Improving Child Care Facilities with Federal Relief Funding

Lessons Learned from the Implementation of the American Rescue Plan Act

First Children's Finance

Table of Contents

Introduction

Child care facilities house programs that care for children, typically from a few weeks after birth to age five, with after-school and summer care for children up to age 12. Children and their families rely on these safe, comfortable learning environments during children's most critical years of brain development.

Child care facilities are centers and homes that are licensed or regulated by their state, Tribe or territory. Unlike K-12 settings however, these settings receive no regular, dedicated federal facilities funding. Additionally, state and local facilities funding is rare. Scarce public funding and the industry's slim profit margins have resulted in years of underinvestment. A limited supply of licensable facilities, cramped spaces, and deferred maintenance have been common features of child care infrastructure for decades. A 2015 federal audit of child care facilities receiving subsidies to care for children from low-income families found 96% had health and safety concerns. The COVID-19 pandemic exacerbated the challenges facing child care facilities and pushed the sector into crisis.

The responding American Rescue Plan Act (ARPA) was the largest single investment in the child care sector since World War II. Although ARPA did not include any funding exclusively dedicated to child care facilities, five funding streams in the act included facility investments within their allowable uses. States, Tribes, and other government units had significant flexibility to determine the size of their investment in child care facilities and how they would allocate the funding.

With the majority of ARPA funding now expired, this report aims to assess to what extent ARPA impacted child care facilities and illuminate what can be learned from this historic, but timebound and fragmented opportunity to invest in our nation's child care facility infrastructure. We find:

- A majority of states created dedicated facilities grantmaking programs using ARPA funding.
- As a result of federal and state funding allocations, limited ARPA funding was available to support real estate purchases, major renovation, and construction, indicating an ongoing need for significant infrastructure development.
- States, Tribes, and municipal governments took a wide variety of approaches to designing grant processes, eligible uses, and priority grantees, and these design decisions impacted equitable access to facilities funding.
- States, Tribes, and municipal governments took varying approaches to providing technical assistance to applicants and grantees with impacts on equitable access and project success.

Our findings highlight the importance of ongoing, dedicated federal facilities funding. They provide replicable best practices for designing and administering future facilities grant programs equitably and effectively, and they emphasize the importance of high-quality, comprehensive technical assistance. Finally, they suggest a significant remaining need for funding for facilities infrastructure, from maintaining and repairing facilities, expanding existing programs, to developing new high-quality learning environments.

First Children's Finance partnered with the National Children's Facilities Network to conduct this landscape analysis into the diverse strategies employed by states and other entities to increase the capacity of child care facilities using federal relief funds. To inform effective future investment, our approach focused on the specific structures, criteria, and processes of funding initiatives, and their impact. We explore how states defined and addressed equity through the prioritization of investments benefiting low-income families, BIPOC communities, non-native English speakers, and underrepresented child care providers, including small centers and family child care providers.

While our research specifically examines investments in child care facilities, this represents just one facet of COVID-19 relief initiatives across the child care sector. In their funding allocations, states balanced multiple critical priorities, including raising workforce compensation, reducing family financial burdens, broadening eligibility for child care subsidies, and modernizing data systems. We recognize these efforts as deeply interrelated. Interviews with state administrators and implementors emphasized facility-related investments' connection to children's health, safety, and learning; recruiting and retaining the child care workforce, supporting family choice, and fostering local economic development.

About First Children's Finance

Founded in 1991, First Children's Finance addresses the business and finance needs of child care in three different ways: building the financial sustainability of child care entrepreneurs, partnering with communities to preserve and grow their child care supply, and influencing state and federal systems to provide supports and investments needed to sustain child care businesses.

We are unique in working at all three levels: child care businesses, communities, and systems – and where they intersect. Our holistic approach ensures policies, practices, planning, and systems are informed by community and child care business owner needs while leveraging national resources, connections, and expertise.

For more information, visit www.firstchildrensfinance.org and follow FCF on Facebook and LinkedIn.

About The National Children's Facilities Network (NCFN)

The National Children's Facilities Network (NCFN) is a coalition of nonprofit Community Development Financial Institutions (CDFIs), financial and technical assistance intermediaries, and child care stakeholders dedicated to helping Early Childhood Education (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 a working family's ability to gain equitable access to high-quality ECE programs. NCFN works to generate federal resources that support the development and improvement of early childhood facilities in underserved communities nationwide. The Network collaborates with other children's advocacy leaders concerned with addressing the supply and quality of early childhood facilities across the country.

For more information, visit www.ncfn.org and follow NCFN on Twitter @ECEFacilities.

This project is part of NCFN's ongoing commitment to support financial and technical assistance intermediaries dedicated to helping ECE providers develop high-quality physical learning environments and sustainable business models.

Federal Facilities Funding: Limitations and New Opportunities

Federal investments in child care are made primarily through the **Child Care and Development Fund (CCDF)** which allocates formula funding to states, Tribes, and territories. CCDF aims to increase equitable access to child care for low-income families primarily through tuition subsidies (vouchers). The program also includes set asides for child care supply-building and quality enhancement.

Federal regulation prohibits the use of CCDF funding to purchase, construct, or significantly renovate child care facilities. Through rulemaking in 2023-2024, NCFN members successfully advocated for clarifying and expanding the distinction between allowable minor renovations and prohibited major renovations. This report uses the previous definition in place at the time of ARPA implementation and initial data collection and analysis for this project. The previous definition focused exclusively on the type of change made to the facility, and led to confusion, insufficient flexibility, and inconsistent guidance. The new rule creates clear thresholds defining renovations totaling less than $350,000 in federal funds for centers and $50,000 for family child care homes (updated with inflation) as minor renovations. Renovations that exceed these thresholds but do not make significant changes to the structure, function, or purpose of the facility while improving the health, safety, and/or quality of child care services may also be considered minor renovation. Increased clarity on allowable investments creates new opportunities for states to enhance the capacity of facilities in their region that were unavailable during ARPA implementation.

Federal COVID-19 Relief Funding

A mix of dedicated child care investment as well as additional funding that could be allocated to the sector dependent on state and local priorities.

The American Rescue Plan Act (ARPA) was signed into law in March 2021, allocating $1.9 trillion in COVID-19 relief funding. ARPA was preceded by the Coronavirus Aid, Relief and Economic Security (CARES) Act and the Coronavirus Response and Consolidated Appropriations (CRRSA) Act, both of 2020. This report focuses on the funding streams within ARPA that impacted child care. ARPA added significant supplemental funding to ongoing federal child care and early learning programs. The act included $39 billion in dedicated child care relief funding through CCDF to stabilize the sector and invest in its future. ARPA also allocated one billion dollars in supplemental funding to Head Start, a federal-to-local program designed to provide comprehensive child development services to children 0-5 living under the poverty line.

ARPA also included funding streams that states, Tribes, and other governmental entities could choose to leverage to support the child care sector. ARPA allocated $350 billion through the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) to enable government entities to respond to the far-reaching public health and economic impacts of the pandemic and invest in long-term growth. Among the many potential uses of this highly flexible funding, support for child care was explicitly eligible. Furthermore, ARPA reauthorized and expanded the State Small Business Credit Initiative (SSBCI) with nearly $10 billion, including provisions to bolster the child care economy.

Our Methodology

We define **facility capacity** as encompassing a broad spectrum of activities, ranging from repairs and renovation to the construction of new facilities as well as investments in technology, equipment and materials. We also include business supports that improve operational capacity.

FCF's approach encompassed desk research, survey administration, and direct outreach to state and Tribal administrators for interviews. Our aim was to develop a broad understanding of significant investments in the child care sector and explore policies and practices that fostered inclusive and innovative facilities-related opportunities for child care providers.

Our desk research commenced with a thorough review of COVID-19 relief funding resources from the U.S. Administration for Children and Families. We also reviewed reports such as the Bipartisan Policy Center's "From the Ground Up: Improving Child Care and Early Learning Facilities" and Child Care Aware of America's ARP Implementation Tracker. When available, we reviewed information from states on their available facility-related funding opportunities.

We also analyzed publicly available data from the Department of the Treasury's SLFRF database to identify projects potentially impacting child care facilities. We reviewed projects associated with terms, including "child care," "childcare," "daycare," "day care," and "early learning," coding data to assess eligible uses, priority areas, and fund availability.

We distributed surveys designed to gather insights about how investments were deployed to support local child care facilities. We administered separate surveys to SSBCI and CCDF administrators from all states. In collaboration with the National Head Start Association, our Head Start survey was deployed to program grantees in all fifty states. The CCDF survey focused on grants targeting start-up, expansion, facilities maintenance, materials procurement, Quality Rating and Improvement System (QRIS) participation, and technical assistance. Detailed information was collected on program names, funding streams, eligible types of child care programs, allowable expenses, and specific types of care targeted. The SSBCI survey assessed eligibility criteria for different child care businesses based on net profit, number of employees, type of care provided, and nonprofit status. The Head Start survey explored the types of facilities projects supported by supplemental funding. Survey participants included 31 state administrators, 43 Head Start grantees, and 8 State Small Business Credit Initiative Administrators.

Based on the insights gathered from survey responses and desk research, select state CCDF administrators, program administrators, and intermediary staff were invited to participate in informational interviews. These conversations deepened our understanding of program design, systems alignment, implementation strategies, and lessons learned.

