Understanding the Business Environment for Iowa Providers

Business Practices and Technology Survey Results

Sharon Easterling | March 4, 2022

What was done?

In late winter of 2021, *Early Childhood Iowa* sent an electronic survey to all licensed centers and registered child care programs in the state to learn about how providers manage their business, and what, if any, technology solutions they are using.

Response Rate:

Centers – 30%

Home based Providers – 13%

Why?

The pandemic made visible a silent crisis in the child care sector, that many programs struggle to be sustainable – and the field is hindered by low wages/earnings for teachers and providers.

In order to support improved business practices and promote sustainability, it is critical to understand the current conditions on the ground.

Survey Highlights - Centers

Opportunities Exchange

KEY SURVEY FINDINGS

96% have consistently reliable high-speed internet access

90% of respondents have access to a computer for business use

77% report regularly being paid late

77% report that recruiting, hiring and retaining staff/paying a competitive wage is the greatest challenge

48% are not using business software tools

39% report spending more than 20 hrs/wk on managing business related tasks

Survey Highlights - Homes

Opportunities Exchange

KEY SURVEY FINDINGS

96% have consistently reliable high-speed internet access

43% report regularly being paid late

74% of respondents are not using business software tools to operate their business

70 hours worked per week reported by more than half the respondents

Payments
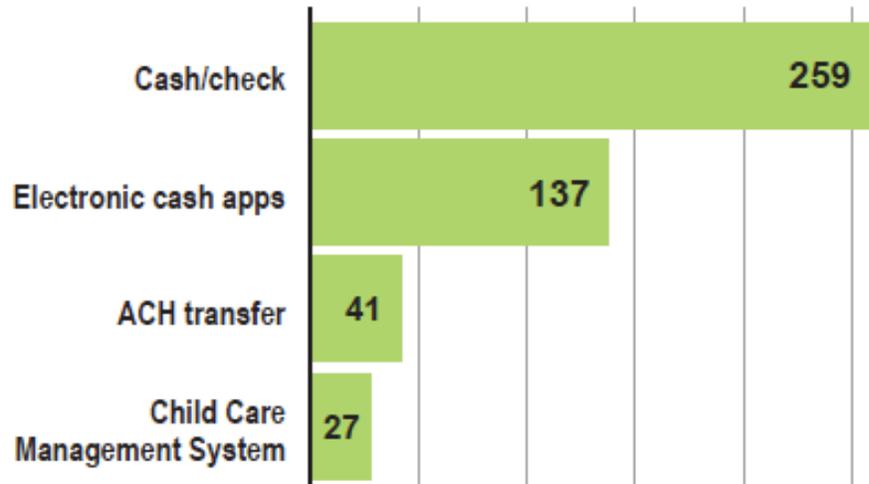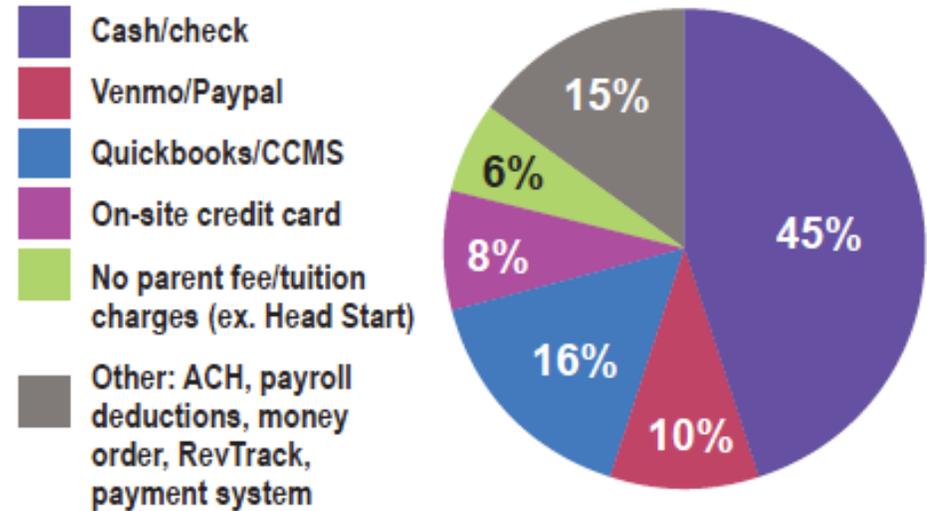
Homes

