



# Early Childhood Education Fiscal Hub

## Eligibility, Participation, and Barriers to Entry for Contracted Seat Programs in Philadelphia's Child Care Sector

Prepared by Policy Solutions in collaboration with the Early Childhood Education Fiscal Hub  
*September 2021*

In an industry plagued by low operating margins and limited reserves, the financial stability and higher reimbursement rates provided by seats that are funded from contract programs are an important financial lifeline for providers. In Philadelphia, the three largest programs that offer contracted seats are Head Start Supplemental Assistance, Pre-K Counts, and PHLpreK. To understand more about how these programs are used in Philadelphia, Policy Solutions examined the eligibility criteria for each program, current participation rates, and spoke with providers to understand more about their experience with program applications.

This report describes the number and share of operators in the city that are eligible for each program, the number and share of programs that currently participate in each program, and themes from interviews and focus groups with providers.

We find that participation in each program is low; many eligible operators do not apply. In terms of eligibility criteria, STAR ratings appear to be the largest barrier to participation. Providers highlighted the importance of application transparency and one-on-one support to encourage greater participation in contracted programs. For programs like Pre-K Counts that include a partnership component, a more proactive approach to brokering partnerships between childcare operators may be needed to boost participation.

Policy Solutions estimated the number of family, group and center based childcare providers eligible for the **Pre-K Counts, PHLpreK, and/or Head Start Supplemental Assistance** programs (**contracted seats**) based on their STAR rating and location from 2021 OCDEL data. Policy Solutions also analyzed publicly available application and award data to understand the characteristics of Early Childhood Education (ECE) providers applying for and ultimately getting awarded contracted seats.

### Program Eligibility, Applications and Awards Among Center- and Home- Based Providers

Most ECE providers do not meet the criteria for contracted seats. In this section we use publicly available data on STAR ratings and program locations to estimate the number and share of programs that are eligible to participate in the Head Start Supplemental Assistance, Pre-K Counts, and PHLpreK programs.

Policy Solutions also reviewed application records for Head Start Supplemental Assistance, Pre-K Counts, and PHLpreK to understand what share of eligible operators were applying to each program and how many operators were accepted into each program. We find that the PHLpreK program was most successful at soliciting a high number of applications from the city's eligible population. Participation in Head Start Supplemental Assistance and Pre-K Counts was much lower.

## Head Start Supplemental Assistance

The Head Start Supplemental Assistance Program is open to childcare providers already offering Head Start or Early Head Start Programming. There are 153 ECE Philadelphia locations offering Head Start or Early Head Start according to 2021 data from the Early Childhood Learning & Knowledge Center. This represents 9% of all providers in the city. Application data from OCDEL shows one very large, multi-site entity, the School District of Philadelphia (SDP), was the sole applicant and awardee for Head Start Supplemental Assistance in FY2019-20.

## Pre-K Counts

The Pre-K Counts program is open to a wider number of center and home-based providers. All child care centers and group child care homes with a STAR rating of 3 or 4 are eligible to apply. Family child care homes are not eligible to participate. According to 2021 OCDEL data, 19 percent of child care centers and 10 percent group child care homes met the STAR criteria for Pre-K Counts.

| Provider Type             | All Providers | Eligible STAR 3 or STAR 4 Providers | % of Providers Meeting STARS Criteria for Pre-K Counts |
|---------------------------|---------------|-------------------------------------|--|
| Child Care Center         | 1,108         | 266                                 | 24%  |
| Group Child Care Home     | 177           | 17                                  | 10%  |
| Family Child Care Home    | 387           | 0                                   | 0%   |
| <b>All provider types</b> | <b>1,672</b>  | <b>283</b>                          | <b>17%</b>   |

OCDEL application data shows most Pre-K Counts lead applicants and all awardees were large, multi-site providers. For FY2019-20, Pre-K Counts had 10 lead applicants of which four were funded. The four providers awarded funding were the School District of Philadelphia, Brightside Academy Philadelphia, Acelero Learning Camden Philadelphia, and Children of America. According to OCDEL data, there are currently 90 child care *locations* receiving Pre-K Counts funding. Given the primacy of partnerships in the Pre-K Counts application and the number of currently funded Pre-K Counts locations, partnerships between lead applicants and other child care providers could be an important aspect of how Pre-K Counts seats are distributed to locations throughout the city.

