

EXECUTIVE SUMMARY

Public Health Management Corporation (PHMC) utilized the infrastructure and consultant networks of existing Philadelphia early childhood education (ECE) business support programs, the Fund for Quality, the Fund for Sustaining Quality and the Early Childhood Education Fiscal Hub (Fiscal Hub), to deploy a centralized system of tiered COVID-19 ECE business technical assistance (TA). Over 140 providers received TA ranging in duration from 1 hour to 30 hours. This report is an analysis of TA participant exit survey data received between July 2 to August 15, 2020. The survey response rate was 47%. Of the 66 responses, seven were incomplete. Findings should not be generalized as representative of city-wide provider trends but do provide insight about the status of early childhood businesses during this turbulent period.

KEY FINDINGS

- A third of centers (33%) reported having lost more than \$50,000
- More than three-quarters of providers (83%) lost income from Child Care Works (CCW) co-payments and/or private pay
- Nearly half of providers (46%) reported being able make changes to reduce losses
- Two thirds of providers (62%) reported laying off staff
- Half of providers (50%) reported not being able to or still working on securing required Personal Protective Equipment (PPE) and cleaning supplies to meet recommended health and safety guidelines
- Nearly half of the providers (43%) reported up to 50% of enrolled families are not returning
- Half of the providers (50%) reported the need to hire new staff
- One third of providers (33%) reported changing child to staff ratios
- 84% of providers who applied received at least one grant or loan

RECOMMENDATIONS

- The ECE sector needs consistently available business consultation. Business consultation is most well-received at the moment the provider identifies a need. Therefore, it is at the moment of need that the ECE quality supports infrastructure should be prepared to deliver supports.
- To improve the long-term strength of ECE businesses that receive public funding, ECE funders should incorporate key business practices like generating financial statements, use of a standardized chart of accounts, engaging the services of accounting professionals, and use of business software into funding and monitoring protocols.
- Strong business practices and participation in business consultation should count more heavily toward Quality Rating Improvement System (QRIS) designation. Good business management stabilizes services to children, enhances the employment experience of the ECE workforce, and safeguards public investments.
- Tiered ECE business consultation creates multiple entry points for providers and helps them meet immediate needs while establishing the groundwork for deeper organizational improvement.
- The ECE sector requires investment in developing a larger workforce of expert ECE business consultants and core business function service providers in the areas of accounting, human resources, procurement, and risk management.
- Workforce participation in business improvement initiatives can be incentivized by recognition as a credit-bearing activity. In Pennsylvania, this would align with the workforce development priorities of Office of Child Development and Early Learning (OCDEL).

BACKGROUND

When COVID-19 quarantine measures began in March 2020, Early Childhood Education (ECE) providers were immediately impacted by a statewide order to close their businesses. Owners and program administrators were forced to make swift business decisions in a fearful and uncertain context, impaired by health and revenue concerns. Engaged stakeholders quickly convened to plan a cohesive delivery of resources. The ECE Business Operations Support group in Public Health Management Corporation's (PHMC) Child Development and Family Services division recognized a need for immediate expansion of business supports for the Philadelphia ECE sector.

PHMC's existing programs created the perfect pivot point. The Fund for Quality and the Fund for Sustaining Quality share goals of strengthening and expanding or sustaining the operations of quality ECE programs. PHMC and Reinvestment Fund launched the Fiscal Hub with the goal of understanding providers' business operating conditions, developing tools and resources to improve the financial stability of providers, and informing how the sector can advance the fiscal health of providers across the city.

To support the quality and fidelity of COVID-19 business TA, PHMC developed a standard Action Plan template to guide the work of consultants. PHMC convened consultants to review the Action Plan template, COVID-19 Business TA topic areas, target impacts, and protocols for TA delivery. These structures were critical to support quality control of TA, define provider impacts, and establish data integrity that enables synthesis of collected data to inform local ECE system response and policy. Using the descriptive data collected during intake, the provider impacts can be disaggregated and analyzed by provider attributes including quality rating, provider type, program census, and revenue sources.

TA DEPLOYMENT

Technical assistance was open to all child care providers operating at least one location in Philadelphia. Each provider who applied was offered five hours working with a consultant. Some providers received additional TA if already engaged in a PHMC program. The engagement period began in April and continued through the end of June 2020. Initially, TA was offered in five areas: tracking loss, saving money, staffing/employment issues, reopening, and applying for grants and loans. Health and safety TA was added later as additional funding became available. Service delivery was limited to remote contact only. While this was a shift in typical operations, both consultants and providers adapted quickly for successful results.

