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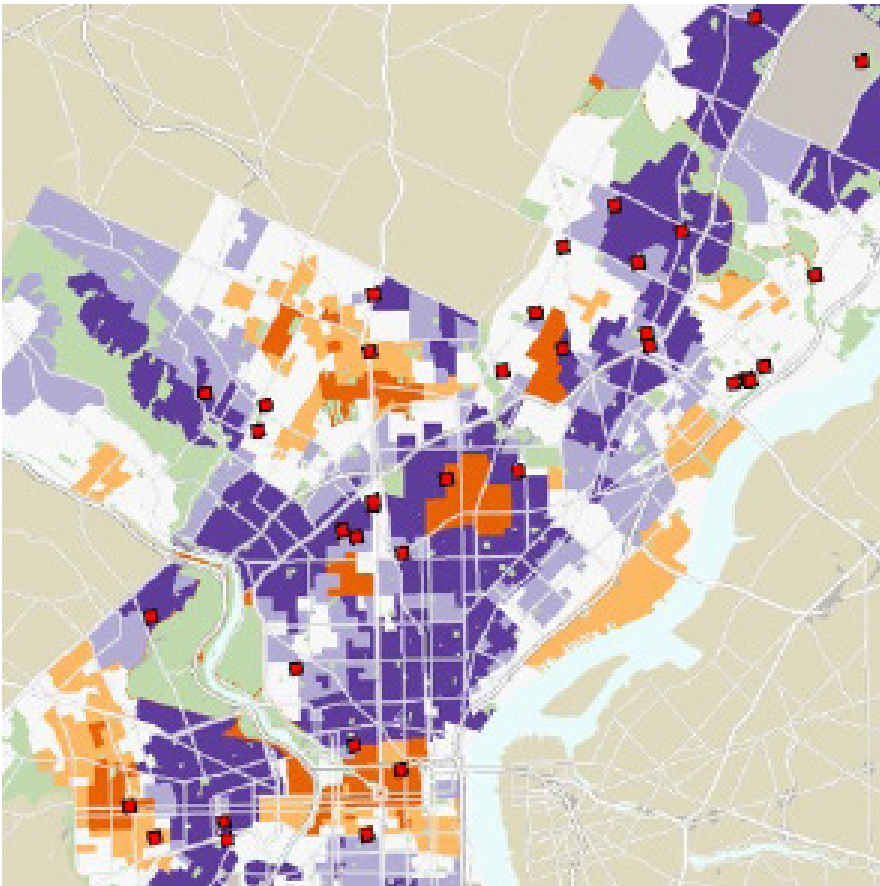


Impact Brief

Data-Driven Investments in Early Childhood Education are Making a Difference for Philadelphia Families, Small Businesses and Neighborhoods

Prepared by **REINVESTMENT FUND**

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RESEARCH CONDUCTED BY

Policy Solutions at Reinvestment Fund

Jacob Rosch, Senior Policy Analyst

Michael Norton, Chief Policy Analyst

Kevin Reeves, Impact Analyst

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About the William Penn Foundation

The William Penn Foundation, founded in 1945 by Otto and Phoebe Haas, is dedicated to improving the quality of life in the Greater Philadelphia region through efforts that increase educational opportunities for children from low-income families, ensure a substantiable environment, foster creativity that enhances civic life, and advance philanthropy in the Philadelphia region. In 2021, the Foundation will grant more than \$117 million to support vital efforts in the region.

About Vanguard's Strong Start for Kids Program™

Vanguard's Strong Start for Kids Program™ was established in 2015 to harness the collective power of charitable giving by Vanguard and our crew. Its broad objective: to start kids off right. Vanguard's Strong Start for Kids Program provides funding and volunteer hours to give children the opportunity to grow, thrive, and learn, with a focus on improving school readiness for children growing up in poverty.

The opinions expressed in this report do not necessarily reflect the views of the William Penn Foundation or Vanguard's Strong Start for Kids Program™.

Introduction

Since 2014, Reinvestment Fund's Fund for Quality (FFQ) and Early Childhood Education Loan Fund (ECE-LF) have been making investments to support the expansion of high-quality Early Childhood Education (ECE) opportunities throughout Philadelphia. The FFQ is a partnership between Reinvestment Fund and Public Health Management Corporation (PHMC), supported by funding from the William Penn Foundation and Vanguard Strong Start for Kids Program™. Through the provision of business planning support and facilities-related financing, FFQ supports high-quality early care and education providers with expanding their services to reach more low-income families.

From their inception, FFQ/ECE-LF technical assistance, grant-making and lending activities have been guided by a data-informed approach to identifying potential borrowers and neighborhoods with the greatest needs. Since 2014, Reinvestment Fund has conducted annual analyses of supply and demand for ECE in Philadelphia to identify areas of the city where targeted investments could help address shortages of high-quality care.¹ Results of these analyses are shared with the public through an interactive online map, www.ChildcareMap.org. By identifying the supply, demand and shortage of ECE at a precise geographic level, results from these annual analyses also provide guidance for funders and policymakers to efficiently target resources to where they will have the greatest benefit.

From 2014 to 2019, the FFQ and ECE-LF have supported 51 projects at 46 unique centers, which have created or preserved 3,246 ECE high-quality seats across the city, and serve a diverse population of high-need families. They have observably reduced gaps between the supply and demand for high-quality child care in their communities and have encouraged other ECE providers to expand the number of high-quality seats in their facilities.

