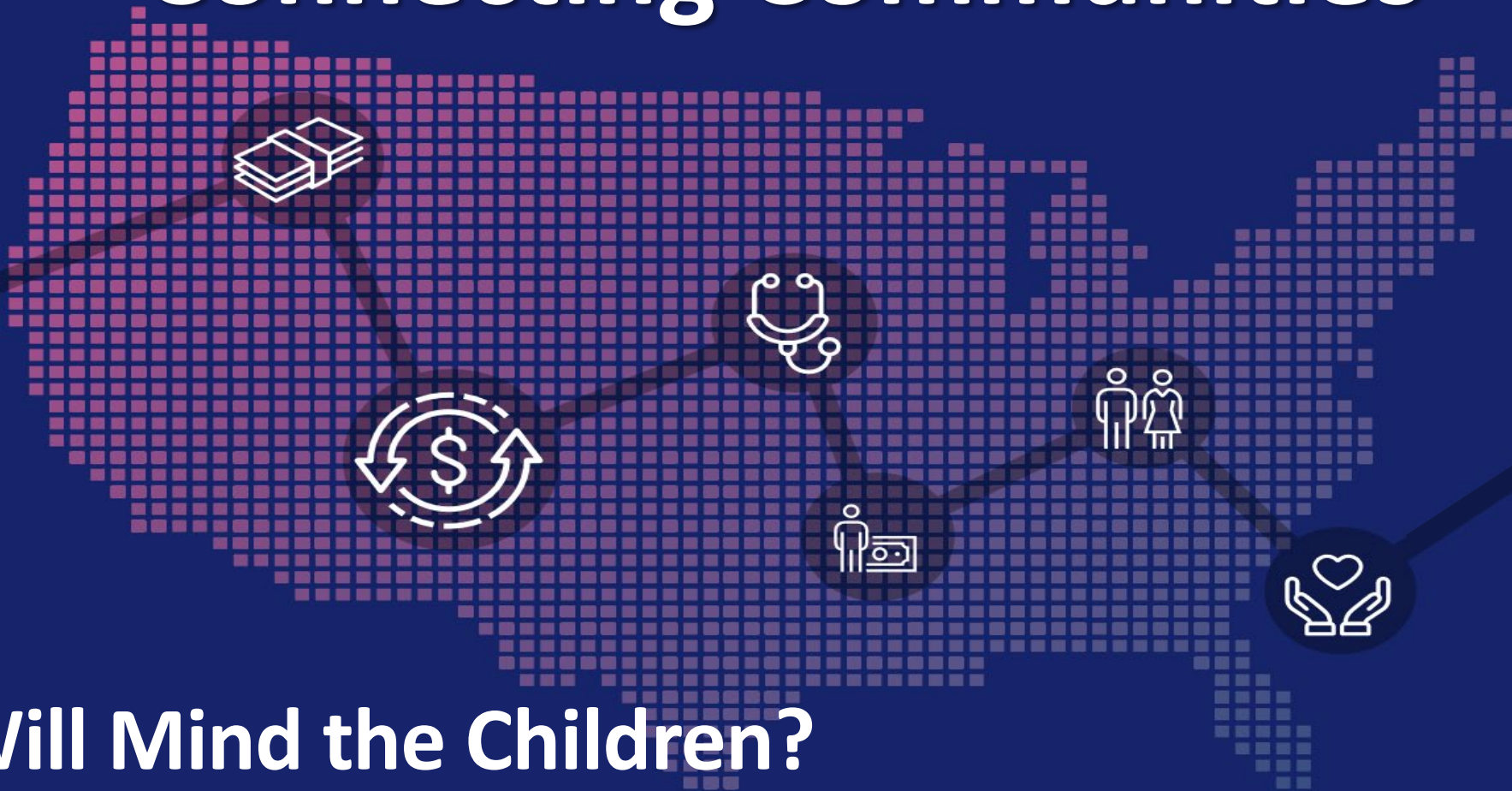


Connecting Communities



Who Will Mind the Children? The Impact of COVID-19 on the Childcare Market

August 6, 2020

Organized by the Federal Reserve Bank of St. Louis

Welcome



Ben Horowitz

Federal Reserve Bank
of Minneapolis



Bevin Parker-Cerkez

Reinvestment Fund



Eric Buchanan

Buffett Early
Childhood Fund



Julia Barfield

U.S. Chamber of
Commerce Foundation

Agenda for this webinar

Federal Reserve
Banks' Work on Early
Childhood



Childcare Market
Challenges and
Strategies: Pre- and
Post-COVID-19



Early Care, Racial
Equity, and Long-
Term Considerations



Employers, Working
Parents, and
Childcare During
COVID-19

Join

- Call-in number: **888-625-5230**
- Conference code: **963 092 75#**
- Webinar link: <https://www.webcaster4.com/Webcast/Page/584/35838>

Questions

- Email us at communities@stls.frb.org.
- Type your question into the chat box of the webinar.