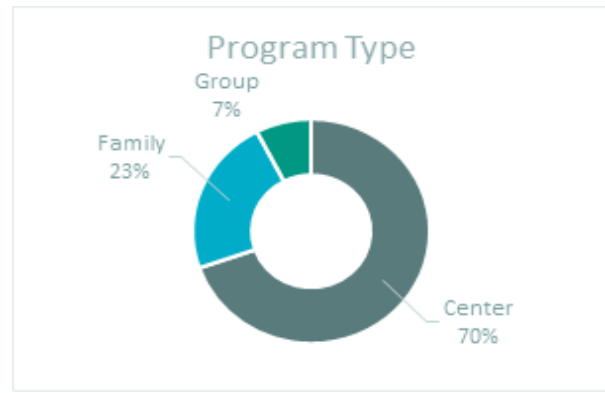
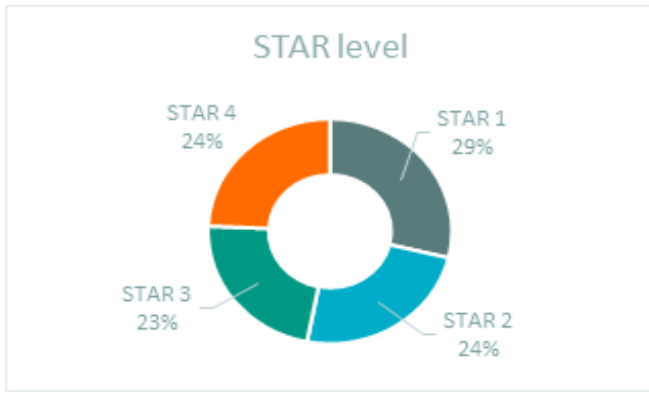
New resources and tools were developed to complement the technical assistance. These included a Financial Impact Tracking Tool, Staff Survey, Family Survey, Reopening Assessment Tool, and a Grant Comparison Chart.

CHALLENGES

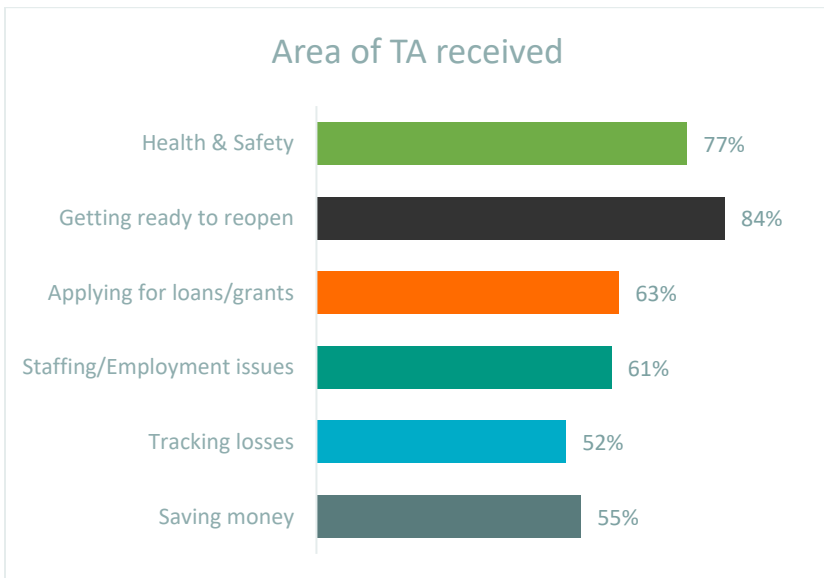
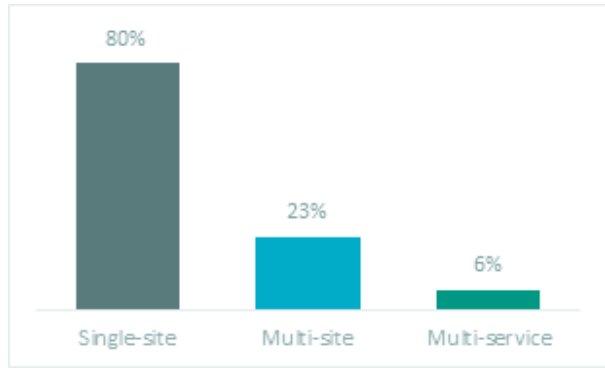
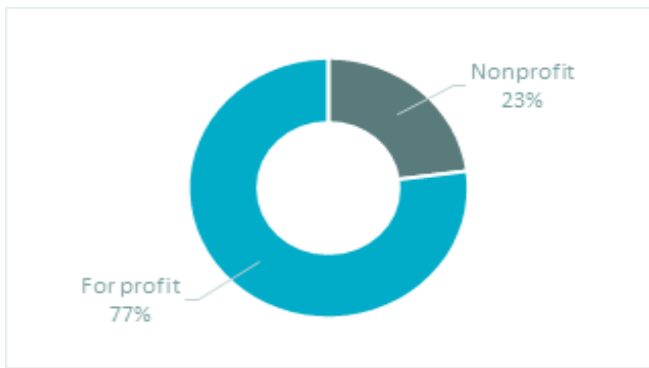
Delivery of TA during this time was not without challenges.

- Limited engagement time, in both TA hours and project timeline due to funding restraints.
- Competing provider priorities of applicants. After applying some providers did not respond to follow up with their assigned consultant.
- Lack of business systems to access accurate financial records. Many providers did not have reliable financial information or easy access to the information they needed, particularly when applying for grants and loans.
- Rapidly changing operating environment and guidelines.
- Rolling release of new and recurring grant and loan opportunities.

