Overview

The National Children’s Facilities Network (NCFN) congratulates President-elect Joe Biden and Vice President-elect Kamala Harris on their election and applauds their shared commitment to our nation’s essential caregiving services. The holistic focus on advancing the quality, accessibility, and affordability of early care and education (ECE) programs has been a central priority of the Biden-Harris campaign and transition. As the incoming administration turns its attention to the vast challenges affecting the ECE sector, NCFN is eager to serve as a resource on effective approaches to improving the quality of early learning environments and supporting child care businesses.

About NCFN

NCFN is a coalition of 26 nonprofit Community Development Financial Institutions (CDFIs), financial and technical assistance intermediaries, and child care stakeholders dedicated to helping ECE providers develop high-quality physical learning environments and sustainable business models. By providing technical assistance and financing to early learning providers, we seek to address capital needs and business capacity challenges that limit working family’s ability to gain equitable access to high-quality ECE programs.
Transition Memo
Opportunities for Advancing the Nation’s Early Care and Learning Infrastructure

Recommendations

Research shows that developmentally appropriate environments improve learning and development among children (1), yet the physical infrastructure of child care facilities is often overlooked and under resourced by existing systems and resources. Financing child care facilities and businesses is also incredibly complex. NCFN members have developed innovative models and best practices in financing ECE facilities and businesses that can inform the Biden-Harris Administration’s efforts to Build Back Better. We offer the following recommendations based upon our collective experience:

- **Respond to the devastating consequences of the COVID-19 pandemic by passing large-scale investments that stabilize the child care sector.** As countless ECE programs permanently close due to the pandemic, the nation’s already severely limited supply of quality child care is being exacerbated. An immediate emergency response is critical for the long-term supply of quality child care, as well as to the sustainability of our nation’s ECE entrepreneurs and caregivers.

- **Invest in the physical quality of our nation’s early learning environments by providing dedicated resources for the acquisition, construction, development, and renovation of ECE facilities.** Based on best practices developed by NCFN members and implemented across the country, we recommend that these investments be coupled with technical assistance and business capacity building resources that are delivered through CDFIs and other intermediaries with demonstrated financing experience in ECE or other community facilities.

- **Enact a comprehensive national assessment of the condition, quality, and availability of child care facilities.** There is no comprehensive national data documenting the condition, quality or availability of child care facilities, leaving providers few opportunities to report on their infrastructure needs. As a result, many states and localities do not have an adequate assessment of how the condition and service capacity of facilities affect health, safety, program quality, and availability of care.
• **Create incentives to co-locate ECE facilities with other community amenities, such as affordable housing.** Investments in ECE and other community amenities are most effective when undertaken as part of a holistic development plan. Many NCFN members are also experts in community development financing tools and can use this expertise to co-locate ECE programs with other community amenities, thereby increasing overall impact in the community.

• **Incorporate innovative state and local financing models that can be scaled at the federal level.** NCFN members are engaged in states and localities across the country, all of which present unique challenges and opportunities for financing ECE facilities and businesses. These examples can inform best practices for federal investments, including opportunities to leverage interagency oversight around community development, economic development, human services and ECE programs.

The following more detailed perspectives on how the federal government can stabilize the ECE sector are predicated upon the Network’s experience in ECE facilities financing and provider business capacity building. Our viewpoints are focused on how to: effectively invest in the quality and sustainability of ECE facilities and businesses; co-locate ECE facilities with housing and other community amenities; and elevate state and local models.
INVEST IN THE QUALITY AND SUSTAINABILITY OF ECE FACILITIES & BUSINESSES

Dedicated Facilities Financing

The current model for building and maintaining high-quality ECE facilities and businesses is inadequate and inefficient. Operating an ECE center is expensive – it is a labor-intensive sector with longer hours than traditional workplaces and infrastructure needs that are unique to serving young children. As a result, ECE providers tend to operate at exceptionally thin margins, leaving very little room to concurrently pay for program expenses, support debt on the property, and acquire, develop, or renovate facilities. Further, in high-cost markets, providers are often priced-out from acquiring land or existing facilities, both because of the significant up-front purchase costs, as well as the capital needed to hold the land until the center is ready to open. And as with other small businesses, most ECE providers should expect to see operating losses during their startup phase, which can be prohibitive to potential entrepreneurs with limited options for resources or support.

These challenges are often viewed as insurmountable, especially given that there is currently no dedicated source of federal funding for ECE facilities. Providers are forced to choose between serving families, supporting their workforce and operating in healthy, safe, high-performing spaces. Features that make an ECE facility high-quality are costly but necessary. HVAC systems that improve air quality, child-sized toilets and sinks, windows to increase natural light, and common spaces that are designed to foster engagement with children and teachers are essential to health, safety and instruction.