Website

- Please visit <https://bsr.stlouisfed.org/connectingCommunities>.

The **Connecting Communities**[®] audio conference series is a Federal Reserve System initiative intended to provide timely information on emerging and important community and economic development topics with a national audience. The audio conference series complements existing Federal Reserve Community Development outreach initiatives that are conducted through our regional Reserve Bank offices and at the Federal Reserve Board of Governors in Washington, D.C.

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Community Development

The mission of the Federal Reserve’s community development function is to promote the economic resilience and mobility of low- to moderate-income and underserved individuals and communities.



Federal Reserve Banks' Work on Early Childhood



Ben Horowitz

*Senior Project Manager,
Community Development*

Federal Reserve Bank of Minneapolis



Why are some Federal Reserve Banks involved in conversations about childcare?

Childcare plays an important role in the broader economy.

- Two—or even three—generation workforce impact;
 - Helps parents enter the labor market
 - Can support child development and skills

Fed capacities can play an important role in improving childcare market conditions.

- Research (unique resources and skills)
- Convening (trusted relationships with diverse actors)

Childcare Market Challenges and Strategies: Pre- and Post-COVID-19



Bevin Parker-Cerkez

*Managing Director, Program Services
and Senior Director, Early Childhood
Education*

Reinvestment Fund



Reinvestment Fund

A national mission-driven financial institution that creates opportunities for underserved people and places through partnerships.

- Since 1985, Reinvestment Fund has made **\$2.4 billion** in cumulative investments and loans.
- We are supported by over **830 investors**.



STANDARD & POOR'S
RATINGS SERVICES

S&P
A+

AERIS
RATED
★★★★ AAA
POLICY PLUS

GSG
HONORS
2017
Global
Impact Asset
Manager



Childcare Market Challenges

Pre pandemic

- Many expectations on one system
- Underfunding (true cost vs. subsidies, market pricing)
- Fragmented program delivery, funding, regulation
- Low wages
- Lack of supply constrains access

