



Top Down/Bottom Up: *Aligning Policy and Practice for Shared Services*

Opportunities Exchange Conference 2022

Presented by:

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Karla Houghtalin, Southwest Human Development, Phoenix, AZ

Lanae Thomas, The Zion Institute

Agenda

- I. What's broken in ECE? How technology can address – Karla Houghtalin
- II. Changing the business of child care in AZ – Karla Houghtalin
- III. Provider Experience – Lanae Thomas
- IV. Transforming the AZ ECE sector – Lela Wendell
- V. Discussion - All



The Challenge

ECE was broken before COVID19.

The pandemic has made financial sustainability a much greater challenge.

Can we use this tragedy as an opportunity to re-invent the industry?



Five Game Changes for the Field



Automation and Business Coaching



Administrative Scale



De-centralized operations



Strategic Cost Modeling + Rate-setting



Real-Time Supply and Demand Data

**Early Childhood Education
is one of the last sectors
in the U.S. economy
to benefit from a technology
transformation.**

- **Lack of technology + data capacity made COVID recovery much harder.**
 - Pre-pandemic < 30% of ECE providers used automated CCMS
- **The crisis encouraged change**
 - Providers learned to use technology (Zoom, touchless check-in, electronic banking, etc.)
- **Pandemic relief funds could help build a stronger, tech-savvy, more sustainable sector.**





Pedagogical Leadership

- Child Development expertise
- Classroom coaching
- Teacher supervision
- Instructional leadership
- Child Assessments



Business Leadership

- Full enrollment
- Fee collection
- Cost-per-child, by age
- Fundraising
- Reporting
- Regulatory compliance



High Quality ECE





Business Training is Not Sufficient

Busy ECE leaders need:

- Automation (less than 1/3 of providers use technology)
- Business coaching linked to automation
- Funding for technology licenses + needed hardware



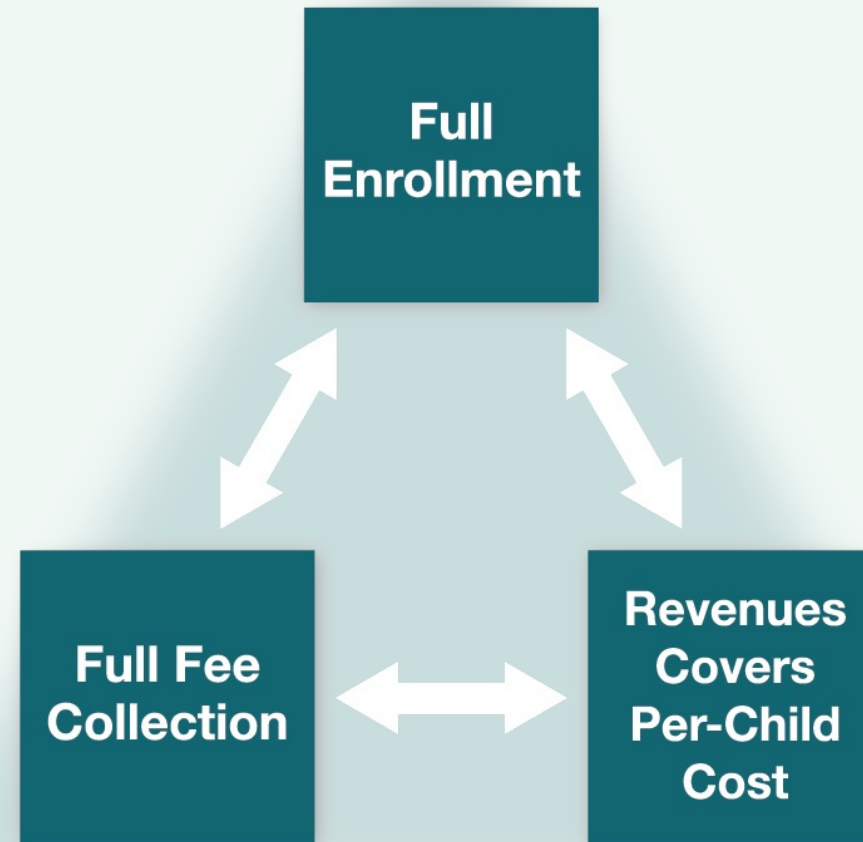
- In One **Hour 50%** of information is forgotten.
- In One **Day 70%** of information is forgotten.
- In One **Week 90%** of information is forgotten.



