**ITEM # 6**

FIRST 5 CALIFORNIA

**August 19, 2020**

**ACTION ITEM**

**SUBJECT: SHARED SERVICES ALLIANCES FOR SMALL EARLY LEARNING AND CARE SETTINGS**

**Strategic Priority Area 1: Children and Families**
**Goal 1.2. Early Learning:** Children birth through age 5 benefit from high quality early education, early intervention, family engagement, and support that prepares all children to reach their optimal potential in school and life.

**Strategic Priority Area 2: System and Network**
**Goal 2.1. Leadership as a Convener and Partner:** Work with First 5 county commissions, state agencies, and other stakeholders to convene, align, collaborate on, support, and strengthen statewide efforts and initiatives to facilitate the creation of a seamless system of integrated and comprehensive programs and services to improve the status and outcomes for children prenatal through age 5 and their families.

## SUMMARY OF THE ISSUE

COVID-19 has had devastating effects on the early learning and care (ELC) sector and up to 60 percent of programs are estimated to never reopen. Quality ELC programs are essential to California's economic recovery; however, budget cuts may further impact the ability for providers to stay in business, drastically reducing the existing number of slots, which are already insufficient to meet family need. First 5 California (F5CA) can make strategic investments in not only expanding access to care, but creating a more efficient, high-quality sector that better serves the needs of vulnerable families and helps get young children learning ready. An investment in Shared Services Alliances can leverage efficiencies and partnerships to expand the supply of quality programs (including family child care homes) where it is most needed, train new providers, and reduce the burdens on families as they access services.

## RECOMMENDATION

Staff recommends the Commission approve a reallocation of $1,500,000 from IMPACT 2020 to fund local grants to support startup of Shared Services Alliances in strategic areas of the state. This is not a new funding request, but rather a request to shift IMPACT 2020 evaluation funds to support state infrastructure development.

## BACKGROUND OF KEY ISSUES

The importance of the socially and economically essential service provided by the ELC sector cannot be underscored enough. ELC programs support families, enabling them to work, and facilitate children's social, emotional, and cognitive development to ensure children are learning ready by kindergarten. The economically fragile ELC sector has been decimated by COVID-19, making it impossible for many programs to maintain operations. As California works to recover from the COVID-19 crisis, industry leaders are calling for a strategic reinvention of the sector in ways that support improved quality and higher levels of efficiency, and which free up precious funds to expand access for families.

This investment aligns with the F5CA Strategic Plan and leverages existing investments and work. These include issues emerging from the Master Plan for Early Learning and Care (MPELC), the Administration's priorities for supporting the ELC sector, planned investments through the Preschool Development Grant Renewal, and priorities for partner state agencies, including the California Department of Education, the California Health and Human Services Agency, and the California Department of Social Services.

COVID-19 has shown how fragile the ELC sector is, and also how essential it will be for the state to rebuild economically. Estimates are that up to 60 percent of ELC programs will close permanently and therefore strategic rebuilding will be essential to ensure California's recovery. F5CA has the opportunity to strengthen existing programs and support new providers to be more effective and efficient. Strong fiscal and program management is required for high-quality programs, but most ELC services are delivered in very small programs. As such, many ELC program leaders and family child care providers are not able to access the benefits of economy of scale. Increased efficiency allows ELC programs to offer high-quality services at a reduced cost and benefit from support to manage the business side of their ELC program.

Shared Service Alliances are an emerging model in California and many other states to strengthen small ELC businesses by supporting them to become financially sound and more efficient, which allows them to offer cost-effective and high-quality ELC opportunities to children and families. For additional information on how this model works, with a highlight on implementation in Texas, go to https://catriskprod.wpengine.com/wp-content/uploads/2018/01/Shared-Services-for-Texas_January-2018.pdf.

Shared Services Alliances accomplish increased efficiencies by:

- Centralizing enrollment, managing payments from families and third-party funders, payroll, grant reporting, and key aspects of supervision

- Shared and efficient staff recruitment, onboarding, professional development and support for pedagogical leadership, substitute service or relief squad for teachers

- Accessing benefits, insurance, bulk purchasing, janitorial services, and other services at greater scale and lower per unit cost

There are a number of shared services models in California that have been successful, including through First 5 Alameda and others. F5CA could accelerate the development of adopting shared services through:

- Developing a Request for Proposal (RFP), informed by best practices and lessons learned in California and other states

- Competitively awarding funds to Shared Services Alliances for startup grants, particularly in key areas of the state

