City of Philadelphia

Commission on Universal Pre-Kindergarten
July 28, 2015, 9am-10:30am, Free Library of Philadelphia, Skyline Room

William Penn Foundation
"Overcoming Financial Barriers to Expanding High-Quality Early Care and Education in Southeastern Pennsylvania"

The first hour-and-a-half of the Commission's meeting was attendance at the William Penn Foundation event, "Overcoming Financial Barriers to Expanding High-Quality Early Care and Education in Southeastern Pennsylvania."

1. Welcome

Janet Haas, Chair of the Board of Directors at the William Penn Foundation, welcomed all attendees to the presentation, and highlighted the presence of the Commission on Universal Pre-Kindergarten. She observed that everyone present shared a commitment to early education, a proven strategy to change children's lives in the long term. She noted that only 15% of nearly 100,000 children in Philadelphia currently receive high-quality care, while 30% are in low-quality care and about half do not participate in care that has received a quality ranking. Ms. Haas asserted the need for more high-quality seats. She invited the participants to attend the William Penn Foundation's "Quality Talks," which will be hosted over the next few months to discuss the issue of high-quality early childhood education. Haas ended by stating that meaningful change is possible with this group of committed people.

Rashanda Perryman, the Program Officer at the William Penn Foundation responsible for grants related to early childcare and education within the Great Learning grant program, also welcomed all attendees. She stated that financial barriers limit the ability of childcare providers to provide high-quality care to low-income children. As Philadelphia moves to providing better services, she remarked on the need for local evidence of the financial health of childcare providers. Ms. Perryman then explained the morning's program, which would begin with an introduction by Sharon Easterling, an advocate and leader in early childhood education, the Executive Director of DVAEYC, and the co-chair of the Commission on Universal Pre-Kindergarten, who would discuss the Commission's work and what it means for the work of the early childhood education sector. Next, Kristine Alvarez, Associate Director of Consulting Services at the Nonprofit Finance Fund (NFF), would present the key findings of their report on financial barriers to high-quality early care and education. Finally, Miriam Calderon, a Senior Advisor at the Commonweal Foundation and national leader and expert on early childhood education would moderate a panel of experts.

Sharon Easterling called for putting the idea of all children participating in high-quality pre-K into account. She introduced herself as the Co-chair for the Commission on Universal Pre-Kindergarten, and introduced her Co-Chair, Loretta Jemmott. Ms. Easterling explained that the Commission is composed of seventeen people tasked by legislation to come up with a plan to ensure that three- and four-year olds have access to high-quality pre-K, and that a final report is due in April of next year. She explained that the understanding that children begin learning very early in their lives began in the 1900s, and that the twentieth century was full of efforts to promote early learning and make it both commonly accepted and universally funded, from the Kindergarten movement to the Landham Act to the defeat of the 1971 Comprehensive Child Care Act. Ms. Easterling noted a big shift in society on early childhood education, saying that the moment she realized the tides had changed was two years ago when President Obama called for investment in early childhood education at the State of the Union speech. Since then, momentum towards progress has continued. At the national level, Pennsylvania Senator Bob Casey brought a Pre-K amendment to a vote, a high-water mark for pre-K at the national level. The state level has seen a laboratory of initiatives, form full pre-K in Oklahoma to the Pre-K for PA initiative in Pennsylvania. The question is no longer "should we" but "how" and "at what level do we make the investment." She noted that even budget fights no longer debate the issue of funding pre-K, but rather the extent of the funding. At the local level, Philadelphia is a hotbed for early childhood education, with the Read! By Fourth initiative, the Mayor's Office for Community Empowerment and Opportunity's A Running Start campaign, and the Commission on Universal Pre-Kindergarten. Early childhood education is no longer a question of "we should," but of "we must." Ms. Easterling thanked the William Penn Foundation for its vital role, particularly its investments over the last twenty years that have moved the issue of early childhood education forward. She noted that the William Penn Foundation's Quality Talks over the next few months would provide a great deal of information. While the issue of early childhood education presents many challenges, the field has a deep understanding of what constitutes high quality and the available research. With this research and public will on the side of early childhood education, Ms. Easterling concluded, we can move forward on this important issue.

