

Childcare in Montgomery County: Supply, Demand, and Shortages

Reinvestment Fund

November, 2024



Reinvestment Fund

We are a mission-driven nonprofit organization that brings financial and analytical tools to partnerships that work to ensure that everyone has access to essential opportunities.

Since 1985, Reinvestment Fund has provided over **\$3.2 billion** in financing to strengthen neighborhoods, scale social enterprises, and build resilient communities.

We are supported by **830 investors** that include individuals, foundations, religious institutions, financial institutions, civic organizations and government.

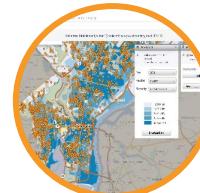
How We Work



Lending &
Investing



Policy
Solutions



Programs
& Capital
Access



Policy Solutions

Reinvestment Fund's Policy Solutions team partners with government, philanthropic, nonprofit, and other civic leaders across the country to support strategic decision-making to strengthen communities.

We conduct rigorous research and build analytic tools that help stakeholders implement effective interventions and address entrenched challenges to achieve more equitable outcomes.



Spatial and statistical analyses using proven methods to support program design, guide implementation and measure effectiveness.



Comprehensive **strategy and advisory** services for public and private investors seeking to align capital with social impact.



Data tools and platforms to assess local conditions and inform the allocation of scarce resources.

Our expertise



Affordable
Housing



Commercial
Corridors



Fair
Housing



Quality Early
Education



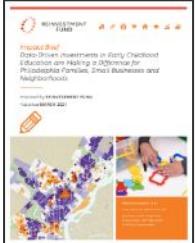
Food
Systems



Vibrant
Neighborhoods

Our Approach to Understanding Childcare Markets

Reinvestment Fund's Early Childhood Education Investments



Philadelphia Fund for Quality

Business planning and facility financing to help high-quality centers expand ECE access for low-income families.



ATL ACCESS Map

Mapping tool to help funders, practitioners and childcare advocates make data-informed decisions about where ECE resources are most needed.



DC Early Learning Quality Fund

Business planning and facilities financing for providers in high need wards to improve facilities and provide high-quality environments for infants and toddlers (ages 0 to 3).

Elements of Our Childcare Market Research



Demand

Estimating the potential demand in each census block group by accounting for the **resident population and workforce** across the county.



Supply

Tracking the location and capacity of **all segments of the birth-to-five market**, including public, private, licensed, and uncertified providers.



Shortage

Measuring access **gaps to inform public and private investments** in supply building, quality improvement, and capacity expansion.

Recent Gap Analyses

Allegheny County, PA

Dauphin County, PA

Essex County, NJ

Lancaster County, PA

Lebanon County, PA

Mercer County, NJ

Metro-Atlanta, GA

City of Paterson, NJ

Passaic County, NJ

Philadelphia, PA

State of Rhode Island

Washington, D.C.



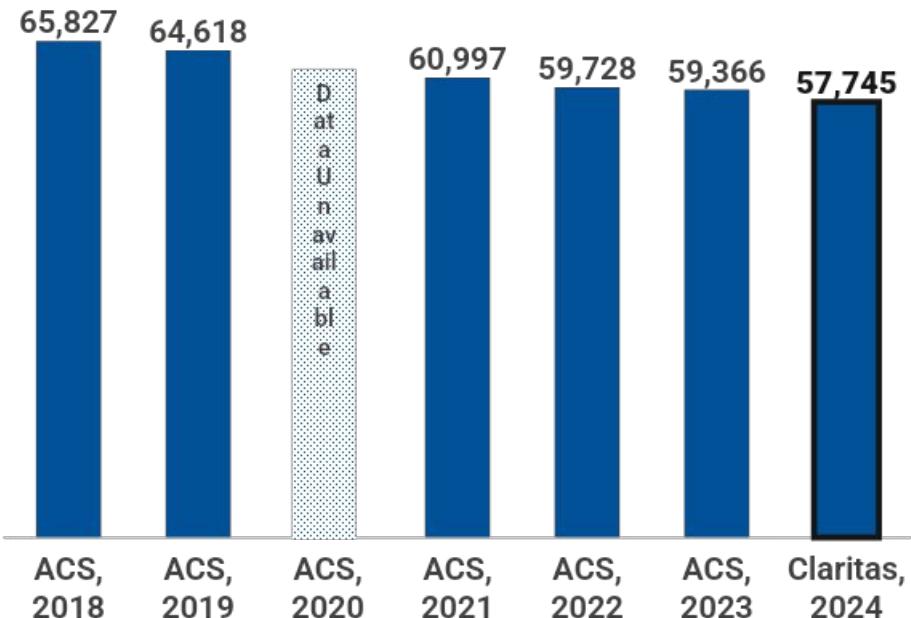
Roadmap

- I. Our Approach to Analyzing Childcare Markets
- II. Demand for and Supply of Care in Montgomery County
- III. Shortages and Access to Care
- IV. Themes from Surveys and Focus Groups
- V. Overall Observations and Recommendations

Estimating Demand for Childcare in Montgomery County

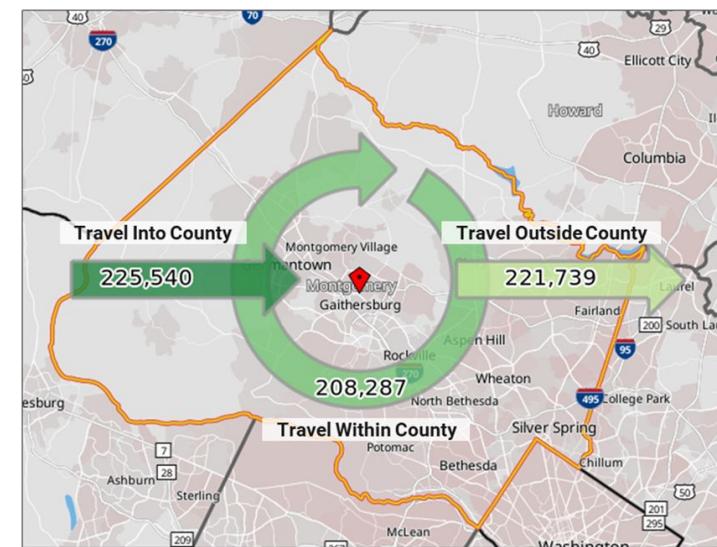
Step #1: Estimate Population Under Five in Each Census Block Group in the County

*Population Under Five in Montgomery County,
2018 to 2024*



Step #2: Adjust Population to Account for Commuting to and from Job Centers

Commuter Inflow and Outflow Analysis, Longitudinal Employer Household Dynamics Survey



Childcare Customers in Montgomery County

Family Characteristics that Influence Demand for Care



Employment and Jobs

74%

Share of Children where All Parents in Household Work

39%

Share of Families Where 1+ Parent(s) Works from Home (3+ Days)



Family Income

38%

Share of Children Eligible for CCS

55%

Share of Children Eligible for WPA or CCS



Additional Characteristics

21%

Share of Children with a Parent Work Before 6:30 am or After 6:00 pm

58%

Share of Children with 1+ Parent(s) Who Do Not Speak English at Home

Commuter Adjusted Demand for Childcare in Montgomery County, By Age (2024)

Infants and Toddlers (Children Under 2)	22,100
Preschool (Children 2 up to 5)	35,200
Total Children Under 5	57,300

Additional Segments of Demand (2024)

Children Potentially Eligible for Subsidized Care	32,000
Children Potentially Looking for Non-Traditional Hours Care	12,100
Children Potentially Looking for Non-English Services	33,700



