



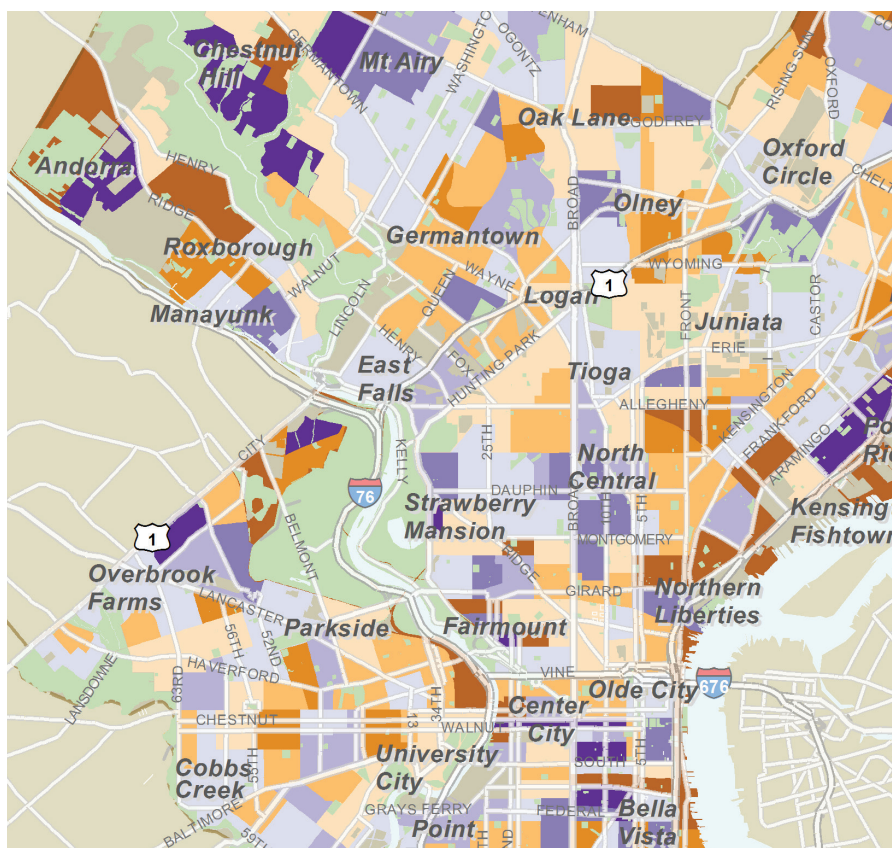
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# Investigating Philadelphia's Uncertified Childcare Providers

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## RESEARCH CONDUCTED BY

Policy Solutions at Reinvestment Fund

Jacob Rosch, Research Associate

Ira Goldstein, President

## Introduction

Reinvestment Fund's ChildCare Map provides information about the location, size, and quality of early childcare centers operating in Philadelphia.<sup>1</sup> When ChildCare Map launched in 2014 researchers identified a large number of "uncertified providers"—childcare centers operating in Philadelphia, but not listed in the state's OCDEL database. Uncertified providers operate outside of the state's official records, and therefore very little information exists about their size, services, or quality.

Moreover, these uncertified providers do not participate in the Keystone STARS Program, Pennsylvania's quality rating system for early childcare providers. As policymakers work to expand access to high quality childcare and push for greater participation in the STARS program, gaining a clearer understanding of the full landscape of early childcare is more critical than ever.<sup>2</sup> This white paper investigates the location and characteristics of the 1,205 uncertified providers identified in the most recent Childcare Map.<sup>3</sup>

## I. Uncertified Providers in Philadelphia

Uncertified providers are childcare centers that were not listed in the state's OCDEL database of certified providers, but were included in business records from third party providers such as NETS and InfoUSA. In some cases, these centers held certification, but were missing from the state's database. In other cases, the centers were operating legally under a special status.<sup>4</sup> Uncertified childcare centers offer childcare services in nearly every neighborhood of Philadelphia.

