

## Evidence-to-Impact Podcast: Childcare in PA During COVID-19

**Michael:** [00:00:00] On this episode of the Evidence-to-Impact Podcast, we'll be discussing the state of childcare in Pennsylvania during the COVID-19 pandemic, including challenges, funding, access, and quality among other topics. Today I'm joined by Dr. Philip Sirinides and Karen Grimm-Thomas. Phil is an Associate Professor of Education and the Director of the Institute of State and Regional Affairs also known as ISRA at Penn State Harrisburg. Karen Grimm-Thomas serves as the Director of External Relations at the Pennsylvania Office of Child Development and Early Learning, also known as OCDEL. If you could just start us off with a few introductions, uh, Phil, if you'd, if you want to start.

**Phil:** [00:00:39] Thanks, Michael. It's wonderful to be with you and to also join Karen and talking about some of the work we were able to accomplish in partnership as we think about the impact that COVID-19 had on childcare providers in Pennsylvania.

**Michael:** [00:00:54] Excellent. Thank you. Welcome. Karen, could you give us a little rundown on yourself?

**Karen:** [00:00:59] Sure. Thanks, Michael, it's really exciting to be here. I'm really glad to talk about what our office sees is a really exciting ongoing partnership with Phil and the center in Penn State. Just to give you a little bit of background about OCDEL as a state office, because we really are very unique or uniquely situated within the state and across other states, not others, other states don't have a model like we do.

So we are what we call a dual deputate, and that means that our Deputy Secretary Tracey Campanini is a direct report to both the secretaries of the Department of Human Services, Theresa Miller and the secretaries of education. So that right now currently is the Acting Secretary Noe Ortega. What this really allowed us to do was to take the children and family kind of services that the state has and grouped them under one office. In a lot of other states, you have counterparts that are located in other state departments. Within OCDEL, we are all together. So we span everything from our subsidized childcare system to our home visiting grantees, early intervention, part B and part C, which a lot of states are in separate offices. So again, they're all together really helps with transitions. And then our state pre-K programs and everything associated with our childcare. It's a really interesting set up and I think it's one that really has some efficiencies and speaks for some great coordination.

My job within OCDEL is really around stakeholder engagement and to ensure that we have a coordinated effort and that we really are listening to feedback from our stakeholders and making sure that our OCDEL leadership team is aware of how policies are felt on the ground. And we just have that continuous feedback loop. Really glad to be here today and talk a little bit, about this great partnership.

**Michael:** [00:02:41] Great, thank you, Karen. And welcome to the show. Our conversation today really has its genesis with an excellent piece that you wrote, Phil, in August for the Insights From Experts Blog. Which is a joint collaboration between the Penn State Social Science Research Institute and the Center for Healthcare and Policy Research, CHCPR at

Penn State. That post was called the "Impact of COVID-19 on Childcare Facilities in Pennsylvania: Understanding the Operational and Financial Impacts," and of course we'll have a link to that in our show notes. Starting from there, from your perspective, Phil, could you give us a summary of what has specifically happened to childcare providers since the beginning of the pandemic in Pennsylvania, both from the financial hurdles as well as the operational hurdles, which have really been immense.

**Phil:** [00:03:28] Early in 2020, we're finishing up a different research project that looked at the true cost of childcare in Pennsylvania. And as we were coming to the end of that work, we found ourselves at the start of the pandemic. And so we were able, based on our partnership to quickly launch a new inquiry that examined the financial and operational impacts that COVID-19 was having on childcare providers. And we had a lot of input from the leadership at the state to try to make sure we understood what were the pressing questions and issues that we needed to focus on. Just after we started some of that work, there was also some legislation that was passed that actually directed the state to allocate some funds that had come from the CARES Act for childcare providers and stated that it needed to be based on the results of a research study that was being conducted.

So, although that did not change the scope of our work, we certainly understood the importance that this research would have for policy, for decision-making and for the distribution of funds. And that has continued over several rounds. I know we'll talk about that, but our early findings from the work did look at the operational and financial impacts. Certainly, we saw that the providers were closing. We looked at some existing administrative data. We collected some of our own data through surveys. We saw at one point 83% had closed. Although, the true number actually may have been as high as over 90%. If you were to count unresponsive providers as also having closed, so many had obviously shut down.