Centers

Why Technology Matters: Time savings in not processing each payment, recording/updating child account, tracking late payments

Late Payments
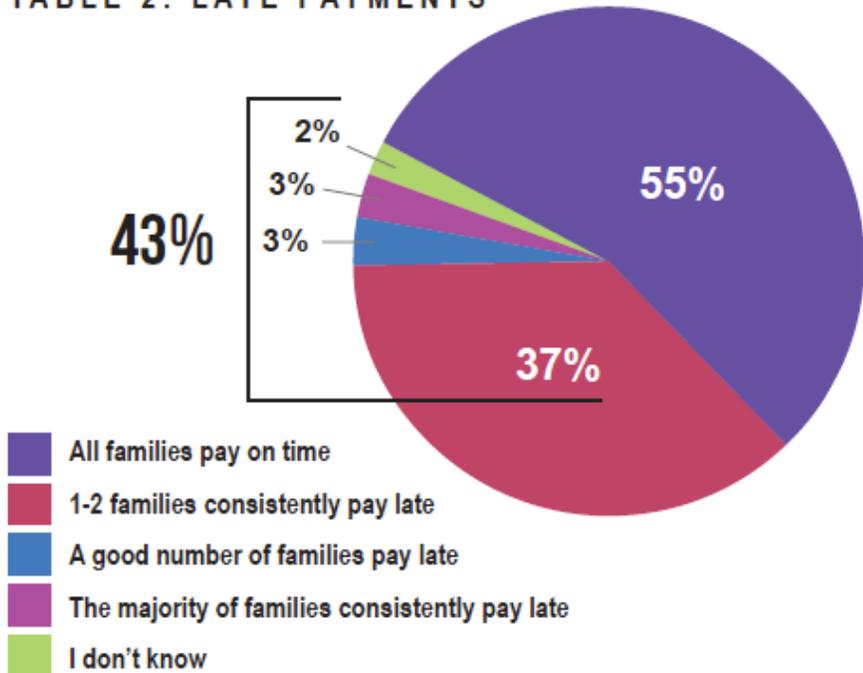
Homes
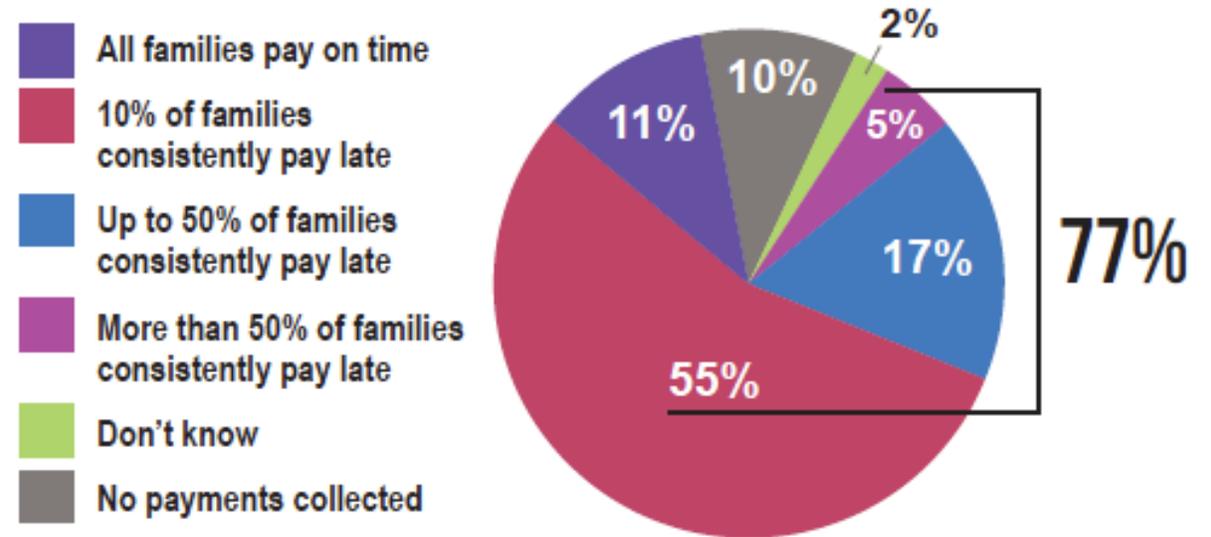
Centers

Why Technology Matters: Automated Billing and Electronic payment have a dramatic positive impact on collections

Business Leadership
(data from Atlanta, GA)

When the Project Began….

