Non Profit Child Care Outlook: After 160 Years, It’s Time to Change

by Roger Neugebauer

In 1835, movers and shakers in New York City, including Mrs. Isabelle Graham (whose picture appeared on the cover of the November 1990 issue of Exchange), Mrs. Alexander Hamilton, DeWitt Clinton, Peter Stuyvesant, and Jennie Lind established the nation’s first non profit child care center (Neugebauer, November 1990). The “Society for the Relief of Half Orphan and Destitute Children” was established so that the children of “poor but worthy parents” who needed to could “go to their daily labors” knowing their children “would be trained for some practical, useful course for life” and “taught their duties and responsibilities as members of society.” Since that time, non profit early childhood organizations have played a critical role in meeting the needs of low income children and families.

During the intervening 160 years, the structure and goals of non profit programs have changed surprisingly little. Today, however, changes in parental interests and in public funding are forcing non profit organizations to rethink the ways they function. To explore what lies ahead, we first need to take a look at some current challenges and opportunities confronting non profits.

Challenges 2006

In interviewing non profit directors and non profit watchers, I have found that the litany of challenges has not changed in the past five years... they’ve only grown more intense:

Staff shortages

In 2001, Gail Reuther of Mt. Olive Child Care and Learning Center in Flanders, New Jersey observed (Neugebauer, 2001)...

“The most challenging aspect of administering a non profit child care center in my community is finding qualified staff to fill positions. Due to the good economy, few or no applicants respond to advertisements. ... Additionally, often those who do apply lack the proper credentials or training. ... This is a very serious threat to maintaining low teacher:child ratios and quality care for children.”

Velynda Cameron from Springfield, Missouri observes that one of the biggest challenges facing non profit child care is “... finding and keeping qualified teachers.”

Declining public funding

In 2001, Roberta Recken from Fruit and Flower Child Care Center in Portland, Oregon pointed out...

“In Oregon, one of the challenges of non profit programs that accept low-income families is the state’s reimbursement rate... It is a percentage of a market rate from a number of years ago. The co-pay of some families is so high that they accept exceptionally low-quality care for their children, as those programs often have much lower rates.”

Five years later, Carolyn Dederer from the Day Nursery Association in Indianapolis, Indiana comments...

“We have a mission to serve low income children. Fewer and fewer vouchers are available and many families don’t qualify for the decreasing eligibility levels. Many people live on 20-30k/yr and can’t get government help. Our philanthropically based tuition assistance starts at 50% of fee and they can’t afford that. The program is out of their price range, even with a 50% scholarship. I can’t lower the entry level because I can’t raise enough money to do it. So parents choose unlicensed, unaccredited programs because they are all they can afford. Meanwhile, we have open slots.”

In Boston, Doug Baird of Associated Early Care and Education echoes Dederer’s concern...
“If there were a ‘fragility’ score for community programs, we would score substantially more fragile this year. Publicly funded markets are now well below the private market rates. This trend has developed over more than a decade. . . . Non-profits market, for the most part, to the lower 40% of the economy. The last dozen years of federal economic policy has wrung every loose penny from the bottom 40.”

Note: Decreases in public support have forced non profits to diversify their constituencies. Non profits have had to reach out to fee paying clients to balance their budgets. As a result, currently, on average, only 1 in 3 families served by non profit centers fall into the low income category (Neugebauer, 2001). What this means is that community non profits look and feel a lot like their for profit counterparts. Thus, much of what is observed in this report applies to the overall child care community, not just the non profit sector.

Decreasing philanthropic support

The recent onslaught of horrendous natural disasters (tsunamis, hurricanes, earthquakes) has absorbed a tremendous amount of charitable giving. For non profits dependent upon donations from individuals and foundations, this has meant declining support.

In the child care world, such philanthropic support has historically accounted for less than 2% of funding for centers (Mitchell, 1997). Therefore, the changes in the philanthropic world have not had much impact on day to day cash flow of non profits. However, what it does mean is that with government support shrinking (or at best barely keeping up with inflation), non profits have not been able to turn to charitable individuals and organizations to pick up the slack.

Opportunities 2006

A number of factors have come together to shape a significant opportunity for non profits . . .

- public awareness of brain research findings pointing to the importance of early years
- concern over the declining skill levels of children coming out of our public schools, and
- recognition by business leaders of the increasing need for educated workers for tomorrow’s workforce.