Explore FCF's online database of ARPA funded facilities initiatives

Findings

A scan of ARPA funding streams that impacted child care facilities capacity

The following section explores each of the five funding sources available to support child care facilities within ARPA. For each funding stream, we explore the extent to which states and other government units leveraged the funding to support facilities capacity. Where information is available, we explore the specific funding structures used to enhance facility capacity and how these implementation decisions supported equitable and effective access to facilities supports.

CCDF - Stabilization Grants

Provided significant funding for ongoing facilities costs, maintenance, and minor improvements in most states

> At least 44 states and the District of Columbia included facilities costs as an eligible expense in their stabilization grant design.

Child care stabilization grants were designed to help existing programs remain open by funding basic operational costs. Federally eligible uses of stabilization grants included supporting ongoing facilities costs such as mortgage, utility and insurance expenses as well as facility maintenance, minor renovation, and improvements. States that allowed facility maintenance and improvements in their stabilization grant design were encouraged to focus on meeting health and safety requirements, addressing COVID-19, and creating inclusive environments for children and families with special needs.

In FCF's desk review of state policy documents, 44 states and the District of Columbia included facilities costs as an eligible expense in their stabilization grant design. Most states structured their stabilization funding as flexible operational grants. It is unknown how much of this funding was allocated by child care program operators to facilities related costs. A handful of states, such as Arizona profiled later in this report, developed dedicated facilities grant programs using their stabilization funding.

Renovated infant-toddler classroom. Courtesy of LISC Phoenix.

Of the six states that did not include facilities costs as an allowable use of their stabilization grant program, four used other funding streams to support a dedicated facility grant program. Two states did not appear to allocate funding to child care facilities across the funding streams reviewed by FCF.

CCDF - Supplemental Discretionary Funds

Used by more than half of states to build facilities capacity through diverse approaches; Limited time and capacity may have impacted some states' ability to effectively target funds and provide equitable access

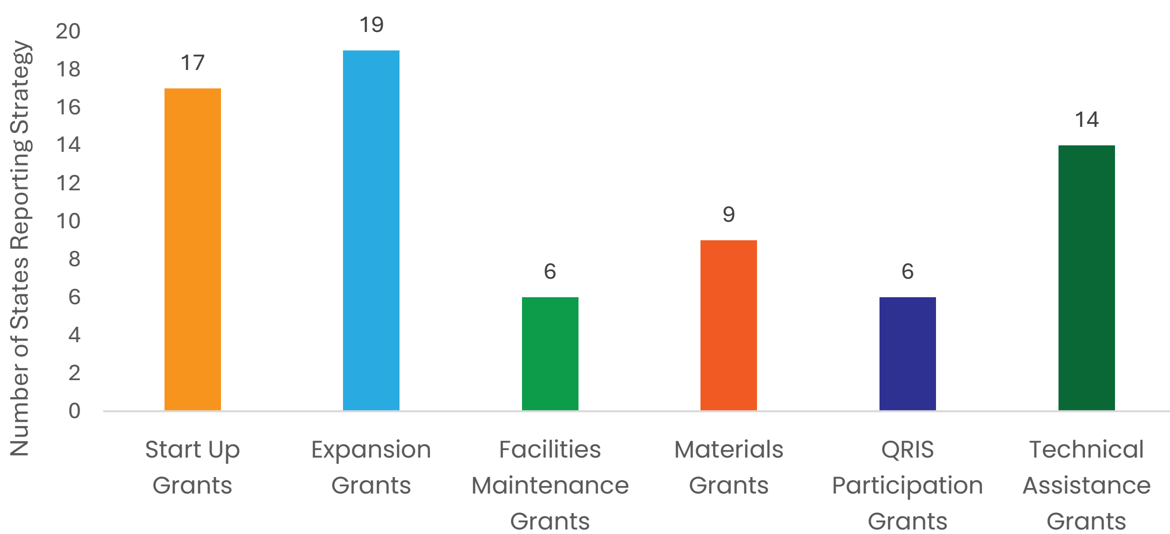
> At least 27 states crafted a facilities grant program using CCDF discretionary funds.

As opposed to stabilization grants, which were designed to retain the existing child care infrastructure through the disruption of the pandemic, discretionary funds were intended to support states in building better child care systems and helping more families afford care. Compared with stabilization grants, which had specific eligible uses and distribution requirements, CCDF discretionary funds provided states with significant flexibility to design funding programs to meet their needs.

FCF fielded a survey to CCDF administrators to understand how many states used this funding to build child care facility capacity and how these grant programs were designed. Through surveying and desk research, FCF confirmed at least 27 states crafted a facilities grant program using their discretionary funds. These programs varied significantly in their design and implementation.

States Used Diverse Strategies to Increase Facility Capacity: States surveyed reported increasing facility capacity in multiple ways with the most common being through expansion grants to increase the number of children enrolled in existing programs (states could report more than one facilities capacity building program or indicate a program fell into multiple categories).

Using CCDF discretionary funds, states reported crafting a variety of facilities grant programs, with expansion grants most common



Grant Minimums and Maximums Ranged Significantly Across States. For start-up and expansion initiatives maximum reported grant sizes ranged from $16,000 in West Virginia to up to $2 million in Alaska. Average maintenance and materials grants were smaller although they ranged in size up to $750,000 and $600,000 respectively. States took varying approaches to scaling their grant programs across center and family child care settings with many providing smaller grants for in-home care, including calculating grant sizes as a multiple of the number of children served or the additional slots created.

	Start Up	Expansion	Facilities Maintenance	Materials
States with Largest Grant Size Maximums Across Program Type	$1,000,000 reported by South Dakota, Montana, and Oklahoma	$2,000,000 reported by Alaska	$750,000 reported by Iowa	$600,000 reported by Illinois

Blended Funding Sources May Account for Some Variation in Design: Most programs to increase facility capacity used blended funding streams for child care facilities investments. States reported blended funding from ARPA CCDF Discretionary and Stabilization Funds, ARPA State and Local Fiscal Recovery Funds (SLFRF), other COVID-relief funding, state funding, Preschool Development Grants, annual CCDF quality set asides and philanthropic funding. Blending funding may have provided states with more flexibility to tackle significant facilities projects prohibited by CCDF regulations. Four states reported using CCDF dollars within a program that allowed for property acquisition, construction, and major renovation using blended dollars. Using annual CCDF funding, state funds, or philanthropic sources could also provide longer runways and sustainability past ARPA's liquidation deadlines.

Renovated garage becomes classroom. Courtesy of FCF

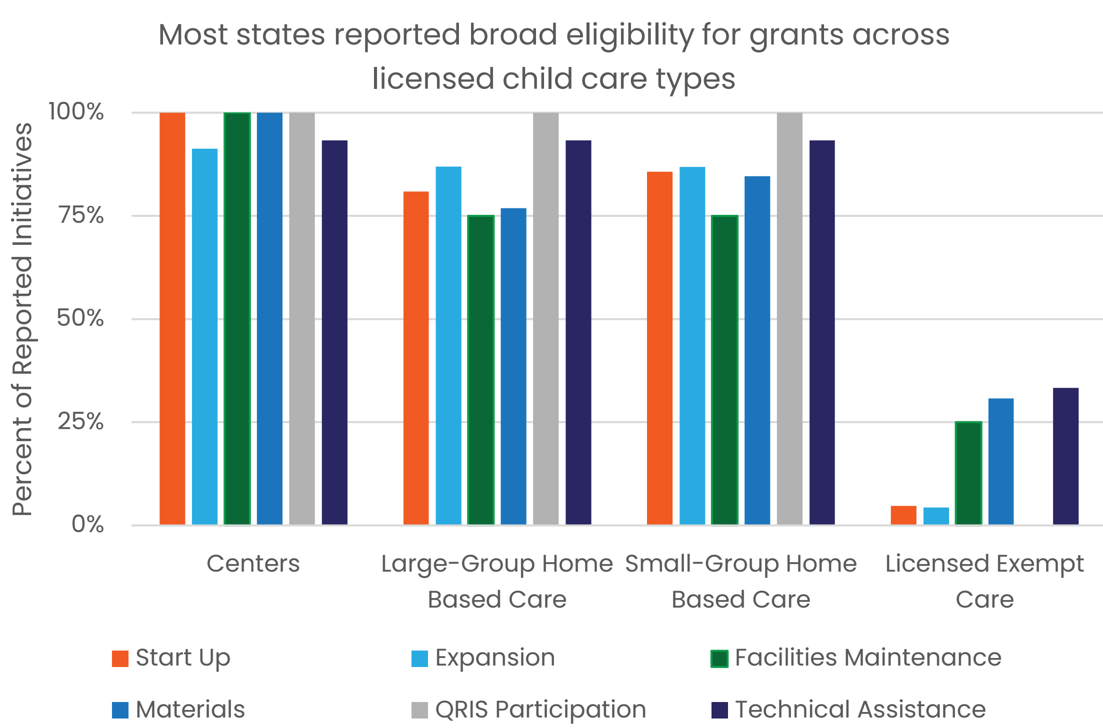
Intermediaries Supported a Majority of Reported Facilities Initiatives

Overall, 65% of the initiatives reported by survey respondents relied on nongovernmental intermediaries to distribute funding to child care programs, provide technical assistance, and support monitoring and compliance. For maintenance grants, 100% of the reported initiatives relied on intermediaries and approximately 75% of start-up, expansion, and materials grants involved intermediaries. QRIS participation incentives were the least likely to involve intermediary support.