What Works:

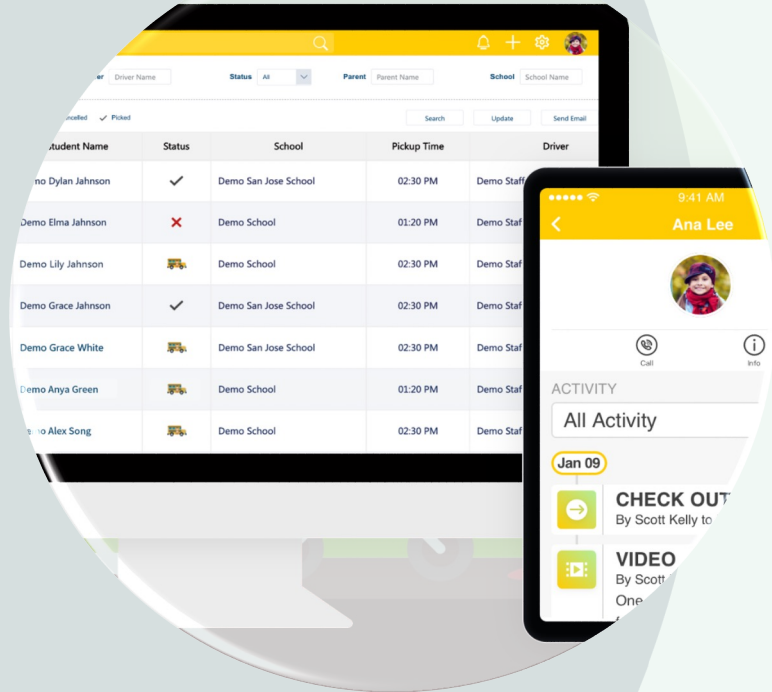
Technology
systems +
supports that
focus on the
most powerful
ECE business
metrics.

The Iron Triangle of ECE Finance



Childcare Management Systems (CCMS)

Help Measure Impact



Full Enrollment

- Online presence
- Lead Management
- Online enrollment

Full Fee Collection

- Invoicing/reminders automated
- Electronic payments reduce bad debt
- Data informed decisions

Revenue Covers per child Cost

- Manage student-teacher ratios
- Generate financial reports



What Works:

Strategic
Business
Coaching, linked
to software
designed for
ECE businesses.



Saves Time: Automating operations greatly reduces the amount of staff time needed



Saves Money: Reduced labor translates to cost saving for administrative tasks



Increases Revenue: Automated payments reduce bad debt, reconciliation of subsidy reimbursement, etc.



Skilled Financial Management: Data available in electronic format can be analyzed; informs financial decisions

Business Leadership (data from Atlanta, GA)

When the Project Began....

Average **bad debt** was \$52,532 per program

Many sites were not fully enrolled & most did not have procedures in place to track + boost enrollment

None of the sites were using automated systems to support best practice business management

Results

Eleven months later....

Avg **bad debt** was \$877 per program

Providers now have systems to flag problems and address them before debt accumulates.

Enrollment (filling vacancies) grew 34%

Overall revenue increased by 24%

Two programs more than doubled revenue + one almost tripled revenue.

Business Leadership is Crucial in Small Settings

Enrollment & Revenue in a Small Family Child Care Home

Average Monthly Market Price Per Child	\$ 600		
Max Annual Revenue @ 6 children	\$ 43,200		
Vacancy Rate	5%	15%	25%
Actual revenue collected	\$ 41,040	\$ 36,720	\$ 32,400
Bad debt	0%	10%	15%
Total Gross Revenue	\$ 41,040	\$ 33,048	\$ 27,540

Re-inventing Child Care: *The Arizona Story*

- Linked Work:
 - **Community-based Leaders** (Southwest Human Development + others) working to boost use of CCMS among providers
 - **State Leaders** (AZ Dept of Economic Security) working to modernize technology + revise policy to encourage use of technology and scale
- ARPA \$\$ Invested in Reform
 - State-level investments
 - Support for provider investments in their own business

The goal: a digital transformation designed to strengthen ECE!

Transforming the Business of Child Care:

Boots on the Ground at Southwest Human Development





Early Childhood Business Management

Southwest Human Development

- What is Early Childhood Business Management at SWHD
- Brief History of Program
- Work with Arizona Department of Economic Security
- Four Pillars of Early Childhood Business Management Program
- Procure Partnership

