1. Introduction & Executive Summary

Many childcare providers are independent small businesses whose owners struggle to provide a high-quality learning experience for children while operating an efficient and sustainable business. In addition to meeting quality standards for education and care, childcare program directors are responsible for maintaining enrollment, collecting fees, preparing budgets, managing cash flow, maintaining facilities, processing payroll, establishing policies, hiring, training, and supervising staff, and more. While program directors are passionate about early childhood education and many have backgrounds in child development, few have training in accounting and/or business management. As a result, directors are overwhelmed with their day-to-day responsibilities and many struggle financially. Childcare programs in low-income neighborhoods find it challenging to attract qualified staff, have limited skills to market their services and maintain full enrollment, and often operate at a capacity that is sub-scale (tuition revenues from enrollment do not cover fixed operating costs).

The childcare industry is currently facing two additional challenges that make operating profitably even more difficult. The impact of the Covid-19 pandemic has been devastating to the industry. Many programs closed in the early days of the pandemic, and most programs have not returned to pre-pandemic enrollment levels as parents continue to keep their children at home due to unemployment or fear of infection. In addition, it has become increasingly expensive to attract and retain child care staff as other industries, including retail and fast food, have been increasing wage rates in anticipation of government-mandated increases in the minimum wage. Program profitability will be further squeezed as competitive pressure to increase wages rises over the next few years.

As mentioned above, the [Shared Services Alliance Name] will serve as a solution to the business challenges faced by small childcare providers in low-income neighborhoods. A Shared Services Alliance is a partnership of childcare providers working together to share costs and deliver services in a streamlined and efficient way. The concept allows both centers and home-based childcare providers to share a portion of the financial burden of operating a high-quality program. Providers do this by relying on a centralized staff for administrative support, including bookkeeping, financial reporting, marketing and enrollment management, payroll and benefits management, and other functions.

A Shared Services model results in cost savings and the following benefits for childcare providers:

- **Increased quality of childcare** – reduced administrative duties enable directors to spend more time with children and teachers, as well as time for quality improvement coaching that increases early learning outcomes for children.
• **Expanded enrollment and revenues** – marketing resources enable targeted efforts to increase enrollment and centralized administrative staff manage the process to maximize the subsidies provided by federal, state and local governments to low-income families.

• **Increased stability of childcare** – centralized fee collection results in higher rates of collection, automation through childcare management software streamlines administrative processes, improved financial record-keeping and reporting increases visibility into financial performance, and a targeted focus on improving financial stability supports increased wages and benefits, improving staff recruitment and retention.

• **Expanded capacity of childcare** – childcare providers are supported by a backbone organization and administrative support that make it easier to start-up and sustain small programs.

[Shared Services Alliance Name] will serve as a centralized administrative hub serving small centers and family childcare homes in [pilot locations]. During an initial pilot year, [Shared Services Alliance Name] will serve [X] programs, consisting of [X] centers and [X] family childcare homes. Childcare management software will be implemented across all participant programs, and administrative support will be provided by [Shared Services Alliance Name] staff. Financial and quality performance of the participating programs will be monitored to demonstrate the efficacy of the Shared Services Model.

The pilot participants will access [Shared Services Alliance Name] services free of charge in Year 1. In Year 2, [Shared Services Alliance Name] will begin charging participants membership fees, and by Year 5 the Alliance is projected to be financially self-sufficient through achievement of a minimum number of 50 members.

**2. Services to be Provided**

   a. **Bookkeeping**

      The Alliance will provide basic bookkeeping services for its members. To simplify the bookkeeping process, Alliance members will be set up with QuickBooks online that can be accessed remotely by the bookkeeper. All providers will utilize a common chart of accounts customized for the childcare industry. All Accounts Payable (AP) invoices will be paid electronically or by a debit card so that all transactions will be entered and coded automatically into QuickBooks through a bank feed.

      Each Alliance member will receive up to 4 hours of bookkeeping services per month. In addition to maintaining QuickBooks transactions, the bookkeeper will prepare monthly financial reports for presentation and review with providers.
With access to financial data across multiple providers, the Alliance will produce regular reporting on the financial health of providers, track enrollment trends, calculate the cost of care, and forecast the impact of the minimum wage increases on program profitability. As the Alliance grows to include more providers, the access to this information can contribute to meaningful data-driven discussions with policy makers and childcare advocates.

During the first two years of operation, the Alliance will outsource bookkeeping services to a local bookkeeping firm, and then in Year 3, a full-time bookkeeper will be hired.