State administrators described intermediaries as critical partners, especially for states deploying multiple grant programs simultaneously with similar obligation and liquidation deadlines. As described in the case studies to follow, intermediaries played a multifaceted role including designing initiatives, creating awareness and trust, as well as supporting grantees through the application period, spenddown, and reporting.

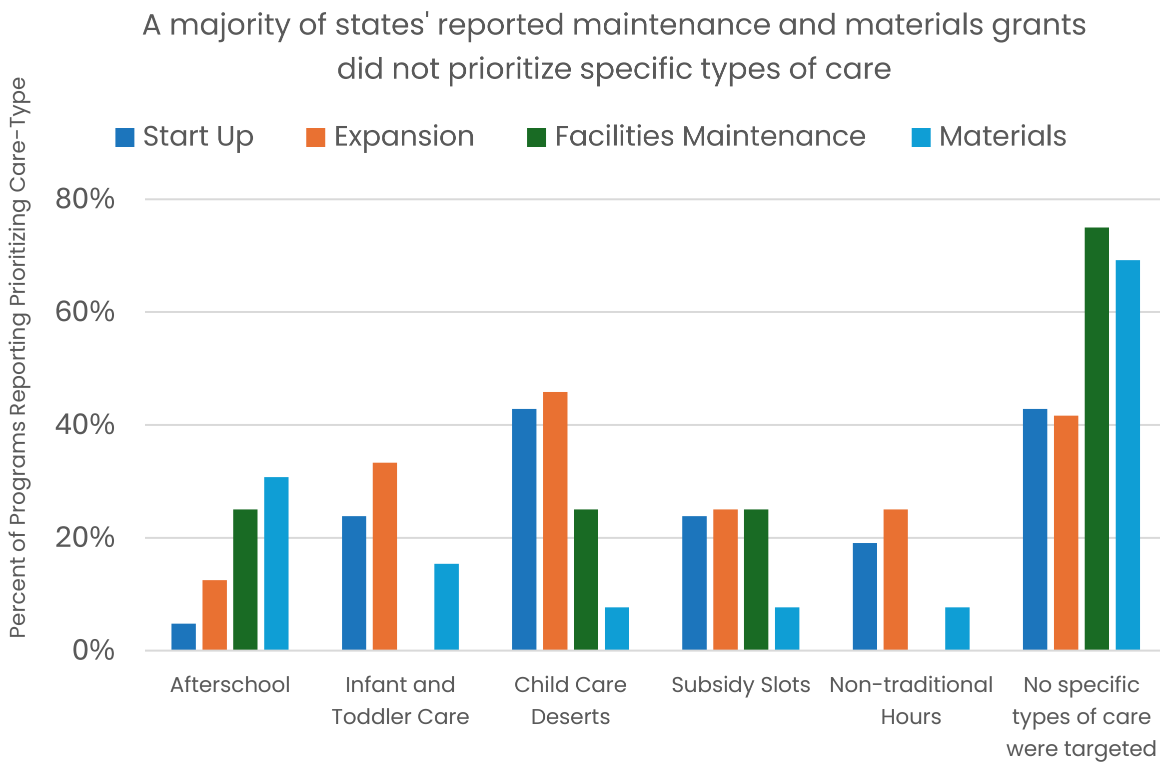
Before and after. New playground structure. Courtesy of New Jersey Economic Development Authority

States Reported Broad Grant Eligibility with Mixed Reports on Uptake: A majority of state respondents indicated that most licensed types of care, both center and home based, were eligible to receive their facility grants. Four states responded that licensed-exempt care was eligible for materials grants, and five states included licensed-exempt care in technical assistance. However, in interviews several states reported struggling with uptake of grants among family child care providers, indicating a potential gap between program design goals and actual distribution of funding.



Some States Did Not Prioritize by Care-Type While Others Created Multifactor Prioritization Rubrics: Across survey responses, just over half of CCDF Discretionary funded grants (17 out of 30 reported initiatives) did not target specific types of care, such as alternative hour care or subsidized care through their grant making process. As demonstrated in the table below, this was particularly true of maintenance and materials grants, although also included some start up and expansion initiatives. In some cases, this was the result of limited capacity to prioritize grant applications. Several grant administrators shared they would have liked to have more ability to rank applicants based on need or target for funds, but instead allocated funding on a first come, first serve basis. Grant programs that did prioritize types of care typically used a scoring process that included multiple dimensions, with prioritization for infant toddler care, subsidized care, and geographic priority areas the most common (states could indicate multiple priorities in FCF's survey).

Within prioritization categories, states shared differing approaches and definitions. For example, when developing geographic priorities some states used recent needs assessments while others relied on child care desert data from prior to the pandemic. Among similar criteria there were varied approaches. Some states defined prioritizing subsidized care by giving priority to all programs if they were registered to accept subsidy (even if they did not currently enroll any families with subsidies) while others required programs to serve +50% subsidized children to access grants. Some states prioritized programs operating any nontraditional hours while others ranked applicants based on the number of nontraditional hours offered. Administrators reported grappling deeply with these design decisions and having ongoing questions about their approach.



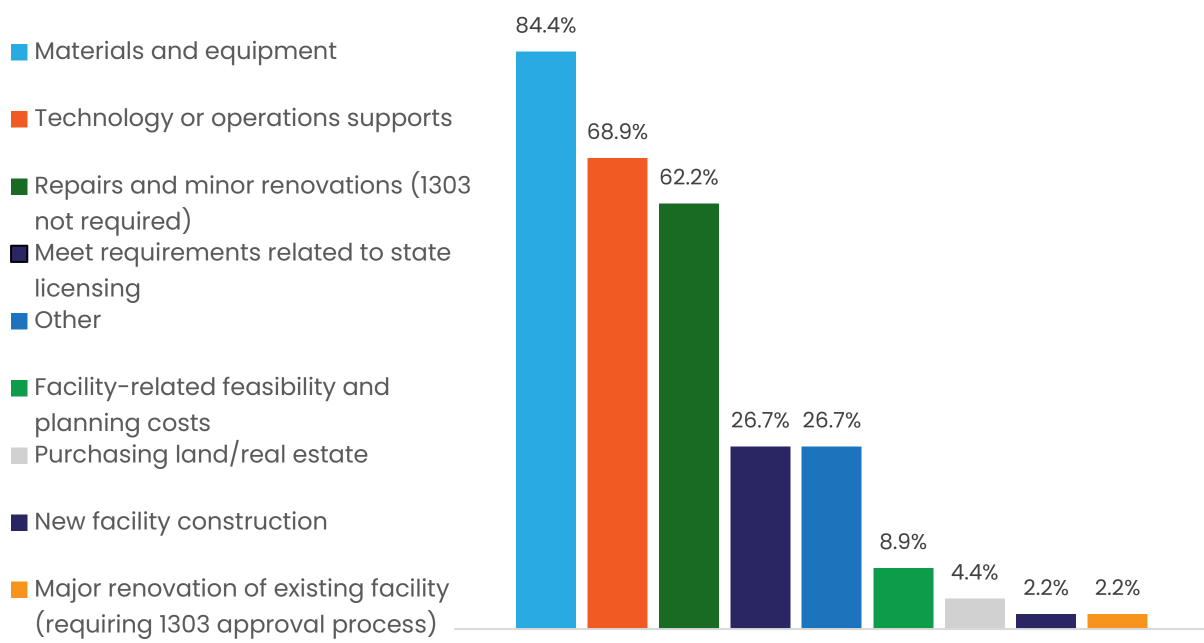
Head Start Supplemental Funding

Provided transformative facility funding for those able to navigate a complex approval process; Primarily used to fund maintenance, minor repairs, and materials

As a federal to local initiative, Head Start supplemental funding was provided directly to Head Start grantees rather than states. The supplemental funding could be used to build facility capacity in a variety of ways, including new construction and major renovation of facilities. Because funding allocation decisions were made on a program-level, it is unknown how much of the available funding was used to support facilities. However, through a survey of Head Start program administrators as well as interviews, it seems likely that most of this funding was used to support materials and equipment, technology, repairs and minor renovations.

While the acquisition, construction, and major renovation of facilities is allowable using Head Start funding, programs must complete a rigorous application process, colloquially known as a 1303. A 1303 requires significant documentation, assessments and proposals, resulting in a process that may take multiple years to be completed and approved. This posed a challenge with ARPA's tight obligation deadlines. Additionally, programs cannot use federal funds toward feasibility and planning costs on an unapproved project. Finally, because undispersed programmatic funds are pooled to fund 1303, neither grantees nor their federal partners have full insight into the total funding available until late in the process hindering effective planning. A Head Start grantee that successfully navigated the 1303 process is profiled on page 28-29.

Few Head Start survey respondents used supplemental funding for purchasing real estate, construction, or major renovation



State and Local Fiscal Recovery Funds

An unprecedented but competitive opportunity for facility acquisition, construction and renovation; Family child care and smaller entities had limited access

> At least 41 states and 206 unique local government entities received SLFRF funding for 348 relevant child care facility projects with a cumulative obligation of $1,008,528,639.

