



Four State Licensing Approaches to Supporting License-Exempt Child Care and Early Education Providers

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OPRE Report #2024-128

August 2024

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Administration for Children and Families
U.S. Department of Health and Human Services

Contract number: HHSP233201500034I-75P00119F37007

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Suggested citation: Gal-Szabo, D.E., Falletta, K., Diamond, Z., Conway, J., Maxwell, K., & Johnson, N. (2024). *Four state licensing approaches to supporting license-exempt child care and early education providers*. OPRE Report #2024-128. Office of Planning, Research, and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services.

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This report and other reports sponsored by the Office of Planning, Research, and Evaluation are available at <https://www.acf.hhs.gov/opre>.

Acknowledgements: *Four State Licensing Approaches to Supporting License-Exempt Child Care And Early Education Providers* was produced through the Understanding the Role of Licensing in Early Care and Education (TRLECE) project funded by the Office of Planning, Research, and Evaluation (OPRE) in the Administration for Children and Families (ACF) in the U.S. Department of Health and Human Services. The authors wish to thank the technical expert panel (Tracey Chestnut and Tina Jiminez), the licensing administrators in all case study states, and OPRE staff (Ivelisse Martinez-Beck, Tracy Carter Clopet, Shannon Warren, and Laura Culter) for their helpful feedback.

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Overview

Introduction

The **Child Care and Development Fund**¹ (CCDF) regulations require annual, **routine compliance inspections** of **child care and early education (CCEE) providers** who operate legally without a license (i.e., **license-exempt** providers) and receive CCDF subsidies. In about half of all states and territories, the **licensing agency** is responsible for **monitoring** these providers.²

Because monitoring of license-exempt providers may be a relatively new responsibility of state licensing agencies, there is little research about their approaches toward monitoring and supporting these providers. This report from *The Role of Licensing in Early Care and Education* (TRLECE) project highlights how four states engage with license-exempt providers.

Purpose

This report provides initial information about how **CCEE licensing** agencies in four states engage with license-exempt CCEE providers from the perspectives of licensing administrators and **front-line licensing staff**. Findings from these four states cannot be generalized to the entire country. However, they do provide examples of practices, strengths, challenges, and opportunities for improvement in licensing agencies' support of license-exempt providers and illuminate some future directions for research.

Research questions

This case study was designed to address three research questions:

1. What are some different approaches and practices state licensing agencies use to support license-exempt providers?
2. What do **CCEE licensing staff** see as the strengths and challenges related to their licensing agency's work with license-exempt providers?
3. How do licensing staff think that licensing (e.g., regulations, policies, and processes) could be improved to better support license-exempt providers?

This report concludes with considerations for future research.

Methods

From November 2022 to January 2023, the team conducted interviews with licensing administrators or management staff ($n=9$) and front-line licensing staff ($n=8$) in four states.

¹ The first time we use a term that is defined in the glossary, it will appear in bold purple text. View the [glossary section](#) toward the end of this document for definitions.

² In 2021, the TRLECE team interviewed licensing administrators in 48 states and territories. At that time, licensing administrators from 22 of the 48 states (46%) reported that licensing was responsible for monitoring license-exempt providers who receive CCDF subsidies.

Key findings and highlights

Key findings and highlights from this case study in four states include the following:

- There are important differences between licensing agencies' monitoring of license-exempt providers receiving CCDF subsidies and their monitoring of **licensed CCEE** providers.
- The turnover in license-exempt providers' participation in the **subsidy** system may make it more challenging for licensing staff to monitor and support these providers.
- In states in which the licensing agency monitors license-exempt providers, they must coordinate with the CCDF subsidy agency.
- License-exempt providers receiving CCDF subsidies are a varied group of individuals with different needs.
- License-exempt providers receiving CCDF subsidies may not have access to the same resources, such as quality improvement supports and professional development, as licensed providers.
- Communication and technology challenges can make it more difficult for licensing staff to support license-exempt providers.

Introduction

The Child Care and Development Fund (CCDF) requires annual inspections of child care and early education (CCEE) providers who operate legally without a license (i.e., license-exempt providers) and receive CCDF subsidies. The purpose of these inspections is to ensure that these providers follow health and safety standards set by CCDF for license-exempt providers receiving CCDF subsidies (Child Care and Development Fund, 2016).³ In about half of states and territories, the licensing agency is responsible for monitoring license-exempt providers who receive CCDF subsidies.⁴

Because monitoring of license-exempt providers has only been required by CCDF since 2016 (Child Care and Development Fund, 2016) and may be a relatively new responsibility of state licensing agencies, there is little research about licensing agencies' approaches to monitoring and supporting these providers. To provide some initial information about how licensing agencies are engaged with license-exempt providers, researchers from the TRLECE team interviewed licensing administrators and front-line staff in four states. The goal of these interviews was to learn how licensing administrators and front-line staff monitor and support license-exempt providers, their perceived strengths and challenges related to their work with license-exempt providers, and their ideas for improvement.

This report describes the primary research questions, research methods, and findings from the study. It is important to note that this brief focuses on the licensing agencies' perceptions of their work with license-exempt providers and does not reflect the perceptions of license-exempt providers or the families they serve.

This study is part of the project [The Role of Licensing in Early Care and Education \(TRLECE\)](#). TRLECE is funded from 2019-2024 by the Office of Planning, Research, and Evaluation in the Administration for Children and Families. The project team includes staff from Child Trends and ICF. The team has conducted a variety of activities to strengthen the field's understanding of child care and early education licensing.

Research Questions

1. What are some different approaches and practices state licensing agencies use to support license-exempt providers?
2. What do licensing staff see as the strengths and challenges related to their licensing agency's work with license-exempt providers?
3. How do licensing staff think that licensing (e.g., regulations, policies, and processes) could be improved to better support license-exempt providers?

³ We cite the CCDF regulations that were in place at the time of this study. The CCDF regulations were updated in 2024 (Child Care and Development Fund, 45 C.F.R. § 98 [2024]), and we encourage readers to review those for the most up-to-date requirements.

⁴ In 2021, the TRLECE team interviewed licensing administrators in 48 states and territories. At that time, licensing administrators from 22 of the 48 states (46%) reported that licensing was responsible for monitoring license-exempt providers who receive CCDF subsidies.

