

# Los Angeles Times

## Do childcare centers in Los Angeles face financial insecurity?



Suppliers that depend predominantly on government funds constantly experience cash restrictions, which they attribute to insufficient reimbursement rates. (AP)

By SELENE RIVERA | WRITER JANUARY 23, 2020

Los Angeles - Despite being one of the largest economies in the country, California continues to face lack of funds when it comes to education and child care, say experts from the Non-Profit Funding Fund (NFF), California Community Foundation and First 5 LA.

According to activists, many Los Angeles early child care programs are operating with little financial security at the local level, which ultimately affects minors.

The three organizations recently worked together to study the financial and operational challenges facing 26 nonprofit early care and education (ECE) programs.

More than 50% of those providers did not have enough funds available to cover an entire month to operate (compared to only 9% of national nonprofit organizations in the same sector in 2018), and only 12% had three months or more on reserve.

“Organizations need profits even though they are called nonprofit organizations,” says co-author of the results, Annie Chang.

According to Chang, tight budgets from early child care providers can prevent them from expanding their attention to more children.

“We found that Los Angeles-based providers, who primarily provide ECE services, struggle more with liquidity than multiple service organizations that offer a wider range of services for children and families, which is probably the result of the lack of public investment in ECE programs,” experts say.

Suppliers that depend predominantly on government funds constantly experience cash restrictions, which they attribute to insufficient reimbursement rates.

Providers identified disparities in the care that low-income children receive. Funding sources such as the California State Preschool Program, Head Start and the Alternative Payment Program have varying quality requirements.

ECE providers who care for children in the most disadvantaged communities in Los Angeles have greater cash restrictions relative to peers with more access to wealth, says Chang

Particularly among organizations that provide services to communities of color, providers described the challenges of accessing board members, donors and/or philanthropic entities, all of which are essential to subsidize the total cost of quality care.

One of the top reasons for the lack of funds, the workforce that these programs predominantly assist are composed of women of color and immigrants, who receive very low wages and a lot of workload.

This project estimated an average annual compensation of \$21,000 per employee, which falls below the 2017 federal poverty line of \$24,600 for a family of four.

“Our teachers subsidize this industry, working with salaries below the standard and working without the necessary supports in the classroom,” says an ECE provider, who did not give his name.

“This is a Fair Trade problem, it is happening right here in the United States and in California. The government wants to get the best performance for their money, but the people who provide the service are being exploited. It is a problem of fair trade and exploitation ... we must know how much it costs and finance it,” he adds.

Organizations argue that more public investment is needed to cover the total cost of suppliers, starting with higher subsidy reimbursement rates under the current structure.

***Policy makers and philanthropic donors must strategically coordinate to provide more capital to the field, especially continuous and flexible funds to support operations and build the necessary cash reserves, the recommendations add.***

They add that policy makers should better understand the barriers for providers to participate in programs needed to care for families.