

Beyond The Comfort Zone: New Ideas for The Early Care And Education Industry

*A Summary of the
Kellogg Venture Grant Initiative*

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Introduction

Imagine a world in which early care and education staff receive the support they need to succeed: training and education, good health and retirement benefits and decent wages. Imagine a world where early care and education was not a special, targeted program but an integral part of all American communities. In such a world, early care and education would be included in every community plan and would be part of our local and state economic development strategy. Labor and human resource experts, transportation and land use specialists, planners, tax accountants -- leaders in many fields -- would incorporate child care and early education needs and resources into their daily work.

Sometimes this seems like an impossible dream. Sometimes it is hard to imagine that the hodge-podge of programs and services we call early care and education could actually grow into a vital, successful industry. But it is entirely possible.

The Venture Grant initiative was designed to spawn innovative new ideas that linked child care and economic development. This paper profiles grant recipients, what they accomplished in the first year, and where their work is heading.

Making the dream a reality will require new resources and leadership. But it will also require that the field of early care and education (ECE) to change the way it does business. To effectively strengthen the ECE workforce -- through improved education, wages and employee benefits -- we need strong, stable ECE businesses that can attract and administer funds from many sources. To ensure that ECE is woven into the fabric of our communities, we need empowered, educated partners in other fields such as planning, transportation and economic development.

The field of early care and education needs bold, new ideas. To this end, the Cornell University Linking Economic Development and Child Care Project joined forces with Smart Start's National Assistance Center (NTAC) and launched a venture grant initiative. With funding from the Kellogg Foundation, small \$5,000 grants were given to encourage innovative ideas that linked child care and economic development. Twenty-seven organizations responded and many of the ideas were terrific. After much deliberation by a panel of experts in ECE, economic development, academia and public policy, six proposals were selected. This paper briefly describes the grantees, what they accomplished in the first year, and where their work is heading.

A New Co-Employment Model

A major barrier to financing early care and education programs is the fragile nature of the industry and the absence of economies of scale. Early childhood programs--unlike their counterparts in other industries--tend to be very small. And very small businesses rarely have the financial stability and fiscal expertise necessary to take advantage of new, innovative financing strategies. Because of their size, early childhood programs find it difficult to weather bad economic times (when enrollment might be down) or to take financial risks (such as borrowing money to grow). They often can't take advantage of new educational approaches or service delivery strategies (because they don't have the

staff) and typically have high administrative costs (as a percentage of direct services or expect staff to serve dual roles, such as a teacher/director.) (Stoney & Mitchell, 2003)

While the average child care center serves approximately 70 children, it is not uncommon to find centers that enroll only 30 or 40. In many parts of the county child care providers are largely home-based, and serve only a half dozen children. This is in stark contrast to public schools, that serve hundreds of children at each site and cluster business management in a single school district office. Colleges and universities are equally large, with campuses that serve up to several thousand students. Both of these entities can afford to support professional staff to focus exclusively on fiscal management, fundraising and human resources. (Stoney & Mitchell, 2003)

The Association of Early Childhood Professionals received a grant to explore the feasibility of creating a Private Employer Organization (PEO) for the early care and education industry. Their vision is to expand access to employee benefits and strengthen small ECE business using a 'co-employment' strategy.

Even in the private sector companies are increasingly coming to realize that success may lie in plotting common approaches to resource management and service delivery. One example is a business model called a Private Employer Organization (PEO). A PEO is a co-employment strategy that allows small businesses to share the cost of human resources and human resource management services. And it's an idea that holds promise for the early care and education industry.

The Association of Early Childhood Professionals (AECP) in Greensboro, North Carolina received grant funds to explore the feasibility of creating a PEO to meet the needs of the early care and education industry. Simply put, their vision is to create an entity (an Early Care and Education PEO) to serve as the joint employer of staff who work in multiple child care centers and the 'employer of record' for family child care providers. Thus, participating staff would have two employers: the PEO for purposes of payroll, benefits and other human resource services, and the child care center (or themselves, as sole proprietor of a family child care home) for purposes of hiring, daily supervision and overall decision-making with regard to the child care business.