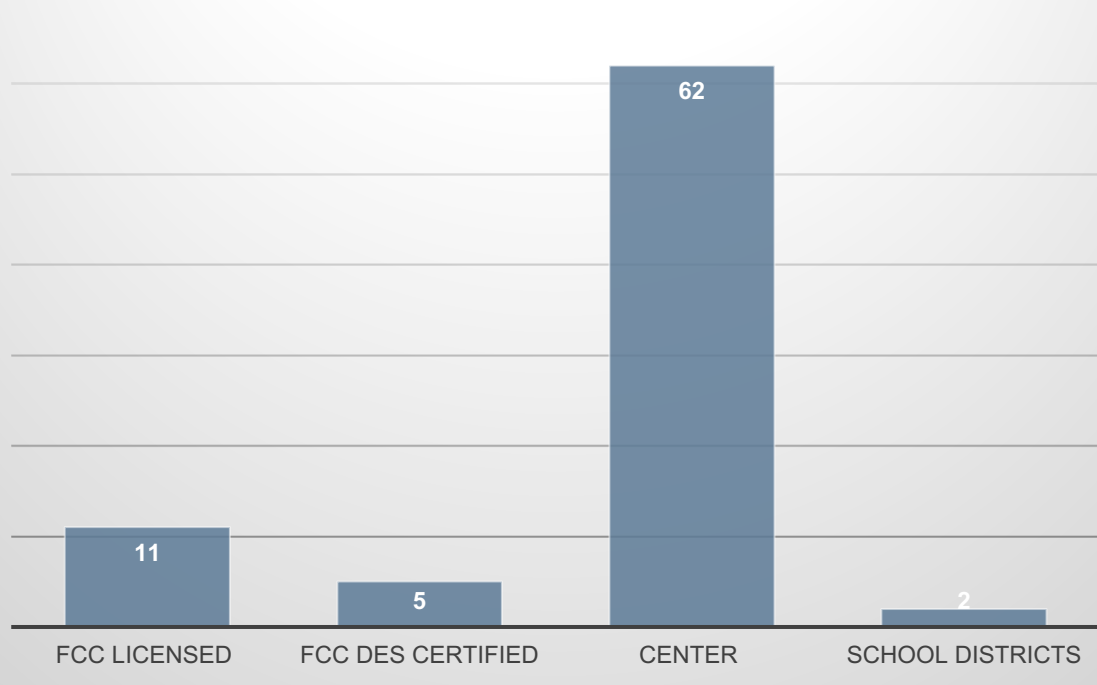
Arizona Department of Economic Security *Pilot Project*



