

Building the Business Capacity of Child Care Partners for Success with EHS/HS

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Atlanta, GA
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Linda Dunphy
Foundations for Families

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A consulting, training and technical assistance company based in northern Virginia

Significant experience working with Early Head Start and Head Start grantees and community based child care centers.

Expertise in areas of program design and start-up, organizational development and strategy, federal grant writing, Head Start program operations, governance, leadership and management.

National Center for Early Head Start Child Care Partnerships' list of start-up implementers.

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Linda Dunphy

25+ years of early childhood programming, nonprofit and profit management, and leadership experience at national, state, and local levels

Maryland Women's Business Center

Executive Director (interim) of a multi site child care agency and management consultant for child care businesses

Head Start/Early Head Start organizational, management and grant specialist

Love for early learning and care business solutions



AGENDA

BUILD BUSINESS CAPACITIES OF CHILD CARE PARTNERS TO CLOSE THE COST- QUALITY GAP

Fiscal and business challenges to ECE businesses

Iron Triangle

Shared Services



Top 8 Facts on ECE Business Practices

1. Unlike other educational institutions, most ECE operate as very small businesses
2. 80% private, for-profit, small businesses
3. Most barely break even
4. Business infrastructure under resourced in time and skill
5. Typical child care center director is responsible for multiple tasks
6. Most use no business metrics to drive decisions
7. Poor fiscal management #1 reason ECE programs fail
8. **Even programs with high QRIS/ECRS scores may not see fiscal trouble until it is too late**

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TOP 7 EXTERNAL FACTORS IMPACTING ECE

1. Business services expanding - Revisions to CCDBG
2. QRIS systems may or not recognize value of nor measure business skills
3. CCR&Rs seeking ways to meet the needs of a sector "sold a bill of goods" - the economics of small ECE businesses and increasing quality
4. National, regional and local approaches varied and untested
5. Government and private sector initiatives (RTT, Pre-K, Business Community, EHS-CCP, BUILD) demanding more.
6. Growth in ECE labor market – 17% projection
7. Crossroads of Shared Services vs. straight up business services.

THESE VARIABLES OVERWHELM PAYWAYS TO QUALITY

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The Challenge: The Cost-Quality Gap*

Higher quality ECE costs more than most families can afford

Market-based ECE encourages low tuition fees and discourages investments in quality

Many ECE expenses are fixed (e.g., by regulation or industry practices)



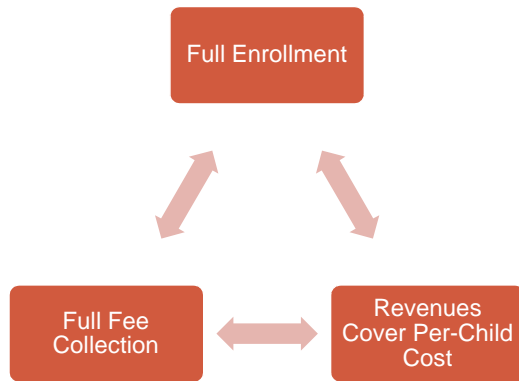
Solutions to bridge the cost-quality gap

Iron Triangle

Shared Services



The Iron Triangle – A formula for ECE finance*

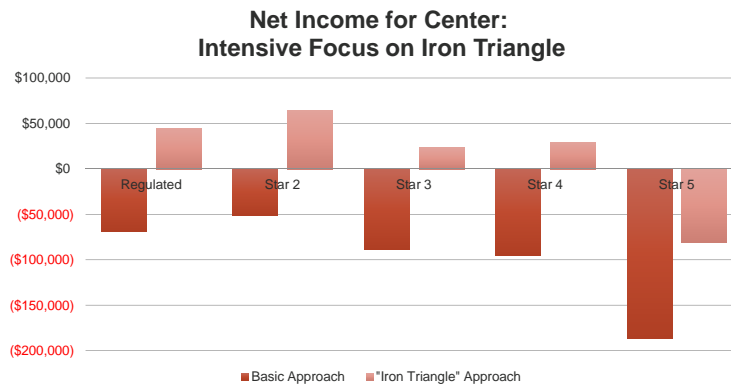


- Ensure full enrollment – every day, in every classroom
- Collect tuition and fees – in full and on-time
- Revenue covers per-child cost (tuition, fees + 3rd party funding)

