Developing Balanced, Diversified and Sustainable Funding in Afterschool Programs: A Formula for Success

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Whether your program achieves its potential ultimately depends on your ability to secure balanced, diversified and sustainable funding. Most people understand this but don't know how to go about doing it. The first step is to recognize that building a solid investment portfolio is absolutely essential if your program is going to be successful in the long run. Consider the following:

- As important as in-kind contributions and federal, state and foundation grants are, they won't adequately support your efforts to strengthen quality and expand opportunities for children and young people in your community *over time*.
- Programs that are the best positioned to be sustainable have secured roughly equal amounts of federal, state and private funding *and* the pooled financial investments of cities, counties, school districts and corporate and community foundations.

BEGIN BY FOCUSING ON THE RETURN ON LOCAL INVESTMENTS

Cities, counties, school districts, corporations and foundations are increasingly asked to do more with less. Unfortunately, persuading people to become partners because it's the right or noble thing to do or because it will make a difference in the lives of children and young people isn't as compelling as it used to be. To get and keep people's attention, you'll have to convince them that what you are doing will help them achieve *their* goals.

This begins with understanding that there are powerful incentives for cities, counties, school districts and community foundations to become financial investors. Evaluations conducted by the California Department of Education, the University of California, Irvine, the University of California, Los Angeles and the Rose Institute confirm that:

- Local investments *leverage* state and federal funding, bringing hundreds of thousands, if not millions, of dollars of outside money into communities.
- Increases in workplace productivity and employment and reduced childcare costs *stimulate local economic development.*
- Reductions in school vandalism, grade retention, neighborhood crime, absences during the school day and drop out rates lead to *significant cost savings.*
- The *return on investments* in afterschool programs typically exceeds the cost of doing business in other ways by as much as 1,000 percent.

These are powerful incentives for doing what it takes to support the quality and sustainability of your program. Depending on how far along you are, you can make this argument in one of two ways. If your program has been in existence for some time, the best evidence is already available in your community. If you're just starting out, it's perfectly legitimate and reasonable to draw on the well-documented experiences of other communities that are comparable to yours.

A Reality Check...

- *Are you knowledgeable about the economic impact your program can and does have on your community?*
- *Can you link the importance of your program with the interests of potential investors in a powerful, convincing way?*

LINK POTENTIAL INVESTMENTS WITH BENEFITS TO CITIES AND COUNTIES

The value of afterschool programs as a source of state and federal revenue that would not otherwise be available has become increasingly important. Cities and counties that position themselves to take advantage of new funding opportunities will have an unprecedented opportunity to bring literally millions of new dollars into their communities.

Cost savings are equally important. Documented reductions in juvenile crimes, gang involvement, vandalism and child victimization save money *and* make communities more attractive places to live. A quick analysis of the annual cost of funding a student in an afterschool program compared with the cost of a single crime committed by a young person is instructive.

A number of studies suggest that the average cost per child attending an afterschool program five days a week, three hours a day for a year ranges between $1,200 and $2,000 annually. The average expense incurred from the time a crime is committed to the end of a one-year incarceration in a juvenile detention hall is often at least $42,000 – or *30 to 40 times higher*! If an afterschool program keeps just three children or adolescents from entering the juvenile justice system, it will pay for itself.

As the number of afterschool programs increases, new local employment opportunities become available. In addition to reducing unemployment, jobs in high quality programs strengthen skills and promote personal and professional development raising the quality as well as the size of the workforce.

For parents of participating students, workplace productivity between the hours of 3:00pm and 6:00pm significantly increases. The availability of free childcare creates discretionary income that adds to local economic growth. A decline in child victimization during the late afternoon hours reduces the number of children and young people placed in harm's way and lowers child welfare and intervention costs to cities and counties.

