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IDEAS

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Strength in Numbers: Networks Help Small Child Care Businesses Survive

By Louise Stoney, December 2020

Opportunities Exchange has long advocated for [provider networks](#) as a key strategy to support early care and education (ECE) business sustainability. Our [financial models](#) make clear that a center that enrolls less than 100 children and meets high-quality standards will struggle to break even, and data on the dwindling supply of home-based child care further underscores the challenge for small home-based businesses. Provider networks aim to address these challenges by offering small programs the opportunity to attain scale, share the cost of highly skilled leadership and state-of-the-art technology, as well as gather and track key business metrics to guide decision-making.

The COVID-19 pandemic was a real-world experience for which nothing could have prepared us;

and as a result child care centers and family child care homes across our nation have struggled to survive. The Opportunities Exchange team was curious to learn if those engaged in provider networks, particularly networks structured as a Shared Service, fared better than those operating independently. Evidence from three Tennessee communities—described below—suggests that they did.

Chattanooga

The [Chambliss Center for Children](#), in Chattanooga TN, is a non-profit agency that operates a child development center for 300 children as well as a small residential program for children and youth in protective services. Additionally, Chambliss leads and staffs an [ECE Provider Network](#) that includes 6 small child care centers and 13 one-classroom ‘micro-centers’ located in community- or faith-based organizations and local public schools. Centers that participate in the Provider Network are independent entities (with their own boards or advisory committees) that purchase management services from Chambliss.

The Network structure made it possible for all sites under Chambliss leadership – the center they directly operate as well as the 19 off-site programs—to work as a team when the COVID-19 pandemic hit. The approach proved successful. Indeed, it is unlikely that many of the small, off-site centers would have survived the pandemic had they not been part of the Chambliss Network. Collaborative efforts included the following:

- Early in the pandemic—and before it was clear that any federal relief funding would be available—members of the Chambliss Board of Directors helped raise funding to cover payroll for off-site centers.
- Once the Payroll Protection Program was made available, the Chambliss shared back office staff applied for loan funding on behalf of all sites in the Network—almost \$1.3 million in total—and is gathering data needed to ensure that all sites receive full loan forgiveness.
- Chambliss submitted a collaborative application for the State’s Loss of Income Grants, to help all sites recover lost parent fees—a combined sum of just under \$99,000.

Nashville

The [Community Foundation of Middle Tennessee](#) has served as a leader in philanthropy for over thirty years, reaching 43 counties in Middle Tennessee and Kentucky. The Foundation leads [ChildCareMatters](#), an ECE Network in Nashville, focused on helping child care centers attain full enrollment, strengthen fiscal management, and secure substitutes for teacher absences. Network support was extremely valuable during the pandemic for both ECE providers and families.

Nashville families who need child care have access to [ChildcareNashville.com](#), the Community Foundation’s online childcare finder. An easy online search profiles childcare programs, and uses filters to automatically pull up sites that have availability in “real time”. This means that a parent seeking care for a 3-year-old child, in a specific location, can not only identify which programs have openings for their child, but also schedule a tour and begin the enrollment process online. The online platform was a vital resource for families during the pandemic as well as a lifeline for under-enrolled centers and homes seeking to reach customers and keep slots full.

[ChildCareTennessee](#) is a third Shared Service initiative lead by the Community Foundation. This web-based knowledge hub is available to all 2,300 early care and education programs in the State. A special pandemic-related Support and Enhancement grant, administered via [ChildCareTennessee.com](#), provided nearly \$5 million to 1,200 childcare programs to increase capacity, promote health and safety, and support quality. Year II of the Enhancement grant will

launch in November 2020. Additionally, the ChildCareTennessee.com network hub was used in March 2020 to promote the availability of and administer a TN Department of Human Services COVID recovery effort that awarded nearly \$53 million in grants to center- and home-based providers across the state.

Memphis

[NEXT Memphis](#) is a provider Network led by [Porter Leath](#), a Shelby County non-profit that serves over 10,000 children and families every year through a variety of programs including residential services, foster and adoptive care, early childhood and parent education, senior services and more. Porter Leath directly operates 13 Head Start, Early Head Start and PreK sites, and last year extended back office operations to 10 independent child care centers participating in NEXT Memphis.

Porter Leath is adapting the Head Start/Early Head Start model of a central organization providing resources, technical assistance, and staff support to networked child care centers and family child care homes. The goal of the three-year pilot is to restructure the financial and logistical burdens in the child care industry to enhance business viability, improve program quality, and get comprehensive supports to the community - without layering the additional cost and time burdens on already thin margins.

In December 2020, NEXT Memphis will launch a new effort aimed at supporting home-based child care providers. In partnership with [Wonderschool](#), a national early childhood software company, Porter-Leath will bring state-of-the-art, mobile-first technology to home-based child care businesses. The partnership is another example of how NEXT Memphis intends to leverage expertise whenever possible. Wonderschool can bring stellar technology and fiscal scale designed for home-based businesses; Porter-Leath can layer in Head Start and Early Head Start quality supports. The result is a win-win!

NEXT Memphis was in early-stage launch when the pandemic hit and is actively working on its sustainability plan while also implementing startup. Outcomes data are not yet available, but the work looks promising.

Another Memphis-based non-profit, the [YMCA of Memphis and the Mid South](#), stepped up to the plate to meet unique care and education needs during the pandemic. This YMCA currently operates 112 temporary community sites for school-aged children engaged in virtual learning who also need full-day out-of-home care. Additionally, the agency supports [micro-centers](#) in workplaces like FedEx. The quick response and innovative service delivery strategies were possible because leadership at the YMCA built a provider network that included a shared back office linked by cloud technology.

These are just examples from 3 regions in Tennessee. There are many others in communities across the United States. We have all heard the adage **there is strength in numbers**. For early care and education providers facing the challenges of COVID-19, it is a powerful truth. Now is the time to build on these lessons and expand what is possible—for ECE programs in all states and cities in our nation



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