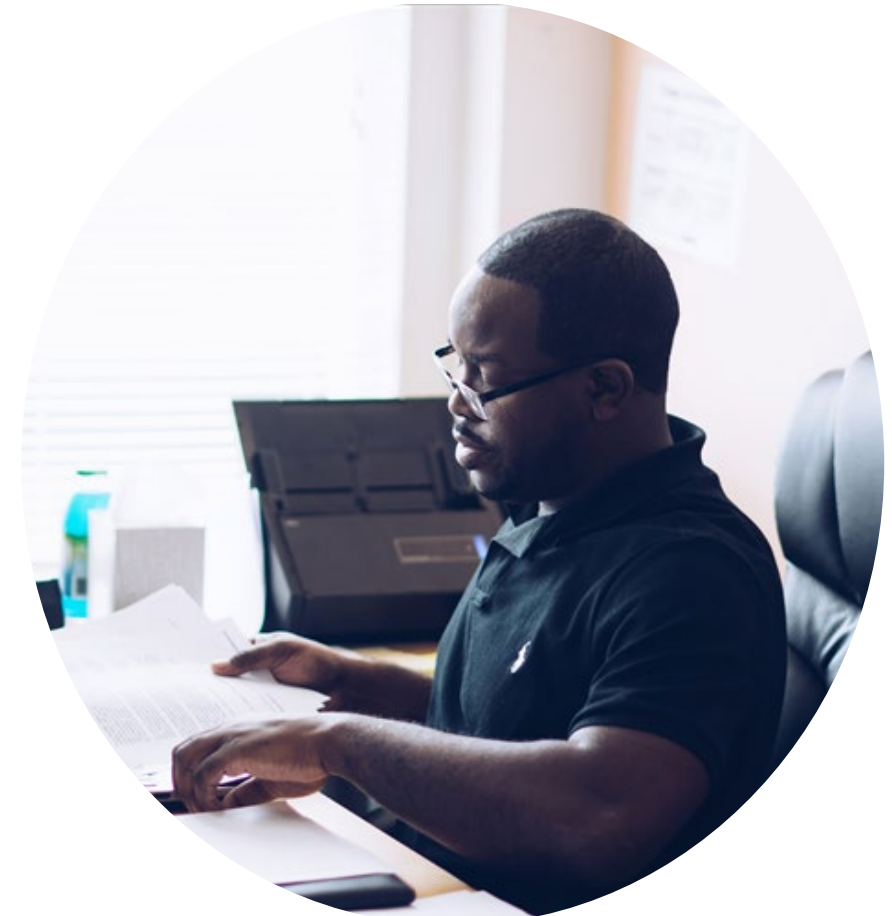
Pandemic

- Revenue loss
- Increased facility costs
- Reduced enrollment
- Revenue lost > new expenses
- Constantly shifting guidance

Financial Viability Assessment

Operator Profile			
	2018 Actual	Capacity Shift - 50% enrollment	Capacity Shift - 75% enrollment
Licensed Capacity	240	240	240
FTE Enrollment	173	86	129
Total Directors and Teaching Staff	35	18	26
Total Support Staff	2	2	2
Total Revenue	1,561,197	780,703	1,170,950
Total Expenses (net dep.)	1,516,737	1,093,396	1,312,673
Net Income (net dep)	44,460	(312,693)	(141,723)
FYE Cash Balance	216,329	(96,364)	74,606

FTE = Full-Time Equivalent
 FYE = Fiscal Year End
 net dep. = Net Depreciation



Reinvestment Fund Responses

- Philadelphia Emergency Fund for Stabilization of Early Education Paycheck Protection Program loans
- Application assistance and resource navigation
- Geographic market analysis
- Data collection – family and provider surveys
- Technical Assistance (TA) – program and facility utilization, expense management, organizational repositioning, and access to capital
- Build support for public investments aimed at systems change



Roles for Philanthropic Support

- Patient, risk-tolerant capital, e.g., for credit enhancement
- Grant funds for technical assistance
- Thought partnership, especially about funding and systems strategies
- Data and research



Early Care, Racial Equity, and Long-Term Considerations



Eric Buchanan

Director of Strategic Partnerships

Buffett Early Childhood Fund

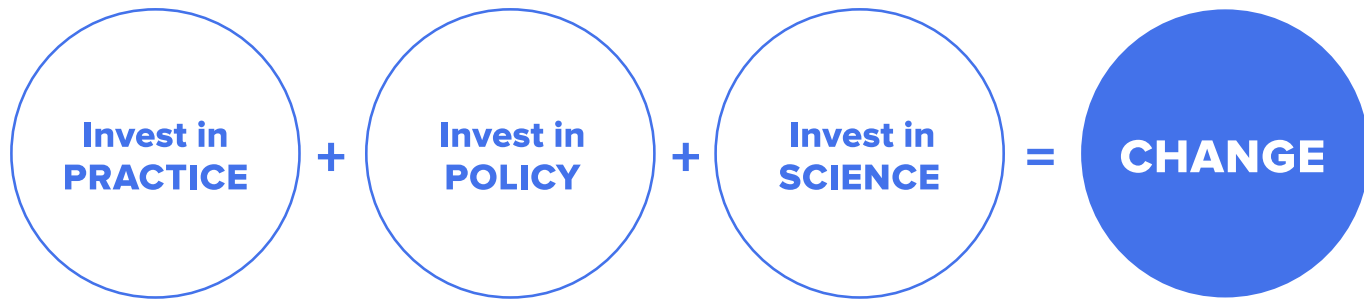
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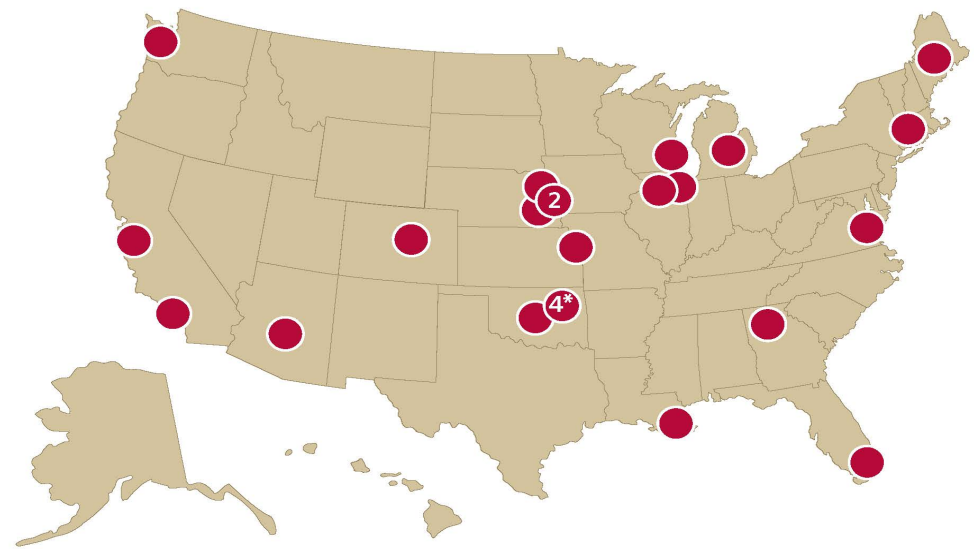
Buffett Early Childhood Fund