### Bookkeeping Data Flow

#### Childcare Provider
- Recurring Bills Set up on AutoPay
- Ad hoc purchases made with Debit Card
- Receive tuition & fee payments electronically
- Approve electronic payments of AP invoices

#### Alliance Bookkeeper/QuickBooks Online
- Utilize common chart of accounts across providers
- Update bookkeeping transactions weekly
- Automatic coding of recurring transactions
- Initiate electronic payment of AP invoices—send to provider for approval

#### Bank
- Bank feeds revenue and expense transactions to QuickBooks Online automatically

#### Payroll Processing

The Alliance bookkeeper will be responsible for processing bi-weekly payroll for all Alliance members utilizing a common payroll platform. Staff hours will be maintained in the [CCMS] from the daily staff clock-in/clock-out procedures. The childcare director will approve the bi-weekly hours for payroll, and the alliance bookkeeper will export the payroll hours file from [CCMS]. The bookkeeper will then upload the hours file into the payroll system. The bookkeeper will report the cash needs for payroll to the provider and get approval before the payroll is submitted electronically for direct deposit for all staff members.
c. Benefits Administration

The Alliance will administer a suite of low-cost benefits to enhance the compensation packages offered by providers to staff. The benefits to be offered include the following:

i. Pre-tax retirement saving plan - 401(k)
ii. Affordable Care Act (ACA) Health Insurance Navigator to assist staff in enrolling in subsidized health insurance plans through the ACA (Navigator to be provided through Community Partner)
iii. Health Reimbursement Arrangement (HRA) accounts to allow providers to make modest contributions monthly to cover health care costs for staff
iv. Tele-Doc program – low-cost option for staff to receive routine health care via virtual visits
v. Dental insurance
vi. Vision insurance

The Alliance will partner with a benefits broker and an ACA Health Insurance Navigator to design and offer the benefits package and provide ACA health plan enrollment assistance to Alliance member staff.
d. Tax Preparation

The Alliance will partner with a local CPA firm to prepare annual tax returns for providers. Maintaining monthly financial records in QuickBooks will simplify the tax return process, and allow the local CPA firm to prepare tax returns for Alliance members at a discounted rate.

For family childcare businesses, the Alliance will provide expert advice and electronic tools for tracking work hours and expense record-keeping to maximize tax deductions through time and space percentages for home-based businesses.

Alliance members will pay discounted rates for tax preparation services offered by the CPA firm.

e. Business Coaching

A childcare business coach will be hired by the Alliance to review monthly financial reports with providers, identify areas for operational improvement, and offer periodic business training.

During quarterly onsite visits, the coach will suggest opportunities to maximize the utilization of the ECESharedResources tools and resources, including access to standard policy and program management documents, as well as cost-saving programs.

The business coach will work in collaboration with quality support specialists to identify opportunities for engagement regarding quality initiatives, classroom observation & coaching, inclusion referrals, etc.

In addition, the business coach will assist providers in applying for small business government grants and loans as they become available.

f. Childcare Management Software

All Alliance members will utilize the [Software Name] childcare management software. The business coach will serve as a technical expert and work with programs to utilize all aspects of [Software Name] to maximize the efficient management of their businesses, including: online enrollment, tracking and following up with parent inquiries through customer relationship management (CRM), child check-in/check-out, staff clock-in/clock-out, automated billing and collection, attendance reporting, child record keeping, sharing daily activities through the parent engagement app, food program record keeping (meals served), and lesson planning.

The Alliance will manage an Enterprise version of [Software Name] to aggregate data across providers regarding enrollment, program vacancies, attendance, and receivables aging. The Alliance bookkeeper will provide collections support to programs to
encourage electronic payment of weekly invoices, set up automatic late pick-up and late payment charges, and enforce non-payment policies.

g. Marketing/Enrollment Management

The Alliance will have a Marketing & Enrollment Management Specialist who will develop a simple website template for Alliance members. As part of Alliance onboarding, the Business Coach and Marketing Specialist will work with providers to personalize their websites and populate with logos, text and pictures.

Online enrollment will be facilitated through a website link to an Electronic Enrollment form that feeds directly into [Software Name].

The Marketing & Enrollment Management Specialist will manage the social media presence of Alliance members and list them on various online platforms (Google, Facebook, Instagram, Yelp, Nextdoor, etc.) to increase visibility of the programs and drive traffic to their websites.

The specialist will also monitor marketing & enrollment data regarding website visits, inquiries via phone or email, tours scheduled and families enrolled. The specialist will provide coaching to programs for handling phone inquiries, conducting tours, and utilizing the CRM tools in [Software Name] to document inquiries and follow up with prospects.

During the first two years of operation, the Marketing Services will be outsourced to a freelance Marketing/Social Media Manager. In Year 3 a full-time Marketing & Enrollment Management Specialist will be hired.

