



# Opportunities Exchange

## BUILDING BACK BETTER: Reinventing Oregon's Child Care Industry

By Martha McDonald

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When Opportunities Exchange (OppEx) began working with Oregon's Early Learning Division to explore [Shared Services](#) in 2019, the state was experiencing a crisis in infant and toddler care.

Child care centers and family child care programs were closing at alarming rates, and providers that served infant and toddlers were consistently losing money. Across the state, child care advocates were working on separate initiatives to address the crisis. The Early Learning Division was piloting [Baby Promise](#) to provide free child care to the poorest families and pay providers for the full cost of their care. A campaign to ensure [Preschool for All](#) in the Portland area was well underway. And [Oregon Community Foundation](#) (OCF), the state's largest private charity, was poised to invest in a new Shared Services business model to strengthen and expand child care in rural Coos and Curry counties on the South Coast.

When COVID-19 hit in March 2020, it intensified the child care crisis and galvanized key players in child care, philanthropy, and business around the state to not just save Oregon's child care industry but to reinvent it through a Shared Services lens. Based on the strength of the fledgling pilot in rural Coos and Curry counties, OCF and [The Ford Family Foundation](#) invested in a planning process and pilot for a statewide Shared Services Alliance (SSA) focused on some of the most vulnerable families in rural and low-income communities. Through a six-month Co-Design process, providers, Child Care Resource & Referral (CCR&R) agencies, and community-based organizations led by Black, Indigenous, and people of color (BIPOC) designed a [statewide SSA framework](#). It was rolled out in January 2021 and is now being implemented in three pilot regions.

Throughout this process, the two foundations became critical allies—not only funding the project but bringing the voices of Shared Services advocates to a Legislative Child Care Task Force to highlight inequities in the state's reimbursement system that disadvantage rural providers. This case study tells the story of how diverse stakeholders came together from across the state to bring about real change for Oregon's child care sector.

### LAYING THE GROUNDWORK

The work to develop a statewide SSA began in 2018 in Oregon's rural South Coast region of Coos and Curry counties. To address the region's child care deserts, OCF South Coast Leadership Council asked Care Connections Child Care Resource & Referral and policy and leadership development consultant Heidi McGowan ([East Consulting & Associates](#)) to help them develop a more sustainable child care model. As McGowan conducted focus groups with providers, common themes emerged: Providers struggled to get parents to pay on time and felt overwhelmed by billing and taxes, recalls Taya Noland, Director of CARE Connections, the CCR&R for Coos and



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Curry. "We have a lot of families living in poverty and most of our providers charge very little for care," Noland says. "What providers need to survive and what they feel they can charge families just don't align." Additionally, most providers didn't see themselves as small businesses and many were not budgeting or even keeping records, Noland says.

For McGowan, the Shared Services model stood out as a way to help providers manage administrative tasks and strengthen their businesses so they could focus on caring for children. McGowan reached out to OppEx's Louise Stoney, an early childhood education policy and finance consultant and national expert on Shared Services. One of the first things Stoney told McGowan was: "You better go big, or nothing is going to change."

At the same time, Oregon's Early Learning Division was piloting Baby Promise in three high-need regions, including Coos and Curry. The program provides fully funded child care for eligible infants and toddlers and reimburses providers at a cost-per-child that is significantly higher than what they currently charge or receive through the state subsidy program. Part of the Baby Promise strategy was to provide professional development and business training for networks of providers through regional CCR&Rs.

"We knew going into Baby Promise that there was just no incentive for providers to care for infants and toddlers because they couldn't break even," says Jon Reeves, then Early

Learning Division's Infant Toddler Specialist. "We needed to come up with something different to provide backend support for the administrative components of what providers are up against. That's why Shared Services was so appealing to us." Hoping to "push it a little," Reeves included a requirement in the Baby Promise contract that providers explore some Shared Services approaches.