And some of those were also saying that they were going out of business. We, at the time, had estimated that we were going to see 280 closures in June when we were first releasing the results, it was 125 had permanently closed. Two months later it had doubled. And we actually now, when looking from March through the end of 2020 have some good data and we saw that there have been over 420 permanent closures, which may have been COVID or for other reasons. And during that same time, there have been some newly opened. But there certainly was a significant impact there. The financial impact was the other area, and that work was the basis of some recommendations and some rounds of grant making that the state was able to provide first with CARES Act funds, and then with some other federal stimulus funds.

**Michael:** [00:05:58] Karen speaking of the subsequent rounds of stimulus funding could you discuss that a little further from where you sit in OCDEL?

**Karen:** [00:06:06] Sure, we were very fortunate that we did have some opportunities to get some support out to programs. Early on in the pandemic, we had folks that were able to apply for a waiver and continue to operate because we knew we needed to continue to provide childcare for our essential services staff, not just our medical staff, but all the folks that were keeping us safe, our food service, the folks that were staying at home, keeping them able to do that. The goal was to be able to get those folks, the dollars that they needed

to meet their needs around increased protective equipment for their staff. And then we also were thinking long-term, the idea that we knew that programs were closing.

We knew that their revenues were down and that if we weren't going to respond the potential for the industry to lose a lot of high quality providers throughout this crisis was really at the forefront of our thinking. If we were going to ensure that when we came out on the other side of the pandemic, that there was childcare for folks, we needed to do something. And we also recognized the fact that our ability to come out on the other side of the pandemic really was hinging on the fact that we needed to have childcare, that folks weren't going to be able to come back out of their houses and go back to work if they didn't have care.

So, in round one the federal government pushed money through states through the Childcare Development Fund and gave us lots of flexibilities and we made decisions really based on getting the dollars out quickly. So, we looked at things like provider type. We looked at things like their licensed capacity, which is some just basic information that we know about all programs. Then during the second round, we were able to think through areas where we had either previously known that there were lesser amounts of childcare providers available areas that we call childcare deserts. So, we added some dollars for those programs that were operating in those areas. The idea was that it, if you're already in a desert, you can't lose the only childcare that's in town. We really need to do something to shore those folks up. We had a third round of CARES dollars, which we were really fortunate to have because these were dollars that came to the state and the Governor and the General Assembly really at this point was recognizing the important role that childcare was playing during the pandemic and would play in our economic recovery.

And so they chose to take dollars that came into the state that weren't necessarily dedicated to childcare and say, we're going to give these to childcare. And that's when Phil's work really came into play for us. By that point, he had some really great data for us to really help us think through what the best long-term strategy was around getting these dollars out. I don't know, Phil, if you want to jump in and say anything about that.

**Phil:** [00:08:39] Yeah, absolutely. It was obvious, that, for the state to be able to have any economic recovery, as you're saying, childcare is an important part of that. If you look at some of the research on the broader economic issues around childcare, there's a lot of evidence to support how the the industry allows people to work as you have constrained access to childcare, people can't work. And so, it was clear that was going to be very important policies that the state kind of moves forward with and keeping these providers just able to continue to operate when we come out on the other side was the goal.

So our work did look at a couple of areas that we could quantify, the financial impact and then use that as the basis for some recommendations for funding. Those ended up falling into four categories. So, we looked at the expenses associated with facility operations during the shutdown, when they were not collecting any revenues. Some of the costs could certainly be avoided if they were not open. But others continued to accrue, rent or mortgage payments are one example of that. And so using a lot of the information that we had previously collected on our cost of care study, and then supplementing that with some

new data collection, we were able to determine the facility cost. The second bucket was a two-week floating payroll, which is considered to be the minimum amount of cash on hand that any business enterprise would need. A lot of our qualitative information from providers had identified that they had spent all of the cash that they had and were unable to rehire staff in advance of being able to serve children and then collect the payments which often lag. So that two-week payroll was really the minimum amount of working capital that they needed in order to be open. The other two categories were the cost for implementing the new health and safety guidelines from CDC. And then finally the cost of reduced enrollments, which sounds a little odd because, if you don't have an enrollment, then it's a loss of revenue typically. But those that understand the business model for childcare know that full enrollment is absolutely essential. A lot of a director's time is spent making sure that they have the maximum number of children that they can care for within ratio and capacity guidelines. And so even just having one or two children not receiving care and then not paying for tuition can make it very difficult to operate.