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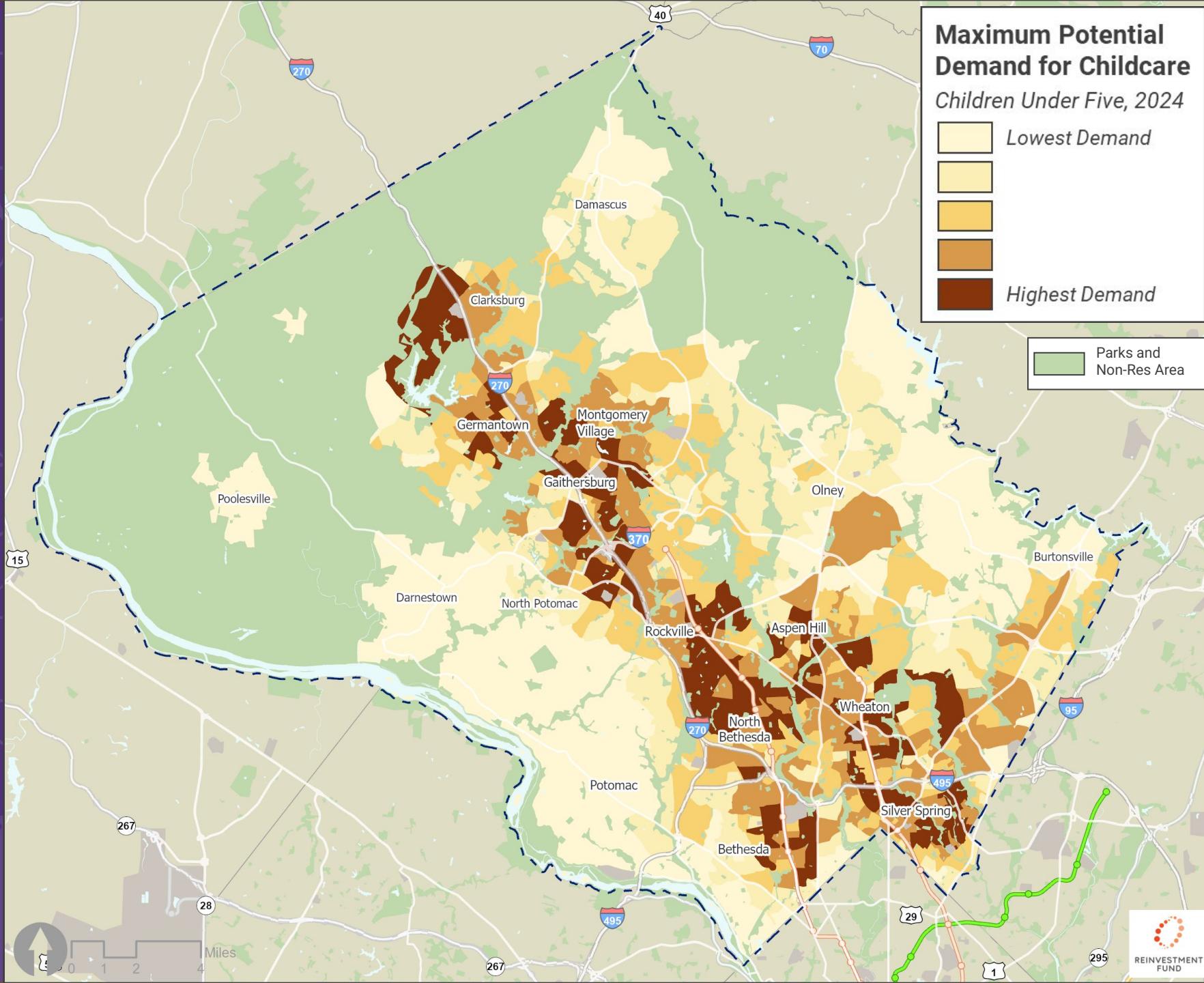
Demand for and Supply of Care in Montgomery County

Source: RF Analysis of American Community Survey; Claritas Population Estimates, 2024;



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Location of High and Low Demand Areas Across Montgomery County



Childcare Supply in Montgomery County

Sources of Childcare Supply in Montgomery County

- Licensed Center-Based Programs (MD License Database)
- Licensed Home-Based Programs (MD License Database)
- Public School Funded Programs (MCPS, MSDE, DHHS-Federal)
- Letter of Compliance and Independent Schools (MD Database, NETS, DataAxe)

Countywide Childcare Capacity, February 2024

	Infant & Toddler Age	Preschool Age	Total License Capacity
Countywide All Programs	4,300	29,300	33,600
Highly Rated Programs (EXCELS ≥ 3)	1,500	10,600	12,100

	Infant & Toddler Age	Preschool Age	Total License Capacity
Offer Services to Non-English Speakers	1,200	3,700	4,900
Offer Evening (Past 8pm) or Weekend Care	100	300	500



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Demand for and Supply of Care in Montgomery County

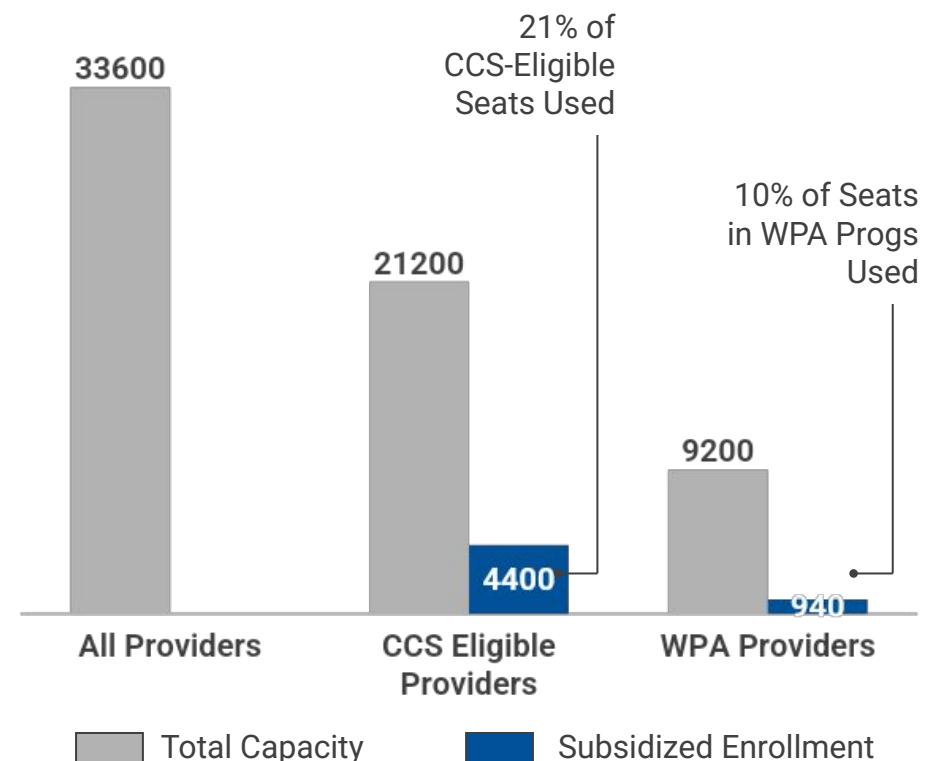
Access to Affordable Care

The Majority of Subsidized Seats Support Preschool Age Children

License Capacity in Programs that Participate in Programs Providing Cost Subsidized Care

	Infant & Toddler Age	Preschool Age	Total License Capacity
Programs that Participate in WPA	1,000	8,200	9,200
Programs <u>Eligible</u> to Participate in CCS	2,800	18,400	21,200
School-Based Pre-K Seats*	0	3,200	3,200
Special Education Enrollment	0	1,900	1,900
Community-Based Pre-K (Blueprint)	0	200	200
<u>Unduplicated</u> Subsidized Care	2,900	21,900	26,700

