



**Testimony for Senate Committee on Labor and Business
On SB1040 -1 (to establish Micro-Centers for Child Care)
March 16, 2023**

Good morning, Chair Taylor, Vice Chair Bonham and members of the committee. My name is [Louise Stoney](#) and I am a national expert in early care and education policy and finance, with more than 35 years of experience working with states and cities across the US. I am also Co-Founder of [Opportunities Exchange](#), a non-profit focused on helping the early care and education sector achieve financial sustainability and strong child outcomes.

I am here today to testify in support of Senate Bill 1040 -1.

I have spent my career focused on early care and education policy and finance. Over the past 12 years I have also been working closely with practitioners on the ground, folks that are trying as hard as they can to operate successful child care businesses. So, my testimony today is not just academic; it is rooted in lessons from the school of hard knocks.

Child care is a very challenging business, and making ends meet is not easy – especially if you are a small program in a rural area. That is why I’m such a strong supporter of Senator Anderson’s bill. Establishing a clear pathway for the development of [micro-centers](#) is not only essential for Oregon children and families – it is a model for the nation as a whole.

I am certain that I do not need to tell you that families across Oregon struggle to find quality child care, and that this problem is especially dire in rural areas and under-resourced communities. But what you may not know, is that the problem is exacerbated by scale. Here are some statistics that highlight the problem.

Between 2012 and 2019 the number of child care centers in the US was essentially unchanged.

- In 2012, there were about 129,000 child care centers in the US and in 2019, there were about 121,000 – a small drop, but not significant.

But here is what IS significant – over that same period, there was a dramatic decline in small settings.

- Between 2012 and 2019 the number of child care centers that enroll fewer than 25 children DECLINED by 28.5% (from 28,200 or 21,500) and the number of centers that serve fewer than 50 children declined by another 9% (from 35,000 to 33,000).

In other words, the reason that the number of centers remained constant was because the number of child care centers that serve more than 75 children grew at the same time that the number of small sites declined. Growing the size of a program might be a fine solution for urban areas – larger centers are in fact much more likely to be financially sustainable -- but it is not a solution for rural communities that just don’t have the density, or the available infrastructure, to support a larger site.

And what makes this a perfect storm is that – during COVID – thousands of parents indicated a preference for small sites, because these sites felt safer, parents were more likely to know the caregiver and the other children, and the program was more able to adapt and change in challenging times. In fact, we saw unprecedented interest in “learning pods” and micro-centers during and after the pandemic. And that demand appears to remain.

So...we have a situation where the demand for small sites is growing...but the supply of small sites is diminishing.

We are also seeing growing interest among employers who are willing to make space available for micro-centers. But Oregon, like most states across the US, does not have a strategy for intentionally growing these small one- or two-classroom programs.

Here is the problem in a nutshell. The state of Oregon – like most states in the nation – has establishing only 2 categories of care in the licensing law: family child care homes and child care centers. And the differentiator between these two categories is the type of facility in which the program is located.

If you are in residential space, and serve fewer than 16 children, you are licensed as family child care – with standards that are designed for a small, mixed age group of children, and one or two caregivers who typically have paraprofessional training.

If you are in a non-residential setting – even if your program serves only a dozen children – you must be licensed as a child care center. But the child care center standards were really designed for large facilities – with multiple classrooms, program administration that includes a site director, head teacher, individual classroom ratios based on the ages of the children and aligned requirements for teachers, and so forth. And essentially the same rules apply regardless of whether the center serves 12 children or 200 children.

Folks who want to open child care in Oregon have to fit into one of those boxes. Based on the facility in which the program is located, you are licensed as either family child care or a child care center. But micro-centers basically sit in-between those categories – they actually look a lot like a family child care, but they must be licensed as a center.

Let me give you a hypothetical example that illustrates the problem.

A health services company located in rural Oregon has space at its headquarters to retrofit for a one-classroom child care program that would provide a much-needed service for its employees. They survey their employees and estimate that they will need room and staff for about 16 children of mixed ages. They figure out the required square footage and likely plumbing needs and think they have a plan.

As luck would have it, one of their home health aides uses a registered family child care provider who has been in business for many years, and serves 6 children in her home. She wants to serve more children and is ready to grow, but her home is small. So the opportunity to move her program into a room at the health care facility headquarters feels like the perfect fit.

But when she calls the licensing division to find out the next step, she realizes that she would have to be re-licensed as a center – which means that she would have to become a certified director and find a certified head teacher (or play a dual role herself –as teacher/director -- and meet both sets of standards). She would also need to restructure her group sizes to follow a more traditional child care center classroom arrangement, meet more rigid child care center facility standards, etc. Bottom line – the move not only feels impossible, but would lower her potential revenue, so she declines the offer.

That same employer doesn't want to give up, so they reach out to the one licensed child care center in their rural community (a center that has a waiting list, by the way) and asks if they would be willing to open a classroom at the employer's headquarters. It seemed like that would be reasonable, since the community non-profit is already running a successful child care center. But once again, that is not possible, for all the reasons noted above. The single classroom would have to be licensed as a stand-alone child care center, individually meeting all of the rules. This makes opening a new, one-classroom, site very complicated and also a financial drain.

In short -- Oregon law isn't designed to enable a micro-center operated by an individual owner or as a satellite of a larger center. Folks that are trying to open this type of care are forced to maneuver standards that were not designed for them. They are trying to push a square peg into a round hole.

I could go on and on with examples. The bottom line is this: there are many creative ways to address the need for child care, ways that can not only protect the health and safety of children but also support early learning. However, to make innovation possible Oregon child care licensing law must be revised to enable new categories of care, with standards that are appropriate to the program's size and business model.

This bill is not about lowering child care standards; it's about 'right-sizing them' so that innovation is encouraged.

Some states have attempted to address the challenges faced by small sites by creating a sub-category in the licensing law for a 'small center'. Others have allowed Family Child Care Homes to operate in non-residential settings. These are steps in the right direction – but they are tinkering with current policy to make something fit rather than embracing the problem head-on and offering the unique solution proposed by SB1040 -1.

Micro-centers are a promising way to grow child care – especially now, as the demand for small sites has increased and workplaces have changed. Indeed, post COVID, more and more employers have extra space that could be adapted for use as a child care setting. Let's seize that opportunity and proactively create a new category of care, and an intentional growth strategy, for micro-centers.

I encourage you to give this legislation strong and swift approval.

Thank you.