

## Introduction

Since 2014, Reinvestment Fund has conducted an annual analysis of the gap between the supply of and demand for high-quality child care in Philadelphia.<sup>1</sup> The results of these analyses provide critical insights for childcare providers considering whether to expand their centers; for investors and policy makers trying to strategically target resources to expand access to high-quality care; and for parents seeking the best childcare options for their children.

On June 20, 2017 Pennsylvania's Quality Rating and Improvement System (QRIS), Keystone STARS, initiated changes to the standards for childcare providers across the state. Changes to the Keystone STARS system include changes to the length of each center's designation, the pathways to designation, and the criteria required to meet standards at the different levels of quality.

Keystone STARS ratings serve as the primary indicator of center quality in the Reinvestment Fund childcare analysis.<sup>2</sup> Changes to the number of or types of programs achieving a three or four-STAR rating will impact the estimated supply of high-quality child care identified in the Reinvestment Fund analysis. At this early stage, it is unclear exactly how the changes to the Keystone STARS system will impact the number of rated facilities and the number of 'high-quality' centers in Philadelphia, but some changes to the number of centers rated high-quality seems likely.

This white paper presents an overview of the changes to the Keystone STARS rating system that may impact the childcare gap analysis, and models how these changes could impact the estimated gap in supply and demand for high-quality child care.

## Relevant Changes to Keystone STARS Program

The Keystone STARS performance standards have historically been organized into four broad domains: Staff Qualifications and Professional Development; Learning Program; Partnerships with Families and Communities; and Leadership and Management. Within each domain, there are minimum standards that childcare providers must satisfy to achieve and maintain different STAR levels. Under the new system, centers will be required to meet and maintain a set of minimum standards to achieve a one or two- STAR rating but higher rating levels will be based on accumulating points related to various indicators of quality across each domain.

Table 1 presents an overview of major changes to the performance standards:

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<sup>1</sup> See <https://www.reinvestment.com/childcaremap/>

<sup>2</sup> See <https://www.reinvestment.com/childcaremap/>

*Table 1: Important Updates to the Keystone STARS System<sup>3</sup>*

Element	Summary of Change	Old System	New System
Program Participation	Rating participation will be the default option for all licensed centers.	Licensed centers that did not choose to be rated were designated “unrated.”	All licensed centers automatically achieve 1-STAR rating.
Designation Terms	Center ratings will be updated less frequently.	Rating designations were updated each year.	Rating designations persist for three years unless centers submit documentation supporting a change in rating.
Rating Methodology	Moving from minimum standards to a point-based system.	All ratings based on meeting a cumulative set of criteria.	Level 1 and 2 ratings based on meeting cumulative criteria. Level 3 and 4 ratings based on accumulating points related to indicators of quality in each domain.
Standards Structure	Centers will be able to use different criteria to achieve a 3 or 4-STAR rating.	All 3 and 4-STAR centers met the same minimum criteria to achieve their rating.	Centers that meet required criteria for level 1 and 2 can select from multiple pathways to accumulate enough points in each domain to achieve a 3 or 4-STAR rating.
Use of Alternative Accreditations	Centers can use alternative accreditation standards to achieve a 4-STAR ratings.	STARS standards were constructed to overlap with some alternative accreditations	Holding select alternative accreditations automatically qualifies centers for a 4-STAR rating (i.e., NAEYC, NAFCC, Montessori, Head Start, COA/OST).
Staff Qualifications	Scoring will reward post-secondary enrollment and graduation rather than credit accumulation.	Centers were rewarded for having staff accumulate a minimum number of post-secondary credits in courses related to childcare.	Centers receive points towards 3 or 4-STAR ratings based on percentage of staff enrolled or completing ECE focused post-secondary academic programs.
Staff Professional Development	Center directors will have more discretion to develop professional development plans for staff.	Center staff required to fulfill minimum professional development hours.	Center directors have more discretion to select professional development activities for their staff.

### Implications for Gap Analysis

The changes described in Table 1 will likely have three implications for Reinvestment Fund’s childcare analysis.

**Stability Across Annual High-Quality Estimates.** The new rating system will lead to more stability in center ratings across years. Under the previous system, STAR ratings were updated annually for every center. In the past, this led to moderate fluctuation in the supply of high-quality child care each year as centers moved up or down the rating scale. Under the new system, centers will maintain the same rating for three years unless they take proactive steps to document programmatic changes that qualify them to improve their rating or an issue arises that requires them to move down or suspend their STAR rating.

**Variation Within the Definition of High-Quality.** The new rating system provides more discretion for program directors, but increases the potential for variations in quality among high-quality programs. The

<sup>3</sup> Adapted from: <http://eactioncollective.org/index.php/blog/221-keystone-stars-ch-ch-ch-changes>; <http://www.pakeys.org/uploadedContent/Docs/STARS/Revisioning/Keystone%20STARS%20Performance%20Standards%20-%2006.07.2017.pdf>

gap analysis identifies all centers rated three or four-STARs as high-quality centers. Under the old rating system, each three and four-STAR center was required to meet the same minimum standards. Although there was variation among the quality of three and four-STAR centers, each center met the same minimum quality standards.