Marketing/Enrollment Data Flow
h. Subsidy Administration

Alliance staff will have expertise in working with families and [Local Subsidy Administration contact] to get families enrolled in the childcare subsidy program. On behalf of Alliance members, Alliance staff will submit monthly reporting for subsidy reimbursement and reconcile monthly payments with attendance reports from [Software Name].

i. Food Program Administration

Alliance staff will have expertise in record-keeping for the USDA Food Program. On behalf of Alliance members, Alliance staff will submit monthly reporting for food program payments utilizing data stored electronically in [Software Name] and QuickBooks.

j. Staff Recruitment

The Alliance will provide hiring assistance to programs through preparing job postings, advertising open positions, and prescreening and presenting qualified candidates to providers for them to conduct in-person interviews and make final hiring decisions.

After the hiring decisions are made, the Alliance will present offer letters, conduct reference checks and background screens for all new hires. Alliance members will pay a per hire fee for any staff members recruited by the Alliance.

k. HR/Legal Support

The Alliance will provide HR and Legal expertise to members on an as-needed basis. Examples of services that might be requested from Alliance members include review of employee and parent handbooks, advice regarding progressive discipline and documentation regarding terminations, standardization of job descriptions, exit interviews, and turnover data analysis.

Alliance staff will also work with program directors to enroll staff in continuing education courses to upgrade staff skills and work on career development. The Alliance will provide expertise in accessing financial support for teacher training (through programs like T.E.A.C.H.) and teacher wages. A goal of the Alliance is to improve programs’ financial performance, freeing up funds to increase teacher wages and benefits.

To handle more complex legal issues, the Alliance will partner with a local law firm who will provide services to Alliance members at discounted rates.
I. Substitute Pool

The Alliance will provide a pool of qualified substitutes to supplement daily staffing needs of members. Substitutes will have childcare experience and be background-checked to be classroom-ready. Providers will pay an hourly fee for use of substitutes. The substitute pool will serve as an on-ramp for full time employment with Alliance members.

A full-time manager of the Substitute Pool will be hired and the Substitute Pool will be launched in Year 3.

m. Accreditation Coaching

Alliance staff will work with providers to prepare and apply for accreditation. The accreditation process will provide structure around quality improvements as well as increase government reimbursement rates for Alliance members who achieve accreditation.

n. Grant Writing

The Alliance will help identify grant opportunities and provide assistance with grant writing and submission.

o. Community of Practice Meetings

The Alliance will host quarterly Community of Practice meetings for its participants. The purpose of these meetings will be to share best practices among the group, showcase success stories, and provide a personalized level of support and sense of community for program participants.

3. Organizational Structure

[Insert Org Structure info here]

4. Marketing

[Insert how prospective members will be identified]. Outreach to providers will be through presentations at provider meetings, emails to targeted program directors, and a link on appropriate websites.

The Alliance will host a website to provide information regarding services provided, the application process, contact information, etc.

5. Leadership

[Insert Leadership info here]
6. Staffing

A Childcare Business Coach will be hired to work directly with providers in onboarding to [Software Name], provide monthly financial reviews and quarterly onsite visits with providers.

In Year 1, Bookkeeping, Payroll and Tax services will be outsourced to [local CPA firm], with Alliance staff managing the contracted services. Similarly, in the first two years, Marketing services will be contracted with a freelance web marketing firm. Full time bookkeeping and marketing staff will be added to the Alliance as membership grows and full-time staffing is required.

In Year 3, a Substitute Pool Manager will be hired and the Substitute Pool Service will be launched.

7. Fee Structure

a. Out of Pocket Fees: The Alliance will negotiate reduced out-of-pocket rates for the following services to be paid for by providers:
   i. Monthly [Software Name] subscriptions
   ii. Tax preparation services
   iii. Legal services
   iv. Per hire fees for staff hired
   v. Employee benefits offered

b. Alliance Membership Fees: During the Year 1 Pilot Program, all other services offered by the Alliance will be free-of-charge. Year 1 is intended to be a year for data-gathering and proof of concept. It is expected that the Alliance will demonstrate substantial improvement in financial performance of participants during the pilot year through:

   i. Increased enrollment
   ii. Improved collections
   iii. Reduction in onsite administrative staff time
   iv. Reduction in operating costs

It is expected that the improvement in financial performance by Year 1 participants will justify the introduction of a Monthly Fee for Alliance membership of $500 for Centers and $200 for Homes in Year 2 (even one additional enrollment at $180/week attributable to the Alliance marketing initiatives would justify paying the membership fee).