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*Summary Report*



# *American Rescue Plan Act Stabilization Subgrants for Pennsylvania Child Care Providers*

*Submitted to*  
**Pennsylvania Office of Child Development and Early Learning**  
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Pennsylvania's Office of Child Development and Early Learning (OCDEL) has partnered with Penn State Harrisburg's Institute of State and Regional Affairs (Institute) to develop an evidence-based methodology for the distribution of American Rescue Plan Act (ARPA) child care provider stabilization subgrants (Round 5). The methodology is the cumulative result of research findings of the Institute, data collected by OCDEL, and information that will be incorporated from eligible child care providers. The Institute is also in the process of conducting extensive data collection about child care operations during the COVID-19 public health emergency. Summary findings of the data will be released in a future companion report with recommendations for strengthening child care in the commonwealth.

## Prior Distribution of Stabilization Grants to Child Care Providers

OCDEL has distributed four rounds of child care provider stabilization grants since March 2020. In each successive round, the calculation logic evolved by integrating additional data and stakeholder feedback. The first three rounds utilized funding made available through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). In June 2020, \$49,368,100 was distributed in Round 1 using basic provider attribute data (provider type and licensed capacity). Calculated add-ons for uncollected Child Care Works (CCW) co-payments and consideration for programs operating in counties with limited capacity were also included. The following month, \$49,906,700 was distributed in Round 2 based only on provider attribute data. The methodology did not include add-ons, but incorporated stakeholder feedback from the previous round by expanding and recalibrating the provider category designations.

Upon the passage of Act 24 (2020), Round 3 stabilization grants were distributed in the fall of 2020 and leveraged recently completed research by the Institute on the financial and operational impacts of COVID-19. *The Impact of COVID-19 on Pennsylvania Child Care* study included a detailed cost analysis, a representative statewide survey of child care providers, and in-depth interviews with program directors and staff. There were four areas of financial impact for which common costs could be determined for providers. They include: the facility expense during the statewide shutdown; the liquidity needed to reopen – calculated as one two-week payroll period; the additional costs to implement COVID-19 health and safety guidelines; and the financial strain associated with operating at reduced enrollments. OCDEL used the common costs identified in three out of the four impact areas to inform the distribution. In total, \$109,266,298 was distributed as provider subgrants to support facility expense during the shutdown, one two-week floating payroll period, and implementation of COVID-19 health and safety guidelines through the summer of 2020. Although the implementation of Round 3 was evidence-based, not all the findings and recommendations could be fully operationalized due to funding constraints and the need for provider-specific enrollment information. At the time, Pennsylvania lacked sufficient data on the extent of reductions in child enrollment and attendance.

Round 4 stabilization grants were distributed in early spring 2021 with funding through the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act. Round 4 provided continued support by addressing increased costs related to COVID-19 health/safety guidelines and mitigation efforts, and the need to offset the impact of reduced enrollments. OCDEL then worked with the Institute to conduct a provider efficiency analysis that adjusted grant amounts based on programs of varying size. Provider efficiency is a term for the partial reduction in costs associated with reduction of services, such as was experienced during the period of reopening. In general, large center-based providers have more flexibility to reduce costs by decreasing staff complement, combining classrooms, suspending certain care levels from their program, etc. Smaller providers with fewer children cannot

implement similar cost containment measures. Although enrollments were approximately 68% of full operational capacity for many providers, the total costs of a small center will remain at 98% of the costs incurred when operating at full capacity. A large provider that served 180 children prior to the pandemic will incur only 75% of the costs associated with full operational capacity. Based on data collected for *The Cost of Child Care in Pennsylvania* study, the Institute calculated an efficiency percentage for each of the 13 provider categories. Payment amounts were determined to support continued implementation of COVID-19 health and safety guidelines and the cost to offset impacts of reduced enrollment over 10 weeks after applying the relative efficiency for provider capacity. A total of \$188,325,600 was distributed in Round 4.

Through each progressive round of funding, the best available information was utilized in a rapidly changing environment. OCDEL issued small grants quickly during the onset of the pandemic, while collaborating with the Institute to gather and use quality data to inform later funding decisions. The approach clearly demonstrates the potential for state agencies to be responsive to both urgent needs and emerging research findings. OCDEL is now in a position to distribute ARPA stabilization grants through an equitable and data-driven approach that incorporates cost variation by location, quality of care, and care levels served in addition to actual enrollments on an individual provider basis.

