

JANUARY 2001 WOMEN'S BUREAU CONFERENCE CALL
CAPITAL FINANCING AVAILABLE TO EMPLOYERS FOR
CHILD CARE CENTERS

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SUMMARY OF TOPIC

This call focuses on capital financing for child care a very complex and important topic. Good child care is in great demand and child care centers are operating very close to the edge with many of them going out of business every year. Most child care operators are very fearful of taking on debt and have little understanding of financial management for their small businesses. The country needs a greater supply of low interest loans and grants for capital investment in child care and providing technical assistance, as part of the package is a critical component of the financing puzzle. The following are some examples of innovative programs in Philadelphia, Washington D.C. and Washington State that are addressing the capital financing issue.

Philadelphia Pennsylvania

Child Care Matters: Funded by the William Penn Foundation providing 17 million over a six year period. One of the first things the project did was put up 150K and asked the City of Philadelphia to match it. This helped to create a health and safety fund where family child care providers and centers can apply for capital grants to improve health and safety in their facility or program. These programs typically serve low income families in urban neighborhoods and this fund goes along way to provide the basics for program health and safety.

Department of Community and Economic Development

Child Care businesses for profit and non-profit has recently been added to the small business loan program. This allows providers another funding stream to develop their businesses.

Reinvestment Fund of Philadelphia

This 80 million community development loan fund lends to a variety of organizations and is committed to doing low interest child care lending. The lending to date has been primarily for purchasing or renovating facilities. Providing technical assistance is an extremely important part of the process. The fund works with other child care advocacy groups to provide budget training.

Washington D.C.

There are four basic models that discussed in this call that focus on the different funding streams for child care.

Employers

There are both private and public employers providing on-site or near site child care. The District of Columbia government has passed legislation that says that it will provide child care for its employees under specific situations. It negotiates leases to include child care and the costs are spread across the all of the agencies occupying the building. The Superior Court built in the cost of adding a child care facility when it constructed a new building and The Federal government, the largest employer in the area now has child care in most of its locations. Many of the private employers are providing child care and back up care for area employees.

Developers

Housing Developers are building in child care facilities in new and renovated housing developments. Developers building office space are given incentives to include child care as part of the new facility, like additional floors etc.

Partnerships

These partnerships focus on building child care in areas that people live in rather that where they work. Private dollars, foundation money and the government raise these funds for facilities. The other way a partnership can work is the example of businesses donating land or a building for child care.

Grants and Loans

A good example of a loan and grant program is the Child Care Work Initiative. This initiative involves seven banks, two community development corporations, child care resource and referral agency, the office of early childhood development, pro bono legal assistance, private, corporate and family foundations. Loans go to family child care providers at a maximum of \$1,500.00. If the provider needs \$500 or less they get a grant but if they need more than that, they get a loan. The money from banks is used to buy down the interest rates. Providers receive 15 hours of business training and technical assistance.

Washington State

Child Care Facility Fund

Established in 1990 by the Legislature, this fund can provide loans up to \$100,000 for at a rate of 5%. These loans can be used for renovations and construction of new facilities but can not be used for purchase of land or buildings. Over the life of this program 39 loans have been granted that increased child care slots by approximately \$4,000 and 83 of the employers that currently offer on-site or near site child care have been served by this fund. This fund also receives some child care block grant development dollars that can be used for grants up to 25,000. These funds are for health and safety related expenses only and have primarily gone to non-profit centers that are doing child care for employers.

Child Care Micro Loan Program

The state used 1 million of TANF reinvestment dollars and gave that amount out in grants to five micro lending institutions around the state. They can then loan up to \$5,000 to family home providers and up to \$25,000 to centers for any costs except purchasing land or buildings. The interest rate varies between 5%-7% depending on the lender and the location of the program. Technical assistance on financial management has been critical in this program. One of the things that child care providers run into when renovating or building new centers is that contractors and architects don't understand the licensing requirements and this can sometimes be very costly for the provider and delay opening. The state is in the process of writing a manual that will guide providers and architects through the building and licensing codes specifically related to child care. There are also some grants throughout the state that focus more on capacity building and helping centers comply with licensing standards.

KEY POINTS

- Providers are not comfortable in taking on debt and need technical assistance and training on financial management in order to successfully use these programs.

- Models using multiple funding streams and partners have a the best chance at being successful in starting or renovating new projects.
- Grants combined with loans are the most attractive package to providers, when combined with training and technical assistance.

ADVANTAGES/SUCSESSES

- Experts from around the country are working on the capital financing issue.
- Child care slots are being increased.
- Health and safety issues are being addressed and facilities improved.

DISADVANTAGES/ROAD BLOCKS

- Many child care providers are fearful of taking on dept.
- Providers need intensive training and technical assistance in order to understand cash flow and budgeting for their child care business.
- Loan and grant paperwork can often be intimidating and providers need technical assistance to complete the paperwork to even apply for financial assistance.

RESOURCES

- Human Services Policy Center <http://hspc.org>
- The Children's Alliance <http://www.childrensalliance.org/>
- The Children's Defense Fund <http://www.childrensdefense.org/>
- Hands Net <http://www.handsnet.org/>
- Connect for Kids <http://www.connectforkids.org/>
- Social Venture Partners <http://www.svpseattle.org/>
- The Soho Center <http://www.child2000.org/>
- Research Forum on Children, Families, and the New Federalism <http://www.researchforum.org/>
- The Annie E. Casey Foundation <http://www.researchforum.org/>
- Karen Furia, Women's Bureau Regional Director, Region 10 furia-karen@dol.gov
- The Women's Bureau <http://www.dol.gov/wb/welcome.html>
- Kelly Tyler, Child Care Resources, Business Liaison tyler@childcare.org
- Child Care Resources, King County, Washington www.childcare.org
- Washington State Child Care Resource and Referral www.childcarenet.org

The Women's Bureau Region X office and Child Care Resource and Referral of King County has compiled this "Work and Family Virtual Conference Call Summary Sheets" for information sharing and does not endorse any programs or organizations included in it. These summaries include information on programs and policies that employers have tried or ideas and thoughts that work and work/life professionals have shared.