This Impact Brief presents results from a set of analyses conducted to understand the contribution FFQ/ECE-LF activities are making on the local ECE sector:

1. The volume and geographic distribution of FFQ/ECE-LF activities across the city;
2. A description of the providers, children and families who received FFQ/ECE-LF supports;
3. The relationship between FFQ/ECE-LF activities and changes in the gaps between high-quality ECE supply and demand across the city; and
4. The impact of FFQ/ECE-LF activities on changes in the overall amount of high-quality supply in places where FFQ/ECE-LF investments are located.

3,246 Supported Seats Are Located in 46 Sites Throughout the City.

The 46 ECE sites supported through FFQ/ECE-LF are located throughout the city of Philadelphia, and range in size from 20 to 400 seats. The block groups in which FFQ/ECE-LF sites are located mirror the composition of the city as a whole. Table 1 summarizes the characteristics of the block groups where FFQ/ECE-LF sites are located, and residents citywide; and Figure 1 shows the location of these sites.

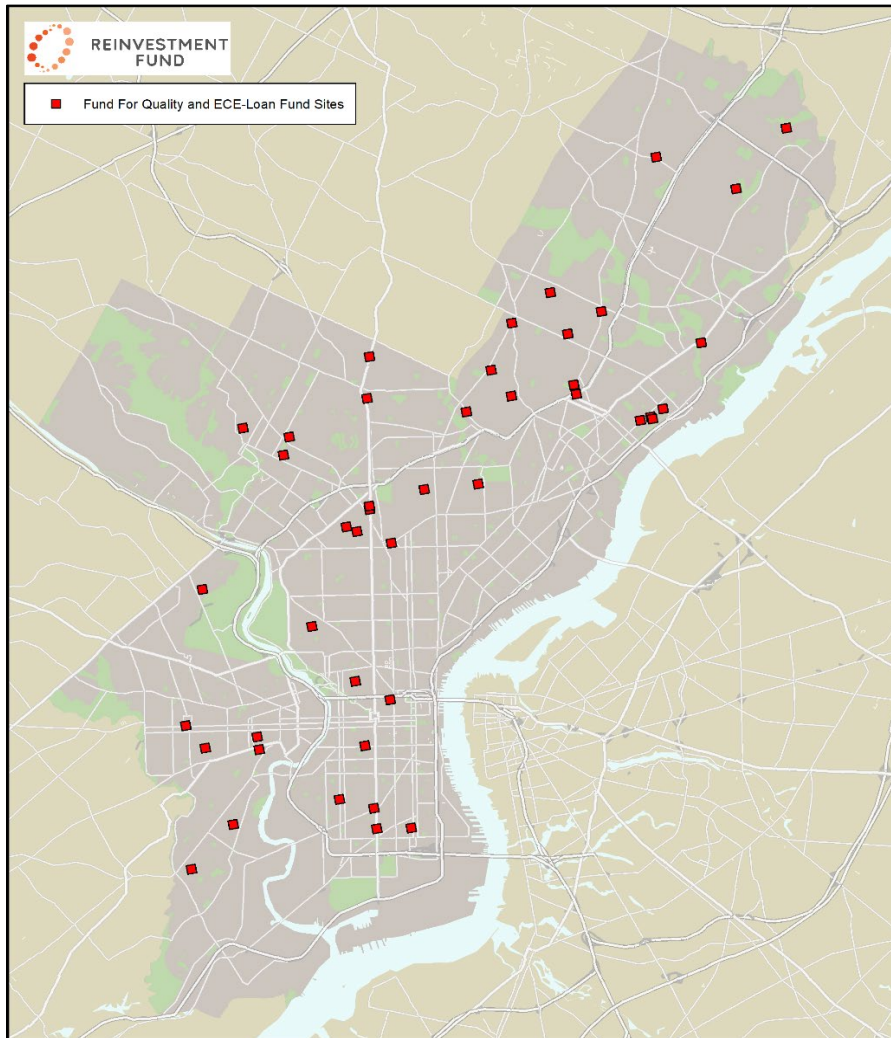
¹ The definition of 'high-quality' sites used in this analysis was developed by a panel of local experts and stakeholders and includes programs with Keystone STAR 3 and STAR 4 ratings, head start programs, and sites managed by the School District of Philadelphia.

Table 1: Characteristics of Residents and Households in Block Groups with FFQ/ECE-LF Sites and Citywide

	Block Groups with FFQ/ECE-LF Sites	Citywide
White Population	34%	35%
Black Population	33%	41%
Hispanic Population	16%	14%
Asian Population	13%	7%
Other Race Populations	4%	3%
Residents without a College Degree	75%	71%
Families in Poverty	21%	20%
Share of Low Wage Jobs	20%	19%

Source: American Community Survey, Five-Year Estimates, 2014-2018. Longitudinal Employer Household Dynamics Survey, 2017. Share low wage jobs represents the proportion of primary jobs in an area earning \$1,250 per month or less.