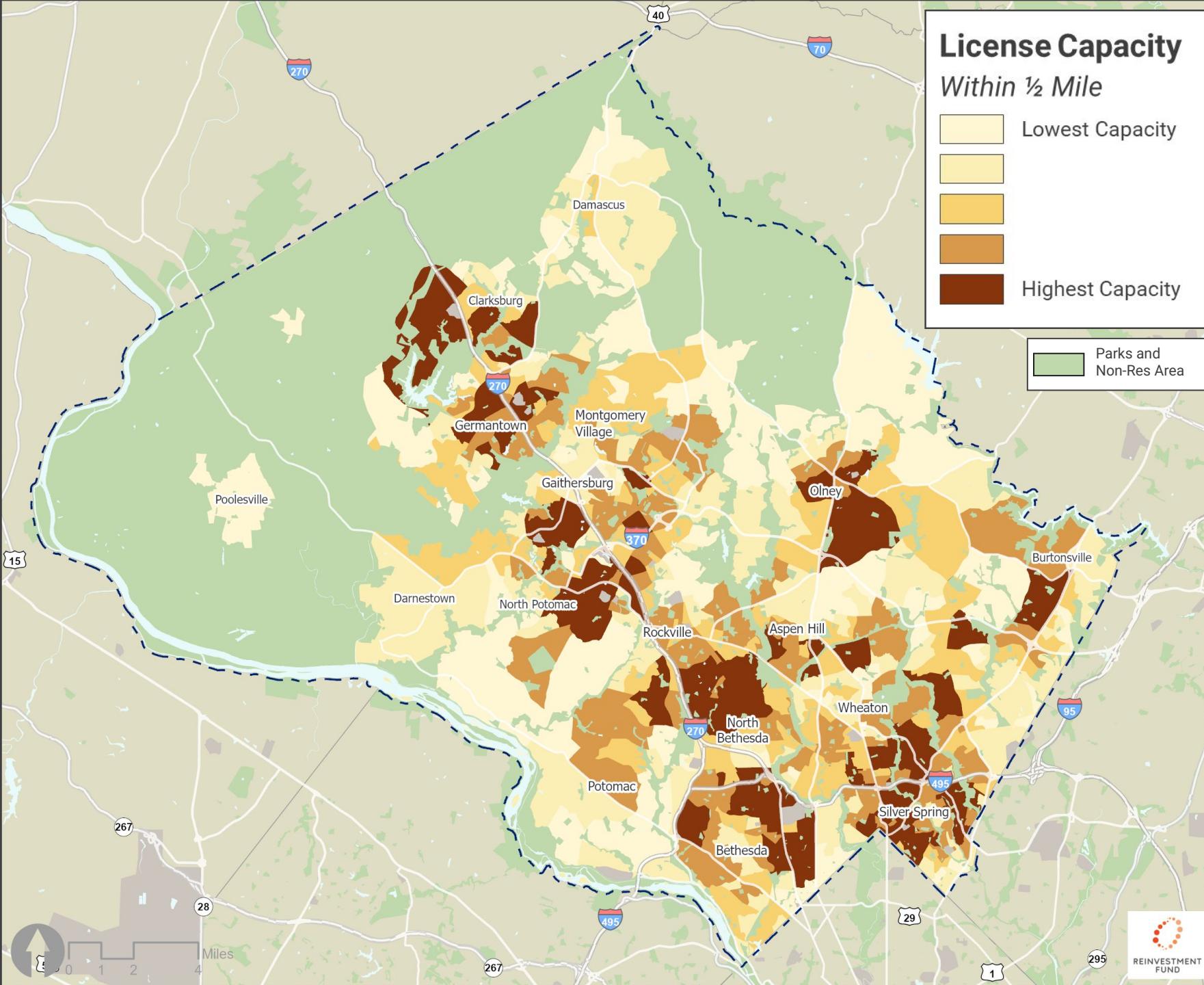
Families with Subsidies are Only Using 10% to 21% of the Seats Eligible for CCS or WPA





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Total License Capacity of Childcare Across Montgomery County





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Childcare Gaps and Shortages

The Largest Capacity Gap is Among Infants and Toddlers

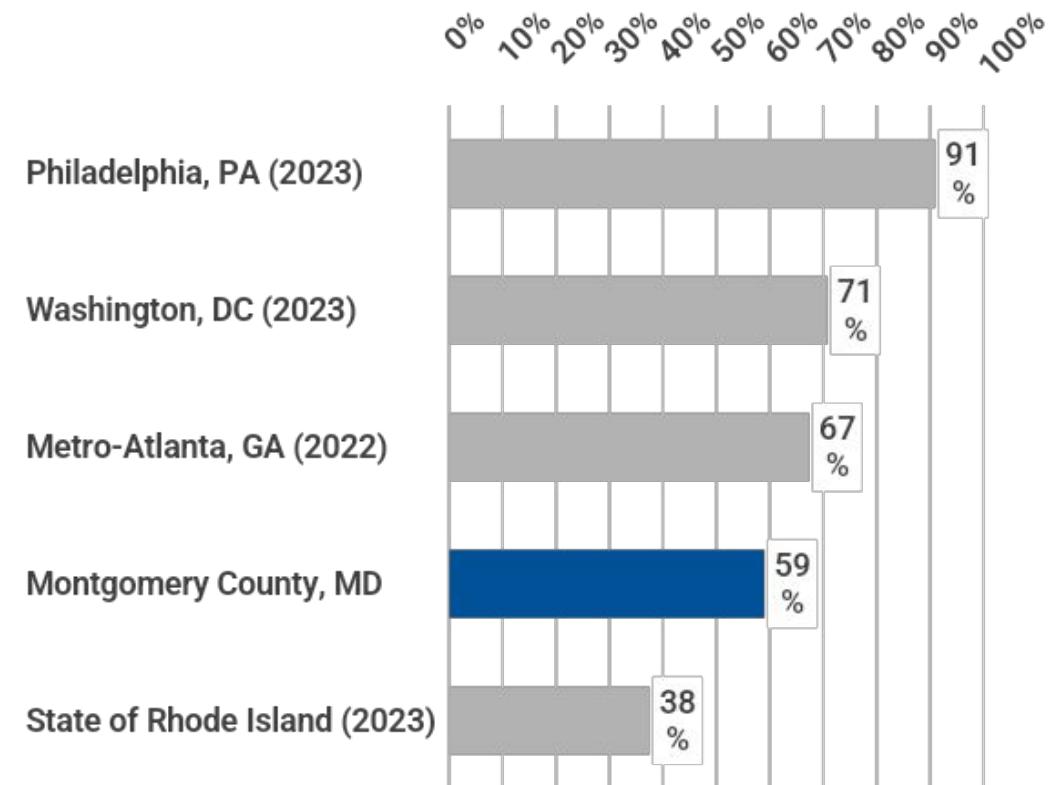
Supply, Demand, and Shortage in Montgomery County, by Age

	Demand	Supply	Absolute Gap	Supply Ratio
Infants & Toddlers (<36 Months)	22,100	4,300	17,800	19%
Preschool (35 to 60 Months)	35,200	29,300	5,900	83%
All Children Under Five	57,300	33,600	23,700	59%

How to Read this Figure: The absolute gap represents the number of seats the county would need to add to serve every child. For example, the county would need to add 17,800 infant and toddler seats to ensure one seat for every child. The supply ratio represents the share of demand that is currently met by supply. For example, the county has enough capacity to serve just 19% of the area's infant and toddler population.

