



## How to Model Business Training & Technical Support to Meet the Needs of Early Childhood Educators



### Overview

Leaders in the childcare and early education industry—mostly women of color—face structural barriers accessing financing and other support for their businesses and organizations. Additionally, child care is rarely prioritized as part of community development plans or investments. Existing revenue sources rarely allow programs to address the high cost of service. In order to stabilize and grow quality programs, additional, new permanent funding streams are needed. Until this occurs, business coaching and technical support can equip early childhood educators and business owners to understand and employ best practices related to financial management. These efforts can help to stabilize operations and ideally encourage long-term sustainability and growth. As agencies seek to create supports that address root causes, it is important to understand the challenges that providers face.

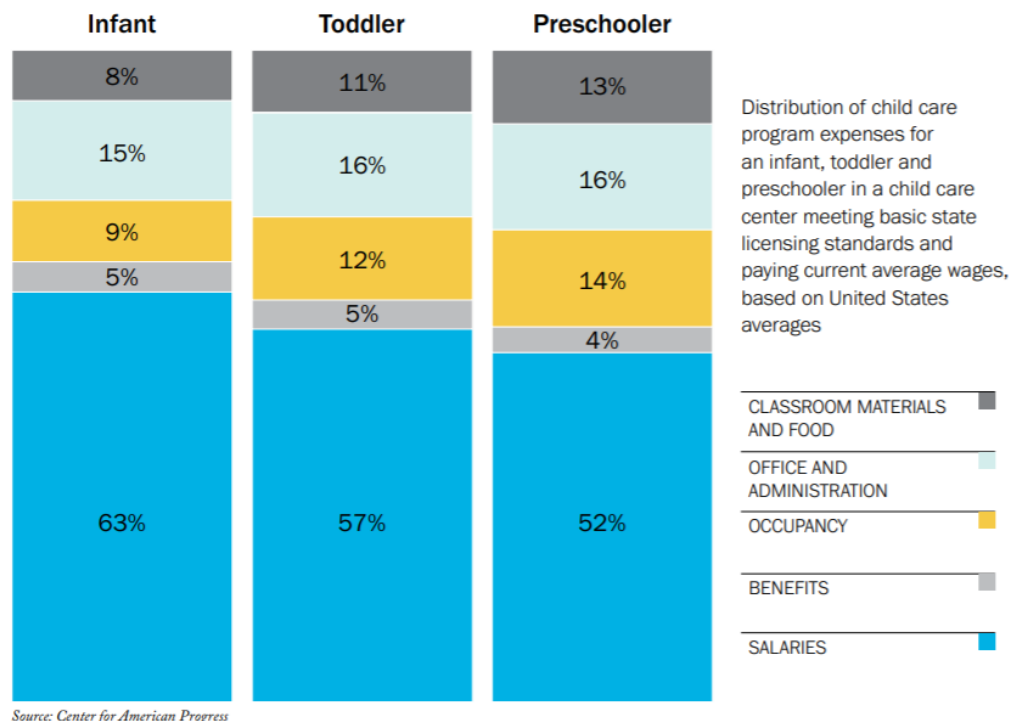
### SOME OF THE CURRENT CHALLENGES:

The financial performance of the majority of operators, particularly those serving children with income-based subsidy, is precarious to begin with due to an inherently flawed business model. Both market and subsidy rate-setting practices have perpetuated artificially low rates, constraining revenue growth. When facilities are no longer able to increase in size and program expansion is limited, enrollment will remain flat, with limited opportunities of rate increases. This is coupled with a fairly rigid expense structure. According to

Center for American Progress, staffing and benefit costs typically account for over 50% of total expenses with remaining funds going to occupancy and overhead, food and daily programming. This leaves little to invest in quality improvement activities including facility upgrades or to contribute to fund balances or cash surpluses.

The typical child care and early learning provider also does not often qualify for traditional or commercial banking capital due to:

- Unpredictable and short-term nature of many funding streams that compose the bulk of operating revenue
- Delayed reimbursement process for state subsidies
- Lack of sufficient collateral—many operate in leased spaces
- Tight operating margins



Home-based child care educators face another host of issues as they are often organized as sole proprietors, and based upon ratio requirements and current enrollment along with financial resources, may be unable maintain additional staffing support. This severely restricts an operator to take on functions beyond those required to offer healthy, safe and quality programming to children. Without additional administrative support or the knowledge to develop systems and put into place mechanisms to automate or identify third-party service providers – basic business practices and financial oversight and accountability methods often fall to the wayside.

Increasingly internet, computer access and basic digital literacy is required not only to access and connect with agencies for information on licensing, regulatory and child care subsidy information, but because most funding opportunities run program information and eligibility through web-based applications. Not all are mobile-friendly and access to libraries or other publicly available computers are difficult to access outside of normal business hours.

Providers that offer non-traditional hours often have limited time to conduct basic business practices and often have difficulty finding service providers (bookkeepers, accountants, etc.) that are available during mutually beneficial times.

