

Non profit leaders face new realities

Status report on non profit care

by Roger Neugebauer

“It’s the economy, stupid!”

When *Exchange* surveyed leaders of North America’s largest non profit child care organizations about threats facing their organizations, not surprisingly, the ‘state of the economy’ was foremost on their minds. What is surprising is that these organizations have been able to weather the economic storm quite well:

■ In the past 12 months, 53% of the largest 25 non profit organizations actually increased the number of children they serve, while only 32% experienced decreases.

■ Looking ahead to the next 12 months 37% expect to increase, 37% remain stable, and 26% to decrease in size.

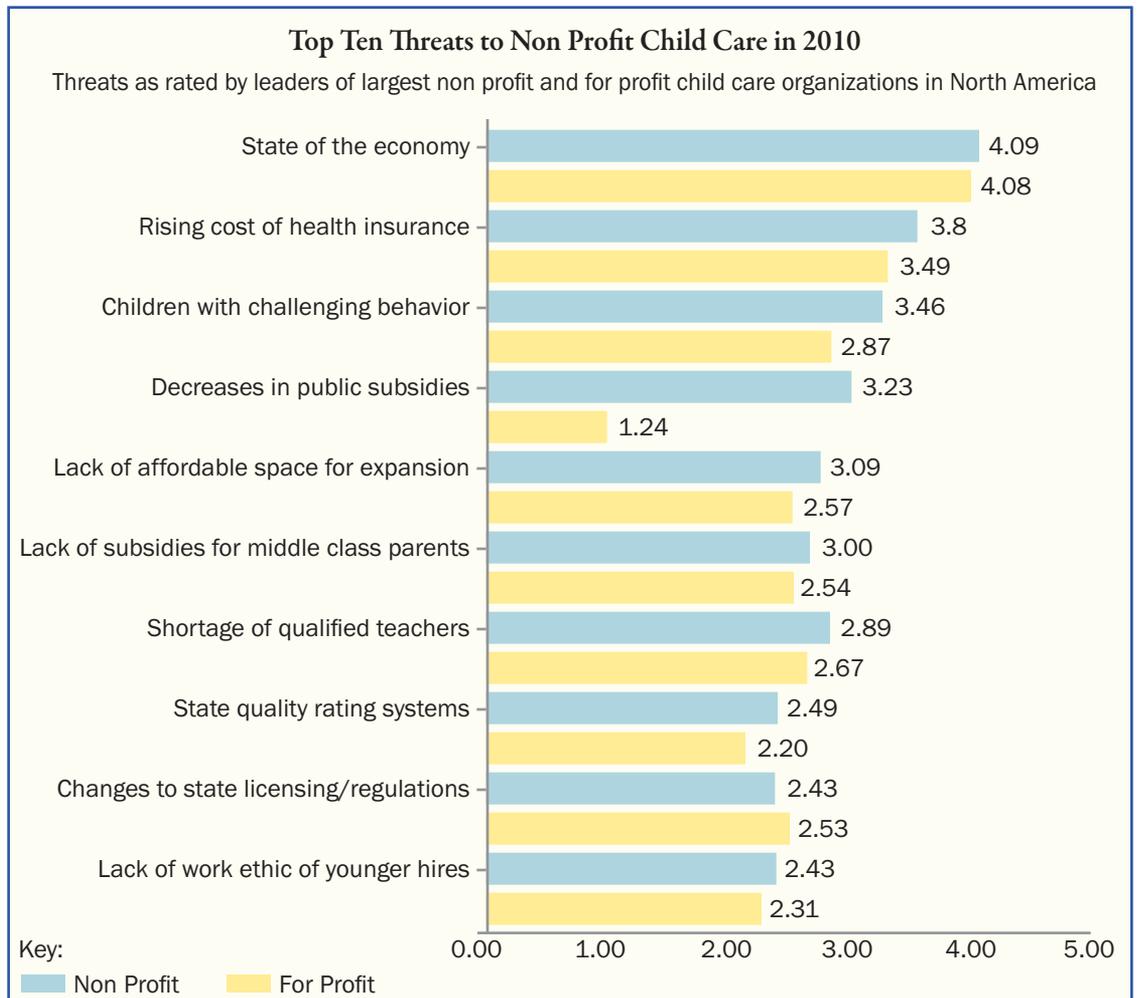
We should not, however, downplay how difficult this period has been for all programs. Here are some typical reports:

Douglas Baird of Baird Associates: “For Mas-

sachusetts, unemployment remains high and public funding reductions continue. The number of programs in one or another form of trouble continues to increase. There are some, but not so many, closures. Too many programs cut

and cut until there is not much left except minimum mandatory standards.”

Don Geisbrecht of Canadian Child Care Federation: “The current economic downturn has had moderate impact generally



for non-profits across Canada. However . . . while the impact has been moderate, it has been rare to see significant growth or additional funding that would make an impact for the programs (and by significant, I mean funding that could be used for capital improvements, wages and benefits, program equipment, etc. has not been as easy to obtain or, if it is, has not been significant enough to make dramatic differences). It has been more of a 'steady as she goes' kind of mentality."

Paul Miller of Kidango: "The downturn has particularly affected California. The unemployment rate compared to 1988 is very high among both middle and upper income as well as the low-income families we served. The impact has been major in both the cuts from government subsidy for low-income families and the demand from families as they either are out of work or have become very cautious and two parent families work opposite shifts to avoid using child care and development services."

Additional threats

Leaders of large non profit organizations also identified a number of other serious threats concerning them. Their top ten concerns are spelled out in the "Top Ten Threats to Non Profit Child Care in 2010" chart. In this chart, we compared their ratings (on a scale of 1 to 5 with 5 being the most serious) on current threats to their organizations.

Some of the highest concerns in addition to the 'state of the economy' were also economic in nature — 'rising cost of health insurance' and 'decreases in public subsidies.' Some have been on the list of threats for years — 'children with challenging behavior' and 'lack of subsidies for middle-class parents.'

Some are a bit surprising. For example, in a period of high unemployment, why is there still a 'shortage of qualified teachers'? It appears that the economic climate that is making more workers available,

also has tightened budgets so that organizations can not offer attractive wages. **Sue Sterling** of Okanagan Nation Alliance in British Columbia, noted, "Due to limited funding or contracts, many non profit organizations are limited in what they can pay for their staffing needs."

Also surprising was the level of concern with 'state quality rating systems' and 'changes to state licensing/ regulations.' One would suspect that leaders of non profit organizations would be in favor of such efforts to raise the quality bar. In fact, while they are firmly committed to quality of care, there are concerns that if the bar is raised too high or too fast, they will not be able to afford these changes. **Nancy vonBargen** from the National Child Care Information and Technical Assistance Center, observed:

". . . the most serious challenge facing all child care is increasing expectations for higher quality care, whether through improved licensing requirements, accreditation, or QRIS, when neither parents nor the government seem able or willing to pay the increased cost of care." 'Lack of affordable space for expansion' was a high concern of non profit leaders. **Carolyn Miller** from Community Development Institute amplifies: "Serious deterioration of donated buildings in use over 20 years or more. Changing demographics, where old center locations have difficulty filling enrollment and difficulty finding appropriate (safe and in reasonable shape) new facilities to serve children in new areas."