Dedicated resources for the acquisition, construction, development, and renovation of ECE facilities is critical to improve the physical quality of our nation’s early learning environments. This investment is a necessary accompaniment to existing child care resources and should be coupled with a national assessment of the condition, quality, and availability of ECE facilities, increased operating supports provided by the Child Care and Development Block Grant (CCDBG) and Head Start programs, and bold investments to support the child care workforce.
Intermediaries, Technical Assistance and Capacity Building

Technical assistance and business capacity building help ECE operators leverage their existing skills and resources and grow their organizational resources to a sustainable level. This benefits both business operations and physical facility elements that ECE operators must address to be successful. The vast majority of center-based and home-based ECE providers are small businesses owned and operated by women of color. In fact, 89 percent of child care businesses are owned by women (2) and 60 percent of child care businesses are owned by people of color (3). These entrepreneurs are incredibly innovative and industrious despite facing decades of systemic underinvestment and discrimination that has left many ECE professionals at a disadvantage, with limited resources for business operations, and systemic barriers to accessing traditional financing support from lenders. The employees of ECE businesses reflect the demographics of their owners and are directly affected by under-resourcing. Women of color comprise 40 percent of the ECE workforce nationwide (4) and this skilled workforce is underpaid by an average of 31 percent of the U.S. median income (5).

To address these inequities and ensure the ongoing availability of high-quality child care, federal investment in technical assistance and business capacity building resources specifically for ECE operators are needed in addition to increased funding for operating expenses. Building the capacity and resiliency of ECE businesses should be viewed as a direct investment in advancing racial and gender equity.

Given the challenging economics of financing child care businesses and facility improvements, as well as the institutional barriers unique to women entrepreneurs and people of color, traditional financial institutions rarely invest directly in these businesses. As a result, many ECE operators rely on support from mission-oriented lenders like CDFIs. CDFIs and other intermediaries have developed decades of expertise assembling public and private sources of capital and deploying these resources to meet the diverse needs of community-based organizations. They can offer products and services that are not otherwise available to child care providers, such as flexible financing – i.e. no-interest or forgivable loans – that allow providers to grow their business and serve more low-income families. CDFIs also have experience administering capital dollars efficiently and effectively and can leverage additional funding to amplify the impact of any federal dollars invested in child care facilities.
To be most successful, intermediaries need resources to provide technical assistance and capacity building to ECE providers. These resources help support:

- **Sustainable business models** that equip ECE providers with knowledge, expertise, and other forms of support necessary to open, renovate, or expand a child care program. This might include completing a feasibility analysis of a grant application, navigating commercial leases, hiring architects and contractors, selecting vendors, and understanding the budgeting process and how staffing, enrollment, attendance, and long-term facilities maintenance and upkeep affect finances.

- **Facility improvement projects** that allow providers to navigate the real estate and financial obligations associated with constructing or renovating a child care facility. This might include identifying and assembling the necessary financial paperwork to engage with lenders, underwriting a loan, or negotiating subsidy contracts with local governments. Likewise, capacity building equips ECE providers with skills and resources to enhance organizational capacity, systems, and sustainability. But to be successful, technical assistance and capacity building resources need to be combined with flexible financial products. Examples include pre-development and/or acquisition loans to acquire an existing building or vacant lot, or pre-development grants and other forgivable loans to cover costs associated with a project, such as hiring an architect to complete drawings for the project.
An increasing number of CDFIs are playing a critical role in the ECE field:

- **Children’s Investment Fund (CIF)** [https://cedac.org/cif/]: Since 1990, the Children’s Investment Fund (CIF) has supported 572 facility development projects that improved learning environments for over 31,000 children. CIF is a unique organization with an innovative approach to community economic development. Nationally, it is one of only a handful of organizations providing specialized facilities development support – encompassing financial products and technical assistance services – to the nonprofit early education and care sector. With specialized training, intensive technical assistance, accessible loan capital, and state-funded grants, CIF has created a comprehensive support system for early education facilities in Massachusetts modeled after more traditional affordable housing and community development approaches – but applied to the early education and care sector in an innovative way.