RESPONDENT PROFILE

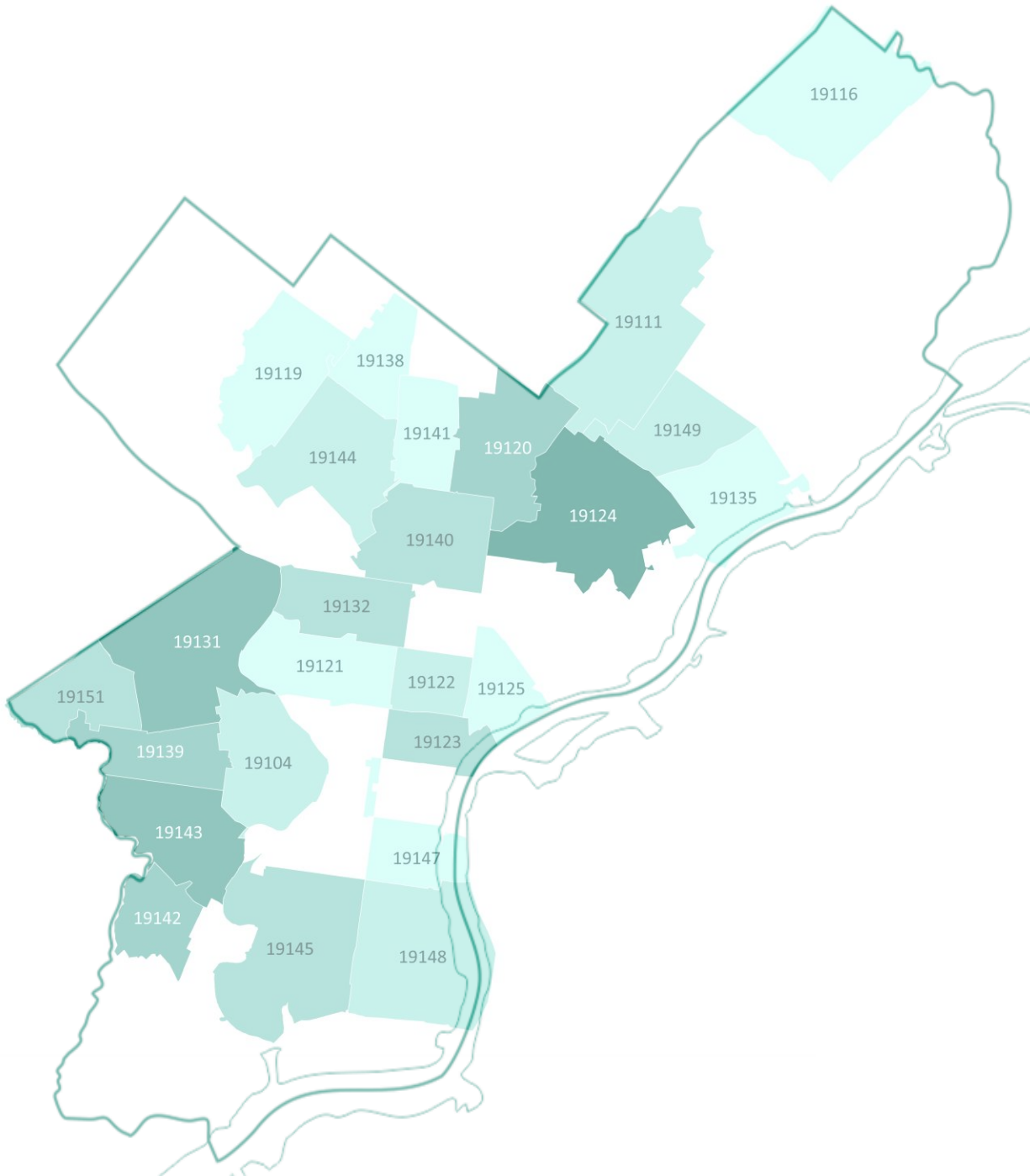


Business type



“What I got out of this TA exceeds a college course. ...the experience changed my business practices and overall mindset.”

Zip codes served



TRACKING LOSS

Child care providers faced financial challenges due to reduced income.

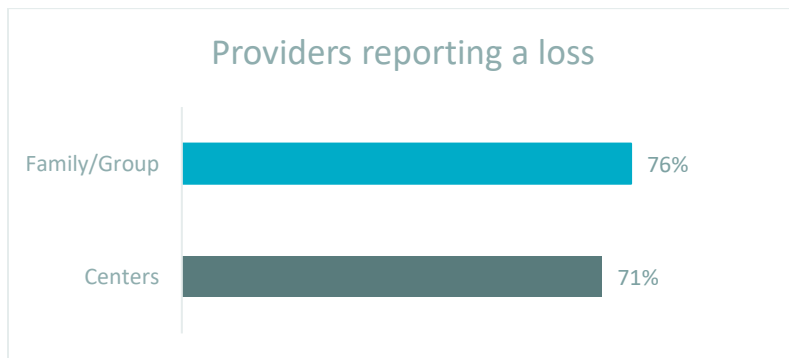
The majority of child care providers lost income.

- Nearly 60% of providers lost \$10,000 or more.
- A third of child care centers (33%) reported having lost \$50,000 or more.
- Nearly half of family/group providers (44%) lost \$5,000 to \$9,999.