Under the new system, centers will be able to pursue different pathways to achieve a three or four-STAR rating. If, for example, every three-STAR center pursues a different pathway, it will be less clear how similar three-STAR centers are to one another. While three and four-star centers will continue to represent the highest-quality segment of childcare providers, the differences among centers at the same rating level will grow and the differences among centers at different STAR levels will become less obvious.

The extent to which centers will pursue different pathways to a three or four-STAR rating is yet to be seen. By the end of 2018, the sector should have a better sense of whether most centers are pursuing similar paths to three and four-STAR ratings or whether each center is indeed pursuing a unique pathway to three or four-STARs. If the variability among centers rated three or four-STARs grows too great, stakeholders may need to reconsider the definition of high-quality used in the gap analysis.

**Improved Ratings for Some Existing Centers.** Changes to the rating system may lead to changes in program ratings in a number of ways. The enhanced discretion provided under the new system may encourage innovations that enhance program quality and ultimately help programs achieve a higher STAR rating. The changes to the rating standards seem unlikely to cause existing programs to lose their three or four-STAR rating, but the additional capacity required to document how programs are achieving a sufficient number of points to attain a three or four-STAR rating may discourage some directors from pursuing higher ratings.

Most concretely, recognizing alternative accreditations and changing staff qualifications to a point-based system will allow a number of existing two-STAR centers to achieve a three or four-STAR rating without making substantive changes to their staffing or programming.

### [Modeling Changes to the Supply of High-quality Child Care](#)

This section provides an estimate of how the changes described above will impact the supply of high-quality child care, focusing specifically on the impact of accepting alternative accreditations. We estimate that under the new Keystone STARS rating system the estimated supply of high-quality child care in Philadelphia will increase by over 5,000 seats. This estimate should be viewed as a conservative estimate that does not account for the full scope of changes to the Keystone STARS system.

We believe that changes to the number of centers achieving three or four-STAR ratings will come primarily from changes to standards within the Staff Qualifications domain and from changes that recognize alternative accreditation. At this time, it is not possible to model the number of one or two-STAR centers that will automatically achieve three or four-STARs based on their existing staffing activities; however, we can model the number of centers that will achieve four-STARs because they hold an alternative accreditation.

To estimate how recognizing alternative accreditations will impact the number of high-quality centers, we identified existing centers without a three or four-STAR rating but that do participate in one of the following alternative accreditation programs accepted under the new rating system: National Association for the Education of Young Children (NAEYC), National Association for Family Child Care

(NAFCC), Montessori, and Head Start.<sup>4</sup> Because some of the standards under the former rating system were aligned to Head Start and NAEYC accreditation standards, it is possible that some centers that currently hold these accreditations were already on their way to achieving a three or four-STAR rating. However, we anticipate that changes under the new system will accelerate their progress.

Table 2 provides an estimate of how center ratings will change under the new rating system. We estimate that accepting alternative accreditations will increase the number of high-quality centers by 47% and increase the supply of high-quality seats by 23%. Most of the new high-quality supply comes from existing Head Start programs. Of the 96 centers that are set to achieve four-STARs for holding alternative accreditations, 87 are Head Start programs, 6 are Montessori programs, and 3 are NAEYC programs. These are conservative estimates that only take into consideration centers with alternative accreditations. Other existing two-STAR centers could see their ratings improve under the new system due to changes in how ratings are scored.

*Table 2: Estimated Impact of Alternative Accreditations on High-quality Supply Estimates*

	Existing High-Quality Supply, 2017	New High-Quality Supply with Alternative Accreditations	Change from Accepting Alternative Accreditations
Number of Centers	226	332	+96 (47%)
Estimated Supply	23,325	28,652	+5,327 (23%)

The geographic distribution of this new supply of high-quality centers and its impact on estimated gaps is important as well. Figure 1 shows the location new high-quality supply that will result from changes to STAR ratings. New high-quality sites are widely distributed across the city. See Appendix A for a list of changes in high-quality child care supply by neighborhood.

Figure 2 shows how estimated high-quality supply will change under the new rating system. New four-STAR centers rated under alternative accreditation will make a notable contribution to the estimated supply of high-quality child care in the areas near Olney; in South Philadelphia; around Strawberry Mansion; and North Central.

The left panel of Figure 3 shows the estimated gap between the supply of and demand for high-quality child care under the existing rating system. The right panel shows the gap under the new rating system. Some of the largest changes in gaps occur around Juniata, in the areas around Oak Lane, and in West Philadelphia. However, in many parts of the city, the additional high quality seats created under the new rating system have a minimal impact on the gap between the supply of and demand for high-quality child care.

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<sup>4</sup> We were unable to find information about existing centers that participate in COA. Currently all centers participating in the 21<sup>st</sup> Century Community Learning program are rated as high-quality.

