) program could provide free tax preparation services for FCC providers. (Currently the program eligibility is limited to individual taxpayers meeting income and other criteria.)

## Resources for states related to supporting FCC provider well-being and sustainability

### Cost modeling

**Profiles of Innovation**: New Mexico Subsidy Rate Increases Based on Cost of Care Office of Child Care 2022

### Retirement benefits

**First in the nation retirement plan for child care providers - California** CCPU Tentative Agreement PDF ([www.calhr.ca.gov](http://www.calhr.ca.gov))

### Health insurance

**HealthCare4ChildCare - DC Health Link**

### Benefits

**Resources to improve benefits for HBCC - Home Grown**

### Housing assistance

**Resources to remedy housing discrimination for HBCC** ([www.cdss.ca.gov](http://www.cdss.ca.gov))

**New Bill Allows Home Child Care In Homeowners' Association Communities- Colorado**

**Affordable housing resources for HBCC - Home Grown**

**Family, Friend, and Neighbor Care Stabilizing the economic wellbeing of FFN providers - Home Grown**

## Methodology

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Findings are based on data collected through focus groups and surveys in June and July 2023. Six networks were selected from the 51 that completed a survey of network practices and core values based on benchmarks and indicators for HBCC networks (Erikson Institute & Home Grown, 2023). These six networks were selected because they indicated in their survey responses that they were offering opportunities to promote economic well-being and sustainability.

Directors from the selected networks were contacted via email to participate in a one-time, 90-minute focus group. Seven directors (86% women) representing six networks and six states participated.

Providers from the selected networks were recruited via emails distributed by participating directors. Three 1-hour-and-15-minute focus groups were conducted over Zoom in providers' preferred languages (English,

Spanish, and Mandarin). A total of 15 licensed providers (80% women) from five networks participated. Participating providers identified as Asian or Pacific Islander (60%), Black or African American (20%), Hispanic or Latina/o (13%), or white (7%). Half of the providers had been offering FCC for five years or less; half had been offering FCC for six or more years. Providers, on average, cared for two to 12 children, including infants, toddlers, preschoolers, and school-agers.

### Limitations

Findings presented in this brief are based on a limited number of networks that participated in our focus groups and thus cannot be generalized to networks across the United States.

## Endnotes

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1 Stoney, L. *The iron triangle: A simple formula for financial policy in ECE programs*. Opportunities Exchange. [https://info.childcareaware.org/hubfs/OpEx\\_2019\\_IronTriangle.pdf](https://info.childcareaware.org/hubfs/OpEx_2019_IronTriangle.pdf)