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Partnerships for Early Learners: Capacity Building Findings and Strategy Recommendations—

FINAL PAPER

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PARTNERSHIPS FOR EARLY LEARNERS
EARLY LEARNING INDIANA

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Partnerships for Early Learners: Capacity Building Findings and Strategy Recommendations

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We also thank the Indiana Early Childhood community, including staff from Indiana Family and Social Services Administration Office of Early Childhood and Out-of-School Learning, Department of Education, Indiana Association for Child Care Resource and Referral, the local Child Care Resource and Referral networks, as well as program directors, funders, coaches, principals, educators, family members, and other stakeholders across the state for their generous responses to our calls for information about Indiana's Paths to QUALITY™ and Indiana's early childhood education context quality. Their responsiveness and availability to complete numerous surveys and telephone interviews was greatly appreciated. Without their gracious participation, the rich information to support this project would not have been possible.

We would also like to specifically thank several national early childhood organizations and their experts that provided advice and additional information way beyond the initial request to be participate as an expert interviewee.

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Executive Summary

This paper was prepared by American Institutes for Research (AIR), a not-for-profit corporation with more than 60 years of experience in education-related research and development projects, under contract for Early Learning Indiana (ELI). AIR was contracted to develop a strategy paper for the capacity building component of their Partnerships for Early Learners five-year initiative. With the generous support of the Lilly Endowment, this five-year initiative of ELI aims to ensure that more of Indiana's children, from birth to 5 years old, are connected with a high-quality program by 2020.[1] This paper focuses on the capacity building component. According to conversations with ELI staff and ELI's logic model for the initiative,[2] the capacity-building goal is *"a strategy to increase 950 new early care slots within high-quality early care programs that are grounded in best practices for their business, the community, and the children they serve."* Other components of the Partnerships for Early Learners initiative, with additional goals to support ELI's 2020 vision, include quality improvement, parent engagement, workforce development, and innovative partnerships.

It is our understanding that ELI will use this paper, in addition to other resources and work products that were developed as companions to this public strategy paper, to filter through their own knowledge base, to inform their perspectives on the needs and opportunities that exist, and to create a detailed strategic plan that they will make actionable based on their own priorities and resources.

Approach

We used a mixed-method approach to gather information, opinions, and research-based evidence about strategies that ELI could utilize to achieve their goal. Our approach involved the collection of both qualitative and quantitative data using document review, interviews, surveys, case studies, and site visits in order to get a wide range of perceptions and understanding about the challenges, opportunities, and potential approaches to create 950 new early care program slots within high-quality early care programs. We began by collecting information on the existing Indiana context and the research and practice evidence-base on capacity building strategies. To inform suggested strategies for ELI, we also sought the opinions of national experts as well as state stakeholders, including state administrators, early care and education (ECE) providers, technical assistance providers, funders, and parents. ELI staff also provided resources, information, and input to the AIR team on the types of strategies that were of most interest to them and that they wanted to see represented in this paper. Based on all of the information collected, we provide a broad overview of the strategies, approaches, and resources that may be necessary.

[1] More information on Partnerships for Early Learners can be found at http://partnershipsforearlylearners.org/.
[2] Logic model version provided by ELI on April 21, 2015, at the Partnerships for Early Learners Strategy Meeting.

Indiana Context

The Indiana Youth Institute (IYI) developed a 2015 Indiana Early Learning Needs Assessment (IELNA) (Krauser & Chaille, 2015) for ELI and Indiana's Early Learning Advisory Council (ELAC). Relevant information from that report related to ELI's strategic plans is presented in this section. According to the report, Indiana is home to 508,938 children ages birth to 5 years old. It is estimated that almost two thirds of the young children who are less than 5 years of age (334,372 children) may require some type of child care because all available parents are reported in the IELNA report to be participating in the labor force (65.7 percent).[3,4] One in six Indiana families (17 percent) have had problems with child care severe enough that a parent had to turn down, change, or quit a job in the past year. And the rate is higher for low-income families (26 percent of families under 200 percent of the federal poverty level [FPL]).[5] Low-income families also have a limited ability to pay for child care, and more than two in five young Hoosier children (45 percent of children ages 0–4) live in families whose incomes fall below 185 percent of the FPL.[6]

The IELNA report suggests that there is a demand for quality, affordable, ECE learning environments and that many Indiana families with young children often struggle to find adequate child care. A number of different ECE providers in Indiana are operating in homes, schools, nonprofit community-based organizations, commercial organizations, and for-profit organizations with different licensing statuses (i.e., licensed child care homes, licensed child care centers, unlicensed registered child care ministries, and legally licensed exempt providers). Among these types of child care providers, many have voluntarily enrolled in Indiana's Paths to QUALITY™ (PTQ) system. Indiana's PTQ is a Quality Rating and Improvement System (QRIS), a type of assessment system created to rate the quality of ECE programs (Faria, Hawkinson, Greenberg, Howard, & Brown, 2015). There are currently 2,519 PTQ-rated providers with the capacity to serve 95,615 children (Indiana Family and Social Services Administration [FSSA], 2015). Of the PTQ-rated providers, 35 percent (n = 880) are defined as high quality; the majority are rated at Level 3 (65 percent rated at Level 3 and 35 percent rated at Level 4).[7] The majority of providers in the PTQ are family child care providers, but the providers serving the greatest number of children and with the greatest capacity and vacancy rates are licensed child care centers. Licensed child care centers account for 71 percent of the available capacity and 69 percent of the available vacancies among high-quality providers (Krauser & Chaille, 2015).

[3] For children living in a married-couple family, this means that both parents are in the labor force. For children living in a single-parent family or subfamily, this means the resident parent is in the labor force. The civilian labor force includes persons who are employed and those who are unemployed but looking for work.
[4] 2013 American Community Survey 1-Year Estimate, Table B23008. Raw number adjusted to match population data from Puzzanchera, Sladky, & Kang, 2014.
[5] National Survey of Children's Health. (2011/12). Parent has had problems with child care. Retrieved from http://www.nschdata.org/.
[6] 2009–2013 American Community Survey 5-Year Estimates, Tables B17022 & B17010
[7] FSSA, 2015.

Capacity-Building Opportunities: Use Existing and Create New Slots

We reviewed the capacity-building findings related to both the demand side of the equation (using existing slots) and the supply side (creating new slots). There was strong reaction to the word “new” in our interviews and site visits with experts, stakeholders, and families. Many experts and stakeholders thought of capacity building in terms of increasing availability, access, and affordability to high-quality programs. Thus, the goal may be to create new slots, but respondents felt that capacity building could also focus on improving the access to and affordability of current programs with vacancies.

Based on information we gathered in this project, we propose that ELI focus on strategies related to both the demand and the supply side of capacity building to enroll more children in high-quality programs. We propose ELI’s revised goal to be the following:

- A strategy to ~~increase~~ **enroll** 950 ~~new~~ additional children ~~early care slots~~, **using existing or creating new slots,** within high-quality early care programs that are grounded in best practices for their business, the community, and the children they serve

Summary of Capacity-Building Strategies and Approaches

Experts, state stakeholders, providers, and parents provided a range of strategies to either better use existing slots or to create new slots. From a review of the information gathered from project participants, the literature review, and information from ELI, we offer four strategies and eleven approaches in order to achieve ELI’s capacity-building goal.

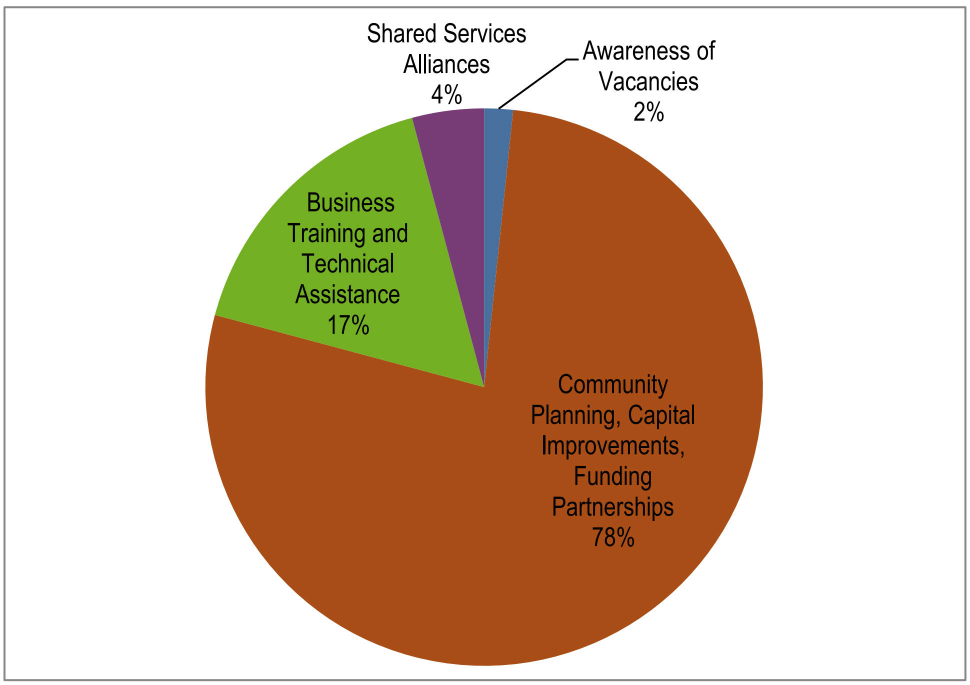
Exhibit A. Recommended Strategies and Approaches

Strategies	Approaches
Increase families’ awareness of vacancies.	1. Update Indiana’s Web-based platform for child care searches to include vacancy information.
	2. Centralize wait list information at the county-level for low-income families.
Improve community planning, invest in capital improvements projects, and develop funding partnerships.	3. Conduct community-level needs assessment in three high-need communities.
	4. Provide capital for facilities construction or renovation projects, possibly in collaboration with other philanthropic organizations and the Family and Social Services Administration.
	5. Offer three, weeklong, intensive training workshops on facilities development for providers with the capacity and funds for facilities projects in selected communities.
	6. Facilitate the development of partnerships between different types of ECE providers to leverage funds.
	7. Provide training and technical assistance on blending and braiding funds to 10 selected “ready” high-functioning programs.
Provide business training and technical assistance.	8. Provide a series of business skills training workshops to providers in three high-need communities.
	9. Support three technical assistance cohorts (over 18–24 months) for participants in selected high-need communities.