Methods

The TRLECE team worked with the Office of Planning, Research, and Evaluation (OPRE) and the project's Technical Expert Panel⁵ (TEP) to identify research questions and develop interview questions. In collaboration with OPRE and the TEP, the case study team identified a list of states⁶ to invite to participate in the study. We looked for states in which the licensing agency is responsible for monitoring license-exempt CCEE providers receiving CCDF subsidy funds and then selected states from different geographic regions of the United States. Four states participated in the case study: Indiana, Iowa, Maine, and Utah.

We interviewed between one and four state licensing administrators or management staff⁷ in each state (9 people total) and between one and three front-line staff members who work with license-exempt providers in each state (8 people total). We conducted interviews between November 14, 2022, and January 31, 2023, using Microsoft Teams. Administrator interviews lasted one hour, and front-line staff interviews lasted 45 minutes. Each interview was recorded and transcribed with the participants' permission.

To summarize the interview transcripts, the study team developed codes to identify topics in the interviews related to the research questions. The team then assigned codes to each interview transcript. Once coding was complete, the team reviewed the excerpts for each code to identify themes and answer the study's primary research questions. See Appendix A for more information on the study methods.

Findings

This section first presents some basic information about each case study state to serve as context for the study findings. We then present findings, organized into three areas:

- Approaches to working with license-exempt providers,
- Similarities and differences by provider type, and
- Strengths and opportunities for improvement.

Contextual information for each state

To provide context for the case study findings, Table 1 briefly summarizes information about license-exempt providers, licensing staff assignments, inspections, and responsibilities of the licensing and subsidy agencies in each state. Additional details are included in Appendix B.

⁵ The TRLECE Technical Expert Panel (TEP) was comprised of individuals who currently work in state licensing agencies, previously did so, or are knowledgeable of licensing within the broader child care and early education system.

⁶ We considered including territories but none were invited to participate because they had few or no home-based license-exempt providers receiving CCDF subsidies, according to the [FY 2020 Preliminary Data Table 7-Number of Child Care Providers Receiving CCDF Funds](#)

⁷ For the rest of this report, we use the term "licensing administrators" to refer to this group of licensing administrators and other management staff.

Table 1. Overview of License-Exempt Providers and Inspections, by State

	IN	IA	ME	UT
Categories of license-exempt providers who receive CCDF subsidies				
Home-based providers serving fewer children than the number required for licensure	•	•	•	•
Centers (Examples include recreational programs, summer camps, and school-based programs, but specific exemptions differ by state)	•		•	•
Licensing staff assignments				
Licensing staff inspect only license-exempt providers	•			•
Licensing staff inspect a mix of licensed and license-exempt providers		•	•	
Routine inspections				
Inspections are announced			•	•
Inspections are unannounced	•	•		•
Inspections are conducted annually	•	•	•	
Inspections are conducted twice annually				•
Responsibilities of the licensing and subsidy agencies				
Licensing and subsidy are located within the same agency	•	•	•	
The licensing and subsidy agencies share responsibilities related to license-exempt providers	•	•	•	•

Approaches to working with license-exempt providers

Licensing administrators and **front-line licensing staff** described their approach to working with license-exempt providers, including their goals for working with these providers and the resources available for both licensing staff and license-exempt providers.

Goals for working with license-exempt providers

Participants from all four states reported that their goal was to **educate license-exempt providers participating in subsidy about the rules and regulations that apply to them**. Participants mentioned helping license-exempt providers understand the regulations and their importance so that the regulations do not seem arbitrary. Related to these regulations, participants from most states mentioned wanting to **ensure the health and safety of the children cared for by license-exempt providers**. They discussed ensuring that these providers meet basic health and safety requirements, such as having a first aid kit on site, keeping chemicals out of reach of children, having a fire extinguisher, and having safety and emergency plans.

Participants from all four states also reported that their goal was to **offer license-exempt providers information about additional supports or resources**. For example, some discussed helping providers connect with Child Care Resource & Referral (CCR&R) agencies, state professional development networks, and **technical assistance** organizations. Relatedly, participants from most states described working to **support providers in meeting**

Participants described these goals for working with license-exempt providers:

- Educate license-exempt providers about rules and regulations
- Ensure the health and safety of children
- Share information about supports and resources
- Support license-exempt providers in meeting their goals
- Ensure provider quality
- Encourage license-exempt providers to become licensed
- Expand supply of child care

their own goals by learning what individual providers needed and connecting them to resources aligned with these needs. One licensing administrator explained this approach saying, “We just want to support [providers] where they are.”

Participants from half of the states shared that their goals included **ensuring the quality of license-exempt providers**. One administrator described this by saying,

“Our main goal is to make sure that every child, regardless of the type of facility they are in, they received the best quality services possible. So, if they are in an exempt facility, that’s fine as long as the children served receive quality services. If they are in a licensed facility, that is OK, as long as they receive quality services...whichever facility they are, we will support the provider making sure that the children are protected in the facility.”

-Administrator

Some participants also described **encouraging license-exempt providers to become licensed**, usually because of the additional resources and supports that would be available to them if they were licensed. Participants mentioned a range of supports that are only available to licensed providers. These varied by state and included participation in the state’s quality rating and improvement system (QRIS), stabilization grants, and recruitment and retention bonuses for providers.

Participants from half of the states also described that one of their goals when working with license-exempt providers was to **expand child care supply**. They emphasized that license-exempt providers are essential for child care supply and that there are many license-exempt providers who are providing safe, enriching environments for children. Participants discussed wanting to expand the number of providers, especially the number of providers who accept child care subsidy, that are available to families. As one licensing administrator said, “[Our agency’s goal] is to make sure children and families have access to child care when they need it.”

Finally, participants from half of the states shared that their **goals when working with license-exempt providers were limited** because they have a minimal role when working with them. In some cases, they related this to the high turnover of license-exempt providers. In others, participants attributed their limited role to the fact that license-exempt providers are not a part of staff’s formal caseload or that their state’s child care subsidy agency has a larger role in overseeing license-exempt providers.

Resources available for license-exempt providers

Participants from all states described resources available to license-exempt providers. These varied by state and included training, professional development, and opportunities for technical assistance and participation in the state’s QRIS. However, participants in most states mentioned that **license-exempt providers are eligible for fewer supports than licensed providers**.