investing in the early years

Buffett Early Childhood Fund

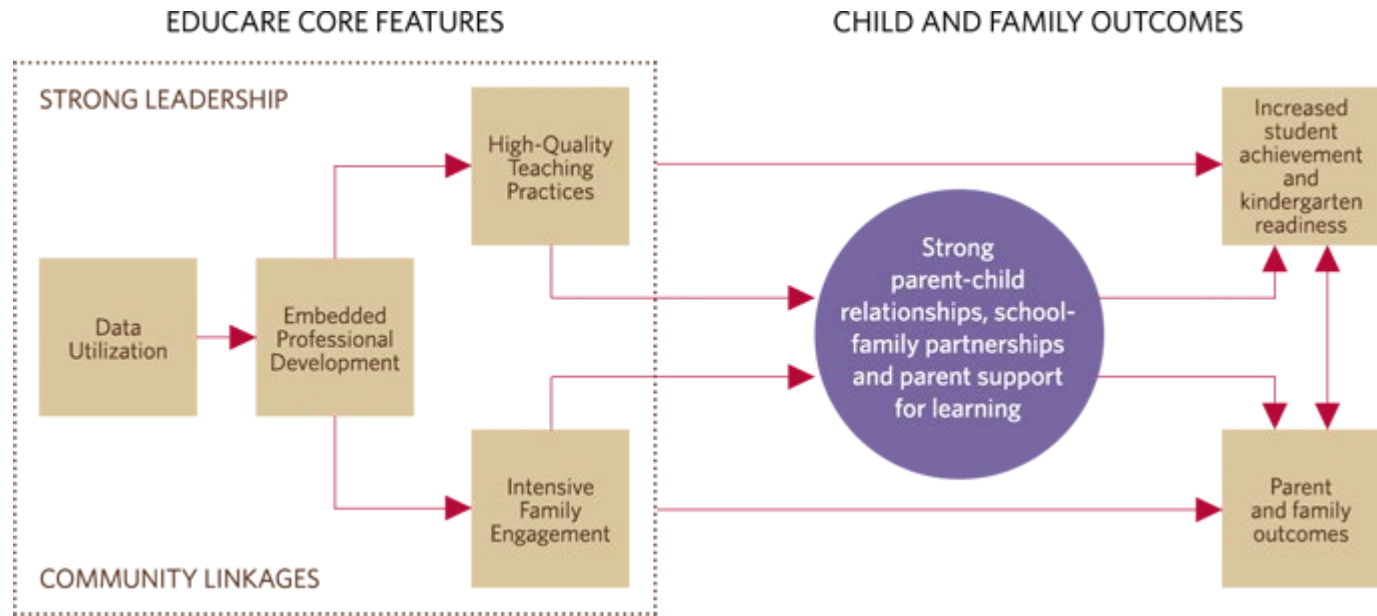
investing in the early years





- Arizona (Phoenix)
- Atlanta, GA
- California at Silicon Valley (San Jose)
- Central Maine (Waterville)
- Chicago, IL
- Denver, CO
- Flint, MI
- Kansas City, KS
- Lincoln, NE
- Los Angeles at Long Beach, CA
- Miami-Dade, FL
- Milwaukee, WI
- New Orleans, LA
- Oklahoma City, OK
- Omaha at Indian Hill, NE
- Omaha at Kellom, NE
- Seattle, WA
- Springfield, MA
- Tulsa at Hawthorne, OK
- Tulsa at Kendall-Whittier, OK
- Tulsa at MacArthur, OK
- Tulsa at Celia Clinton*, OK
- Washington, DC
- West DuPage, IL
- Winnebago, NE