2. Research Presentation

Kristine Alvarez, Associate Director of Consulting Services at the Nonprofit Finance Fund (NFF), began by thanking her co-author, Sonia Montoya, as well as the William Penn Foundation for its leadership and support. She underscored that the report is not an extensive market study of all the early childhood education providers or a look at quality, but rather a look at the financial characteristics of nonprofit early childhood education center-based programs. She and her colleagues completed a financial analysis of 147 early childcare providers who had previously been served by the NFF when they were looking to improve their quality and services, as well as qualitative interviews and roundtable discussions with 47 early childhood education providers, and a literature review and research.

As a starting point, Ms. Alvarez and her team looked at the business realities that affect the childcare supply and how the system is undercapitalized. She underscored that early childhood education is one of the most effective strategies to help children, but that it only works if it is high-quality. This is care for children between infancy and age five that goes well beyond the minimum health and safety standards regulated by the state. It involves a credentialed teacher (with a Bachelor or Master degree), the intentional tracking of developmental changes, small

class sizes, and the maximization of the critical window of the first 2000 days of a child's life. For this report, Alvarez and her team relied on the state's voluntary Quality Rating and Improvement System (QRIS), known as Keystone STARS.

Ms. Alvarez and her team focused on the question, why are there not enough high-quality early childhood education programs? They found that early childhood education programs operate very close to the financial edge with little margin for error. Profitability, defined as the extent to which these operations can cover their costs, was minimal. The audited financial data of the 147 providers showed an average 0.7% surplus as a percentage of annual expenses, while the publicly available tax information, the Form 990, available for 97 providers, showed a 1.2% change in unrestricted net assets. In other words, these operations can barely cover their immediate costs. A similar picture emerged for liquidity, defined as the number of months of cash available on hand. The audit data showed an average liquidity of 1.4 months, while the Form 990 showed an average liquidity of 1.3 months. Moreover, the decision to deliver high-quality meant an increased financial demand but no guaranteed economic benefit, as both STAR and non-STAR providers faced similar profitability and liquidity data. Thus, there was no clear connection between a provider's financial health and level of quality.

Ms. Alvarez also explained that there was very little understanding of the "full costs" to deliver high-quality care. The average cost of care per child, based on a 22-provider sample, was $11,832 per year. When disaggregated by quality, the average was $10,320 for STAR 1 and 2, $11,375 for non-STAR providers, and $12,789 for STAR 3 and 4. She noted that these are also conservatively low figures, since they are only based on operating expenses and do not look at long-term spending, such as payment on debt or investment in the center. These average costs also do not reflect cost differences for different ages: infant care is far more expensive, for example, than pre-K care. However, the estimates provide a starting point for the discussion.

The report then looked at the issue of revenue. In early childhood education, revenue sources do not address the high fixed costs of care. The source of revenue—a subsidy or tuition—is attached to the child. As a result, this revenue is highly variable, since the number of children in care can change. However, the largest costs—teachers and space—are fixed. As a result, providers must try to achieve full enrollment, which is difficult. With few institutional sources of funding, many providers must "braid" multiple revenue sources, which presents increased complexity since they must follow several sets of regulations. Centers with majority subsidized children (CCIS) have a more difficult time financially breaking even.

For early childhood education providers, the operating gap increases with higher quality of care.

	STAR 1	**STAR 2**	**STAR 3**	**STAR 4**
CCIS per year (maximum, based on $32.55 per day)	$8,489	$8,489	$8,489	$8,489
STAR Tiered Reimbursement	$91	$247	$728	$1,300

Total Revenue from CCIS and STAR	$8,580	$8,736	$9,217	$9,789
Average Cost	$10,320	$10,320	$12,789	$12,789
Difference (Operating Gap)	**-$1,740**	**-$1,584**	**-$3,572**	**-$3,000**

This operating gap is for each child at a child care center; as a result, the true operating gap for providers must be multiplied by the number of children. Furthermore, this operating gap will exist in perpetuity.

Ms. Alvarez closed by reviewing recommendations. First, subsidy reimbursements must be addressed. The base rate has not changed since 2007 and does not keep up with inflation. Moreover, subsidy eligibility requirements present challenges to parents who must recertify every six months, and can pose interruptions to providers' income. On the parent side, policies should understand parental needs and help them navigate the system better. On the provider side, providers and agencies must align their goals to prioritize children's educational attainment and find ways for providers to access direct institutional funding. Second, the NFF supports increasing the number of slots, but believes the real question is how to get programs to expand and still improve their quality. Alvarez underscored the need to help providers plan and attain high-quality with financial support on an ongoing basis.