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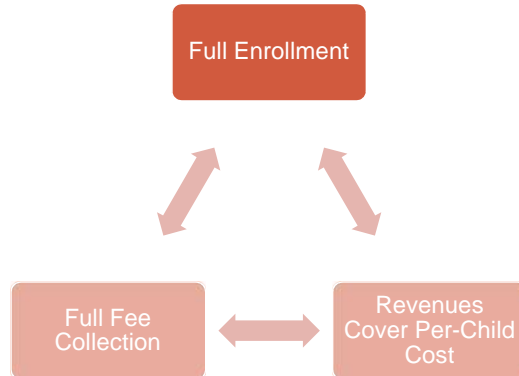
Cost Modeling: The Iron Triangle Matters*



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Point 1 – Full Enrollment*



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Full Enrollment = Every Staffed Seat Full*

Budgets are based on STAFFED capacity (not licensed capacity)

If you are paying for staff in a classroom, and the room is not fully enrolled, you are losing money

Factors such as: unpaid absence days, part-time slots, gaps in filling slots, keeping spaces open for children who “age up”, holding slot open for siblings, and so forth...ALL contribute to less-than-full enrollment

It is important to view your Program Philosophy with a financial lens

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Program Strategies for Full Enrollment Oversight*

Data – Track your vacancy rate, by classroom, each week and use these data to drive decision-making

Technology – Use a child management system that includes vacancy reports, staff assignment tools, supports on-line enrollment for families, & other relevant functions.

Trends – Use data to understand when enrollment waxes and wanes, and plan classroom staffing accordingly.

We should be gathering and reporting industry-wide data on vacancy rates to keep slots full!

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SEPTEMBER 2014 ENROLLMENT ACTUAL VS. BUDGET							
Center A				Actual		Budget	Revenue
Center A			Actual		Budget		Revenue
	B/A School	\$ 522	14.20	\$ 7,412	13.00	\$ 6,786	\$ 626
	After School Only	\$ 434	26.40	\$ 11,458	30.00	\$ 13,020	\$ (1,562)
	Before School Only	\$ 174	1.40	\$ 244	1.00	\$ 174	\$ 70
Total			42.00	\$ 19,114	44.00	\$ 19,980	\$ (866)
Center B				Actual		Budget	Revenue
Group	Description	Rate	Enrollment	Revenue	Enrollment	Revenue	Variance
Sunshines	Pre-School	\$ 883	14.00	\$ 12,362	16.00	\$ 14,128	\$ (1,766)
Froggies	Pre-School	\$ 883	18.60	\$ 16,424	16.00	\$ 14,128	\$ 2,296
School Age	Before & After School	\$ 415	30.60	\$ 12,699	28.00	\$ 11,620	\$ 1,079
	After School Only	\$ 415	0.00	\$ -	0.00	\$ -	\$ -
	Before School Only	\$ 200	6.00	\$ 1,200	8.00	\$ 1,600	\$ (400)
Total			69.20	\$ 42,685	68.00	\$ 41,476	\$ 1,209
Center C				Actual		Budget	Revenue
Group	Description	Rate	Enrollment	Revenue	Enrollment	Revenue	Variance
Kittens	Preschool	\$ 1,268	12.80	\$ 16,230	12.00	\$ 15,216	\$ 1,014
Buffaloes	Preschool	\$ 1,222	14.60	\$ 17,841	20.00	\$ 24,440	\$ (6,599)
Pre-K	Transitional Kindergarten	\$ 1,222	10.20	\$ 12,464	18.00	\$ 21,996	\$ (9,532)
Terapins	B/A School	\$ 522	6.80	\$ 3,550	7.00	\$ 3,654	\$ (104)
	After School Only	\$ 434	11.40	\$ 4,948	12.00	\$ 5,208	\$ (260)
	Before School Only	\$ 174	0.20	\$ 35	2.00	\$ 348	\$ (313)
Total			56.00	\$ 55,068	71.00	\$ 70,862	\$ (15,794)
TOTAL							\$ (15,452)



Program Strategies for Full Enrollment Staffing*

Administrative Staff – Staying full requires focused attention. Consider establishing an Enrollment Department, perhaps shared by a group of centers or homes.

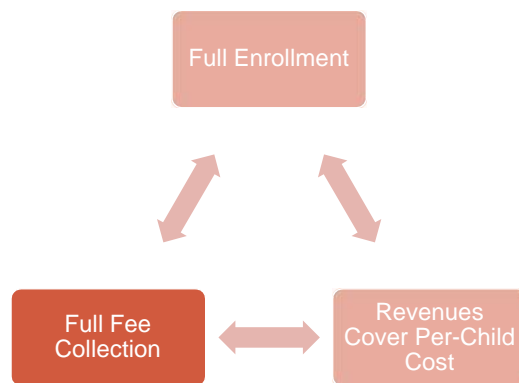
Classroom Staff – If under-enrollment is chronic consider closing some classrooms or forming mixed-age classrooms

These tasks are expensive if you are a small, stand-alone site but may be possible if you share costs with others

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Point 2 – Full Fee Collection*



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Program Strategies for Full Fee Collection Oversight*

Data – Maintain data on bad debt: % of fees not collected by parents (on subsidy and not) and number of unpaid days from state/local subsidy agency due to absences. Track trends.