Average **bad debt** was $52,532 per program

Many sites were not fully enrolled & most did not have procedures in place to track + boost enrollment

None of the sites were using automated systems to support best practice business management

Results

Eleven months later….

Avg **bad debt** was $877 per program

Providers now have systems to flag problems and address them before debt accumulates.

Enrollment (filling vacancies) grew 34%

Overall revenue increased by 24%

Two programs more than doubled revenue + one almost tripled revenue.

Biggest Challenges - Centers

Why technology matters:
- **Increased revenue, decreased administrative costs - $$ for teacher pay;**
- **Increased director time to support staff**

Biggest Challenges - Centers
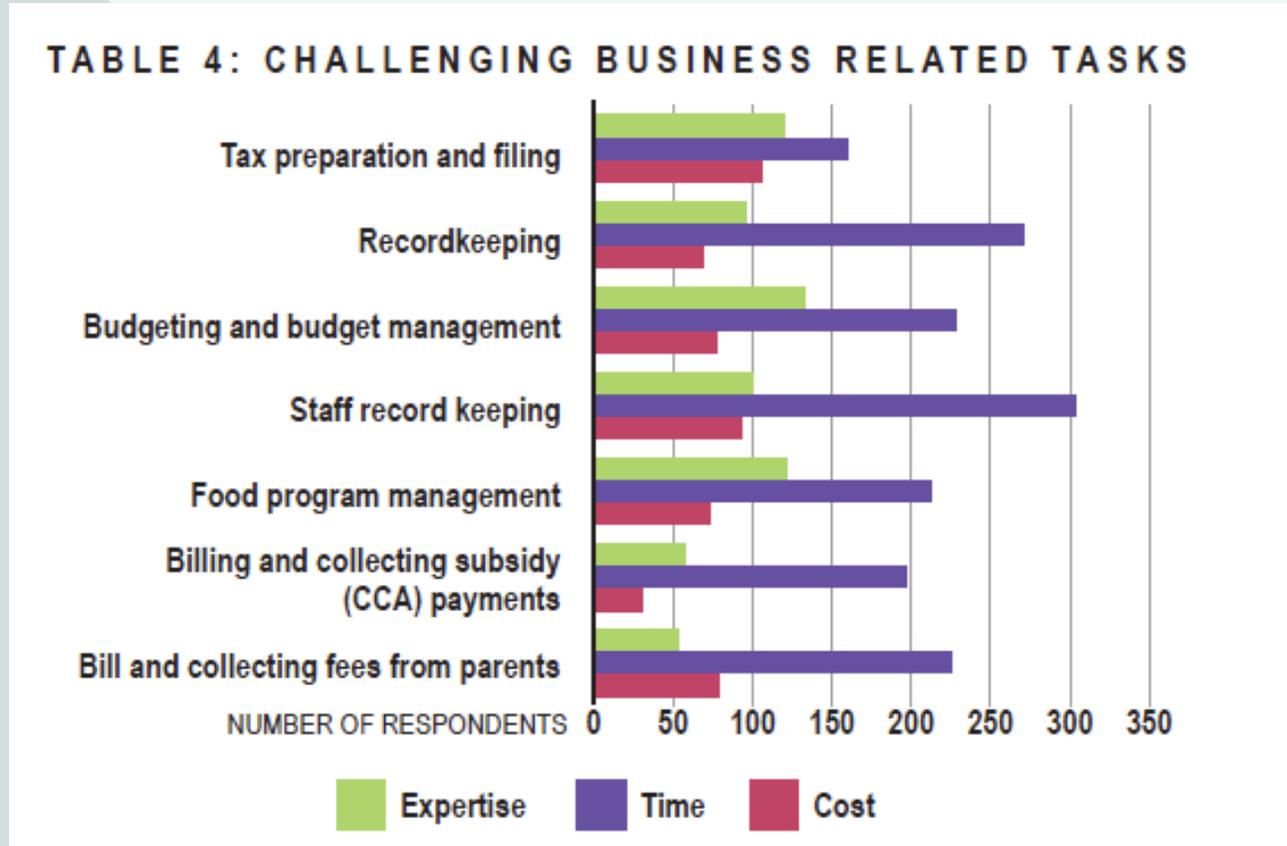
TABLE 4: CHALLENGING BUSINESS RELATED TASKS