Figure 1: Location of Fund for Quality and ECE-Loan Fund Supported Sites



FFQ Investments Benefit a Diverse Range of Providers, Children and Families

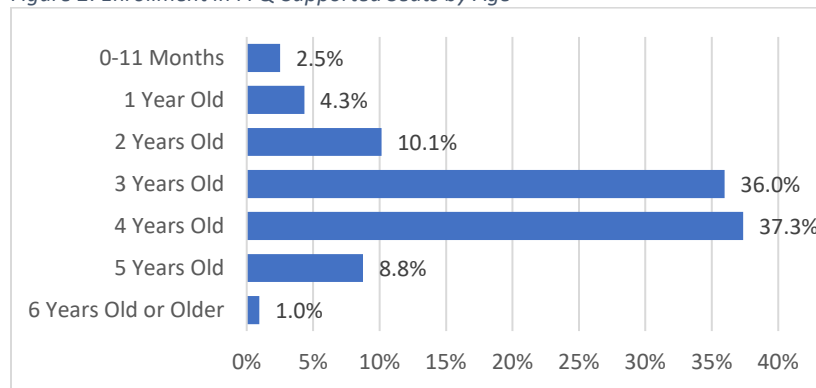
While the areas in which FFQ/ECE-LF sites are located have characteristics that mirror the city, the children and families served in FFQ/ECE-LF represent the most disadvantaged and vulnerable populations in Philadelphia. Since 2017, Reinvestment Fund has administered two surveys for each child enrolled in a newly created FFQ-supported seat: one completed by the enrolling child’s parent or guardian, and the other completed by the childcare provider. Responses to these surveys provide critical insights about the families who benefit from FFQ-supported seats and information about how best to support their needs in times ahead. The characteristics of children and families who benefit from FFQ-supported seats were compiled from 1,190 parent and provider surveys administered from 2017 through the end of 2020.

Overall, nearly all children in FFQ-funded seats (93 percent) use some form of public subsidy to help pay for care and 85 percent were people of color (compared with 65 percent of children city-wide); and over one-third (37 percent) of children in FFQ-funded seats come from underserved populations, with many coming from families with Limited English Proficiency.

Child Characteristics - FFQ-Supported Seats Benefit High-Need Children

Just over half of children in FFQ-supported seats are male (52.6 percent), and on average, these children are three years and ten months old when they enroll. Figure 2 presents the ages for children at the time they enrolled in FFQ-supported seats.

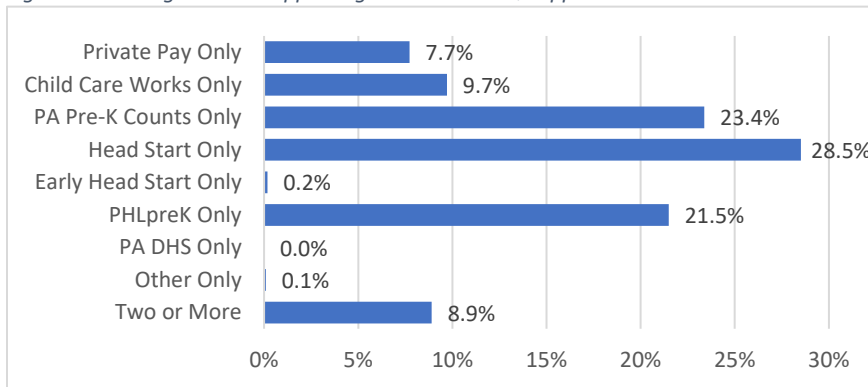
Figure 2: Enrollment in FFQ-Supported Seats by Age



Nearly three-quarters of children are either three or four years old (36.0 percent and 37.3 percent, respectively). Another 10.1 percent are two years old, 8.8 percent are five years old, 4.3 percent are one year old, and only 2.5 percent are less than one year old.

Almost two-thirds (64.1 percent) of children in FFQ-supported seats are new to center-based child care; 22.1 percent of children enrolled from a waitlist maintained by their center. Nearly three-quarters of children in FFQ seats are supported by one or more income-based subsidies. Figure 3 presents the most common funding sources that support children in FFQ seats.

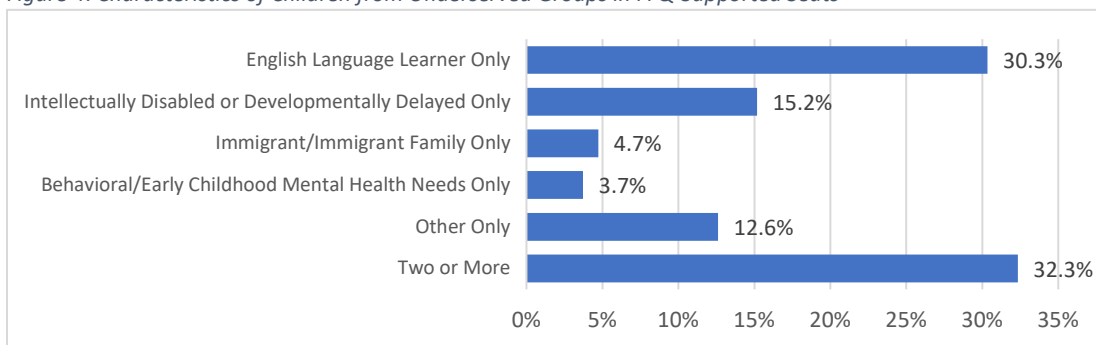
Figure 3: Funding Sources Supporting Children in FFQ-Supported Seats



Head Start alone supports 28.5 percent of children, Pennsylvania’s Pre-K Counts supports 23.4 percent, and Child Care Works supports 9.7 percent. An additional 21.5 percent of children are solely supported by Philadelphia’s PHLpreK program. For 7.7 percent of children, enrollment is paid entirely out of pocket (i.e., private pay). The remaining 8.9 percent of children are supported by combinations of two or more funding sources, including combinations of income-based subsidies and private pay.

402 children, or more than one-third (33.8 percent) of all children in FFQ-supported seats, belong to one or more underserved groups. These children tend to be more difficult and expensive to serve making it harder for their parents or guardians to find places for them with childcare providers.² Figure 4 presents the share of children in FFQ-supported seats who come from different underserved groups.