Figure 1: Location of New High-Quality Supply from Alternative Accreditation

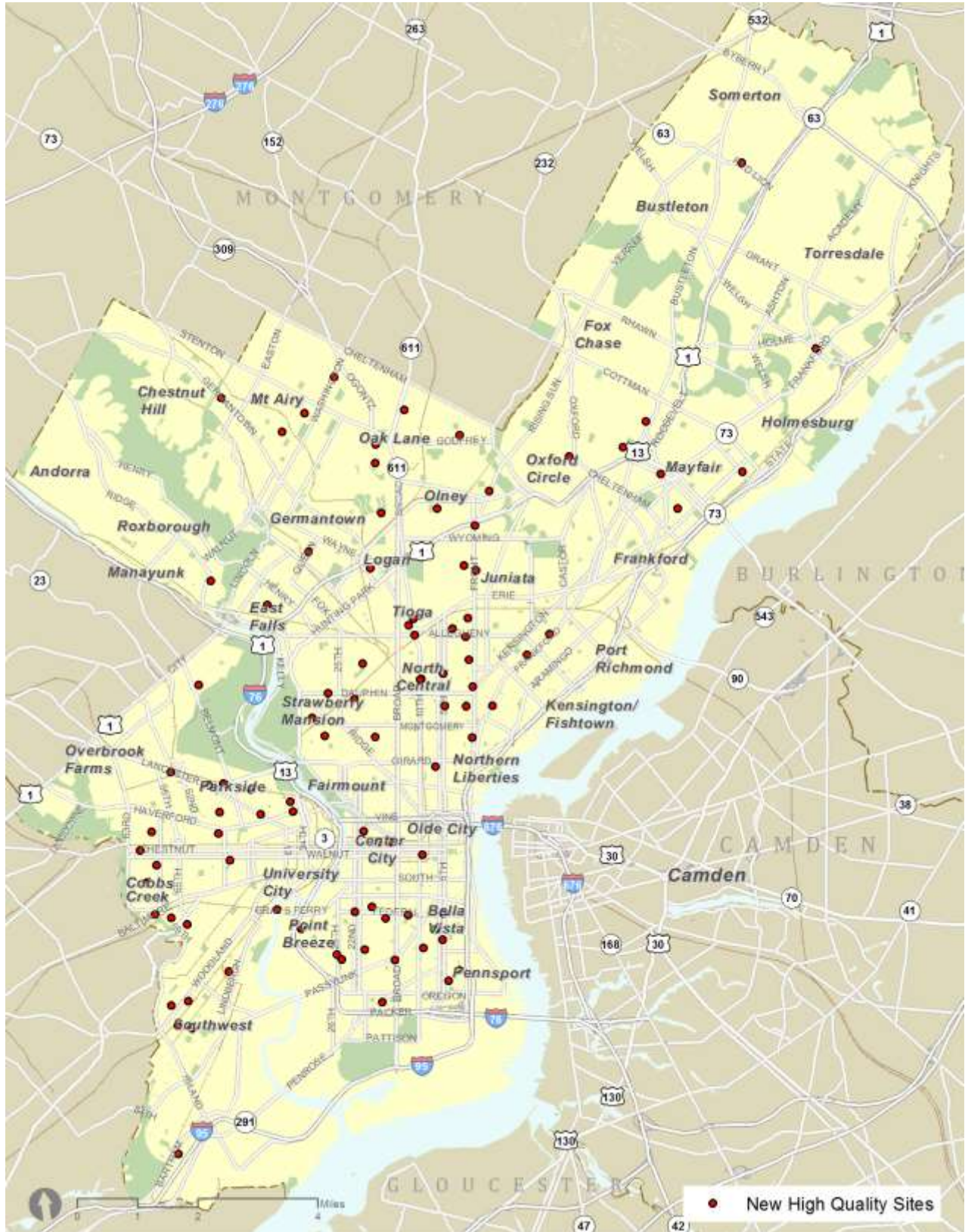
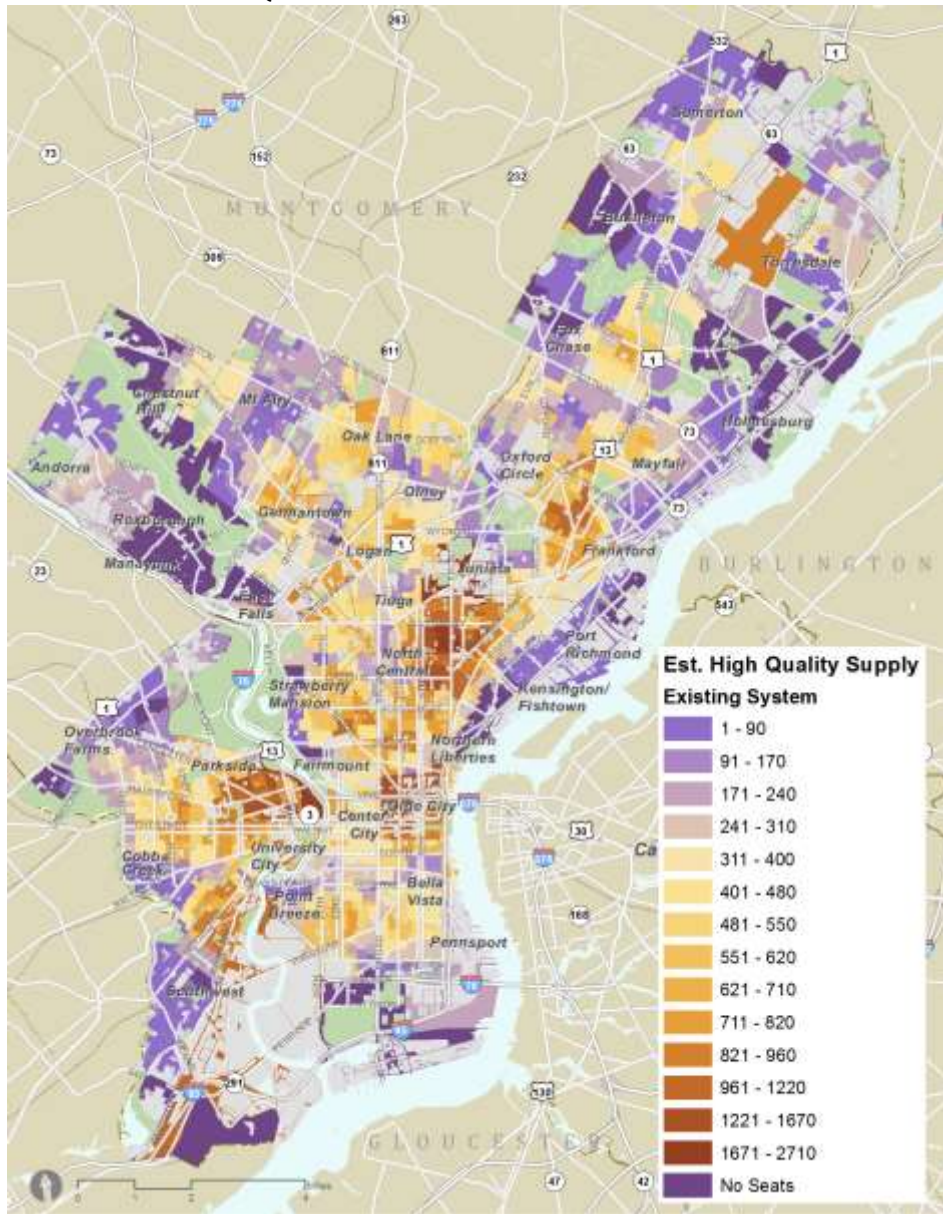