3. Panel Presentation

Miriam Calderon, Senior Advisor for Early Learning, Commonweal Foundation, opened the panel by calling attention to the very exciting time in the field of early childhood education, noting the attention on high quality. She explained that the reauthorization of the federal Child Care Development Block Grant provided a major opportunity to reexamine the early childhood education sector in the United States, looking at the funding of the Head Start and Early Head Start model in comparison to childcare, changing performance standings, and focusing on quality. Ms. Calderon also mentioned that a new federal report will be released on the necessary competencies of the workforce. Early childhood education needs more resources, but these resources are often lacking. The panel, she explained, would help the attendees understand the challenges and context of early childhood education, the efficiencies of resources currently available, and the need to grow the overall pie to increase quality. She also stated it would provide ideas on how to take this new momentum on early childhood education and harness it to finance high quality. She then introduced the panel, composed of Otis Bullock, Esq., the Executive Director of Diversified Community Services, Michelle Figlar, the Deputy Secretary of the Office of Child Development and Early Learning at the Pennsylvania Department of Education, and Louise Stoney, the co-founder of the Alliance for Early Childhood Finance.

Louise Stoney opened the panel by explaining that the NFF findings are not unique to Pennsylvania, but in fact show the situation for childcare providers across the country. She also stressed that the numbers presented by the NFF are averages, and that it is crucial to identify the

pockets of trouble. She explained that centers with higher quality have higher costs, and that the trend is that programs stagnate in terms of quality; that is, because they lose money if they increase the quality, child care providers remain at a lower quality level. Ms. Stoney also emphasized that age is an important component of child care centers' quality and cost calculations. The cost of serving infants is much higher than that of serving pre-K children, since they require a lower child-adult ratio. As a result, many childcare providers close down their infant care when they can care for more pre-K children. Ms. Stoney then explained that small independent centers are not on the same playing field as chain centers or centers under umbrella organization, since they lack the administrative and business structures these others possess. These smaller centers may not be able to reach high quality on their own, due to a lack of cash reserves. In fact, 78% of 3-STAR and 4-STAR centers in Pennsylvania are part of a larger umbrella organization. Next, she explained that not enough is known about the full costs of care. Finally, she underscored the importance of full enrollment and managing vacancy rates. High-quality centers, she argued, need to be fully enrolled before money is spent on other centers. Good management is crucial to achieving high-quality care and financial success.

Michelle Figlar began by thanking the William Penn Foundation for its support and for hosting today's session. She stated that the research suggests that states need to look at true cost of care, and that nationally and at OCDEL, policymakers must listen to childcare providers. She also remarked that the dialogue must change from a debate on access versus quality and become about access to quality. Ms. Figlar suggested that the early childhood education sector use opportunities, such as the reauthorization of the Child Care Development Block Grant (CCDBG) to find the true cost of care and develop policies to help providers. She supported using available research to talk to legislators, and stressed the need for deep shared services models, in which providers work closely with government, experts, and partners to achieve a shared vision. She also stressed the need to think about polices that work for families, including changing the recertification period for childcare subsidies from 6 months to one year, contracting to childcare centers for high-quality slots, and developing a shared vision with stakeholders.

Otis Bullock shared his experience running two 4-STAR childcare centers through the large Diversified Community Services nonprofit in high-poverty areas of Philadelphia. He explained that the centers are losing $200,000 a year, and that these losses are simply part of the business if childcare centers provide quality. He also stressed that as a large provider, he is able to take these losses, by subsidizing early childhood care with other funds, but that small providers struggle even more.

Louise Stoney stressed that it was important to look at how providers could also be more efficient. She explained that shared services are networks of centers that work together, and gave the example of a shared services network in Seattle that was composed of 30 centers with 7 different licenses. While each center maintained its own name and identity, the centers are linked by a back office that supported their administration and financing. She also explained how some centers had felt that they were doing too much supporting centers in low-income areas, but changed their minds when they lost half of their enrollment when the tech bubble burst. Because these centers were part of the alliance, no childcare providers or educators lost their jobs; rather, they moved to other centers and reorganized until the center was working at full enrollment again two months later.