Participants from three states reported that **license-exempt providers are required to complete training annually**. Examples of required annual training topics include health and safety trainings on CPR, child abuse and neglect, and safe sleep. The entity conducting the trainings varies and includes the licensing agency, another state agency, or a state

Coordination with subsidy agencies

Participants from all four states discussed how the licensing agency coordinates with the subsidy agency when working with license-exempt providers. In two of the states, the subsidy agency conducts some sort of training for license-exempt providers. Participants from two states discussed how the subsidy agency handles background checks for these providers. Participants from most states mentioned referring providers to the subsidy agency for payment-related questions. The level of interaction reported between licensing front-line staff and the subsidy agency ranged from minimal contact (e.g., because the subsidy agency communicates mostly with the office team, not front-line licensing staff) to directly connecting providers with subsidy staff.

university. Participants from most of the states mentioned that trainings are available online.

Additionally, participants from half of the states mentioned that **license-exempt providers are eligible for other professional development opportunities** such as a statewide professional development network or a career ladder program.

Participants from half of the states also mentioned that **license-exempt providers are eligible for technical assistance** provided through a CCR&R agency or a statewide technical assistance organization. In some cases, licensing coordinates with local CCR&Rs by sharing providers' contact information with them directly or sharing the CCR&R's contact information with providers. In one state, CCR&R staff perform courtesy pre-licensing visits with providers to answer their questions and look over their facilities if licensing staff are unavailable. In another state, the CCR&R program offers fingerprinting services for providers as part of the background check process. However, one participant noted that in their state, while technically available to license-exempt providers, support through CCR&Rs is primarily targeted to licensed providers. Related to technical assistance, participants from two states mentioned that license-exempt providers have access to a nurse or other health consultant who can provide general support related to enhancing the health and safety of the environment and who can answer specific health-related questions about children in care.

Finally, while **eligibility to participate in the state's QRIS varies**, in two states some or all license-exempt providers are eligible for QRIS participation. This allows them to receive support for quality improvement and receive an increased subsidy payment rate.

Resources available for licensing staff

Licensing staff described various types of training designed to support their work with license-exempt providers. Participants from most states described **training for front-line staff on licensing visit protocols and license-exempt regulations**, including how regulations and visits differ from those for licensed providers. Participants from most states also described the value of **shadowing other licensing staff who work with license-exempt providers**. For example, one front-line staff person described shadowing two other front-line staff on visits for six weeks before conducting visits independently. They described the impact of this training, saying,

*"When I was in the field doing the hands-on with them, that was huge—being able to see how they interacted...they'd developed that rapport with the providers, and they knew the rules in and out....And so I got to learn how to do the checklist and our computer, learned all those systems, but mostly learned how to interact with the providers, how to tell them that they're out of **compliance** without getting them really heated or angry or upset and helping them understand the importance of it, and then how to get in compliance."*

-Front-line Staff

Related to their work with license-exempt providers who are racially, ethnically, and linguistically diverse, participants from one state described the value of **training for front-line staff on cultural competency and specific cultures**. One participant described the benefit of this training saying,

Participants described the following resources available for front-line staff

- Training
 - Regulations
 - Cultural competency
 - General licensing topics
- Shadowing opportunities
- Supervisor support
- Digital resources
- Detailed visit protocols
- Access to translation and interpretation

"[Training on] culture, I think, is the big one that really stands out to me that's really helped a lot because... you've just got [a range of cultural traditions]. And when you have those kind of things you kind of walk in and go, 'Ok, this is not something that I'm used to.' That's the [training] I would say that's really helped me with my work."

-Front-line Staff

In addition to training specific to their work with license-exempt providers, front-line staff reported that they received other, more **general training**. Licensing agencies provide these general trainings to all front-line licensing staff, regardless of the setting (center- or home-based) or provider type (licensed, license-exempt). Topics for this general training included licensing policies and objectives; health related topics such as CPR and first aid; technology; diversity; stress management; and interpersonal skills. Staff in one state reported that, as part of their own training, they completed the trainings that providers are required to take. An administrator in one state noted that their staff completed National Association for Regulatory Administration (NARA) training, while administrators in another indicated they were exploring NARA credentialing for their staff.

Participants offered only a few suggestions for additional training that would be helpful in their work. In some cases, they noted that this was because the training they received, primarily on inspection visit checklists (i.e., the list of things they need to review during inspection visits), seemed appropriate given their limited role working with license-exempt providers. In other cases, they mentioned that they felt their supervisors were already responsive in providing training as needs emerged. A few participants identified two topics for additional training: how to navigate the provider application system and secondhand trauma (e.g., trainings to promote mindfulness and stress relief as responses to working with people who have experienced trauma).

In addition to training, licensing staff from two states described **supervisors providing support to staff** working with license-exempt providers. This support is described in further detail below. Participants also identified other resources that have made their work with license-exempt providers easier, including **digital forms and checklists, detailed visit protocols, and support for translation and interpretation**, including bilingual staff and translated materials like checklists and manuals.

Licensing differences across provider type

Licensing staff described similarities and differences in licensing agencies' regulations and inspections and overall approach when working with license-exempt providers compared to those who are licensed. They also noted a few differences in approaches between various types of license-exempt providers.

Differences in working with license-exempt and licensed providers

Regulations and inspections

Participants from all states noted differences in working with license-exempt providers compared to working with licensed providers. Most commonly, participants from all states described **differences related to regulations** for license-exempt and licensed providers, mentioning that license-exempt providers have fewer and less stringent regulations to meet than licensed providers. One front-line staff person described this saying, "We're used to enforcing the entire rule book for child care licensing...we've got a whole...70 something pages of rules for them. And we have a one-page checklist for our license-exempt folks."

Relatedly, in part due to the differences in regulations, participants from all states noted **differences in the intensity of inspection processes**, explaining that inspection processes for license-exempt providers are less intensive than those for licensed providers. For example, a participant from one state described checking if licensed providers have a fully stocked first aid kit, while only needing to confirm if license-exempt providers had any first aid kit at all. Additionally, participants from half of the states described how

the **timing of inspection visits varied by provider type**. While licensed providers are required to have a licensing visit and meet **licensing regulations** prior to providing care, in some cases, license-exempt providers do not receive a visit prior to becoming a license-exempt provider and/or receive their first visit later than licensed providers would.

Finally, states varied in their **use of announced and unannounced inspection visits** for license-exempt providers. CCDF requires at least one unannounced inspection visit for licensed providers and at least one inspection visit, which may be announced or unannounced, for license-exempt providers receiving CCDF subsidies. Three of the four states in this case study conduct at least some unannounced visits for license-exempt providers.