Reconciliation – Make sure you have a process to reconcile what is owed with what you received, including subsidy reimbursement from the state.

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Program Strategies for Full Enrollment Staffing*

Collections Staff

Create a separate staff responsible for fee collection (which could be shared) so Directors/Teachers who have relationships with families do not collect fees.

Technology

Require or incentivize ACH payment, from bank account, credit or debit cards (with waiver for special circumstances)

Third Party Billing

Explore a shared billing service, ideally with easy links to the state payment system

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Policy Strategies for Full Enrollment Staffing*

Co-payments

Base subsidy co-payments on % of income, for all children, vs. price of care for each child

Consider waiving/lowering co-pays for higher quality programs

Absence Policy

Consider subsidy reimbursement based on enrollment vs. attendance

Or a fair and balanced policy that takes extended illness and the instability of the family into consideration

Maximize automation

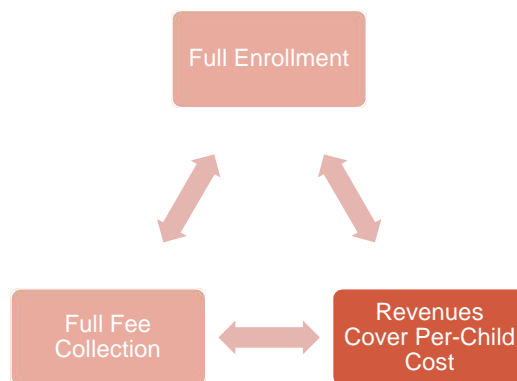
On-line billing for public & private fees

Permit Third Party billing for subsidies

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Point 3 – Revenues Cover Per-Child Cost*

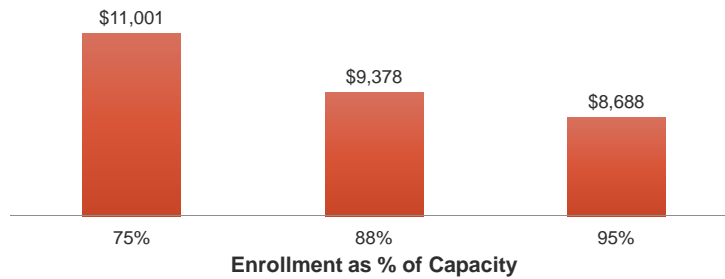


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Enrollment Impacts Cost of Care*

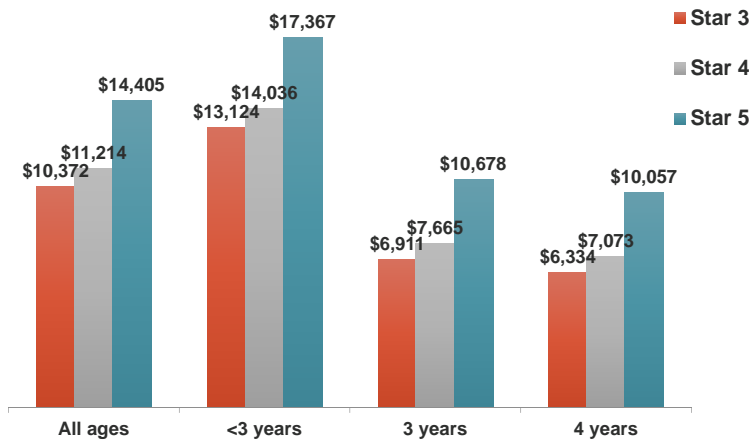
Annual Cost Per Child
All ages, Star 4 Center in LA
Capacity = 76



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Ages of Children Impacts Cost of Care*



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Program Strategies for Revenue that Covers Full Cost Per-Child Oversight*

Data – Know your cost per child:

How do costs vary by age/classroom?

What is the relationship between average enrollment (by classroom) and per child cost?

Does full enrollment generate more revenue than raising rates?

Should some classrooms be closed or combined?

What percentage of cost is administrative/supervisory? Can this be lowered via shared services?