The following sections describe the parameters for administering ARPA child care stabilization funding at the state level, provider subgrant application processing and monitoring, and the detailed methodology for calculating provider subgrant amounts. Additional information about ARPA funding can be found on the U.S. Department of Health & Human Services [webpage](#). More information on ARPA child care provider stabilization grants is available on the Pennsylvania Key [webpage](#).

**Table 1: Distribution of Stimulus Grants to Pennsylvania Child Care Providers**

Round	Distribution	Source	Total	# Grants	Data Used in Methodology
1	06/20	CARES Act	\$ 49,368,100	6,341	Provider Type, Licensed Capacity, CCW Enrollments, County Capacity
2	07/20	CARES Act	\$ 49,906,700	6,325	Provider Type, Licensed Capacity
3	10/20	CARES Act	\$109,266,298	6,134	Provider Type, Licensed Capacity, Facility Expenses, Personnel Expenses, Health and Safety Expenses
4	03/21	CRRSA	\$188,325,600	5,734	Provider Type, Licensed Capacity, Reduced Enrollment, Health and Safety Expenses
5	TBD	ARPA	TBD	6,629	Facility Expenses, Personnel Expenses, Health and Safety Expenses, Current Enrollment, Keystone STAR Designation, I/T Service, CCW Reduced Enrollments, Regional Cost Variation

## Administering ARPA Child Care Stabilization Funding

ARPA appropriated \$39 billion for various child care relief initiatives in U.S. states, territories, and tribes. Pennsylvania received approximately \$728.9 million of the set-aside for Child Care Stabilization (ARP Act § 2202). At least 90%, or \$656.0 million, must be dedicated for subgrants to eligible child care providers. Per the guidance issued at the federal level, Pennsylvania is strongly recommended to obligate at least half of the provider subgrant allocation by December 11, 2021. All stabilization funding must be obligated by September 30, 2022, and liquidated by September 30, 2023.

Subgrants to child care providers are intended for programs that have been operating or temporarily closed on or before March 11, 2021. The U.S. Department of Health and Human Services (HHS), Administration of Children and Families (ACF) issued an informational memorandum (CCDF-ACF-IM-2021-02) with guidance on the administration of available funding, and allowable uses of the funds by child care providers. OCDEL has tasked the Early Learning Resource Centers (ELRCs) with monitoring the distribution of provider subgrants and the Pennsylvania Key to conduct random sample audits to ensure accuracy and fidelity of subgrant awards.

The remaining 10% in ARPA stabilization funding is earmarked for administrative expenses. However, OCDEL also has the option to reserve a portion for specific purposes, such as expanding mental health services for children and staff; recruiting and retaining early childhood educators; or covering increased wages and health benefits for provider staff. States may choose to target funds through supplemental subgrants or “bonuses” to meet certain needs of families, including children with disabilities, infants and toddlers, communities with limited child care availability, or other underserved communities.

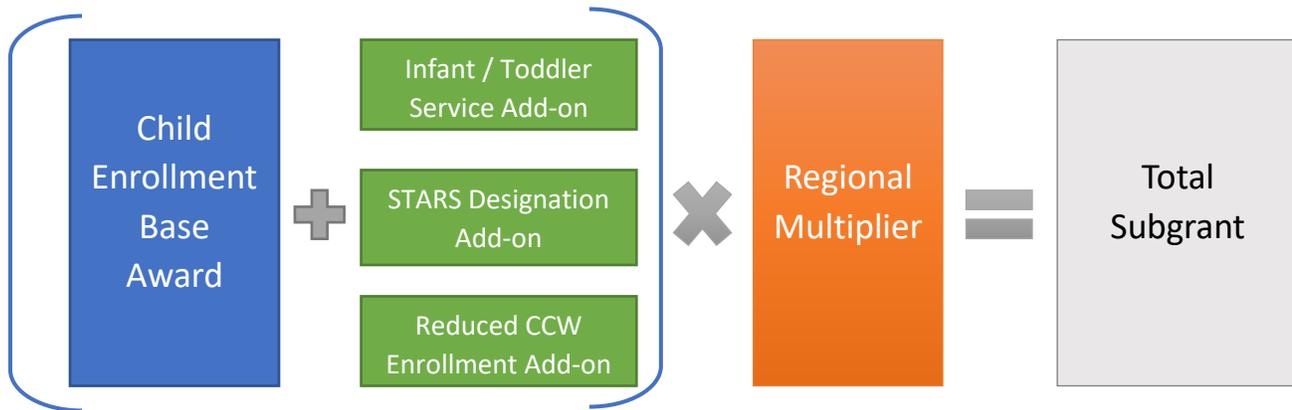
## ARPA Stabilization Subgrant Cost Basis and Allowable Uses

OCDEL has collaborated with the Institute, the Pennsylvania Key, and a technology vendor to develop an on-line application process that is low burden for eligible child care providers, while meeting all requirements of the law. Embedded within the on-line application is a calculation that utilizes specific data for each individual provider, along with associated costs of care established in extensive research by the Institute. Final grant amounts reflect the approximate operating expense on an individual provider basis for the target time period, and are unique to each application that is submitted.