A key benefit of the PEO approach is access to affordable health insurance, retirement plans, disability insurance, workers compensation and other employee benefits. By drawing staff from multiple settings into a single pool, the PEO is able to access better insurance at lower prices. In addition to aggregating the cost of human resources, an ECE Private Employer Organization could provide opportunities for small early care and education businesses to share the cost of purchasing equipment and supplies, staff recruitment and training, billing and fee collection, or other overhead expenses. It might manage a wage initiative, or attract other workforce development funds that could be used to help raise worker wages. There are many possibilities.

ACEP used Venture Grant funds to conduct focus groups with providers, research the legal and financial issues related to establishing a PEO, and convene a steering committee to assist in reviewing the research and recommending an appropriate leadership and structure for the intermediary. Next steps include the following:

1. ACEP has recruited a core group of child care center directors and family child care home providers who will be given targeted training and resource materials. (ACEP is currently working on short fact sheets and information materials on the concept.) This core group will then be sent out to the field as "ambassadors" to sell the idea at local provider meetings, conferences, and so forth.
2. ACEP is seeking a financial partner -- such as a community development financial institution -- to help incubate the new PEO intermediary organization.
3. This fall, ACEP will be part of a national consultative session, hosted by the Annie Casey Foundation, on applying the PEO concept to the early care and education industry.

Connecting Child Care and Transportation Policy

The amount of time families -- and young children -- spend in cars is increasing rapidly. Those involved in child care resource and referral know that location is a key factor in parents' decisions around child care. Families need arrangements that are aligned with their commute patterns: either near home, near work, or within easy access to their route to work. New Transit Oriented Development and "smart growth" strategies are aimed at reducing commutes, limiting urban sprawl and saving energy. In short, child care leaders and transportation planners need to work together. The child care field has data on program locations, times, hours, start-up costs and needs; transportation experts have information on commuting patterns and primary transportation corridors, customer demographics on commuters and their travel corridors, employment patterns, and so forth. These data, if combined in helpful ways, can create rich soil for planning that supports families as well as sound community development.

LINCC's Child Care, Transportation and Land Use project found that there are many players in the transportation world who will get excited about building child care links if given the opportunity.

Child care and transportation can also craft linked financing strategies. Transportation leaders focus on infrastructure development, and can leverage funding for ECE facilities near transit hubs. Child care leaders understand operating needs and expenses, and the funding streams that can be tapped for this purpose. The fields have much to gain by working together.

California's Local Investment in Child Care (LINCC) Project, through its partner, Santa Cruz Community Ventures in Santa Cruz, California, received Venture Grant funds to reach out to national, county and regional leaders in transportation policy and planning.

LINCC is a multi-county project that works to build the local infrastructure that supports child care facilities development. LINCC identified key geographically and organizationally diverse child care and transportation leaders with access to transportation resources, child care providers and child care consumers. With these leaders, LINCC convened a Roundtable Discussion to develop an action agenda that effectively links the two fields. The project also prepared the following resource materials:

- A meeting summary;
- An overview paper, for the broader child care field, that includes highlights from the meeting, key opportunities for child care siting and mobility improvements, a priority list of LINCC's most viable next steps (out of 34 suggestions made at the meeting), and lessons learned;
- A transportation, child care and land use literature review;
- A matrix of possible funding sources for school/child related transportation programs;
- A PowerPoint presentation on child care, land use and transportation

Sometimes even simple ideas can be powerful solutions. Santa Cruz County Regional Transportation Commission CommuteSolutions sponsors a free referral service -- called SchoolPool -- that brings together families who wish to form a carpool to and from school. Parents provide information about their needs; CommuteSolutions matches up families based on their home and school locations. (For more information, go to www.commutesolutions.org.)

LINCC's Child Care, Transportation and Land Use project generated a lot of energy, and the group is already seeing greater transportation agency involvement in their work. Participants learned that there are many players in the transportation world who will get excited about building child care links if given the opportunity. Key lessons include the following:

- Pay careful attention to identifying the most appropriate partners and encouraging "out of the box" thinking. LINCC hired a consultant with background in transportation policy, who was familiar with transportation organizations and leadership. The consultant helped bring the right folks to the table and forge a common language across the fields.
- Transportation planners have data and ideas that can be helpful to the child care industry. Giving them the opportunity to share this information can be an important first step.
- Research that links child care, transportation and land use is not readily available. Yet this research is needed for effective advocacy and planning. With Venture Grant funds, LINCC began to create these links and identify relevant research priorities.