In 2015, uncertified centers provided 27% of all early childcare seats in Philadelphia. Figure 1, on the following page, shows the percentage of early childcare seats provided by uncertified centers in each census tract in Philadelphia. Uncertified providers are underrepresented in orange-shaded census tracts, and overrepresented in purple-shaded census tracts. While nearly every census tract in Philadelphia has at least one uncertified provider, very few census tracts are served exclusively by uncertified centers.

In general, the greatest concentrations of uncertified childcare providers clustered in census tracts in the following parts of the city: Northeastern Philadelphia (particularly the Far Northeast), North Central Philadelphia and Strawberry Mansion, Mt. Airy, Chestnut Hill, and the Bella Vista neighborhood. Lower concentrations of uncertified providers were found in Center City (particularly north of Center City), University City, Germantown, and parts of West Philadelphia.

A more fine-grained analysis at the block group level revealed more detail about the type of communities in which uncertified providers are most likely found. Although uncertified centers were

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<sup>1</sup> Much of the data for the tool's estimates come from the Pennsylvania Office of Child Development and Early Learning's (OCDEL) database of licensed childcare providers. Data in the OCDEL database comes from the Department of Human Services' facilities inspection reports as well as the state's Keystone STARS.

<sup>2</sup> See: "Philadelphia's Citywide Early Learning Plan" Shared Prosperity: Philadelphia. 2015

<sup>3</sup> The 2015 ChildCare Map update uses data from OCDEL data from 2014, InfoUSA data from 2014, and National Establishment Time Series data from 2012 (the last year for which data were available)

<sup>4</sup> In Pennsylvania, certain childcare regulations do not apply to centers where care is provided by relatives; care is provided in places of worship during religious services; care is provided in a facility where the parent is present at all times; or care is provided during the hours of instruction in nonpublic schools and in private nursery schools or kindergartens.



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**Percent Uncertified Supply**

- No Uncertified Providers
- 0 to 9%
- 9 to 18%
- 18 to 27%
- 27 to 45%
- 45 to 65%
- 65 to 99%
- All Uncertified Providers
- Non-Residential/Insufficient Data

Below Average

Above Average

0 1 2 4 Miles

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## II. Investigating Uncertified Centers

To understand more about individual providers, Reinvestment Fund spoke with 51 uncertified childcare providers. Posing as prospective parents, researchers conducted “mystery shopper” interviews, asking uncertified providers about their curriculum, their participation in the STARS program, their size, and their prices. To ensure our sample represented the diversity in Philadelphia’s communities, providers were drawn equally from block groups with high, medium, and low concentrations of African American families; high and low rates of family poverty; and, high and low concentrations of Hispanic families.

### Provider Characteristics

Over half (53%) of uncertified providers selected for interviews were actually STARS participants. These providers were either new to the STARS program or participated in STARS, but were missing from the state’s official OCDEL dataset at the time of the interview. Using an updated OCDEL dataset, all centers contacted that claimed to participate in STARS were verified as program participants, suggesting that the actual number of uncertified providers may be somewhat inflated.

Table 1 shows the characteristics of the 51 providers interviewed – both STARS participants and uncertified centers.

	Interviewed Providers Not in STARS (n=24)	Interviewed Providers in STARS (n=27)	All Interviewed Providers (n=51)
Average Capacity	35	144	92
Average Daily Rate	\$37	\$41	\$39
Accepting Students	88%	93%	90%
Serving Infants (0 to 1 years)	73%	73%	73%

Table 1: Summary of Uncertified Provider Characteristics<sup>5</sup>

- On average, uncertified providers are smaller and less expensive than providers operating within the STARS system.
  - Capacity: 35 v. 144 students<sup>6</sup>
  - Cost: \$37/day v. \$41/day
- The vast majority of respondents (90%) were still enrolling new students, suggesting that many uncertified providers operate below capacity.
- Nearly 75% of the uncertified providers and STARS participants interviewed report that they offer infant care.<sup>7</sup>

<sup>5</sup> Some providers in our sample would not give out price or size information over the phone. This table only presents information on uncertified centers that provided information to interviewers.