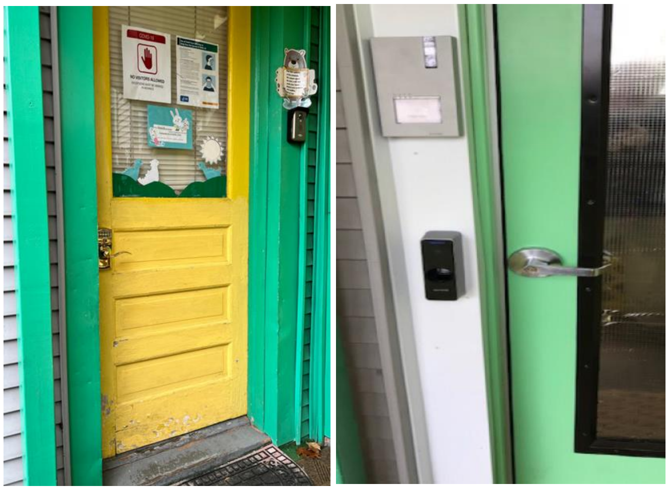
FCF coded and analyzed publicly available data to understand the investment made in child care through SLFRF. Unlike the previously explored funding streams, SLFRF was available to states and local government entities to use for a wide variety of purposes. At the city, county, and state-level, child care stakeholders applied, pitched, and politicked to get their project included within large, cross-sector applications made to the U.S. Treasury. SLFRF funding had no prohibition on acquisition, construction, or major renovation.

FCF analysis revealed that 41 states and 206 unique local government entities applied and received funding for 348 relevant child care facility projects with a cumulative obligation of $1,008,528,639. State projects represent $734 million of this total. SLFRF was used by states like Wisconsin, New Jersey, Idaho, Nevada, Kansas, Delaware, and Iowa to fund child care facilities initiatives, ranging from $15-44 million obligated, intended to build child care supply at scale. Several of these initiatives are detailed in the case studies in this report. States requests also included smaller dollar projects earmarked for specific programs such as the $50,000 for a new HVAC system for a YMCA program included in Connecticut's SRLRF projects.

A majority of the projects proposed by local government entities were earmarked for specific programs including many YMCA/YWCA, Boys and Girls clubs, and local nonprofits. Interviews with organizations involved in these projects revealed the importance of established nonprofits' name recognition, partnerships, and administrative capacity in securing and deploying this federal funding.

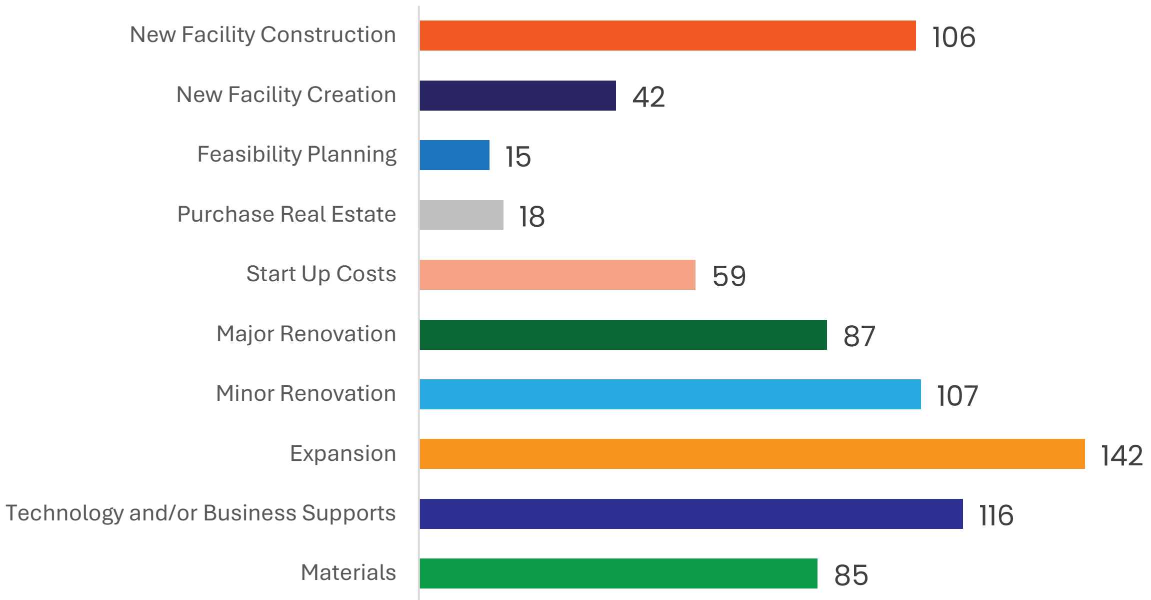
SLFRF projects include new construction and major renovations as well as technology and materials grants. Efforts to expand supply were the most common type of initiative. Despite its allowability, there were relatively few projects which involved purchasing real estate.

> Only 18% of the SLFRF-funded child care facility projects identified by FCF were aimed at family child care providers.



Before and after. New door and security system.
Courtesy of New Jersey Economic Development Authority

Total Number of SLFRF Projects by Category



SLFRF data was analyzed to categorize fund allocations based on the publicly available descriptions of various projects. The following table outlines how these SLFRF projects were classified into distinct categories related to facilities projects. Each category was identified by specific keywords and phrases within the project descriptions.

Project Category	Project Description
New Facility Construction	Specifically mentions funding construction costs.
New Facility Creation	Refers to general contributions to a facility's capital campaign, with exact usage unspecified.
Start Up Costs	Indicates funding for operational costs during the start-up phase.
Feasibility Planning	Describes funding allocated for feasibility studies and/or planning costs.
Purchase Real Estate	Specifies using funds for purchasing a building and/or land.
Expansion	Mentions funding for expanding care capacity, operating hours, or physical space.
Major Renovation	Refers to renovations meeting the CCDF definition of major renovation, as defined prior to the 2024 CCDF final rule.
Minor Renovation	Refers to renovations outside of the CCDF definition of major renovation, as defined prior to the 2024 CCDF final rule.
Technology and/or Business Supports	Includes projects that provide technology or business supports for current or prospective providers.
Materials	Includes projects that provide materials such as equipment, curriculum and other supplies to providers.

State Small Business Credit Initiative

Child care businesses are likely eligible for many capital access programs but may not be aware of them.

The SSBCI provided funding to states, Tribes, and territories to increase access to capital for small businesses through technical assistance and a variety of allowable financing mechanisms, including venture capital, loan participation, loan guarantees, and collateral support. Initiatives are administered by a variety of entities, including states' departments of economic development, public-private financing authorities, and CDFIs. Unlike the funding streams previously described, many SSBCI initiatives were still in planning and development phases during the creation of this report and had not yet dispersed funding.

Damaged flooring replaced. Courtesy of FCF

FCF fielded a survey to program administrators asking about the eligibility of child care programs for their SSBCI. FCF received responses from 13 unique initiatives across eight states. This represents a small portion of SSBCIs and is not necessarily a representative sample. Only one initiative reported significant lending to the child care sector. A majority of the SSBCI programs reported that child care centers of a variety of sizes, including nonprofits, would be eligible for their initiative; six reported that family child care providers would be eligible. Three initiatives reported conducting specific outreach to the child care sector.

Renovated play space with shade. Courtesy of LISC Phoenix

The Big Picture for States

How states developed scaled efforts to improve facilities capacity

Renovated playground with shade cover.
Photo courtesy of LISC Phoenix.

As listed in the following chart, FCF found that at least 38 states developed dedicated, statewide initiatives designed to support the startup, expansion or improvement of facilities using CCDF Stabilization funds, CCDF Discretionary funds, and/or SLFRF. The vast majority of these initiatives were competitive grant programs, along with a smaller selection of initiatives that distributed technology and materials, facilitated shared services, or offered technical assistance. This count excludes states that allocated SLFRF exclusively to repair, renovate or construct a specific facility. Additional facilities initiatives may have occurred in states that did not respond to FCF's survey. Compared to broader stabilization efforts, these initiatives were more likely to offer facilities-specific guidance, resources, and technical assistance to support successful and equitable repair, renovation, and development activities.

These statewide initiatives primarily supported facility capacity by funding material and equipment purchases, technology, repairs and minor renovations, as well as in some cases, planning and predevelopment costs. As described in the case studies to follow, these facilities initiatives were impactful. However, despite the significant investment ARPA represents, it appears to have supported only modest facility purchasing, construction, and major renovation activities. Among the funding streams that allowed these activities, federal approval processes and competing priorities seem to have limited their application in truly transforming child care infrastructure.

Importantly, FCF's ARPA scan indicates that some states, such as Colorado and Nevada, as well as Washington, DC, developed cross-agency plans to deploy federal relief funding streams strategically to build child care facility capacity. Funding facilities initiatives through SLFRF was critical to this strategy, allowing states to then invest more restricted CCDF dollars on maintenance and minor renovation, or other key priorities such as workforce compensation.