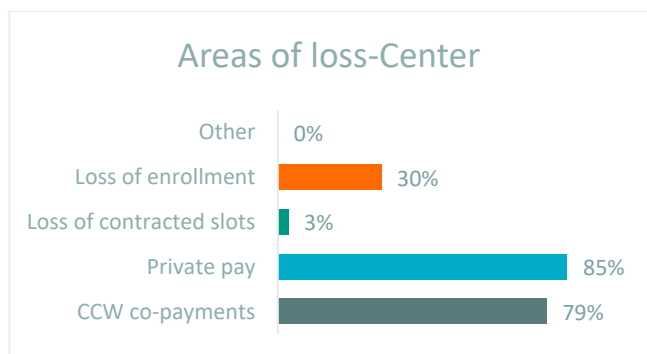
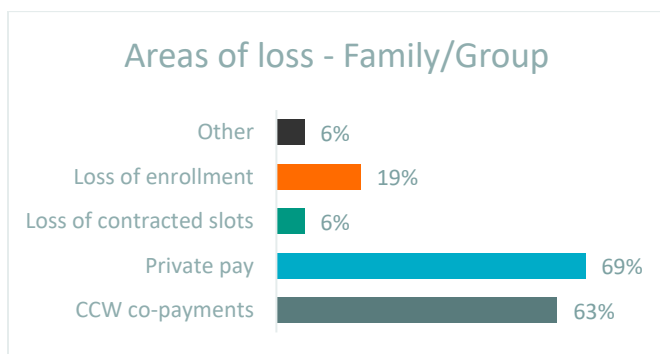
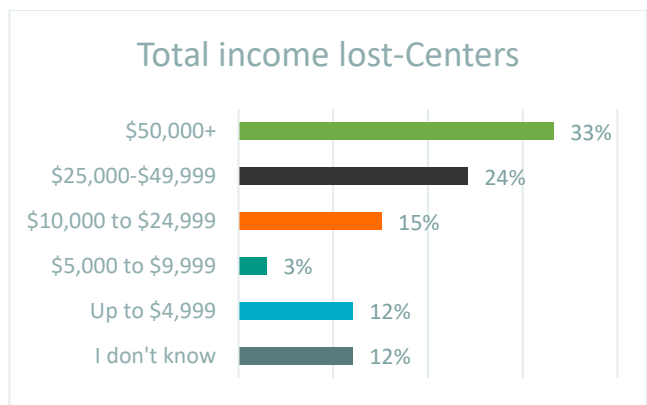
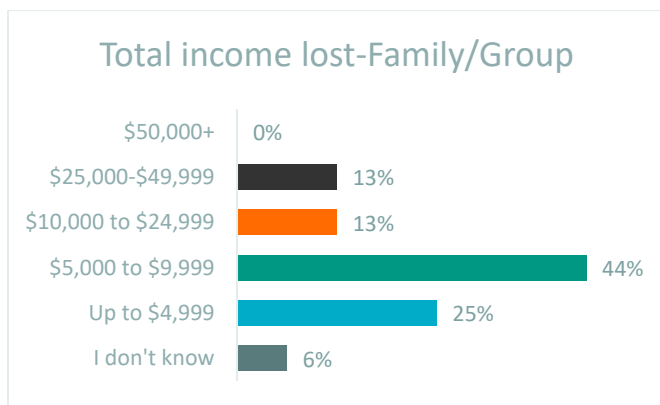
Loss of income was mainly from private pay tuition and CCW co-payments.

- More than three-quarters of providers (83%) lost income from CCW co-payments and/or private pay.
- The range of income lost from CCW co-payments ranged from \$1,000 to \$135,000, with an average of just over \$12,000.
- The range of income lost from private pay ranged from \$1,200 to \$175,000, with an average of over \$22,000.

TA impact: 29% of providers used the Financial Impact Tracking tool to estimate their loss of income.



“I was so uncertain about how to implement all the new requirements in order to keep my children and staff safe and facility afloat.”



SAVING MONEY

With expenses exceeding revenue, providers needed to find new ways to lower expenses.

Some programs were fortunate enough to save money on typical expenses, however more than half of providers were not successful in saving money