Strategies	Approaches
Create shared services alliances.	10. Partner with other statewide organizations to fund and implement a Web-based shared services platform for Indiana users.
	11. Conduct a feasibility study for a pilot of a staffed shared services alliance in one high-need community.

ELI has currently budgeted $3,000,000 of the Partnerships for Early Learners initiative budget toward the capacity building goal. The distribution of ELI's budget across these five strategies, as suggested, are illustrated in Exhibit B. The timeframe we propose to implement each strategy vary between one to four years.

Exhibit B. Budget Distribution



Geographic Targeting

Several sources of information could inform the selection of geographic areas for the Partnerships for Early Learners initiative. First, the availability of high-quality care—in accredited programs or programs rated at Levels 3 or 4 in PTQ—in each county gives a sense of the supply of high-quality care. Second, the IELNA report also provides information about a variety of child-level risk factors. We propose creating a composite child-level risk index for each county to prioritize counties, and also consider counties selected as finalists in the competition for On My Way Pre-K pilot. Two counties for ELI's immediate consideration for targeting based on these methods are Vigo and Wayne counties. However, ELI may also want to consider other selection criteria, such as whether local partners in that geographic region, such as for-profit businesses, other nonprofits (e.g., United Way, advocacy organizations, schools, ministries), and local philanthropic organizations, would be interested in investing in the region and whether the county is represented by legislators who may be allies in a legislative advocacy campaign. The ability to partner with a local, community-level champion for early childhood education and child care quality will be important for success in achieving ELI's goals in selected geographic regions.

"Pathways to the Goal": A Strategy Decision-Making Tool

We propose that ELI prioritize strategies that directly relate to enhancing existing or creating new slots to achieve their capacity building goals. These strategies include community-level planning, funding for capital improvements and creating funding partnerships, business training and technical assistance, and shared services. Business training and technical assistance approaches are likely be important for the success of most capital improvement efforts. The challenge with many of these capacity-building strategies, especially community-level planning and facilities development, is that they are time and resource-intensive. As such, to achieve the Partnerships for Early Learners initiative's overarching capacity-building goal, it is important for ELI to select the most appropriate and realistic pathways for a potential strategy to which realistic implementation plans can be developed and put into action. To do that, ELI will need to make a set of decisions dependent on their organization's mission, their organization's internal environment, and the state's external environment. To provide guidance to ELI in deciding upon the strategies presented in this paper as they move into the next phase of formulating actionable strategic and implementation plans, we recommend the use of a decision-making tool that uses a set of criteria to calculate the viability of different capacity-building strategies. Using this "Pathways to the Goal" strategy decision-making tool will result in a score for each strategic approach proposed for the capacity-building component initiative, and the tool can also be used for other strategies proposed in other Partnerships for Early Learners initiative components to help guide the decision-making process about priority strategies and the allocations of resources. The tool is designed to aid with the process of prioritizing the various approaches based on both the evidenced-based and subjective perspectives of ELI staff, as well as other partners that may be engaged in creating specific strategic plans of the initiative.

Challenges

There is no single strategy that will reach ELI's ultimate goal of increasing slots in high-quality programs. Building capacity, either through improving enrollment in existing slots or creating new slots, takes time. An approach with the greatest likelihood of successfully developing new slots is facilities development. However, facilities development is very expensive and time consuming. The $3 million ELI has to invest in strategies will not go very far without substantial investment from public and private funders. As such, partnership will be necessary and may come with a set of political and policy related challenges.

It is important to realize that the state is the primary child care policy actor with influence over ECE providers and the judgment of facility quality. Without an advocacy strategy or substantial engagement with state agencies through other means, capacity building efforts may be only on a small scale or unsustainable. Various political and policy factors may be at play in Indiana from the multiple perspectives of ELI and other key policy actors in the state, such as the Indiana Family and Social Services Administration Office of Early Childhood and Out-of-School Learning, Indiana Department of Education, Indiana Association for Child Care Resource and Referral, and the local Child Care Resource and Referral networks, and various other agencies that govern the rules and regulations of buildings and facilities. Partnering with an organization that has expertise on facilities development (such as Illinois Facilities Fund, [IFF]) and business practices (First Children's Finance) and working closely with Indiana Family and Social Services Administration Office of Early Childhood and Out-of-School Learning may provide some opportunities to leverage funds and develop sustainable, supportive partnerships to support ELI's capacity-building goals.

An additional challenge is that strategies most directly related to capacity-building goals may not ultimately affect child developmental and educational outcomes.

Overview

This paper was prepared by American Institutes for Research (AIR), a not-for-profit corporation with more than 60 years of experience in education-related research and development projects, under contract for Early Learning Indiana (ELI). AIR was contracted to develop a strategy paper for the capacity building component of their Partnerships for Early Learners five-year initiative. With the generous support of the Lilly Endowment, this five-year initiative of ELI aims to ensure that more of Indiana's children, from birth to 5 years old, are connected with a high-quality program by 2020.[8] This paper focuses on the capacity building component. According to conversations with ELI staff and ELI's logic model for the initiative,[9] the capacity-building goal is *"a strategy to increase 950 new early care slots within high-quality early care programs that are grounded in best practices for their business, the community, and the children they serve."* Other components of the Partnerships for Early Learners initiative, with additional goals to support ELI's 2020 vision, include quality improvement, parent engagement, workforce development, and innovative partnerships.

It is our understanding that ELI will use this paper, in addition to other resources and work products that were developed as companions to this public strategy paper, to filter through their own knowledge base, to inform their perspectives on the needs and opportunities that exist, and to create a detailed strategic plan that they will make actionable based on their own priorities and resources.

Approach

We used a mixed-method approach to gather information, opinions, and research-based evidence about strategies that ELI could utilize to achieve their goal. Our approach involved the collection of both qualitative and quantitative data using document review, interviews, surveys, case studies, and site visits in order to get a wide range of perceptions and understanding about the challenges, opportunities, and potential approaches to create 950 new early care program slots within high-quality early care programs that are grounded in best practices for their business. We began by collecting information on the existing Indiana context and the research and practice evidence-base on capacity building strategies. To inform suggested strategies for ELI, we also sought the opinions of national experts as well as state stakeholders, including state administrators, early care and education (ECE) providers, technical assistance providers, funders, and parents. ELI staff also provided resources, information, and input to the AIR team on the types of strategies that were of most interest to them and that they wanted to see represented in this paper. Appendix A provides more details about our approach and sample. Based on all of the information collected, we provide a broad overview of the strategies, approaches, and resources that may be necessary.

This paper starts by providing an overview of the Indiana context, including information about Indiana's population of children and families and the early care and education sector. We then

[8] More information on Partnerships for Early Learners can be found at http://partnershipsforearlylearners.org/.
[9] Logic model version provided by ELI on April 21, 2015 at the Partnerships for Early Learners Strategy Meeting.

provide an overview of understanding the problem of early childhood education and care capacity building. Following these sections, we recommend four strategies and eleven approaches to accomplish these strategies related to five key strategies that are aligned to ELI's overarching goal of increasing 950 new slots in early care programs. We end the paper by providing information about funding sources and strategies, geographic targeting, and caveats and limitations. We also describe a decision-making tool to help develop the pathways to their goal by using criteria to systematically prioritize and select among the seven strategic approaches offered in the paper.

Indiana Context

The Demand for Early Care and Education

The Indiana Youth Institute (IYI) developed a 2015 Indiana Early Learning Needs Assessment (IELNA; Krauser & Chaille, 2015) for ELI and Indiana's Early Learning Advisory Council (ELAC). Relevant information from that report related to ELI's strategic plans is presented in this section. According to the report, Indiana is home to 508,938 children ages birth to 5 years old, and the majority of young children (birth to age 11 years) are white (73.4 percent), followed by black (13.0 percent), and Hispanic (11.1 percent) (Puzzanchera, Sladky, & Kang, 2014).

It is estimated that almost two thirds of the young children who are less than 5 years of age (334,372 children) may require some type of child care because all available parents[10] are reported in the IELNA report to be participating in the labor force (65.7 percent)[11,12] The IELNA report also provides information from the National Survey of Children's Health that suggests more than a third (35.1 percent) of young children in Indiana received care from a nonrelative at least 10 or more hours per week and more than two in five infants in Indiana (42 percent) are cared for by a nonparent on a weekly basis (National Survey of Children's Health, 2011/12; Administration for Children and Families, 2009). Indiana's Early Learning Advisory Committee (ELAC) estimated two in five young children are in informal family, friend, neighbor, or other unspecified care while their parents work (40 percent, ages 0–5).[13] One in six Indiana families (17 percent) have had problems with child care severe enough that a parent had to turn down, change, or quit a job in the past year. The rate is higher for low-income families (26 percent of families under 200 percent of the federal poverty level [FPL]) (National Survey of Children's Health, 2011/12). Low-income families also have a limited ability to pay for child care, and more than two in five young Hoosier children (45 percent of children ages 0–4) live in families whose incomes fall below 185 percent of the FPL.[14]

The IELNA report suggests that there is a demand for quality, affordable, ECE learning environments, and that may Indiana families with young children often struggle to find adequate child care.