Around the same time McGowan was researching Shared Services and Reeves was launching Baby Promise, OppEx received

a two-year grant from the [Pritzker Children's Initiative](#) to provide free technical assistance to states and community teams that wanted to explore Shared Services. Reeves applied and in Feb 2019 Oregon was selected as one of the few applicants exploring a statewide strategy.

In April 2019, Reeves brought OppEx to Oregon to help plan and run a day-long Shared Services training with CCR&Rs from the three Baby Promise regions. The training brought together teams from rural Coos and Curry, where McGowan was meeting with providers; urban Multnomah County, where Portland is located; and Deschutes, Crook, and Jefferson counties in Central Oregon—rural and forested counties with deep pockets of poverty and diverse cultures and languages including Native American and Latinx communities.

Stoney and Karen Murrell from OppEx introduced the Shared Services model and outlined various approaches and intensity levels of sharing services. The regional teams identified approaches that interested them and created action plans for pilots. Stoney and Murrell set up schedules of weekly check-ins to support their work going forward.

McGowan attended the training as part of the Coos and Curry team and brought key stakeholders from the region, including local business and workforce development leaders. Other key players were on the phone listening in. "It was a really significant event," McGowan says. "It galvanized consensus and enthusiasm for Shared Services. People left the meeting saying, 'We have to do this for the South Coast!'" Armed with information from the training and with key stakeholders on board, McGowan submitted a proposal to the South Coast OCF Leadership Council to create a Coos and Curry SSA. The South Coast OCF Leadership Council unanimously funded the project, with CARE Connection CCR&R as the lead organization. This bold action by a rural leadership body was instrumental; their leadership enabled the launch of the first Shared Services Alliance in Oregon and ultimately fueled plans to scale the approach statewide.

In August 2019, the work and the learning began in earnest. OppEx is committed to teaching people and organizations to develop their own solutions: "Most organizations hire a consultant to come in and fix the problem, so the change usually doesn't last," Stoney says. "Lasting change happens because you fundamentally understand all the moving parts and can respond to how those parts work. People need to own the solution." Over the next eight months, the Coos and Curry team built an SSA infrastructure. They contracted with South Coast Employment Corporation, the region's workforce development corporation, to be the Network Hub (which Oregon calls a "backbone" to avoid confusion with an existing program called Early Learning Hubs.) They hired a local business coach and began recruiting providers for the network.



## GALVANIZING SUPPORT

Fast forward to March 2020. COVID-19 hit and all child care programs except those offering emergency child care for essential workers were ordered to close. Like most small businesses across the country, providers struggled to survive without income from families during lockdown. Within weeks of the shutdown, Mary Louise McClintock, Senior Education Strategy and Policy Advisory at OCF, called McGowan saying: “We need to help support child care providers.” At the same time, a group was emerging in Portland to help providers access Federal CARES Act money. With funding from OCF child care advocates, including McGowan, Megan Irwin of [Brave Ideas Consulting](#), and Mark Holloway from [Social Venture Partners Portland](#) (SVP), created the online [Oregon Child Care Provider Relief Guide](#) and hired coaches to help providers navigate the relief process.

Even before the pandemic, small centers owned and operated by women—many of whom are Black, Indigenous and women of color—had less access to capital and struggled to manage the administrative and systemic challenges of running a small child care center. Many were burdened with bad debt. The pandemic exacerbated these challenges and underscored the weaknesses in the sector. Many providers didn’t have enough cash flow to survive lockdown and closed permanently. Even when federal relief money became

available, small child care providers found it difficult to access. In Coos and Curry, however, providers in the SSA did not close because they had a coach and Network Hub to help them access relief funds and weather the storm, Noland says.

OCF recognized that saving Oregon’s child care industry was going to take more than just money. It would require a radical shift in child care business practices and a reinvention of the sector.