Approach

In addition to differences in regulations and inspections, participants from three states described differences related to their approach to working with license-exempt providers. One difference was in **licensing agencies' level of involvement** with license-exempt compared to licensed providers. For example, one front-line staff person described having comparatively limited interactions with license-exempt providers, saying,

“Our [licensed] child care providers, once they're assigned to us, we follow them, we monitor them—they're part of our caseload. The license-exempt providers, like I said, we may do this one visit and not have any other contact with these folks...So [license-exempt providers are] not on our caseload. We don't continue to monitor them...so it's really sort of disconnected.”

-Front-line Staff

Participants from half of the states also mentioned that **license-exempt providers are eligible for fewer supports** than licensed providers, which constrains front-line staff's ability to connect them with the resources they need. See the earlier section of this report on goals for more information.

Despite these differences, participants from half of the states mentioned that their goal is to ensure the health and safety of children in all care settings regardless of licensing status.

Differences in working with various types of license-exempt providers

Regulations and inspections

Participants in all four states noted distinctions in working with different types of license-exempt providers. Participants in most states described **differences in regulations** for various types of license-exempt providers, including differences in the number of regulations providers must meet and differences in professional development requirements. In one state, for example, a participant noted that license-exempt providers who only care for relatives are not required to receive ongoing professional development, whereas other types of license-exempt providers are required to do so.

Participants from half of the states described **differences in the process of inspection** between different types of license-exempt providers. For example, participants from one state highlighted the differences in inspections for home-based license-exempt providers versus centers or facilities. Participants explained that inspections for home-based providers require checking all unlocked areas in the entire home whereas inspections at a license-exempt center may only require checking a certain classroom (rather than the entire building). Some participants also noted that some license-exempt providers are required to have a fire inspection while others are not.

Approach

Participants from most of the states discussed how their approach to working with different license-exempt providers varies. For example, **visits to license-exempt homes can feel more personal** than those to license-exempt centers. One front-line staff member described adjusting their approach for this setting, saying, “A home, obviously, you’re walking into someone’s home, so I try...to be a little more respectful in those situations.”

Participants from two states also described providing **additional support to license-exempt home-based and relative providers** compared to other license-exempt providers. For example, participants mentioned that grandparents may not view themselves as formal CCEE providers, so licensing staff have spent more time with them explaining requirements, professional development opportunities, and any additional supports available. One participant described this saying,

“I think we have a unique opportunity with our home providers to really understand where they are and what their positions are and what their goals are. Some of them like to feel like they’re just babysitters, but we like to explain to them, you’re more than that. You’re employed with the state, that’s why you have to meet all our health regulations.”

-Front-line Staff

A participant from one state also commented that grandparents may have less experience using technology and may need more technological support.

Finally, in some cases, the **process of coordinating inspections** differs when working with different types of license-exempt providers. For example, a participant from one state mentioned that scheduling licensing inspections with license-exempt programs in school settings requires additional communication and meetings than in non-school based license-exempt settings because providers in schools are accountable to more people (e.g., principals, superintendents).

Strengths and opportunities for improvement

In this section we describe strengths that participants noted about their licensing agency’s work with license-exempt providers, as well as their ideas about challenges and opportunities for improvement in this work. Note that two topics, coordination with other entities and technology, were mentioned as both strengths and opportunities for improvement.

Key strengths identified by participants:

- Licensing staff’s individual and relational approach
- Strong coordination with other entities
- Clear guidance for providers
- Supervisor and licensing team support for front-line staff
- Technology tools (e.g., online training, application and forms, equipment)
- Licensing agency structure

Key opportunities for improvement identified by participants:

- High rate of provider turnover
- Difficulty communicating with providers
- Providers’ limited understanding of the process to attain/maintain eligibility to receive CCDF subsidies
- Difficulty coordinating with other entities
- Providers’ resistance to oversight
- Technology challenges (e.g., navigating online platforms with limited knowledge)

Strengths

Participants identified several ways that their licensing agency supports license-exempt providers and the licensing staff who work with them.

Participants from most states highlighted the **individualized and relational approach licensing staff take when working with license-exempt providers** as a key strength of licensing in their state. These staff emphasized that they try to understand the unique contexts of license-exempt providers and to inquire about individuals' goals in providing care. By focusing on relationship building, front-line staff can better understand the perspectives of the providers with whom they work and are able to adjust their approach to connect providers with the most relevant information, resources, and supports. For example, one front-line staff person said,

"I work really hard to lay the groundwork for a collaborative type of relationship. Rather than feeling punitive, I want to come in from the standpoint of 'We want to work with you to help you be as good as you can be for this program—so let's take a look at these things.'"

-Front-line Staff

Participants from most states also highlighted the **strong coordination** between their licensing agency and other entities such as subsidy, CCR&Rs, and other state agencies that provide technical assistance and support as a strength. This coordination among different entities facilitates connections between license-exempt providers and a system of supports to help improve quality of care.

Participants from most states also mentioned that the **clear guidance from the licensing agency to providers** is a strength of their state's licensing system. Participants discussed "**interpretive guidance**" released by the licensing agency to help providers understand the licensing regulations. A participant from one state also explained that their state has a guidance sheet to help licensing staff and providers know what to look for during a licensing visit for each regulation and why it is important, saying,

"They've done a good job in creating interpretive guides that kind of spell out how to read that rule and what it actually looks like in action...to be able to spell it out for providers so they knew exactly what the intent behind the rule was, and they put that on our website to make it accessible to providers."

-Front-line Staff

Front-line staff from two states described the **support from their supervisor and/or licensing agency team** as a strength. For example, participants mentioned their supervisor or others on their team being available when they had questions, offering education and training, and encouraging team members to shadow and learn from one another. Participants from half of states also described how **technology** supported both the licensing staff and providers. Participants mentioned that having a work computer, online documentation, online trainings, and online applications made things easier for both licensing staff and providers. However, some participants also identified technology as a challenge. This is discussed in further detail below.