A Reality Check…

- *Are you clear about the specific interests of city and county policy makers?*
- *Have you done an assessment of how much new money your program has brought in, or is capable of bringing in, to your community?*
- *Do you have at least an estimate of the cost savings that can reasonably be attributed to the existence of your program?*
- *Can you put this information together in a compelling written and oral argument?*

DON'T OVERLOOK THE COST SAVINGS TO SCHOOL DISTRICTS

High quality afterschool programs support the interests and goals of school boards, districts and schools in concrete ways. Student academic performance improves, often as much as two to three times more than for those not enrolled in these programs. Attendance during the school day increases by two to three weeks a year among students with previously high absenteeism. Disciplinary actions are reduced. Grade retention is lowered. English language learners strengthen their skills at a much faster rate. Student attitudes and behavior improve. Children and young people report liking school better, are more enthusiastic about learning and are less likely to drop out.

If you think of these as educational advantages, you're right. But don't forget that they also represent *significant cost savings*. School vandalism often costs upward of $100,000 – or just $12,500 less than the *annual* budget of afterschool programs serving 100 children every day for an *entire* school year. Absenteeism reduces state reimbursements to schools and grade retention costs taxpayers millions of dollars a year. Failure to meet the requirements of *No Child Left Behind* can trigger a whole host of problems, many of which have serious financial ramifications.

A Reality Check…

- *Have you taken the time to identify specific ways in which your program contributes to cost savings for school districts in which it is located?*
- *Have you compiled this information in a way that is easily understandable to school board members, district superintendents and principals?*
- *Are you prepared to make the case in individual meetings and public presentations?*
- *Do you have champions and advocates who will support you in this effort?*

ALIGN YOUR APPROACHES WITH CORPORATE AND PRIVATE FOUNDATION INTERESTS

Private foundations and corporations understand the importance of leveraging resources to produce positive outcomes in high priority areas such as youth development, community connections and the quality of the future labor force. They recognize the dangers of the digital divide, the increasing numbers of people living below the poverty level and the importance of young people developing strong communication, problem solving, decision-making, critical thinking and interpersonal skills.

They also increasingly look to experts in the field to provide counsel and advice on investing their money. They're committed to making choices that produce tangible social and economic dividends *and* meet the needs and interests of their program officers and board members. As a result, pooling their investments to ensure a more strategic and comprehensive impact is becoming more and more attractive.

Don't second-guess what corporations and private foundations really want or how open they might be to thinking differently about their investments. Check their websites, talk with their community relations directors and learn as much as you can about what they are interested in, what they have funded and what the results have been. Once you're confident you understand their interests and objectives, tailor your messages in ways that demonstrate your familiarity with them and the ways your program serves mutual goals. Remember that *your* primary interest is in convincing them to join others in becoming *long-term* investors.

A Reality Check…

- *Are you familiar with private and corporate foundations that invest in afterschool programs in your area?*
- *Are you clear about their interests and goals?*
- *Have you taken the time to develop relationships with their Program Officers?*
- *Have you invited them to talk with your leadership team in person and visit a site?*

ADOPT A PROVEN FORMULA FOR CREATING A SOLID FUNDING BASE

Over the last several years, we've found that the most successful formula for securing the level of balanced, diversified and sustainable investments that ensure program quality and sustainability is the *20 percent rule*. Put simply, cities, counties, school districts, foundations and businesses agree to combine their resources to finance *at least half of the operational costs* of programs (the other half will come from state, federal and other grants). Each commits to investing approximately 20 percent of this amount of the half from sources that can be maintained over time. The other 50 percent is secured through state and federal sources.

This formula secures a balanced budget while paying both immediate and long-term returns to investors. It's equitable and affordable. It provides a solid foundation for managed growth and long-term sustainability and produces both significant economic efficiencies and positive social outcomes. The 20 percent rule can be explained in the following way:

Step 1: The process is almost always initiated by a community champion who holds a position of influence and decision making authority, such as a mayor, a prominent city council member, a county executive, a school district superintendent or a non-profit leader. Preliminary discussions focus on the impact afterschool programs are having on their community and how their interests can better be met by combining their efforts.