Why technology matters:
- **Time is the biggest challenge – automation gives back time**

Biggest Challenges - Homes

TABLE 5: CHALLENGING BUSINESS RELATED TASKS
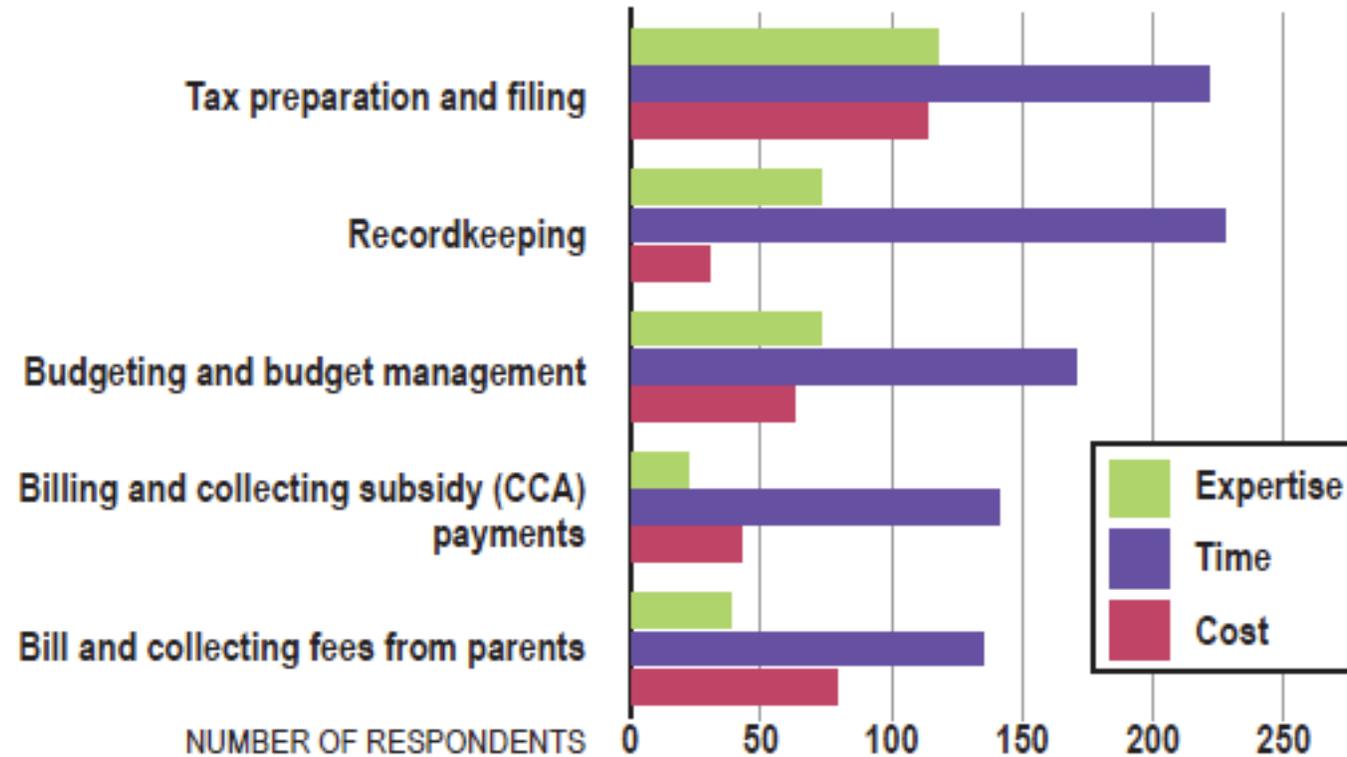
Tasks (top to bottom): Tax preparation and filing, Recordkeeping, Budgeting and budget management, Billing and collecting subsidy (CCA) payments, Bill and collecting fees from parents

Legend: Expertise, Time, Cost

NUMBER OF RESPONDENTS — axis: 0, 50, 100, 150, 200, 250

Why technology matters:
- **Time is the biggest challenge – automation gives back time**