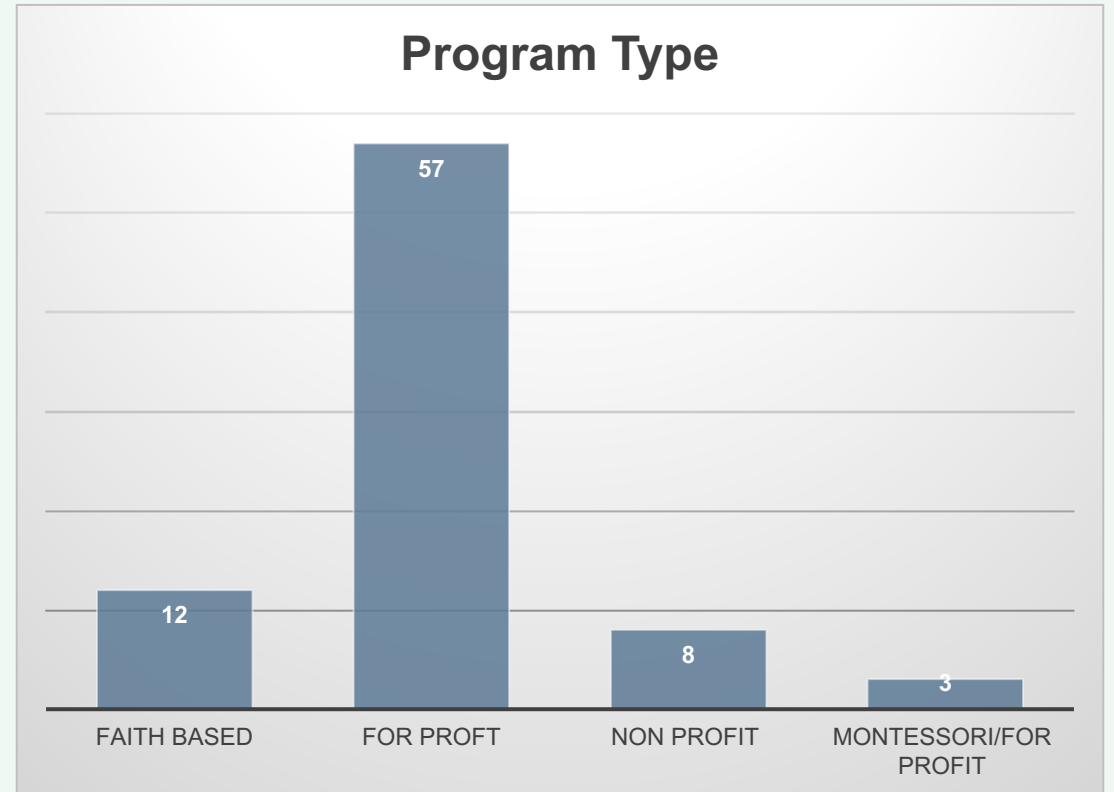


Early Childhood Business Management Participants

Program Demographics



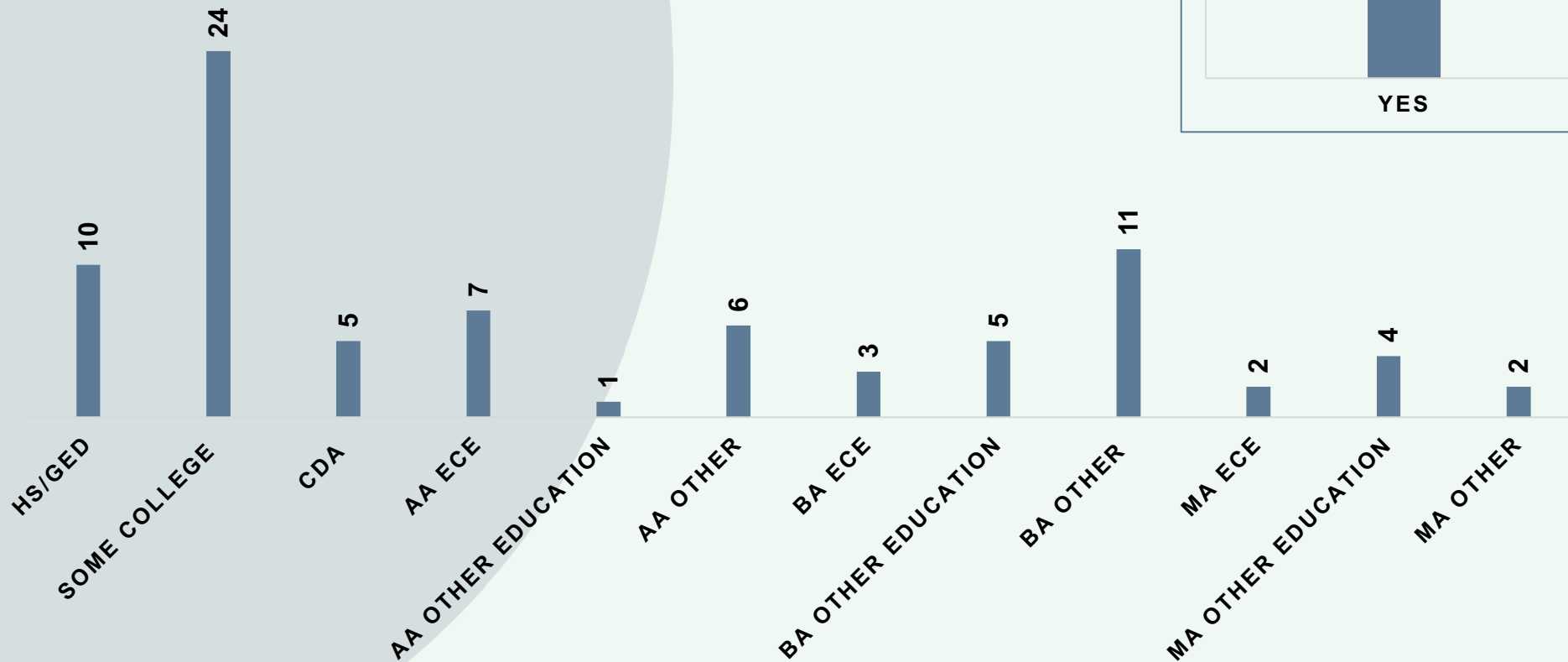
Program Type



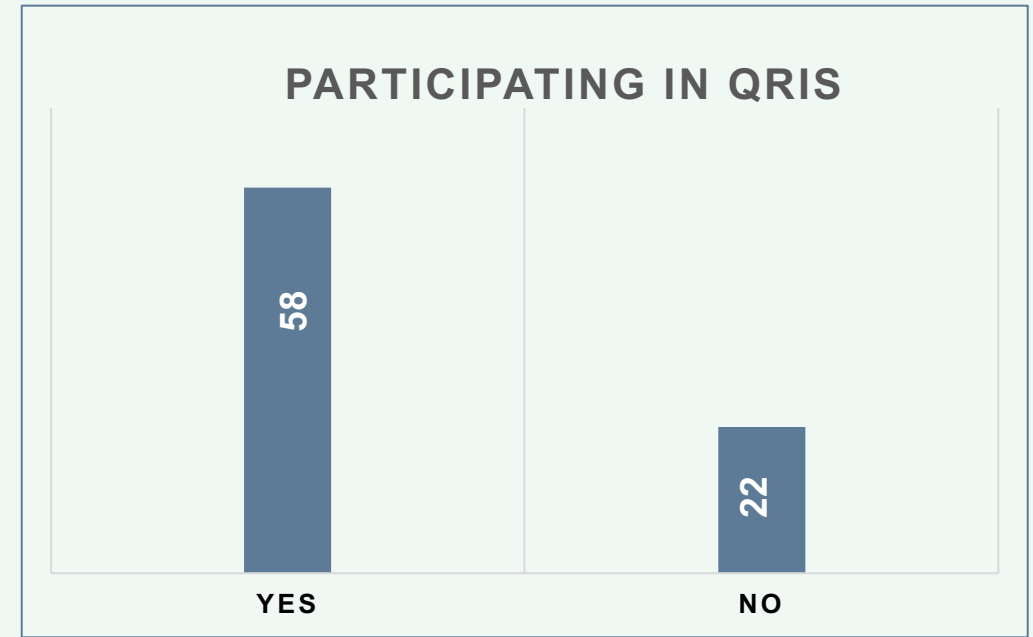


Participant Overview

DIRECTOR EDUCATION LEVEL



PARTICIPATING IN QRIS





Opportunities
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Transforming the Business: A Provider Perspective

A large, colorful graphic of a well or ring, composed of overlapping segments in shades of red, orange, yellow, green, and purple, surrounding the Zion Institute logo.

Zion
INSTITUTE

THE WELL FROM WHICH SOLUTIONS FLOW

Lanae Thomas
Director
Zion Early Learning Academy