Figure 2: Supply of High-Quality Child Care Under Existing and New Systems

**HIGH QUALITY SUPPLY UNDER EXISTING SYSTEM**



**HIGH QUALITY SUPPLY UNDER NEW SYSTEM**

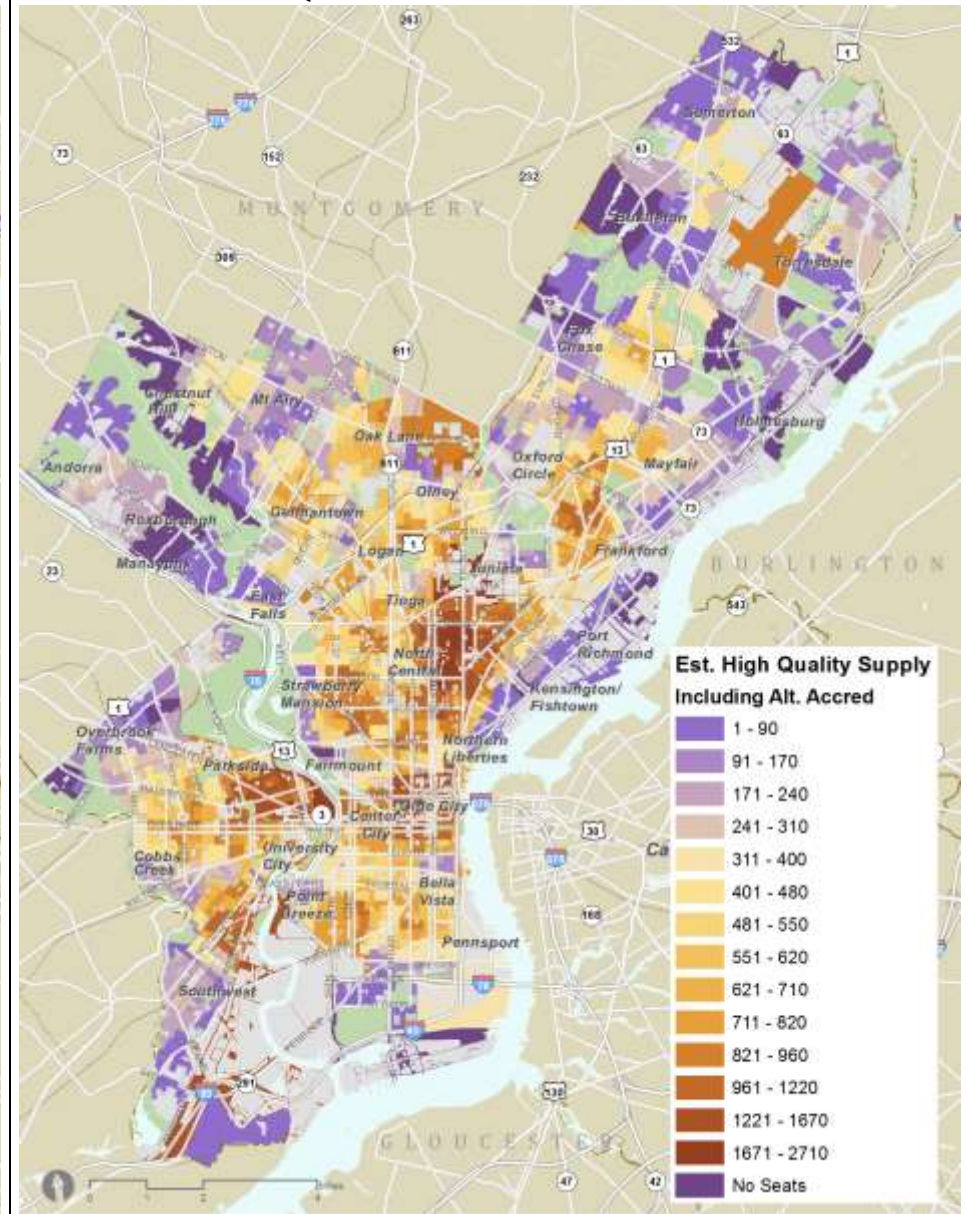
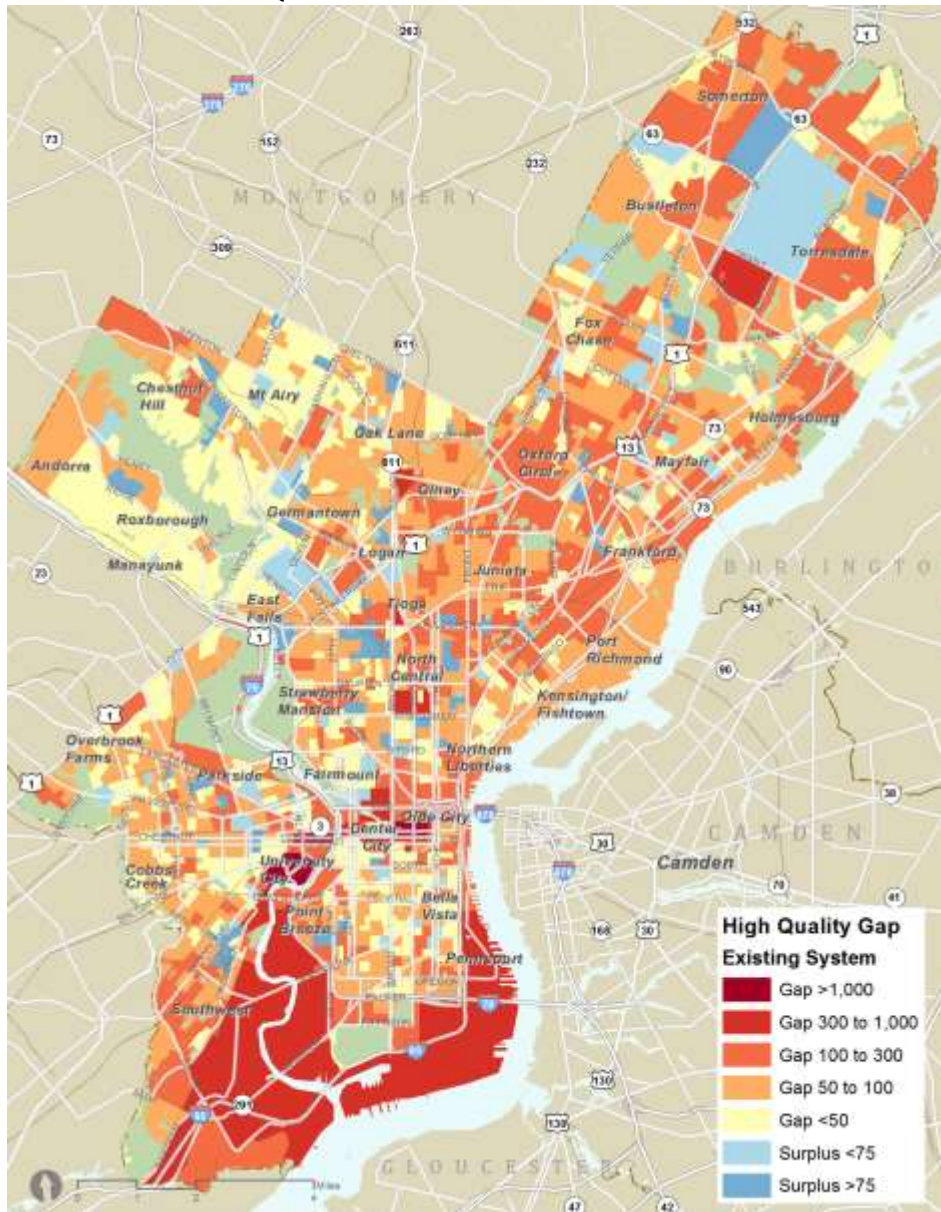
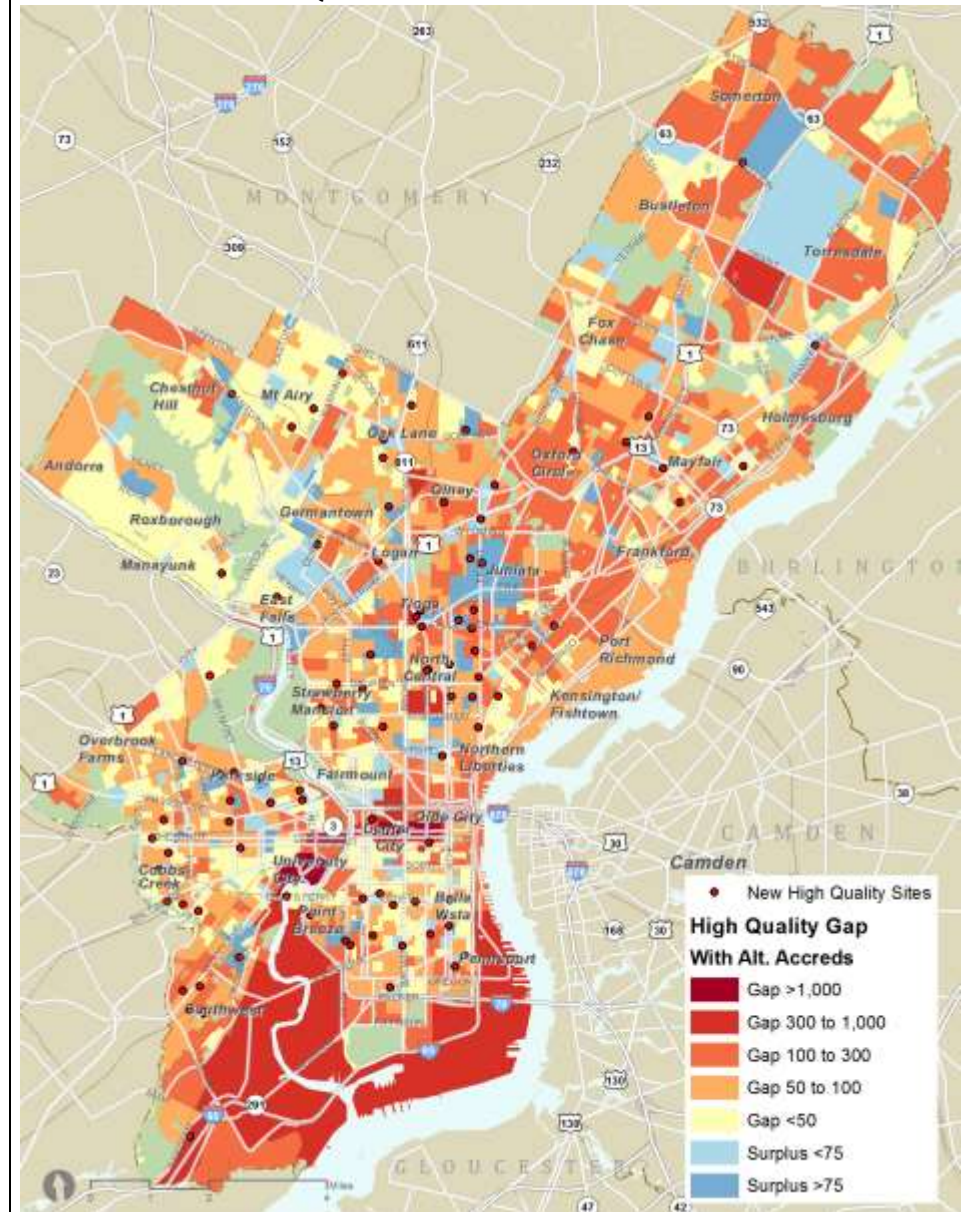


