



First Children's Finance

MINNESOTA CHILD CARE FACILITY REVITALIZATION GRANT

IMPACT REPORT

December 2023



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Executive Summary

Ensuring that a facility is safe and healthy for children can be a tremendously expensive cost in operating a child care business. In a sector already running on thin margins and regularly described as in crisis[1], the cost of a new refrigerator, a safer fence, or new flooring can mean making tough choices that directly affect the number of child care slots that the business can maintain, the type of food provided to children in a program and can even affect the licensure and financial stability of the business. To help combat this challenge, First Children's Finance, a leader in child care business and finance, was chosen to administer funds designated by the Minnesota Legislature for Child Care Facility Revitalization Grants. Coordinating eight rounds of a competitive grant program, First Children's Finance has provided **3,337 grants** to **2,725 unique child care businesses**[2], totaling more than **\$31.2 million** and impacting nearly **70,000 children in Minnesota**. This report provides an analysis of feedback and metrics from grant applications and awards, including information on grant distribution. It also reveals trends in the use of grant funding, patterns of industry performance as affected by facility revitalization, and an analysis of the effectiveness of this type of funding model.

Program Overview

The 2021 Minnesota Legislature used American Rescue Plan Act (ARPA) funds from the federal Child Care Development Fund (CCDF) to create facility revitalization grants for child care providers. When first appropriated, the amount totaled \$22.5 Million, although later the Minnesota Department of Human Services allocated an additional \$10 Million. First Children's Finance was contracted by the Minnesota Department of Human Services in December 2021 to administer this grant program, which included eight rounds of funding between March 2022 and December 2023.

Eligible applicants included licensed child care centers (nonprofit and for-profit), certified child care centers, licensed family child care providers, and legal, unlicensed child care providers (LNL) registered with the Child Care Assistance Program (CCAP). Grants could be used for minor repairs, equipment, services, and expenses related to health, safety, and licensing requirements but could not be used for major renovation or facility expansion due to CCDF regulations[3]. The program encouraged applications from across the state, particularly targeting geographic areas with a high gap in the supply of available child care, as well as child care businesses serving children defined as "high need" by the Department of Human Services.

First Children's Finance determined that the up-front costs of the revitalization projects could be prohibitive for child care businesses operating with low cash flow and thin margins. To achieve higher success in project completion – and address equity across income levels – approved grantees received 90% of the grant award upon grant approval, with up to the final 10% paid after submitting a final report. (Most other grant programs available to child care businesses operate on a reimbursement basis.) Recipients of these funds are required to remain licensed and in good standing, providing child care services for children other than their own for at least two years following completion of their grant-funded project.

Process and Compliance

First Children’s Finance is committed to program integrity – ensuring transparency and accountability in the grant administration process and that program funds are fully accounted for and used for the purpose intended. Following a stringent due diligence process, every application received multiple reviews from FCF’s Grant Team. While this added time to the overall grant administration process, it also allowed appropriate and thorough consideration of all application documents.

To help guide strategy and set standards, First Children’s Finance chose to convene an external advisory group as a part of the review process. This group was comprised of stakeholders in the early care and education field, experts in grantmaking within economic development or early care and education, and members of the First Children’s Finance Board of Directors. This external group, which also provided guidance in finalizing Facility Revitalization Grants Program award strategies and reviewing outlying grant applications as needed, provided an added level of transparency and accountability in the implementation of this publicly funded program.

First Children’s Finance’s grant administration process was subject to an independent audit, which confirmed adequate documentation and multiple levels of review, strong documentation of processes, and appropriate grant decision-making based on program guidelines.

Child care entrepreneurs have proven to be responsible stewards of grant funds. Grantees were allowed six months to complete their projects, after which time they were required to provide a report, including receipts and documentation of their costs. As of December 2023, of the more than 1,700 grantees who have either passed the six-month reporting deadline and/or submitted reports early, only seven grantees have been referred to the Department of Human Services for non-compliance with grant terms.

[1] <https://www.unitedwayhelps.org/blog/how-the-childcare-crisis-affects-our-entire-community>

[2] Why the discrepancy? The program included per-provider funding limits, so that some providers applied for and received grant funds in one round, completed the project, and then applied again and received a grant during a second round. This allowed certain providers to receive multiple grants for different projects, while staying under their funding maximum.