<sup>6</sup> This number is distorted by a small number of very large centers with capacities above 200. Removing these centers from the sample reduces the average size to 75, which is large, but still in line with city averages (the average certified STARS provider in Philadelphia serves 62 children) and larger than the uncertified providers.

<sup>7</sup> The supply of infant care is of particular interest to local stakeholders, See: “Philadelphia’s Citywide Early Learning Plan” Shared Prosperity: Philadelphia. 2015.

### III. Reasons Uncertified Centers Do Not Participate in STARS

Many stakeholders in the early childcare sector are committed to increasing participation in the state's Keystone STARS rating system to both measure and improve the quality of early childcare in Philadelphia. Strategies to increase access to STARS rated childcare providers include supporting the development of new STARS rated childcare providers, supporting the expansion of existing STARS rated childcare providers, and helping existing uncertified providers who have opted out of STARS join the rating system. For childcare providers operating under a special status that does not require them to hold a childcare or an academic license, joining STARS would require that they pursue a new license before joining.

Interviews with uncertified providers who opted out of the STARS system revealed that providers' awareness of the program is high. Nearly every center provider interviewed was aware of the program. Understanding why uncertified centers chose not to participate is important for policymakers interested in bringing these providers into the system. While every center is unique, the uncertified centers interviewed generally fell into three types and each faced a different barrier to participation:

- Faith-Based Providers (45%)
- Startup Providers (40%)
- Boutique Providers (15%)

#### Faith-Based Providers

Faith-based providers were the largest group of uncertified providers interviewed. Some were located in houses of worship, while others simply affiliated with a specific religious tradition. All of these providers advertise their religious mission, but only one provider asked about the interviewer's religious affiliation while discussing enrollment.

Faith-based providers were the least likely to appreciate the value of the STARS program, either because their center already had an alternative academic certification or because their affiliation with an existing religious community provided a sufficient level of legitimacy and publicity to attract customers.

From a policy perspective, a concerted effort to explain the financial benefits of participation in STARS and the added exposure from platforms like ChildCare Map might convince some of these providers to join.

#### *Profile: Religious Children's Daycare<sup>8</sup>*

Religious Children's is a daycare center attached to a private, religiously affiliated, elementary and high school. The daycare serves 31 children, many of whom have brothers or sisters in the school's K-12 program. The center's teachers are young but each holds a Master's degree in early childhood education. When asked about their participation in the STARS program, the school's principal, Principal T, pointed out that their school already has a national certification for its elementary and high school programs. Principal T was familiar with STARS, but did not understand how another accreditation would benefit Religious Children's.

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<sup>8</sup>Center names have been changed to protect the privacy of the respondents



### Startup Providers

Startup providers were the second largest group of uncertified providers. They were newer and smaller than other providers we interviewed. Teachers in Startups had the lowest levels of education—many lack formal certifications such as an Associate’s or Bachelor’s degree—although these providers were quick to emphasize their teachers’ experience and aptitude with children. These providers are well aware of STARS, and many we spoke with were interested in participating as a way to grow their nascent business. However, the time required to complete the STARS application presents a major challenge. Although Startups are interested in joining STARS, they lack the capacity to do so.

#### **Profile: Novice Babies Daycare<sup>8</sup>**

Ms. B, a retired Philadelphia school employee, founded Novice Babies in Northwest Philadelphia in 2013 after working in her church’s daycare center for many years. Novice Babies is truly a “family business.” The center serves anywhere from six to nine children a day, and Ms. B often enlists her daughter to help care for the older children. The center has explored joining STARS, but between watching the children and running the business, Ms. B has never found time to complete the application.

Stakeholders interested in bringing more Startup providers into the STARS systems should explore ways to simplify portions of the application process without compromising its requisite rigor. Grants that create incentives to join STARS are helpful, but these providers are already motivated to join – they do not necessarily need additional financial incentives, instead they need greater efficiency built into the application process. Similarly, given the competing demands for these new small businesses, policymakers should consider a review of methods currently in place to offer proactive technical assistance with the application.

### Boutique Providers

Like other uncertified providers, Boutique providers are well aware of the STARS program, and in fact, have many of the hallmarks that distinguish a three or four STAR rated program, including highly educated teachers, and structured, age-appropriate curricula. However, Boutique providers remain uninterested in joining.