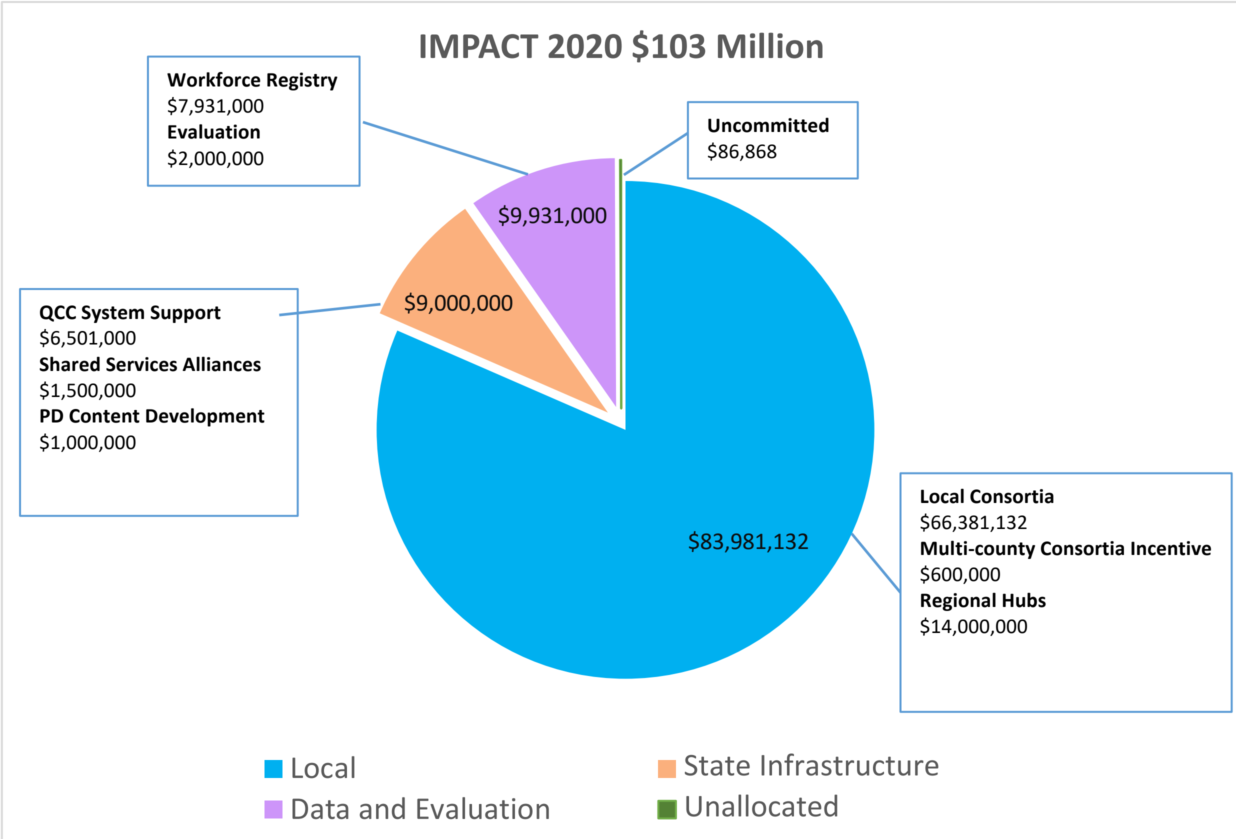
The grants would be up to $250,000 each; average awards would be $100,000, which has proven sufficient to successfully start up new Shared Services Alliances. The RFP would require that the Shared Services Alliance model outlines its business plan to be at least 80% or more self-sufficient.

**SUMMARY OF PREVIOUS COMMISSION DISCUSSION AND ACTION**

The Commission was previously presented with the initial concept of this investment on May 22, 2020.

**FISCAL ANALYSIS**

For the Shared Services Alliances, $1,500,000 over two years would provide up to 15 competitively awarded Alliance grants to be funded through current IMPACT 2020 authorization. Due to COVID-19, the state budget, and the forthcoming MPELC, money currently allocated to IMPACT 2020 evaluation can be repurposed to better meet the direct needs of providers, children, and families. This will not have any fiscal impact on ongoing revenue. Sufficient funding of $2 million dollars will remain for evaluation of IMPACT 2020.



IMPACT 2020 $103 Million
Workforce Registry
$7,931,000
Evaluation
$2,000,000
Uncommitted
$86,868
$9,931,000
QCC System Support
$6,501,000
Shared Services Alliances
$1,500,000
PD Content Development
$1,000,000
$9,000,000
$83,981,132
Local Consortia
$66,381,132
Multi-county Consortia Incentive
$600,000
Regional Hubs
$14,000,000
Local
State Infrastructure
Data and Evaluation
Unallocated