Zion Early Learning Academy offers access to affordable and high quality education for 1-5 year old children.



Results to Date

- Reduced time spent doing paperwork.
- Improved communication with parents.
- New knowledge in program management and staffing strategies.
- Increased knowledge of financial terms and concepts.
- Monthly reporting made easier.
- QRIS scholarship was easy to complete this past month.
- Reports in Procure are easy to download.
- Less time going to bank
- Easier payment process for parents.
- Collecting outstanding balances is immediate and seamless.



Strategic Policy and Finance

*Arizona Department of Economic
Security (DES)*



Strategic Policy and Finance: The DES Role

Arizona Department of Economic Security (DES) role in the change process includes:

- Reform structure to strengthen leadership
- Re-think state technology systems
- Invest ARPA \$ to improve ECE technology infrastructure + supports for providers
- Revise policy to ensure maximum benefit and accountability

What?

DES investments to improve ECE technology infrastructure:

- Connect disparate data within the ECE ecosystem to facilitate data sharing
- Develop capacity to transact business with ECE providers in a digital environment
- Incentivize provider uptake of technology solutions
- Build resources for parents that enable comprehensive access to information and services

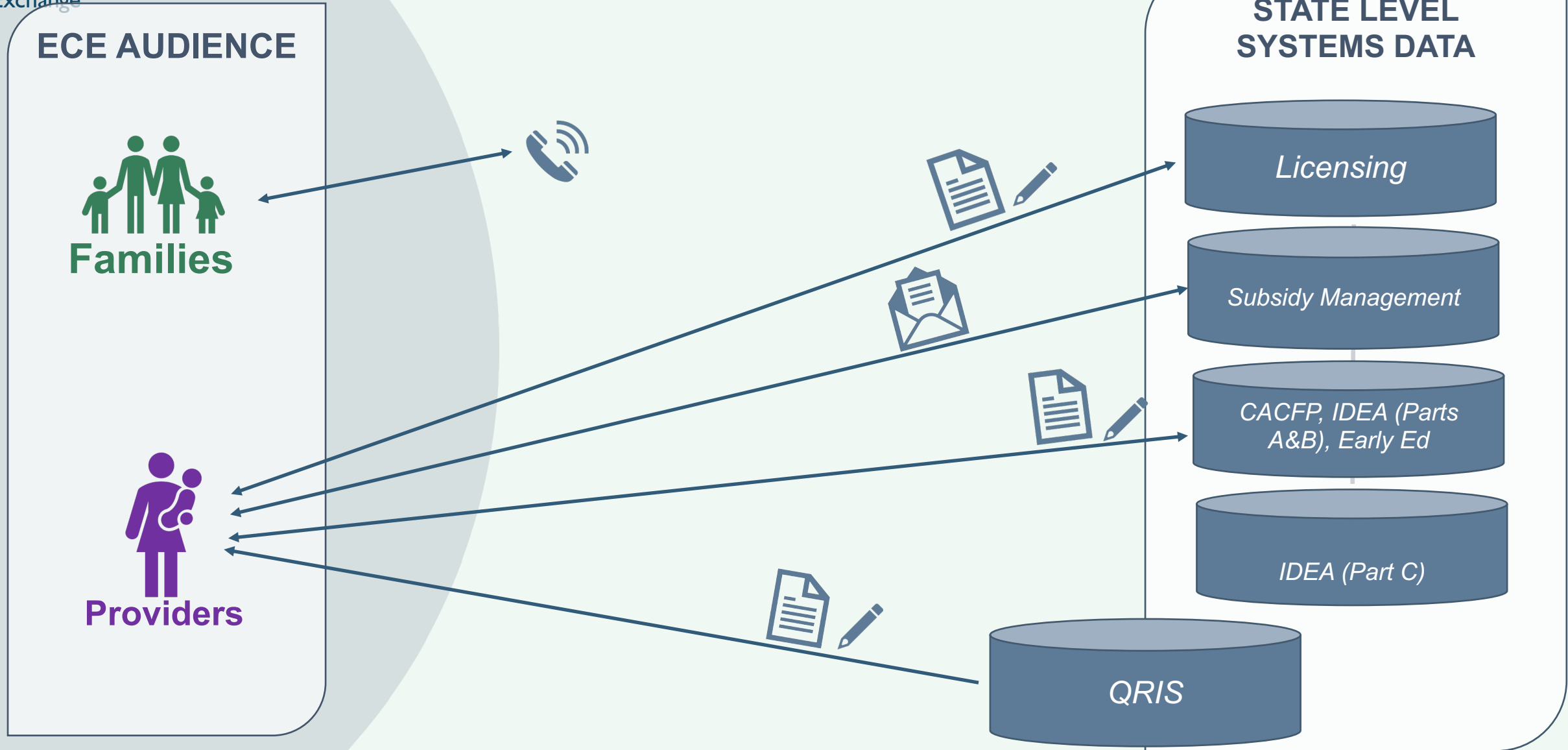
Why?