- **Coastal Enterprises, Inc. (CEI)** [www.ceimaine.org]: Over its 40-year history as a mission-driven investor, CEI has provided financing to more than 3,000 businesses in rural and underserved communities, including more than $11 million to 159 childcare centers in Maine. CEI’s time-tested approach combines investment, business development, workforce solutions, and policy advocacy expertise to achieve results. More than 1,800 jobs have been created and retained in these 159 childcare businesses. Increasing access to quality child care is a key piece of making an economy that works for everyone. Child care providers are an important part of the Maine economy for three reasons: they provide education and enrichment for our children, they eliminate a barrier many parents face when they want to work, and they create job opportunities. Through its Child Care Business Lab, CEI is helping entrepreneurs start new, quality child care businesses in underserved areas of Maine. The Child Care Business Lab is an intensive cohort-based program that gives entrepreneurs the tools to start a successful small business, helps them refine their child care/early childhood education philosophy and guides them through the licensing process. Designed as an experiential leadership opportunity, the Child Care Business Lab will provide participants with a blueprint for a high-quality, financially viable child care business. CEI is working with people interested in starting a non-profit, for-profit, co-op or shared model child care enterprise.
• **First Children’s Finance (FCF) [http://www.firstchildrensfinance.org/](http://www.firstchildrensfinance.org/):** FCF is a nonprofit CDFI working in 10 states throughout the Midwest with an emphasis on increasing the supply and sustainability of child care businesses. For the past 7 years, FCF has been focused on building the supply of excellent care in rural communities, and has advocated for the development of innovative and financially sustainable child care models, including right-sized child care centers, non-residential family child care, and co-located family child care.

• **IFF [www.iff.org]:** IFF continues to expand data informed, place-based work with early childhood providers across the Midwest. IFF’s needs assessments determine where there is the greatest need for quality early education services, and IFF’s finance, development and real estate solutions help create beautiful spaces for children to learn and grow in those communities. IFF also lends its voice to policy efforts and works collaboratively with stakeholders to implement systems change. IFF has deployed more than $4 million in grants to home and center based providers in Detroit through [Learning Spaces](http://www.iff.org), a grant program designed to increase capacity, improve access to quality early childhood education, and better align programmatic and facilities quality. Providers can receive technical assistance, consulting services, and grants to improve facility quality. In addition to ongoing lending to the sector, IFF developed a new, state of the art $22-million early childhood center in northwest Detroit as part of an integrated [P20](http://www.iff.org) campus. Program development is underway in St. Louis and Kansas City, MO in response to IFF-led needs assessments in both communities and active participation in the development of a best practice ECE facility in Milwaukee, WI.
• **Local Initiatives Support Corporation (LISC) [www.lisc.org]**: In the field of early childhood facility policy, financing, and practice, LISC has been an advocate, thought-leader and resource to the field for more than two decades. With boots on the ground in 35 urban areas, rural partnerships spanning 44 states, and relationships with other CDFIs, LISC is able to utilize its network to drive capital to early learning facilities projects across the nation, more than $62 million to date. Most recently, LISC has utilized its platform of small business support to connect the industry to PPP loans and small business grant opportunities. In 2021, with initial support from Pivotal Ventures, the impact investing entity of Melinda Gates, LISC will launch a new high profile initiative titled *Building Equitable Solutions for Child Care*. A coordinated set of robust planning processes in up to 10 diverse geographies will receive funding and intensive technical support to explore innovative solutions for developing facilities that bring new ideas, partners and funding sources to bear to solve for local community needs.

• **The Low Income Investment Fund (LIIF) [www.liifund.org]**: Since 1984, LIIF has supported efforts to create and preserve over 276,000 child care spaces across the country. LIIF supports sustainable, community-based systems for financing and developing child care facilities through grant and loan capital for facilities development and improvement. In combination with capital, LIIF delivers specialized business support and development, including training and technical assistance on facilities design, development, financing and operations. LIIF also supports local communities’ efforts to identify and organize resources to increase the supply of quality local child care options. In response to the coronavirus pandemic, LIIF has marshalled $23 million to provide grants, technical assistance and PPP funds (with our partner, Community Reinvestment Fund) to nearly 400 family child care business owners (6).

• **Reinvestment Fund [www.reinvestment.com]**: Over the past 25+ years Reinvestment Fund has invested more than $30 million in the early childhood education sector and built out a series of complementary supports, driven by our data and research to identify solutions to make high-quality ECE more readily available to low-income families. Reinvestment Fund’s programs utilize a combination of loan, grant, and technical assistance supports aimed at helping providers improve, sustain, or expand high-quality operations, and have been replicated and adapted across Philadelphia, Washington, D.C, New Jersey, and Atlanta. In response to COVID-19, Reinvestment Fund managed the Philadelphia Emergency Fund for Stabilization of Early Education (PEFSEE) program, granting over $6.5 million dollars to 416 child care providers in Philadelphia to ensure that the city’s early learning sector can weather the COVID-19 crisis. Of the total awardees, 87% are women-owned organizations and 74% are owned by people of color. The initial awards were expected to preserve 3,851 jobs in the sector at the same level of employment prior to the crisis with another 1,221 jobs at a portion of pay/benefits. Funds will maintain 31,187 seats in Philadelphia, or 38% of the city’s total licensed child care capacity.