[3] 45 CFR 98.56 prohibits the use of Child Care Development Funds for construction, purchase of land or facilities, or for major renovation. Major renovation is defined as: (1) structural changes to the foundation, roof, floor, exterior or load-bearing walls of a facility, or the extension of a facility to increase its floor area; or (2) extensive alteration of a facility such as to significantly change its function and purpose, even if such renovation does not include any structural change.



2,725

Child Care
Businesses Awarded
Grants

\$31,269,999

Total Funds Awarded

Program Outcomes

GRANT PROGRAM SERVED DIVERSITY OF CHILD CARE BUSINESSES

The Facility Revitalization Grant Program's reach encompasses a wide swath of Minnesota child care business owners. Grants were awarded to child care businesses in every county in Minnesota, with nearly **58% of grant dollars awarded to businesses located in greater Minnesota**. **69% of grants went to licensed family child care providers**, which are typically small, sole proprietor programs run in the provider's home or a small, rented space, and serve a highly local set of children. (Historically, licensed family child care programs have not been eligible for facility-related grants from the state of Minnesota.)

Facility Revitalization Grants were also awarded to a diversity of demographic groups. Of grant recipients who reported their racial identity, **15% of grants were awarded to those who identified as BIPOC**, with more than one-third of that 15% located in greater Minnesota. This grant distribution suggests that the Facility Revitalization Grants have been successful in reaching a group of business owners who are frequently under-represented when it comes to access to capital.

A significant result of these grants is stability for the small business owners, as well as the community at large. Notably, in areas where child care businesses are less densely located, providers indicate the importance of maintaining their programs for the good of their neighbors. "In rural Minnesota, employees all over the county rely on in-home daycare in order to hold a steady position in the community," notes a licensed family child care provider in Swift County. "By receiving this grant, I have been able to keep my doors open to these families that play an important role in our town. ... [M]any more jobs are secure because I have proper working equipment in my home so I am able to s[t]ay available for many years to come."



I am grateful for this grant! Keeping things running and safe for the kids can be such a challenge! I honestly believe this grant has kept many child care businesses in business!



*-Licensed Family Child Care Provider
Clay County*

SMALL CHANGES MAKE A **BIG** DIFFERENCE

The Facility Revitalization Grant Program has awarded **\$31,269,999 in funding to child care businesses**, with individual grant amounts ranging from \$121 to \$20,000, the program limit. **The average grant award is \$9,370.69.** These relatively small grants have made a big impact.

While child care businesses were given the opportunity to make improvements to their facilities based on their own assessment of their needs, some trends in usage quickly became apparent. The most-noted category of requests, covering 20% of grant awards, was improvements to flooring, especially replacing carpet. In fact, comments suggest that flooring replacement was one of the most frequent sources of concern for providers. “I feel that the older carpet was a health and safety issue,” says a licensed family child care provider in Ramsey County, who used a grant amount of \$4,789.10 to replace decades-old carpeting in the hallway, playrooms, and bedrooms of her facility. “We would not be able to afford to replace the carpet if not for the Facility Revitalization Project Grant.” Providers often transitioned to vinyl plank flooring, which is viewed as healthier for children because it is easier to clean, more durable, and less likely to harbor allergens.

After flooring, the next most frequent category of requests was fencing, with 14% of grantees indicating fencing as their need. Fencing outdoor areas is a requirement for licensure for centers and for some family programs and is an important safety concern for both child care providers and families in all program settings. “I live by a busy road and would not in a million years want anyone close to the road,” reports a licensed family child care provider in Clay County, who used \$5,545 to build a fence. “I was so happy to have a nice-looking fence that provided more safety for my kids and at this point, I was not able to afford a new fence. I am so grateful for this grant.”

Another notable area of request was the use of funds to replace and/or rehabilitate outdoor play surfaces and playsets. 20% of funding went towards these two categories of outdoor, play-focused improvements. While outdoor areas are required for licensure, providers noted the particular importance of outdoor play areas at the current moment. “With obesity amongst children on the rise in the United States, adequate, exciting, and accessible outdoor play spaces are more crucial to their physical health than ever” reports a Hennepin County child care center director. A licensed family child care provider in Washington County, whose \$12,510 grant went towards a safer, resurfaced play space and fencing, agrees: “Play is an important part of early childhood [and] creating a play space for my kiddos has had an enormous impact on my children... [They] have a safe place to run [and] use their imagination in some amazing ways.”