As of January 2020
*In construction



National Association for the Education of Young Children Childcare Survey

- Approximately two out of five respondents—and half of those who are minority-owned businesses—are certain that they will close permanently without additional public assistance.
- Nationally, 18% of childcare centers and 9% of family childcare homes remain closed.
- Of those who are open, 86% of respondents are serving fewer children now than they were prior to the pandemic. On average, enrollment is down by 67%.
- At the same time, upwards of 70% of childcare centers are incurring substantial, additional costs for staff (72%), cleaning supplies (92%), and personal protective equipment (81%).
- One in four early childhood educators reported that they have applied for or received unemployment benefits, while a full 73% of programs indicated that they have or will engage in layoffs, furloughs, and/or pay cuts. For minority-owned businesses, the situation is worse—only 12% have not resorted to these measures in order to survive.

Educare Is Not Immune to Impacts of COVID-19

- Closings have impacted revenues and added costs to accommodate new operating realities.
- Reduced census and service hours have cut down on dosage and disrupted continuity of care.
- The effectiveness of remote service delivery is unknown.
- Relationships with parents and supports to families have been disrupted.
- Staff are impacted by the same factors as the broader community. Many are concerned about returning to work, have their own childcare challenges, and new operating norms may cause anxiety and stress.
- Being funded by Head Start has been a stabilizing factor.

What Is the Educare Doing?

- Promoting peer sharing and learning to inform local decision making
- Documenting and sharing what we are learning with the field
- Doubling down on policy
- Accelerating capacity to conduct collaborative fundraising
- Keeping quality front and center
- Elevating our focus on equity

Early Care and Education and Racial Equity

- COVID-19 has created an opportunity to rethink many aspects of the ECE industry. This includes inequity and racism.
- ECE systems must address inequity and racial bias
 - Children of color need equitable access to high-quality programs
 - Where it exists, eliminate implicit bias in ECE pedagogies, policies, assessments, and systems
 - The ECE workforce does not have sufficient teachers or staff of color
 - More diversity is needed in positions of leadership at all levels of the field, policy institutions, and government
 - Empowering and supporting parents as leaders
 - Act as if race is an asset rather than a liability
 - Better research

What Do We Need Post-COVID-19?

- More durable public funding for families and providers.
- Policies that support equitable access and a broader vision for children and family supports.
- Address weakness in systems exposed by COVID-19:
 - Invest in infrastructure, capacity, and coordination (field and systems)
 - Invest in innovation, but it must be connected to resources and supports for adoption and implementation;
 - Focus on equity, an inequitable system is an ineffective system

We Need the Private Sector (Business) to Activate

- Private foundations are leading (still need more), but business is a couple of steps behind.
- Business recognizes that childcare is critical to their success.
- Business is an influential voice for policy makers and in their communities and need to speak up.
- Targeted, data-driven investments can be catalytic.
- Business has expertise that can be applied to solving a variety of field issues.
 - Finance
 - Supply chain and logistics
 - Technology, data, and information systems
 - Innovation

Employers, Working Parents, and Childcare During COVID-19



Julia Barfield

*Senior Manager of Policy
and Programs*

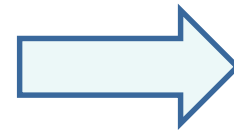
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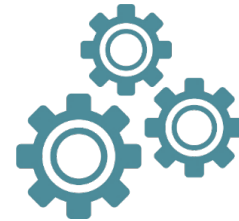
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Childcare Is an Economic Driver

**High-quality,
affordable, accessible**
early childhood
education ensures



A Strong
Workforce



Strong
Businesses



A Strong
Economy



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Economic Impact Pre-COVID-19

Economic impact reports in four states:

- Pennsylvania loses \$3.47 billion annually.
- Idaho loses \$479 million annually.
- Iowa loses \$935 million annually.
- Mississippi loses \$673 million annually.



Impact of COVID-19

Childcare providers—surviving the crisis and managing unique challenges of each provider type

Employers—returning to work and retaining working parents

Working parents—balancing full-time caregiving and work simultaneously



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Working Parents and Childcare

Almost **half** of working parents are now working remotely.

75% of working parents currently have children staying at home.

2/3 of parents have changed their childcare arrangement.

1 in 5 parents are unsure whether they will return to their pre-COVID-19 working situation.

60% of parents will need to change their current childcare within the next year.

The **majority** of parents feel their provisional childcare arrangement is **unsustainable**.



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Employers and Returning to Work

79% of employers have shifted a significant part of the workforce to remote work.

40% of employers have offered additional childcare accommodations.