Some see the STARS rating criteria as too rigid and believe it would unfairly penalize them for the unique elements of their program (whether or not this is actually the case). Others are simply uninterested in participating in a government-run ratings programing.

Feedback suggests that bringing Boutique providers into the STARS program would require substantial changes to the program rating criteria in areas concerning employee compensation and facilities. Even with substantial changes, as long as the program remains optional, our interviews suggest many Boutique providers will be uninterested in joining.

#### **Profile: Independent Infants Daycare<sup>8</sup>**

Independent Infants serves 50 students in South Philadelphia, near one of the city’s rapidly changing (i.e., gentrifying) communities. Environmental education is a core part of the center’s philosophy. Outside of their academic activities, children take nature walks, help maintain a small garden, and participate in baby-Zumba. The center’s director, Ms. S, considered joining STARS when she first opened, but decided against it when she heard that her program would be penalized for serving food grown in the center’s garden and letting children help prepare their daily snack.<sup>9</sup>

<sup>9</sup> In actuality, regulations concerning food preparation are not part of the STARS rating criteria.

## IV. Documenting Churn Among Uncertified Providers

Locating uncertified providers is challenging due to ongoing turnover in the childcare sector. Now in its second year, Reinvestment Funds' ChildCare Map can begin tracking uncertified providers over time. In 2014, ChildCare Map identified 1,095 uncertified providers. This year, the population of uncertified providers had grown to 1,205. However, many of the uncertified providers identified in 2014 are no longer active and many of the uncertified providers in the 2015 ChildCare Map are new.

Out of the 1,095 uncertified centers identified in 2014, 36% were no longer in the uncertified market in 2015. A small number (10%) became certified, joining the OCDEL database in 2015. However, 25% disappeared in 2015, likely due to closure. Only 705 of the 1,095 uncertified centers (64%) identified in 2014 were still operating in 2015. A sizable minority of the uncertified providers identified in 2015 (41%) are new, meaning they were not open or were not identified in 2014.

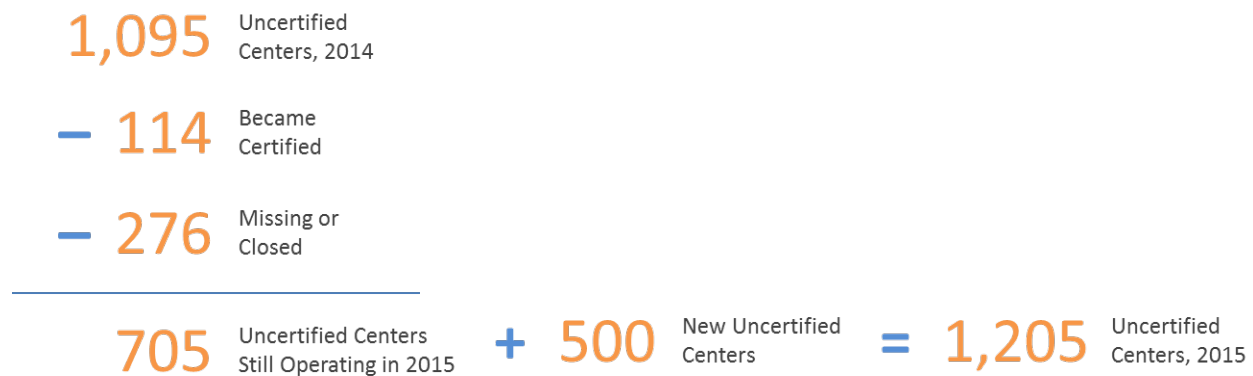


Figure 2: Change in Uncertified Providers, 2014 to 2015

The high rate of turnover among uncertified providers generally aligns with prior research documenting high turnover due to slim profit margins and low cash reserves across the childcare sector.<sup>10</sup> Our interviews found that nearly all uncertified centers are under capacity and looking for additional students. In 2015, 114 centers became certified, but more than twice as many (276 centers) closed. While it is difficult to interpret this finding, the optimistic interpretation suggests that this phenomenon reflects a market where lower quality centers close and higher quality centers become certified.