Figure 4: Characteristics of Children from Underserved Groups in FFQ-Supported Seats



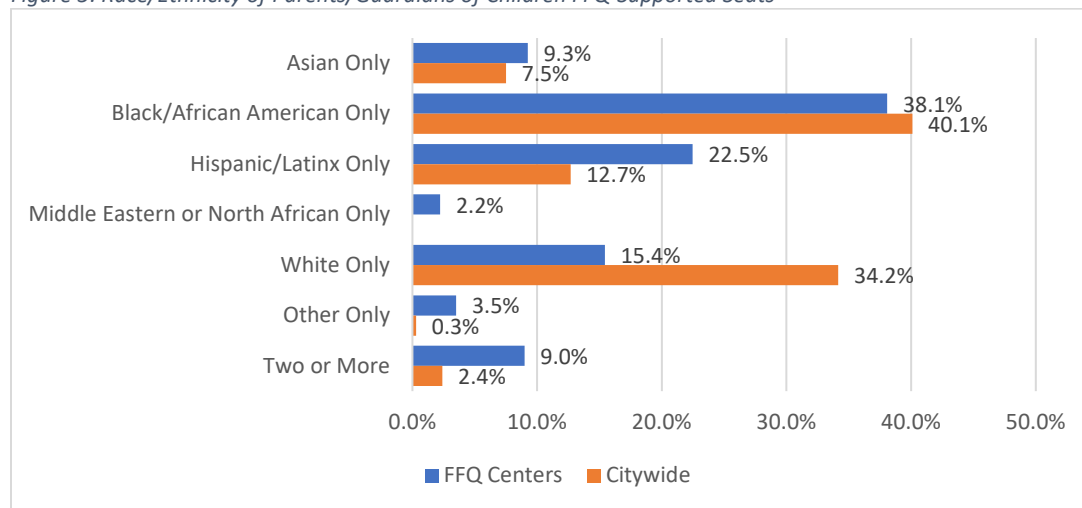
Of the children in FFQ-supported seats from one or more underserved groups, a plurality are members of two or more underserved groups (32.3 percent), predominantly English Language Learners and some other group. Almost another one-third of children from underserved groups (30.3 percent) are English Language Learners only.

² Underserved groups include children who are medically fragile; who have special needs or are developmentally delayed; who are learning English as a second language; who are immigrants or from immigrant families; who have behavioral or early childhood mental health (ECMH) needs; who are living in a shelter, transitional or temporary housing; and/or who belong to other similar groups.

Parent/Guardian Characteristics – FFQ Seats Support Diverse Families Facing Diverse Challenges

FFQ-supported centers serve families from a diverse range of racial and ethnic backgrounds. Figure 5 presents the self-reported race/ethnic groups of the parents or guardians of children in FFQ-supported seats, and for the city overall.

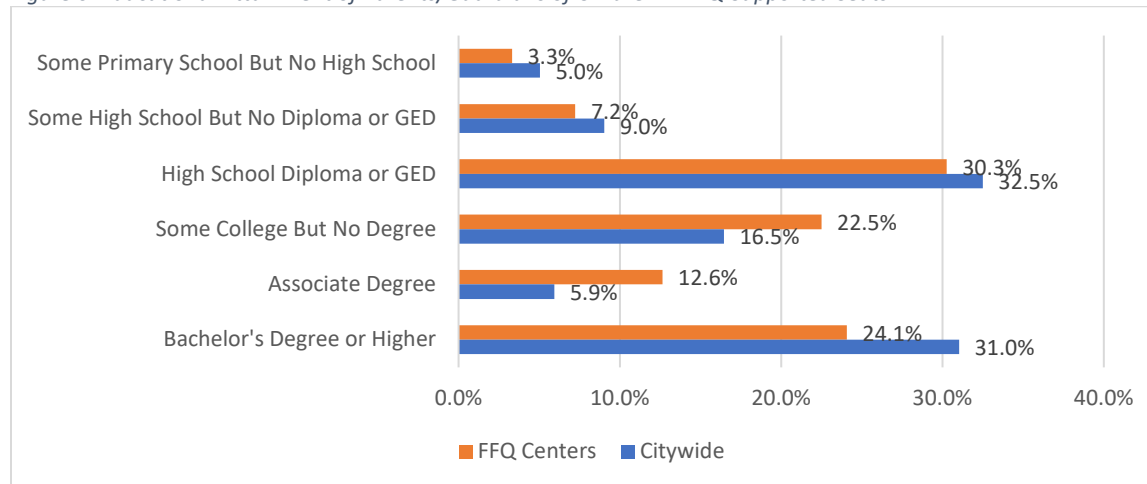
Figure 5: Race/Ethnicity of Parents/Guardians of Children FFQ-Supported Seats



FFQ-supported seats serve a disproportionately greater share of Hispanic/Latinx (23% v. 13% citywide) and children from two or more racial groups (9% v. 2% citywide). These seats also serve a disproportionately lower share of white children (15% v. 34% citywide).

The educational attainment of the parents or guardians of children in FFQ-supported seats largely mirrors city-wide patterns of adults' educational attainment. Figure 6 presents the educational attainment of parents or guardians of children in FFQ-supported seats, along with city-wide levels.

Figure 6: Educational Attainment of Parents/Guardians of Children in FFQ-Supported Seats



Fewer parents and guardians of children in FFQ-supported seat have Bachelor's Degrees than adults throughout the city (24% v. 31%), although a greater share of these parents and guardians have completed some College (23% v. 17%) than all Philadelphia adults.

Most parents/guardians of children enrolled in FFQ-supported seats (90.6 percent) are either employed or attending school.³ Just under half of parents/guardians (47.8 percent) provide most or all the care for their children by themselves (e.g., single parents). The other half care for their children with help from others, including their children's other parent/guardian, other family members, and/or friends.