The 25 Largest Head Start Grantees

Rank	Grantee Name	Location
1	Los Angeles County Office of Education	Los Angeles, California
2	New York City Administration for Children's Services	New York, New York
3	Administration for Integral Child Care and Development	San Juan, Puerto Rico
4	City of Chicago	Chicago, Illinois
5	Neighborhood House Association	San Diego, California
6	Texas Migrant Council	Laredo, Texas
7	City of San Antonio	San Antonio, Texas
8	City of Detroit	Detroit, Michigan
9	Dade County Board of County Commissioners	Miami, Florida
10	Sacramento Employment and Training Agency	Sacramento, California
11	Mississippi Action for Progress, Inc.	Jackson, Mississippi
12	Philadelphia School District	Philadelphia, Pennsylvania
13	East Coast Migrant Head Start Project	Arlington, Virginia
14	Council for Economic Opportunities	Cleveland, Ohio
15	Head start of Greater Dallas, Inc.	Dallas, Texas
16	Municipality of San Juan	San Juan, Puerto Rico
17	San Bernardino County Board of Supervisors	San Bernardino, California
18	Navajo Nation	Window Rock, Arizona
19	Region XIX Education Service Center	El Paso, Texas
20	Orange County Head Start, Inc.	Santa Ana, California
21	Institute of Community Services, Inc.	Holly Springs, Mississippi
22	Wayne County Department of Health and Human Services	Detroit, Michigan
23	Cincinnati-Hamilton County Community Action Agency	Cincinnati, Ohio
24	Mayor and City Council of Baltimore City	Baltimore, Maryland
25	Hidalgo County Head Start Program	McAllen, Texas

List supplied by Maxine M. Maloney, 2009-2010 Head Start Fellow, Administration for Children and Families.

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Non profit vs. for profit

As a side note, one of the interesting findings of the 2010 *Exchange* Trend Reports is how many similarities there are between for profit and non profit programs. For example, in the Top Ten Threats chart we have included the ratings for these ten threats as perceived by non profit leaders with the perceptions of their for profit peers, and for the most part their ratings of the threats are remarkably similar.

While many assume that non profit programs are supported by government subsidies and for profits by parent fees, the reality is far more complicated. With states being more neutral in who they will subsidize, and with many choices of providers being made by the parents themselves, public subsidies are increasingly gravitating to private providers. And, while a handful of the non profit organizations in the *Exchange* Top 50 chart depend on government fees for 80% to 90% of their support, the majority on the list count on parent fees to

cover 70% to 80% of their budgets. As a result, more and more, early childhood programs of all types need to operate primarily with entrepreneurial, and secondarily with charitable, strategies.

Particularly when it comes to economic issues, it would appear today that size may be a more important factor in terms of survival than legal status. As **Douglas Baird** observed, "I am guessing that single site not for profit and 'mom and pop' for profits share many challenges apart from tax status. If we could measure the market by program size, I suspect the small ones are in the greatest struggle. . . . We are in a big squeeze. Small programs have much less 'stuff' to squeeze out. . . . I think the dividing line is between sufficiently capitalized and under-capitalized."

Anne Mitchell from the Alliance of Early Childhood Finance notes, in agreement: "I'm not sure the legal status is the issue; it seems to me the more significant issue is the small size of most child care organizations. . . . I've been doing some

work with states to cost out programs that meet the various levels of their QRIS and it is very clear that smaller programs are not financially viable, even in states with generous incentives."

Responding to new realities

The recent economic crunch caused many of the large non profits to examine their long-term viability. One common thread of recommendations was that non profits need to focus higher priority on improving their management practices. **Linda Smith** from the National Child Care Resource and Referral Association suggests that non profits need to address "the lack of fiscal management skills and knowledge." **Anne Mitchell** suggests that non profits need to see themselves as 'social enterprises' — "the enterprise part means we are in business and the social part means in business to do good."

Paul Miller, harking back to the concern about size, suggests some structural options:

"Many nonprofits will need to consider what is a natural event in the for profit sector: mergers and becoming subsidiaries and using shared back office services in order to become leaner and stronger. . . . The problem is founder's disease and ego on the part of the ED and Board to protect the identity of the organization, instead of looking at how best the mission of the organization can be served."

In a similar vein, **Billie Young** of the National Child Care Information and Technical Assistance Center suggests, "Maybe we need to begin to think about how to help non profits consolidate at least some of their management functions. Sound Child Care Solutions is a promising model for providing centralized management for a consortium of child care centers that allows

each center to reap cost savings related to economies of scale, and to then focus on the quality of classroom practice.”