Finally, participants from one state identified their **licensing agency's structure** as a key strength of the licensing agency. In this state, front-line licensing staff are assigned to a single provider type (e.g., license-exempt providers). Participants mentioned that this has helped licensing staff become experts on the specific provider type with which they work, get to know providers' needs, create provider-specific checklists and protocols, and increase consistency. Additionally, participants from this state mentioned that their licensing agency collects **feedback from providers** through online forms and advisory committees that include providers and other community members, which they viewed as a strength of their system. The administrator described the function and impact of these committees, saying, *"We have different people that represent the different pieces of licensing. And providers feel now that they have a voice and a vote when changing processes, creating rules, or establishing standards for licensing."*

Challenges and opportunities for improvement

Participants also identified several challenges and areas for improvement related to how their licensing agencies work with license-exempt providers who receive CCDF subsidies.

Participants from all four states identified **high rates of turnover among license-exempt providers** as a challenge, both among home-based and relative providers and for facility-based providers such as after-school program staff. This turnover poses a challenge for licensing staff who must reorient new providers to processes and requirements and work to build relationships with them. Participants from some states identified **low compensation and limited eligibility for supports** as factors they thought drove turnover among these providers and noted these as opportunities for improvement. One front-line staff person explained this saying,

“What our license-exempt people are paid, it’s a hardship. It really is. The other thing with our license-exempt providers, they’re not able to apply for the grants that many of the licensed home providers can. And so financially that’s the challenge that we have in encouraging and wanting them to stay with our program.”

-Front-line Staff

Participants from most states also identified **difficulty communicating with providers** as a challenge. Some staff described the challenge of speaking a different language than providers during visits, particularly with home-based and relative providers, which often required finding temporary solutions like relying on providers’ family members who speak English or using tools like Google Translate. Participants from one state indicated that additional support from professional interpreters would be necessary in overcoming this challenge. Relatedly, other licensing staff described **challenges communicating with providers via phone and email** to coordinate visits. One front-line staff described the effort often required to connect with providers, saying,

“I try to call them first and then I generally have to leave a message because people screen their calls now...oftentimes I have to reach out to them multiple times because they don’t realize who we are and what we’re trying to do. So then often I have to reach back out to, or my supervisor will reach back out to, the person who [the provider] is working with in the subsidy program. The subsidy person will have to reach out to [the provider] and say, ‘You need to call [licensing] back because they have to come out’. And then [the provider will] call me back.”

-Front-line Staff

In most states, participants identified the challenges with provider responsiveness as related to **providers’ limited understanding of the process for attaining and maintaining eligibility to receive CCDF subsidies**. They noted that this limited understanding sometimes created more work for licensing staff, who need to devote additional time walking providers through the process, including helping them understand the implications of being license-exempt versus licensed. To address this, some participants suggested making more information about the process available to potential providers. Others suggested communicating with providers about requirements on an ongoing basis rather than “bombarding them” with information once per year. They also suggested visiting providers either before or shortly after they begin providing care for children receiving subsidies.

Participants from one state noted that this limited understanding of requirements may be because providers primarily interact with subsidy staff, rather than the licensing agency. They noted that this can also make it challenging for licensing staff to form relationships with license-exempt providers. One participant said,

"We [licensing staff] don't have any frame of reference for [license-exempt providers]. We've never met them, we're walking in cold...A lot of [providers] were caught totally-off guard. They had no idea that somebody was going to come to their house and check these things"

-Front-line Staff

This relates to the more widespread challenge of **coordinating with other entities**. As described above, most participants identified coordination as a strength of their licensing agency's work, but participants in most states also identified this as an opportunity for improvement. These other entities may include the subsidy agency, CCR&Rs, and local fire departments. Participants gave examples of what effective coordination may look like. Examples included having organizations like CCR&Rs help promote the license-exempt provider program to families and potential providers, ensuring better communication between licensing and subsidy agencies so that families and providers receive timely and consistent information, and equipping licensing staff with the information they need to directly connect providers to other supports and services.

Participants in three states also described **resistance to oversight from license-exempt providers** as a challenge. In most cases, this resistance came from home-based and relative providers. One front-line staff person explained this dynamic saying,

"Sometimes, the grandparents, they don't understand. They're like, 'I've been doing this for... 30 years or something.' You know, 'My kids and I don't understand why I have to do this.' And I think it's just more of an education thing of, you know, 'I know you've done this. You've raised kids, they've all survived. But it's still important. Things change, things update. We get new stuff all the time.' So sometimes you get a little bit of pushback on that."

-Front-line Staff

Relatedly, one participant also described experiencing resistance from license-exempt center staff who had not been involved in their programs' decisions to accept CCDF funding and did not want to comply with funding requirements.

Participants from half of states shared that **technology barriers** experienced by license-exempt providers are a challenge. This is especially true for home-based and relative providers who may have less experience with new forms of technology and who often struggle to navigate email and online forms, trainings, and portals. Participants indicated that this is both frustrating for the providers and creates more work for the licensing staff who support them in fulfilling requirements. They suggested addressing this by providing better training and ongoing technology support for providers. Participants in one state noted that technology barriers can also pose a challenge for licensing staff who must navigate the limitations of the licensing agency's technology platform (e.g., requiring use of different computer systems to record licensed and license-exempt visits) and maintain their own technology skills.

Participants mentioned several other challenges less frequently. One participant cited **limited awareness about the opportunity to be a license-exempt provider** among the population of potential providers while another described **license-exempt providers' low level of interest in participating in professional development or modifying their practices** as a challenge. However, participants from another state described working with license-exempt providers who are interested in professional development and suggested expanding training options for license-exempt providers to support their development. Participants also mentioned other opportunities for improvement, including more focused training for licensing staff working with license-exempt providers and incorporating community and provider voice into decision making within licensing.

Study Limitations

This study has several limitations. First, it does not reflect how families or license-exempt providers perceive the licensing agency's role in supporting license-exempt providers who receive CCDF subsidies. Second, we spoke with a relatively small number of people in each case study state, and other people working within licensing in these states may have different views. Relatedly, we spoke with staff in only a few states; findings from this case study report should not be generalized to other states. Third, our interviews prioritized breadth over depth, and we were not able to gather in-depth information on all topics related to licensing's work with license-exempt providers. Fourth, variation in how licensing agencies are structured and the terms they use to refer to license-exempt providers created some communication barriers during our interviews which may have limited the information we obtained. Finally, this study focused only on the licensing agency's role in monitoring license-exempt providers. In some states, staff in the CCDF subsidy program are responsible for monitoring license-exempt providers. This study did not include any information about the subsidy agency's approach to monitoring and supporting these providers. For all of these reasons, the findings must be interpreted cautiously. They are not representative of every state or every licensing agency's approach to working with license-exempt providers.