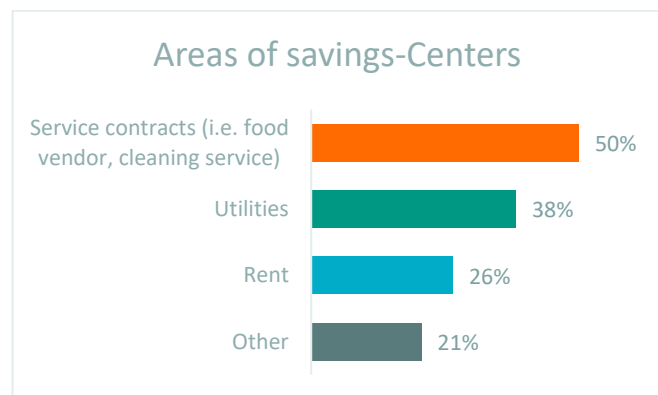
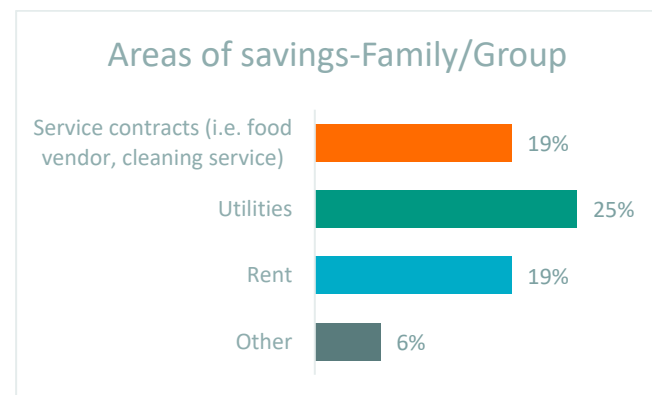
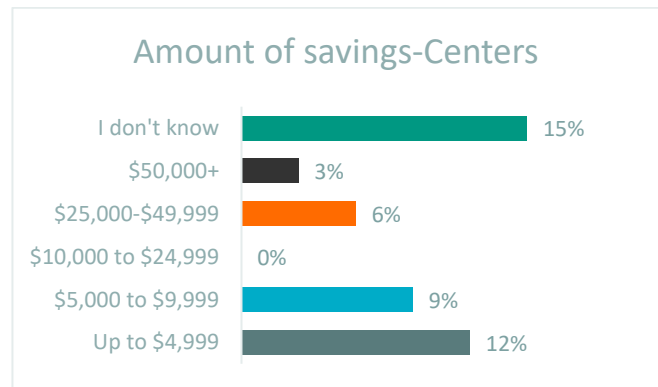
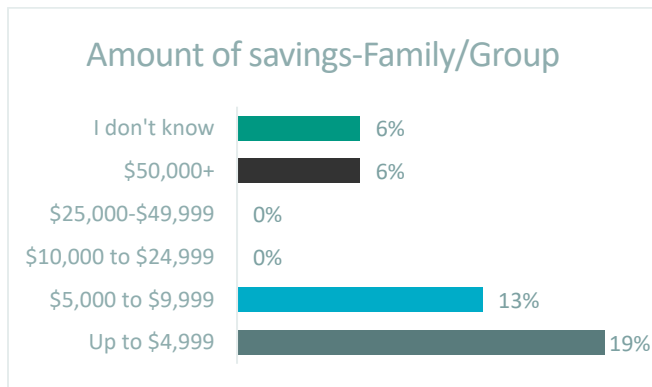
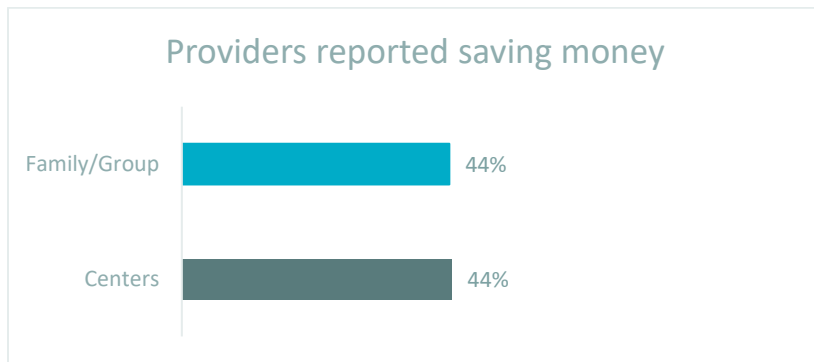
- 46% reported savings, 54% reported no savings

Most areas of savings required negotiation with vendors

- Majority of programs (83%) were successful in saving money on service contracts
- Half of programs (50%) were successful in negotiating rent payments

TA impact: 30% more providers saved money when receiving TA in this area.

“I have never thought to seek assistance for my business until being challenged with COVID-19 and its effects on my business... [my consultant] inspired me to take a deeper look into my business and discover ways to improve as a business owner.”



STAFFING/EMPLOYMENT ISSUES

The governor's urging to shut down non-essential businesses effective March 17, 2020, had a large impact on people working in the child care sector.

The majority of child care workers lost their jobs.

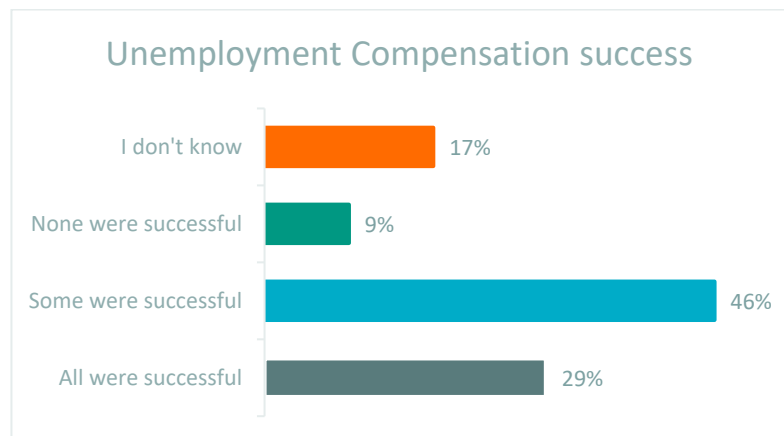
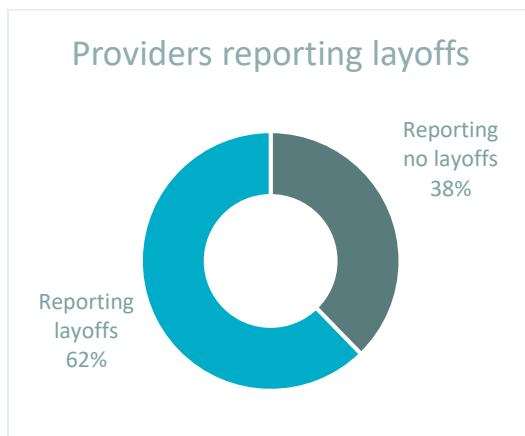
- Two thirds (62%) of providers reported laying off/furloughing staff
- Layoffs per provider ranged from 1 to 55 employees
- Of the 33 providers reporting layoffs, 236 child care workers lost their jobs
- Three quarters (75%) of providers reported some or all of their staff successfully applied for unemployment compensation

Child care providers needed to make changes to benefit policies.