- Universities can be key partners in building transportation links and developing proposals for research. A graduate student from the UC Berkeley Institute of Transportation Studies was a key member of the Roundtable and provided helpful support to the project overall. She has now secured a position at the University of Virginia, and will carry these ideas to her students from other states and communities--thereby extending the learning community.
- Child care programs and intermediaries (such as CCR&Rs and child care loan funds) have many opportunities to link with the transportation planning world.
- Time is of the essence. Given real estate development trends in California (as well as other parts of the US) it is important to plan community infrastructure development now, and to think carefully about building links between transportation planning and child care.

LINCC is already seeing results from the meeting. They have applied for a state transportation agency grant to support statewide child care and transportation research on parent travel behavior to and from existing child care programs at California transit stations. The transportation organizations that participated in LINCC's Roundtable strongly support this work and have submitted letters of support. Additionally, a major Bay Area transit provider who attended the Roundtable has developed a proposal to incorporate child care data collection in a future project (on trip generation rates for specific land uses.) In addition to working on these -- and other -- efforts, LINCC plans to periodically reconvene Roundtable participants to review progress and craft next steps.

Linking Child Care And Workforce Development

The early care and education care industry has a very large workforce and a deep need for carefully planned professional and workforce development. Yet state and local workforce

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development agencies have, on the whole, been reluctant to include ECE in their efforts. The primary barrier is a view that child care employment is just a low wage, dead end job.

The Seattle Department of Human Services Child Development Section (CDS) decided to address this problem head-on, and requested Venture Grant funds to help them to build relationships with the City's the Workforce Development Commission (WDC) and the City of Seattle Office for Economic Development.

When CDS first approached the City's economic development office about sponsoring a study on the economic impact of the early care and education industry the response was lukewarm. But they forged ahead and conducted the study. Armed with results, they went back. This time, the response was entirely different. They had data. They could speak the language. And their case was compelling.

Venture grant funds were used to take the next step. CDS staff researched the tools and methods used by WDC and other economic development agencies to support businesses in King County. Then, they re-crafted their request for help to reflect the language and approach used by these entities. Several documents were prepared, including:

- A Child Care Workforce Environmental Scan, which is basically a description of the ECE workforce and its career linkages. The report was titled an "environmental scan" because that is the language and frame typically used by WDC. Included in the document are data on the size of the workforce, job titles, professional development requirements and compliance levels, training organizations, educational opportunities and wage progression. Also included is an analysis of the external and economic factors that impact the industry.
- A draft plan for a Childcare Skills Panel, a group charged with the task of reviewing industry data and crafting a workplan for strengthening the workforce.

WDC was impressed with the work and agreed to submit a proposal for state funding to support the panel. Although the proposal was not selected for funding (the process was highly competitive and only 3 grants were awarded statewide) the process itself was fruitful. WDC is now exploring the feasibility of using funds from other sources to host a skills panel for the early care and education industry.

Collaborating With Planning Organizations

Maintaining comprehensive, up-to-date data on child care supply and demand is a daunting task. Child care leaders who have engaged in this process are quick to point out that "all child care is local". In other words, the best place to locate comprehensive data collection efforts is at the community level. To this end, Windham Child Care Association in Brattleboro, Vermont requested Venture Grant funds to explore the feasibility of data collection collaboration among Vermont's Regional Planning commissions (RPCs) and Building Bright Futures (BBF), the state's fledgling early childhood system.

In 2003 Vermont passed legislation requiring Regional Planning Commissions and towns to include child care in their plans. Windham's Venture Grant project aimed to use this policy to link child care and regional planning bodies.