## **OPPORTUNITIES TO ADDRESS THESE CHALLENGES:**

Consider developing the talent of a network of third-party service providers, offering education and training on the complexities of a child care operation. This may include basic information and context on the daily financial transactions of a typical operator to detail on the wide array of regulations pertaining to various child care funding sources available in a location. Armed with a better understanding of the needs of an operator, a pool of financial service providers could be available to support regions or specific types of operators.

With no streamlined or universal financial accounting requirements, providers face challenges understanding what fiscal practices are necessary and appropriate for their organization type and the sources of revenue and forms of expenses. With limited systems in place or overarching financial accountability metrics, and without dollars available to support some of the administrative and financial functions necessary to follow best practices, providers remain discouraged and are unnecessarily challenged as they look to adhere to a diffuse series of recommendations and requirements. Streamlining financial accounting requirements across funding streams would benefit many – and offering funding to set providers up with training, technology and resources to comply would make a remarkable impact.

Making available a set of baseline fiscal practices that would benefit all forms of operators and formulating a comprehensive and coordinated range of supports to coach, train and provide technical assistance and automation activities to meet the individual needs of operators is critical. Content areas would cover basic financial literacy and education to emphasize the importance of better business practices, and eventually layer in ways to establish practices suitable to the form and type of operator. Content areas and best practices may include:

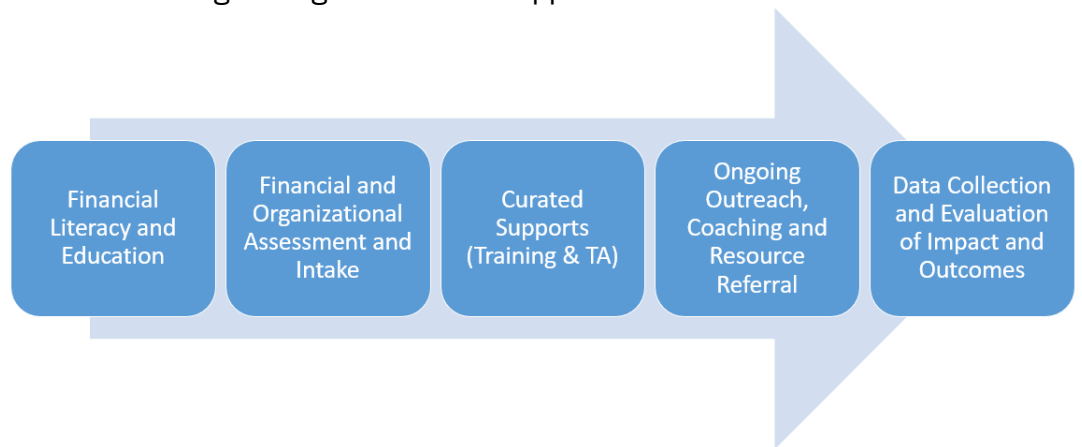
- Business structure and risk management
- Budgeting and financial performance tracking
- Accounts payable/receivable and bank reconciliation
- Fee collection and managing bad debt
- Financial reporting practices
- Tax and audit requirements
- How to establish internal and/or external capacity and systems to manage finances
- Debt and liquidity management

See the [OppEx Financial Management Toolkits](#) created for use in supporting business practices of providers, one developed for center-based operations and another for home-based child care. These resources can support financial coaches and other technical assistance agencies understand the nuance in the child care field and adjust business coaching and technical assistance content and execution accordingly.

To ensure high utilization of services, individual goals should be identified and a clear pathway developed to achieve improved financial practices. Appropriate supports and coaching must be available over an extended period of time in order to successfully and sustainably improve capacity. An effective training and technical assistance strategy will meet the needs of child care providers of varying capacity and offer a continuum of services to enable them to grow and add skills at their comfort level and conforming to their abilities.

Consider the graphic below which outlines such a continuum but could also offer different points of entry to match the distinct needs of a child care operator. Should an operator be unable to articulate their wants or needs related to business supports, a financial and organizational assessment and intake process could evaluate their current circumstances and work to identify short, medium and long-term business goals that can be matched with a curated set of supports over time. Goal-setting is an important component in order to establish benchmarks and growth. It is good to maintain an ongoing connection with operators in order to encourage ongoing participation and adherence to financial goals, troubleshoot any issues and/or provide aid in the navigation of additional and complementary resources that may be available. This may include technology services, shared service strategies or grant and loan opportunities.

Data collection can help track the impact of services and articulate the outcome measures so that program design and content can be evaluated and retooled as necessary to ensure continuous quality improvement.



## **SOME EXAMPLES OF BUSINESS TECHNICAL SUPPORTS IN PRACTICE:**

[Quality Care for Children](#) are a Child Care Resource & Referral (CCR&R) agency that supports providers in operating sustainable, quality child care programs through tools, resources and training and coaching.

LISC Boston ran a [Digital Growth Accelerator](#) program for BIPOC-operated home-based child care providers. The 5-week course teamed educators with a personal consulting team and experienced business coaches to craft an actionable implementation plan for business stabilization. Additionally, providers were paired and supported as they mastered digital tools to simplify operations.

[Children's Investment Fund \(an affiliate of CEDAC\)](#) in Massachusetts couples business training with facility planning and predevelopment activities to prepare nonprofit child care operators to successfully execute a facility project.