- Nearly half of child care providers (43%) have made changes to Paid-Time-Off or other benefits to accommodate COVID-19 guidelines and the Families First Coronavirus Response Act

“I truly appreciated [my consultant’s] input on my paid time off policy, the spreadsheet, and her ideas for marketing the business going forward on reopening our center.”

TA benefit: 4% more providers made staff-positive changes to benefits when receiving TA in this area



REOPENING

Providers are grappling with unprecedented operational challenges, impacting their financial and programmatic sustainability.

While majority of programs shut down temporarily, most programs have reopened or plan to reopen, even while operating under unfavorable economic conditions.

- Majority of programs (98%) have reopened or plan to reopen, 2% reported permanent closure

Programs will see increased costs to meet increased health and safety guidelines.

- Half of programs (50%) were still attempting to source, or unable to source, PPE supplies
- Majority of programs (82%) reported additional costs ranging from \$500 - \$7,500 to meet increased health and safety guidelines

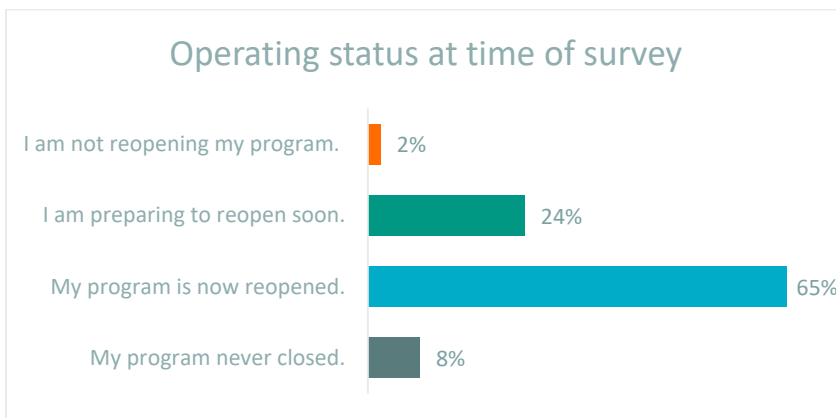
Child care providers are struggling with reduced enrollment upon reopening.

- Nearly half of the providers (43%) reported up to 50% of enrolled families are not returning

While many child care staff are returning to work, providers also need to hire new staff and are adjusting child to staff ratios.

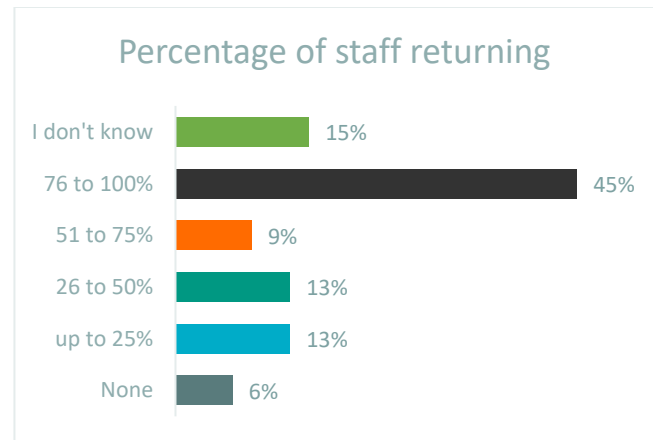
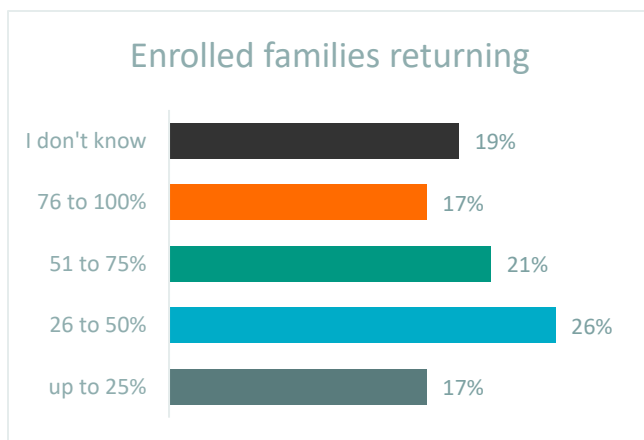
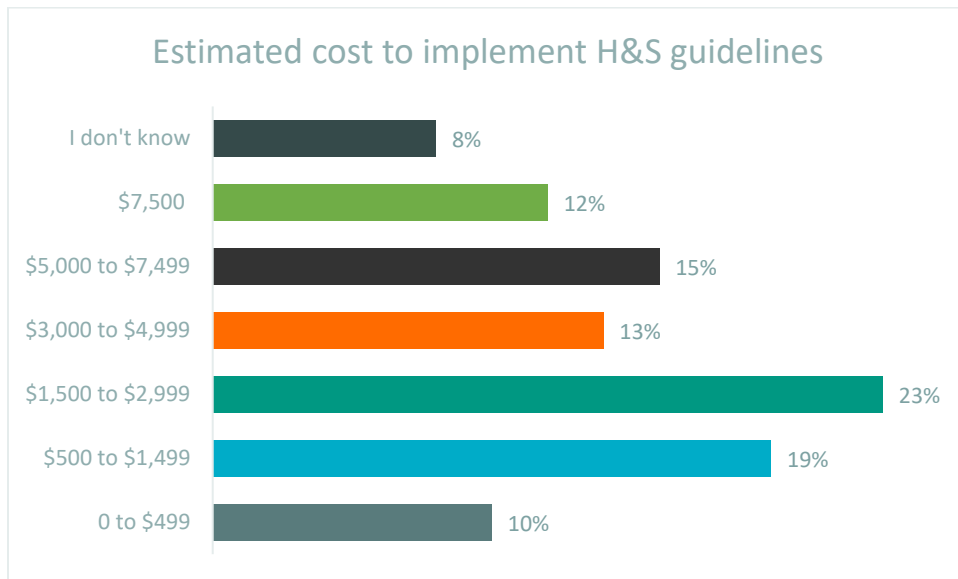
- Nearly half of the providers (45%) reported 76-100% of their staff are returning
- Half of the providers (50%) reported the need to hire new staff
- One third of providers (33%) reported changing child to staff ratios