Biggest Challenges - Homes

TABLE 3: TOTAL HOURS WORKED PER WEEK

Legend:
- >40 hours
- 41-55 hours
- 56-70 hours
- 71-85 hours
- 86-100 hrs

Pie chart values: 16%, 6%, 28%, 28%, 22%
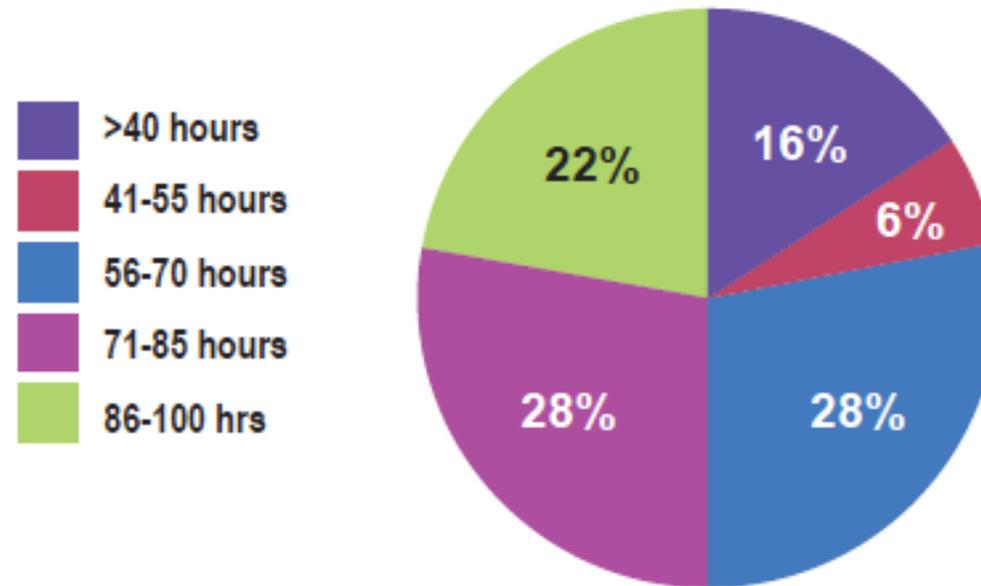
Why technology matters:
- **Helps to restore work/life balance for home based providers**
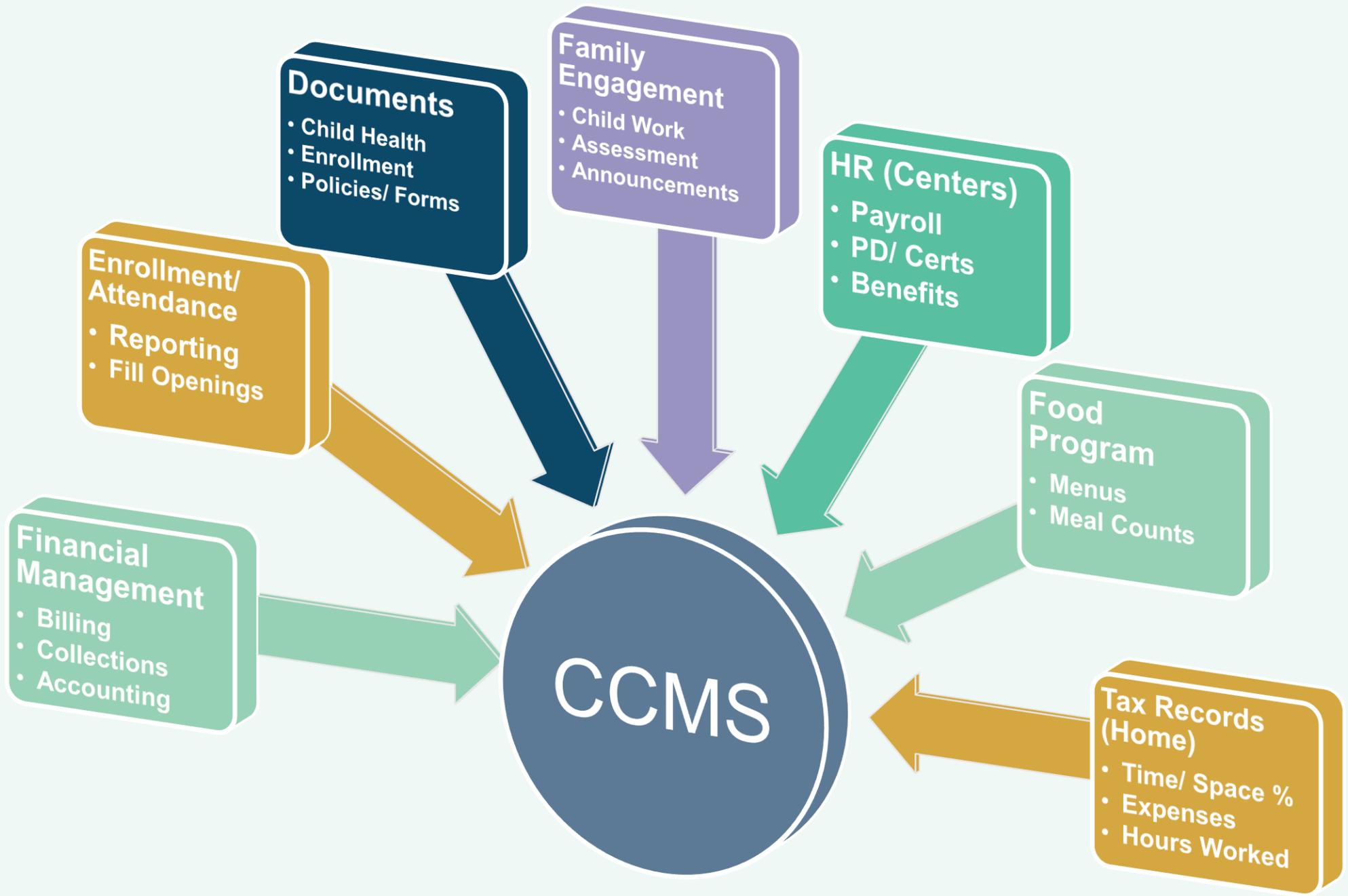
OppEx Work in Iowa