92% of employers say they are aware of the childcare needs of their employees.

1/4 of employers are concerned that some employees will leave the workforce entirely.

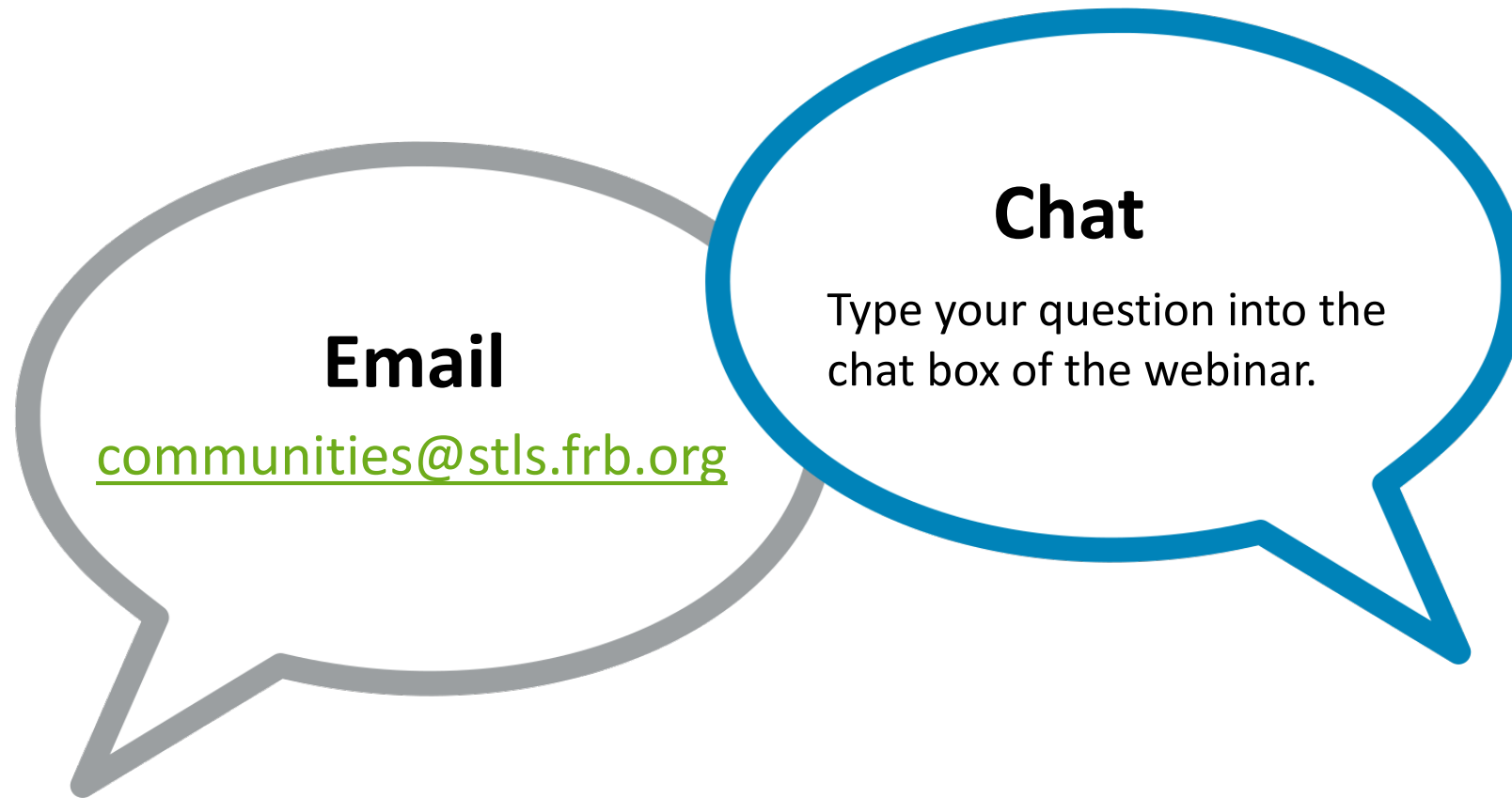
40% of employers are concerned that some employees will not fully return.

42% of employers would offer additional childcare benefits.



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Questions



Next Steps

- All session materials are available on our website and, in the next few days, we will post an audio file of today's session.
- If you have topical suggestions for future sessions, or any questions about this program, please feel free to contact us at communities@stls.frb.org.
- Information about future sessions will be posted on our website along with archived materials from past sessions: <https://bsr.stlouisfed.org/connectingcommunities>.