## V. Conclusion

When Reinvestment Fund launched ChildCare Map in 2014, we uncovered a large number of providers operating outside of the official state system. Although uncertified providers are more concentrated in affluent areas than certified providers, uncertified providers are located in nearly every neighborhood in Philadelphia. This white paper enhances our understanding of uncertified providers by investigating their characteristics and services.

<sup>10</sup> Kristine Alvarez, Alex Epps, and Sonia Montoya. "Overcoming Financial Barriers to Expanding High-Quality Early Care and Education in Southeastern Pennsylvania." Nonprofit Finance Fund. July 2015.

Among uncertified providers currently operating in Philadelphia, our interviews reveal that providers that do not participate in STARS are less expensive and serve fewer children per center than providers that participate in STARS. The reasons uncertified providers choose not to participate in the STARS Program generally aligned with the different types of uncertified providers operating across the city.

For Boutique providers, opting out is a conscious decision driven by their mission. It is likely that unless policymakers change the rating criteria in STARS, programs designed to bring these providers into STARS are unlikely to be successful.

For Startups, time and capacity are the largest barriers to participation. Many Startups are already interested in joining STARS but simply lack the capacity to do so. Stakeholders should prioritize technical assistance, rather than incentives, when reaching out to these providers.

Faith-based providers were the largest group of uncertified providers interviewed. Faith-based providers are already part of a community and do not see the value of participating in the STARS program. Targeted outreach to explain the benefits of the program could be an effective way to bring many of these providers into the STARS rating system.

One challenge for policymakers is the difficulty in locating uncertified providers. Turnover among uncertified providers is high: 36% of the uncertified providers identified in 2014 were no longer active in 2015, and nearly 40% of the uncertified providers in the 2015 ChildCare Map were new. Although Reinvestment Fund updates the certified providers on ChildCare Map quarterly, the list of uncertified providers is only updated once a year. Moreover, many of the datasets used to identify uncertified providers are at least one year old by the time they are released to the public. With a high rate of turnover, and a lag between when closures occur and when they are recorded, locating uncertified centers will likely pose similar challenges going forward.

Many uncertified providers interviewed spoke passionately about their work. Finding new ways to identify and engage uncertified childcare centers could provide stakeholders with a new ally in the fight to expand access to high quality early childhood education in Philadelphia.

Our interviews reveal that uncertified providers are a small, but significant provider of early childhood education. However, stakeholders should be careful to view ChildCare Map estimates as a snapshot in time. The population of uncertified providers is constantly in flux, as existing providers close or become certified, and new providers enter the market. Although individual uncertified providers on ChildCare Map may close, our data suggest that new providers are constantly arriving to take their place.



## **APPENDIX: Interview Methodology**

Interviewees were selected from a random sample of 331 uncertified providers identified in this year's ChildCare Map. To ensure our sample represented the diversity in Philadelphia's communities, providers were drawn equally from block groups with high, medium, and low concentrations of African American families; high and low rates of family poverty; and, high and low concentrations of Hispanic families.

ChildCare Map identifies uncertified providers by searching a national database of business records for firms located in Philadelphia with an industry code related to early childhood education. The database providers are responsible for assigning industry codes and verifying their accuracy; however, after inspecting our sample of 331 uncertified centers we found that a small number of businesses were misclassified as early childcare providers. In some cases, the business worked in a complementary industry. One business, for example, specialized in martial arts classes for young children. Others had names that were similar to a childcare center. Another business, for example, had "daycare" in its name, but provided daycare for pets, not children.

After inspecting the initial list of 331 centers, we removed 40 that did not provide early childhood education. Researchers called the remaining 291 centers up to 3 times each. When a provider's phone number was inactive, researchers used the internet to locate an alternative phone number. Of the 291 centers contacted by Reinvestment Fund, 8% were confirmed to have closed and 75% were unreachable after three phone calls.

The low response rate in our interviews suggests that turnover is a major issue among uncertified providers. We explore this issue further in section five.

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