So as we have a slow reopening and families, may have extended timelines before they come back and receive care for their children. That's going to create a lot of financial challenges. So we were able to quantify that and use it as the basis, but to Karen's earlier point, these multiple rounds of grantmaking were increasingly targeted and informed by data, which I think is a great way to think about a research partnership such as this because in the beginning, funds needed to be distributed and the state did not delay and wait for the full report. There was an opportunity to distribute a round one, and those funds were using some very basic data such as location and type, and capacity. That second round that you talked about added census data as they targeted childcare deserts. And it also incorporated a lot of provider feedback that they had received from the first. By the time we got to the third round, the results of the study were now available. And so those then became the total amounts that were layered on top of the first two rounds.

So in essence, round one and round two ended up being backed out of the total amount of funding that was being recommended. And so round three was the difference. And now we've just recently seen that OCDEL has distributed round four, which is very exciting. It's in large part due to increasing availability of those funds from the federal government, but also because of some new, recent data that was needed in order to even have more targeted grants being provided. And that new data looks at the percent of under enrollment that was the fourth category in our impact study and was not included as the basis for round three. Those are some of the high level findings and ways that they were used by OCDEL to distribute some of the funds.

**Michael:** [00:13:11] Phil, your point really gets to the challenge of meeting the academic and policy communities' timelines, right? There's often such a disconnect in terms of what is what is needed to inform programs, to inform getting those dollars out and where they should be targeted. And this has been a really great example of where those timelines have really worked together.

**Phil:** [00:13:33] It's a great story of how the agency has implemented evidence-based policy in a rapidly changing context. It's really on, you just have to act and be responsive to those

needs, but then also anticipating using information that would become available later on and working in a partnership model to make sure that the approach allows the agency to be responsive to urgent needs, but also to incorporate research findings as appropriate and when they're ready.

**Michael:** [00:14:02] Karen, as we have gone into, and then out of shutdowns and different industries have become able to reopen, I wonder if you had any insights into some of the profound challenges as childcare facilities have reopened in the last few months and additionally as potentially variants continue to worry the profession.

**Karen:** [00:14:23] I think one of the biggest challenges was that Pennsylvania is an incredibly diverse state and this pandemic hit the state in very different ways. So, we needed to think about the different impacts that was going to have on childcare. The other challenge that we had was the kind of ripple effects, particularly around elementary school students. So as a lot of districts made decisions that were best for their communities and their teachers and their students that changed instructional modes and meant that there were kids that were either in a completely online instructional mode or were in a hybrid mode. They had ripple effects on the childcare community because a big part of the childcare community is the school-age childcare community. We saw some places where families were very slow to come back for a lot of reasons. We saw some places where families came back pretty quickly. We saw other places where communities scrambled to find care for school-aged children that were doing remote learning and needed to be supervised across the board.

We saw again, increased costs around protective equipment, increased costs around being able to social distance, which is not something that you're doing with toddlers, the way you do with adults. It meant things like cohorting children and limiting kids to the same group of kids, which then had impacts to staffing patterns. And so we saw programs that were really struggling in terms of the teaching population and being able to have enough staff whether staff had their own underlying health conditions and were concerned about coming back, whether they were taking care of family that was having COVID impacts So just across the board there were things that everybody experienced, but then there was just that nuance of just how different regions within the state were being impacted and trying to get dollars to programs in a way that really gave them as much flexibility as possible to use the dollars to fill the gaps in their own programs.

**Michael:** [00:16:19] I'd like to change the focus a little bit. There's so much conversation of effects on the actual children themselves. The restrictions on the impediments to the workforce who are unable to work because their children are at home and they're not able to get childcare services. I'd like to think a little bit also about the large number of people that are employed in the childcare workforce in Pennsylvania. And what that means, how do we continue investing in this important workforce? They have been struck by these closings and thus unemployment has been, I would imagine, quite high in the sector. And , how do we think about education and training opportunities to motivate these folks to stay in this industry.

