6. DEVELOP A BUDGET AND STAFFING PLAN

Staffing
Once you determine what services will be offered, the next question is, who will actually do the work? One important word of caution when establishing an Alliance: the tendency is to create new full-time positions with titles like “Project Manager”. Remember that any new positions created must be sustained over time, after start-up funding is expended.

An alternative is to identify the tasks to be done and then determine the best way to accomplish the work. More often than not, it is best to using existing or part-time staff – remembering that business automation tools typically reduce the number of hours it takes to complete a task. (As an example, in one Alliance, a center’s administrative staff person was spending well more than a day a week preparing payroll, using paper time sheets and calculating wages by hand. The move to electronic check-in/out for employees and a payroll service brought that time down to one hour.)

The graphic below illustrates how to approach staffing to keep costs low and maximize efficiencies.
Sample Personnel Scenario for building an Alliance Budget with current staff of Hub organization

(Assumption is an Alliance that begins with 4 of centers serving approximately 240 children)

**Alliance Coordinator** – CCMS start-up + on-boarding support for Alliance member centers; supervises day-to-day operations of team; single point of contact for members; reviews and analyzes all project data; ensures alignment between member policies and CCMS and Hub services. Overall project management. **Allocated at .20 FTE level of effort.**

**Business Analyst** – On-going review of provider data in CCMS; provide reports, analysis, and coaching to members regarding Iron Triangle metrics; coach providers around revenue opportunities - including CACFP; support marketing and enrollment; ensure parent handbook and parent contracts are in compliance with CCMS; help recruit and enroll new families. Strategic business support to members. **Allocated at .20 FTE level of effort** with initial cohort of members; allocation to increase as membership grows.

**Fiscal Clerk** - Manage fiscal functions of centralized administration for Alliance members including, Accounts Payable/Accounts Receivable; generate provider financial reports. Day-to-day business support to members. **Allocated at .20 FTE level of effort** with initial cohort of members; allocation to increase as membership grows.

**Information Technology Coordinator** - Assess member hardware and connectivity needs; price options for meeting needs; order and install equipment needed; troubleshoot equipment issues. Overall technology support. **Allocated at .04 FTE level of effort** with initial cohort of members; allocation to increase as membership grows.

**Budget**

Building a budget for Hubs involves two key steps:

- First, the Hub must estimate the **incremental cost to their organization.** This may involve hiring additional staff, adding hours to current staff, hardware and software costs, and more. Typically, there are one-time start-up costs as well as ongoing expenses.
- Second, the Hub and members must **agree on how those costs will be covered.** While these costs can often be subsidized by private funding during the startup phase, unless public contracts are identified, members should be clear about the possibility of needing to pay directly for intensive, individualized Shared Services or ongoing automation licensing fees or membership fees after private funding goes away.

Ideally, when approaching a potential funder for start-up grants, the Alliance will have a business plan that clearly specifies a **pathway to sustainability.** From the financial perspective
of the Hub, this is the point at which funding via public contracts and possibly membership fees are supporting the cost of Hub services. From the provider perspective, this is the point at which the value of the Alliance is more than the cost of membership.

The key to sustainability is **keeping overhead and administration costs at the Hub low** by building on existing staff and infrastructure and by exploiting the full range of opportunities offered by technology and automation. If this goal is achieved, the member providers are more likely to have the resources needed to not only support the cost of the Hub, but also invest in quality improvements.

One of the most important ingredients in the sustainability pathway is the ability for member agencies to reduce expense, particularly the cost of administrative staff. The benefit of a Hub is their ability to perform administrative tasks in less time and with fewer errors than administrative staff at each individual organization. Through the use of automation tools and economies of scale, the cost of these services is driven considerably down. However, the member agency only benefits if the number of administrative staff is reduced. **Failure to reduce staff (costs) at each member site will likely consign the Alliance to failure.**

In some cases, ongoing funding may be necessary for Alliances that include supports such as comprehensive health/mental health/social services or deeper pedagogical leadership. In these instances, the Hub is more likely to secure funding on behalf of Alliance members than individual centers seeking funding independently.

Typical sources of funding include: local and regional foundations, religious organizations, private contributions, and government grants. Experience suggests that the most likely funders for Shared Services are local foundations and businesses that understand the local market and will be responsive to the financial and quality improvements that Shared Services offers.

Finally, it is important to underscore that the Alliance development process can take a long time, and often takes twists and turns that cannot be predicted in advance. Alliances are partnerships that require behavior change, creating/building trust, and working together in new ways. It is important to have an intentional strategy to address the change process, and be able to reframe, refine or reimagine plans as the startup process proceeds.

<table>
<thead>
<tr>
<th>Key Factors in an Effective Hub Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Staffing plan is fully aligned with service menu</td>
</tr>
<tr>
<td>• Staffing plan effectively uses percentages of existing staff at Hub organization</td>
</tr>
<tr>
<td>• Staffing allocation increases in alignment with projected increased membership demand/needs</td>
</tr>
<tr>
<td>• Cost per member is reasonable based on CCMS licensing fees paid by Hub and services that provider member receives</td>
</tr>
</tbody>
</table>
BUILDING AN ONGOING IMPLEMENTATION SERVICE BUDGET

The format below may be helpful in establishing a unit cost for each service delivered to Alliance members. An example follows.

<table>
<thead>
<tr>
<th>SPECIFIC SERVICE</th>
<th>DELIVERED BY</th>
<th>ANNUAL COST</th>
<th>COST PER PROVIDER - 5 providers in this example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manage accounts receivable and accounts payable</td>
<td>Accounting clerk employed by Hub</td>
<td>$13,750 25% of $55,000 annual compensation</td>
<td>$2,750</td>
</tr>
</tbody>
</table>

In addition to the expenses tied to specific services, the Hub may have administrative and other expenses to add to the overall budget, but every effort should be made to keep these costs as low as possible to ensure a pathway to sustainability.

**Budgeting Revenues for an Alliance**

While planning and implementation costs are typically supported through philanthropy, over time provider member fees + on-going funding from a range of third-party sources will ideally lessen the need for fundraising from ‘soft’ sources like foundations. Alliance sustainability is the goal.

Possible sources of Alliance revenue include:

- Subsidy contract for child care slots from the state child care administration agency
- Head Start/Early Head Start contract for PreK slots
- Public PreK contract for PreK slots
- FCC provider member fees for specific intensive and individualized services such as tax preparation and ongoing accounting
- Contract from the state child care administration agency for licensing/certification/QRIS training and coaching
- Contract to provide comprehensive services and/or family supports in participating sites