By Region:

58 % of grants awarded to Providers in Greater Minnesota

42% of grants awarded to Providers in the Metro Area





FACILITY INVESTMENT ALLOWS FOR UNEXPECTED PROGRAM IMPROVEMENTS FOR CHILDREN

While facility upgrades would be expected to address health and safety issues, reports indicate that these kinds of investments allowed grantees to improve the quality and quantity of their programs in other areas. Notably, many grantees indicate a renewed focus on healthy food for children, made possible by the addition of appliances that give them options to buy in bulk, prepare in food batches, and avoid spoilage[4]. “The replacement refrigerator has a direct impact on the quality and quantity of the food served in my daycare,” reports a Scott County licensed family child care provider whose grant totaled \$6,475.92 for new appliances and flooring. “I am able to prep more... resulting in better balanced, fresh meals and less ready-to-serve (dry goods/canned) snacks and meals.” A child care center director in McLeod County also notes: “Nutrition is very important for early childhood and we like to offer a balanced menu for breakfast, lunch, and snack. This has made it possible to keep that goal a priority.”

With the financial burden of minor facility renovation removed by grant funds, providers have been able to redirect their funds towards other avenues, many of which have been extremely enriching to children. Reports indicate child care providers have been able to invest more in program and learning resources, such as improved culturally responsive child care. Studies indicate that children as young as three months connect to seeing their skin tones represented in the world in which they participate[5]. “The facility revitalization grant has improved our ability to [provide] the culturally and ability diverse materials we need to represent the demographics of our school community,” indicates a child care center director in Anoka County, whose \$15,954.00 grant-funded custom storage cabinets for the 128 children enrolled in their programs, to better make available the kinds of materials they could offer to children for learning and exploration. “Space was an incredible constraint prior to the receiving of the grant and installation of the new fixtures. These fixtures give teachers immediate access to the breadth of materials they need to engage the unique children in their classrooms, and we have begun [providing] even more books, toys, dolls, skin-toned construction paper/markers/etc., and lessons that represent the diversity of our program.” Having the ability to direct funds towards additional enrichment opportunities for children rather than facility maintenance and repair has allowed providers to offer more stimulating experiences in their businesses.

Finally, multiple comments from grantees indicate that better facilities induce stronger morale among staff, satisfaction by families, and even excitement from the children themselves. “This grant has had a huge effect on our school,” exclaims the proprietor of a child care center in Hennepin County. “The children and the adults feel a sense of dignity with beautiful new furniture that looks amazing ... I overheard children saying about the chairs, ‘[T]hey are made of WOOD! They are made of WOOD!’”

[4] Food costs have been a regular concern of child care providers, with past First Children’s Finance studies showing that 94% of providers have seen significant increases in food costs and have at time been forced to buy lower-cost meal and snack options due to cash flow challenges and other constraints. (Child Care Economic Recovery Survey, 2023)

[5] <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2566511/#:~:text=For%20the%20attribute%20of%20race,but%20not%20other%20Drace%20faces.>

“[This grant] literally saved my job...now I am at capacity and using a dedicated space... I am 100% sure that this space [will] allow me to provide a high-quality program for years to come!”

-Licensed Family Child Care Provider
Dakota County

FACILITY REVITALIZATION GRANTS PRESERVED BUSINESSES AND RETAINED AND INCREASED CHILD CARE SLOTS

While the practicalities of facility grants appear clear, one message came through loud and clear in grantee comments: “The biggest impact is that I will be able to stay in the child care business.” Grantees indicate that the ability to make improvements to their facilities allowed them to keep their licenses and maintain their programs. Of all grants awarded to date, grantees indicated that, at the time of application, these grants would help preserve **67,236 child care slots statewide** (their current total enrollment), including **15,262 slots for “high need” children**[6]. While final report numbers are still coming in, providers appear to be on track to meet these predictions.