Vermont has been engaged in a multi-year project aimed at building local entities (Vermont Alliance for Children Local Affiliates) to help plan and administer a broad array of dollars for young children. Gathering accurate data is key to this work. Additionally, in 2003 Vermont passed legislation requiring Regional Planning Commissions (which are broad-based, local planning entities) and towns to include child care in their regional and local plans. While many agencies and towns have begun to address the child care planning goal, some view the new requirement as an "unfunded mandate" and feel that they do not have the resources needed to implement it. The Venture Grant project aimed to use this opportunity to link data collection efforts between the child care and planning communities. At the outset, three goals were

established for the project: analyze available data, identify the feasibility of a shared data collection strategy, and lay the groundwork for a Memorandum of Understanding between the two groups.

The first step was to figure out data needs. This resulted in a matrix of ECE data needs and potential sources. While data sources were under review, project staff met with each of the local Regional Planning Commissions to ascertain their ability and willingness to collaborate on data collection. These discussions also helped to educate the RPCs about the Vermont Alliance for Children: Building Bright Futures, and the state's early care and education system.

However, crafting a statewide, shared data collection strategy proved to be a difficult task. Planners had many competing objectives and did not have the resources to reach out to the child care community. The Vermont Alliance for Children: Building Bright Futures was still in its infancy. Local Vermont Alliance for Children affiliates were not up and running in all parts of the state, making it difficult to forge significant links with local planners. In short, Windham Child Care learned that securing consistent participation from local planners requires strong, statewide leadership and persistent effort.

While it was premature to develop a data collection Memorandum of Understanding between the State Agency of Commerce and the Agency of Human Services, the groundwork has been laid for future regional collaboration. Regional Planning Commissions see the need for, and the benefits of, collaborative early care and education data collection. And RPCs have the resources to complement the work of Local Vermont Alliance for Children affiliates.

Several local planning efforts are already underway. For example, in Chittenden County (which includes the City of Burlington) the Planning Commission and the Early Childhood Council outlined a regional plan for early care and education. And planners in Lamoille and Williston Counties are also working closely with ECE leaders to address the child care planning goal.

Tracking Child Care Industry Trends In Revenue And Expenditures

Approaching child care as an industry offers a host of new opportunities for technical assistance. In effect, it shifts the focus from independent to interdependent needs (Rosenfled, 2002) An industry-wide approach to problem solving requires trusted leaders who understand the field and can speak its language. It also requires industry-wide data. The economic impact studies conducted by many states and communities (<http://government.cce.cornell.edu/doc/reports/childcare/matrix.asp>) are a key step in the right direction. However, effective technical assistance, research and development require more in-depth information

Work Family Resource Center in Winston-Salem, North Carolina received Venture Grant funds to produce a user-friendly guide to creating ECE operating budgets and begin a process of gathering industry-wide revenue and expense data.

about industry revenues and expenses.

To help address this need, the Work Family Resource Center in Winston-Salem, North Carolina received Venture Grant funds to produce a user-friendly guide to creating ECE operating budgets and to begin a process of gathering industry-wide revenue and expense data. The tool was developed in collaboration with an advisory committee and was reviewed by a small group of providers this summer. After revising the tool -- and creating a separate template for home-based care -- thirty child care providers, in two counties, were recruited to complete the 22 page form. Project staff are currently working with these providers to ensure that the template is completed accurately. Results will be tabulated by December, 2005. Key lessons include the following:

- The early care and education industry lacks common cost definitions. Staffing patterns vary, as do the categories used for overhead expenses. In-kind contributions are common, and typically not reflected in budgets. This is especially true for home-based care.¹ To effectively gather industry-wide information, standard definitions must be established and programs must be trained in how to use the budget tools.
- Providers who have previously received technical assistance or training from existing organizations like child care resource and referral agencies were better prepared to participate in the project.
- Offering stipends for participation in data collection is key to success. Participating in this sort of in-depth budget analysis takes time, and many ECE programs either do not have dedicated administrative staff or are reluctant to pull staff away from other projects. Even a small stipend can provide the needed incentive for providers to participate.
- Confidentiality is an issue. The Work-Family Resource Center was careful to identify budget data only by code and to be clear that results will only be shared in the aggregate. Additionally, they secured a consultant (not one of their regular staff) to work with programs that had questions or needed technical assistance.