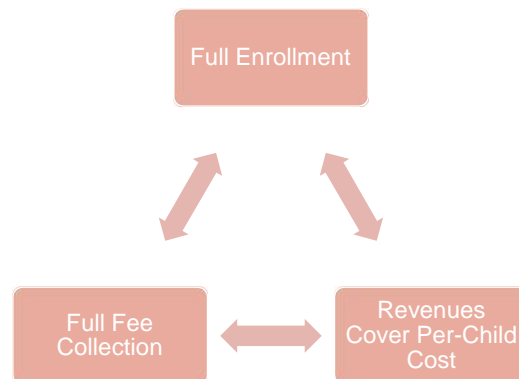
Technology – Automate your fiscal management:

Monitor revenue closely, and collect/manage revenue more reliably

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The Iron Triangle – Closes part of the gap...but usually not all of it.



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Second Strategy to Bridge the Cost/Quality Gap = Shared Services*



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Shared Services: a new approach to ECE management and leadership*

Centers share business and professional development functions by creating back-office alliances

Centralizes key functions

Saves dollars

Strengthens management capacity

Improves early learning

Ensures sustainable, high quality programs

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What if they share PURCHASING?*

**Acceptable center has a surplus of
\$2,968**

**Better center has reduced its loss to
\$17,706**

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What if they share OFFICE STAFF?*

**Acceptable center has larger surplus of
\$12,315**

**Better center has further reduced its
loss to \$7,349**

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What if they share a DIRECTOR?*

Acceptable center has even more surplus - \$12,315

Better center finally breaks even and even has a surplus of \$24,776!

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Example: Early Learning Alliance (formerly Seacoast ELA), Portsmouth, NH



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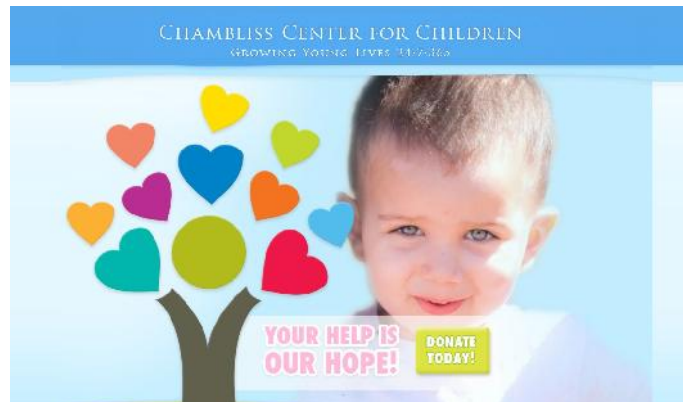
SELA Member Success Stories

Actual Cost & Time Savings & Quality Improvements

- **\$5,200 annual savings** on commercial insurance
- Three members are **saving 17-24% on their food costs** – one reinvested their annual \$26,000 into serving more whole grains and fresh fruits & vegetables
- **A teacher is saving \$630 per year** on her own home and auto insurance
- A member saved **\$2,000 just last month** on a Discount School Supply order
- **\$2,400 annual savings** on credit card fees
- **Deep discounts** for heating fuel for programs and **for their teachers**
- **\$1,000 saved per year** with cleaning company
- **12% annual savings** on trash removal



Example: Chambliss Center for Children, Chattanooga, TN



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Moving Forward to Close the Gap: A Philosophy for Partnerships

Set vision and goals to build sustainable business capacities for entire CCP

Establish profit margins that allow for future investment and adequate cash flow

Design funding formulas based on these goals/objectives

- Create a Standard Center Classroom Budget – layer in all the authentic costs

- Define the business processes and metrics for what makes for a sustainable high quality center - use Iron Triangle and cost modeling techniques.



Moving Forward to Close the Gap: Partner Selection is Critical

Assess and rate centers' business capacity:

Selection Process

- Request CCP's standard classroom budget – revenue and expenses – and compare to the standard one grantee created.

- Request business (PMFO) metrics; fiscal documents for past three years, business methods, staffing information, and supported for business functions.

- Ask how they use business metrics to drive decisions.

- Ask how tuition rates are set?

- Ask about enrollment and tuition collection practices.



Moving Forward to Close the Gap: Build Capacity in HS/EHS Partnerships

Rating Business Capacity

Business capacity metrics

Iron Triangle metrics

Addressing Business Capacity Gaps

What is plan and is it sustainable?

How can shared services be achieved and supported?

Monitoring Business Functioning

Set business metrics, monitor and respond

Create a dashboard for CCPs to report in this functional area

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SUMMARY

Business performance is directly linked to quality.

Building business capacity is essential.

Develop detailed budgeting on both sides that account for the true cost of delivering quality.

Assess and establish business metrics, dashboards and monitoring functions, and use as drivers for program decisions.

Explore and establish business shared services where appropriate.

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Questions/Answers and Discussion



Thank you for coming! Contact Information

dunphy@foundationsforfamilies.com

703-975-3816

"If you want to go fast, go along.
If you want to go far, go together."
~ African proverb