Based on the strength of the fledgling SSA in Coos and Curry,

OCF asked McGowan, Irwin, and Holloway to put together a proposal to develop a statewide SSA framework. The SSA would be piloted in three high-need regions (two of which were part of the Pritzker-funded technical assistance project.) The pilot would learn from and coordinate with the Coos and Curry SSA.

## ENGAGING STAKEHOLDERS

A critical element of the planning process was creating a Co-Design Team comprised of stakeholders from across the state who worked together for six months (September 2020—January 2021) to design the Shared Services framework. The process was co-facilitated by McGowan and Irwin, with consulting from OppEx’s Stoney. SVP served as fiscal intermediary and provided project management and research support. Perhaps most importantly, McGowan and Irwin centered the voices of those most affected in the decision-making process—child care providers in rural and low-income communities, staff from CCR&Rs, and BIPOC-led community-based organizations.

The Co-Design team included three rural and two urban child care providers who operate small centers or offer home-based care and who were likely participants in the pilot. The team also included directors from three CCR&Rs (two rural and one urban) who participated in the Baby Promise pilot and Shared Services technical assistance project, as well as a leader from a BIPOC community-based organization and a leader from a Latinx Child Care Focused Network who were interested in a Shared Services pilot for their culturally specific providers. Two staff from Oregon’s Early Learning Division also participated.

Engaging providers, CCR&Rs, and community organizations in shared decision-making built trust and a sense of ownership. Providers were paid for their time and considered consultants. “This was important,” says SVP Partner Mark Holloway. “It said ‘We value your time. We know this is going to take time away from you caring for your business, so we will compensate you.’” Despite being in the middle of a pandemic, providers rarely missed meetings. Holloway adds that leaders from CCR&Rs and community organizations provided a bridge for providers so there was a familiar face at meetings.

“One of the exciting things for me was to see the Baby Promise leaders in the meeting and to think that the seeds we planted at the training a year and half ago were growing into this statewide framework,” Reeves says.

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## GUIDING THE PROCESS

To guide the Co-Design team in developing the SSA framework, McGowan and Irwin structured meetings strategically. At the outset, they mapped out ten meetings that would take place over the six-month planning period. Each meeting had a topic area, with key decisions to be made at that meeting. This kept the process moving forward and kept meetings focused.

SVP's Holloway and eight volunteer business partners researched and presented on topic areas to help the team make informed decisions. The partners researched coaching models to identify core skills required to help providers improve business practices. They researched small business loans and identified ways providers could purchase in bulk. They also developed the Request for Qualifications (RFQ) for the Network Hub and helped interview organizations.

## EMBRACING TECHNOLOGY

McGowan and Irwin also structured input. Knowing that a child care management software system (CCMS) that automates business functions is essential to building a SSA, they began the discussion by saying: "We're going to use technology. Let's discuss which software system we should use, rather than asking: Do you think we should use technology?" They presented several software options and offered additional opportunities for team members to participate in software demonstrations. The team selected Wonderschool technology.

Embracing technology was not an easy sell for everyone, especially those from rural areas. "We have some extremely small, very far-flung communities here and the internet can be really spotty," says Noland. While providers in the Coos and Curry pilot were reluctant to use computers, they were happy to use the phone-friendly interface that Wonderschool provides, and they have developed excellent working relationships with the Wonderschool support staff, Noland says. Setting up their websites, which they also resisted at first, was a revelation, Noland says: "It was a very cool moment for them to see their work reflected back in such a professional package."

## USING PRIVATE RESOURCES TO LEVERAGE PUBLIC MONEY

A key to the project's success was the support of private foundations who, in addition to underwriting the planning process and pilot, also galvanized other funders. OCF underwrote the design phase through a \$165,000 grant. OCF and The Ford Family Foundation are supporting the first two years of implementation, through combined grants that total \$1 million.