Figure 3: Estimated Gaps in Supply of High-quality Child Care Under Existing New Rating Systems

**HIGH QUALITY GAPS UNDER EXISTING SYSTEM**



**HIGH QUALITY GAPS UNDER NEW SYSTEM**



## Conclusion

As the state's primary tool to evaluate the quality of childcare programs, Keystone STARS is at the heart of many different efforts to expand access to high-quality child care. This memo outlines the ways that recent changes to the program's rating system will impact the number of programs receiving three or four-STARs, the highest ratings available under the program. We anticipate that under the new rating system, a number of existing childcare programs will see their ratings improve without making substantial programmatic changes. These changes represent a significant change in the supply of high-quality child care in Philadelphia. We estimate that under the new rating system the number of three and four-STAR programs in Philadelphia will increase by 47%, adding an additional 5,327 seats and growing the city's capacity in high-quality programs by 23%. These changes represent an increase in the amount high-quality seats due solely to the change in the standards, and are not associated with any changes in practices at these newly designated high-quality centers.

Since Reinvestment Fund began measuring supply and demand for child care in 2014, the sector has evolved substantially. In partnership with funders and local stakeholders, Reinvestment Fund's *Fund for Quality* has made substantial investments in growing the capacity of new and existing high-quality childcare centers in areas of need. With the passage of the Sugar-Sweetened Beverage Tax in 2016, the *PHLpreK* Initiative has begun expanding access to pre-k programs across Philadelphia. With support from the Vanguard Strong Start for Kids Program, Reinvestment Fund will soon begin expanding our analysis to identify needs within the infant and toddler segments of the childcare market, clearing the way for new opportunities to serve this important, yet not well-studied segment of the market.

Changes to Keystone STARS ratings pose a challenge for tracking the supply of high-quality child care in a consistent manner over time. With the new ratings regime likely to boost the number of centers identified as high-quality, care will be needed to interpret how the market for high-quality child care has changed over time. Still, with three years of data tracking investments in the supply of new high-quality child care, stakeholders can begin to understand how their efforts have impacted families' access to childcare. Although many of the largest benefits of the expansion of high-quality child care may not become apparent for many years, as the number of Philadelphia children entering kindergarten ready to learn and equipped with greater social and emotional skills grows, the city may begin to see early returns on its investments in childcare access.

Our work for the next three years will continue to be guided by our commitment to empirically-driven investments that improve access to high-quality child care. Quality ratings from the Keystone STARS program are an important input into this work. As the program continues to evolve so too will our analysis.



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**Authors:**

Jacob L. Rosch, Research Associate  
Michael Norton, Chief Policy Analyst

**About Reinvestment Fund**

Reinvestment Fund is a catalyst for change in low-income communities. We integrate data, policy and strategic investments to improve the quality of life in low-income neighborhoods. Using analytical and financial tools, we bring high-quality grocery stores, affordable housing, schools and health centers to the communities that need better access—creating anchors that attract investment over the long term and help families lead healthier, more productive lives. Learn more at [reinvestment.com](https://reinvestment.com).

To learn more about the supply of childcare in your community or the boundaries used to construct these estimates visit [www.childcaremap.org](http://www.childcaremap.org)

#### Appendix A: Old and New High-quality Supply by Neighborhood

Neighborhood	Total Supply	High-quality Supply	New High-quality Supply Estimate	Change in High-quality Childcare
ACADEMY GARDENS	310	0	0	0
ALLEGHENY WEST	1,021	289	347	+58
ASHTON	144	0	0	0
BELLA VISTA	315	0	0	0
BELLS CORNER	418	318	318	0
BELMONT	901	320	437	+117
BLUE BELL HILL	42	0	0	0
BREWERYTOWN	503	86	124	+38
BRIDESBURG	325	0	0	0
BROOKHAVEN	11	0	0	0
BURHOLME	759	116	116	0
BUSTLETON	1,025	232	232	0
CABOT	466	221	221	0
CALLOWHILL/CHINATOWN NORTH	51	0	0	0
CARROLL PARK	800	184	184	0
CASTOR GARDENS	890	38	76	+38
CATHEDRAL PARK	477	163	206	+43
CECIL B MOORE	361	0	30	+30
CEDAR PARK	507	74	74	0
CEDARBROOK	1,350	136	136	0
CENTRAL ROXBOROUGH	459	0	0	0
CHESTNUT HILL	806	194	194	0
CHINATOWN	849	631	631	0
COBBS CREEK	3,480	423	527	+104
DUNLAP	108	0	0	0
EAST FALLS	587	173	211	+38
EAST GERMANTOWN	896	49	49	0
EAST KENSINGTON	310	260	260	0
EAST MT. AIRY	1,286	75	153	+78
EAST OAK LANE	958	435	459	+24
EAST PARKSIDE	328	6	6	0
EAST POPLAR	367	89	129	+40
EAST TIOGA	678	138	373	+235
EAST TORRESDALE	31	0	0	0
EASTWICK	646	31	31	0
FAIRHILL	843	571	671	+100
FAIRMOUNT	216	0	0	0

