



REINVESTMENT
FUND



Philadelphia Emergency Fund for Stabilization of Early Education (PEFSEE) Provider Survey Report – Summer 2021

Prepared by **REINVESTMENT FUND**

Published **OCTOBER 2021**



RESEARCH CONDUCTED BY

Policy Solutions at Reinvestment Fund

Jacob Rosch, Senior Policy Analyst

Karen Bustard, Program Manager

Sara Vernon Serman, VP, Strategic Investments

Introduction

March 2020 was a precarious time for childcare businesses across the US. In response to the rapid spread of the COVID-19 virus, Governor Wolf mandated the closure of non-essential businesses, including most childcare programs. With the sudden loss of parent tuition, many programs were at risk of permanent closure. National experts predicted that 60% of licensed childcare providers could close and that just 11% of providers could survive a mandated closure without governmental support.¹ The gains in high-quality care that had been accumulated over years of public and private investment in Philadelphia were at risk.²

State and federal officials would eventually launch an unprecedented recovery effort headlined by the CARES Act and Paycheck Protection Program (PPP), but in mid-March resources from those programs were weeks or months away for many providers. To help childcare businesses weather this uncertain time, two of the city's largest philanthropies came together to launch the Philadelphia Emergency Fund for the Stabilization of Early Education (PEFSEE) in April. These initial investments were eventually supplemented by additional funders.³

PEFSEE Funding Statistics

- *Program Grantees:* 416
- *Funding Awarded:* \$8,298,890
- *Children Supported:* +26,000
- *BIPOC Owned Businesses:* 90%

PEFSEE was conceived as a fast-acting, flexible stop-gap to help Philadelphia childcare programs replace lost revenue or cover additional expenses incurred because of the pandemic. Through ongoing fundraising, and three rounds of grants between April 2020 and September 2021 PEFSEE helped support 416 childcare operators that managed over 554 individual childcare sites.

Our Findings

This report summarizes our early observations from the PEFSEE grant program. Grant reporting and survey data from grantees provides a helpful window into how the childcare sector in Philadelphia is recovering and where challenges still remain. Now 18 months from the initial dispersal of grants, it is possible to observe how PEFSEE provided a critical lifeline that allowed providers to persevere long enough to receive state and federal resources:

- **PEFSEE Grantees were Less Likely to Close and More Likely to Resume Operations After Closure Mandates were Lifted.** An analysis of childcare program closures in Philadelphia reveals that, compared with other licensed programs, PEFSEE sites were much less likely to close either permanently or temporarily during the pandemic. Between 2020 and 2021, 13% of licensed programs in Philadelphia closed or did not reopen. Over the same period, just 3% of PEFSEE grantees closed.

¹ Steven Jessen-Howard & Simon Workman. "Coronavirus Pandemic Could Lead to Permanent Loss of Nearly 4.5 Million Child Care Slots." (April 24, 2020) Center for American Progress. Available: [Coronavirus Pandemic Could Lead to Permanent Loss of Nearly 4.5 Million Child Care Slots - Center for American Progress](#)

² Reinvestment Fund. (2021) "Estimating Changes in the Supply of and Demand for Childcare in Philadelphia" Available: <https://bit.ly/2Ysx1g2>

³ Initial PEFSEE funding came from William Penn Foundation and Vanguard Strong Start for Kids. The program was later supplemented with funding from PNC Bank, Wells Fargo, and many individuals.

- **PEFSEE Grantees Successfully Accessed State and Federal Resources and Avoided Costly Borrowing.** The overwhelming majority of PEFSEE grantee (85%) were eventually able to access state and federal resources. As intended, PEFSEE resources helped providers preserve operations until they could access federal assistance provided through the CARES Act, PPP, or an EIDL Advance loan. At the same time, PEFSEE grantees were also able to avoid using costly cash advances or borrowing from friends and family. Only 2% of PEFSEE grantees reported using a cash advance from a credit card and only 11% of grantees reported having to borrowing from friends or family for their businesses.

Despite these successes, the sector remains in a precarious position. Serious challenges persist, and many providers continue to need assistance as they navigate the challenges of fall 2021. Many PEFSEE grantees started off the 2021 school year with lower revenues and higher expenses than in previous years. The largest drivers of lost revenue are declining parent tuition payments and the loss of co-pays from parents receiving state-provided childcare subsidies. At the same time, providers report higher expenses, driven by additional cleaning costs, facility modifications, and PPE equipment purchases. Our analysis of grantees' financial records shows that revenues for 2021 are on track to fall below 2020 thresholds.

Boosting enrollment and hiring staff were identified as the two greatest challenges facing providers as they enter fall 2021. Our review of PEFSEE program statistics highlighted the scope of the challenge that Philadelphia childcare providers face:

- **PEFSEE Grantees Retained Staff Better than Others but Hiring Remains a Top Concern.** Since the onset of the pandemic, childcare providers have struggled to hire and retain staff. Nationally, childcare employment declined 14% between 2019-Q1 and 2021-Q1 and in Philadelphia, childcare employment declined 23%. PEFSEE grantees struggled as well, but the loss of staff was much less severe. Grantees reported losing just 8% of staff between February 2019 and July/August 2021.⁴
- **Program Enrollments Have Not Returned to Pre-pandemic Levels.** Leading into fall 2021, enrollment in PEFSEE supported programs had declined nearly 40% from pre-pandemic levels. And other providers in the city are likely experiencing similar challenges. Our review of enrollment in Pennsylvania's Child Care Works subsidy program shows that program participation, which is open to low-income working households, also declined 42% between March 2020 and March 2021.

For childcare providers, challenges with staffing and enrollment go hand-in-hand. Without sufficient staffing, programs cannot open enough classrooms to welcome families back. Prior to the pandemic many providers were already operating on thin margins with limited cash reserves. Prolonged periods of low enrollment are not sustainable without additional resources. A new round of ARPA funding will help sustain programs in the near-term, but addressing the challenges associated with hiring and retaining staff are critical for ensuring the long-term sustainability of childcare programs.

⁴ "Quarterly Census of Employment and Wages: First-Month, Private, NAICS6244 Employment." U.S. Bureau of Labor Statistics. Available: https://data.bls.gov/cew/apps/table_maker/v4/table_maker.htm

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)



REINVESTMENT FUND

www.reinvestment.com
www.policymap.com

REINVESTMENT FUND is a national mission-driven financial institution that creates opportunity for underserved people and places through partnerships. We marshal the capital, analytics, and expertise necessary to build strong, healthy, and more equitable communities.

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



real estate



early education



healthcare



healthy food



housing



k-12 education



data & analysis



clean energy

Reinvestment Fund is an equal opportunity provider.