Overall Capacity is Lower than Other Communities

Share of Children Able to Be Served by Existing Childcare Market



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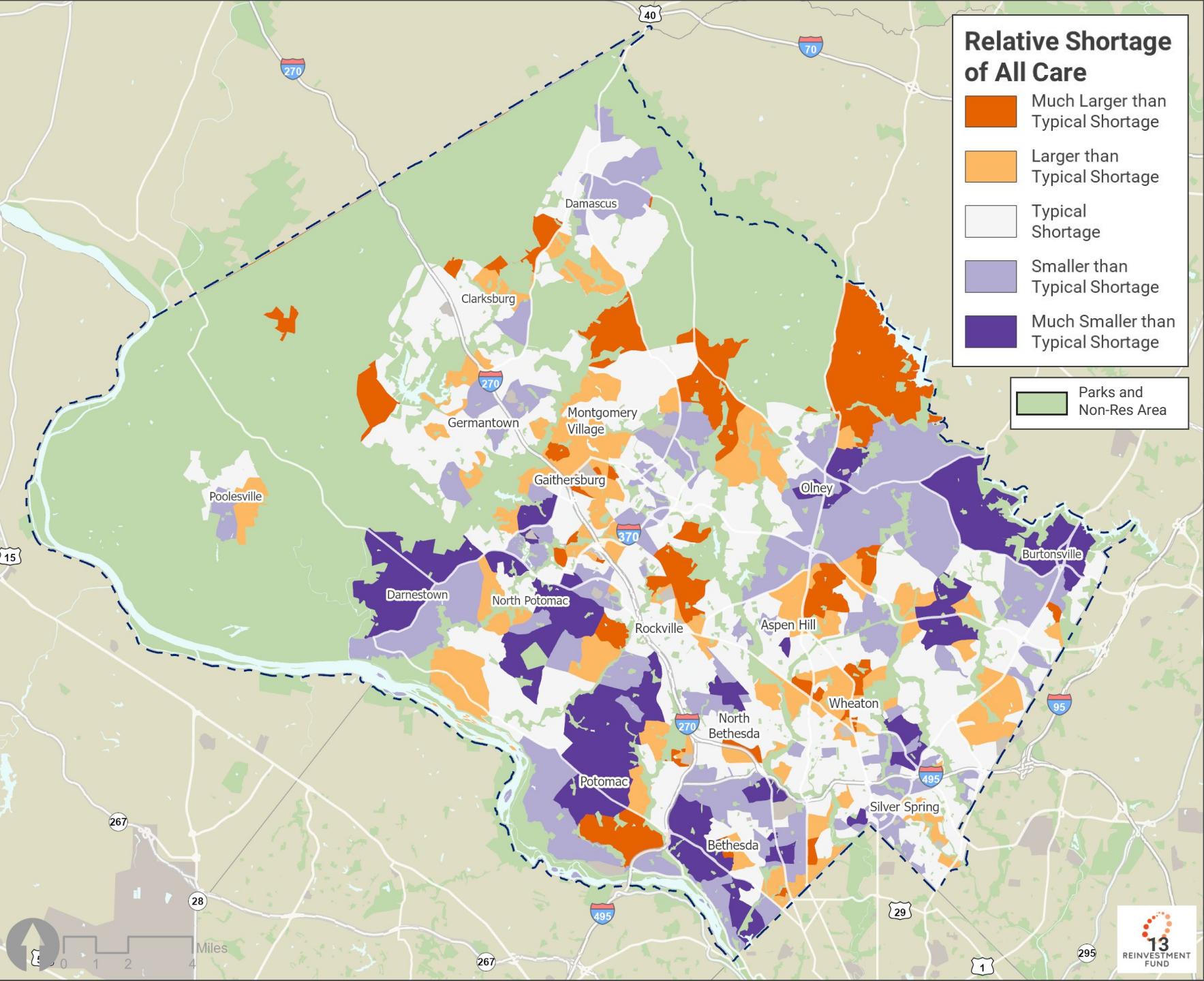
Demand for and Supply of Care in Montgomery County



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Relative Shortage identifies
WHERE gaps are largest in relation
to the rest of the market.

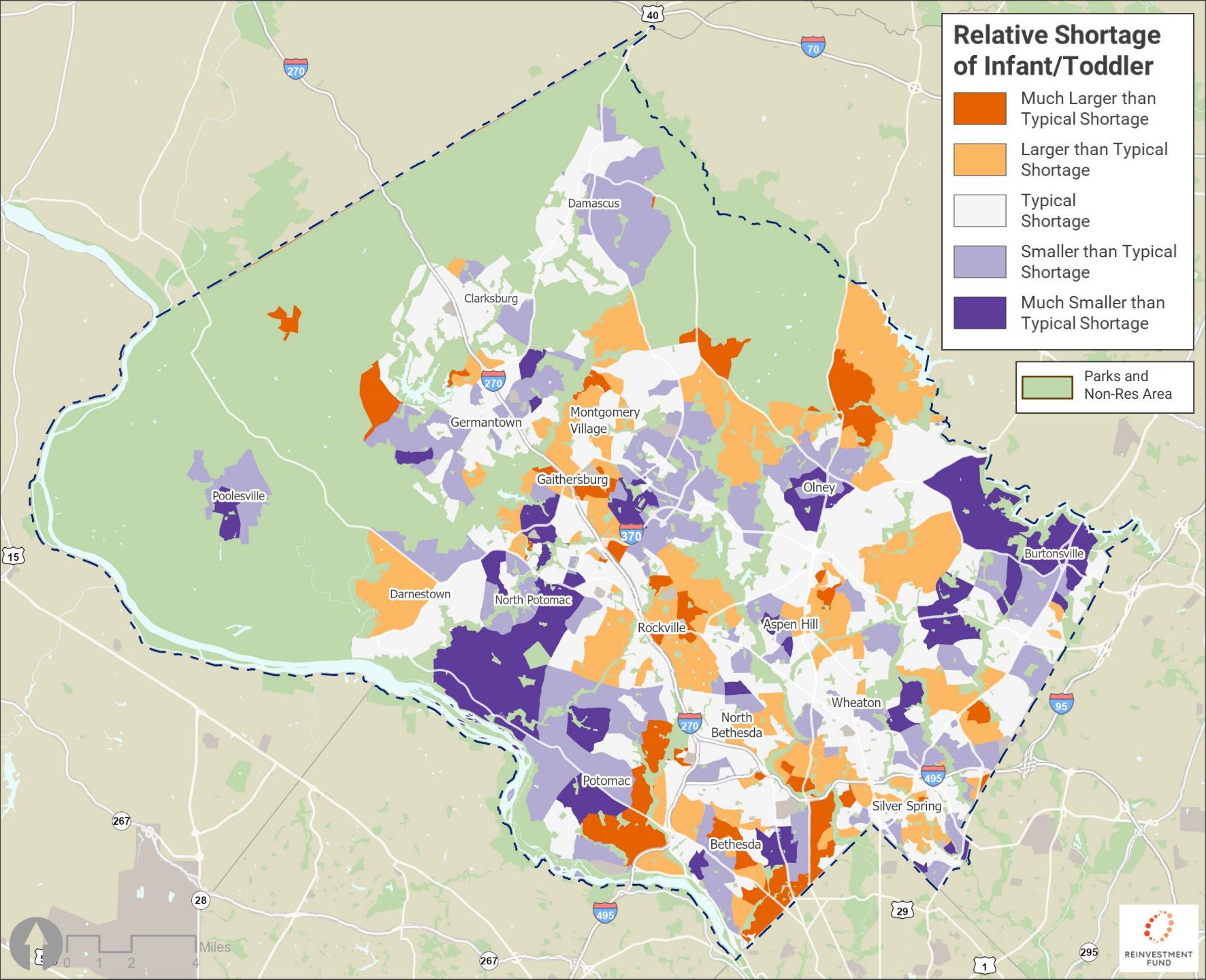
The measure looks at the typical
relationship between supply and
demand across the county and
spotlights areas that are
underserved.