## PHLpreK

PHLpreK is open to the widest range of ECE providers. All STAR 3 and STAR 4 child care centers, group, and family home-based providers are eligible. STAR 2 programs are eligible with a demonstrated commitment to increasing their STAR rating. STAR 1 programs are also eligible to apply if they fall within prioritized neighborhoods and have a commitment to increasing to a STAR 3 rating. We were unable to locate records to identify which STAR 1 and STAR 2 providers demonstrated a commitment to increasing their star rating. However, using the strictest criteria (assuming only STAR 3 and STAR 4 providers are eligible) approximately 20 percent of all ECE providers are eligible for PHLpreK. Using a more lenient definition, including all STAR 2 providers and all STAR 1 providers located in priority neighborhoods, 39 percent of providers would be eligible.

| Provider Type          | All Providers | Eligible STAR 3 or STAR 4 Providers | All STAR 2 Providers | STAR 1 Providers in FY22 Priority Neighborhoods | Minimum Share of Providers Eligible | Maximum Share of Providers Eligible |
|------------------------|---------------|-------------------------------------|----------------------|---|-------------------------------------|-------------------------------------|
| Child Care Center      | 1,108         | 266                                 | 168                  | 50  | 24%                                 | 44%                                 |
| Group Child Care Home  | 177           | 17                                  | 20                   | 7   | 10%                                 | 25%                                 |
| Family Child Care Home | 387           | 52                                  | 49                   | 24  | 13%                                 | 32%                                 |
| <b>All Providers</b>   | <b>1,672</b>  | <b>335</b>                          | <b>237</b>           | <b>81</b>                                       | <b>20%</b>                          | <b>39%</b>                          |

PHLpreK saw a larger and more diverse applicant pool than other programs. Of the 209 applicants, 82 percent were child care centers, 14 percent were family or group home-based care. Using the estimates of eligible programs presented above, we estimate the 209 applicants to the programs represent between 32% and 63% of all programs that are eligible to participate in the program.

Of the 157 applicants awarded seats, 81 percent were child care centers, 16 percent were family or group home-based care.

|  | # Applicants | % Applicants | # Awarded Seats | % Awarded Seats |
|--|--------------|--------------|-----------------|-----------------|
| Child Care Center                        | 172          | 82%          | 127             | 81%             |
| Group Child Care Home                    | 8            | 4%           | 8               | 5%              |
| Family Child Care Home                   | 20           | 10%          | 17              | 11%             |
| New, Moving, or License-Exempt Providers | 9            | 4%           | 5               | 3%              |
| <b>All Providers</b>                     | <b>209</b>   | <b>100%</b>  | <b>157</b>      | <b>100%</b>     |

### Provider Experiences with Contracted Seats

Policy Solutions conducted focus groups and interviews with five ECE providers who had never applied to Pre-K Counts, PHLPreK, or Head Start Supplemental Assistance and with three ECE providers who had applied for at least one of these programs but were not awarded seats.

Among the providers who applied but were not awarded seats, three providers were STAR 4, one was STAR 3 and one was STAR 1. Four were center providers, one was a family child care provider. In a separate focus group and follow up interviews, Policy Solutions spoke with three child care providers who had not applied to any of the three contracted seat programs. Two interviewees led family child care homes and one led a child care center. These providers ranged from STAR 1 to STAR 3.

The purpose of the focus groups and supplemental interviews was to learn more about the perceptions of the costs and benefits of contracted seats. Both groups of providers, both those who had applied and those who had not, were asked about their perceptions of each program and its perceived benefits.

Providers who had never applied to one of these programs were also asked about the supports and services that could encourage them to apply in the future. Providers who had applied in the past were asked about their experiences with program applications and the supports that would improve their experience, should they reapply to one of these programs in the future.

Most providers learn about programs informally through social networks and their perceptions are colored by experiences with STARS

**Providers applying for contracted seat programs learned about the programs in multiple ways, but personal connections and networks were the most trusted information sources.**

Providers reported learning about subsidized seat programs from emails from PHMC, OCDEL and ELRC, but felt other providers were the most trusted source of information. One provider, for example, learned about Early Head Start from a family provider in their neighborhood who needed a partner to apply.