The Supply of ECE

A number of different ECE providers in Indiana are operating in homes, schools, nonprofit community-based organizations, commercial organizations, and for-profit organizations with different licensing statuses (i.e., licensed child care homes, licensed child care centers,

[10] Both parents if a child is in a two-parent home, or custodial parent if child is in a single-parent home.
[11] For children living in a married-couple family, this means that both parents are in the labor force. For children living in a single-parent family or subfamily, this means the resident parent is in the labor force. The civilian labor force includes persons who are employed and those who are unemployed but looking for work.
[12] 2013 American Community Survey 1-Year Estimate, Table B23008. Raw number adjusted to match population data from Puzzanchera et al. (2014).
[13] 2014 Report to ELAC.
[14] 2009–2013 American Community Survey 5-Year Estimates, Tables B17022 & B17010.

unlicensed registered child care ministries, and legally licensed exempt providers). Among these types of child care providers, many have voluntarily enrolled in Indiana's Paths to QUALITY™ (PTQ) system. Indiana's PTQ is a Quality Rating and Improvement System (QRIS), a type of assessment system created to rate the quality of ECE programs (Faria, Hawkinson, Greenberg, Howard, & Brown, 2015). Indiana's PTQ uses a four-level building block approach to calculate program ratings for defining high-quality programs. A building block approach requires a program to meet all requirements at one level before moving up to the next level. In PTQ, the rating criteria for each level are as follows:

- Level 1 involves meeting licensing and minimum health and safety criteria.
- Level 2 adds learning environment criteria, including requirements for teacher education and training, and the classroom learning environment.
- Level 3 adds a planned curriculum, that is, the use of a written curriculum that aligns with Indiana Foundations for Young Children.
- Level 4 requires national accreditation, through the National Association for the Education of Young Children, National Association for Family Child Care, or another accrediting organization.

ECE programs are considered high quality if they have attained Levels 3 or 4 in PTQ or are not enrolled in PTQ but have attained another national accreditation.[15] There are currently 2,519 PTQ-rated providers with the capacity to serve 95,615 children (Office of Early Childhood and Out of School Learning, 2015). Of the PTQ-rated providers, 35 percent (*n* = 880) are defined as high quality; the majority rated at Level 3 (65 percent rated at Level 3 and 35 percent rated at Level 4) (Office of Early Childhood and Out of School Learning, 2015). The majority of providers in the PTQ are family child care providers; thus, family child care providers also represent a majority of providers with high-quality ratings (Exhibit 1). However, family child care homes, by definition, only serve a small number of children. The greatest numbers of children in high-quality programs are served by center-based programs (Exhibit 2). Although the majority of the programs in the state are family child care providers, from IYI's market assessment survey of ECE program directors, the providers serving the greatest number of children and with the greatest capacity and vacancy rates are licensed child care centers (Exhibit 3; IYI & IACCRR, 2015).

[15] Accrediting bodies included are: the National Association for Family Child Care (NAFCC), the National Association for the Education of Young Children (NAEYC), the National Afterschool Association (NAA), the Association of Christian Schools International (ACSI), the Council on Accreditation (COA), the National Early Childhood Program Accreditation (NECPA), and Title I Schools

Exhibit 1. Distribution of Children Birth to Age 5 by Types of High-Quality Providers

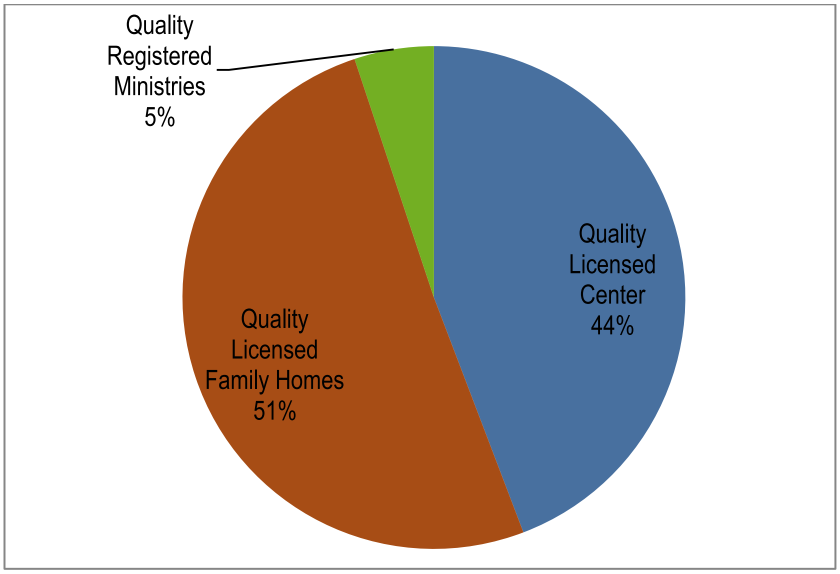


Exhibit 2. Distribution of Children Birth to Age 5 Served by High-Quality Providers

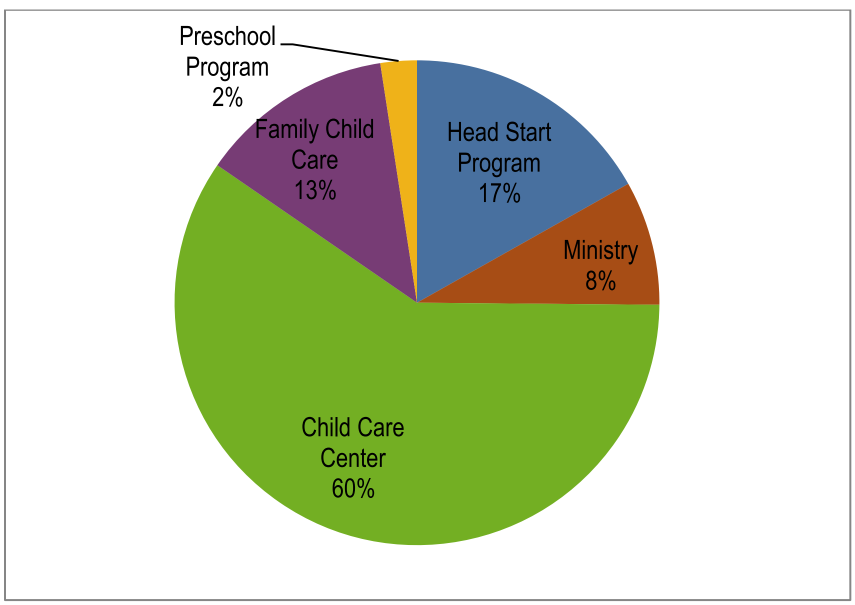
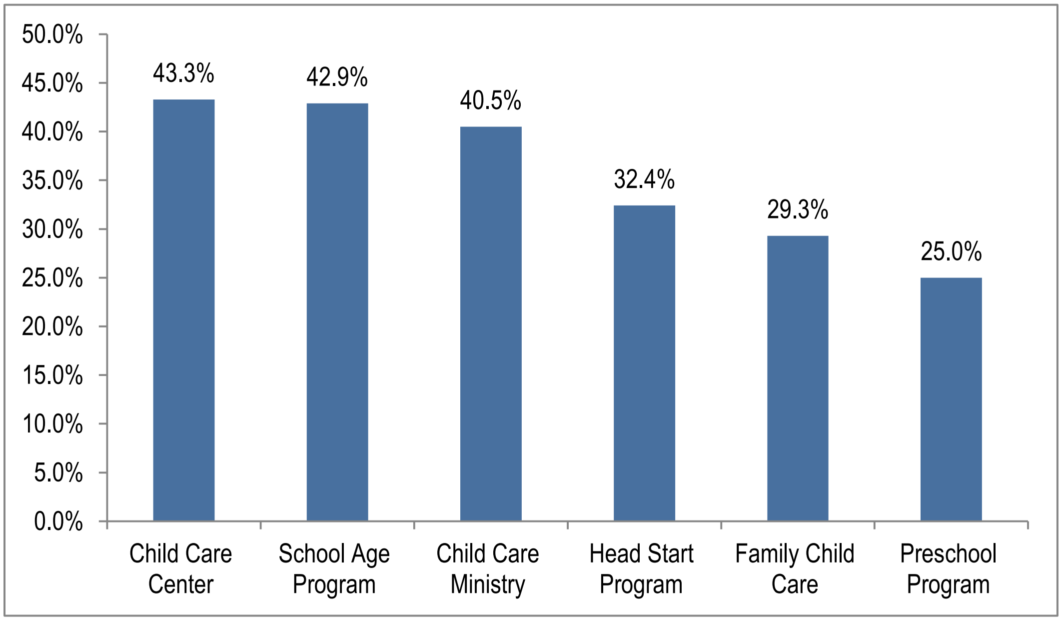


Exhibit 3. Percent of Programs Reporting That Usually Have Vacancies, by Program Type



Source: IYI & IACCRR, 2015.

As indicated in Exhibit 4, the average vacancy rate (percentage of child care slots that are unused) among Level 1 or Level 2 programs is lower (4.7 percent) than the vacancy rate among high-quality programs rated at Level 3 or Level 4 (7.4 percent) (IYI & Indiana Association of Child Care Resource and Referral [IACCRR], 2015). According to a recent report by IYI and IACCRR (2015), the majority of PTQ providers (64 percent) do not usually have vacancies. There is variation in the vacancy rate across types of programs and counties (see p. 7 and Appendix A in IYI & IACCRR, 2015). According to the IELNA report, just less than a third of Indiana's early care and education child care slots are in programs rated at Level 3 or 4 (32 percent) (IACCRR, 2015).

Vacancies rates in high-quality programs vary across the state by provider type from a low of 4 percent for Head Start programs to a high of 17 percent for school-age programs (Exhibit 5). In 51 counties, the average vacancy rate is less than 5 percent in high-quality programs. However, a few counties have higher average vacancy rates (e.g., 18 percent in Vermillion, 24 percent in Washington, and 23 percent in Hamilton county) (Krauser & Chaille, 2015). Vacancies, particularly if they are higher in some communities or types of programs, can be the result of supply- and demand-side problems, including ineffective marketing of ECE programs, inconvenient location and hours, and unaffordable fees.

Exhibit 4. Percentage of Providers Known to IACCRR, by Quality Level and PTQ Enrollment

	Number of Providers	Enrollment (All Ages)	Total Capacity (Slots)	Current Vacancies	Average Vacancies per Program
PTQ Levels 1 and2	34.6%	24.1%	23.8%	25.0%	4.7
PTQ Levels 3 and 4	19.4%	35.3%	32.0%	22.0%	7.4
Other care	45.9%	40.7%	44.3%	53.1%	7.6
All care[a]	100%	100%	100%	100%	6.6

Source: Krauser & Chaille, 2015.