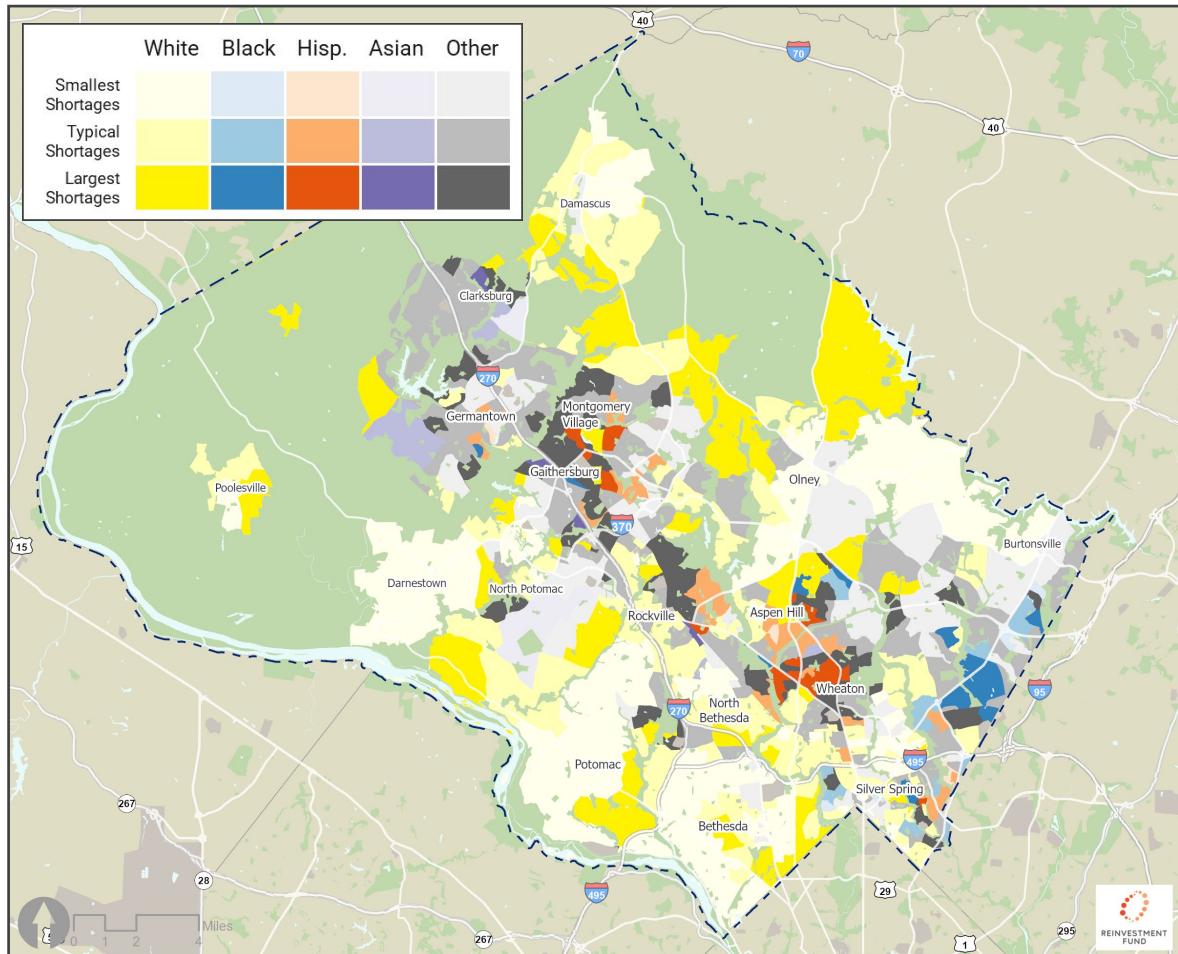
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This map shows the Relative Shortage of infant and toddler care (seats for children under the age of two)

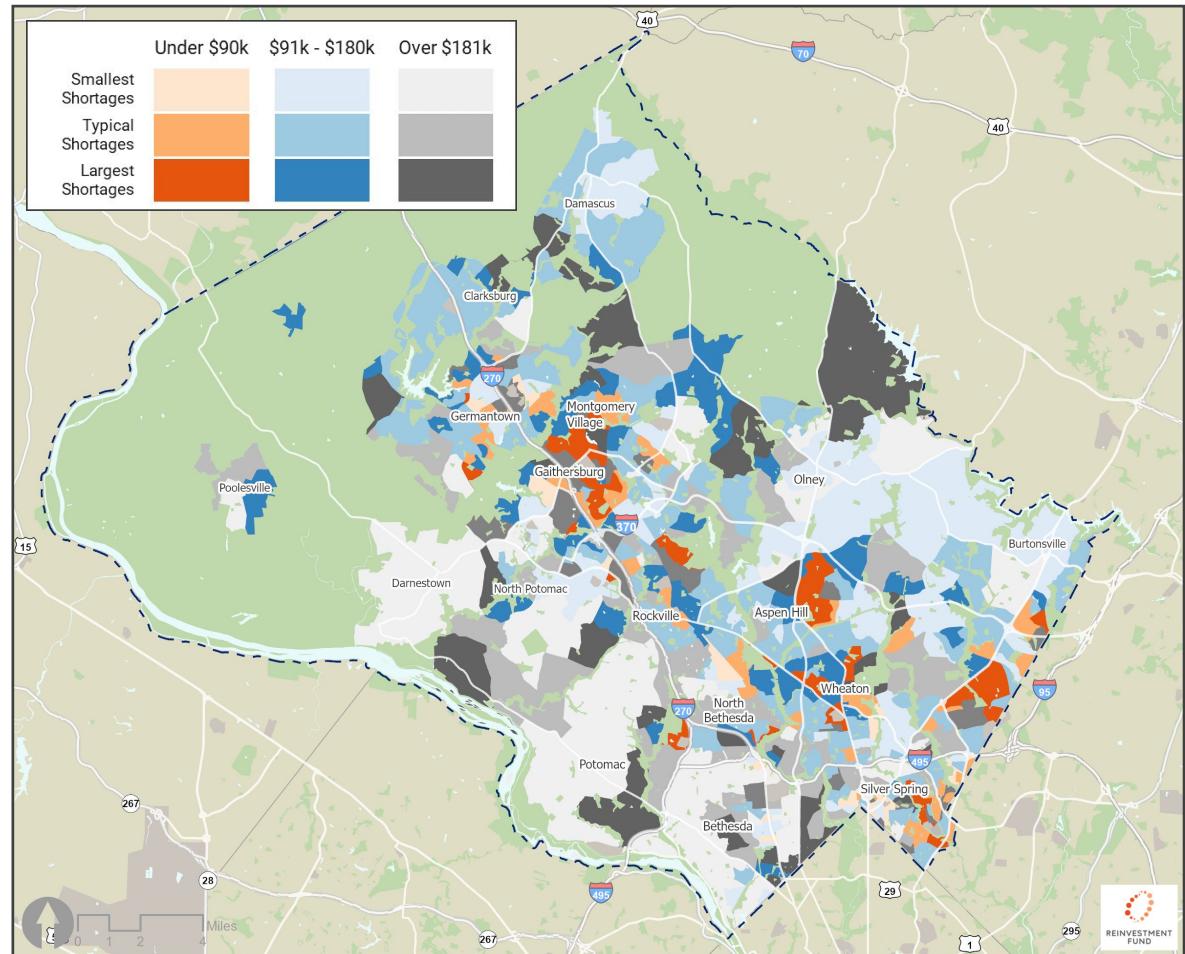


Childcare Shortages Impact All Communities

Relative Shortage and Resident Demographics



Relative Shortage and Household Incomes



Access to Affordable Childcare

The Shortage in Subsidized Care is Concentrated Among Infant and Toddlers

Income Eligible Children and Capacity in Programs Eligible to Participate in CCS and WPA in Montgomery County