The current ECE system operates in siloes – by funding, program, and regulatory standards. The lack of efficient, effective technology solutions further impedes function and negatively impacts:

- Parents' ability to access resources
- Provider ability to offer comprehensive services and operate sustainable businesses
- The state's ability to distribute, monitor, and assess the impact of public investments

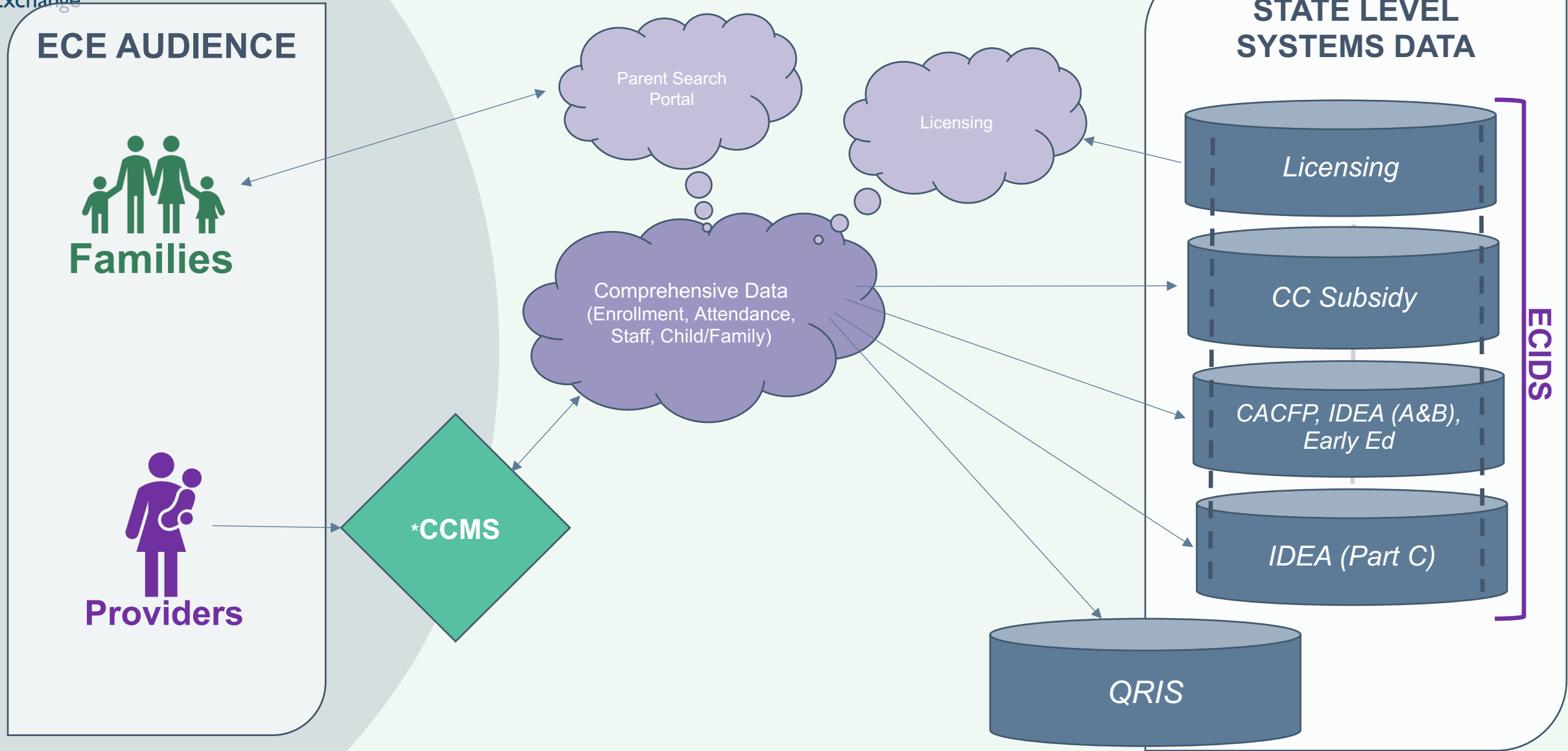


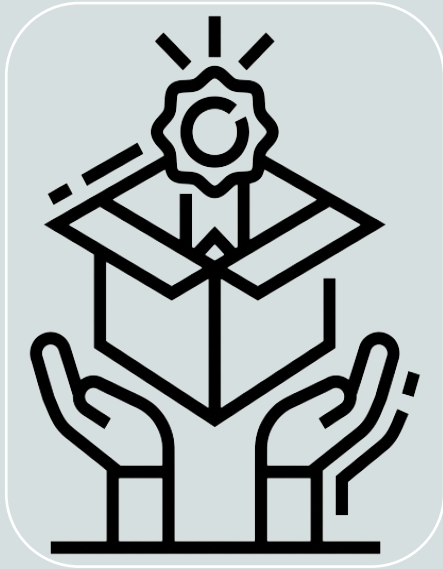
AZ ECE Ecosystem – Current



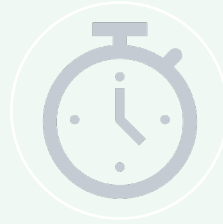


AZ ECE Ecosystem – Future State





The Value Proposition for ECE Providers



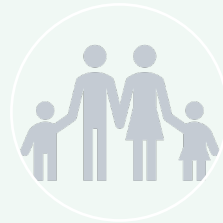
Save time on administrative tasks, reduce overhead costs



Increase revenue through managing business metrics

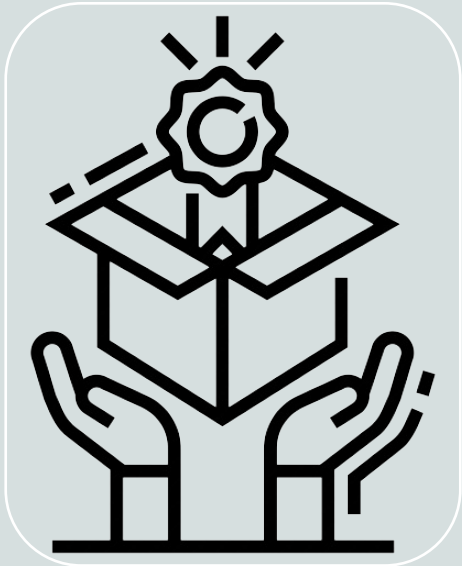


Ability to analyze and measure program level data to make informed decisions



Strengthen family engagement with more frequent, detailed communication

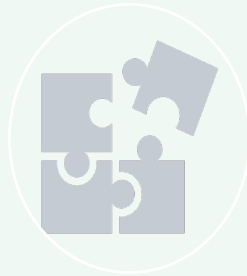
Technology empowers providers to better fulfill their mission



The Value Proposition for Families



Better equipped to search for programs from a wide range of options

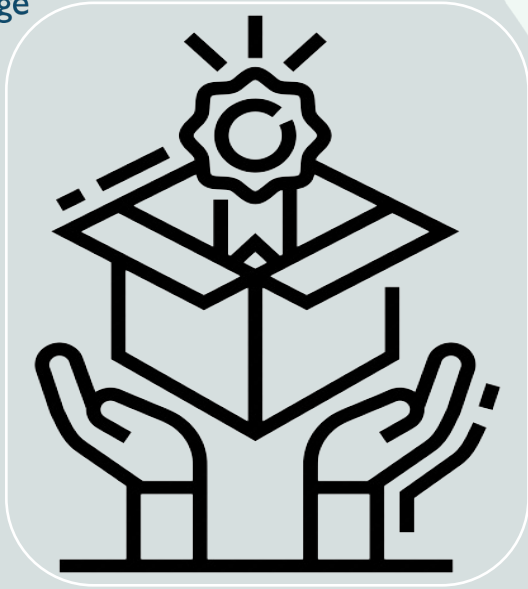


Comprehensive access to resources, including financial assistance, special services, etc.