Exhibit 5. Licensed Capacity and Vacancies in High-Quality Programs by Program Type

	All Programs	Head Start Program	Ministry	Child Care Center	Family Child Care	Preschool Program	School Age Program
Number of Programs	896	101	48	276	443	15	13
Total licensed capacity	49,076	6,599	0	34,998	5,907	1,331	241
Total current vacancies	6,640	266	501	4,565	874	223	211
Vacancy rate	14%	4%	11%	13%	15%	16%	17%

Source: Krauser & Chaille, 2015.

Based on analysis in the IELNA report, the cost of high-quality programs serving infants is $8,691 per year; for toddlers, it is $8,185 per year; and for children ages 3 to 4 years old, the cost averages $7,300 annually (Krauser & Chaille, 2005, p. 9).[16] The preschool costs are equivalent to 36 percent of the income of a family of three living at the poverty line. Even among more economically advantaged families with a median income of $57,257, high-quality child care for one child age 3 or 4 years would take about 13 percent of their income. The cost of infant and toddler care is even higher, such that it constitutes an even greater proportion of income for all families (Krauser & Chaille, 2015).

[16] Child care rates/costs are reported by child care agencies as amount charged per child regardless of parental income and outside of any financial support families may receive.

Capacity Building Opportunities: Use Existing and Create New Slots

In this section, we review the capacity-building findings related to both the demand side of the equation (using existing slots) and the supply side (creating new slots). There was strong reaction to the word "new" in our interviews and site visits with experts, stakeholders, and families. Many experts and stakeholders thought of capacity building in terms of increasing availability, access, and affordability of existing high-quality programs. Thus, the goal may be to create new slots, but respondents felt that capacity building could also focus on improving the access to and affordability of current programs with vacancies.

Based on information we gathered in this project, we propose that ELI focus on strategies related to both the demand and the supply side of capacity building to enroll more children in high-quality programs. We propose ELI's revised goal to be the following:

- A strategy to ~~increase~~ **enroll** 950 ~~new~~ additional children ~~early care slots~~, **using existing or creating new slots,** within high-quality early care programs that are grounded in best practices for their business, the community, and the children they serve.

This rest of this section presents information from a recent needs assessment conducted by IYI, informal interviews, a literature and document review, and reviewing available data on recent national and state quality improvement and capacity-building initiatives.

Capacity Building: Using Existing Slots

Why are existing programs not fully enrolled?

Although Indiana's average vacancy rate is not high, there is variation across counties, program types, and PTQ ratings. ELI asked that we collect information from national experts, state stakeholders, providers, and families about capacity issues and why existing ECE programs are not fully enrolled. We received information from interviews, site visits, and IYI's market assessment survey. A range of explanations were provided for vacancies, including lack of awareness, program costs, affordability, program location, perceived quality, and other reasons. The most commonly cited reason for vacancies by the range of experts and state stakeholders was a **lack of awareness** of the ECE program or of the program's vacancies. National experts we talked to said that marketing is key because parents may lack of knowledge that the program has availability. Nearly half of the interview respondents who said parents are not aware of the vacancies added that ECE programs must do a better job of marketing their services. As one respondent said, "How much of it is about business planning from the beginning? Is it in a good location? Is it accessible to families? Do they do a good job of marketing their programs? That is often a part of it. Do you even have an appealing sign for when parents drive by?"

The second most common reason for vacancies, according to respondents, is **program cost and affordability.** Parents cannot afford the cost of enrolling their child, especially in high-quality programs. As one teacher offered during a site visit, "You can put 1,000 more high-quality slots, but if families don't have the means to pay for the child to be there, then they aren't worth anything." On a related note, several respondents mentioned wait lists at child care programs or to access a child care subsidy voucher. One respondent said, "Parents are waiting and getting frustrated when they are on the wait list. And then when slots open up, it's so late in the year that those slots remain open." Another said, "We need to get those waiting lists to the programs that have availability. So we can increase the capacity to the population."

Program location and **limited transportation** were also frequently mentioned by state stakeholders and respondents on site visits. Limited availability of public transportation constrains the child care choices of low-income families who do not have their own cars. **Perceived quality** is also a reason for vacancies according to respondents, although opinions differed on whether high- or low-quality programs have difficulty filling vacancies. Some respondents said that vacancies do not exist in high-quality programs. Others said high-quality programs are most likely to have vacancies because they are not affordable. One respondent suggested, "Consumer parents tend to want to go for cheaper care rather than quality." Several respondents mentioned the importance of "trust" in a child care provider and noted that families may rely on their social networks to find care. One respondent said, "Parents are using word of mouth; I'm not sure how well the R&R [Child Care Resource and Referral] is being used." Another stakeholder said, "Families that are in need of care are not recognizing some care as affordable or accessible, or trusted…. We rely on friends and family because trust is so important." A third respondent in a rural region suggested that child care offered in a school building is more likely to be utilized because parents trust the schools.

A few other themes emerged but were less frequently mentioned, including parents' work schedules, competition with the public schools, and family demographics. Some said a mismatch between parents' work **schedules** and the hours of available care could explain vacancies. Some of the state stakeholders said there is a need for second shift care, although national experts said the second shift care often goes unused because parents do not want to pick up their children when they are sleeping. As one respondent said, "The second shift day care facility we looked at opening has not happened yet because there have not been enough families or businesses to say they would use this type of program."

In the interviews and site visits, providers talked about the increasing **competition** in the ECE business. For example, respondents mentioned that now that public schools provide some ECE and are exempt from some rules and have more resources, they can get to PTQ higher quality levels faster. There is especially a sense of competition over providing services for preschool-age children, who are less expensive to serve than infants and toddlers. Although population numbers indicate that more children could be served but are not being served, there is a perception among some providers that they have to "fight" to serve and keep children in their program. From the provider standpoint, they are not going to open a new business if families are not going to come: "If I am a provider, I am not going to expand capacity if I can't get a return on investment. It's not worth it."

Other providers said there was a mismatch between the **demographics** of the program and the families seeking care. For example, vacancies may exist for preschool-age children, but families are seeking care for infants or toddlers. A director on our site visits explained said she has a long waiting list for 2-year-old care at her sites and that often there are waiting lists for infants and toddlers in her community. Other respondents mentioned issues of race, ethnicity, language, and culture, saying, “Are you seeing the teacher? Do they reflect demographics of children and families? Do leaders reflect demographics and the families? That is important.” Another respondent said, “It goes back to honoring and respecting the family and ensuring that those providers have the same values as the families and are high quality.” Parents on the site visits specifically mentioned the need to develop more programs that serve infants and toddlers, children with special needs, and children whose families are Spanish-speaking. Several respondents, largely funders, said there are **no vacancies** in their area. They believed that most programs were filled to capacity with the improving economy and noted that many programs have wait lists.

Can vacancies be filled, and if so, what are the challenges?

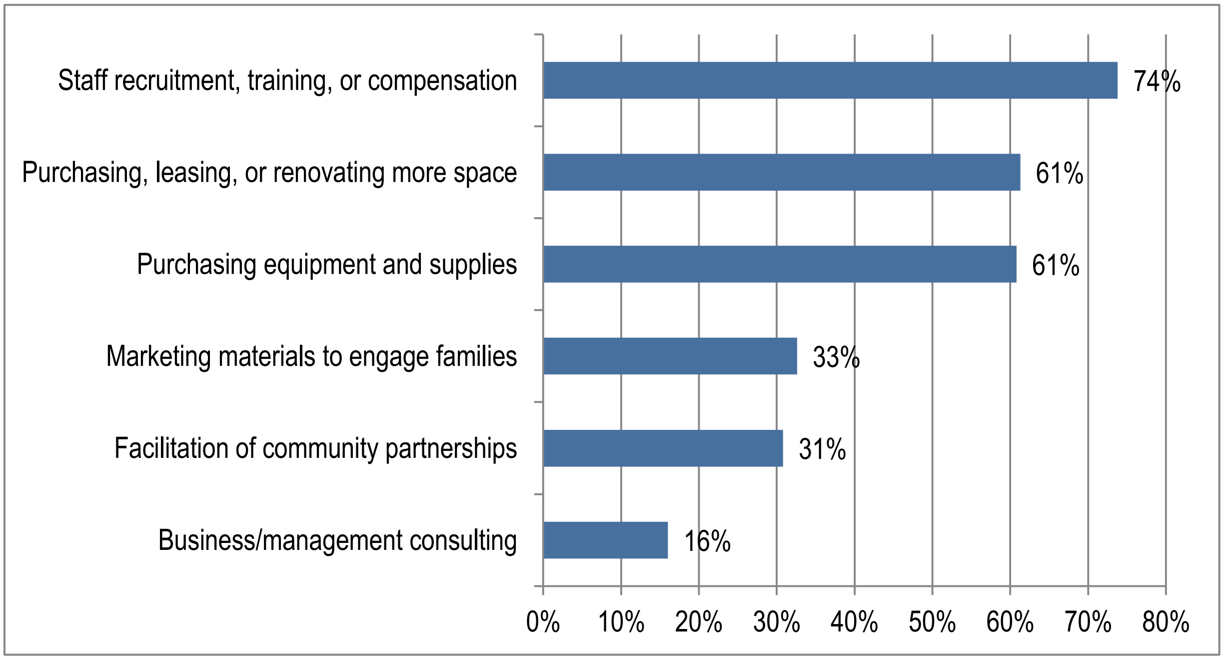
Providers who responded to the IYI Survey–Market Assessment of ECE Program Directors suggested several approaches to help fill vacant slots. The most common response was to provide **scholarships or tuition subsidies** (67 percent); followed by better **marketing** of their programs (59 percent) and access to **qualified teachers** (41 percent) (IYI, 2015, p. 4). These approaches correspond directly to what both interview respondents and survey respondents felt were the key reasons for vacancies: affordability, lack of awareness, and perceptions of quality. Implementing these suggestions is a business challenge. Many programs struggle to fill vacancies. This can lead to a vicious cycle in which failure to fill slots raises the cost of care and erodes quality, resulting in more unused slots.