**Providers who had never applied to subsidized seat programs felt isolated and had a difficult time accessing information about contracted seats.** One provider had been in business for seven years but felt unsure about which program could be a good fit. Another family child care provider was unsure if she was eligible for any of the programs and lacked a reliable way to learn more about how to participate:

*“I feel like I’m on an island. It’s only because of [the] pandemic that I’ve gotten resources. Besides STARS... and people I know personally, I don’t get to meet many people [in the field]. So, I don’t get information about any of this. I hear some things from [the] College and Work Ready programs that I do, but I’m not familiar with these other programs at all”*

One provider felt overwhelmed just by looking at the application paperwork and felt it was unlikely she could complete the application on her own. In her words, “Everyone has their own application, and they don’t speak to each other. I read through one application and I was like oh my gosh I’ll need a lawyer to understand it.” Another, expressed her frustration more bluntly: “I have two degrees and I am not illiterate, but sometimes I didn’t know what to do”

Some providers were aware of resources designed to help them prepare and complete a program application. While they believed these programs were well intentioned, there was a sense that the level of support and guidance that they provided was insufficient.

Multiple providers described taking advantage of the webinars and checklists provided by OCDEL and PHMC that were designed to help applicants but felt that the process was still too difficult. Asynchronous supports like checklists and webinars were not as useful as a live person who could answer questions. One provider that tried to participate in a support program to apply to Pre-K Counts described how she felt she was not good enough to follow along. Even after completing the training program she still believed that she would need to hire someone to complete the Pre-K Counts application.

**Providers based their expectations for how difficult applications would be based on their experiences with STARS.** Providers who had not applied to these programs often cited their frustrations with the STAR rating program and believed that completing applications for contracted seats would be similarly difficult. Providers experienced the STAR rating process as punitive and critical, rather than constructive and helpful. These providers were hesitant to apply to contracted seat programs, believing that the assessment process would not fairly reflect their program’s unique culture or the values and attributes that their clients appreciated.

#### Providers were unsure if financial benefits justified the time and expense of participation

**Providers who did not apply for contracted seat programs were unsure if the application process was a good use of their limited time or if reserving slots for a particular funding stream was a good use of their capacity.** Directors shared that their day-to-day duties took up much of their time. Moreover, when staffing was short – a teacher was sick, or the cook was out – the director had to substitute on short notice. In the words of one director, “*You have so many other struggles. Cleaning, parents on time, ratios, etc. There’s no help or assistance or translate [these application] requirements to you. And payment doesn’t compensate you for the work.*”

One family provider also believed Pre-K Counts would not be able to cover costs for a full day of care and that if she joined Pre-K Counts, “*[I] would have to reserve 4 slots for Pre-K Counts. I’d only get paid for 5 hours... and it wouldn’t fund pre- or after-care. And payment would come late. So you’ve done all this work before you even get the money.*” Concern about how the reimbursements from contracted seats could impact their cashflow was echoed by other providers. For home-based providers with limited slots, payment delays for even one or two slots have a large impact on their overall financial picture.

**Providers believed these programs could increase their revenue but did not believe it would support their need for wage increases.** Providers understood that programs would be helpful at boosting revenues in the aggregate but were uniformly doubtful that this extra revenue would be sufficient to solve their broader financial concerns. In particular, providers expressed the need to increase teacher pay in order to retain the highly qualified teachers that are required for higher STAR ratings.

One center director explained, *“It’s enough to stabilize your facility, but not enough to pay your teachers what they’re worth. Even with stability or extra money, you’re not paying people enough to do all the things you’re requiring them to do. [We] can do some incentives or bonus but can’t afford to boost their hourly wage.”*

Providers largely saw the financial benefit of program participation as marginal to their overall financial health. Contracted seats might enable them to offer a small one-time incentive or bonus but were not sufficiently large to impact their base salaries. And while providers could understand the benefit of braiding funding sources, the process felt complicated and difficult to accomplish without additional administrative staff or outside professional help.

**Making their services more affordable for families was seen as the greatest benefit of participation.** Most providers applied for contracted seats to help support parents financially. One director noted “I wanted it to be more affordable for parents. Many are on [CCW] so I know they struggle to afford services.” Another provider saw it as a way to retain children in her program after other funding was no longer available. She explained, “after the kids age out of Early Head Start, we have to send them to someone else if they aren’t eligible for ELRC or can’t pay out of pocket.” She hoped with additional subsidies she could continue working with the same families who struggled to find dual language programs elsewhere.

Financial reporting and requirements around partnerships are the most challenging aspect of applications

**Some providers felt assembling the required financial information was difficult and time consuming.** One provider was braiding funding from multiple sources and felt it was difficult to document on the budget portion of her application. Others had difficulty accounting for funding that went to a particular expense like rent. One provider struggled but said previous technical assistance programs helped her improve.