Step 2: Potential partners meet together to review the cost of financing programs at the level needed to support both quality and sustainability. Generally, one school site serving 100 elementary school children requires approximately $112,500 annually (middle school programs typically cost $150,000 and high school programs $200,000 for the same number of participating students). A combined local investment of 50 percent of the total for each elementary school site, or $56,250, is adopted as the target figure. Each stakeholder considers the advantages of investing 20 percent, or $11,250, of that amount.

Step 3: Stakeholders agree to *pool* their resources in *unrestricted cash*. In-kind contributions, such as staff assignments, materials, supplies and equipment and all resources other than cash are excluded from this process and reserved for strengthening programs once the operational requirements have been satisfied.

Step 4: Stakeholders agree that their investments will remain at the *same percentage level* as the number of sites increases over time. For example, the school district pledges to invest 20 percent of the total operational budget as programs add new sites and/or new students are enrolled at existing sites. If the initial investment is for 10 sites, the 20 percent figure is $112,500. If the number of sites increases to 15, the investment increases to $168,750. And so on.

Step 5: Funding partners enter into an open-ended contractual relationship through memoranda of understanding, a joint powers agreement or similar arrangement to secure long-term local funding, with one partner serving as the fiscal agent.

By pooling investments, each stakeholder leverages much more money than could otherwise be secured locally. Each investment of 20 percent automatically leverages *five times that amount* and as the number of multi-site programs grows, cost savings increase through an economy of scale. A solid local partnership also significantly improves the likelihood of securing state and federal funding and support from regional, statewide and national foundations, yielding a return on investment of at least *10 times* the amount committed – or 1,000 percent!

HELP POTENTIAL INVESTORS IDENTIFY SOURCES OF LOCAL FUNDING

Having made the commitment to fund programs, stakeholders must then determine the *sources* of financial support available. Based on the actual investments of local funding partnerships, the following are representative.

Potential Funding Sources

CITIES	COUNTIES	SCHOOL DISTRICTS	CORPORATIONS/ FOUNDATIONS
General funds	General funds	General funds	Community Foundation grants
Community Services Department funds	Community Bloc Grants	Title I, Title 3, Title 4 and other categorical funds	Corporate Foundation investments
Recreation Department and Children, Youth and Family Community funds	Prevention funds (juvenile justice, teen pregnancy, child abuse prevention)	Safe and Drug Free School funds	Ongoing annual fundraising events
Local taxes	Local taxes	Average Daily Attendance dollars	Matching and challenge grants

Consider it part of your responsibility to work closely with people to identify sources specific to your own area and offer other ideas that you become familiar with as you engage in research and talk with people in other communities.

GENERATE STATE, FEDERAL AND FOUNDATION FUNDING

With a 50 percent local funding base, the balance of financial support must be secured either at the state or federal level. The key factor in determining the most appropriate *use* of these funds is their longevity.

State Grants In California, the target should be to fund as many sites as is feasible through the *After School Education and Safety Programs Act* when additional funding becomes available. The new formula provides $50,000 a year for elementary schools and $75,000 for middle schools, with reimbursement based on meeting attendance and other requirements. Since this funding continues in perpetuity so long as programs meet specified outcomes, it should be used as to cover core operating costs over time.

Federally Funded Grants Federally funded/state administered *21st Century Community Learning Centers* grants are vital to program success but they are limited to three to five years – at which time funding must be replaced. To date, programs that have relied on this as a single source of financial support have faced insurmountable challenges. These and other federally funded grants should be targeted at no more than 20 percent of *operating* costs – with the amount *declining* each year. The remaining 80 percent should be reserved for strengthening program quality. The same is true for other federal grants.

Foundation Grants Private funding should be targeted at approximately 20 percent of the dollars secured from non-local investments. Awards are typically made for one to two years and therefore should be used to strengthen program quality (investments in leadership development, staff training, materials for specific program components such as science clusters, and so on) rather than be used for operation expenses.

In combination, local state and federal funding provides the foundation for a balanced, diversified and sustainable portfolio. The examples provided below offer three different kinds of funding scenarios that are taken from actual afterschool programs. They help demonstrate how important it is for you to work conscientiously to create this kind of portfolio and explain the dangers of not doing so.