These shared services networks stress interdependence and capacity-building. They also take apart the business of childcare. Currently, each center is treated individually. Under a shared services model, providers are looking at working with placing staff at different centers and having a director who oversees many centers or other changes in staffing patterns. Ms. Stoney also reinforced the importance of tracking vacancies and of using Pennsylvania's shared services knowledge hub. The web service currently exists in Pennsylvania and can be useful to providers. Finally, she suggested that base rates be requested based on cost modeling rather than market rates.

Mr. Bullock then shared his experience of increasing efficiencies as a childcare provider. In order to mitigate fixed costs, he had to increase the size of his program. At one of his centers, he was able to increase the children served from 92 to 130. However, the other space was more limited and remained at the same enrollment. Mr. Bullock stressed that he was able to increase enrollment because he had the available space. He also said his team became more aggressive in its grant writing, which he was able to do as a non-profit and as a large provider with staff capacity. By mixing his funding streams, he was able to keep the centers open, since it is almost impossible to get by with CCIS or a low-income client base alone.

Ms. Figlar discussed the role of QRIS in addressing funding concerns, and how QRIS and funding come together. She explained that they align the regulatory and quality systems, and that it is important to bring providers into the STARS system. Ms. Figlar also stated that it was important to use the reauthorization of CCDBG to get to the true cost of care, since, without it, QRIS changes would not work. She also explained that new business models needed to be developed and that at the systems level, large legal entities should be re-examined. She added that the William Penn Foundation's study on the STARS system would be released later this year, and that OCDEL was also studying the STARS system, focusing not just on good child outcomes, but also on sound business practices.

Mr. Bullock added that for child-care providers, high quality presents many challenges. Teachers at his child care centers have at least a bachelor degree, and many obtain Early Childhood Education (ECE) certification. However, this certification made them eligible for employment with the School District of Philadelphia (SDP), which could offer more competitive salaries. A typical childcare provider with a bachelor degree could be paid $14-16 per hour; a higher wage could price parents out of the ability to pay for care. He concluded that his centers had eliminated infant care because it lost money, even when the infant care division was at full capacity.

Ms. Figlar confirmed the need for an infant-toddler strategy, and said that providers needed to be paid more to care for infants. Funding for Early Head Start, she suggested, should be more like childcare funding.

Ms. Stoney explained that the base reimbursement is based on the market price, which is problematic. The strongest predictor for the price of care, she went on, is the income of nearby families. The price of care should be based on the cost of care. Ms. Figlar agreed that reimbursement rates are too low, to which Ms. Stoney added that if the rates continue to be low, childcare providers will serve fewer children. She stressed the need for changing the relationship between the administration and classrooms, and suggested that the provider community needed to open its mind to alternative ways of doing business.

In order to increase the number of high-quality childcare providers, Pennsylvania will now inspect family, friend, and neighbor childcare homes. In addition, neighbor and friend providers will be required to obtain certification. She suggested that the certification process should emphasize high-quality care and good business practices from the beginning.

Ms. Calderon then asked how providers could obtain more funding if the childcare sector pie needed to grow and rates needed to be set at the true cost. Ms. Stoney challenged the idea that the number of providers needed to increase. Rather, she stated, it is crucial to understand the system as it works right now and to obtain place-based data on the number of early childcare education providers in Philadelphia, the number of children served, the number of vacancies, the quality of the programs, and more. She suggested that there may be enough providers but not enough high-quality providers, or that certain geographic areas may face lower supply.

In terms of final suggestions, Mr. Bullock recommended that the administration of CCIS change because it provides inconsistent funding to childcare providers. Ms. Figlar suggested that the CCDBG reauthorization presented an opportunity to make changes at the federal level and that the issue of contracting should be re-examined. She also stressed the importance of listening to new ideas and looking at piloting ideas together.

4. Question and Answer Session

Donna Cooper referred to a study conducted by The Reinvestment Fund (TRF) several years ago that showed several vacancies in Philadelphia. She asked how shared services networks handled intake and if there was a relationship between liquidity and vacancies. Louise Stoney answered that shared services combined the processes of access to money and enrollment processes at one location. She also said that the TRF study found that while a lot of centers left money on the table, shared services networks were able to get more funding.

Eva Gladstein then asked if the financial situation for for-profit providers was similar, since the NFF study focused on non-profit centers. Louise Stoney answered that there were no big differences between for-profit and non-profit service providers, and that all face slim to no profit margins.