A New Business Model For Home-Based Child Care

Increasingly, the traditional boundaries between nonprofit and proprietary business sectors are blurring. Non-profit organizations have begun to develop earned-income ventures, and for-profit businesses are taking

Higher income families want quality infant and toddler care, especially in home-based settings in their own neighborhoods. A team of graduate students at Harvard University saw this as a unique market opportunity. They developed a new business model to serve these families and use the profits to help subsidize care offered to lower income families.

¹ Project staff found that most home-based providers did not have annual budgets, and those that did typically used annual tax returns as the basis for preparing a summary of revenues and expenses.

on social missions. These "social entrepreneurs" are inventing new business concepts and hybrid organizations. Early care and education -- which serves both a public and private good -- offers a host of opportunities for new social ventures.

A team of graduate students, in cooperation with All our Kin in New Haven, Connecticut requested Venture Grant to explore what they saw as a unique market opportunity-- offering high quality, home-based infant and toddler care in high income neighborhoods and using the profits generated by this service to help subsidize care offered to lower income families. Venture funds were used to refine, market and finance a business plan for a new social venture, called Meetinghouse Child Care.

Meetinghouse based their plan on market research. Focus groups and surveys with families who earn more than \$100,000 per year underscored that the infant and toddler care available to them was unsatisfactory. These families reported that they were looking for care that was: 1) provided in their own home and/or neighborhood; and, 2) offered by supervised child development professionals. Results from market research also helped to guide decisions regarding target market, location and pricing.

A business plan, which outlines the Meetinghouse model, was finalized in several forms-- long, detailed version, a short written summary, and a PowerPoint presentation. The model creates a support structure for child care that is offered in small, self-selected groups (up to 3 children) in customers' homes with Meetinghouse-employed caregivers. Caregivers will participate in regular training on best practices in 0-3 child care. Supervision and professional development will be delivered by child care directors from a central office. Parents will have opportunities to attend support groups. The profits generated by serving higher income families will be used to help subsidize the wages, professional development, and supervision of home-based providers who care for lower income families.

In addition to preparing a final business plan, Meetinghouse strengthened its partnership with a nonprofit child care organization, All Our Kin (a family child care agency in New Haven, CT), which will provide technical assistance and consulting as Meetinghouse attempts to launch. Meetinghouse is also working closely with the Yale School of Management to secure interns and financial support for business development efforts.

Conclusion

All too often innovative ideas wither and die before they even have a chance to take shape. Time and energy is sapped by overflowing emails, phone calls and staff demands. The Venture Grant initiative was instrumental in moving new ideas toward development because it helped provide focus. A small amount of additional funding helped to free up staff time. Peer support helped maintain momentum. Technical assistance helped smooth bumps and encouraged new ideas. Each of these projects has a long way to go. But they have made major progress. And, collectively, they offer the field of early care and education some new ways to approach common challenges.

Contact Information and Resource Materials Available from Venture Grantees

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Local Investment in Child Care (LINCC)
Child Care Ventures
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Available Resources, at <http://www.lincc-childcare.com/>:

- *Linking Child Care, Transportation and Land Use: Obstacles, Opportunities and Next Steps.* (September, 2005) A White Paper by the LINCC Project.
- Pojani, D. *Child Care and Transportation: A Literature Review* (September, 2005)

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Available Resources, at <http://www.windhamchildcare.org/>

- *Building Collaboration Between Regional Planning Commissions and the Affiliates of the Vermont Alliance for Children: Building Bright Futures.* (September, 2005.) Feasibility Study Submitted to the Vermont Alliance for Children Transition Board.

- *Guidelines for Addressing the Child Care Planning Goal* (January, 2004). Windham Child Care Association and the Windham Regional Planning Commission. <http://www.windhamchildcare.org/>

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Available Resources

- *Workforce Training & Education Coordinating Board - 2005 Skills Panels*
WDC of Seattle-King County: Childcare Skills Panel
- *Child Care Workforce Environmental Scan: A Description of the Workforce and Career Linkages for the Child Care Workforce to the K-12 System in King County.* (Summer, 2005). Washington State Child Care Resource & Referral Network.

For further information on Venture Grantees and their resource materials, go to
www.earlychildhoodfinance.org
<http://economicdevelopment.cce.cornell.edu>

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