The goal is to step down philanthropic funding and achieve a self-sustaining SSA within five years, building a diverse revenue stream that includes public sources like Baby Promise, Preschool for All, and the Early Learning Division-funded SSA coaches at the CCR&R's. In the first year, provider membership fees are fully subsidized to allow time to realize cost savings and revenue growth while they learn to manage the **Iron Triangle** of early childhood program finance. In the second year, providers will pay 50% of membership. By the third year, they will

## Key Principles for Building a Statewide SSA Framework

### 1. Engage stakeholders in a meaningful way

Center the voices of child care providers, CCR&Rs, and community-based organizations on the Co-Design team so they are involved in decision making every step of the way. This builds trust and ownership of the SSA and ensures that it reflects the needs and goals of the sector.

Pay providers for their time on the Co-Design team. This recognizes the value of their input and ensures their continued participation.

### 2. Lead strategically

Map out Co-Design meetings in advance with a key topic and decision to be made at each meeting. This keeps the process moving forward.

Structure input by presenting research at each meeting and asking the team to vote on options that were presented. This helps focus decision making.

### 3. Embrace technology

Establish that an automated software system, used by all members of the network, is essential to a SSA. Structure the conversation around choosing which technology to use, rather than the open-ended question of "Should we use technology?" This keeps discussions focused and the process moving forward.

### 4. Use private resources to leverage public money

Strategically engage partners from multiple sectors, including philanthropy and the business community. Two foundations underwrote the planning and implementation of Oregon's SSA and galvanized other funders. Business volunteers provided 800 hours of pro bono research that informed the Co-Design process.

Plan to step down philanthropic funding to achieve a self-sustaining SSA by building a diverse revenue stream that includes state, county, and local sources such as Oregon's Baby Promise and Portland's Preschool for All. Maximize technology and SSA Hub leadership to manage fund reporting and administration in a streamlined, efficient way, ideally via network contracts.

### 5. Engage strategic allies

Develop relationships with staff at foundations that focus on early childhood education. Keep them informed of your work and share your research with them. When funders get involved with Shared Services, they start to understand issues from a provider's point of view and can become strong allies—publishing reports on pressing issues and opening doors to policy makers.

### 6. Build an infrastructure that can be scaled

Begin with a SSA pilot in several regions and then expand it over several years to become statewide. Evaluate and make adjustments as the pilot progresses.



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pay the full fee to cover basic services once they have begun to see a reduction in their administrative costs.

In addition to leveraging private money, the Co-Design process also leveraged significant private resources. While SVP was paid to manage the project, Holloway volunteered his time and managed a team of eight business and non-profit volunteers who contributed 800 hours of pro-bono work to the project. “We were incredibly fortunate to have SVP,” McGowan says. “A key lesson from this project is when you see volunteers and community organizations stepping up, don’t say no!”

### BUILDING INFRASTRUCTURE AND LAYERING PUBLIC DOLLARS

Because Baby Promise contracts require that providers explore Share Services strategies, CCR&R’s that manage the contract are tying Baby Promise dollars to the new SSA as an incentive to encourage providers to join the network. In Coos and Curry, if a provider wants to receive Baby Promise funding they must be part of the SSA. Baby Promise is still in the pilot phase, and only available in three regions, says Reeves, who is currently Community Systems Manager with the Early Learning Division. While the state has not earmarked funding to expand the program, the state legislature approved the legal framework for the program to continue and expand, Reeves says, so it is very likely that Baby Promise will expand to other regions and become a reliable stream of public funding for the SSA. In the future, other early child care funding streams could include contracts for child care subsidies made directly to the SSA.

In November 2020, Portland voters passed the Preschool for All ballot measure, which will provide tuition-free preschool for all 3 and 4 year-olds in Multnomah County. Preschool for All funding will be distributed to large centers directly and to smaller providers through community-based, culturally specific organizations, Holloway says. In Multnomah County, the SSA could be one of the organizations that manages the Preschool for All contract for its member providers, he says.