SAMPLE FUNDING SCENARIOS

Based on actual examples of an average cost per elementary school site (100 students) with an annual budget of $112,500

	SCENARIO 1	SCENARIO 2	SCENARIO 3
INVESTORS	REVENUE	REVENUE	REVENUE
Local Support			
City	0	10,000	11,250
County	0	10,000	11,250
School District	10,000	In-kind Only	11,250
Local Foundations	5,000	In-Kind Only	11,250
Local Corporations	0	10,500	11,250
Total Dollar Investment	**0**	**35,000**	**56,250**
State and Federal Funding			
State After School Education and Safety Programs	0	50,000	50,000
Federal/state administered 21st Century Community Learning Centers	75,000	0	75,000
Foundations/grants	0	27,500	10,000
Total State/Federal Funding	**75,000**	**77,500**	**135,000**
GRAND TOTAL FUNDING	90,000	112,500	191,250
OPERATIONAL COSTS	112,500	112,500	112,500
BALANCE	**-22,500**	**0**	**78,750**

Scenario 1: Local funding in cash is nonexistent and in-kind contributions will not pay the bills. Outside funding is limited to federal support – which fails to meet projected costs. At best, this program will struggle to meet even a minimal level of quality. If it makes it through the five-year cycle, which is doubtful, when the *21st Century Community Learning Centers* funding cycle is completed this program will no longer exist.

Scenario 2: Although combined local, state, and federal funding is adequate to meet operational funding requirements, long-term sustainability is threatened with the end of federal and local foundation grants. There is no contingency fund available for meeting hidden or unanticipated costs, strengthening program quality or increasing student enrollment. If this community is considering applying for *21st Century Community Learning Centers* funding, it would be well advised to secure long-term local funding commitments prior to doing so.

Scenario 3: Funding is secure, with a balance that allows for considerable flexibility in strengthening and expanding the program by adding children on waiting lists. The operating budget will be balanced over time, with financial resources available for the program to grow and expand to meet community needs and interests. Enhancement money is available for value-added program components. Although *21st Century Community Learning Centers* funding will run out, the program will continue – and is well positioned to thrive. Moreover, the strategic uses to which federal dollars are put can have a profound impact on the community's ability to attract other sources of financial support when this cycle is completed.

COMMIT TO MOVING FORWARD NOW

Commit to moving forward now, while popular support remains high and it can and will make all the difference in your long-term success!
In a June 2002 poll commissioned by the After School Alliance, a national research and advocacy organization

that seeks to ensure quality, affordable afterschool programs for all children:

- Eighty percent of voters wanted the federal government to set aside specific funds for afterschool programs,
- Seventy-nine percent wanted state governments to do so,
- Eighty-two percent wanted school districts to do the same thing, and
- Sixty-two percent said they would be willing to pay $100 or more in taxes annually to support afterschool programs.

Local partnerships throughout the country have demonstrated that the return on their investments in afterschool programs has paid dividends much higher than they ever imagined – both socially and financially. High quality programs meet the needs of children and their families, bring millions of dollars into communities that would not otherwise be available and result in millions of dollars in cost savings. Pooling resources to create balanced, diversified and sustainable funding to support them over time is socially responsible *and* fiscally prudent. Develop this practice in your program and you'll be well on your way to success!

ABOUT THE AUTHOR

Dr. Andria (Andi) J. Fletcher is regarded as one of the leading experts in the United States in after school program development. Her experience includes working with hundreds of communities and after school programs throughout California. She is the former director of Sacramento START and Chief Consultant for the Center for Collaborative Solutions. She initiated and wrote much of the legislation that has led to California's investment in after school programs and currently leads a team that provides training, technical assistance and mentorship to more than 2,700 after school programs in the state. She is the author of *What Works? After School Learning and Safe Neighborhoods Partnerships Programs Implementation Approaches*, *After School Programs and Systems Change, Building Exemplary Programs: Eight Keys to Success* and numerous other articles. She holds a doctorate in Political Science from UCLA.

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