Finally, **Roberta Bergman**, author of the *Exchange* book, *Not Just Small Change: Fund Development for Early Childhood Programs*, recommends that non profits broaden their base of support:

“Non-profit child care programs are going to have to be more competitive in going after outside funding. They may have to identify new sources of funding, build their capacity to seek funding, and be very specific about the value of their programs . . . not just numbers of children served, but how well the children and families are served. . . . If they haven’t already done so, they’ll need to diversify their funding base — a healthy mix of predictable funds (fees, contracts) augmented by grants and donations. They may need to enter into new relationships with other non profits, the public schools, etc. in support of the mission.”

Largest non profit organizations

In conducting research for this article we attempted to put together a list of North America’s largest non profit child care organizations. We were only partially successful. The *Exchange* Top 25 chart is our first current attempt to develop this list. We freely admit that many large non profits need to be added to this list, so we are viewing this as a first draft. We invite you to contact us at info@Child-CareExchange.com if you think your organization should be on this list or if you know of a large non profit in your community that should be.

The Exchange Top 25 (First Draft)
North America's Largest Non Profit Child Care Organizations

Organization	Headquarters	CEO	Centers	Capacity
PLASP Child Care Services	Mississauga, Ontario	Sylvia Leal	205	13,113
Easter Seals	Chicago, Illinois	Bob Siegel	103	10,107
Kama'aina Kids	Kailua, Hawaii	Raymond Sanborn	105	10,000
Sheltering Arms Early Education and Family Services	Atlanta, Georgia	Elaine Draeger	17	3,338
Kidango, Inc.	Fremont, California	Paul Miller	38	2,750
Bradford Child Care Services	Bridgeville, Pennsylvania	Frank Reabe	31	2,300
YMCA of the Fox Cities	Neenah, Wisconsin	Bill Breider	32	1,500
Lehigh Valley Children's Centers, Inc.	Allentown, Pennsylvania	Susan M. Williams	21	1,445
Red Apple Child Development Center	New York, New York	Joanna Fan	8	1,391
Federation Early Learning Services	Philadelphia, Pennsylvania	Maddy Malis	10	1,307
The Campagna Center	Alexandria, Virginia	Karen Hughes	23	1,215
Play and Learn Centers	Fort Washington, Pennsylvania	Judith Cooper	10	1,213
The Guild of St. Agnes	Worcester, Massachusetts	Edward P. Madaus	6	1,200
One Hope United	Lake Villa, Illinois	Mark McHugh	10	1,150
Salem Child Development Center	Salem, Oregon	Sharon Thompson	22	1,115
Day Nursery Association	Indianapolis, Indiana	Carolyn Dederer	7	1,017
Seagull Schools Inc.	Kailua, Hawaii	Charles Larson	7	920
Encompass Early Education & Care, Inc.	Green Bay, Wisconsin	Sue Vincent	7	801
Rancho Santiago Community College District	Santa Ana, California	Dr. Eddie Hernandez	6	800
For Kids Only Afterschool	Salem, Massachusetts	Deborah A. Kneeland	17	768
Children's Home/Chambliss Center	Chattanooga, Tennessee	Philip A. Acord	6	716
Mary Linsmeier Schools, Inc.	Brookfield, Wisconsin	David Linsmeier	14	707
Ebenezer Child Care Centers, Inc.	Milwaukee, Wisconsin	Beverly J. Anderson	10	700
Northwest Child Development Centers, Inc.	Winston-Salem, North Carolina	Dr. Tony L. Burton III	6	659
KCAA Preschools of Hawaii	Honolulu, Hawaii	Christina Cox	7	650

Based solely on information supplied by the organization. Data on capacity in chart is the total licensed capacity for all centers/sites as of July 1, 2010. If you believe your organization should be included on this list when it is updated on www.ChildCareExchange.com, contact info@childcareexchange.com