*“I am a family provider, so I don’t have an accountant who just does my budget or finances. I do it all. I completed the last Fiscal Hub training, so I’m a little better at it. Before it was really hard, and I was throwing things together.”*

**The partnership section of the Pre-K Counts application was identified as particularly difficult, and more help was needed to broker meaningful partnerships.** Many providers felt the Pre-K Counts questions on partnerships were unclear and burdensome. Providers expressed concern that they would have to rush to create partnerships or felt their application would not be successful if they did not have a partnership component. Providers felt there could be more done to broker these partnerships and would have liked more help connecting with organizations also looking to partner.

*“We’re educators not business negotiators or able to connect easily [with other providers]. We’re providing services to kids. Expecting us to be business people isn’t realistic for small centers.”*

**Providers agreed the PHLpreK application was the simplest.** Providers felt the application for PHLpreK was easier to understand and complete than Pre-K Counts or Head Start Supplemental Assistance Program applications. One provider put it this way, “It felt much more welcoming, and you felt comfortable when you finished. You felt like you answered correctly, and you weren’t puzzled about what they wanted.” Another director added, “It didn’t feel like they were trying to trick you”. Providers also felt the information sessions were helpful, particularly when they were in person.



## Providers requested more feedback on applications and support with partnerships

**Providers who had not applied for contracted seat programs named transparency, culturally competent one-on-one technical assistance and increased funding as the supports they most needed for a successful application.** Providers felt they could not decipher the application process for STARS and believed the same would be true for contracted seat programs. While they felt existing webinars and checklists were helpful, they were not as useful as a live person who could answer specific questions. Providers also reiterated how time consuming the application process was and how compensation would help offset the time investment.

*“[I need]...a person to talk to. Everyone is different and so one size of application stuff doesn’t fit us. Have someone fit with me and interpret your rules and regulations into my language. Give me an interpreter. [Or] give me a stipend or staff or discretionary fund to do the training.”*

**Providers who applied but were not awarded seats expressed a desire for more feedback on their applications.** Providers reported only getting feedback on their unsuccessful applications if they requested it. One waitlisted provider was still unsure about why they were waitlisted rather than funded. All providers believed clear feedback would improve their subsequent applications.

Providers also felt sample budget and narratives or specific information on regulations would help prepare successful future applications. Despite concerns, all providers who had applied in the past planned to keep applying for these programs in the future.

## Summary, Recommendations, and Next Steps

This report describes the three largest contracted seat programs for which Philadelphia child care providers are eligible. Our analysis of eligibility criteria, applications, and program participation shows that between 17 and 39 percent of child care programs in the city are eligible to participate in a contracted seat program. A review of applications to two programs, Pre-K Counts and PHLpreK, shows that many eligible operators did not apply, suggesting more work could be done to encourage and facilitate program applications.

Policy Solutions’ review of program data and conversations with providers who had and had not applied to contracted seat programs in the past suggest three lessons for stakeholders interested in increasing the participation of Philadelphia child care providers in contracted seat programs:

- **Quality Improvement Efforts to Increase STAR Ratings are Critical.** A high STAR rating is an important eligibility criterion for all contracted seat programs. While some programs have pathways for STAR 1 and STAR 2 programs to participate, the easiest path to eligibility is through achieving a STAR 3 or STAR 4 rating. Continuing to support providers as they work to improve their STAR rating is critical to expanding the pool of programs that are eligible to participate in a contracted seat program.
- **Application Transparency and One-On-One Support are Essential.** Providers identified PHLpreK’s transparency and one-on-one support as models that other programs should adopt. Providers were frustrated with a perceived lack of transparency around application scoring and eligibility in Head Start Supplemental Assistance and Pre-K Counts. Providing more timely feedback to providers who have applied unsuccessfully to contracted seat programs would help encourage greater and more successful participation. Additionally, providers asked for greater one-on-one support and the ability to ask application questions to a live person. Existing application supports and checklists were useful but did not adequately address providers concerns and confusions.

- **Explore Ways to Broker Partnerships Between Programs.** Programs like Pre-K Counts award extra points or require program partnerships as part of their applications. Providers reported their frustration with this portion of the application. While they saw the value in partnerships and many were interested in creating them, they found it very difficult to both identify eligible partners and to negotiate partnership agreements while running their existing programs and fulfilling their many responsibilities. There may be an important role for the city or other stakeholders to play in helping to broker partnerships between programs interested in applying to contracted seat programs by supporting networking, program matchmaking, or by creating model partnership contract templates and resources that providers could use.