Build Capacity: Creating More Slots

The demographic data about the number of working families who do not use formal care suggest there may be a need to create more high-quality ECE slots, particularly for infants and toddlers. In addition, the IYI Survey-Market Assessment of ECE Program Directors suggests that Indiana ECE providers have a strong interest in expanding their programs to serve more children. The majority of providers (74 percent) indicated that they are interested in increasing the number of slots they have in their programs. Even providers with vacancies reported an interest in expanding their programs. The majority of respondents wanted to increase their capacity to serve toddlers (70 percent of providers) and preschool children (83 percent of providers). In the IYI survey, providers interested in expanding capacity were asked what types of support they would need in order to create new slots. Their responses are shown in Exhibit 6. The top areas of support that providers said they needed were funding for staff recruitment, training, or compensation; purchasing, leasing, or renovating more space; and purchasing equipment and supplies (IYI & IACCRR, 2015).

State stakeholders raised several concerns about potential efforts to create new slots. A concern that was raised in the IYI landscape assessment and in the state interviews is the ability to create new slots in a systematic way and in the locations where new slots are most needed. Other concerns included: (1) how to best target the programs and communities for capacity building initiatives; (2) where and how to recruit, hire, and retain staff; (3) finding the space for additional children; and (4) overcoming the costs of creating new slots. Fifty-six percent of the providers in the IYI survey said that staffing was a major concern for creating new slots. As one program director wrote as part of their survey response, “Finding/hiring additional quality staff (based on education, experience, desire to work with young children, and compassion for children), and retention of the same…and then being able to afford them," (IYI & IACCRR, 2015).

Exhibit 6. Priority Areas for Funding to Create New Slots



Source: IYI Survey–Market Assessment of ECE Program Directors.

In any initiative to increase child care capacity, there is trade-off between program quality and the number of children served. As quality and the cost of slots increases, fewer slots become available unless more funds are available to pay for those slots. When asked about balancing these priorities, national experts and state stakeholders were virtually unanimous that improving the quality of existing slots should be a higher priority than creating new slots. As one respondent said, "No care is better than low quality care." Said another way, respondents questioned the utility of creating new slots unless they are high quality, being used by families that need them, and a being led by a well-qualified workforce. Respondents also said that the focus of Partnerships for Early Learners should be increasing the utilization of vacant slots and implementing strategies to improve the recruitment, hiring, training, and retention of teachers.

Interview respondents often mentioned that the cost of creating additional ECE slots is high, particularly in programs that employ highly educated teachers. Directors and staff on our site visits also mentioned the costs for capital improvement efforts:

> *"….Are there water fountains? Are there appropriate toilets? Sinks? ….there are a lot of barriers to programs because they just can't do some of those physical, capital improvement things. If anything is a big barrier [to capacity building], it's probably that."*
>
> *"There is a huge need for infant care and we don't provide it [at our level 3 center]. Our building physically can't get an approval from the Fire Marshall because we have stairs, and so if I have infants in cribs they couldn't be evacuated."*

Therefore, respondents stated that if there was to be a focus on developing new slots, a targeted, systematic approach should be implemented. Experts and state stakeholders consistently recommended community-level needs analysis to inform decisions about where and how to create new slots. Respondents suggested that investments focus on particular high-need communities or demographic groups (e.g., rural and low-income communities or infant-toddler care). In addition, although providers in the IYI survey did not feel a large need for business-related support to help with capacity building, national experts and state stakeholders agreed that supports that improve business practices would be important for an initiative to build new child care capacity.

Capacity-Building Strategies

Experts, state stakeholders, providers, and parents provided a range of strategies to either better use the existing slots to address the vacancy issue or create new slots. From a review of the information gathered from project participants, the literature review, and information from ELI, we offer four key strategies that emerged from the information gathered from national experts, state stakeholders, providers, and families in order to achieve the goal "*enrolling 950 additional children, using existing or creating new slots within high-quality early care programs that are grounded in best practices for their business, the community, and the children they serve*":

1. Increase families' awareness of vacancies.
2. Improve community planning, invest in capital improvements, and develop funding partnerships
3. Provide business training and technical assistance
4. Create shared services alliances.

Capacity-Building Goal 1: Increase Families' Awareness of Vacancies

As discussed previously, one part of the equation for capacity building is the demand side for high-quality child care as defined by PTQ ratings. As we learned in our interviews, the most commonly cited reasons for vacancies were a lack of awareness of the ECE program or that the program had vacancies. The flip side of this problem is that programs with vacancies are not aware of the families who are seeking care. This mismatch of information can be addressed by two potential strategies.

- **Update Indiana's Web-based platform for child care searches to include vacancy information:** First, aggregating information on program vacancies and making this information public would give families more accurate information about their child care options. Researchers at Purdue University recommended including up-to-date vacancy data as part of the child care site profiles available to families through the Paths to Quality website, childcareindiana.org (Elicker et al., 2011). The Purdue research team recommended that child care providers themselves have access to the database so that they could update their own vacancy information.
- **Centralize wait list information at the county-level for low-income families**: Creating centralized wait lists, organized at the county level, would address the vacancy problem by helping programs with vacancies find families who need care. As an example, the California State Legislature mandated that all counties develop Centralized Eligibility Lists (CEL) and appropriated $7.9 million annually for administering CELs that centralized waiting list information maintained by individual child care providers in all counties throughout the state. This approach, first started as a pilot, is one approach for linking the consumer to the available child care slots (see Appendix A for greater detail about CELs).

Strategy Recommendations

Work with the Family and Social Services Administration (FSSA), IACCRR, and local resource and referral agencies to explore the possibility of updating the Web-based platforms for child care searches to include vacancy information and explore the option of centralizing wait list information for low-income families.

Capacity Building Goal 2: Improve Community Planning, Invest in Capital Improvements Projects, and Develop Funding Partnerships

There are five potential approaches to achieve the goal of improving capacity building planning at the community level, improving facilities, and developing funding partnerships.

- **Conduct community-level needs assessment in three high-need communities:** In order to increase capacity in the state for enrolling children in high-quality programs, one could increase utilization of existing slots or invest in the development of new slots. Community-level planning would be a useful approach to assessing the trade-offs involved in each approach and the ideal way to invest limited resources. Community-level planning can also help determine if there are partnerships at the community level that could help facilitate the development of new slots. A careful community-level needs analysis would take into account demographics, child risk factors, labor characteristics, the ECE workforce pipeline, and the current use of formal and informal childcare arrangements, including enrollment with high-quality providers participating in PTQ.

Numerous states and localities engage in community-level needs assessment. For example, Pennsylvania conducted a “risk and reach” analysis, which examined children’s risk status and the reach of several early childhood programs. The California Child Care Initiative Project uses local-level planning to determine which communities are most in need of additional high-quality care for infants and toddlers. Additional information about these states and other community-level needs assessment examples are in Appendix B.

- **Provide capital for facilities construction or renovation projects, possibly in collaboration with other philanthropic organizations and FSSA:** Facilities development is a key strategy in any effort to increase capacity by building new slots. Sussman and Gillman (2007) explore common facilities issues in ECE and outline strategies state policymakers can use to address ECE facility needs. They recommend the provision of capital subsidies, development of technical capacity among real estate developers and architects, and the development of facility standards that address program quality. States have taken a variety of approaches to financing facilities, including grants and loans provided directly by the state, loan guarantees, interest rate subsidies, subsidies for debt payments, or performance-based loan forgiveness (Sussman & Gillman, 2007).

Constructing new child care facilities is a costly endeavor. According to Sussman and Gillman (2007), constructing or rehabilitating existing facilities space costs an average of about $10,000 to $30,000 per child, depending on the region. The work of two states to increase their child care capacity demonstrates this point. For example, the Pennsylvania Department of Community and Economic Development and the Department of Public Welfare granted $30 million for child care facilities projects over a three year period (Sussman & Gillman, 2007). These grants covered 75 percent of capital costs, while grantees were required to provide a 25 percent match. The $40 million spent on facilities—the total expenditure of state and matching funds—resulted in 55 new child care centers with a capacity to serve 3,365 children. Connecticut also made large investments in child care facilities. Through the Connecticut School Readiness Act, the state created a "debt-service support program" to assist child care providers with mortgage payments for child care facilities, which began with a $2.5 million appropriation and increased to $4.5 annually (Sussman & Gillman, 2007). Connecticut also issued $41.6 million in state bonds to provide capital for the projects. Under this program, the state paid 70 percent of the capital costs, child care providers paid 18 percent, and other funds from philanthropic organizations, grants, and gifts covered the remaining 12 percent. These investments yielded 18 new centers serving 3,150 children.

- **Offer week-long, intensive training workshops on facilities development for providers with the capacity and funds for facilities projects:** Nongovernmental organizations have played various roles in the facilities development process, including providing training and technical assistance, offering planning grants, managing public capital grants programs, or leading the development process (Sussman & Gillman, 2007). For example, Massachusetts' Children's Investment Fund provides training and technical assistance to ECE programs that wish to expand or renovate their facilities. Admission to the training program is competitive, and the majority of providers invited to participate complete a facility construction or renovation project within five years (Sussman & Gillman, 2007). Another example is Early Learning Property Management (ELPM), a non-profit real estate developer. ELPM works with ECE providers to identify locations, design the facilities, conduct fundraising for the necessary capital, and oversee the building or renovation process. After construction, ELPM may transfer ownership to the ECE program or lease the facility. Several other organizations provide models of offering grants, loans, and business training to increase capacity, such as First Children's Finance, Center for Community Self-Help, Illinois Facilities Fund, and Low Income Investment Fund. (See Appendix B for more detailed case studies.)