TA benefit: 47% of providers used the Reopening Assessment Tool to develop their reopening plan.



“[My consultant] challenged me to reimagine my operations pre-COVID and post-COVID, while keeping our vision at the core of the strategy we put together.”

REOPENING



APPLYING FOR GRANTS/LOANS

Child care providers took advantage of local, state, and federal grant and loan opportunities.

The majority of child care providers applied for available grants and loans.

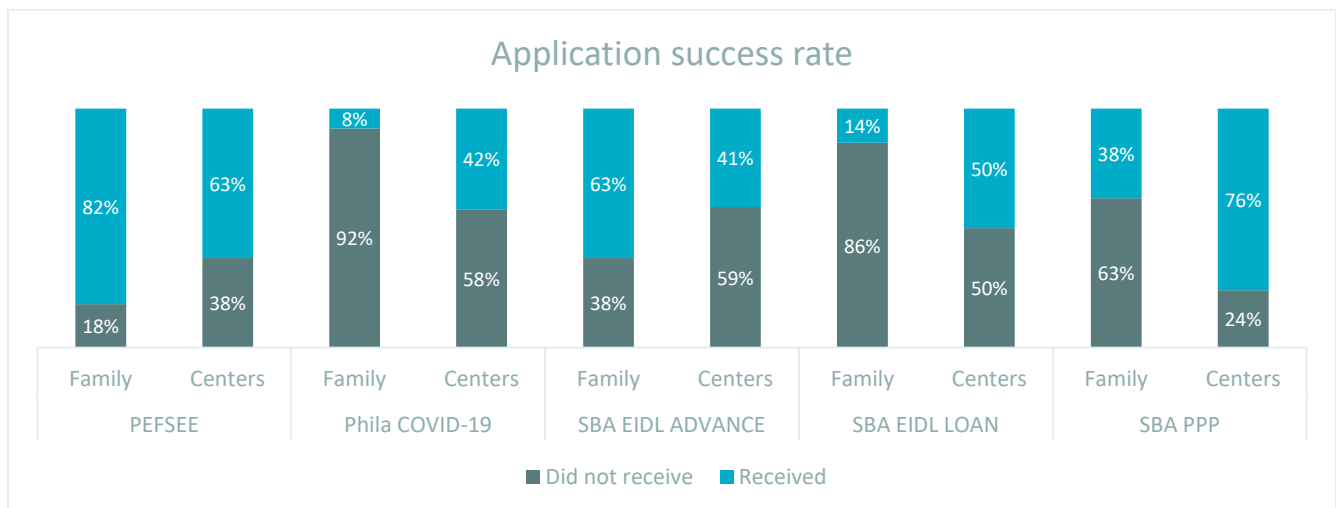
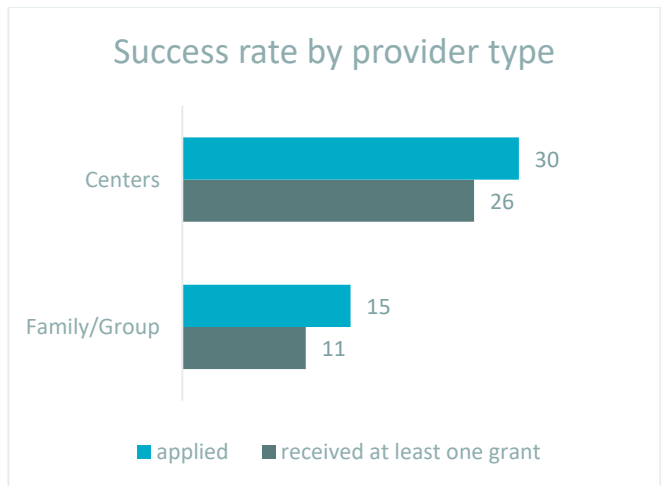
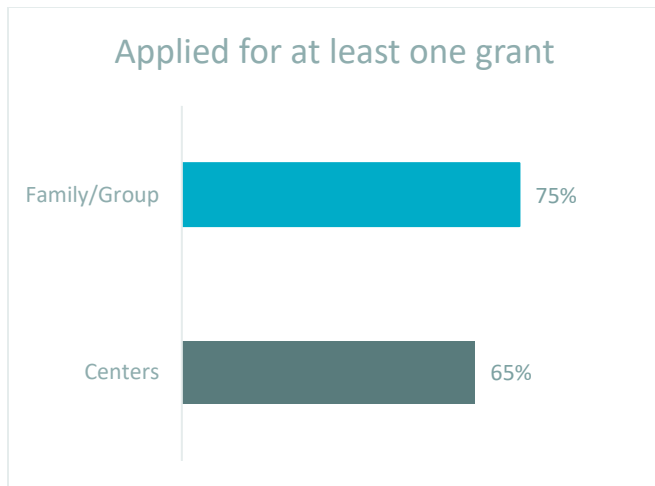
- Two thirds of providers (68%) reported applying for at least one grant or loan program
- The Philadelphia Emergency Fund for Stabilization of Early Education (PEFSEE) and the U.S. Small Business Administration Paycheck Protection Program (SBA PPP) were the most frequently applied to grants/loans

“I really appreciate the help that I got because I really thought I wasn’t eligible for anything.”