State Level Funding Initiatives						
	Funding Source		Intermediary Used for State-Wide Investment	Eligibility		
	CCDF	SLFRF		Centers	Licensed Family	Family Friend & Neighbor
Alaska	CCDF		Yes	√	√	√
Arizona	CCDF	SLFRF	Yes	√	√	
Arkansas	CCDF		Unknown	Unknown	Unknown	Unknown
California	CCDF		Yes	√	√	√
Colorado	CCDF	SLFRF	No	√	√	
Connecticut	CCDF		Yes	√	√	
District of Columbia	CCDF	SLFRF	No	√	√	
Georgia	CCDF					
Hawaii	CCDF		Yes	√	√	
Idaho		SLFRF	Yes	√	√	
Illinois	CCDF		Yes	√	√	
Iowa	CCDF	SLFRF	Yes	√	√	
Kansas	CCDF	SLFRF	Yes	√	√	
Maine	CCDF	SLFRF	Yes	√	√	
Massachusetts	CCDF		No	√	√	
Michigan	CCDF		Yes	√	√	
Minnesota	CCDF		Yes	√	√	√
Montana	CCDF		Yes	√	√	
Nevada		SLFRF	No			√
New Hampshire	CCDF	SLFRF	Unknown	√	√	Unknown
New Jersey		SLFRF	Yes	√	√	
New Mexico	CCDF		No	√	√	
New York	CCDF		Yes	√	√	
North Carolina		SLFRF	No	√	√	
North Dakota	CCDF					
Ohio	CCDF		No	√	√	
Oklahoma	CCDF		No	√	√	
Oregon	CCDF		Yes	√	√	
Pennsylvania	CCDF		Yes	√	√	
Rhode Island	CCDF	SLFRF	Yes	√	√	
South Carolina	CCDF		No	√	√	
South Dakota	CCDF		No	√	√	
Tennessee	CCDF		No	√	√	
Utah	CCDF		Yes	√	√	
Vermont	CCDF		Yes	√	√	
West Virginia	CCDF		Yes	√	√	√
Wisconsin	CCDF	SLFRF	Yes	√	√	√

The table above highlights state-led investments in child care facilities. Relevant, but locally administered, SLFRF initiatives are excluded. Information on CCDF funding was collected via desk research and a survey of state CCDF administrators. Administrators from the following states did not respond to our survey, and therefore information related to their CCDF investments may be incomplete: Delaware, Florida, Idaho, Indiana, Kentucky, Louisiana, Maryland, Michigan, Mississippi, Missouri, Nebraska, Nevada, Ohio, Oregon, South Carolina, Texas, Washington, and Wyoming.

Tribes' Experience

Tribes' had increased flexibility to use ARPA funding for facilities construction and major renovation, but tight timelines and approval processes may have limited significant facility development.

ARPA represents the single largest transfer of federal funds to Tribal Nations in U.S. history. Approximately, $32 billion dollars flowed to Tribes, with $12 billion distributed through programs housed in various federal agencies, including the Office of Child Care and Office of Head Start, and $20 billion distributed directly to Tribes through SLFRF. On a per-capita basis, Tribes' experience of ARPA funds varied significantly. SLFRF, which was allocated to Tribes in part based on their pre-pandemic employment, may have inequitably benefited larger Tribes with stronger economies, gaming, and natural resources, rather than, as intended, helping the Tribes hit hardest by the COVID-19 pandemic. Reporting on Tribes' SLFRF funded initiatives is not publicly available and was not included in the analysis of SLFRF funded projects earlier in this report.

Tribal Nations had access to all five funding streams previously described in this report. ARPA's expansion of the SSBCI program included Tribal Nations for the first time. Tribes were able to use supplemental Head Start funds to enhance facility capacity, but still needed to go through the cumbersome 1303 process for federal approval on construction and major renovation. Tribes, unlike states, had flexibility to use CCDF Supplemental Discretionary Funds on major renovation and construction of child care facilities with federal approval also required.

In 2022, FCF conducted a series of surveys with CCDF administrators at 10 Tribal Nations that share geography with the Upper Midwest. In a July 2022 survey, three Tribes were constructing facilities while six Tribes were expanding or enhancing facilities using ARPA CCDF discretionary funds. This suggests significant facilities development was undertaken by Tribes using ARPA funding. However, participants also reported key limitations in leveraging ARPA funding to effectively build facility capacity. Obligation and liquidation timelines made it challenging for Tribal administrators to plan significant construction projects, especially when navigating approval processes with both their Tribal governments and the federal government. Staffed capacity to administer funds was another challenge with one survey respondent sharing, "There is a limited amount of time to be able to understand and implement allocation of funds. Many on my team do not have full time capacity to put towards administration of this grant. The funds are appreciated but the amount of time it takes to facilitate allocation is very challenging."

"ARPA benefited many Tribal child care programs but was a missed opportunity to transform Tribal child care infrastructure. Future initiatives must consider longer planning timelines, more technical assistance, and targeted investment in the Tribal child care systems," shares Barb Fabre, Tribal child care expert and Executive Director of All Nations Rise.

Strip mall redeveloped into nature-based child care center. Courtesy of Outdoor Discovery Center

Case Studies

FCF conducted interviews with a wide variety of public administrators and intermediaries involved in state and local initiatives. The conversations focused on how facilities initiatives were designed, the goals behind these design decisions, and lessons learned during implementation. Some of these conversations are summarized in the case studies to follow. They were selected to reflect the diversity of funding streams and approaches implemented and how these differences ultimately impacted child care facility capacity.

Arizona Child Care Infrastructure Grants	
Grant Administrator	LISC Phoenix
Funding Source	CCDF Stabilization and Supplemental Discretionary Funds
Funding Size	$65 million
Eligible Child Care Settings	Child care centers, certified small group homes, certified family child care providers
Grantee Requirements	Must accept children who receive child care subsidy
Priority Determinations	✓ Located in low-to-moderate income communities or child care desert ✓ Provide non-traditional hour care ✓ Serve more than 50% of children receiving financial assistance ✓ Offer infant and toddler care ✓ Offer care for children with special needs ✓ Have a waitlist
Grant Maximum Amounts	$300,000 for centers, $25,000 for family child care, $50,000 for small group
Eligible Uses	✓ Minor renovations ✓ Pre-development costs ✓ Technology ✓ Outdoor learning spaces

Large scale facilities investment transforms communities.

The Arizona Child Care Infrastructure Grant program, built on the successful facilities initiative by LISC Rhode Island, was implemented and managed by LISC Phoenix who partnered with five local technical assistance organizations that leveraged existing relationships to build trust and offer on-the-ground support, coaching, and business training to grantees.

LISC Phoenix played a pivotal role in supporting child care providers with the support of the local technical assistance organization through bi-weekly coordination meetings. They developed a comprehensive set of resources for grantees in both English and Spanish, including newsletters, step-by-step contracting guides, training videos, facility manuals, self-assessment tools, and contractor and vendor lists. The LISC team hosted office hours in both languages that accommodated providers' schedules, initially weekly and later daily.

Eligible projects could improve an existing facility, expand or move to a new facility; or plan to open a new facility. The initiative aimed to allocate 15% of funding to startups. However, the CCDF funding's prohibition on construction and major renovation created a barrier to supporting new entrants without their own capital to fund facility construction. Community institutions, such as local universities, were able to effectively use the grant to offset planning costs as they developed on-campus child care.

Within two weeks of opening, the program received applications requesting $160 million in funding. LISC sought to create an objective prioritization system to fairly and transparently select grantees. Priority areas, including low-to-moderate income areas and those with lack of access to child care, had been established in a previous child care landscape report; applicants received additional points based on the extent their program served infants and toddlers, children with special needs, children receiving financial assistance, as well as for offering alternative hour care.

Outdoor play space. Courtesy of LISC Phoenix

The application process was divided into phases: first ensuring applicants were eligible and in good standing with the state, submitting project budgets and up to three-years of program financials, and finally obtaining up to three vendor quotes to comply with federal regulations. State requirements to use a certified contractor posed challenges, especially for small dollar projects. LISC engaged a renovation consultant to create specialized guides on project management, vendor selection, scope development, and conflict resolution in construction. Technical assistance providers also spent significant time supporting applicants as they built digital literacy in order to complete the online application and reporting process.

Outdoor play space. Courtesy of LISC Phoenix

At the culmination of the grant period, just under $60 million was distributed to 478 providers, of whom 40% increased their capacity to create 2,800 new child care slots. Practitioners also emphasized the spillover benefits of improving child care facilities at this scale, including new technical assistance partnerships, a host of certified contractors with expertise in child care, and whole communities enhanced. With a focus on low-to-moderate income neighborhoods, in some communities multiple local child care programs had new frontages, awnings, and playgrounds highlighting the role child care can play in community beautification and place-based economic development strategies.

Idaho Expansion Grants	
Grant Administrator	Idaho Development Council (WDC)
Funding Source	SLFRF
Funding Size	$15 million
Eligible Child Care Settings	Licensed child care facilities for children aged 0-13
Grantee Requirements	Must have: ✓ Local business partnership ✓ Evidence of financial sustainability
Priority Determinations	✓ Located in child care desert ✓ Creation of infant and toddler seats
Grant Maximum Amounts	Matched 50% of costs, up to $15,000 per child care slot
Eligible Uses	✓ Building purchase ✓ Major renovation ✓ Minor renovations ✓ Start-up costs ✓ Recruitment ✓ Training ✓ Retention ✓ Quality improvement

Facilities funding incentivizes employer partnerships.

A statewide survey amid the COVID-19 pandemic identified a lack of accessible child care options as a barrier to full workforce participation across Idaho. In response, the Idaho State Senate allocated $15 million in one-time SLFRF funding to launch the Child Care Expansion Grant.

The Expansion Grant supported licensed child care centers with startup or seat expansion projects by reimbursing up to 50% of their costs. Because the grant was funded with SLFRF investments, grantees projects were outside of the bounds of CCDF restrictions on major renovations and construction.

Applicants were required to forge explicit partnerships with local businesses or employers, which could involve financial contributions, sponsored slots, or other collaborative arrangements.

WDC assembled a grant committee to develop a rigorous application evaluation rubric. Applicants needed to submit comprehensive proposals outlining project timelines, interim financing plans, and documentation of a 50% match in project funds. The program funded both "shovel-ready" projects and projects still in development if they met all criteria.