Summary and Considerations for Future Research

The 2016 reauthorization of CCDF added monitoring and training requirements for license-exempt providers who receive CCDF subsidies. In about half of states, licensing agencies are responsible for monitoring these providers. This study describes the efforts of four state licensing agencies to monitor and support license-exempt providers receiving CCDF subsidies. The report presents examples of practices, strengths, and challenges in licensing agency support of license-exempt providers, as well as opportunities for improvement.

We offer some key takeaways and considerations from the study as well as ideas for future research.

There are important differences in licensing agencies' monitoring of license-exempt providers receiving CCDF subsidies compared to their monitoring of licensed providers. For example, license-exempt providers typically must meet fewer licensing regulations and may not be visited as often as licensed providers. Front-line licensing staff also described having fewer interactions with license-exempt providers compared to licensed providers. Additional research, such as hearing from license-exempt providers about how they experience monitoring, could inform licensing practices and further the field's understanding of licensing agencies' role in supporting license-exempt providers.

Licensing agencies vary in how they assign staff to work with license-exempt providers. In some states, front-line licensing staff serve both licensed and license-exempt providers. In other states, staff specialize in serving only license-exempt providers. Future research could help identify strengths and challenges in having licensing staff specialize in working with only one provider type vs. many types. Research could also explore factors related to decisions about assigning staff to monitor license-exempt providers (e.g., staffing capacity, agency priorities).

The turnover in license-exempt providers' participation in the subsidy system may make it more challenging for licensing staff to monitor and support these providers. If there is frequent turnover among these providers, licensing staff may not be able to develop relationships with these providers or help them address their goals. Frequent turnover could also mean that providers drop out of the CCDF subsidy system before licensing staff are able to visit them. Future research could explore licensing strategies that work best under these circumstances, examine providers' reasons for leaving the CCDF subsidy system, and

identify possible factors associated with lower turnover rates among license-exempt providers participating in the subsidy system.

In states in which the licensing agency monitors license-exempt providers, effective coordination with the CCDF subsidy agency can be an important strength. The **CCDF regulations** include requirements only for those license-exempt providers receiving CCDF subsidy funds, not for all license-exempt providers. When licensing is responsible for monitoring these providers, they must coordinate with subsidy staff. Case study participants mentioned various aspects of this coordination, such as subsidy staff referring providers to them who need an annual monitoring visit and referring providers with funding questions to subsidy staff. Participants mentioned coordination across the agencies as something that can support or hinder their work with license-exempt providers. For example, participant responses suggest that some providers may be confused about working with both agencies. On the other hand, participants noted that when communication between licensing and subsidy agencies is strong and roles are clearly defined, providers are better able to navigate the system; they also mentioned coordination as an area for improvement. Future research could explore how licensing agencies coordinate with subsidy agencies and other entities, and the extent to which coordination supports license-exempt providers.

License-exempt providers receiving CCDF subsidies are a varied group of individuals. They may have different motivations in caring for children, different perceptions of their role, and different needs. Grandparents, for example, may view caring for children as supporting their family and may not see themselves as part of a formal CCEE profession. License-exempt providers in school-based programs may view themselves as part of the K-12 education system, rather than the CCEE system. While some license-exempt providers may want to become licensed or participate in CCEE professional development, others may not. The interviews with licensing staff highlighted the importance of developing relationships with providers, which can help licensing staff understand individual providers' needs, goals, and strengths. Future research could explore the experiences with licensing agencies among various subgroups of license-exempt providers, as well as the supports needed to help licensing staff meet the needs of various types of license-exempt providers. Research could also examine the role of relationships in supporting license-exempt providers' adherence to CCDF regulations and participation in the subsidy program.

There may be limited resources available to license-exempt providers receiving CCDF subsidies. Although the interviews highlighted examples of how licensing staff support license-exempt providers, their comments also underscored the role of policy in determining whether license-exempt providers are eligible to receive supports. Some supports, through CCR&Rs for example, may be available to licensed and license-exempt providers, while others are available only to licensed providers. These eligibility requirements may make it harder for licensing staff to refer license-exempt providers to additional services and supports. Future research could explore the perceptions and needs of license-exempt providers and the extent to which eligibility rules about various supports might hinder or support license-exempt providers (e.g., in providing healthy and safe care, in remaining open, in becoming licensed).

Communication and technology challenges can make it more difficult for licensing staff to support license-exempt providers. Licensing staff in the case study states described various communication challenges, such as language barriers and providers' difficulty in understanding the monitoring process. They also noted technology challenges for themselves and providers that make it more difficult to monitor and support license-exempt providers. Future research could explore the role of communication and technology in supporting or hindering licensing agencies' work with license-exempt providers. To what extent do interpretive guidance documents, for example, help license-exempt providers understand the monitoring process? How would license-exempt providers like to receive information about the monitoring process and regulations? What strategies best support licensing staff who do not speak the same language as license-exempt providers? And which aspects of technology are viewed by licensing staff and license-exempt providers as most supportive (e.g., online forms for licensing staff, access to IT support for providers)?

In closing, we hope that findings from this case study of four states help licensing agency administrators and their teams understand and consider varying approaches to monitoring and supporting license-exempt

providers. The findings described in this report may raise questions, offer different perspectives, or confirm a team's experiences. We also hope the findings from this report spark ideas for future research, either within a single state or across multiple states, to better understand licensing agencies' roles in monitoring and supporting license-exempt providers and to better understand the experiences of license-exempt providers with licensing.

Glossary

Child Care and Development Fund (CCDF): “A federal and state partnership program ... authorized under the Child Care and Development Block Grant Act (CCDBG) and administered by states, territories, and tribes with funding and support from the Administration for Children and Families’ Office of Child Care. States use CCDF to provide financial assistance to low-income families to access child care so they can work or attend a job training or educational program ... In addition, states use the CCDF to invest in quality to benefit millions more children by building the skills and qualifications of the teacher workforce, supporting child care programs to achieve higher standards, and providing consumer education to help parents select child care that meets their families’ needs” (Administration for Children and Families, 2016).

