



To: Commissioners, First 5 Ventura County

From: Nani Oesterle, Program Manager

Date: December 17, 2020

Re: Recommendation to Utilize Unallocated Preschool Funds for a Two-Year Family Child Care Shared Services Pilot

Background

In the spring of 2019, First 5 Ventura County (F5VC) was selected by the Pritzker Initiative to receive Technical Assistance from Opportunities Exchange (Opp Ex) around implementing a shared services model for child care providers. Opp Ex is a nonprofit consulting group founded in 2009 with the goal to further the development of Shared Service Alliances in the ECE sector. This TA opportunity was exclusively available to communities with a Pritzker Fellow.

“Shared services” is a system change initiative that addresses the fragile economics of childcare, particularly the thin profit margin that many childcare providers operate under. Through shared services, childcare providers pool together to share costs and ultimately save resources. Shared costs can be anything from joint funding of trainings or marketing to shared bookkeeping or human resources staff. Often, a third party funder launches a shared service alliance by providing startup funds to encourage providers to collaborate. The need for more shared services alliances to bolster the childcare sector was recently noted in California’s Master Plan for Early Learning and Care. It is also the focus of a forthcoming \$1.5 million investment by First 5 California, which plans to release a RFA in Spring 2021 to accelerate the development of shared services models.

One quickly emerging element of shared services is using technology to automate many of the business processes of childcare. Called “Child Care Management Software” (CCMS), these applications streamline many of the cumbersome aspects of operating a childcare business. Most notably, use of a CCMS can assist with ensuring a childcare has full enrollment (through online marketing, virtual tours, and posting of parent reviews and in-time vacancy data) as well as full collection of tuition (through automated billing). Full enrollment and full collection of family fees are critical to a profitable childcare business.

Part of the technical assistance from Opportunities Exchange included learning about the array of CCMS in the marketplace, viewing demos, and analysis of the cost savings that childcare providers can realize through utilization of a CCMS platform. It became clear that CCMS can be especially beneficial to family child care providers (FCCs).

Family child care (child care that is offered in a provider’s home) is a crucial piece of Ventura County’s childcare infrastructure. Working parents often prefer FCCs due to their mixed age setting, affordability, and more flexible hours. Critically, FCCs are often the only option available for families with infants and toddlers. While there are 18,688 children under the age of 2 in Ventura County, in 2019, there were only 849 spaces at licensed childcare centers for the same

age group¹. By contrast, there were 5,704 mixed age spaces at FCCs¹. Without FCCs, parents of infants and toddlers might not be able to return to the workforce.

Unfortunately, nationally and locally, FCCs are leaving the field at high rates. Between 2014 and 2019, there was a 20% decline in FCCs, which meant a loss of 1,400 mixed age spaces in Ventura County¹. This loss has matched a statewide trend. Even more FCCs have closed in 2020 as a result of the COVID-19 pandemic

In surveys of FCCs from the California Resource & Referral Network, providers report economic factors as the primary reasons they choose to leave the childcare field, including low or unpredictable income and no benefits. Hours of operation for a family child care home can often exceed center-based programs. FCC providers spend additional hours on business related tasks, such as banking, grocery shopping, and cleaning the child care environment. Low rates, coupled with long hours, often result in FCC providers being unable to maintain a livable wage.

Discussion

CCMS are quickly emerging as an effective and efficient strategy to increase the earnings of FCCs by automating many of their business processes and ensuring they maintain the crucial financial elements of full enrollment and full collection of fees. There are several vendors who offer a CCMS tailored to FCCs.

Staff is proposing that F5VC launches a two-year CCMS pilot and funds the annual platform user fees for up to 20 FCCs in year 1 and for an additional 20 FCCs in year 2. Through this action, F5VC will be a catalyst to bring a CCMS to FCCs in Ventura County. F5VC will be able to monitor the success of the pilot by selecting a CCMS that offers an “enterprise account” that allows third party access to the CCMS. With an enterprise account, F5VC will track data across all pilot sites (such as utilization rates, enrollment trends, cost savings realized) for data driven decision-making and an annual evaluation of the pilot. If FCCs see significant increases in their earnings, they will have the resources to sustain their CCMS annual fees after the conclusion of the pilot. Success of the CCMS will also lead to increased adoption of the platform by others in the FCC community, furthering the systems change aspect of this project.

With F5VC’s continued shift towards systems change initiatives coupled with the financial challenges facing FCCs (which have been further exacerbated by the impacts of COVID-19), the timing of this project is ideal. Furthermore, with Shared Services specifically identified in the Masterplan for Early Care and Education and a potential leveraging opportunity with First 5 California, First 5 Ventura County has an opportunity to be at the forefront of new innovation to support a fragile sector within the larger child care industry.

F5VC currently has \$419,647 in unallocated/not yet contracted funds within the FY 2020-21 Preschool Initiative budget available to support this project, in addition to significant FY 2019-20 unspent preschool funds. The release of a LOI for a vendor for the CCMS pilot will determine the level of funding necessary but it is expected to be well below the amount of unallocated funds available. The staffing for this project will include soliciting interest and contracting with a vendor, working with partners to recruit FCCs for the pilot, and working closely with the vendor and partners on rollout and ongoing implementation. These activities can be completed within F5VC’s current staff capacity.

Recommendation

The recommended action will approve to utilize currently unallocated preschool funds to plan and implement a two-year shared services pilot for family child care providers.

¹California Resource & Referral Network, *Annual California Child Care Portfolio*