The WDC team felt strongly that every application taken to the grant committee needed to be complete and competitive. To support applicants, WDC staff provided technical assistance through tailored document templates. They observed a significant demand for coaching to strengthen business plans, budget templates, and other required documentation. Subsequent funding rounds focused on the unique needs of public safety personnel and their families, refining the application rubric to prioritize non-traditional hours of care and locations serving these families.

By January 2023, the initiative had facilitated over 2,800 new child care seats statewide. Larger centers, including three Boys and Girls Club locations, added a total of 1,050 seats through partnerships with multiple employers and leveraged expansion grant funding in addition to other funding sources. Several rural community hospitals and public-school districts also created or enhanced their facilities to provide child care to attract and retain staff. These projects benefit not only participating children and families, but also help ensure rural communities maintain access to key services.

Minnesota Child Care Facility Revitalization Grants	
Grant Administrator	First Children's Finance (FCF)
Funding Source	CCDF Supplemental Discretionary Funds
Funding Size	$31 million
Eligible Child Care Settings	Certified centers; licensed centers, licensed family child care, Tribally-licensed child care, legally non-licensed registered child care providers
Grantee Requirements	✓ Must be licensed or certified child care businesses, legally non-licensed provider registered to serve children who receive financial assistance, or new provider who has met certain benchmarks in the licensing process
Priority Determinations	✓ Located in child care desert ✓ Serve "high need" children ✓ Single site, and 2-4 site businesses
Grant Maximum Amounts	$20,000 for centers and $15,000 for family child care $500 for legally non-licensed providers
Eligible Uses	✓ Minor repairs ✓ Equipment ✓ Expenses related to health, safety and licensing requirements

A funding-first approach promotes equitable access.

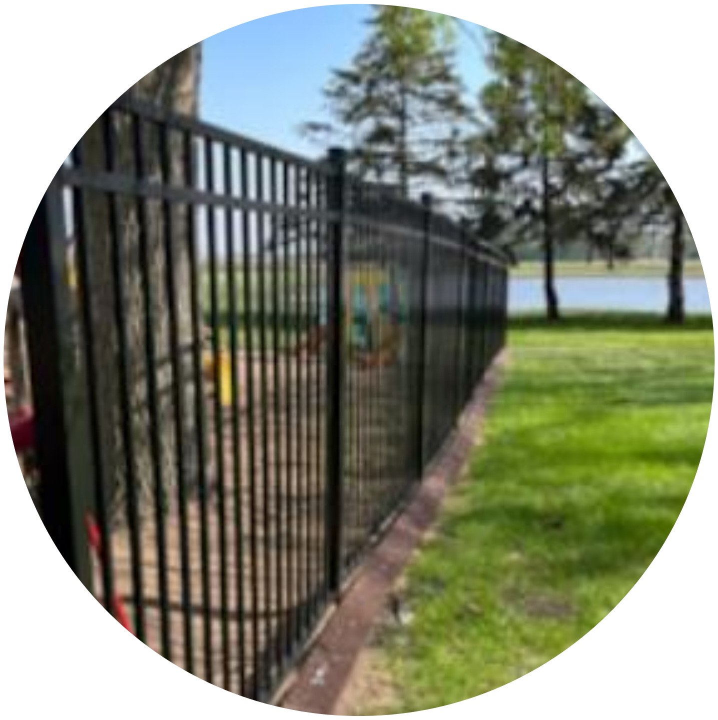
The Minnesota Department of Children, Youth, and Families (DCYF) engaged First Children's Finance (FCF) to design and administer the Child Care Facility Revitalization Grant program. Working with FCF as an intermediary allowed DCYF to draw on FCF's extensive history in the state and established relationships with child care providers.

Before launching the grant program, FCF conducted multiple engagement sessions with child care providers, to gather insights into the field's needs and ensure transparency and trust in the grant process. These sessions, guided by input from DCYF, informed decisions on grant usage, payment structures, equitable outreach strategies, and payout procedures. In recognition of their shared challenges, providers encouraged FCF to offer smaller grants in order to meet the needs of more providers.

FCF convened an advisory group of industry experts who provided critical oversight and guidance during the grant administration process. The grant program unfolded in eight rounds from early 2022 to late 2023.

Following a competitive grant process, recipients received 90% of their requested funding upfront, with the remaining 10% reimbursed upon successful completion of final project reports. This structure was intended to increase equitable access and support providers in executing their facilities projects without having to access upfront personal funds. Despite receiving the majority of funding upfront, grantees were responsible stewards of grant funds with fewer than .0025% referred to Minnesota DCYF for noncompliance of grant terms.

Ensuring equitable application processes and support involved selecting a user-friendly application tool and personalizing communications. Program staff utilized social media platforms for engagement, conducted video chats and visited providers to assist with project planning and documentation. The team also hired translators and multilingual staff to support non-English-speaking applicants effectively.



New fence separates play space from water hazard. Courtesy of FCF

By the program's conclusion, 2,725 child care businesses had received grants averaging just under $10,000 each. The most common uses of funding were to replace or enhance flooring, fencing, and outdoor play structures. Increased satisfaction among families and educators was reliably reported, alongside the addition of nearly 7,000 child care slots.

Replaced flooring. Courtesy of FCF

Reflecting on the program's achievements, the FCF grants team credited its success to fostering strong partnerships with providers. Beginning with the engagement sessions and outreach to community-specific provider associations, word-of-mouth referrals increased and diversified applicant pools. Strong grantee representation among family child care, rural, and BIPOC providers suggest FCF’s efforts to increase access to facility revitalization capital were effective.

Dangerous border replaced in play space. Courtesy of FCF

CARE Nevada	
Grant Administrator	Department of Health and Human Services, Division of Welfare and Supportive Services (DWSS)
Funding Source	CCDF Supplemental Discretionary Funds from CRRSA
Funding Size	$7.8 million
Eligible Child Care Settings	License Exempt child care providers
Requirements	Must be interested in: ✓ Licensure ✓ Program expansion ✓ Moving to a new property ✓ located in Clark County, NV
Priority Determinations	✓ History and planned future of providing child care ✓ Creation of infant and toddler seats
Maximum Amounts	$185,000 per new family child care home
Eligible Uses	✓ New facility creation

An innovative funding mechanism opens the door to homeownership for child care providers.

Providers in Nevada have historically faced significant challenges transitioning from informal care to licensed family child care providers. Driven by the feedback from listening sessions with current and prospective providers, the Nevada Division of Welfare and Supportive Services (DWSS) embarked on an ambitious campaign to expand family child care across the state. Leveraging pandemic relief funds, DWSS forged partnerships with local child care resource centers, The Children's Cabinet, Mission Driven Finance (MDF), and Access Community Capital to pursue three primary objectives: enhance capacity, stabilize providers, and improve financial sustainability.

A pivotal aspect of this initiative was the collaboration with Mission Driven Finance's Care Access Real Estate (CARE) Investment Trust, specifically tailored for Clark County, NV. CARE brought expertise in property acquisition, renovation, and financial assessment, and blended the state's investment with philanthropic program related investments (PRIs) with the plan to ultimately acquire and renovate up to 40 homes, optimized for large-group family child care. Concurrently, DWSS teamed up with Wonderschool to develop a business training program aimed at preparing informal caregivers for upcoming licensing opportunities.

MDF uses private and philanthropic dollars to purchase the properties. Under a fee for service agreement with the Children's Cabinet, MDF receives a set amount per home, which they use to administer the program. This includes operations as a child care friendly landlord and health and safety renovations.

During renovations, the MDF team conducts extensive interviews with current informal care providers who are simultaneously engaging in business capacity training. Upon completion, vetted providers were invited to lease the renovated spaces from MDF, facilitating their transition into licensed Group Family Child Care. After two years, providers have the option of purchasing the home.

New Jersey Child Care Facilities Improvement Program	
Grant Administrator	New Jersey Economic Development Agency (EDA)
Funding Source	SLFRF and State Funds
Funding Size	$121 million
Eligible Child Care Settings	Licensed child care centers, registered family child care providers
Grantee Requirements	✓ Must enroll at least one child receiving financial assistance
Priority Determinations	✓ Located in an opportunity zone
Grant Maximum Amounts	$200,000 for centers and $20,000 for family child care providers
Eligible Uses	Center: ✓ Minor repairs, installations and improvements ✓ Furniture, fixtures and equipment FCC: ✓ Furniture, fixtures and equipment -

A state leverages its experience with disaster relief to help child care businesses navigate complex requirements.

In 2020, the New Jersey Economic Development Agency (EDA) launched a Request for Information (RFI) to assess the needs of child care businesses. The RFI results illuminated the pressing need for child care facility upgrades and the lack of available financing options to support these essential improvements.

Driven by a commitment to the long-term health and success of child care and early education, the Murphy administration and the New Jersey State Legislature enacted the Child Care Revitalization Act. This legislation established the Child Care Facilities Improvement Program to provide critical funding for facility enhancements.

The EDA was selected to administer the grant program due to its expertise in facilities development, real estate management, and federal reporting processes, honed through previous initiatives such as Hurricane Sandy recovery efforts. Grant applications required detailed project plans including budgets, timelines, itemized costs, and contractor quotes.