A member of the public who is a childcare center provider in Southwest Philadelphia made a statement on the importance of high-quality care involving families. She explained that the children at her center came from difficult circumstances, and that she hired a social worker to assist families with issues on domestic violence and housing, among others. She suggested that the children could not fully benefit from high-quality childcare if other issues were going on at home, and that providers faced a toll when providing quality care because they needed to address these issues as well. Louise Stoney agreed that this was an important point, and stated that it is important to tease out the difference between business leadership and pedagogical leadership. She suggested that if teachers could conduct home visits and be freed from certain bureaucratic responsibilities, that they could make a big difference in children's lives.

Finally, a member of the public who owns a STAR 3 childcare center in Germantown made a statement to explain the difficult financial position for providers. He stated that a teacher was purchasing shoes for three children at his center whose father had just passed away, and explained that this money would not be reimbursed to him. Because he was a private owner, he

did not have a board and could not fulfill requirements to apply for Early Head Start. He argued that Head Start posed too many requirements for providers. Both Louise Stoney and Michelle Figlar encouraged him to provide public comment on the proposed requirements for Head Start and Early Head Start, saying that it was important for policymakers to hear directly from center providers.

Commission on Universal Pre-Kindergarten
July 28, 2015, 10:30am-11:30am, Free Library of Philadelphia, Skyline Room
Meeting Minutes

The Commission on Universal Pre-Kindergarten then moved to a smaller room in the Free Library for the remainder of their meeting.

Commissioners in attendance:

- Rev. Sharon Easterling, Co-chair
- Dr. Loretta Sweet Jemmott, Co-chair
- Anna Adams on behalf of Rob Dubow
- Catherine Blunt
- Miriam Calderon
- Diane Castelbuono
- Donna Cooper
- Jennifer Duffy
- Michelle Figlar
- Alan Greenberger
- Reuben Jones
- Sherilynn Kimble
- Pheng Lim
- Hadji Maloumian on behalf of Councilwoman Blondell Reynolds-Brown
- Lisa Nutter
- Jessica S. Shapiro on behalf of Vanessa Garrett Harley

Commission staff in attendance:

- Christie Balka
- Jackie Dunn
- Eva Gladstein
- Mary Horstmann
- Maia Jachimowicz
- Katie Martin
- Andrea Michelsen
- David Tusio

Members of the public in attendance:

- Anne Gemmell, on behalf of Candidate Jim Kenney
- Laura McManus, on behalf of Candidate Melissa Murray Bailey
- Farhana Arif
- Quibila A. Divine
- Elizabeth Farwell

- Louise Stoney

1. Introductions and Questions for Louise Stoney

Sharon Easterling, co-chair of the Commission on Universal Pre-Kindergarten, introduced herself and requested that all attendees introduce themselves. She then introduced Louise Stoney and explained that Stoney would be present as a resource for today's Commission meeting. Easterling explained that while the William Penn Foundation's report and discussion had focused on childcare, the Commission was tasked with the issue of bringing pre-kindergarten to Philadelphia. She then asked Commission members to pose questions for Stoney to answer.

Lisa Nutter requested more information on vacancies. Hadji Maloumian asked what percentage of STAR 3 and 4 providers were private providers and what percentage were non-profit providers. Eva Gladstein said Commission staff could look into this issue. Eva Gladstein requested information on what data on pre-K was available, and what was not. Loretta Jemmott requested more information on the shared services network. Finally, Miriam Calderon asked for clarification on how the Commission defined high-quality care.

Sharon Easterling defined QRIS as the Keystone rating guide, and explained that CCIS is the childcare subsidy. She also said that high-quality care is defined as Pre-K Counts and STAR 3 and 4. She recommended that Commission members use the Glossary available in their Briefing Books for additional questions.

2. Vacancies

Louise Stoney explained that in the childcare sector, vacancies are market based. She used the analogy of a restaurant, explaining that providers collect tuition for each child who is enrolled and attending. If a child does not enroll or attend, the provider does not earn any income. She added that there are many reasons that children do not enroll or attend, and that keeping a program full is thus a constant job. This is made more difficult by the fact that there are different funding streams that are siloed. In the early childhood education sector, vacancies are the kiss of death. In order to really pursue high-quality early childhood education, it is crucial to know where the children are actually attending; otherwise we are wasting resources. Many center directors, she said, do not understand the role of directors. They should know the number of vacancies every week. Miriam Calderon suggested that providers should communicate with one another at the city level, and that this could help address vacancies.