These initial findings from the parent and provider surveys suggest that FFQ/ECE-LF supports are serving an intended population of high-need families throughout the city. Not only are FFQ/ECE-LF supports getting to the intended beneficiaries, these 3,246 seats have dramatically increased the supply of high-quality ECE seats in key locations across the city.

FFQ/ECE-LF Investments Have Narrowed Gaps between the Supply and Demand for High-Quality ECE Across the City

Since 2014, Reinvestment Fund has been tracking the supply and demand for ECE across Philadelphia. The analysis, published annually on www.ChildcareMap.org, identifies areas of shortage where the gaps between supply and demand are disproportionately larger than expected gaps throughout the city.⁴

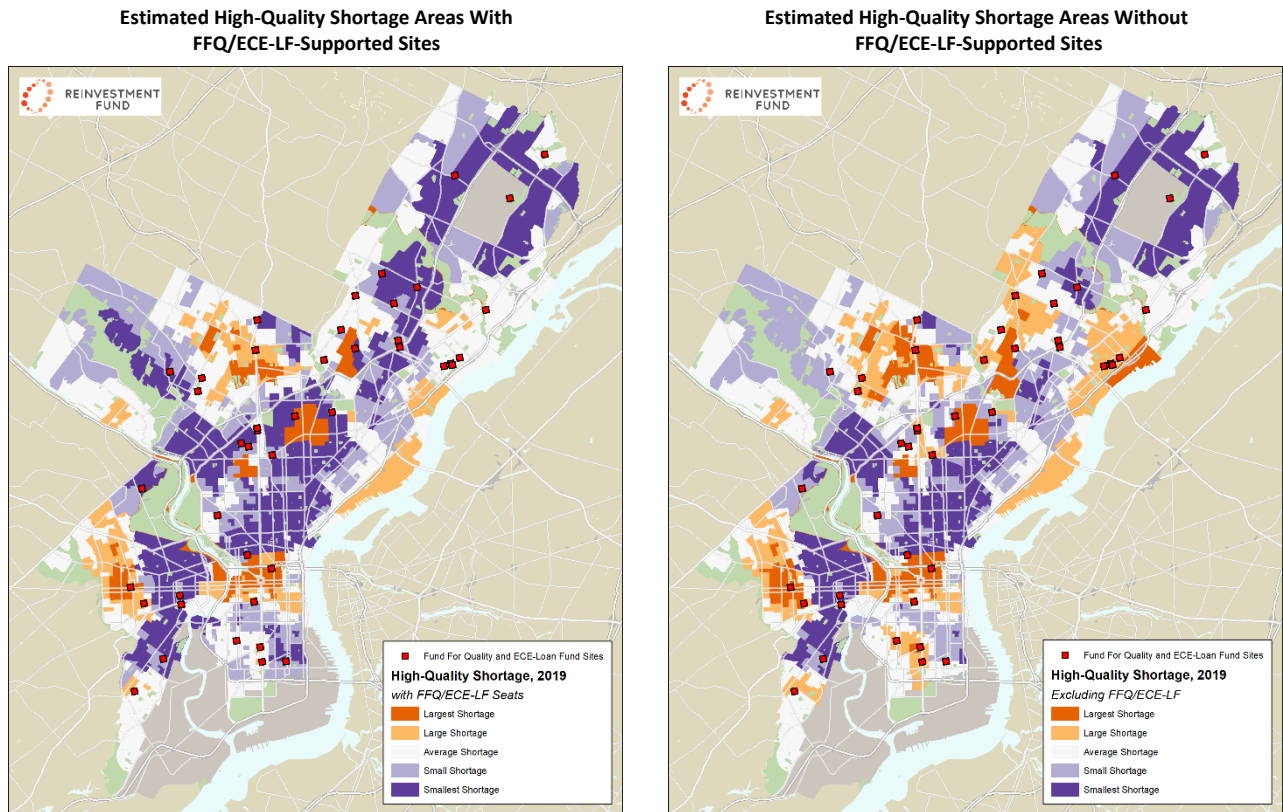
In 2014, there were 29,873 children in Philadelphia living in block groups with large shortages of high-quality ECE. Today, through the efforts of city leaders, funders, and providers, the number of Philadelphia children living in high-shortage areas has been reduced to 12,674. The centers supported through FFQ/ECE-LF have played an important role in helping to reduce or eliminate childcare shortages across the city, collectively hosting 10 percent of Philadelphia's high-quality ECE supply. We estimate that without the high-quality seats provided by FFQ/ECE-LF-supported providers, there would be an additional 129 block groups, home to over 11,000 children, with large shortages of high-quality care.

Figure 7 presents two maps: the map on the left shows the location of 'high-shortage' block groups in 2019. The map on the right shows those block groups that *would have been* classified as 'high-shortage' in 2019 without the presence of FFQ/ECE-LF providers.

³ For comparison, according to the Bureau of Labor Statistics' Local Area Unemployment Series, the average unemployment rate in Philadelphia from 2016 until the COVID-19 pandemic began in March 2020 was 6.0 percent. (The city's unemployment rate since the pandemic began has averaged 14.4 percent.)

⁴ For more information see: <https://www.reinvestment.com/research-publications/estimating-changes-in-the-supply-of-and-demand-for-child-care-in-philadelphia-series/>

Figure 7: Estimated High-Quality Shortage Areas With and Without FFQ/ECE-LF-Supported Sites



FFQ/ECE-LF Investments are Making Substantial Impacts on High-Quality Supply and are Also Associated with Increases in High-Quality Supply by Non-FFQ/ECE-LF ECE Providers in the ECE sector operate in a marketplace shaped by economic forces, and Reinvestment Fund was initially concerned that FFQ/ECE-LF investments – all of which are high-quality – might crowd out other ECE providers in the neighborhood. However, compelling evidence suggests that FFQ/ECE-LF-supported sites have a positive impact on the broader market of providers located next to or near FFQ/ECE-LF-supported programs. With many providers operating near one another or along the same commercial corridors, when one provider makes programmatic changes—expanding their site or improving services and offerings—it can have a ripple effect on the other ECE providers nearby. For example, when sites supported by FFQ/ECE-LF make improvements that enhance their programs, other nearby providers may be compelled to make similar investments that ultimately benefit the families in their care.