	Children Income-Eligible for CCS or WPA	Seats in Programs Potentially Accepting CCS or WPA	Absolute Gap	Supply Ratio
Infants & Toddlers (<36 Months)	12,000	2,900	9,100	24%
Preschool (35 to 60 Months)	19,800	18,700	1,100	94%
All Children Under Five	31,800	21,600	10,200	68%



These figures represent a best-case scenario for supply. Estimates assume all **eligible programs participate** and programs **enroll 100% subsidy eligible children**



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Voices from the Field

Themes from Parent and Provider Interviews



Survey of 249 parents about characteristics, childcare arrangements, and preferences



Affordability, hours, and location drive most parents' decisions.



Survey of 185 licensed childcare providers about enrollment, services, financial stability



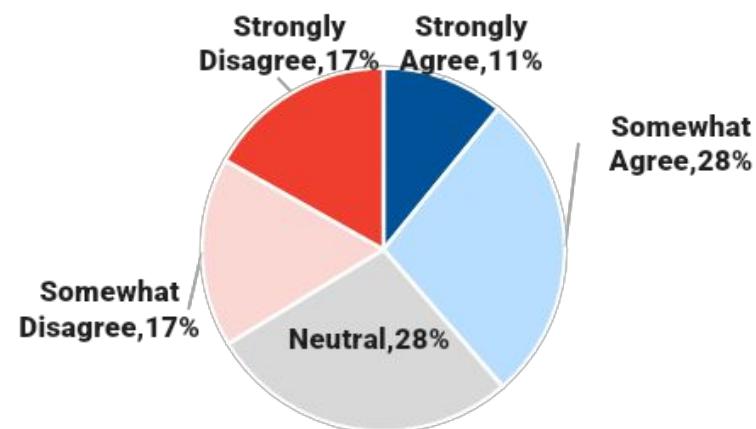
Providers are struggling financially, but optimistic about the future

Additional focus groups to discuss business challenges and support

ECE programs lack access to capital for facility and program improvements

"If you look hard enough you will find [a program]. It might not be the best quality, not the situation you want. But you can find something. But is it affordable enough?" – MC Parent

"How strongly would you agree with this statement: 'My business is financially stable'?



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Market Observations and Recommendations

System Recommendations

Improve data on ECE system utilization and capacity

Address information gaps among families (and providers)

Improve access and ease of participation in subsidy programs

Fund TA and Capital support to address access gaps

Three Findings and Recommendations for Addressing Access Gaps

Childcare is a competitive, consumer-driven market

Consider the geographic component of competition when considering supply expansion

The County's gaps are in specific geographic and market segments

Access to Infant and Toddler, Subsidy, and High-Quality Care are Limited

Providers are interested in expanding and quality improvement, but lack resources

Think about how policy can prioritize growth in high need areas



Matching Market Conditions and Investment Strategies

The Tools in HHS-Early Childhood Services' Toolbox

Support New Program Development:

Business training, incubation, and other services to help educators enter the ECE market.

Support Expansion of Existing Programs:

Business services and planning support to develop and execute facility expansion projects.

Support Quality Improvement of Existing Programs:

Technical assistance, grants, and training to improve service quality or develop new program components.

Support Sustainability of Existing Programs:

Training, technical assistance to improve business systems and planning to ensure sustainable business practices.

How to Prioritize ECS's Tools and Strategies

Generally enough seats for families in the market for care



Dimension #1: Overall Supply of Childcare

Insufficient number of seats for families looking for care

Dimension #2: Program Characteristics

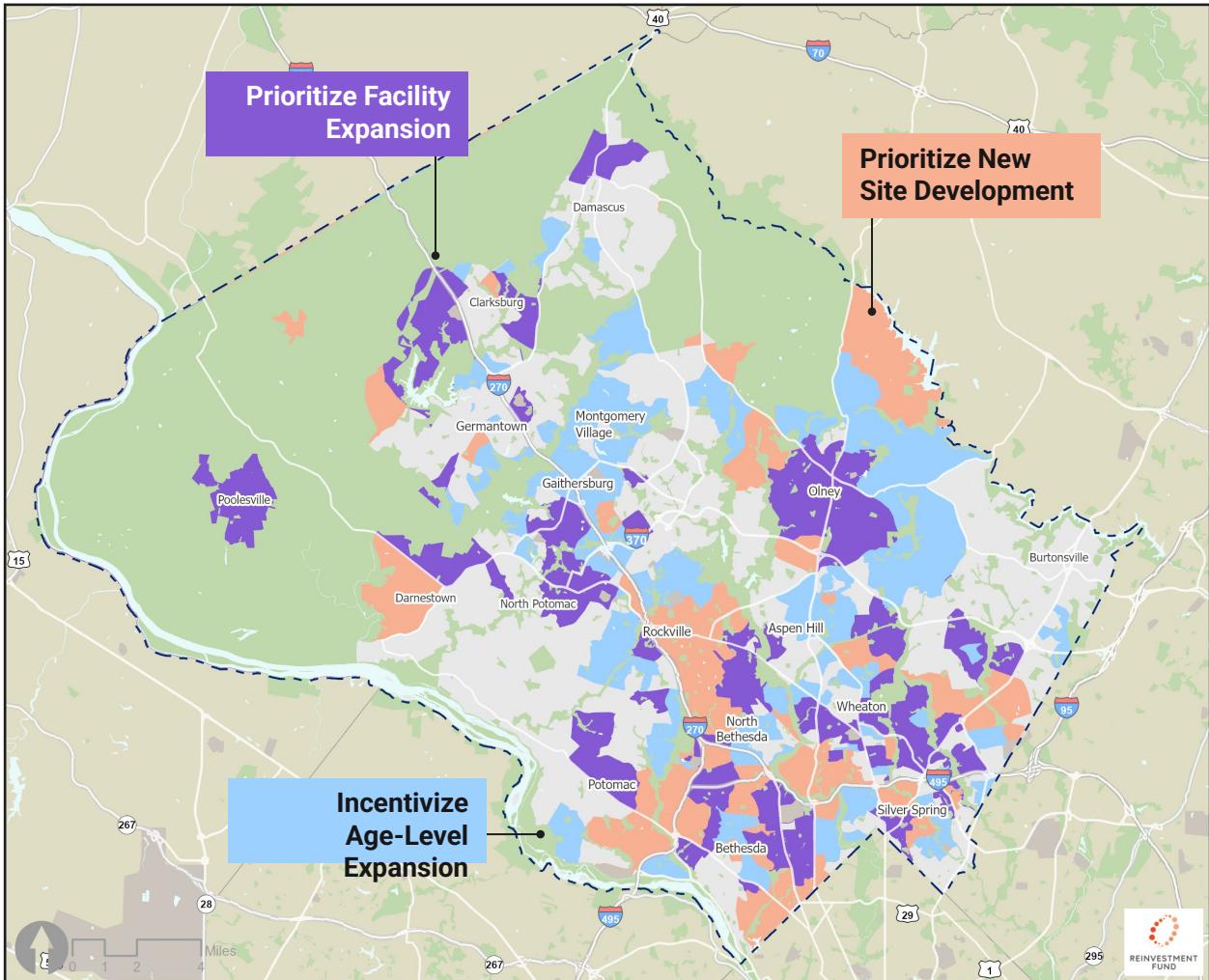
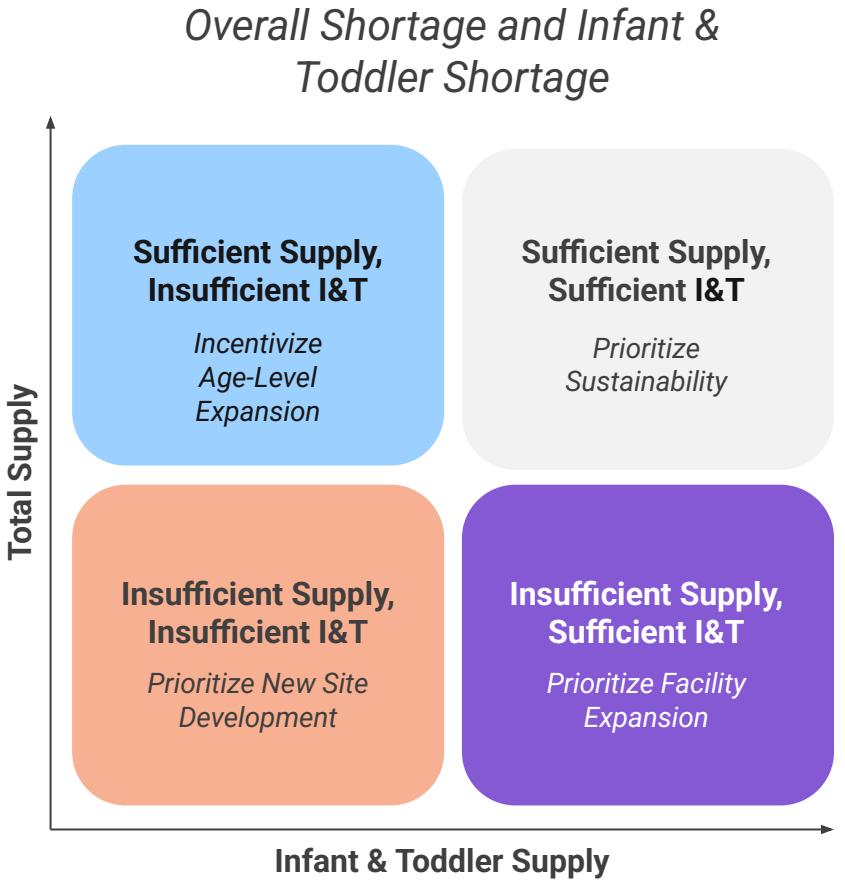
Insufficient supply of services for families