Providers may choose to apply the stabilization subgrants toward any of the identified uses allowed by ARPA and detailed in the guidance issued by ACF. The basis for determining operating cost in the calculation does not limit the use of subgrant awards. For example, an eligible provider may receive an add-on in their stabilization subgrant for serving infants/toddlers. The calculated subgrant amount would reflect the cost associated with serving younger care levels, and can be used to offset costs of infant/toddler classrooms. However, the provider may instead choose to use the funds to purchase mental health supports for all staff and children served. Mental health services were not included in the cost basis for determining grant amounts but are an allowable use of stabilization funds. In this way, the funds can be used for an allowable expense that is different from the cost basis for the subgrant.

## ARPA Stabilization Subgrant Calculation Methodology

Stabilization subgrants are calculated for each eligible provider as a child enrollment base award, plus specific add-on awards, adjusted for regional variation in cost. Providers may be eligible to receive up to three add-ons focused on infant toddler service, Keystone STARS designation level, and reduced CCW enrollment. The total stabilization amount reflects the cost for six weeks of operation.



### Child Enrollment Base Award

The child enrollment base award (base award) is calculated as the facility’s current enrollment at the time of application, multiplied by the statewide median weekly cost of care during the pandemic (\$312), over six weeks. A facility’s current enrollment is defined as the count of children that receive arranged care for any duration or schedule.

The base award for subgrants reflects the approximate operational expense using a per child cost that was established in the Institute’s *Cost of Child Care in Pennsylvania 2020* study. The central finding of the study was an estimated weekly cost of child care in Pennsylvania of \$290 per child. Subsequent research by the Institute, and specific to Pennsylvania child care providers, established the marginal increase in cost associated with health and safety practices during the COVID-19 public health emergency to be \$22 per child, per week. The total weekly cost of care is \$312 per child while enhanced health and safety practices are in place. The base award is calculated as the product of total enrollment, a \$312 cost of care per child per week, and 6 weeks of care. The enrollment count may not exceed the licensed capacity for the facility. If a provider reports an enrollment count that is greater than its licensed capacity, then the base grant amount will be calculated using licensed capacity.

The base award for School Age Only (SAO) providers, which typically care for a large number of children a few hours a day before and after school, will be calculated using half of the cost of care rate (\$156 per child, per week). SAO providers must also self-report their maximum capacity, which will similarly be used to calculate the base award if less than reported total enrollment. Because capacity and enrollment of SOA providers is unknown, the maximum capacity will be capped at 100. SAO providers with enrollments greater than 100 may be eligible for additional grant opportunities, at the discretion of OCDEL, depending on availability of ARPA funding.

**EXAMPLE**

Provider A: Child Care Center serving all care levels. Reports 65 total enrollments as part of the application process.

(Reported Enrollment X Weekly Costs of Care per Child) X Weeks of Care = Child Enrollment Base Award

$$(65 \times \$312) \times 6 = \mathbf{\$121,680}$$

Add-on Awards

Providers that serve children under age three will receive an Infant/Toddler add-on award. The *Cost of Child Care in Pennsylvania* study found that infant cost of care was approximately 30% higher than other care levels, at the median. In Child Care Centers, infants and some toddlers are cared for in a space separate from other classrooms. The Infant/Toddler add-on assumes a higher operating cost for half of children enrolled in Child Care Centers. Family and Group Child Care Homes typically operate with a single mixed-age group of children in care. As a result, qualifying Child Care Centers will receive an Infant/toddler add-on of **15%** of their base award; Family and Group Homes will receive a **30%** add-on.

**EXAMPLE**

Provider A: \$121,680 is the provider's Child Enrollment Base Award. Serves Infants-Toddlers.