Additional examples of NCFN Members engaged in critical ECE financing across the country are available on the NCFN website at [https://www.ncfn.org/about-child-care-facilities](https://www.ncfn.org/about-child-care-facilities).
A Legislative Model for Federal Investment

NCFN strongly supports Representative Katherine Clark’s (D-MA) Child Care is Infrastructure Act (H.R. 7201) and urges the Biden-Harris Administration to support its enactment. Introduced during the 116th Congress, the legislation authorizes the Department of Health and Human Services (HHS) to establish a $10 billion, 5-year competitive grant program for states to address renovations or modifications to child care facilities. This includes any modular adaptations necessary to keep staff and children safe during the COVID-19 pandemic.

A set-aside of 10-15% of the authorized funds would be available for grants of up to $10 million to intermediary organization that have a demonstrated experience in developing or financing ECE facilities and can provide technical assistance, capacity building, and financial products to support early care and learning facility financing in all states. The bill also directs HHS to conduct two national needs assessments of ECE facilities to understand the impact of the pandemic in the first year, and then evaluate the ongoing needs of ECE facilities by year four.

The Child Care is Infrastructure Act is based on congressional recommendations outlined in the Bipartisan Policy Center’s (BPC) May 2019 report, *Improving Quality and Availability of Early Care and Learning Facilities* (7). The bill was included in two different legislative vehicles that passed the House in 2020 – the Moving Forward Act (H.R. 2) and the Child Care for Economic Recovery Act (H.R. 7327), which passed with bipartisan support.
CO-LOCATE ECE FACILITIES WITH HOUSING & OTHER COMMUNITY AMENITIES

In order to ensure that no child's future is determined by their zip code, parent income, race, or disability status (8), it is crucial to increase the availability of quality early care and education in underserved areas of our country, especially in child care deserts (9). Access to both child care and housing can help put families on a path to multigenerational economic mobility, but these issues are often approached from separate silos. The co-location of affordable housing and child care facilities can help mitigate many challenges providers face in creating adequate early learning and care spaces.

NCFN urges the Biden-Harris Administration to consider the following policies to incent the co-location of ECE facilities with housing and other community amenities:

• Add ECE facilities as an on-site supportive service to the current list of selection criteria that every state must include in their Qualified Allocation Plan (QAP) for the Low Income Housing Tax Credit program (10). This can include apartments in multi-unit housing developments specifically designated as family child care units.

• Support policies that facilitate the local approval process for affordable housing developments that contain child care facilities. Examples to consider include a reduction of fees, an expedition of review procedures, and increased density.

• Align the income ceilings for affordable housing residents and the ceilings for child care subsidy eligibility. Particularly in high-cost counties, eligible housing residents are often over-income for child care subsidies. Housing developers typically include child care as an amenity for their residents and prefer that operators bring subsidized or low-tuition slots that tenants can use.

• Motivate states to institutionalize early childhood development policies in municipalities’ General Plans, identifying how early childhood can be integrated into a community's fabric, including in housing developments (11).

The ECE facilities crisis must be addressed creatively through strategic engagements with developers, community planning professionals, local officials, and ECE providers. The Biden-Harris Administration can implement collaborative policies and administrative guidelines that open new pathways of opportunity for families and children.
ELEVATE INNOVATIVE STATE & LOCAL MODELS

All levels of government have a role to play in improving providers’ ability to access capital that supports high-quality facilities and sustainable business growth. Innovative models at the state and local level, including from Vice President-elect Kamala Harris’ home state of California, include:

California:

• California For All Kids is the state’s effort to develop a comprehensive Master Plan for Early Learning and Care. The effort seeks to address five areas of persistent challenge: Finance, Facilities, Access, Quality, and Universal Pre-K. The plan design process includes surveying existing research and recommendations in each of these areas, filling in gaps, making recommendations, and integrating individual findings into a comprehensive roadmap (12).

• In response to the pandemic, the Low Income Investment Fund is partnering with the San Francisco Office of Early Care and Education to offer the Renovation and Repair Grant Program (13), which was redesigned in 2020 to support providers in the process of complying with new COVID-19-related regulations. This funding is invested locally to preserve the supply of quality, licensed child care provided by centers. Providers have used the grant resources to fund classroom room dividers, motion-controlled sinks and other appliances in bathrooms, hand-washing stations, portable HEPA or UV light air purifiers, upgrades to outdoor learning spaces, and more.