Child Care and Development Fund Regulations: The CCDF regulations contain provisions that were published in five final rules: 2014 Final Rule, 2016 Final Rule, 1998 Final Rule, CCDF State Match Provisions Final Rule, and CCDF Error Rate Reporting Final Rule. The CCDF regulations are available on the [Government Printing Office Electronic Code of Federal Regulations](#) website (adapted from Administration for Children and Families, 2023).

Child care and early education: Caregiving and educational services for children from birth to age 13. CCEE includes center- and home-based settings for infants, toddlers, preschool- and school-aged children. CCEE refers to services for a larger age group than early care and education (ECE), which consists of services provided only for young children (birth to age 5 who are not yet in kindergarten). ECE programs are included within the definition of CCEE.

Child care and early education licensing: Establishes regulations that must be met to legally operate a child care program. Child care licensing also monitors and enforces those regulations.

Child care and early education licensing staff: Any staff who work in CCEE licensing (e.g., front-line staff, managers, administrative or clerical staff).

Child care and early education provider: An organization or individual that provides CCEE services (adapted from Child Care & Early Education Research Connections, n.d. -a).

Complaint: A concern or grievance about a CCEE provider that families or the public make to the licensing agency.

Compliance: Adherence to licensing regulations.

Front-line licensing staff: Individuals who routinely conduct licensing inspections of licensed CCEE programs. They may have other responsibilities as well, as long as one of their jobs is to routinely conduct licensing inspections.

Inspection: A visit to assess if a CCEE provider is meeting licensing regulations.

Interpretive guidelines, guides, or guidance: Guides that help CCEE licensing staff understand the purpose of licensing requirements and how they should assess providers’ compliance with the requirements; guides can also be used by CCEE providers to help better understand the licensing requirements and how they will be assessed (National Center on Child Care Quality Improvement, 2014).

License-exempt: A determination by states/territories of providers who can operate legally without a license. License-exempt providers might include providers caring only for related children (e.g., person caring for grandchildren only), providers caring for a small number of children (e.g., one or two children), and facilities operating for only a few hours per day (e.g., serving children from 9-11am on Tuesdays and Thursdays only) or caring for children while adults are present (e.g., exercise facility caring for children while parent is exercising on site).

Licensed child care and early education: CCEE programs operated in homes or facilities that fall within the regulatory system of a state or community and comply with those regulations. Many states have different licensing and regulatory requirements (adapted from Child Care & Early Education Research Connections, n.d. -a).

Licensing agency: The agency responsible for regulating and licensing CCEE facilities. The term “licensing unit” may also be used.

Licensing regulations: “Requirements that providers must meet to legally operate child care services in a state or locality, including registration requirements established under state, local, or Tribal law” (Child Care & Early Education Research Connections, n.d. -a). (Child Care & Early Education Research Connections uses this definition for “licensing or regulatory requirements.”)

Monitoring: “The process used to enforce child care providers' compliance with licensing rules and regulations” (Child Care & Early Education Research Connections, n.d. -a).

Routine compliance inspection: An inspection of a CCEE provider for compliance with the regulations that occurs periodically throughout the year and is not part of the initial licensure or renewal (adapted from National Association for Regulatory Administration & National Child Care Information Center, 2006). The term “routine inspection” may also be used.

Subsidy: “Private or public assistance that reduces the cost of child care for families” (Child Care & Early Education Research Connections, n.d. -a).

Technical assistance (TA): “The provision of targeted and customized supports by a professional(s) with subject matter and adult learning knowledge and skills to develop or strengthen processes, knowledge application, or implementation of services by recipients” (National Association for the Education of Young Children & National Association for Child Care Resource and Referral Agencies, 2011, p. 18).

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Appendix A. Methods

Below we provide detailed information about the TRLECE team's research methods for this case study.

Interview protocol development

The TRLECE team worked closely with OPRE and the project's Technical Expert Panel⁸ (TEP) to identify research questions and review draft interview questions to ask of licensing administrators and front-line staff. After developing draft interview protocols, a subset of the project's TEP members reviewed and provided feedback on their clarity and utility. We revised the draft protocols based on TEP recommendations. Protocol topics included: how licensing agencies structure their work with license-exempt providers; goals and approaches when working with license-exempt providers and how these differ from work with licensed providers; collaboration with other entities to support license-exempt providers; training for licensing staff working with license-exempt providers; and successes, challenges, and opportunities for improvement in this work.

Recruitment strategy

In collaboration with OPRE and the TEP, the case study team identified a list of states to invite to participate in the case study. We looked specifically for states in which the licensing agency is responsible for monitoring license-exempt CCEE providers receiving CCDF. Using input from the TEP, we also sought to prioritize geographic variability and variability in the approach licensing agencies are taking in their work with license-exempt providers. We reached out to Licensing Administrators in potential states to determine if they were interested in participating in our case study. Four states participated in the case study: Indiana, Iowa, Maine, and Utah.

State Licensing Administrators who expressed interest in participating in our case study were invited to complete an initial interview. We interviewed between one and four administrators in each state (9 total). At the conclusion of our interviews with administrators, we requested that they share contact information for four to five front-line staff members on their team with experience working with license-exempt providers. We then randomly selected two front-line staff from each state to invite to participate in an interview. In two states, administrators shared contact information for two or fewer front-line staff. In these cases, we informed the staff members that their administrators would be aware they had participated in an interview. In total we interviewed between one and three front-line staff members in each state (8 total).

Interview procedures

We conducted interviews between November 14, 2022, and January 31, 2023, using Microsoft Teams. Administrator interviews lasted one hour, and front-line staff interviews lasted 45 minutes. Each interview was recorded and transcribed with the participants' permission.

Coding and analysis

To summarize the interview transcripts, the team created a coding scheme, or list of topics related to the research questions that were mentioned during interviews, using a two-step process. First, we developed an initial coding scheme based on interview topics and the research questions listed above. Then, we conducted a preliminary review of transcripts from interviews with people in different roles and from

⁸ The TRLECE Technical Expert Panel (TEP) was comprised of individuals who currently work in state licensing agencies, previously did so, or are knowledgeable of licensing within the broader child care and early education system.

different states to inform revisions to the coding scheme and the addition of sub/child codes. The study's principal investigator reviewed the coding scheme and proposed additional revisions.

The analysis team then used Dedoose, a secure qualitative data analysis software, to code interview transcripts. All transcripts were coded independently by a lead coder and one additional coder. Both coders then met to come to consensus on the codes applied to each excerpt. The full coding team held regular meetings to discuss coding questions and discrepancies as they arose. In some cases, these discussions resulted in the creation of new or revised codes. When changes were made to the codebook, the coding team revisited previously coded transcripts to ensure these adjustments were reflected in the coding.