Sites supported by FFQ/ECE-LF are located in 42 block groups across the city. The supply of high-quality seats in those block groups expanded between 2014 and 2019. This was not only due to the expansion of the sites supported by FFQ/ECE-LF, but also because other sites that did not receive FFQ/ECE-LF support also improved their quality and expanded their capacity.

Identifying Comparison Areas

To estimate the impact of FFQ/ECE-LF support, comparison block groups were selected that did not receive FFQ/ECE-LF support but had the following similar characteristics in 2014: ECE demand in 2014 (measured as the commuter-adjusted demand for child care in 2014, and proportion of the area’s demand that came from commuters rather than residents); ECE supply in 2014 (measured as the supply of high-quality ECE in 2014 and the area’s Location Score in 2014); and a measure of the area’s housing market characteristics (as measured by Reinvestment Fund’s 2015 Market Value Analysis). In downtown and commercial areas, the majority of ECE demand comes from children that travel with parents to centers near their parent’s employers, rather than local residents. This distinction is captured by the “Demand Ratio” which compares the level of ECE demand from local residents with the level of demand from commuters.

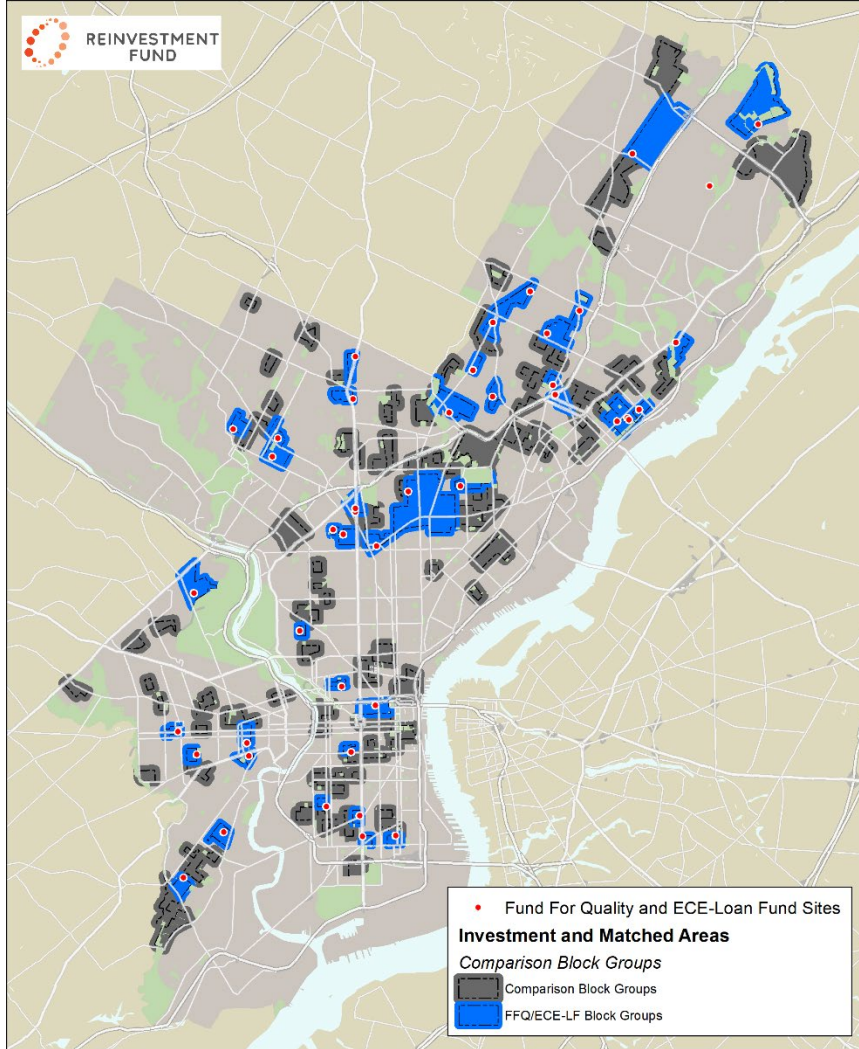
Three comparison block groups were selected for each FFQ block group, with replacement, resulting in 112 unique comparison block groups for the 42 block groups that received FFQ/ECE-LF Support. The table below summarizes the characteristics of FFQ/ECE-LF block groups and comparison block groups. None of the differences in characteristics were substantively important nor statistically significant.

	FFQ/ECE-LF	Comparison Block Groups
<i>Number of Block Groups</i>	42	112
Average High-Quality Supply in 2014 (excluding FFQ/ECE-LF)	38	27
Average Commuter-Adjusted Demand in 2014	103	107
Average Demand Ratio	1.26	1.33
Share located in Strong MVA Markets, 2015	43%	36%
Share located in Weak MVA Markets, 2015	33%	40%
Average FFQ Location Score, 2014	11.23	11.34
Average Total Sites, 2014	4.10	3.68

Some comparison block groups were used as comparisons for multiple block groups. For definitions of Commuter-Adjusted Demand, Demand Ratio, and High-Quality Supply, see: <https://www.reinvestment.com/childcaremap/pdfs/full.pdf>; more information about the Philadelphia Market Value Analysis can be found here: <https://www.reinvestment.com/policy-solutions/market-value-analysis/>

Figure 8 shows the location of block groups with at least one FFQ/ECE-LF supported site (areas highlighted in blue). The areas highlighted in grey represent matched block groups that were similar to FFQ/ECE-LF block groups, but did not have ECE sites that received FFQ/ECE-LF support.