Opportunities Exchange is helping ECI ensure that all child care providers in the state can access:

- Business training and technical assistance

- State-of-the-art Child Care Management Software

- Shared Service Alliances to offer back-office supports

- New business models, and linked business plans, to ensure sustainability

- Early stage technology ecosystems, to reduce paperwork and time spent on routine tasks

Iowa is Focused on Re-Inventing the ECE Sector!

For More Information …

Opportunities Exchange

Profiles, Tools, Resources, Metrics, Issue Briefs and more …

www.OppEx.org

EXTRA slides – if needed for discussion

Challenge: Billing and Collections

- Every dollar counts

- Parent billing > conflicting roles of family support and collection of parent fees

- Subsidy billing > tedious, time consuming, careful monitoring for timely and accurate payment

Solution: Automatic billing/electronic payment

- Invoice automatically generated (no staff time, no paper/postage, no tracking)

- Parent reminders are frequent/ automatic

- Increases on time/full payment

- "Data push" to subsidy billing from CCMS saves time and reduces error

Challenge: Full Enrollment

- Budgets are based on STAFFED capacity

- Paying for staff in a room with empty seats = losing money

- Part-time seats, lengthy enrollment process contribute to less than full enrollment

Solution: Enrollment + Waitlist Management

- CCMS creates online presence so families find openings

- Tours scheduled via online calendar

- Enrollment process expedited with digital paperwork

- Optimize communication w/waitlist families

- Staff-child ratio monitored to "right-size" classrooms

Challenge: Revenue Covers per child cost

- Per child cost varies by **age of child** (staff-child ratios)

- Most providers don't have business systems needed to collect financial data

- Must know the "gap" before identifying ways to fill it

Solution: Timely, Accurate Financial Reporting

- CCMS tracks revenue by child, populates accounting software

- Financial reporting identifies challenges in real time

- Detailed financial data (by classroom) supports data driven decision making

Challenge: Administrative Overhead

- Multiple, complex funding mix

- Razor-thin profit margins

- Detailed tracking required at higher levels of quality

- Low staff compensation > need every available resource for teacher wages

Solution: Automate process – manage people

- Drastically reduce staff hours required for:
  - Time/attendance tracking for students and staff
  - HR – payroll, benefits, staff training, etc.
  - Food program management

- Re-allocate resources from admin to teacher wages/benefits

Many Iowa Providers Have Vacancies

…and most cannot reach capacity due to staff shortages!

Staffed Capacity and Current Enrollment in Urban Child Care Center

	Licensed Capacity	Desired (Staffed) Capacity	Current Enrollment	Vacant Slots
Infants (under 2 yrs)	96	80	66	30
Toddlers (2 yrs)	72	48	48	0
Preschool (3-4 yrs)	171	140	117	23
School-Age (5+ yrs)	90	90	62	28
	429	358	293	81

Data collected, November 2021