Massachusetts: In partnership with the Department of Early Education and Care, Children’s Investment Fund (CIF) manages the state’s Early Education and Out of School Time (EEOST) Capital Fund, which grants eligible child care facilities up to $1 million for construction and renovation projects. The bond-financed EEOST Capital Fund is one of the first in the nation to dedicate state funding to improving facilities for children. Since 2014, the EEOST Capital Fund has awarded $31.7 million in funding, supporting 38 organizations across the Commonwealth of Massachusetts. CIF also created a technical assistance initiative to increase early childhood education and out-of-school time access to federal small business loans, specifically the Small Business Administration’s Paycheck Protection Program, in order to help businesses stay afloat. CIF worked with several partners to provide one-on-one technical support to the child care field. In response to the COVID-19 crisis specifically, CIF alongside the Department of Early Education and Care modified the EEOST Capital Fund to provide smaller grants between $100,000 - $250,000 in order to reach more centers planning facility improvements. The funds can be used to address health and safety issues, physical modifications that address accessibility issues, and emergency repairs.
**North Carolina:** For almost 30 years, CDFI Self-Help has partnered with the N.C. Division of Child Development which administers the state’s Child Care Development Block Grant Program. Self-Help contracts with the state to make low-interest, fixed rate loans to help low-income serving child care providers (homes and centers) increase their quality and maintain or improve their licensure. Through 2019, Self-Help has leveraged $4 million Block Grant funds to make 272 loans totaling $18,321,683, securing 15,658 child care slots and 2,298 jobs.

**Rhode Island:** Since 2001, the State of Rhode Island has provided fundamental support that enables LISC to staff a robust statewide child care and early learning facilities fund, a fund that has invested more than $25 million and leveraged an additional $50 million for targeted early learning construction and repair. By blending public and private resources and coupling that with staffed niche expertise, Rhode Island has been able to support nearly 50% of all licensed center based providers with their facility needs. Nearly every provider in the state has benefitted from training and on-site technical assistance offerings. Most recently, the State dedicated $5 million to help providers make emergency adaptations to their facilities to better serve children in the COVID era. Utilizing data generated through robust statewide facility needs assessments, administered by LISC, a bond referendum is being introduced for special election in 2021 that would make funds available for everything from discrete health and safety fixes to construction of new facilities.

**Washington, DC:** DC Mayor Muriel Bowser invested $12.5 million in affordable, high-quality child care by identifying three sites in District-owned buildings and awarding grants to providers through the Access to Quality Child Care Expansion (“A2Q”) grant, which seeks to expand or open new locations, streamline and improve the child care licensure process, and support DC residents in gaining certification or advanced early education credentials over three years. The $9 million A2Q grant, administered by the Low Income Investment Fund, created 1,244 new child development facilities by funding the expansion of existing facilities and creation of new facilities serving infants and toddlers. Technical assistance was provided to child care providers on the topics of business planning, financial readiness, commercial lease navigation, site evaluation, and understanding regulatory processes. Grant funding was awarded to cover the cost of capital new development, renovation and repair, and pre-development.

These innovative and successful state and city-level initiatives are an important resource for the Biden-Harris Administration to consider as it works to support the ECE sector.
CONCLUSION

NCFN enthusiastically supports the incoming administration’s specific focus on the quality of early learning environments as evidenced by the proposal to create a tax credit for employers that finance the development of on-site child care facilities. This focus takes the very important step of acknowledging the significant role that indoor and outdoor spaces play in supporting program quality and developmentally appropriate care. Other proposals outlined during the campaign and reinforced during this transition period – such as increasing tax credits and other subsidies to help families cover the cost of care, targeted supports for ECE providers, pre-K for all 3- and 4-year olds, and strengthening the ECE workforce – have great potential to help families cover the cost of care and are essential to stabilizing the ECE sector. This comprehensive approach is also critical to the promotion of racial and gender equity.

Although CDFIs have proven that technical assistance, business capacity building, and subsidized capital for acquisition, development, and rehabilitation can fundamentally transform a provider’s ability to create and sustain a high-quality ECE business, financing child care facilities and businesses remains extremely challenging. The lack of federal resources, coupled with the fact that many providers operate at exceptionally thin margins, leaves very little room to support debt on the property. This inhibits the ability to acquire, develop or renovate facilities to meet the needs of a high-quality center. It is simply not economically feasible to build high-quality child care in many areas of the country. Therefore, public investment in the field is crucial.

At a time when more employers are recognizing that safe and reliable child care is instrumental to a sustainable and productive workforce, federal resources are needed to create healthy, safe, and enriching care environments.

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References