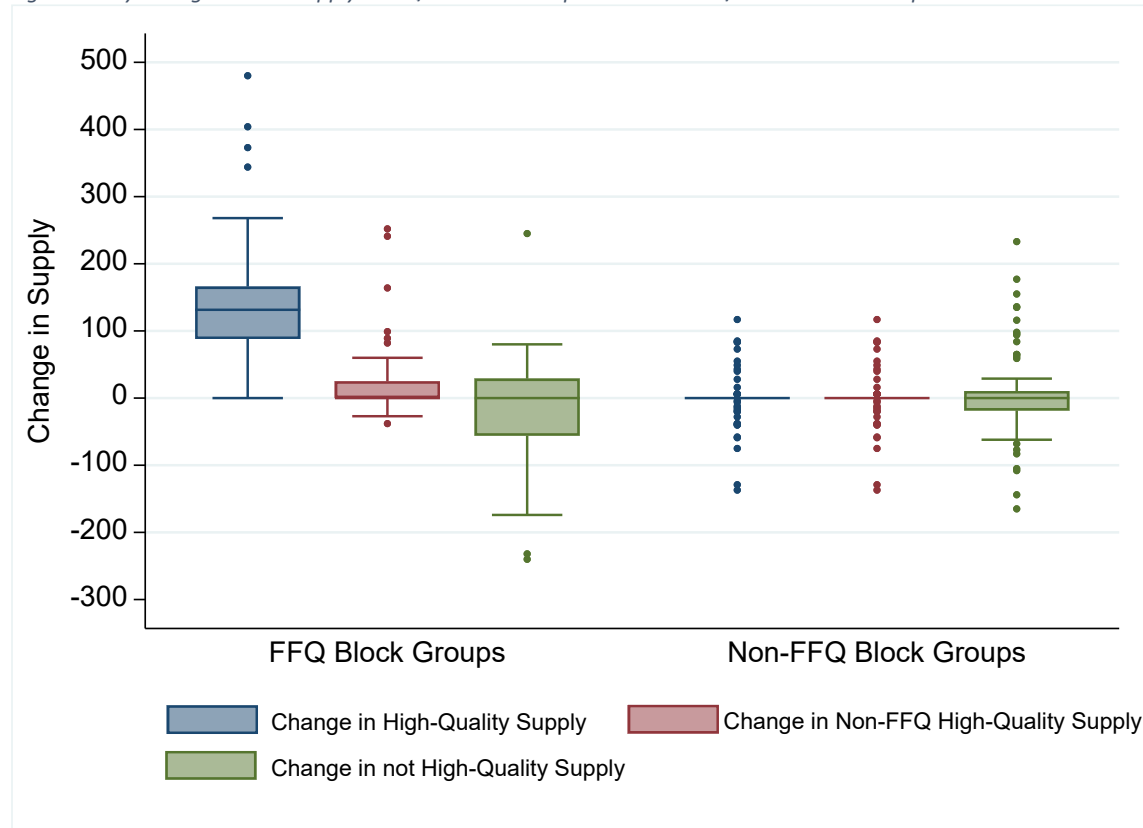
Figure 8: Location of Block Groups With FFQ/ECE-LF Support and Matched Comparison Block Groups



Between 2014 and 2019, the 42 FFQ/ECE-LF-supported block groups added more high-quality seats, saw greater increases in non-FFQ/ECE-LF support high-quality seats and experienced greater reductions in *not* high-quality seats than similar block groups that did not receive FFQ/ECE-LF funding – all of these differences were statistically significant. Figure 9 presents the overall distribution and the average changes observed in the FFQ/ECE-LF and the comparison block groups along these key metrics:

1. The change in the number of high-quality seats in the block group;
2. The change in the number of *not* high-quality seats in the block group; and
3. The change in high-quality seats that were not FFQ/ECE-LF-supported in the block group.

Figure 9: Key Changes in ECE Supply – FFQ/ECE-LF v. Comparison Non-FFQ/ECE-LF Block Groups



	FFQ/ECE-LF (42 Block Groups)	Comparison Block Groups (112 Block Groups)
Average Change in High-Quality Seats: 2014 – 19***	145	0
Average Change in High-Quality Seats that were not FFQ-Supported: 2014 – 19***	27	0
Average Change in <i>not</i> High-Quality Seats: 2014 – 19***	-18	2