The program was structured into two phases to cater to different types of child care facilities and funding sources. Phase one allocated State and Local Fiscal Recovery Fund funds to support grants for child care centers, while phase two utilized state funding specifically for registered family child care providers. The EDA team underscored that using state funds for home-based programs was strategic, aiming to eliminate financial barriers by covering 50% of upfront project costs.

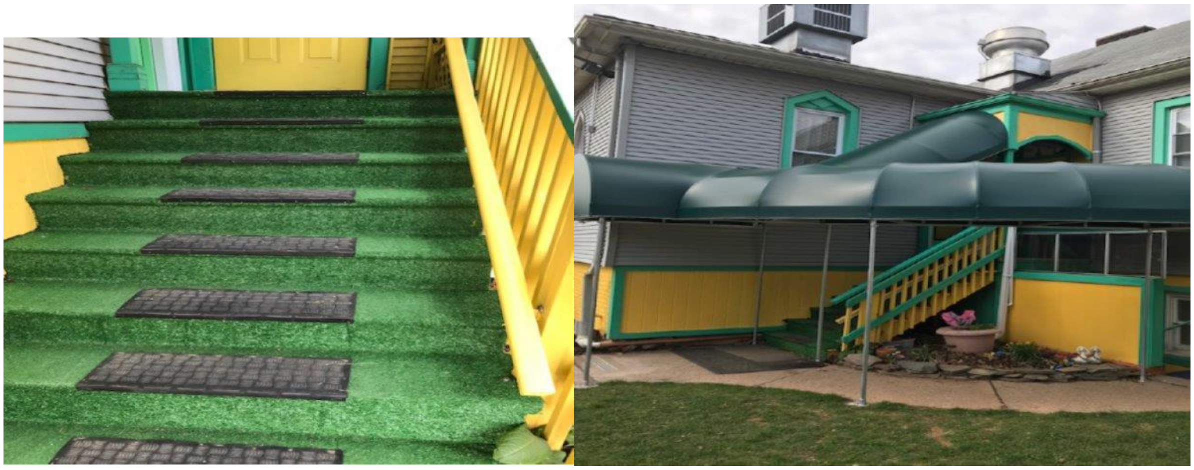
For center-based projects, the EDA implemented an innovative payment structure, paying contractors directly for their work after sign-off from providers, aiming to alleviate project management and financial burdens from grantees. EDA also surveyed certified contractors in the state about their interest and availability to undertake child care renovation projects, their specializations, and service areas. This additional information was shared with applicants to make it easier for child care businesses to select an appropriate contractor.

Damaged floor replaced. Courtesy New Jersey Economic Development Authority

After years of underinvestment grantees have been able to address issues such as poor sightlines and acoustics, making the child care facilities more attractive to both families and prospective staff members. Consequently, this has increased capacity by creating over 3,000 new infant and toddler seats.

Reflecting on the program’s impact, the EDA team acknowledged areas for improvement. They noted that the detailed project plan requirement often delayed communication and led to challenges with contractor availability and increased costs. They recommended restructuring the application process to include an initial eligibility phase followed by detailed project planning.

Overall, the EDA team believes their role in supporting the child care sector is crucial. They advocate for more states to engage economic development agencies in bolstering child care businesses, recognizing child care as a vital component of economic infrastructure.



Entryway stairs repaired and new awning. Courtesy of New Jersey Economic Development Authority

PAACT Repair and Renovation Grants	
Grant Administrator	Community Foundation of Greater Atlanta (CFGA), Georgia Early Education Alliance for Ready Students (GEEARS), Low Income Investment Fund (LIIF) and the Reinvestment Fund
Funding Source	SLFRF
Funding Size	$5 million
Eligible Child Care Settings	Licensed child care centers, family child care providers
Grantee Requirements	✓ Must serve low-income families ✓ Must serve children 0-4 ✓ Must participate in quality rating and improvement system ✓ Must be located within the city of Atlanta
Priority Determinations	✓ Culturally adapted care ✓ Nontraditional hour care
Grant Maximum Amounts	$75,000 for centers and family child care providers
Eligible Uses	- Repairs - Minor renovations

Comprehensive technical assistance addresses hurdles to facilities renovation.

The Promise All Atlanta Children Thrive (PAACT) alliance and the city of Atlanta, Georgia collaborated with the Low Income Investment Fund (LIIF) and the Reinvestment Fund to launch and manage the PAACT Repair and Renovation Grant program. Program Officers from LIIF and the Reinvestment Fund played an integral role in supporting grant applicants, and later recipients with every phase of the project.

A two-phase application process first focused on applicant eligibility while secondary applications included detailed project plans, project budgets and construction bids. During this second phase, grantees worked closely with Program Officers, who supplied a list of pre-qualified general contractors for grantees to solicit bids from. Program Officers visited grantee centers, facilitated bid walks as needed, monitored project progress, and provided assistance with any construction challenges.

A notable innovation of the program was the direct payment mechanism to contractors for services rendered to child care providers with Program Officers acting as technical assistance providers during the course of the project for any potential discrepancies. This streamlined approach relieved grantees of unnecessary administrative burdens, while maintaining accountability and oversight over project expenditures.

Local Examples

The following case studies highlight programs whose facilities were transformed through access to SLFRF and Head Start supplemental funding.

Outdoor Discovery Center, Michigan

New Facility. Courtesy Outdoor Discovery Center

The Outdoor Discovery Center (ODC) Child Care Network secured $7.5 million in SLFRF funding to add 1,000 new child care seats in Ottawa County, Michigan. ODC's partnerships with both public and private entities to tackle local child care challenges showcases how innovation at local levels can drive systematic changes.

Teaming up with several corporate partners, ODC is constructing four new on-site or near-site childcare centers and expanding an existing center. These initiatives will collectively add 1,000 new child care slots, for both corporate partners and the broader community, including alternative hour care for first and second shift workers. An additional 200 seats will be established through collaborations with the Ottawa Intermediate School District and local family child care providers.

The SLFRF funding has been instrumental in supporting ODC's capital infrastructure improvements, renovations, and staffing requirements necessary to launch these new projects. The broader ODC network takes pride in advancing outdoor education, making nature-based learning accessible to the wider community. This expansion project exemplifies their commitment, transforming previously unused or underutilized spaces into vibrant hubs of learning and exploration for community members across Western Michigan.

Flowers Early Learning, Michigan

Welcome display at new facility. Courtesy Flowers Early Learning

Flowers Early Learning, formerly Tri-County Head Start, in southwest Michigan, utilized nearly $350,000 of Supplemental Head Start ARPA funding to acquire a new facility for their Head Start community. This process took over three years and multiple iterations of the Head Start Part 1303 application process, that has resulted in an incredible new central home for their programming.

As a program that exclusively provides Head Start services, Flowers was ineligible for other ARPA funding allocated for child care facilities projects. Their reliance on strategic partnerships with philanthropic organizations provided the essential funding for the multiple studies required by the 1303 application. Laura Burtis, CFO of Flowers emphasized that while the Head Start program specialist offered vital support during the application process, the uncertainty and complexity of the process presented challenges that could be significantly improved for future Head Start construction or acquisition processes.

Flowers's new building consolidates eight classrooms from four centers from across the county into a single location on an expansive eight-acre campus. The consolidation will centralize support staff in one place, alleviate separate building responsibilities, and introduce a dedicated break room for staff wellness. According to CFO Laura Burtis, this move is nothing short of "monumental for our program."

Outdoor play space.
Courtesy Flowers Early Learning

The organization's acquisition of this new facility not only represents a significant milestone in their operational efficiency but also underscores the vital role of community partnerships and philanthropic support in advancing their mission to provide high-quality early childhood education in southwest Michigan.

Florence Crittenton Family Services, Montana

Florence Crittenton Family Services has been a cornerstone of support for vulnerable families in Helena, Montana, for over 125 years. Initially focused on youth maternity and recovery services, their mission expanded over the last five years to include child care services in response to growing community needs. Originally, child care was exclusively for their clients, but as demand surged, so did their commitment to broaden access.

Before COVID-19, Florence Crittenton operated its various services from separate locations. Recognizing the importance of holistic care integration, leadership embarked on an eight-year search for a single, spacious property capable of accommodating all their programs. In early 2022, their efforts culminated in the acquisition of the Cooney Building and its accompanying three acres, poised to become a comprehensive center for clients and the community alike.

Securing the Child Care Innovation and Infrastructure grant from the Montana Department of Public Health and Human Services (DPHHS) was a significant milestone. Concurrently, Florence Crittenton applied for SLFRF funding from the county commission to facilitate renovations at their new site. With an additional $600,000 in SLFRF funds, Florence Crittenton has effectively consolidated operations and enhanced their ability to deliver exceptional services to the community.

As the sole program in the state welcoming both mothers and their young children, Florence Crittenton sees itself not just as a service provider but as a catalyst for community development and expanded child care access. The infusion of funding has enabled them to expand from 8 to 48 child care slots in their new facility, marking a pivotal step in their ongoing mission to serve and empower the Helena community.

Recommendations

States, Tribes, and other entities enhanced facilities through diverse approaches. Several key trends, promising practices, and ongoing gaps emerged in FCF's scan.