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Neighborhood	Total Supply	High-quality Supply	New High-quality Supply Estimate	Change in High-quality Childcare
FELTONVILLE	1,076	185	365	+180
FERN ROCK	387	0	0	0
FISHTOWN	298	0	0	0
FORGOTTEN BLOCKS	128	0	0	0
FOX CHASE	181	81	81	0
FRANCISVILLE	583	119	119	0
FRANKFORD	2,383	918	918	0
FRANKFORD VALLEY	331	12	12	0
GARDEN COURT	97	0	0	0
GERMANTOWN	4,140	746	832	+86
GIRARD COLLEGE	43	0	0	0
GIRARD ESTATE	32	0	0	0
GRAYS FERRY	807	262	435	+173
HADDINGTON	1,331	154	194	+40
HARROWGATE	880	671	671	0
HAWTHORNE	108	0	0	0
HOLMESBURG	439	90	90	0
HUNTING PARK	1,066	418	605	+187
HUNTING PARK INDUSTRIAL AREA	145	78	78	0
JUNIATA PARK	998	155	155	0
KENSINGTON	842	222	376	+154
KENSINGTON SOUTH	52	0	40	+40
KINGSESSING	1,922	481	628	+147
LAWNCREST	491	48	48	0
LAWNDALE	1,114	225	225	0
LEXINGTON	164	0	0	0
LOGAN	1,312	253	291	+38
LOGAN SQUARE	1,509	264	310	+46
LUDLOW	231	0	0	0
MANAYUNK	403	0	0	0
MANTUA	1,009	771	851	+80
MARKET EAST	233	213	213	0
MAYFAIR	1,376	613	667	+54
MELROSE PARK GARDENS	421	6	421	+415
MILL CREEK	559	192	237	+45
MILLBROOK	352	229	229	0
MORRELL PARK	248	68	68	0
MORRIS PARK	644	166	166	0

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Neighborhood	Total Supply	High-quality Supply	New High-quality Supply Estimate	Change in High-quality Childcare
NICETOWN	979	254	277	+23
NORRIS SQUARE	594	291	528	+237
NORTH CENTRAL	1,824	513	653	+140
NORTH PHILA.	734	371	451	+80
NORTHERN LIBERTIES	248	0	0	0
NORTHWOOD	215	132	132	0
OGONTZ	2,544	454	532	+78
OLD CITY	627	220	220	0
OLDE KENSINGTON	282	133	133	0
OLDE RICHMOND	87	0	40	+40
OLNEY	2,538	199	350	+151
OTHER AREAS	853	515	545	+30
OVERBROOK	1,420	60	118	+58
OVERBROOK FARMS	437	80	80	0
OVERBROOK PARK	606	0	0	0
OXFORD CIRCLE	739	228	228	0
PACKER PARK	163	0	0	0
PARADISE	445	290	290	0
PARKWOOD	174	163	163	0
PENNSPORT	122	0	0	0
PENNYPACK WOODS	100	0	100	+100
POINT BREEZE	1,245	200	355	+155
PORT RICHMOND	173	79	79	0
POWELTON VILLAGE	195	0	0	0
QUEEN VILLAGE	489	94	94	0
RHAWNURST	970	455	455	0
RITTENHOUSE SQ.	1,092	250	574	+324
SAUNDERS PARK	96	0	0	0
Shared by PARADISE & EAST FALLS	66	0	0	0
SHARSWOOD	235	0	0	0
SHAWMONT VALLEY	123	0	0	0
SOCIETY HILL	561	0	0	0
SOMERTON	1,553	456	474	+18
SOUTH PHILADELPHIA	3,281	791	1,125	+334
SOUTHWEST	2,482	463	723	+260
SOUTHWEST CENTER CITY	637	149	149	0
SPRING GARDEN	10	0	0	0
SPRUCE HILL	832	438	438	0

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Neighborhood	Total Supply	High-quality Supply	New High-quality Supply Estimate	Change in High-quality Childcare
ST. HUGH	551	302	374	+72
STRAWBERRY MANSION	570	0	78	+78
SUMMERDALE	407	64	104	+40
TACONY	803	208	248	+40
TIOGA	804	146	146	0
UNIVERSITY CITY	386	324	324	0
UPPER HOLMESBURG	75	0	0	0
UPPER NORTHWOOD	224	0	0	0
UPPER ROXBOROUGH	453	253	253	0
WALNUT HILL	1,215	206	244	+38
WALTON PARK	28	0	0	0
WASHINGTON SQUARE WEST	247	0	54	+54
WEST FAIRHILL	988	148	148	0
WEST KENSINGTON	850	273	401	+128
WEST MT. AIRY	1,184	141	160	+19
WEST OAK LANE	2,870	562	588	+26
WEST PARKSIDE	158	0	0	0
WEST POPLAR	928	92	92	0
WEST POWELTON	317	183	183	0
WEST SHORE	36	36	36	0
WHITAKER	44	0	0	0
WHITMAN	180	0	81	+81
WINCHESTER	38	0	0	0
WINCHESTER PARK	101	0	0	0
WISSAHICKON	23	0	17	+17
WISSINOMING	410	6	46	+40
WYNNEFIELD	589	90	90	0
WYNNEFIELD HEIGHTS	543	121	159	+38
YORKTOWN	114	0	0	0