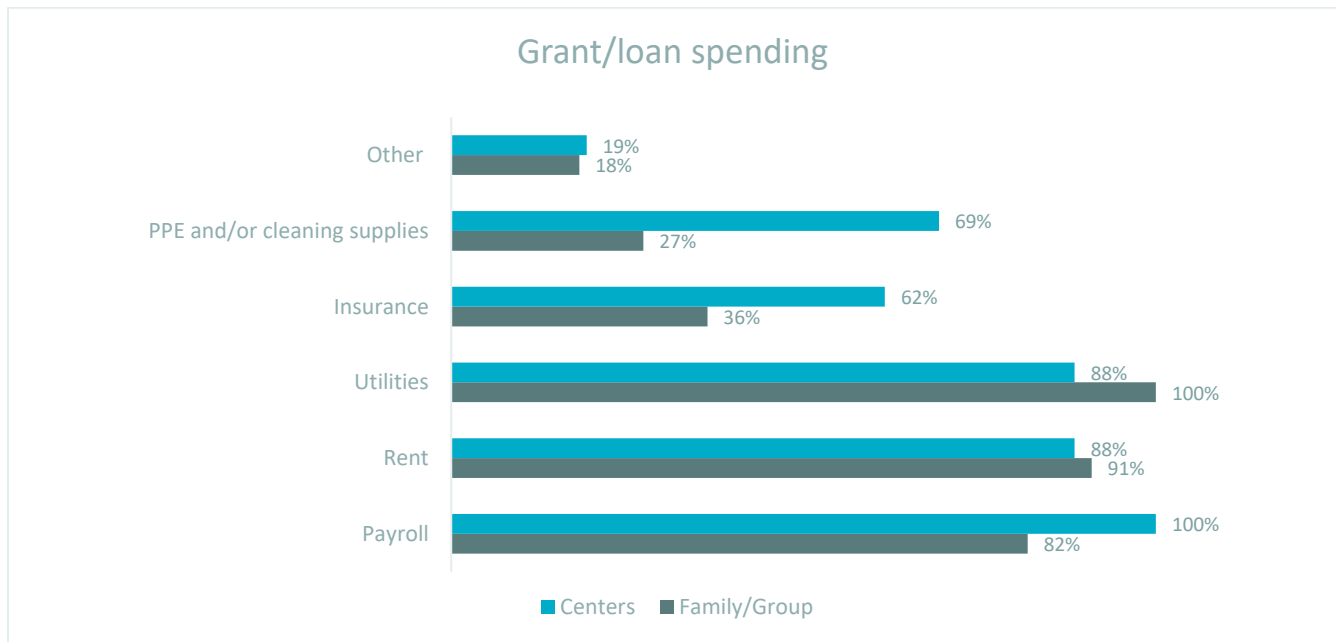
Most child care providers were successful in securing grants and loans.

- 84% of providers who applied received at least one grant or loan
- Over \$4.8 million was received, cumulatively, by successful providers
- The PEFSEE and SBA PPP were the most received grants/loans

TA Impact: 10% more providers secured grants/loans when receiving TA in this area



APPLYING FOR GRANTS/LOANS



CLOSING

The coming months, the end of 2020 and the beginning of 2021, will be particularly challenging for ECE operators. The pandemic highlighted both the fragile and the essential nature of the child care industry and the importance of committing resources to support development and maintenance of strong ECE businesses. PHMC rapidly mobilized the existing network of Philadelphia ECE business consultants to support child care providers during the COVID-19 business disruption but a broader strategic response is necessary to navigate the months ahead.

In a time when children and families could most benefit from the stability created by strong parent-provider partnerships, utilization of ECE services remains far below pre-COVID-19 levels. Most ECE programs are not operating at full capacity because parents are either unemployed, working remotely, or are uncomfortable sending their child to a program outside the home. This is a time to increase allocation of resources to the ECE sector and deploy the expertise of ECE program operators to meet the needs of our families and communities.

The stability of the ECE workforce has been disrupted, revenues are low, and the health and safety guidelines to keep children and staff safe have increased the cost of doing business. ECE programs are working diligently to adapt to this business climate but programs that continue to operate in these conditions will face increasing financial hardship for the foreseeable future. A resourced plan to support the resilience of the ECE sector is needed to retain the notable public and private investments that have been made to improve ECE program access and quality.

PHMC thanks the Early Learning Resource Center Region 18 for funding this critical COVID-19 technical assistance. In addition, PHMC acknowledges the partnership of the expert ECE business consultants that made themselves available during this crisis and acted quickly to support the Philadelphia ECE business community. Lastly, PHMC acknowledges the generosity of the Vanguard Strong Start for Kids Program and the William Penn Foundation for funding initiatives designed to strengthen the ECE sector and increase positive outcomes.