Sharon Easterling commented the childcare business is a very fragile business model, which Louise Stoney agreed with. Louise Stoney then added that childcare providers are usually not business people but enter the business because they care about children. However, childcare businesses are among the most complicated and difficult to run, and that it is crucial for providers to understand the business side. Donna Cooper stated that many childcare or early childhood education centers start as small businesses, but that the development of the business was deeper than the providers' knowledge and experience. She suggested that this posed an opportunity for small businesses to grow, and urged Commission members to review a TRF study on childcare providers from fifteen years ago.

Michelle Figlar explained that in her role at OCDEL, she helped oversee the certification process for childcare providers. She noted that there was a greatly increased demand for childcare certification in Philadelphia over the last few weeks, and asked for suggestions on how to work with these mostly home-based providers. Sharon Easterling agreed that the Commission may be able to come up with some recommendations, but that the timeline of the Commission was broader than this issue.

Louise Stoney returned to the issue of vacancies, suggesting that it was crucial to understand it before moving to expand pre-K. She shared that some cities do not allow new pre-K centers to be opened until all available seats at other centers are filled first. Eva Gladstein mentioned that A Running Start had tried to capture vacancy information, but that available data from OCDEL on capacity referred more to buildings and not the number of children in a program at a given time. She added that, despite CCIS and OCDEL data, it was not possible to know at any point in time the number of children enrolled in a program, and that this information could vary by month. Michelle Figlar agreed on the importance of collecting this data, and stated that it was important to know what data people needed.

3. Cost Modeling

Louise Stoney then turned to the topic of cost modeling. She explained that it is a budget based on a set of standards, and that it projects the likely cost of meeting those requirements. It allows users to compare apples and apples: the cost of a STAR 2 center and a STAR 3 center. Donna Cooper added that it was important to know which cost model the Commission would use, whether it was Head Start, NAEYC, or Keystone 3 and 4. Miriam Calderon agreed that it was important to determine the quality level desired in order to use the cost modeling tool.

Sharon Easterling added that cost modeling was complicated by the fact that childcare provider salaries are depressed. Alan Greenberger asked if the Keystone STAR ratings accounted for salaries, such that higher STAR rating centers received more money because they had higher quality teachers who were paid more. Louise Stoney explained that Keystone STARs does not reflect salary levels. Donna Cooper then asked if CCIS tiers reflected salary differences, to which Miriam Calderon responded that they did not.

Miriam Calderon added that the salary gap for providers could be quite large. Diane Castelbuono explained that School District of Phildelphia pre-K teachers are fully certified and could earn between $50,000 and $60,000 per year. Anna Adams asked if the wage gap posed a staff retention problem. Louise Stoney answered early childhood education centers did face retention problems. She attributed part of it to the low wages, but explained that working conditions, career growth, and benefits also played a role. She explained that while centers could not pay the same wages as the school district, they could offer other benefits to make jobs attractive to educators.

Donna Cooper asked if Commissoin staff could put together a range of cost modeling in NAEYC and Keystone 3 and 4 in order to get a sense of the current wages and benefits early childhood education centers offer providers and study how it differs from the School District of Philadelphia. Sharon Easterling responded that she and Loretta Jemmott would speak to the Commission staff about this.

4. Quality Ratings

Anne Gemmell asked how the Pennsylvania Department of Education worked with certification and keystone quality, since some nursery schools operate under the Pennsylvania Department of Education. Michelle Figlar explained that private nursery schools are not required to participate in the quality rating system of Keystone STARS. However, they could choose to participate. Louise Stoney added that the system is very siloed in Pennsylvania, and that this is the case for many other states. She added that types of care and sources of funding did not tend to mix, but that some states and ciites did combine their funding. She provided an example that a center would have to participate in Keystone STARS in order to receive state or city funding, and suggested this helped narrow down the number of programs the city or state dealt with.

Anne Gemmel then asked how cost modeling related to quality ratings. Louise Stoney responded that cost modeling is agnostic and just depends on the inputs.

5. Family, Friend, and Neighbor Care

Maia Jachimowicz asked for clarification on childcare subsidies, specifically on the issue of friend and family care. Louise Stoney answered that friends or family members could be paid by the childcare subsidy to care for children. She explained that this arrangement dated back to the first federal funds dedicated to child care, which were tied to Assistance for Families with Dependent Children (AFDC). At the time, the concept of parental choice was paramount, and because federal funds were open-ended, there were enough funds for both centers and families. Presently, federal funds are capped, but the system still allows for parental choice; consequently, less money is spread thinly across providers. She argued that it was difficult to allow for such broad choice, and gave the example of North Carolina, where CCIS funds cannot be used for family and friend care unless a parent or guardian secured a waiver.