Child Enrollment Base Award X Infant-Toddler Add-on Percentage = Infant-Toddler Add-on

$$\$121,680 \times 15\% = \mathbf{\$18,252}$$

Providers designated as meeting certain quality standards through the Keystone STARS Quality Rating System will receive an additional add-on calculated as a percent of the base award. The 2020 *Cost of Care Study* found that costs varied greatly depending on STAR designation. Overall, STAR 3 and 4 programs had costs that were more than 50% greater than STARS 1 and 2 programs. The median cost of care per child per week was \$390 for STAR 3 and 4, compared to \$248 at STAR 1 and 2 facilities. The Quality add-on assumes a higher operating cost demonstrated by STAR designations but may not represent the expected full difference on a case by case basis. STAR 2 providers will receive a **20%** add-on, STAR 3 providers will receive a **30%** add-on, and STAR 4 providers will receive an **40%** add-on.

**EXAMPLE**

Provider A: \$121,680 is the provider's Child Enrollment Base Award. STAR 3 Designation.

Child Enrollment Base Award X Keystone STARS Designation Percentage = Keystone STARS Add-on

$$\$121,680 \times 30\% = \mathbf{\$36,504}$$

To address the loss of revenue from decreasing CCW enrollments during the height of the pandemic, OCDEL will provide an add-on for providers that were negatively impacted. Embedded in the calculation methodology is the CCW enrollment for each eligible provider as of March 13, 2020 and March 11, 2021. If providers had fewer subsidy enrollments on March 11, 2021, than on March 13, 2020, they will receive an add-on, calculated as the difference in CCW enrollment and applying that difference to the base award formula. The reduced CCW enrollment add-on is the product of the

decrease in CCW enrollments, the cost of care per child per week, and six weeks of care. As with the base award, providers may not receive CCW reduction add-on that, when combined with current enrollment, would exceed licensed capacity.

**EXAMPLE**

Provider A: 40 total CCW enrollments on March 13, 2020. 30 total CCW enrollments on March 11, 2021.

March 13, 2020 CCW Enrollments – March 11, 2021 CCW Enrollments = Net CCW Enrollment Impact

(Net CCW Enrollment Impact X Weekly Cost of Care Per Child) X Weeks of Care = Reduced CCW Enrollment Add-on

$$40 - 30 = 10 \quad (10 \times \$312) \times 6 = \mathbf{\$18,720}$$

Regional Multiplier

The final step in the calculation methodology is the utilization of a regional multiplier to account for variation in cost by geography. *The Cost of Care* study showed that the cost of child care varies greatly in the commonwealth due to differences in cost of living and pricing. The same set of child care services that would cost \$290 per child per week at the state-median would cost approximately \$231 in the lowest-cost county, and \$327 in the county with a higher cost of living. Urban and suburban counties, particularly in the southeastern part of the state, have the highest estimated costs while more rural counties have lower estimated costs. Personnel expenses constitute 80% of total child care costs, with facility expenses accounting for 10%, at the median. County-level personnel prices were compared to the state-representative rates using the Comparable Wage Index, with a price multiplier established for each county. Similarly, county-level real estate rate multipliers were generated using index data from Zillow Group, Inc. The multipliers were combined, proportionately by resource type, to produce a single multiplier for each ELRC region, and weighted by the number of providers in the corresponding counties of a region. The regional multipliers, which ranged from 82% to 113%, were applied to the sum of an applicant's base award and add-ons.

**Table 2: Variation in Cost of Child Care by Region**

ELRC	Multiplier	ELRC	Multiplier
Region 01	88%	Region 11	89%
Region 02	82%	Region 12	91%
Region 03	96%	Region 13	99%
Region 04	96%	Region 14	101%
Region 05	97%	Region 15	109%
Region 06	90%	Region 16	113%
Region 07	93%	Region 17	111%
Region 08	94%	Region 18	108%
Region 09	99%	Region 19	111%
Region 10	97%		

EXAMPLE

Provider A:

Total Child Base Enrollment Award: \$121,680

Infant/Toddler Service Add-on: \$18,252

STARS Quality Add-on: \$36,504

CCW Reduced Enrollment Add-on: \$18,720

ELRC Region: 14

ELRC Multiplier: 101%

$(121,680 + 18,252 + 36,504 + 18,720) \times 1.01 = \mathbf{\$197,108 \text{ (rounded)}}$

## Summary

The stabilization subgrants are intended provide a steady stream of revenue for eligible providers as they navigate through an ever-changing global health emergency, while continuing to care for children throughout the commonwealth. Developed in conjunction with OCDEL, the calculation of Round 5 stabilization grants uses a methodology that incorporates individual provider data and extensive cost-basis research that is specific to Pennsylvania child care. Providers should utilize their local ELRC for any application questions or concerns about the stabilization grant monthly installments.