Once coding was complete, the team reviewed the excerpts for each code to identify themes and answer the study's primary research questions.

Appendix B. Contextual Information for Each Case Study State

To provide additional context for the case study findings, below we provide brief descriptions of each state included in the case study. Because the report focuses on the licensing agency's role in monitoring and supporting license-exempt providers who receive CCDF subsidies, we include a definition of these providers for each state. Descriptions also include information about licensing staff assignments and responsibilities of the licensing and subsidy units.

Indiana

License-exempt providers: The license-exempt providers in Indiana are those who do not meet the definition of a child care center or home, or those who do meet the definition but also meet at least one of the exemption criteria (e.g., not receiving regular compensation, only caring for relatives of the provider, caring for fewer than six children, operating to serve migrant children). Examples of typical license-exempt providers are exempt centers (such as those in a school), care in the child's home, before/after school care, summer camp or break programs, and YMCA extracurricular activities. Another category of provider who can receive subsidy without being licensed is the "unlicensed registered child care ministry provider." Although these providers are not required to be licensed, they must complete a registration process with a different set of requirements to be considered a registered ministry and would need to meet additional standards to become CCDF eligible. (Note: this report focuses on non-ministry license-exempt providers in Indiana.)

Licensing staff assignments: The licensing staff who visit license-exempt providers are solely focused on this type of provider. The initial visits⁹ are announced, but yearly inspections, follow-up inspections, and **complaint** inspections are unannounced.

The licensing staff who inspect unlicensed registered child care ministry providers also inspect licensed centers. (Note: We did not interview this type of licensing staff because this report focuses on non-ministry license-exempt providers.)

Responsibilities of the licensing and subsidy agencies: In Indiana, both the licensing and subsidy agencies are situated in the Office of Early Childhood and Out-of-School Learning under the Indiana Family and Social Services Administration. In order to receive subsidy payments, license-exempt providers must first submit an application using the same online application platform used by licensed providers. The licensing agency also uses this platform for online trainings and background checks. After completing the application, a provider must have an initial inspection. After passing this inspection, providers are issued a CCDF certificate valid for up to 12 months and may begin to receive payments. The licensing staff notes this in their system which automatically notifies the subsidy agency.

Iowa

At the time of our interviews, Iowa's Department of Human Services (DHS) and Department of Public Health were undergoing a merger, joining under the Department of Health and Human Services (DHHS).

License-exempt providers: The license-exempt providers in Iowa are home-based providers who care for six or fewer children. These providers can apply to receive subsidy.

⁹ In Indiana, initial visits are referred to as "pre-licensing visits."

Licensing staff assignments: Prior to the merger, depending on needs in their area, Social Worker II staff were responsible for inspecting a variety of settings (e.g., foster care, child care, adoption), including license-exempt providers. After the merger, Social Worker II staff in a new Child Care Unit will only be responsible for child care, probably with a mixed caseload of both licensed/registered and license-exempt providers. Inspection visits for license-exempt providers are unannounced and conducted yearly.

Responsibilities of the licensing and subsidy agencies: Pre-merger, child care licensing and child care subsidy sat within DHS. Post-merger, child care licensing and subsidy will fall under DHHS. The subsidy department's registration unit processes applications, handles background checks, and makes sure license-exempt providers complete the preservice orientation training. After providers' applications are approved, they receive an inspection within the same calendar year. This was true pre- and post-merger.

Maine

License-exempt providers: The license-exempt providers in Maine include those who take care of no more than two children in their own home, those who care for children in the child's home, and recreational programs.

Licensing staff assignments: Licensing specialists in Maine work with all setting types, including child care centers, family child care homes, license-exempt programs, and nursery schools; there are no licensing specialists who focus solely on license-exempt providers. License-exempt providers are assigned to specialists as they need inspections (based on proximity), and they are not considered part of an individual specialist's caseload. Inspections are announced and conducted yearly.

Responsibilities of the licensing and subsidy agencies: In Maine, both Child Care Provider Licensing and the Child Care Subsidy Program are situated in the Office of Child and Family Services under the state's Department of Health & Human Services. Both subsidy staff and licensing staff work with license-exempt providers who participate in the subsidy program. The two agencies collaborate on tasks such as developing the inspection form and communicating with license-exempt providers (e.g., sending reminders that they will be contacted for inspection visits, that they need to have their emergency plan ready, etc.). Subsidy staff are responsible for onboarding license-exempt providers who are interested in receiving subsidies. This includes conducting a background check, getting them set up for payment, and providing health and safety training. If the licensing specialist has trouble contacting the provider to schedule an inspection visit, a subsidy staff member may reach out to facilitate a warm handoff. If a provider is out of compliance, the licensing department gives the provider a timeline to rectify the issue. If there are other concerns or a license-exempt provider is not coming into compliance, a licensing supervisor will communicate with subsidy staff about the concerns. If providers do not comply, subsidy staff are responsible for following up with providers.

Utah

License-exempt providers: The license-exempt providers in Utah who can receive subsidy include certain facilities (e.g., after school, summer programs) and home-based family, friend, and neighbor providers who care for up to four unrelated children.

Licensing staff assignments: The licensing staff who conduct inspections for these providers are part of the "license-exempt team" that focuses solely on license-exempt providers, including providers who do not accept subsidy (although our interviews focused on their work with license-exempt providers who receive

subsidy). After a pre-approval inspection, there are two inspections per year for license-exempt providers accepting subsidy (one announced and one unannounced).

Responsibilities of the licensing and subsidy agencies: The Office of Licensing is in the Department of Health and Human Services. The subsidy agency is in the Office of Child Care under the Department of Workforce Services. When a family is seeking child care, the subsidy department instructs them to find a provider and have the provider apply for approval through the licensing department's website. From there, licensing is responsible for establishing eligibility, conducting background checks, and maintaining a log of providers participating in the subsidy program. The licensing agency also provides training or technical assistance (TA) related to health and safety, while the Office of Child Care is responsible for providing any training or TA that is not related to health and safety (i.e., related to child care quality). For example, the Office of Licensing can verify compliance with some basic quality rating and improvement system indicators during their health and safety inspections and provide a report to the Office of Child Care.