Program Characteristics

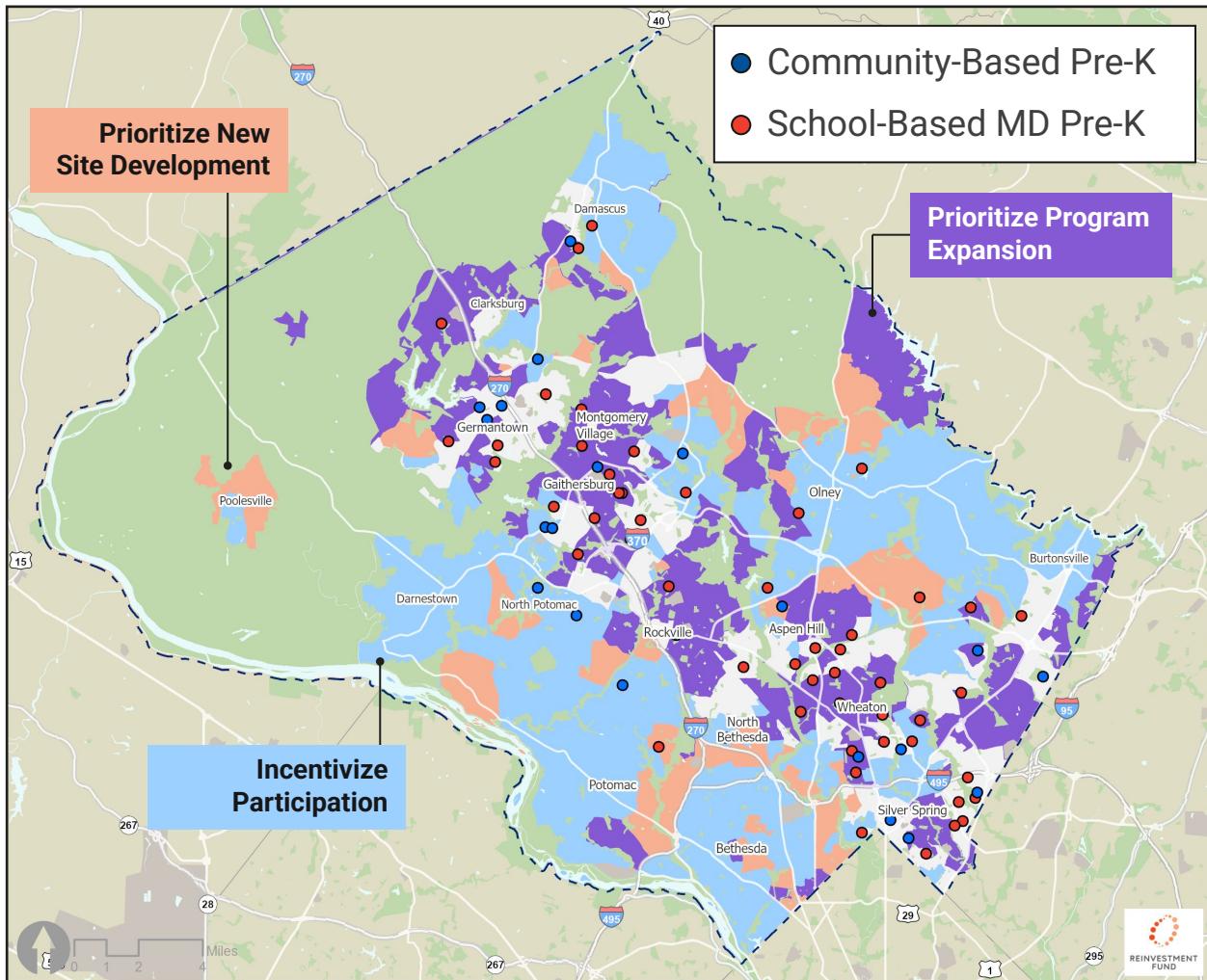
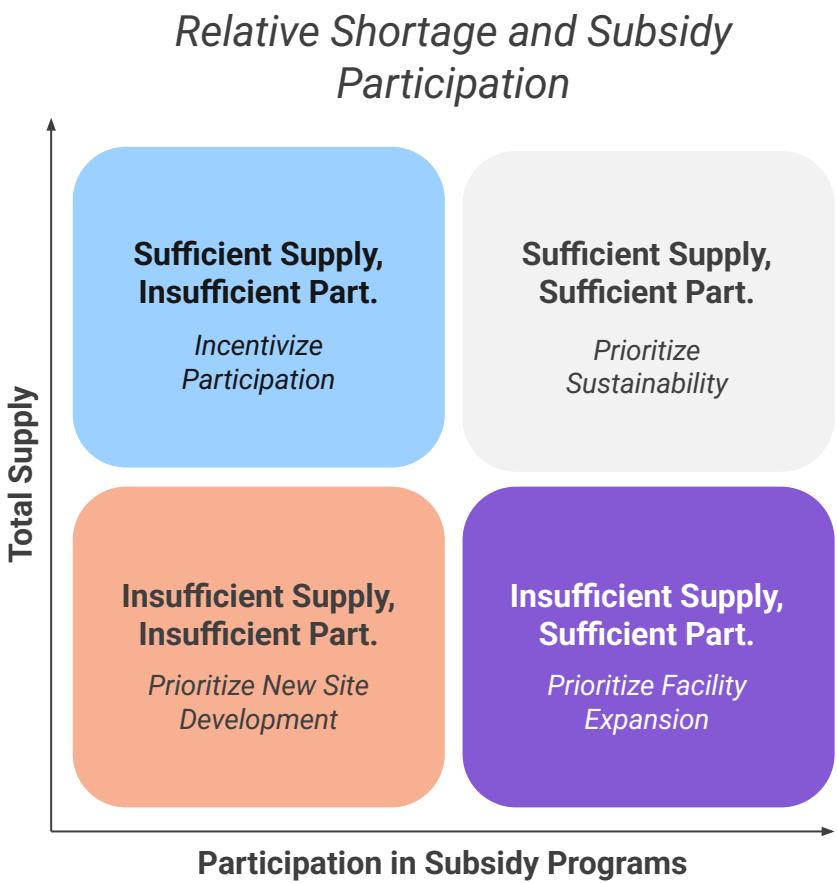
Generally enough supply of services for families