**Phil:** [00:17:00] Yeah, absolutely. I think Michael, to your point about the broader economic importance of childcare, there's certainly been a lot of studies on the impact of quality care

and how that has positive benefits for child development. And that supports those long-term goals of preparing tomorrow's workforce, but research on the economics of childcare has looked at its effect on labor participation for families and also childcare as an economic sector in its own. In terms of employment, output, regional economic linkages to other sectors. And a lot of those studies have found that you certainly have a large local economic benefit from having this industry U.S Chamber of Commerce Foundation Center report from last year quantified the economic loss that results from constrained childcare capacity and that had state specific details. And in PA, the childcare issue resulted in an estimated \$3.5 billion loss annually for Pennsylvania's economy. And that, that breaks down into people not working and then those folks who are not working are not paying taxes. The largest component was people not working. And so approximately four and ten parents in Pennsylvania report having postponed school or a training program due to childcare issues, at least 55% of parents and families in Pennsylvania report missing work due to childcare issues in the year that question was asked last year so this issue of absences employee turnover costs for Pennsylvania employers has really just had a billion dollar cost annually. And we see that with this recent shutdown. I'll say one other thing that sort of classic study from Cornell University by Warner and others looked at the economic impact of direct spending within a local economy on many sectors, didn't focus on Pennsylvania or childcare. One of the key findings is that early childhood dollars are used to purchase local goods and services, and that typically stays local and has a great multiplier effect. And so those, types of results in studies really help us understand the impact that expenditures in this particular sector have on local economies and on other sectors. Which is why it's important for Pennsylvania's economic recovery. And it's also really good policy. If you're thinking about ways to really drive Pennsylvania's return to normalcy and economic growth, childcare dollars multiply, and they stay in the state and that's one of the great ways that policymakers can help our economy at this important point.

**Michael:** [00:19:35] That's such important information. I want to touch on another item here, which it's so important that our listeners understand the important work that OCDEL and other components of the Commonwealth do to support the industry. I do know that one common gripe is the increasing cost of childcare. Karen, do you think there are ways that we can think about how to make high quality childcare accessible to parents and families that want it and need it?

**Karen:** [00:20:06] Yeah, definitely. This is a challenge. But I think it's something that we definitely can tackle. We often talk about childcare and we talk about the rates and that's really what the state pays a childcare provider in terms of a subsidy for children that qualify for childcare subsidies. One of the first things to do is to ensure that those subsidies are paying providers a rate that is ideally as close to the true cost of the care that they're providing. So that providers know that reimbursement is going to come in and it's going to cover what it's actually costing them. But I think that it's a complicated question and a complicated system because the majority of the childcare that is provided in Pennsylvania, that the children aren't eligible or they're not in our childcare subsidy system. They have majority of care that's provided is paid for with a private pay tuition dollars fees that parents pay. And the one thing that we know is that parents are not going to be able to assume additional burden. What's typically happened then is that the system is really subsidized on



the back of the provider and the staff in terms of lower wages. So thinking about other ways to infuse money into the system is definitely an ongoing discussion in OCDEL.

We're really fortunate in Pennsylvania to have the Early Learning Investment Commission. It was established under Governor Rendell and it's a group of really forward-thinking business leaders across Pennsylvania. And originally they really were about creating public will around childcare and early learning. And what's happened is we've done such a great job around that they've then really started to shift this idea to thinking about how are we paying for this and how do we make this work more? So trying to work with local businesses and to really think about childcare almost as an added benefit to their employers.

So when you're trying to attract talent into your business you often talk about what your benefits package is going to be. And so we've been working with the folks on the Early Learning Investment Commission to think through how do you look at childcare in your community as a benefit and a way to attract really good talent? What can we do to support that? I think one of the other strong things is to think about how we're supporting the provider in terms of their understanding of their business model. When providers understand how to think about what their true cost of care is. And when they understand what those levers are within their program, in terms of looking at your enrollment and ensuring that you're at an enrollment that's going to adequately bring in dollars to cover all of your expenses. And understanding how if when your kids age out of one room and go into another room, how does that impact your bottom dollar and really support them in terms of their understanding of business practices. But it's definitely an ongoing conversation, ongoing challenges. And one that we know can't just shift the burden to the parents and it can't continue to shift the burden to staff that end up with lower wages and owners that end up trying to juggle everything.