Michelle Figlar added that the CCDBG reauthorization was studying this issue. She also explained that Pennsylvania will now require friends and neighbors who provide childcare to become certified, but not family members. Parental choice, she continued, is highly valued in Pennsylvania, especially in rural areas that lack childcare centers. Donna Cooper explained that Phildelphia did not have many family, friend, and neighbor care providers - less than 15% - because of strict childcare and business regulations.

Sharon Easterling thanked Louise Stoney for her assistance, and began the logistics portion of the meeting.

6. Work Plan Review

The Commission reviewed the highlights of the draft work plan. Members will meet in small groups with the co-chairs over the next several days to have more in depth discussions about early education and to follow up regarding roles and responsibilities for membership.

Commission members had several questions about subtopics within the work plan:

- Financial Models: Donna Cooper reiterated the importance of understanding financing models early in the Commission's process, given that the financial needs and constraints of high-quality universal pre-K will shape the final proposal(s). Funding will be discussed in meeting 4, following the first public hearing, and will likely be a part of subsequent discussions.
- Facilities: Ms. Cooper also asked when the Commission would examine issues around the availability and condition of facilities. Facilities will be included under "Access, Quality, Delivery Models" in meeting 5. Sharon Easterling suggested that it would be helpful for members to go on several site visits to see the physical differences that exist among providers of different quality rankings.
- Capacity Building: Lisa Nutter suggested that capacity building should be explored. This topic would likely fall under "Workforce Development" in meeting 6.

Ms. Easterling noted that the work plan will be expanded to include more detail on subtopics for each meeting, as well as to list what data might be needed from staff or outside resources.

Anne Gemmel asked how much of an appetite for consolidation exists among providers in Philadelphia. During Q&A at the William Penn Foundation event, some providers described how they relied on a shared services approach to improve quality and remain financially stable while other providers felt autonomy was key to maintaining their quality of service.

Louise Stoney stated that she thought there was no appetite for consolidation in Pennsylvania under the current environment, but that providers could be encouraged to utilize shared service models if there are incentives to change. The move to shared services happens out of either "desperation or inspiration," and to date, Pennsylvania reimbursement rates and existing policies have allowed the status quo to continue.

Another key component of the Commission's work will be to tease out what policies can be addressed at the state level as well as locally. State policies as well as available funding will have a significant impact on what can be done locally.

Quibila Divine asked the Commission to involve low-income community members across Philadelphia in future discussions and be mindful of potential unintended consequences of any recommendations. Low-income neighborhoods need to understand the potential benefits of improving quality offerings in their communities. At the same time, any proposals to improve quality should not unintentionally drive affordable providers out of low-income communities due to financial or operational burdens. The initial public hearing will provide an opportunity to hear from a group of diverse stakeholders, and Commission members should work with interested community groups to encourage participation.

Miriam Calderon advised the Commission to consider shared services not only as a way to achieve cost savings but also as a way to find efficiencies in revenue. The Commission should examine how other cities funded early childhood education, the impacts of those models, and how these initiatives may impact other revenue sources (federal, state, etc.). For example, the District of Columbia introduced a stable funding stream that mirrored how K-12 education funding worked. This enabled the District to change the way federal Head Start dollars were used. Examining how other cities funded early childhood education will also help inform discussions about state and local effort to support a proposal in Philadelphia.

7. Workgroups Review

The draft work plan also lists tentative workgroup assignments for Commission members to review. The three sub-groups are:

- Agenda Development: Determine subtopics to be examined at each meeting, identify potential speakers and resources to maximize value of full Commission sessions.
- Communications/Civic Engagement: Engage stakeholders in the Commission's work and plan public hearings.
- Research/Data: Evaluate research and conduct analysis to help inform Commission's key decisions.

Members who wish to switch workgroups or participate in multiple workgroups should contact Katie Martin.

8. Final Notes

Ms. Easterling reminded members that there will be a conference call on August 3 at 2pm to discuss logistics and outreach for the upcoming public hearing.

The next full Commission meeting will be the public hearing on September 30 from 4pm-6pm in City Hall.

The Commission meeting concluded.