State and Territory Administrators Meeting (STAM 2013)
Financing Plenary Highlights

Financing Insights From the Private Sector

Shannon Rudisill
Director, Office of Child Care

I have the privilege of talking to a lot of very interesting people, and I have found that one of the things that is most interesting to me is when I'm talking to some of our private providers, I ask questions, and I get a really different perspective.

And so I put together a panel of folks who are from some different types of early care providers. No presentations – we're just going to go back and forth with questions.

The first thing we're going to do is ask each of the panelists to say a few words of context about the program.

Elanna Yalow
CEO, Knowledge Universe

We're the largest private provider of early learning in the country. We're best known for KinderCare. We also operate CCLC, which is an employer-sponsored brand of ours, and then also Champions, where we partner with about 400 school districts to provide before- and after-school care. We operate in 39 States, about a third of our children get some kind of third-party assistance.

We work with over 700 different agencies, so you can imagine the complexity. We wish there were a little better alignment that would make our life a little bit simpler and, frankly, our children's and families' world a lot simpler, but we provide a tremendous amount of support helping them kind of weave through some of the complexity they have in terms of accessing the resources that are available to help them.

We've started working—actually, with the State of Maryland, but have inquiries out to about a dozen other States—to give States a data set of the children who have left our programs, to see how they're actually doing in kindergarten, first grade, second grade, which is really an exciting opportunity for us.

Henry Wilde
Chief Operating Officer, Acelero Learning

We're a for-profit company that only serves kids in the Head Start program. Our investors are folks who invest in social enterprises. Our business model is built upon Head Start programs that provide extended day services to children through child care subsidy.

We don't think that we're successful unless we're serving low-income working families and families on TANF those extra hours. It's the only way we can be profitable, very marginally profitable, but we also fundamentally believe it's better for kids. We've done research, much like Knowledge Universe, that says the longer kids spend with us, the better outcomes they get. We're obsessively focused on using data to drive decisions.

Margo Sipes
Executive Director, Downtown Baltimore Child Care

We are a private nonprofit organization with one freestanding center that is on the campus of the University of Maryland in downtown Baltimore. We serve 80 children; we have 32 staff. Most of our income comes from parent tuition, but we also have about 10% of our income come from outside funding – grants, an annual giving campaign, that sort of thing. We serve children from 12 weeks through pre-kindergarten.

We tend to be a little bit on the expensive side, so we're known for serving an upper middle class, upper class clientele, but one of the things a lot of people in Baltimore don't know about us is that we have a $140,000 financial aid program as well, so that we serve a broad socioeconomic spectrum of children.

Ed Muenster
President & CEO, YMCA of Metro Atlanta

We have been around for 156 years in our YMCA. We're a 105-million-dollar Y, and 32 million of that is in early learning. Of that 32 million, 11% comes from fees; the rest is raised either through grants or contributions, so we have 3100 kids a day we serve, and our number 1 objective is to ensure school readiness, so that every kid who graduates from our program is ready to start kindergarten on a path to read to learn by third grade.

How do you design your program in terms of overall size and mix of infants, toddlers, and school-age children to ensure financial sustainability?

Ed Muenster
President & CEO, YMCA of Metro Atlanta

We get our best result and support when we have some level of scale going, and for us that's nothing less than 150 children per center. We do a marketing study to see what the demand level is; so we're going to places where nobody has gone. And so that's part of our criteria as well. Is there an unmet need that the Y has the skills to meet, and can we go there?

And that really attracts our donors, and it attracts our grantors. We have a blended funding model. That's why we fundraise, that's why we get in-kind contributions, and so what we have to do, we have to bring a mix of sources together, and that allows us to get the best result we want, and to allow us to sustain this year-in and year-out.

Henry Wilde
Chief Operating Officer, Acelero Learning

We tend to not want to be in places with less than six classrooms, which is close to 120 kids in our world. We have people whose cost is spread across multiple programs, and so we can maintain that high quality of staff. Part of the reason we're organized as a for-profit company is that we wanted to instill in ourselves the discipline that we had to make this sustainable without additional funds. So part of that discipline is we're not going to external sources when we don't break even; we're eating it ourselves, and we can't afford to do that, and that discipline forces us to make those hard choices sometimes.