**Phil:** [00:23:02] The work that we had done at the start of this project, what was looking at the cost of care. And we used a methodology that looked at the total economic cost, not the sticker price that families necessarily would pay. And we did that by using a method where we looked at all the ingredients, all the resources, all the staff, everything that goes into providing childcare. And then determining what market rates were for each of those ingredients and then adding up to the total cost. And so what this allowed us to do is look to see what's the value, that children are receiving not necessarily the amount of cash that's being spent because so often we know that there are lots of reasons why providers are able to either gain efficiencies or have other types of subsidy. Volunteers do a lot of this work. Sometimes, if a center is operating out of a religious institution, that will be a one way that they can help to offset costs by having that sort of lower rent or if they have to pay at all. But we wanted to know what the full cost was and the principal finding of that study was that the median cost of childcare in Pennsylvania is \$290 per child per week. Which is close to a little bit on the upper end of what other studies have found. There's quite a range in there and 80% of the cost is for staffing. And so I think that any sort of conversation that we have about affordability of childcare or making sure that we can expand access and make sure we have enough capacity to provide care for all the children and for the families that are seeking it, is about investing in the workforce.

Because that is where the cost comes from and that is where I think we need to keep most of our attention and that's the conversation. It's how can we adequately fund the childcare and early childhood workforce that is providing the important sort of quality experiences that children are having every day. So subsidies are one way to do that and there are other ways that, I think, the state is moving forward. There are incentives for reaching higher levels of quality and awards that can be received. There are tuition benefits that are available for staff. There are other types of retention awards that could be available. And so the many different ways that the state is able to help invest in that early childhood workforce, I think will all help in making sure childcare is accessible and affordable.

**Michael:** [00:25:23] So one thing that has been challenging over the last year plus and actually probably always has been a little challenging is communicating to the public and making sure that families not confused or overwhelmed by the system. I wonder, especially considering the turbulence in the sector as of late and changes going forward, what are ways that OCDEL or other groups can bring families up to speed a little faster or with more fidelity? I wonder if there's marketing that you all have put in place to support that.

**Karen:** [00:25:57] Yeah, definitely. So we're really fortunate in Pennsylvania. prior to the pandemic, we developed what's called an early learning resource model where we have identified agencies that are administering the subsidy system and also administering our QRS system, our quality rating and improvement system, but really their main role in their communities is as a resource and referral agency for OCDEL. So we have our consumer education website, we have Find Childcare in PA that families can go on. It's a great interactive map. They can put in their address and they can put in their search criteria and it will give them a lot of information about the programs in their areas. Tell them about their star ratings, so what kind of quality level are they talking about. Programs that have a bit of savvy are able to put links to websites and, really try to connect with families. But ultimately for us, it's really about that resource and referral. So those early learning resource center staff that are able to sit with families and talk about what does quality care look like? What are the benefits of choosing a higher quality site, a star four site over another site. But we definitely know that again, not all families are using the subsidy system. We have lots of families out there that are making decisions about childcare based on what their neighbors are telling them. So we do constantly think about how do we get this word out to folks? We did a couple of years ago, campaign called Raise Your Star. The idea was both playing off of our Keystone Star System, but also the idea that your child is your star and you're trying to raise them and we want to help you do that by helping you choose high quality care. So those kinds of efforts are ongoing. They need to keep happening because we always have new families coming into the system and they haven't seen it. It's about always trying to think about new ways to engage folks. We have a really strong social media presence. We work with a lot of community partners. We work with a lot of advocacy organizations and childcare membership organizations to get the word out. But it's something that our communications team does on an ongoing basis. Definitely.

**Michael:** [00:28:01] My next question is for both of you, but it's a big one. This collaboration between OCDEL and ISRA, the Institute for State and Regional Affairs at Penn State Harrisburg has been really excellent. It's really wonderful to see this collaborative



partnership informing some of the decisions that the Commonwealth is making. I wonder if you have suggestions or ways to foster these relationships in different areas, in human services and education and broadly between academia and government.

**Phil:** [00:28:30] Just keep it simple. I think the two important ingredients are communication and passion for the work. And I think we're really fortunate to have great folks in the public sector doing this work. I have enormous respect for those in the office doing this, and I'm thankful that we have such strong people who are doing these important jobs for all of our benefit. And so to be supportive of that Penn State as a land grant university, this is our mission. This is our opportunity to take our sort of unique position here in the capital region at Harrisburg and to offer to be a support for these agencies that are looking for data, looking for research. And looking for trusted partners that can help them work through some of these challenging issues. So for us it's a privilege to work in this partnership and be able to lend our skills and expertise. I think if I were to go one step further and give some advice, it's to establish the partnerships before you need them. So that when urgent things happen, you will have a strong base to work from, and that's been, I think, part of why we've been so successful.