Recommendations for States, Tribes, and Territories

- **Provide comprehensive technical assistance.** To support effective, equitable participation in facilities initiatives, provide comprehensive technical assistance that includes business readiness, project feasibility and planning, application guidance, and implementation support. Many program administrators noted the importance of extensive communication and continuity of support throughout the grant process.
- **Consider all aspects of expertise needed to support successful facilities projects.** Consider the need for technical expertise in child care business financials and operations as well as construction planning and management. Staff to support technology literacy were also in high demand across many initiatives that relied on online grant portals. Also consider the need to provide support in multiple languages.
- **Leverage Intermediaries.** Using intermediaries can provide ready access to the necessary expertise and make rapidly staffing initiatives much easier. This was a particularly important advantage given the tight liquidation timelines within ARPA. Intermediaries also leveraged existing trusted relationships with child care businesses.
- **Engage in provider-led design.** Engage child care operators in planning and design to build trust and better support initiative's goals. Through listening sessions or advisory groups, child care business owner perspectives can inform eligible uses, payment structures, timelines, and technical assistance needs, among other topics. This can help avoid some of the unforeseen barriers and unexpected consequences of program design noted across many initiatives.
- **Offer ongoing business technical assistance.** Include grant readiness as part of ongoing business technical assistance to support the capacity of the field to participate in facilities initiatives as they arise. Requirements to be a registered business, have a business bank account, and share up-to-date financials and tax returns were noted barriers to participation across many states. These business best practices should be supported by regular and ongoing technical assistance.
- **Address procurement barriers.** Explore using intermediaries to reduce administrative burdens that grantees may experience in your state's procurement processes, such as needing to register as a vendor with your state or following complex procedures to select contractors.
- **Develop a phased selection process.** Use a phased application approach to offer more targeted technical assistance and better align initiatives with typical construction timelines. Initiatives that supported applicants in determining if their program and project were eligible before requiring bids or selecting a contractor noted many benefits.
- **Invest in accessible technology.** Online grant portals can facilitate phased application processes, reduce error, and create a transparent and efficient experience for applicants, grantees, and initiative administrators. To the greatest extent possible, these portals should be integrated with state data systems to pull available data on child care programs, such

as licensed capacity, participation in subsidy and pre-k programs, quality ratings and accreditations, and more. Reducing duplicative data collection can significantly lessen administrative burden for both applicants and initiative administrators.

- **Support contractor selection process.** Every initiative that required certified contractors described contractor selection as a significant hurdle. Many states were limited in the extent they could vet or recommend contractors. Offering how-to resources, pre-gathering information from contractors about their availability, specialization, and service areas, and organizing bid walks were promising supports offered by states and intermediaries to address this challenge.
- **Explore alternatives to reimbursement-based grants.** The slim margins of the child care industry make it difficult for many businesses to have the cash or low-cost capital available to fund facilities projects even if they will ultimately be reimbursed at the conclusion of the project. CCDF and SLFRF rulemaking categorized child care operators as beneficiaries of federal funding rather than subrecipients, allowing funding based on proof of obligation rather than proof of expenditure. This designation enabled states and intermediaries to develop innovative funding processes, including providing up to 90 percent of project costs upfront, developing tri-party agreements to pay contractors directly, and engaging partners like a real estate investment trust to hold real estate assets on behalf of child care businesses. These mechanisms maintained strong financial controls without relying on reimbursing receipts. Whenever allowable, states and intermediaries should explore alternatives to reimbursement-based grants.
- **Collect impact data and explore downstream benefits of improving facilities.** An unexpected finding across multiple states was that initiatives primarily designed to improve current facilities, such as with upgraded floors and fences, ultimately resulted in thousands of new licensed slots, indicating an impactful and cost-effective supply-building strategy. Interview subjects also highlighted potential connections between enhanced facilities and workforce retention and/or family satisfaction.
- **Plan for and assess inclusion of home-based facilities.** Initiatives with high rates of family child care grantees made strategic efforts to boost their participation, including developing funding goals or set asides for home-based programs, thoughtfully and explicitly building awareness about their eligibility for funding, and designing supportive application processes. Tracking application rates as well the distribution of grants across license-types can help states and intermediaries evaluate the representativeness of their grantee pool and refine their strategies for reaching home-based providers.
- **Segment your target applicant pool.** Several initiatives offered tailored rounds of funding to startups and other priority groups with different selection metrics, timelines, payment structures, and partners to respond to the unique needs of applicants. Administrators using this approach should carefully consider the timing, balance, and messaging associated with these different opportunities.
- **Embed facilities initiatives within state strategic plans**. States leveraged landscape assessments and strategic plans to mobilize support, target their efforts, and help ensure the sustainability of their facilities investments. Funding facilities capacity within a broader vision to increase access, affordability, and raise workforce compensation helps ensure that newly developed or improved facilities can maintain staffing levels and achieve long-term financial viability. Several interview subjects spoke of a fear of propping up facilities that

would be unsustainable once ARPA-funded supports fully sunset. Facilities funding is part of a broader child care business ecosystem that needs strategic and balanced investment.

Recommendations for Federal Agencies

- **Fund facility assessments and child care access studies.** Some states were able to leverage recent needs assessments to craft targeted facilities interventions. However, most states lack detailed information about the status of child care facilities and their needs, and many lack up-to-date and detailed information about where increased child care supply is most needed. Facilities development can require significant resources and should be informed by appropriate, recent data. Providing states with funding to conduct these studies would support more strategic facilities investments to effectively improve child care access, especially for special populations.
- **Create a dedicated and ongoing facilities funding mechanism.** Across every initiative FCF interviewed, the demand for facilities grants was overwhelming. Federal funding is necessary to support the construction of new facilities and major renovation of existing facilities. Funding is also needed to support repairs and minor renovations, which are allowable under current CCDF regulations, but rarely consistently supported. Ongoing, regular facilities funding would also help develop and sustain a technical assistance infrastructure to support effective and equitable use of funds. Furthermore, providing states and Tribes with longer timelines to establish and sustain facilities programs would support more equitable outcomes across the country. Some states and Tribes were able to rapidly deploy ARPA funding for facilities while others had compressed implementation timelines due to lengthy legislative approval processes, which limited effective deployment of supports.
- **Provide guidance and guardrails on prioritization approaches.** Federal funding should include requirements for states to develop selection criteria for their facilities funding and support the evaluation of these choices. Some states offered funding on a first-come, first-served basis and others did not use selection criteria to promote investment in high need communities. Among initiatives that did aim to promote equitable investment through eligibility or prioritization criteria, practitioners reported wrestling with their design choices and ultimately landed on varied approaches. Evaluation to understand the outcomes of these different choices could inform technical assistance to states to design effective and equitable facilities initiatives.
- **Facilitate the blending of grants with lending.** Create a dedicated program to increase access to lending to support significant child care infrastructure development. We applaud recent efforts by the U.S. Treasury to increase access to capital for the care sector. However, given the significant, ongoing need for facilities capital – reflecting decades of underinvestment - a dedicated child care facilities program would ensure sustained, consistent funding, more awareness. and informed technical assistance tailored to the needs of the sector. This lending program should be closely tied to facilities grant funding and could use a mechanism similar to the USDA Rural Development's community facilities program, which uses a formula to award a blend of grant and lending capital based on applicant resources and needs.

- **Specify eligibility and incentivize child care facilities development initiatives across agencies**. Child care plays an integral role in the support of families, communities, and economies, and child care facilities currently benefit from diverse but very limited ongoing investments from federal agencies outside of Health and Human Services (HHS). As demonstrated by state, local, and Tribal governments' allocation of SLFRF to support child care facilities, explicit guidance on the eligibility of child care facility projects is critical to include in rulemaking when funding is not child care specific. Initial guidance on SLFRF listed "promoting healthy childhood environments, including new or expanded high quality childcare," as an eligible service. In final rulemaking, the Treasury confirmed that improvements to or new construction of child care facilities were eligible capital expenditures. Initial inclusion of clear guidance on the eligibility of capital projects may have spurred more significant child care facilities development through SLFRF.
  SLFRF rulemaking further designated child care operators as "beneficiaries" rather than sub-recipients, an important distinction to increase equity in child care facilities funding. As beneficiaries, child care operators experience reduced administrative burden, such as not needing to obtain a DUNS number. Beneficiary status also enables funding based on proof of obligation rather than proof of expenditure (i.e., a reimbursement process). As previously discussed, reimbursement-based funding processes are likely to limit the participation of family child care providers and small community-based centers, especially in low-income communities and communities of color where child care operators are most likely to operate on razor thin margins and experience barriers to accessing low-cost capital. Agencies, such as the Small Business Administration, Housing and Urban Development, Agriculture, and Commerce, should provide clear guidance on the allowability of child care initiatives within their economic and community development portfolios, categorize child care operators as eligible beneficiaries, and consider incentives or prioritization for child care initiatives to further encourage development. The Creating Helpful Incentives to Produce Semiconductors (CHIPS) and Science Act of 2022, which required semiconductor manufacturers requesting more than $150 million to invest in child care access for their workforce, demonstrates the limitless opportunities for incorporating child care incentives and mandates into wide-ranging funding programs across federal agencies.

Conclusion

Through ARPA funding, states, Tribes, and other entities invested in their local programs, formed key partnerships and technical assistance infrastructure, and stood up scaled grantmaking initiatives that made a significant impact on the facilities children, families, and child care workers rely on each day. They did this under tight deadlines and during a complex public health and economic crisis.

We view the many impressive initiatives profiled in this report as just a hint of what could be accomplished through ongoing and tailored federal investments in child care facilities. Lessons learned during ARPA implementation serve as a blueprint. With consistent funding—and more time, guardrails and technical assistance—transformative change in our child care facilities infrastructure is not only possible but demonstrably achievable.