The SSA framework is a blueprint that will be used to scale the network statewide, McGowan says. In Year 1, the pilot will serve three regions; in Year 2, six regions; in Year 3, nine regions, and in Year 4 and 5, all 16 regions in the state.

### ENGAGING STRATEGIC ALLIES

One biproduct of the statewide SSA is that OppEx identified inequities in the state’s child care reimbursement rates that severely disadvantage rural providers. When South Coast Business began serving as the Hub for the Coos and Curry SSA, it quickly noticed that the network wasn’t getting reimbursed enough from the state and that it was collecting most of its revenue from parents. Stoney had been researching reimbursement rates and was able to explain that the state’s rate is based on the market price of child care rather than the cost of delivering it. While market price varies widely between urban and rural areas because of household incomes, the cost of providing infant and toddler care is nearly identical. In this formula, the cost gap in rural areas is so large that sustainability is virtually impossible. In July 2020, Stoney shared this analysis with The Ford Family Foundation and they asked her to write [an issue brief](#) which has been widely circulated. Stoney points out that in a SSA, not only can you streamline billing and fee collection, but you can also identify and address the root causes of systemic problems.

When you get funders involved in Shared Services, Stoney adds, they start to understand the issues from a provider’s point of view and can become strong allies. The Co-Chair of the South Coast OCF Leadership Council, who also served on the Oregon Legislative Child Care Task Force, invited Stoney and McGowan to testify before Task Force in October 2020 about the value of Shared Services and the need to change child care reimbursement rates to make them more equitable for rural providers. Following the testimony, members of the Task Force asked for additional data to inform their child care reform strategy. The strategy proved fruitful. The Oregon Legislative Task Force has already recommended that reimbursement rates be based on cost modeling, not market pricing.

### NEXT STEPS FOR OREGON

Moving forward, McGowan and Irwin will be working to ensure that Shared Service backbone organizations can receive and bill for Baby Promise and Preschool for All on behalf of



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participating providers, maximizing the capacity of Wonderschool technology to support payment and reporting. Stable and on-going funding from the state is key to sustainability and growth. They will also be looking to identify “provider champions” across the state who can tell their colleagues about the positive impact of Shared Services and help build engagement and capacity to scale.

To ensure that infant/toddler child care capacity grows, Oregon will need to continue policy (enacted during COVID) that waives family co-payments and establish subsidy rates based on **cost modeling** (rather than market price)—so that child care subsidy policy aligns with Baby Promise. Shared Service investments will also need to focus on organizations seeking to boost access for infants and toddlers, especially in BIPOC communities.

### LESSONS FOR OTHER STATES

Funders, policy makers, and ECE leaders in other states can build on key lessons from the Oregon experience to craft their own statewide Shared Service initiatives. The Oregon story is defined by unique—and perhaps serendipitous—alignment of opportunities and support from both public and private sector partners. However, systems change occurred because each piece was reviewed through a Shared Services lens and used to build buy-in, leverage support, and weave a collaborative, sustainable approach to reform. While every state will have different players, opportunities, and funding, a Shared Services lens can be used to shape a reform strategy, identify appropriate leadership, and facilitate meaningful collaboration.

Current federal funding from the American Rescue Plan Act and Coronavirus relief initiatives can be used to help start and expand Shared Services for center-and home-based care as well as hybrid strategies such as **micro-centers**. Private sector funders can play a catalytic role, encouraging innovation focused on re-inventing ECE service delivery. Technology vendors can support change by building software ‘enterprise’ versions that make it possible for Shared Service Hubs to lead efficiently and with transparency, and craft data links (APIs) with public systems that fund, regulate, and monitor ECE.

Shared Services is not a ‘one size fits all’ replication strategy but rather an innovative approach to leadership, management, finance, and accountability aimed at harnessing the power of technology and shared resources at many levels. Right now—as the ECE sector emerges from a pandemic—the approach offers the opportunity to rebuild the sector for sustainability in a new world. 

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