**Karen:** [00:29:41] I think from our office's perspective a partnership like that, it's going to do the things that Phil's talking about. It's going to allow us to make these policy decisions using real data and, make really strong decisions. I also think we have a real responsibility to use dollars wisely, but we also have a real responsibility to be able to communicate to the public how we're using those dollars. So that's another way that these partnerships are really helpful. Phil's ability to put together that report that we then can share widely. It really shares with folks how these dollars are being used and what the decision-making process was. We get literally every year hundreds of requests for data. The public wants to understand the system and we need to provide that data, but it becomes very overwhelming. And so to think of this partnership as a way to extend that and more efficiently be able to provide the public with the data that they want and that they deserve is also a real added benefit for our office because then the folks that are doing that work can really focus on what they're doing and not necessarily be worried about just pulling data reports. I think it's a real benefit in terms of the workload and ability to focus on the things that are really important in the office.

**Phil:** [00:30:51] Michael, your previous question was about the sources of information that families are using, that providers are using and making decisions.

And I see how you went from there to what are the sources of information that the policymakers are using? And I think we all have information needs and sometimes it's really hard to even know what those are and collaborations are a great strategy for asking better questions and even understanding what are the information needs that we have, which to be honest with you is the harder part, because then you can just say, okay now we'll go out and we'll look for some answers. But I've noticed that sometimes it's the construction of the question that's the hard part and where the partnership can add a lot of value. So for example, here, we wanted to know at first the questions were as urgent as they were simple, it was just who's open, who's not open. And so that, that was the clear need at the

time. But we also had some other ideas about what might be some information needs down the road and having those conversations early and building that in to our study allowed us to be able to be responsive to, I think, a larger set of stakeholder information needs.

**Karen:** [00:32:08] And I would say, I think also the idea of being able to be innovative, being able to test smaller projects out, take a look at something based on the data that we have and say, Oh I wonder what would happen if we did it this way. And having this partnership allows us to really do those kinds of more in-depth looks at things and be much more innovative in what we're doing.

**Michael:** [00:32:30] I think those are some really important characteristics of how we can grow these partnerships in a number of different areas. I do want to give each of you the opportunity for some closing thoughts if you have any, but we did also sum things up pretty well there.

**Phil:** [00:32:45] At the end of the day what I'm so excited about from this work is how it's been able to contribute to some decisions and some real funding that has been distributed out to providers, because Pennsylvania's economic recovery must include a strong childcare system which is essential for full economic recovery. And so by making these investments in early childhood education and in childcare in Pennsylvania, the state and policymakers can keep families working and stimulate our economy while providing opportunities and experiences for young children to be successful.

**Karen:** [00:33:20] I would say over the last week or so we've been really fortunate and we've seen some real substantial investments in the childcare industry from the federal level. And as an office, we have a lot to figure out in terms of what's the best way to use those dollars, not just in response to the pandemic and ensuring that programs are solid now, but over the next three to four years, like where is this industry then going to go? And I am personally looking forward to this partnership, continuing because I think that the only way that we're going to make those good decisions is if we're using data and if we're being thoughtful. And if we're analyzing and evaluating what we've done, To then make the next step. That feedback loop is really important. And I see this partnership as a way to just continue that ongoing analysis of did we get it right? So those tweaks that you saw us do in the earlier rounds of the stimulus, that kind of thoughtful discussion is going to continue to happen because we have this partnership. And I think again, when you have those really big investments, it becomes even more critical that you're asking those questions and making sure that you're doing the right thing with the dollars.

**Michael:** [00:34:31] That wraps up our conversation today. I want to thank our guests very much for their time and contributions. Today I spoke with Dr. Phil Sirinides, Associate Professor of Education and Director of the Institute of State and Regional Affairs also known as ISRA at Penn State Harrisburg. We also spoke with Karen Grimm-Thomas Director of External Relations at the Pennsylvania Office of Child Development and Early Learning, also known as OCDEL. Thank you very much.