

# Facilities: An Important Dimension of Child-Care Quality

Mav Pardee

CHILDREN'S INVESTMENT FUND



Nurture Learning Lab in Boston.

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Comprehensive quality-improvement efforts in early childhood education require well-designed, well-equipped facilities.

Every day, 4 million children nationwide enter the doors of child-care centers. Enrollment has doubled in the past 10 years, and increasingly, young children spend most of their waking hours in child-care settings.<sup>1</sup> The country's first major early-learning program, Head Start, was launched 50 years ago and marked a growing recognition that child-care experiences are important.<sup>2</sup> Numerous studies have shown that investment in high-quality early education, especially for children raised in poverty, provides high returns on the public dollar and improves children's lifetime outcomes.<sup>3</sup> Now those studies are catching the attention of many policymakers, business and military leaders, academics, and parents—not to mention President Obama, who highlighted early education in his State of the Union address this year.

## Elements of Quality

Despite the research and the increasing attention, the requisite public investment in early childhood education has not followed, and quality remains mediocre. Less than 10 percent of child care is considered beneficial to children's development, and over 80 percent is rated merely "fair." In response, every state has begun to develop a Quality Rating and Improvement System. The standards focus on teacher qualifications, curriculum, assessment, furnishings, and materials. Consistently missing, however, are well-defined guidelines for suitable facilities. Even as policymakers pursue other kinds of quality, they fail to acknowledge the inadequacy of many child-care centers and how that affects child development.

The primary reason for inadequate facilities is lack of resources. Centers serving children on subsidy are paid rates that fall far below the cost of care. Cash-strapped providers who cannot afford improvements just make do with the space they have. Consequently, children who have the most to gain from high-quality programs often spend their childhoods in dismal spaces in dilapidated buildings.

## Monthly Cost of Care for 4-Year-Olds in 2014

| State         | CCDBG proposed reimbursement at 75th percentile of market rate | Actual reimbursement per eligible child compared with recommended rates | Parent fee paid by eligible family* |
|---------------|--|---|-------------------------------------|
| Connecticut   | \$1,065  | \$650<br>-39 percent below 75th percentile                              | \$148                               |
| Maine         | \$853  | \$810<br>-15 percent below 75th percentile                              | \$247                               |
| Massachusetts | \$1,221  | \$795<br>-35 percent below 75th percentile                              | \$271                               |
| New Hampshire | \$823  | \$736<br>-11 percent below 75th percentile                              | \$309                               |
| Rhode Island  | \$866  | \$680<br>-22 percent below 75th percentile                              | \$198                               |
| Vermont       | \$866  | \$578<br>-33 percent below 75th percentile                              | \$260                               |

Source: "Turning the Corner: State Child Care Assistance Policies" (report, National Women's Law Center, Washington, DC, 2014), <http://www.nwlc.org/resource/turning-corner-state-child-care-assistance-policies-2014>.

\* Income eligibility for a family of three ranges from \$35,060 in Rhode Island to \$48,828 in Maine.

Urban Institute research has noted that "classrooms with the lowest observed quality were typically in centers characterized as struggling financially."<sup>4</sup> And the National Center for Children and Families observes that children from low-income families are more likely to be in low-quality programs and that most children attend programs segregated by income and often by race or ethnicity.<sup>5</sup>

Among the top 10 least affordable states for center-based care, four are in New England (Vermont, Massachusetts, Rhode Island, and Maine). With federal child-care funding cut repeatedly since 2001, the centers that serve lower-income families in those states are in a precarious financial condition. They are consequently reluctant or unable to incur any additional expense even though local community development financial institutions (CDFIs) are eager to help develop better facilities.<sup>6</sup>

## An Undercapitalized Industry

Federal Child Care and Development Block Grant (CCDBG) funding subsidizes care for low-income families and recommends subsidy payments at the 75th percentile of market rates. Cuts in CCDBG

funding have kept subsidy reimbursements stagnant despite rising costs. (See "Monthly Cost of Care for 4-Year-Olds in 2014.") The finances of infant-toddler care are even more challenging.<sup>7</sup>

Child-care construction projects have also been slowed by the recession and weak recovery. Every CDFI in the region saw a dramatic drop in construction-loan applications and, in response, focused on child-care health or safety concerns, business and financial planning, and technical assistance.

## Health and Safety

Years of deferred maintenance and lack of resources have led to deteriorating conditions across the industry. In Massachusetts, Children's Investment Fund commissioned a facilities inventory in 2010, and Local Initiatives Support Corporation/Rhode Island Child Care Facilities Fund completed a study on facility conditions in 2013. Both identified significant health and safety hazards.

In Rhode Island, state officials were sufficiently concerned that they secured a waiver to redirect \$2.1 million of federal Race to the Top Early Learning Challenge funding for emergency capital grants of up to \$50,000 per center. The Vermont Community Loan Fund provided grants for minor repairs at Vermont facilities and distributed \$1.2 million to 100 programs. Connecticut Health and Educational Facilities Authority made capital grants of up to \$95,000. On the federal level, the Office of Head Start launched a nationwide health and safety assessment of its centers.<sup>8</sup>

## Business Planning and Financial Consulting

New Hampshire Community Loan Fund, Vermont Community Loan Fund, and Maine's Coastal Enterprises Inc. provide business and financial management training, recognizing that centers require better fiscal systems and more robust management if they are to survive. Centers lose money caring for children on public subsidy. Larger, better-established organizations offset some losses with fundraising, but with subsidy rates inadequate to meet the cost of care, the business model is unsustainable.<sup>9</sup>

## Technical Assistance

CDFIs provide technical assistance to child-care centers since the administrators often have a background in education or business but no experience with real estate development. Project-specific technical assistance is provided from the initial planning stage, and predevelopment financing is available to assess feasibility and secure financing. Children's Investment Fund offers a training institute called Building Stronger Centers that covers the organizational demands of facilities development, capital budgeting, design, financing, and fundraising.