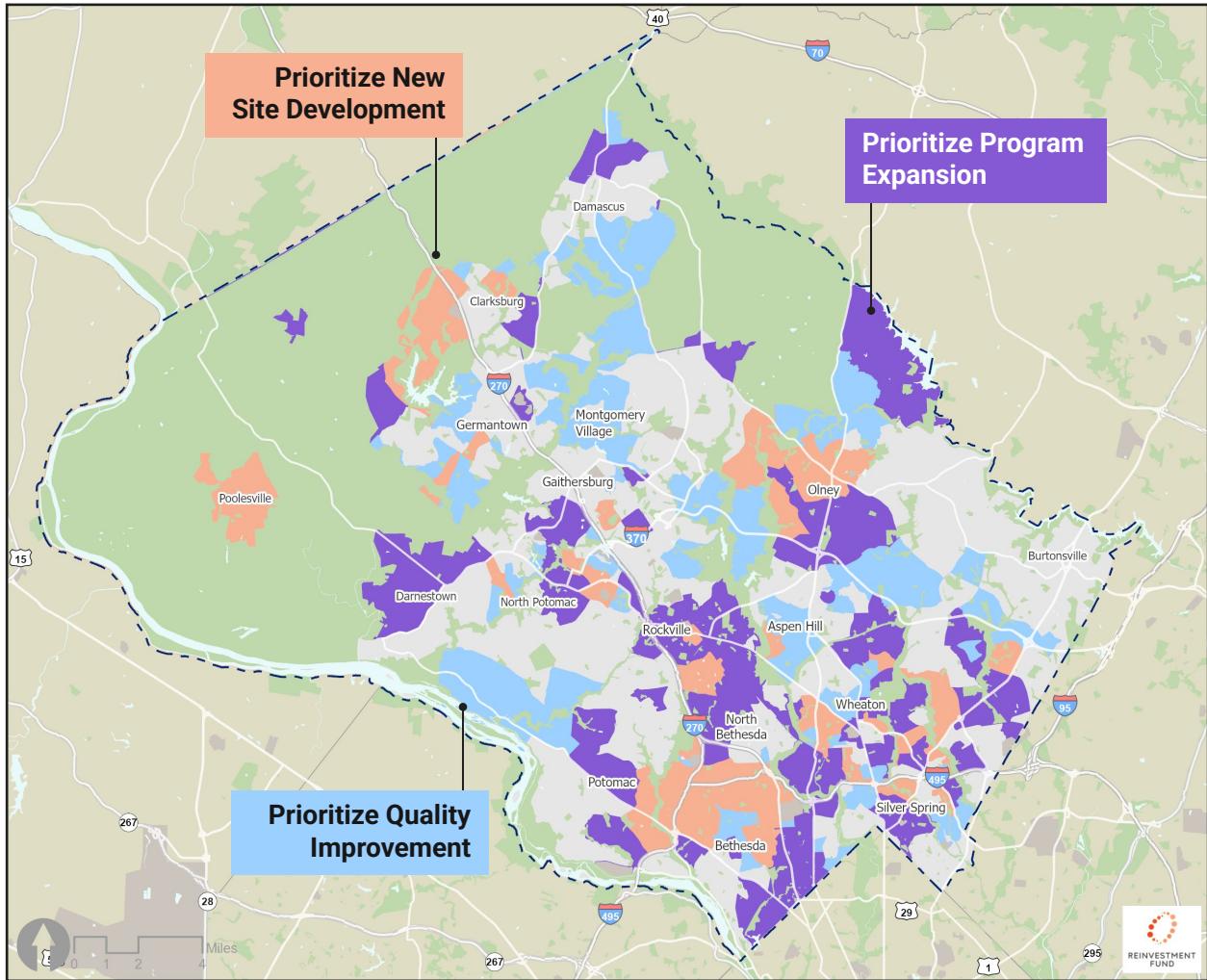
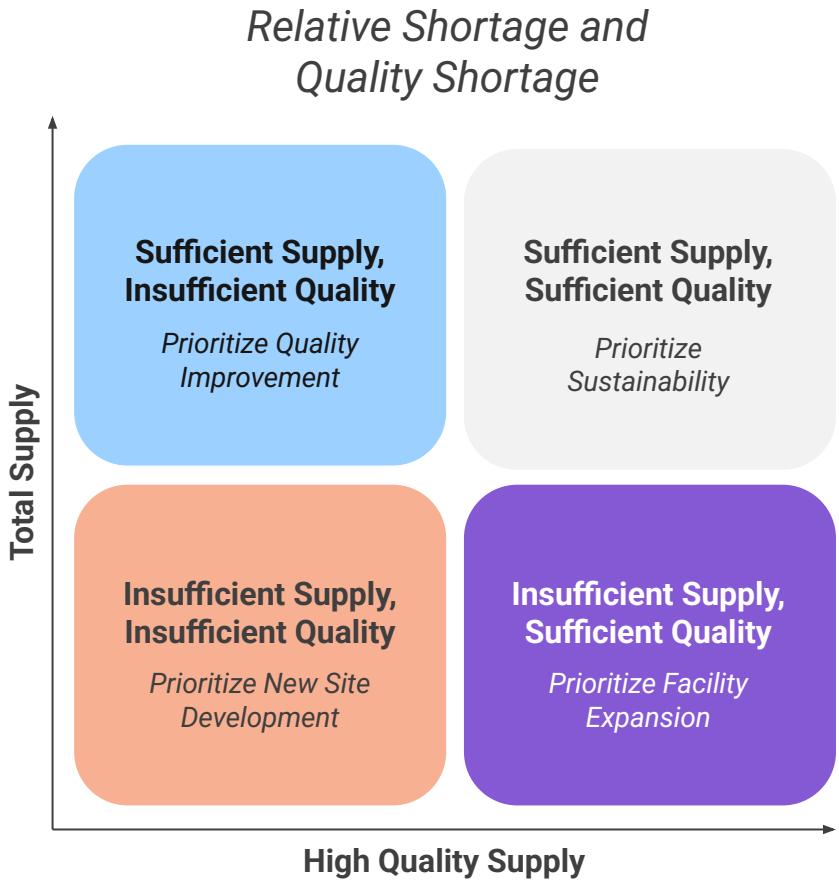
Example #1: Strategies to Expand Access to Infant and Toddler Care



Example #2: Strategies to Expand Access to Affordable Care



Example #3: Strategies to Expand Access to High Quality Care





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Questions?

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