Numerous sources of public funding can support child care facilities' development projects. Some states use funding from the Child Care Development Fund quality set-aside to support facilities projects (Sussman & Gillman, 2007). The Local Initiatives Support Corporation resource guide for child care facilities development mentions several other potential sources of public funding, including the Community Development Block Grants and the U.S. Department of Agriculture Rural Development Community Facilities Program (Sussman, Gillman, & Larson, 2006). The Administration for Children and Families offers facilities grants to Head Start grantees. Facilities projects executed in partnership with a community development corporation may apply for grants from the U.S. Department of Health and Human Service Office of Community Services if the facility will create jobs. Federal tax credits, such as the Historic, Low-Income Housing, and New Markets tax credits, may also provide equity for facilities projects and can be accessed with the help of a real estate developer with specialized knowledge (Sussman et al., 2006).

In Indiana, there may be potential to partner with local funders to provide funding for capital improvement projects. For example, on a site visit we learned that a high-quality provider participating in PTQ desperately wanted to expand its program in order to serve more children in its high-need, low-income community. The facility was a limiting factor in the ability to build new slots. To address this challenge, the provider proposed a partnership with a local Habitat for Humanity chapter to expand and renovate the child care facility. Another example offered by an interview respondent was an initiative aimed to increase the supply of infant-toddler care, which relied on American Reinvestment and Recovery Act funding. Participating ECE programs were eligible for one of three levels of support: (1) basic resources, including curriculum development and safety kits, (2) additional technical assistance and up to $1,500 of support for classrooms materials and supplies, or (3) grants of up to $15,000 to make changes to facilities to expand the number of infants and toddlers served.

- **Develop partnerships among different types of providers**: Partnerships among child care programs, family child care providers, Head Start programs, and public schools are another strategy for increasing capacity, including the utilization of existing slots or the creation of new slots. Respondents to our telephone interviews also mentioned several innovative approaches to partnership. For example, schools with declining enrollment may make a vacant classroom space available to child care providers, who can operate the classroom as a satellite location. Another example involved a partnership between a child care center and a Head Start program. The Head Start program was not able to serve all of the interested, qualified children, so the program opted to provide transportation for low-income families to access slots in other ECE programs within the community. A few stakeholders also mentioned in our interviews that in order to have strong partnerships, it was important that leaders be champions and that they be committed, flexible, and organized at the local level. The Center for Law and Social Policy has studied various types of partnerships to serve young children, including Head Start–Child Care Partnerships (Ewen & Hoffman, n.d.; Schumacher, Greenberg, & Lombardi, 2001). They have noted that state administrators play a key role in promoting collaboration at the local level by coordinating governance structures, expanding financial investments, and creating policies that support the blending of funding streams, among other actions. Committed leadership, formal agreements, clear communication plans, and organized planning processes are also vital for successful partnerships (Del Grosso, Akers, Esposito, & Paulsell, 2014).

In Indiana, the roll out of the On My Way Pre-K program presents a potential opportunity for both partnership building and capacity building related to the care of 4-year-old children. As of spring 2015, 37 centers, 11 family child care homes, eight registered ministries, four Head Start programs, and 11 public, private, or charter schools were operating prekindergarten programs in Allen, Lake, Marion, and Vanderburgh Counties (Morello, 2015a) By the fall, the FSSA plans to serve a total of 1,600 to 2,000 low-income children through the pilot program. Early Learning Indiana, United Way of Central Indiana, and the Lilly Endowment have already contributed funds to create an additional 600 slots (Morello, 2015b).

- **Provide provider training and technical assistance on blending and braiding funds**: Blending and braiding funds across multiple federal and state funding sources—including child care subsidy funding, state prekindergarten, Head Start, and Title I preschool—can be an effective strategy for building capacity and creating partnerships. Federal and state program regulations and guidance determine the ease with which providers can blend and braid these funding streams. For example, administrative guidance from the FSSA indicates that On My Way Pre-K funds and Title I funds may be braided in the same school and used for professional development, facilities updates, additional support staff, or other quality improvement costs.[17] Cost allocation may be required when funds are braided (Wallen & Hubbard, 2013). For example, the costs of personnel, instructional supplies, and classroom equipment may be allocated on the basis of the percentage of children who are eligible for each funding source. ECE programs may blend funds to serve more children: A school district may increase enrollment in its Title I-funded prekindergarten program by blending On My Way Pre-K funding. Programs may also blend funds to transform part-day slots into full-day slots or part-year slots into full-year slots. For example, an early learning program may fund the morning hours with Title I funding and the afternoon hours with On My Way Pre-K program funding. (See Appendix A for example of approaches to blending funds, including the Educare program and a school district in Maryland that blended funds to create a PK–3 program).

What are the challenges in community-level planning, capital improvements, and funding partnerships?

- Locally based planning efforts are important but take time to successfully implement.
- Accurately estimating demand in a community is difficult, so newly developed slots may not be filled after substantial up-front capital investment.
- The cost of creating new, quality slots can be high because the start-up costs for facilities development of new centers and family child care homes are substantial.
- Developing effective partnerships and collaboration efforts take time.
- Conflicting or misunderstanding eligibility rules, regulations, program standards, accountability, and financing structures among different types of ECE providers can hinder partnerships (e.g., Head Start and school-based programs or Head Start and community-based providers).

Strategy Recommended Approach

Start by piloting the community-level needs assessment in three high-need communities. Offer three, weeklong, intensive training workshops on facilities development to child care providers who have the capacity to manage a facilities development project and have capital to fund a portion of the costs. Provide capital for facilities construction or renovation projects as a pilot within one or two targeted communities, in collaboration with other philanthropic organizations and FSSA.

[17] See http://www.in.gov/fssa/files/On_My_Way_Pre-K_Pilot_and_Title_I_Guidance.Nov2014.pdf.

Capacity Building Goal 3: Provide Business Training and Technical Assistance

A component of ELI's capacity-building goal is not only to increase slots, but also have those slots in programs that are grounded in strong business practices. Business skills training and technical assistance is one potential approach to filling vacancies. With better marketing, enrollment management, and fee collection systems, programs can maximize revenues and increase their monies available for basic operating costs. Increasing programmatic revenue allows for more resources to go toward quality improvement activities. For example, fully enrolled centers can pay higher salaries, which aids in recruiting better qualified teachers and reducing staff turnover. Business skills training can also help programs learn to maximize revenues and blend and braid funds from public sources to increase the quality of their programs and increase the number of slots. One of the national experts we interviewed indicated that business skills training and technical assistance can increase the availability of slots by 10 percent to 20 percent within participating programs.

What are the key business-skill competencies that child care centers operators need? First Children's Finance, a national child care technical assistance provider, has identified the key business skills competencies that managers of ECE programs need in order to run sustainable businesses. These competencies are the focus of business skills training (First Children's Finance Business Resource Center, n.d.). Center directors must manage multiple aspects of marketing, finance, staffing, and facilities:

- **Marketing:** Identifying and reaching the target market, communicating with potential customers, setting fees (including scholarships and sliding fee scale), and utilizing good customer service practices
- **Finance:** Creating a budget, setting up and using an accounting system to track finances, keeping financial records, and reviewing reports to manage cash flow and ensure profit
- **Fundraising:** Creating a fundraising plan, determining whom to approach and when, and setting realistic fundraising goals that accurately anticipate the amount of support that can be expected; tracking continuing support in order to create an accurate budget for center
- **Leadership**: Providing an organizational vision, managing relationships with staff and families, providing pedagogical leadership
- **Planning:** Developing and maintaining a business plan that addresses marketing, operations, program leadership, and finances
- **Governance:** Creating roles and responsibilities for the board of directors, and incorporating the structure and parameters within which the board must legally function; creating a job description for board members to define expectations for board participation
- **Quality staffing:** Recruiting "best fit" employees who meet the skills, training, and personal attributes needed to accomplish the center's tasks; creating a staff development plan to ensure staff members get the ongoing training and development they need to improve their performance and stay motivated and engaged

- **Partnerships:** Developing relationships with local businesses, churches, and other service providers (e.g., social service organizations, other child care providers) to leverage community resources and meet the wide range of families' needs; also, partner with parents.
- **Facilities:** Designing spaces for young children that meet lighting, security, materials, and physical space needs; furnishing classrooms with equipment to create a child-safe, child-friendly, functional physical environment (e.g., providing enough room for a distinct sleeping area where cots can be three feet apart)

Family child care home owners need similar skills, plus additional knowledge of legal, insurance, and tax issues:

- **Marketing**: Identifying program's unique market niche, identifying main competitors, communicating with target customers, maintaining a consistent image
- **Contracts and policies:** Creating a basic contract and contract termination form (e.g., find samples on the Internet and tailoring it to meet program needs), having a parent transportation policy to ensure parents safely transport their children to and from program
- **Legal and insurance:** Comparing liability insurance policies and selecting one that meets program needs; ensuring program meets state's child care regulations (e.g., licensing) and checking for any legal barriers to operating a family child care business (e.g., zoning laws, homeowner's association covenants).
- **Recordkeeping and taxes:** Creating a time-space percentage tool, creating a weekly meal and snack log to track food expenses, finding a tax professional, and identifying items used for business that can be depreciated in order to calculate the depreciation deduction

What does effective business skills training and technical assistance look like? A number of respondents that we interviewed during this strategic planning process suggested that business skills workshops could be offered through a partnership with the Indiana business community, by bringing in volunteers from the Chamber of Commerce or local banks. According to the literature on business skills training, which draws on interviews with staff at community development financial institutions and small business development offices, this approach has significant weaknesses (Stoney & Blank, 2011; Stoney & Blank, 2012). Volunteers from the business community are unlikely to have knowledge of the management issues specific to ECE programs, such as ensuring compliance with licensing standards and the requirements for receiving subsidy payments (Stoney & Blank, 2011; Stoney & Blank, 2012). A manager at an organization that provides child care business technical assistance says, "It sounds like a good idea, but when push comes to shove, they don't have the hours when the programs need the hours… or they really just want to come in and look at the financial statements and do this sort of 50-foot analysis but not help with the data entry" (Stoney & Blank, 2011, p. 6). College students in finance, accounting, or business management may be better volunteers because they have greater availability, can receive academic credit for their volunteer work, and may be willing to take a more hands-on approach to implementing new systems for business management (Stoney & Blank, 2011; Stoney & Blank, 2012).