Because federal CCDF funding regulations prevented grantees from using funds to expand the square footage of buildings, build new buildings, or purchase land, slot creation could not be a primary goal of the program, as any projects had to be within the existing footprint of the facility. However, many of the improvements did ultimately lead to providers opening more child care slots in their communities. In their grant applications, providers indicated that improvements could add **6,991 child care slots**. Anecdotal responses indicate that the impact is already being felt. “Thanks to this grant, we are now able to successfully enroll the 12 infants in our program,” says a child care center director in Dakota County, whose \$2,516.34 grant primarily went towards refrigeration and storage. “With the small refrigerator we had we did not have room for 12 infants’ bottles. Now we do. Our infant room is filled to capacity now thanks to the grant money.” Other groups have seen more dramatic increases. “We increased our capacity to 5-fold,” indicates a child care center director in Ramsey County, whose \$20,000 grant went towards bathroom maintenance. “We used to serve 10 students, and now we can serve up to 53 students.”



We were able to take in 4 more preschool children because of the outdoor space increasing with this project! With the mulch, our playground also seems cooler without that sand soaking up the heat! Gives us a much cleaner look in our playground and also curb appeal to the public!



-Child Care Center Director
Red Lake County

[6] “High need” slots were self-reported and defined in the application as: “from low-income families (at or below 200% poverty rate) or otherwise in need of special assistance and support, including children with diagnosed disabilities or developmental delays, who are English language learners, who reside on “Indian lands,” who are migrant, homeless, or in foster care.”

Conclusion

Child care facilities have a direct impact on the health and safety of the children in providers' care, yet the ability to pay for repairs or improvements to those facilities is often out of reach for these small business owners. With a rigorous vetting program and a commitment to transparency, the Facility Revitalization Grant program has shown that appropriate investment in durable improvements to child care businesses can also substantially improve the health, safety, and experience of children in the provider's care, while also retaining – and at times increasing – much-needed child care slots in the State of Minnesota.

A licensed family child care provider in Stearns County summed it up this way: "Child care is a very rewarding career, but this grant program helped so many of us with upkeep on things that I feel we had to put on a back burner. The cost of groceries, etc., takes over our pocketbook. I feel that I finally am getting things the way I have always worked for them to be. I want nothing but the best and good, healthy, happy children. Thank you so much for helping us to help them."

**Number of Minnesota Children
Impacted by the Facility
Revitalization Grant Program =**

67,236



OUR IMPACT



Grant Recipients by Provider/Facility Type:

69% of grants awarded to Family Child Care Providers

31% of grants awarded to Child Care Centers

\$31,269,999

IN GRANTS AWARDED TO CHILD CARE BUSINESSES

2,725

CHILD CARE BUSINESSES AWARDED GRANTS



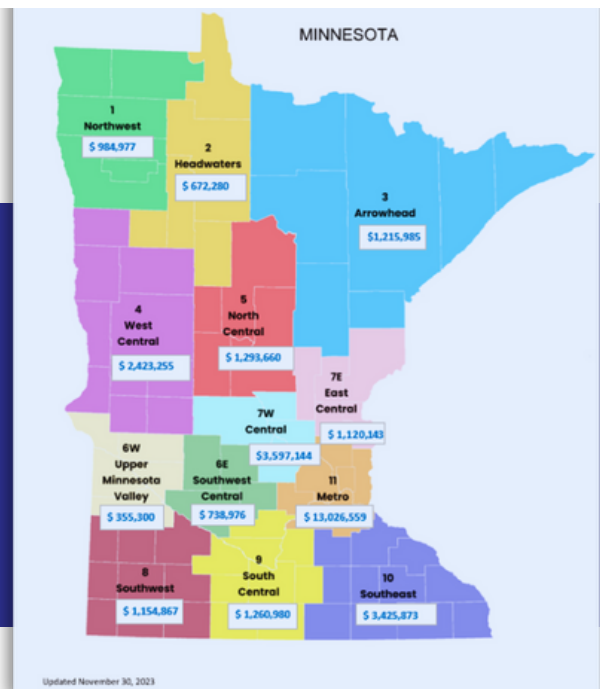
15 % of grants awarded to BIPOC Child Care Providers

67,236

CHILDREN ENROLLED IN CHILD CARE GRANTEES

\$9,371

AVERAGE AMOUNT AWARDED PER GRANT



Grant Recipients by Region:

58 % of grants awarded to Providers in Greater Minnesota

42% of grants awarded to Providers in the Metro Area



First Children's Finance

FOR MORE INFORMATION
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