*** p<.001

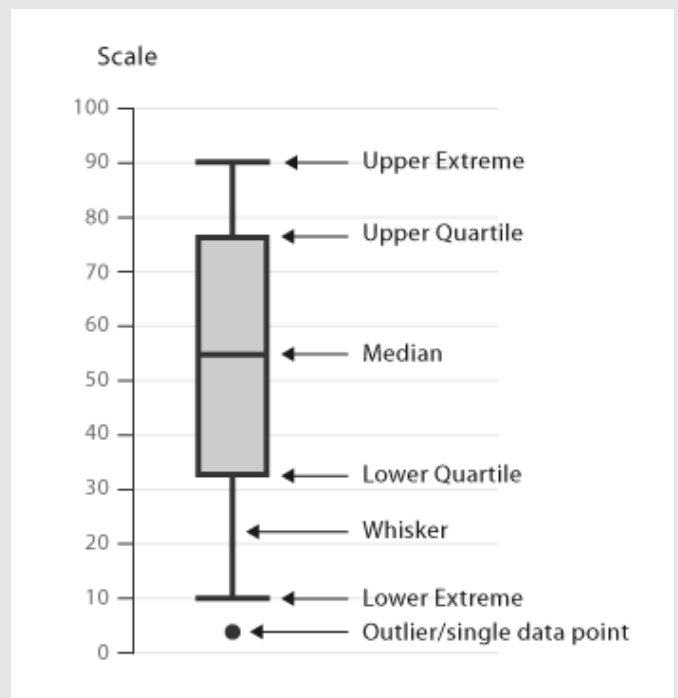
Between 2014 and 2019, the 42 FFQ/ECE-LF-supported block groups added significantly more high-quality seats, on average, than similar block groups that did not receive FFQ/ECE-LF funding. During this period, the total supply of high-quality seats in FFQ/ECE-LF block groups increased by an average of 145, while in matched block groups there was, on average, no change in high-quality supply.⁵

This increase in high-quality seats was driven not only by those sites that received FFQ/ECE-LF support, but also by the other nearby providers that were located in the same block group but did not receive FFQ/ECE-LF support. Between 2014 and 2019, non-FFQ/ECE-LF providers in supported block groups added an additional 27 high-quality seats, on average.

These block groups also saw a decline in the number of not high-quality seats, on average. Between 2014 and 2019, the 42 FFQ/ECE-LF-supported block groups experienced significantly larger reductions, on average, in not high-quality seats than matched block groups that did not receive FFQ/ECE-LF funding (-18 v. 2).

How to Read a Boxplot

A boxplot is a graphic representation of the overall distribution of values for each outcome measure for FFQ block groups and the matched comparison block groups. The box represents the middle 50% of each distribution – the top of the box represents the 75th percentile and the bottom of the box represents the 25th percentile. The line inside the box represents the median value. The ‘whiskers’ extend to either maximum and or minimum values for each distribution or to a value that is twice the size of the interquartile range (i.e. twice the distance between the 25th percentile and 75th percentile). Dots beyond the whiskers represent outlier values.



⁵ One challenge with measuring changes in high-quality supply over this period is that the state’s rating system changed in 2017. The new high-quality standards reduced the requirements for programs to attain a 3 or 4 STAR rating. The comparison block groups in our analysis are one way to control for changes in ratings citywide which are not directly attributable to changes in quality.

Conclusion

Overall, the findings presented in this Impact Brief suggest that FFQ/ECE-LF investments are reaching their intended populations and are having a substantial impact on the availability of high-quality ECE options for Philadelphia families. Moreover, these investments appear to be stimulating other ECE providers to ‘raise their game’ to offer increasing numbers of high-quality ECE seats, rather than ‘crowding out the competition’. Taken together, these findings lend convincing support for Reinvestment Fund’s data-driven approach to identifying high-need places that are well positioned to positively respond to supports that flow through FFQ/ECE-LF investments.

Building on these encouraging findings, Reinvestment Fund will continue to closely monitor changing conditions throughout the city, particularly given the disruptions in the ECE sector wrought by the COVID-19 pandemic. Key areas of interest include:

- **Responding to the acute needs for ECE providers in response to the COVID-19 pandemic.** In 2020, Reinvestment Fund awarded a total of \$6.7 million in grant awards to 416 childcare providers, early intervention, and home visiting services through the Philadelphia Emergency Fund for Stabilization of Early Education (PEFSEE) initiative. PEFSEE is funded through grants from the William Penn Foundation and Vanguard’s Strong Start for Kids Program™ and is administered by Reinvestment Fund. Similar supports will remain critically important for ECE providers until the pandemic recedes and a ‘new normal’ can take hold in the ECE marketplace.
- **Developing a better understanding of the impact that FFQ/ECE-LF investments have on surrounding programs.** While not conclusive, the findings around spillovers suggest there could be a role for additional technical assistance/networking with nearby providers that could help expand the impact of each investment. Given the ‘clustering’ that occurs in the childcare sector, there may be opportunities to improve clusters of programs, rather than one provider at time.
- **Gaining a more nuanced understanding of demand for high-quality ECE.** Developing a more robust understanding of the ways parents are making childcare decisions can provide critical insights for where to invest and in what types of facilities. In the lead-up to the pandemic, the ECE sector had been shifting towards fewer, larger ECE centers as the number of small in-home or family ECE providers steadily declined. It remains to be seen whether this trend will continue, or whether parents’ preferences may change to smaller settings in a post-COVID environment.

Reinvestment Fund has published a range of reports addressing critical public policy issues. The highlighted reports below represent recent early childhood education research projects. For details, please visit our Policy Publications site:

WWW.REINVESTMENT.COM/IMPACT/RESEARCH-PUBLICATIONS

2017

Assessing the Relationship Between School Quality and Home Prices Across the Keystone State



2019

Understanding Infant and Toddler Care in Philadelphia: Capacity, Shortages, and Market Barriers



2020

Getting Back to Care: Findings from a Philadelphia Survey on Restarting Early Childhood Education



2020

Estimating Changes in the Supply of and Demand for Child Care in Philadelphia (Series)



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PHILADELPHIA
1700 Market Street
19th Floor
Philadelphia, PA 19103
TEL 215.574.5800

BALTIMORE
1707 North Charles Street
Suite 200B
Baltimore, MD 21201
TEL 410.783.1110

ATLANTA
229 Peachtree Street NE
Suite 750, International Tower
Atlanta, GA 30303
TEL 404.400.1130



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