As with other forms of training, the most successful business skills trainings are followed by hands-on technical assistance (Stoney & Blank, 2011; Stoney & Blank, 2012). Experts say that classroom-based workshops offered in the absence of personalized technical assistance do not lead to changes in business practices, even if the workshops are offered as a series designed to reinforce the lessons offered (Stoney & Blank, 2011; Stoney & Blank, 2012). Instead, many technical assistance organizations offer brief workshops to engage providers and then follow up with long-term technical assistance to help child care operators set up and learn how to use new business management systems (Stoney & Blank, 2011; Stoney & Blank, 2012). One national expert we interviewed recommended that the Program Administration Scale and Business Administration Scale be used to assess areas of need and guide business skills training and technical assistance. Technical assistance providers may work with child care providers for up to three years to ensure that they have learned the recommended management practices and that their businesses have stabilized (Stoney & Blank, 2011).

To engage and motivate child care administrators in business skills training, it is important to address the specific management challenges they face rather than providing broad-based training (Stoney & Blank, 2011). Requiring business skills training in order to be eligible for grants and loans or to achieve higher ratings in a QRIS can be a powerful motivator. Some technical assistance providers have also used a cohort model or peer support groups, organized by skill level, to help providers stay engaged. Agencies that offer free tax assistance have found that tax time is an excellent time to engage providers in business skills training (Stoney & Blank, 2011).

What are the limitations of business skills training and technical assistance? Cost models developed at the Alliance for Early Childhood Finance suggest that in most states a child care center that offers the staff-child ratios required for NAEYC accreditation would need to enroll at least 100 children, maintain an enrollment rate 95 percent or higher, and collect all fees to break even (Alliance for Early Childhood Finance, 2010). The average child care center in the U.S. enrolls just 75 children (Stoney & Blank, 2012) and according to one prominent child care lender, the typical center cannot maintain an enrollment rate that exceeds 90 percent on an ongoing basis (Self-Help Credit Union, n.d.).

Strategy Recommendations

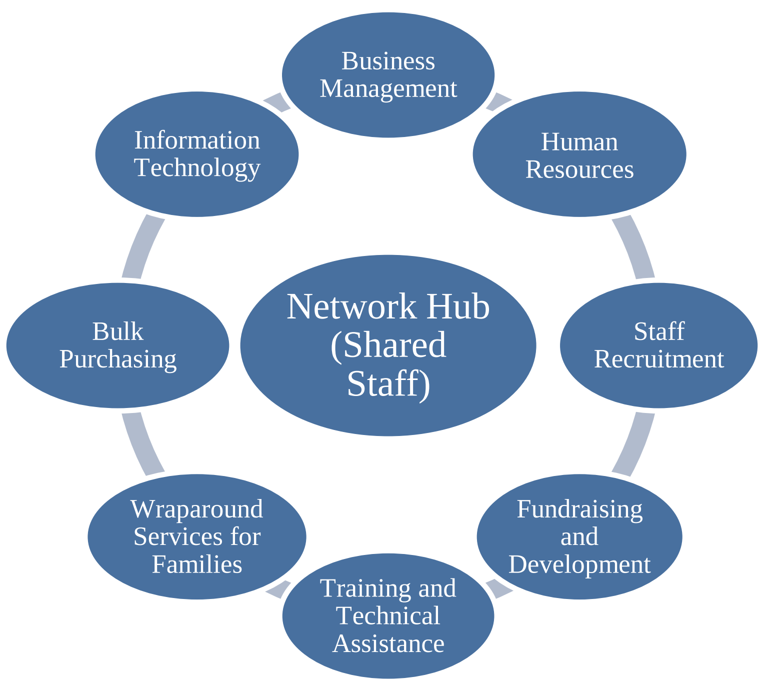
Provide a series of business skills training workshops and technical assistance cohorts for participants in three high-need communities. Technical assistance cohorts should provide long-term support, over an 18- to 24-month period, to ensure that participating providers are fully supported in implementing changes in program management.

Capacity Building Goal 4: Create Shared Services Alliances

Child care businesses operate under difficult market conditions, which even the most experienced administrators may find difficult to manage (Stoney, 2009). According to Stoney (2009), many parents do not have accurate information on program quality or simply do not demand quality care because price and convenience are such important considerations in their selection of a care arrangement. Thus, child care programs that deliver higher quality services may not find customers willing or able to pay the price required for this higher quality care. Child care businesses also operate with slim profit margins. Because of the high staff-child ratios and small group sizes required for child care settings, labor costs comprise 60 percent to 80 percent of expenses in a typical child care center (Stoney, 2009). Centers must be fully enrolled in order to pay good wages and retain staff. Furthermore, economies of scale are few, given the small size of most child care businesses. Key challenges facing child care providers include maintaining full enrollment, collecting fees from families on time and in full, and accessing subsidy payments. According to Stoney (2009), a shared service alliance is one potential approach to addressing these challenges.

What is a shared services alliance? A shared services alliance is a partnership of child care businesses, including for-profit centers, nonprofit centers, and/or family child care homes, that centralize administrative and business functions in a staffed hub (Stoney, 2009). The central office staff may provide a mix of services, which most often include the basic business management functions of marketing, enrollment management, and fee collection. Many alliances rely on specialized information technology platforms developed for the child care industry (e.g. online fee collection systems and enrollment management software). Through bulk purchasing of goods and services, they lower costs for participating providers. They may assist with staffing, including staff recruitment and screening, payroll, benefits administration, and the provision of a substitute instructor pool. They may also provide staff development and technical assistance, such as mentor teachers and mental health consultants. Finally, some alliances provide comprehensive wrap-around services, including health, mental health, and family support services, such as parenting education classes and support groups (Stoney, 2009). Exhibit 7 shows the variety of services alliances may provide.

Exhibit 7. Functions of Shared Services Alliances



Source: Adapted from Stoney, 2009.

Program directors who prefer to focus on pedagogy, staff development, and relationships with families may find the shared services alliance attractive because the centralization of administrative functions in a staffed hub frees them to focus on those aspects of managing a child care setting that they enjoy most (Stoney & Blank, 2011). One shared services alliance provider described it as follows: "The money side tends not to be their skill set. They're excited by child development and would like the Alliance to give them more time to work on improving quality. Instead of being drawn out of the classroom [to attend to administrative matters], they want to focus on the educational side of ECE" (Stoney & Blank, 2011, p. 11). The most successful shared services alliances have members who understand the importance of business management. They must be open to learning new ways of completing management tasks, and they must be willing to invest time in transitioning to new data management systems (Stoney & Blank, 2011).

How do shared services alliances work? Shared services alliances require start-up funds to cover the initial costs of planning and systems development (Stoney, 2009). Alliances have typically secured this funding through private sources, such as philanthropic foundations and local government agencies. The process of setting up a sustainable alliance typically takes about three years (Stoney & Blank, 2011). They often begin by offering just a few services or with a couple of members, and then they expand with time (Stoney & Blank, 2011). The sustainability of an alliance is largely determined by its success in accessing and blending numerous funding streams, including parent fees, subsidies, philanthropic funding for scholarships, and other sources of funding, such as small business assistance and economic development funds (Stoney, 2009). Alliances also typically charge participating providers management fees. When they join an alliance, centers can reduce administrative staff and contracts, which will more than cover the management fees (Stoney, 2009). Family child care homes also experience larger revenues when they receive assistance with marketing, enrollment, and fee collection and thus are able to afford the management fees (Stoney, 2009).

The administrative structures of shared services alliances vary (Poppick & Stoney, n.d.). They may be operated by resource and referral agencies or large child care centers with substantial administrative capacity, fiscally sponsored by a community foundation, run as a corporation with local chapters, or they may be collaborations that are not incorporated but instead contract with a third-party management firms. The case studies in Appendix A provide examples of the diverse approaches that shared services alliances take to incorporation and staffing and the variety of services they provide.

What are the limitations of shared services alliances? As mentioned previously, participating child care providers must see the value of good business management in order to appreciate the shared services alliance model (Stoney & Blank, 2011). Those who participate in an alliance must be willing to disclose sensitive financial information about their businesses and be open to collaboration and shared decision-making (Stoney & Blank, 2011). As one alliance manager said, "In a sense these are people who are willing to let others see their dirty laundry—to expose their problems to their colleagues—a process that makes them vulnerable but that can also be a sign of real strength and confidence" (Stoney & Blank, 2011, p. 12). Some providers simply will not be comfortable with the level of cooperation required. An additional challenge may be posed by low levels of computer skills among many child care providers (Stoney & Blank, 2011). Because shared services alliances do typically rely on computer and Web-based information technology to streamline recordkeeping and administrative functions, computer skills training may be needed for some participating providers.

Strategy Recommendations

Partner with other statewide organizations to fund and implement a Web-based shared services platform for Indiana users. Providers may choose to subscribe to this service to streamline the administration of their child care programs. In addition, conduct a feasibility study for a pilot of a staffed shared services alliance in one high-need community with a concentration of small child care centers, who may benefit from additional administrative support.

Geographic Targeting

Several sources of information could inform the selection of focal geographic areas for the Partnerships for Early Learners initiative. First, the availability of high-quality care—in accredited programs or programs rated at Levels 3 or 4 in PTQ—in each county gives a sense of the supply of care. The IELNA report provides information on the percentage of children enrolled in high-quality care (Krauser & Chaille, 2015). Information on the percentage of high quality programs that are enrolled at more than 90 percent of capacity is available through IACCRR (J. Whitman, personal communication, May 8, 2015). Comparing the capacity of high-quality programs to serve more children with information on the percentage of children already served can give an indication of areas where more capacity is needed. Second, the IELNA report also provides information about a variety of child-level risk factors. We used this information to create a composite child-level risk index for each county (see Appendix C for more information). Third, the counties selected as finalists in the competition for On My Way Pre-K pilot funding may also be ripe for capacity building efforts. These counties conducted community-level planning that took into account community-level risk and needs. Exhibit 8 presents the top counties in which children 0–5 are enrolled in high-quality programs, child-level risk exposure is high, and community-level planning occurred for the On My Way Pre-K pilot. The counties that may be targeted based on this analysis are noted with an asterisk. Because Vigo and Wayne counties score high on child-level risk and were finalists in the competition for On My Way Pre-K pilot funding, they may be two key communities for ELI's immediate consideration for targeting their efforts.