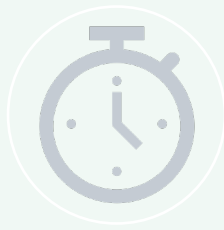


Deeper engagement with ECE program through enhanced communication tools

Today's parents are digital natives who expect to find what they need online



The Value Proposition for State Administrators



More efficient use of staff time



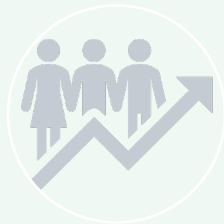
Reduce waste, fraud, abuse of resources



**Shared accountability across the
broad system of providers/agencies
(i.e.- collective impact)**

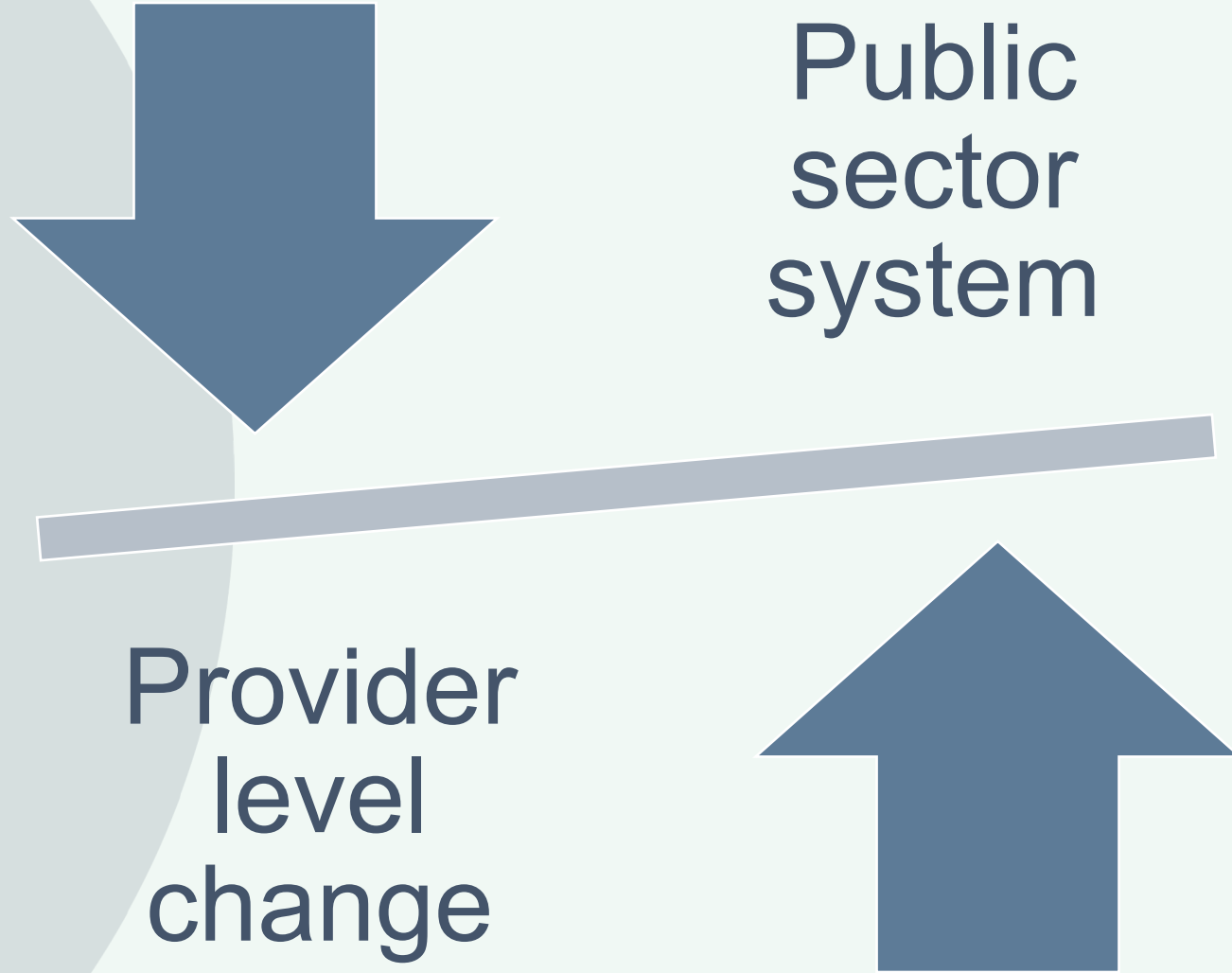


**Ability to analyze and measure across
system boundaries (i.e.- early
intervention, child care, K-12)**



**Transparent data to ALL stakeholders
including ROI on public investments**

Measure the impact in outcomes and trajectories of young children





Opportunities
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