These factors have led to an awakening of interest in the early years among lawmakers, philanthropists, and business leaders. As a result in the majority of states there is some form of initiative being implemented or planned to fund expansion of pre-k services (Doggett, 2006).

Non profit leaders are greeting this “opportunity” with mixed reviews. On the one hand, all welcome the infusion of much needed, long overdue new funds into the early care arena. And, if community non profits can insert themselves into these funding streams, this could yield positive results for the organizations and the communities they serve.

On the other hand, there are two concerns if this money flows exclusively through public school channels . . .

If public schools start serving all four and five year olds, leaving infants and toddlers to be served by community centers, the economics just won’t work. If public schools simply water down rigid academic curriculum approaches for preschoolers, this will not be in the children’s best interest.

How this is playing out is varying from state to state and community to community. Typically, the new money flows to local public school districts, and these bodies are empowered to contract out to community programs (with varying levels of encouragement and varying results to date). For example . . .

In Missouri, Kathy Thornburg, director of the Center for Family Policy and Research at the University of Missouri-Columbia, reports that the state has enacted a small pilot program, the Missouri Preschool Project, that provides funding for preschool children in 220 public schools and community programs.

In Colorado, Tami Havener, director of the Discovery Learning Center in Colorado Springs, notes that the state has a limited pre-k initiative which purchases 8,000 to 13,000 slots for at-risk preschoolers, with anywhere from 1/3 to 1/2 of these in community centers.

In Pennsylvania, Fred Citron, executive director of Montgomery Early Learning Centers, reports that the new governor, Edward Rendell, has a strong commitment to early childhood services. He is putting money into subsidies and quality enhancement, while pushing school districts to get involved. School districts are encouraged but not required to collaborate with community centers and Head Start agencies. At the same time, foundations in the state have launched the Quality Pre-K Initiative which will provide money to school districts and require them to work with community providers.

What lies ahead: 2006 and beyond

What the future holds is far from certain. As Doug Baird concludes, the universal pre-k movement . . .

“. . . could be a blessing or a curse. I am very close to it (perhaps too close) and cannot honestly tell you. The trouble at the moment is that it is really, on the
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street, all promise and no performance. We are all on our tippy toes ready for the starter’s gun to blam. It is not clear what direction and what pace will win the race.”

Basically non profit leaders, looking at the future of their organizations, have three choices when it comes to the pre-k movement . . .

■ They can ignore it. They can view pre-k as a passing fad, not worth turning topsy turvy over.
■ They can fight it. They can oppose state initiatives to funnel preschool funds through the public schools.
■ They can join it. They can get involved in advocating, planning, and implementing pre-k programs.

While believable arguments can be made for each of these choices, those early childhood leaders I interviewed for this article came down on the side of hopping on the train. With varying degrees of success they are inserting themselves into the planning process in their states.

And, those directing programs are preparing the way for their organizations to wade into the new funding streams. For example, Carolyn Dederer observed . . .

“I am positioning our organization to be the provider of choice for these school-based programs so that they remain developmentally appropriate. We believe in partnerships to keep our costs down and this is just another partnership.”

The bottom line, according to our panel of experts, is that non profits need to adjust to the new realities of their world, or be faced with dimming prospects. This means that they will need to team up with new players at the state and local levels — players who may have different views on curriculum goals, on accountability, on staff qualifications, on ways of managing organizations.

School districts often operate in an insular world and they won’t understand or appreciate the value of the community-based sector unless they become informed. Getting into the fray of advocacy — advocating for mandatory contracting with the community-based child care sector — is the bottom line for success.

Sea changes within a sector can definitely induce high anxiety, so let me close on an optimistic note from the always upbeat, Karen Hill-Scott, who co-chaired the California Task Force on Universal Pre-school and chaired that state’s Master Plan for School Readiness . . .

“In California, the pre-k initiatives have the potential for catalyzing greater organizational capacity in the non profit sector. Starting universal preschool will provide access to far greater funding for compensation and quality. I see this movement as a way to formalize and centralize the fragmentation that exists in the non profit world. Non-profits will retain their independence and significance, but be a part of a large system with high standards and better funding. Yes, this will put heightened pressure on existing non profits to change, but the results will be dramatic in terms of quality, professionalism, and cash flow.”

References


