Shared Services as a Strategy for Collective Impact in a Low-Income Community

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Impetus for the Initiative

- Philanthropic interest in investments in early childhood services in the Richmond region:
  - Focus on Quality
  - Systemic
  - Durable
- What investments are the most viable and suitable for the philanthropic sector? How do these investments fit with other revenue streams for 0-5?

➢ *The Robins Foundation*

➢ *The Community Foundation serving Richmond and Central Virginia*

East End of Richmond

- Children are exposed to multiple poverty-related risk factors that can compromise early childhood development.
- The highly concentrated poverty compounds the risk factors and troublesome outcomes for children in this region.
- We selected this community to study as a significant microcosm of the Richmond region, where investment EC is most needed and impactful.

Table 1: Selected Early Childhood Demographic/Risk Factor Indicators

Indicator	East End	Richmond
Number of Children Birth-Four	2,000	13,500
Poverty Rate Birth-Four (<100% FPL)	65%	43%
Number of Children Birth-Four in Poverty	1,300	5,820
Number of Low-income (<200% FPL) Children Birth-Four	1,650	8,150
Birth-Four Living with One Parent	83%	61%
Birth-Four All Available Parents Working	73%	70%
Birth-Four Uninsured	3.6%	5.8%
Percentage Low-birth weight newborns	13.7 %	5.7%
Births to Mothers with less than 12th grade education	17.6%	17.1%
Number/Percent of Eligible 4 yr. olds in VPI or Head Start	307 (93%)	
Number/Percent of 3-4 year olds not attending preschool	60%	50%
Number/Percent of 3-4 year olds in Early Childhood Special Education	23 (2.9%)	193 (3.6%)

What's wrong with this picture?

Program	Number Served	Estimated Number Eligible or in Need	Number/ Percent Unserved
Pre-K Four year olds	307	330	23 (7%)
Early Childhood Home Visiting	88	367	279 (76%)
Child Care Assistance	206	1,204	998 (83%)

Give and Take(aways)

1. Early childhood investments in Richmond's East End total more than $7 million annually, yet 67% of the funding is weighted toward 4 years olds (VPI and Head Start).

2. Most at-risk 4 year olds are now served in public preschool, yet the shift of these 4s from private child care to public school settings has had a negative fiscal impact on child care providers.

3. Preschool for 4s has been a priority, yet the limited availability of subsidized child care funding has constrained both quantity and quality in the child care sector.

Access to Quality Child Care

- 73% of East End families have "all parents working"
- 83% unable to access child care assistance funding
- Few East End providers have participated in formal quality improvement opportunities
- Access to quality child care is a critical unmet need
- Not a new finding but one that has defied easy solution for some time
- Progress on this front should be a priority but may require novel, larger-scale efforts

Observations During Study

- Trauma
- Distress of human services sector
- Silos
- Crisis of child care closures

Facing Realities

- Forbes Magazine calls child care a "rotten business plagued by razor-thin margins, high failure rates and plenty of pesky regulations."
- Providing child care services is complex, requiring both business/ management skills and pedagogical expertise.
- Revenue is impacted by a number of pernicious factors that are difficult at best, but made more challenging when providers can't count on parent-paid tuition as a key revenue stream as they layer funds from a variety of sources to add up to a workable budget.

Facing Realities

- The "iron triangle," three key financing principles that must be fully realized in a sustainable child care business model, include:
  - consistent enrollment at full capacity,
  - full collection of all fees and funding streams, and
  - ensuring that revenues cover costs.
- Addressing the way these factors and others impact a child care center's profitability, quality, *and* chances for long term sustainability, is challenging -- not just in Richmond but nationwide.
- The environmental scan has revealed that factors in the East End make it even more difficult for child care businesses to survive.

Advice for Long Term Private Investors

Investments should be:

- Adaptive
- Data-driven
- Collective impact
- Focused on efficiencies and innovation

Recommendations:

- Front a Shared Services Alliance for Richmond
- Insist on quality
- Advance better policy

Why a Shared Service Approach?

- Systemic and complex issues need systemic and complex solutions -- beyond the scope of small, single site providers
- Dual-generation benefits
- Shared Service Alliances (SSA) maximize existing resources - reduced vacancy rates, improved collections, etc.
- SSA increase opportunities to secure additional resources (both public and private)
- SSA promotes strategic/capacity building investments

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Sustainability Caveats

- Sustainable ECE requires careful focus on costs and revenues. Shared Services can support both but cannot make up for contextual barriers such as:
  - State child care reimbursement rates and policies that cannot generate enough revenue to finance well-managed programs
  - No access to third-party funding to supplement the high cost of Infant care for low-income families (e.g. Early Head Start; PreK or private funding that can help cross-subsidize)
  - Funding or regulatory standards that do not correlate with available revenues
- Advocacy and fundraising are always needed, even in a successful Shared Services endeavor.

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Exploration Journey

- Discussions with funder group
- Guidance from experts
- Research, study tour
- Additional funding to pursue concept
- Widening circle of discussion, engagement
- Collaborative pursuit of feasibility
- TRUST-building

Path to RVA SSA

- Identified key informants who could help identify potential Hub and/or potential members
- Assessed and interviewed potential Hubs
- Identified potential Alliance members
- Explored where there are natural alliances and partners that have potential to grow into Alliance
- Ongoing whole-community discussions among service partners, public/private leaders, and investors - learning community of practice

Current Status of RVA SSA

- Hub, initial 3 members identified
- Developing the business plan, including principles, services to be shared, short- and long-term goals, projected budget and work plan, performance metrics
- Shared automation/technological tools
- Formal launch July 1
- At 6 months, consider additional members

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Promising Characteristics of RVA SSA

- VECF/Smart Beginnings Richmond – serve as conveners/intermediaries
- Hub – fiscal strength; not viewed as competitor; CEO savvy; expertise with different revenue sources; commitment to share power with members – a true collective
- Initial members – serving target populations; mixed income/sliding scale; individualized strengths of CEOs that contribute to the whole
- High philanthropic interest – fronting of costs, but leading to self-sustaining format

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Relevance of SSA to RVA

- Common sense within uncommonly challenging landscape
- Strategic way to highlight the question of proportionate, appropriate share of public vs. private
- Sharpens equity lens for cost modeling

What's Next

- Set up for success: performance metrics
  - Baseline to Bodacious
- Development of playbook and dissemination of the model across Richmond and across Virginia
- Consideration of a "next tier" SSA in Richmond for interested human services organizations – both public and private
- Collective impact – both broader and deeper

Contact Info

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