In addition, we suggest ELI consider other criteria, such as whether local partners in that geographic region, such as for-profit businesses, other nonprofits (e.g., United Way, advocacy organizations, schools, ministries), and local philanthropic organizations, would be interested in investing in the region and whether the county is represented by legislators who may be allies in a legislative advocacy campaign. Ability to partner with a local, community-level champion for early childhood education and child care quality will be in important for success of achieving ELI's goals in selected geographic regions. Maps developed by IYI for ELI are in Appendix C and serve as additional sources of information for selecting regions.

Exhibit 8. Top Counties with No High Quality Enrollment, High Child Risk Factors, or Awarded/Finalist for On My Way Pre-K

Top 11 Counties With No Children Ages 0–5 Enrolled in High-Quality Care	Top 12 Counties for Child Risk Factors	Top 18 Counties Awarded or Finalist for On My Way Pre-K
Brown	Blackford	Allen***
Clinton	Cass*	Bartholomew
Cook	Fayette*	Delaware
Crawford	Fulton	Elkhart
Jasper	Jay	Grant
Newton	Owen*	Howard
Rush*	Randolph*	Jackson***
Starke	Scott	Kosciusko
Sullivan*	Switzerland	Lake**
Warren	**Vigo**	Lawrence
Wells	Wabash	Madison
	Wayne	Marion***
		Noble
		St. Joseph
		Tippecanoe
		Vigo
		Vanderburgh***
		Wayne

Note: *Counties that are in the top 20 counties for child risk factors. **Counties with less than a quarter of children aged 0–5 in high-quality care. ***Counties awarded On My Way Pre-K.

Summary

Summary of Strategy Recommendations

The purpose of this paper is to provide ELI with a broad overview of strategies that can support their capacity-building goal for *"a strategy to increase 950 new early care slots within high-quality early care programs that are grounded in best practices for their business, the community, and the children they serve."* It is our understanding that ELI will use this paper, in addition to other resources and work products that were developed as companions to this public strategy paper, to filter through their own knowledge base, to inform their perspectives on the needs and opportunities that exist, and to create a detailed strategic plan that they will make actionable based on their own priorities and resources.

In summary, overarching strategies we recommend in this paper, based on the information we gathered through literature, interviews, and surveys with national experts and state stakeholders are listed in Exhibit 9. We propose a timeframe to implement each strategy.

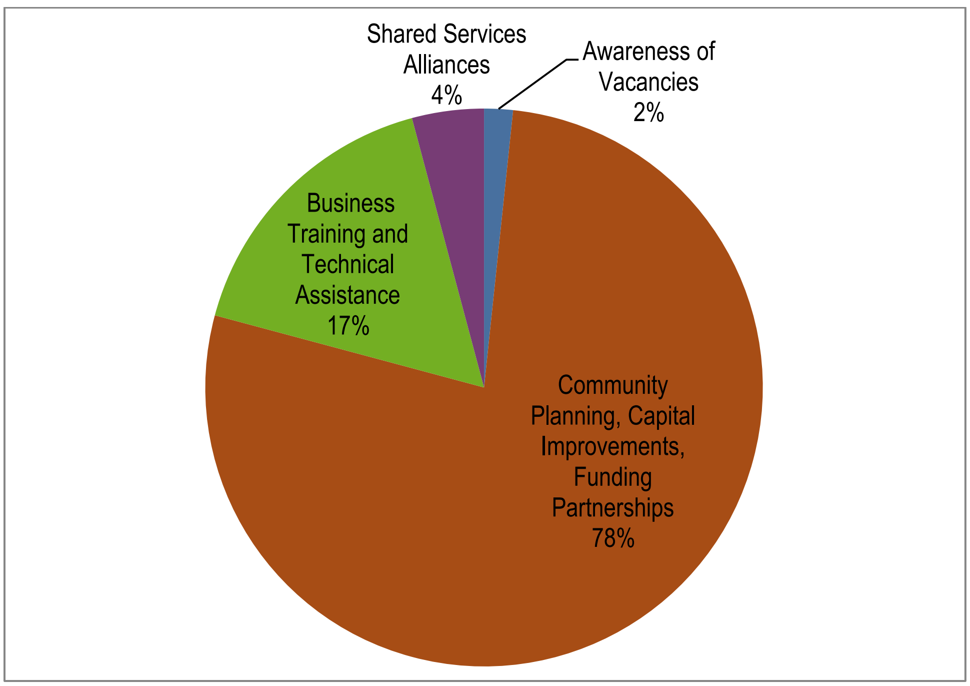
Exhibit 9. Recommended Strategies, Approaches, Estimated Costs and Timeframe

Strategies	Approaches	Estimated Costs	Timeframe
Increase families' awareness of vacancies.	1. Update Indiana's Web-based platform for child care searches to include vacancy information.	Work with partners to determine costs for system development and maintenance; set-aside $50,000	1 Year
	2. Centralize wait list information at the county-level for low-income families.		
Improve community planning, invest in capital improvements projects, and develop funding partnerships.	3. Conduct community-level needs assessment in three high-need communities.	$250,000	1 Year
	4. Provide capital for facilities construction or renovation projects, possibly in collaboration with other philanthropic organizations and FSSA.	$1,750,000[18]	2-4 Years
	5. Offer three, weeklong, intensive training workshops on facilities development for providers with the capacity and funds for facilities projects in selected communities.	$175,000	1-3 Years
	6. Facilitate the development of partnerships between different types of ECE provider to leverage funds.	Work with partners to determine costs; set-aside $50,000[19]	1 Year
	7. Provide training and technical assistance on blending and braiding funds to 10 selected "ready" high-functioning programs.	$100,000	1-2 Years

[18] Calculated assuming that ELI would provide approximately 25% of the capital for facilities projects that will create 700 new slots, based on a per-child cost of $10,000. The per child cost assumption is based on data in Sussman and Gillman (2007).
[19] See budget information related to ELI's goal to create 12 innovative partnerships.

Strategies	Approaches	Estimated Costs	Timeframe
Provide business training and technical assistance.	8. Provide a series of business skills training workshops to providers in three high-need communities.	$150,000[20]	1 Year
	9. Support three technical assistance cohorts (over 18–24 months) for participants in selected high-need communities.	$350,000[21]	1-2 Years
Create shared services alliances.	10. Partner with other statewide organizations to fund and implement a Web-based shared services platform for Indiana users.	$50,000[22]	1-3 Years
	11. Conduct a feasibility study for a pilot of a staffed shared services alliance in one high-need community.	$75,000[23]	1 Year

Exhibit 10. Total Costs of Proposed Strategies and Proportion of ELI's $3M Budget



[20] Based on information provided by national experts
[21] Based on information provided by national experts.
[22] Based on information provided by national experts.
[23] Based on information provided by national experts.

“Pathways to the Goal”: A Strategy Decision-Making Tool

We propose that ELI prioritize strategies that directly relate to enhancing existing or creating new slots to achieve their capacity building goals. These strategies include community-level planning, funding for capital improvements and creating funding partnerships, business training and technical assistance, and shared services. Business training and technical assistance approaches are likely be important for the success of most capital improvement efforts. The challenge with many of these capacity-building strategies, especially community-level planning and facilities development, is that they are time and resource-intensive. To achieve the Partnerships for Early Learners initiative’s overarching capacity-building goal, it is important for ELI to select the most appropriate and realistic pathways for a potential strategy to which realistic implementation plans can be developed and put into action. To do that, ELI will need to make a set of decisions dependent on their organization’s mission, their organization’s internal environment (i.e., leadership, initiative staffing, board, public image, philosophy, resources), state external environment (i.e., needs, resources, other state and local initiatives, and social-political factors, including windows of opportunities and available partners). To provide guidance to ELI in deciding upon the strategies presented in this paper as they move into their next phase of formulating actionable strategic and implementation plans, we recommend the use of a strategy decision-making tool that uses a set of criteria to quantify the pros and cons of different capacity-building strategies.

The selection criteria used in the decision-making tool should take ELI’s organizational mission into consideration as well as the internal and external environments. Selection criteria relate to mission, cost and resources, feasibility within the project timeline, level of risk, and long-term sustainability. Potential criteria are provided in Appendix D, but ELI may have additional criteria they would like to consider in selecting approaches and developing a pathway to reach their goals. ELI may also weight the importance of criteria based on their perceptions and knowledge of the internal environment at ELI and the external environment of the state of Indiana. Numeric scores can then be summed to generate a total numeric score that rank the strategies to help lead to a decision.

Using this “Pathways to the Goal” strategy decision-making tool will result in a score for each strategic approach proposed for the capacity-building component initiative, and the tool can also be used for other strategies proposed in other Partnerships for Early Learners initiative components to help guide the decision-making process about priority strategies and the allocation of resources. The tool is designed to aid with the process of prioritizing the various approaches based on both the evidenced-based and subjective perspectives of ELI staff, as well as other partners that may be engaged in creating specific strategic plans of the initiative. Appendix D provides a list of potential criteria and a decision-making tool template that ELI can complete for each of the proposed strategies, to guide their decision-making and resource allocation process.

Challenges

There is no single strategy that will reach ELI's ultimate goal of increasing slots in high-quality programs. Building capacity, either through improving enrollment in existing slots or creating new slots, takes time. An approach with the greatest likelihood of success to develop new slots is facilities development. However, facilities development is very expensive and is time consuming. The $3 million ELI has to invest in strategies will not go very far without substantial investment from public and private funders. Partnering with an organization that has expertise on facilities development (such as Illinois Facilities Fund) and business practices (First Children's Finance) and working closely with FSSA may provide some opportunities to leverage funds and develop sustainable, supportive partnerships to support ELI's capacity building goals.

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