## Model Centers

Coastal Enterprises helped finance New England's first Educare center, which opened in Waterville, Maine, in 2010. It educates 210 children from low-income families in a LEED-certified green building adjacent to an elementary school. Educare is explicit that the physical plant is a key element in program quality and that "the way the building is designed enhances the learning of each child."<sup>10</sup>

Children's Investment Fund provided early-stage financing to Nurtury Learning Lab, a center for 175 low-income children that



Circle activity in the bright and open interior space of Nurtury Learning Lab.

photo StudioMLA Architects

opened in Boston in 2014.<sup>11</sup> The planning team understood that a beautiful and functional facility was key to a more ambitious educational vision. Both centers have set a new standard for education environments for disadvantaged children. Many more are needed.

### Innovative Financing

A Massachusetts breakthrough occurred in 2013 with the inclusion of bond financing for child-care facilities in a housing and community development bond bill. Although it authorized \$9 million per year, the allocations for 2014 to 2016 were \$4 million per year. For fiscal years 2014 and 2015, awards of \$7.45 million went to 10 projects, with grants ranging from \$400,000 to \$1 million.

Those grants leveraged \$18.3 million in other funding. Three projects involve new construction and seven are major renovations. The projects will improve space for 1,339 children and expand capacity by 231 children, 86 percent of whom are on public subsidy. Children's Investment Fund will evaluate the impact of the facilities improvements on various aspects of program quality.

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New England has 6,000 child-care centers. It's time to recognize that child-care centers are what child-care author Jim Greenman called "places for childhood" and that quality improvement requires attention to the physical condition of centers and investment to renovate or replace substandard facilities.

**Mav Pardee**, at the time of this writing the program manager of Boston-based Children's Investment Fund, is also the author of "Infrastructure Investment Begins with Children" in the spring 2012 Communities & Banking. Contact her at [mavpardee@gmail.com](mailto:mavpardee@gmail.com).

### Endnotes

<sup>1</sup> See "Parents and the High Cost of Child Care (report, Child Care Aware of America, Arlington, Virginia, 2014), <http://www.usa.childcareaware.org/advocacy/reports-research/costofcare>.

<sup>2</sup> See <http://www.acf.hhs.gov/programs/ohs>.

<sup>3</sup> James Heckman, "Invest in Early Childhood Development: Reduce Deficits, Strengthen the Economy" (report, The Heckman Equation, 2012), <http://heckmanequation.org/content/resource/invest-early-childhood-development-reduce-deficits-strengthen-economy>; and "Ready, Willing, and Unable to Serve: 75 Percent of Young Adults Cannot Join the Military" (report, Mission Readiness, 2009), [http://www.missionreadiness.org/2009/ready\\_willing](http://www.missionreadiness.org/2009/ready_willing).

<sup>4</sup> Monica Rohacek, Gina Adams, and Ellen Kisker, "Understanding Quality in Context: Child Care Centers, Communities, Markets and Public Policy" (report, Urban Institute, 2010), <http://www.urban.org/research/publication/understanding-quality-context-child-care-centers-communities-markets-and-public-policy>.

<sup>5</sup> Jeanne Reid and Sharon Lynn Kagan, "A Better Start: Why Classroom Diversity Matters in Early Education" (report, National Center for Children and Families, Teachers College, Columbia University, 2015), [http://www.prrac.org/pdf/A\\_Better\\_Start.pdf](http://www.prrac.org/pdf/A_Better_Start.pdf).

<sup>6</sup> CDFIs in New England: Connecticut Health & Educational Facilities Authority, Coastal Enterprises Inc. in Maine, CEDAC/Children's Investment Fund in Massachusetts, New Hampshire Community Loan Fund, Local Initiatives Support Corporation/Rhode Island Child Care Facilities Fund, and Vermont Community Loan Fund.

<sup>7</sup> "Turning the Corner: State Child Care Assistance Policies" (report, National Women's Law Center, Washington, DC, 2014), <http://www.nwlc.org/resource/turning-corner-state-child-care-assistance-policies-2014>.

<sup>8</sup> "Environmental Health and Safety: Center-Based Observation Guide" (report, Office of Head Start, Washington, DC, 2014), <http://eclkc.ohs.acf.hhs.gov/hslc/grants/monitoring/on-site-review-protocol.html>.

<sup>9</sup> Financial stress exists for all centers serving more than a few children from low-income families. Those with enrollments of 50 percent or more on subsidy are in the most serious trouble.

<sup>10</sup> See <http://www.educarecentralmaine.org/page/2-701/otherinformation>.

<sup>11</sup> Both centers are expensive to operate and require significant private funding above their public subsidy to deliver the level of quality they've committed to.



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