Elanna Yalow
CEO, Knowledge Universe

Our sweet spot is somewhere around 120 to 180 children. We try to serve from infants through school age. You need to have an adequate size at each age level to ensure that the families don't end up ultimately being displaced. We do have the same financial challenges. Obviously, infant-toddler care is extremely expensive. To some extent that's a loss leader for us, but we feel the opportunity to start with the youngest children and keep them with us as they're growing adds tremendous value to our families.

How do you evaluate whether a child care market will be sustainable when expanding or relocating?

Margo Sipes
Executive Director, Downtown Baltimore Child Care

What we're looking at is to serve the families we currently serve. We have families who've stayed for 10 years, through multiple siblings. So we look at where our clients live and where they work and, based on that data, we've sort of mapped out a catchment area. We're also considering maybe going a little bit outside those actual defined streets, depending upon buildings that are available and developers that might be able to help us in a move.

Elanna Yalow

CEO, Knowledge Universe

We actually try to go into the more highly regulated markets. We want to be in a position where we feel we can compete on quality, and some of the less-regulated markets, you really find yourself competing on price. Our first goal is really to look to environments where we believe we can serve all of the children that we believe could benefit from our services. Even when the reimbursement rates are very low, we're prepared to subsidize those families. It does make it hard when you're going into a new community, to make an investment in a market where you're heavily, heavily dependent on third-party assistance only, because you never know whether or not that funding stream is going to dry up.

Henry Wilde
Chief Operating Officer, Acelero Learning

We do look at the local markets when we're making those choices as to where to apply, and for us, it is looking at markets that have no wait lists. We look for places where slots are set aside for quality, where a quality rating and improvement system actually reimburses higher dollar values for quality. If we were going to a place where we didn't think child care subsidy was available, it's not clear that our model would be sustainable in the same way without that additional funding stream.

What is your experience with grants or contracts as opposed to CCDF vouchers?

Elanna Yalow
CEO, Knowledge Universe

We operate under a variety of different models. We like the voucher model; it allows for more parent choice, and it also gives a little bit more flexibility to the program itself, because that way we can meet the needs of the families who are presenting themselves instead of allocating specific number of spaces for children that may or may not present themselves with a particular need. It can be challenging when the contracted slots impact an entire center. You may have to comply with certain regulatory changes for an entire center, but only have a small number of children actually be coming through with that funding stream.

Henry Wilde
Chief Operating Officer, Acelero Learning

Our preference has been the allocated slots; it's much more predictable for us.

Margo Sipes
Executive Director, Downtown Baltimore Child Care

The issue for us with vouchers is they don't come anywhere near what our monthly tuition rate is. They don't meet market rates, and our rates are a little above market rates. When we accept children with vouchers we have to then cobble together more financial aid for them. And the other issue with vouchers is their unreliability, because they might be for three months or six months. If they lose their voucher and they can't pay, we find more financial aid for them and keep them through the entire year.

What state and local policies, other than rates, have an impact on your business operations?

Henry Wilde
Chief Operating Officer, Acelero Learning

I really think that determining eligibility—giving providers who have met some quality standard the ability to do more of the front-end paper work on determining eligibility—is a big deal for us. The ability to limit that paperwork, to make it easier for families to access the services they need; we just want to minimize the number of visits that parents have to make and that they're less and less likely to access those services. Thinking about that summer funding when there aren't pre-k funds, or not the typical sort of expectation of Head Start funds, I think is an important thing as well.

Elanna Yalow
CEO, Knowledge Universe

Longer-term authorizations are critical. Authorizing services for a very limited period of time, even if the parents continue to be eligible over time, it is burdensome for us, which means we're spending resources dealing with the bureaucracy instead of taking care of children and families and spending time serving classrooms and with the children. It's absolutely critical that there be enhanced funding that supports and goes along with enhanced quality, because quality costs money, and so we absolutely think that reimbursing providers who demonstrate that quality is critical. We wish that there was a louder voice on behalf of children, helping to educate parents about quality. If there was a louder voice for that, more and more providers would be drawn to that, and there would be uplift in the quality for all children in the country.

Shannon Rudisill
Director, Office of Child Care

I'd just like to thank you all for coming and being a part of the conversation. You've been incredibly frank and honest and generous with your time, and with your knowledge and wisdom. And I'm hopeful that this will be the start of more conversations like this happening at every level.