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## OPINION

LEADING THE WAY

# Massachusetts' Financing For Child Care Providers A Model For Other States

Children's Investment Fund Addresses Facility Challenges

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SPECIAL TO BANKER & TRADESMAN

The statistics are troubling. The United States ranks 36th out of 40 developed nations for the percentage of 3- to 5-year-olds enrolled in "pre-primary" or primary school. Enrollment rates vary widely across the U.S.; for example, 59 percent of 3- and 4-year-olds are enrolled



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in a formal early education and care program in Massachusetts, as compared to 37 percent of 3- and 4-year-olds in Arizona, according to 2013-2015 National KIDS COUNT data. Lack of access to early education and care, especially for families living in low-income communities, is complicated and involves a number of factors. But at least one of those factors is available and appropriate physical space, and that is a problem that Massachusetts has set out to solve.

Massachusetts in 2013 became only the second state to make state bond financing

available to improve the quality of early education and out-of-school time facilities – and we were the first to include it in a larger community development bond bill. In the four years since the Early Education and Out of School Time (EEOST) Capital Fund was launched, the Massachusetts Department of Early Education and Care (EEC) has awarded over \$15 million to 21 nonprofit early care providers across the commonwealth. As EEOST enters its fifth year, the Legislature is considering a \$45 million reauthorization for the next five years as a part of the Housing Bond Bill filed earlier this year.

CEDAC and our affiliate, Children's Investment Fund, last month laid out the challenges child care providers face in trying to create high-quality learning space – and the success that Massachusetts has achieved because of EEOST – at the annual Opportunity Finance Network (OFN) conference in Washington, DC. OFN is the leading national network of community development financial institutions (CDFIs) investing in opportunities that benefit low-income, low-wealth, and other disinvested communities in the U.S. CDFI representatives from Detroit and San Francisco also presented worthwhile public capital financing opportunities that benefit child

care providers.

In lower-income neighborhoods from Boston to Detroit to San Francisco, the difficulties in upgrading child care facilities are similar. Providers need capital to repair and maintain learning sites, to improve and renovate classroom space, and to build and expand facilities. But the barriers to capital are substantial: many providers have low operating margins and little to no reserves. Their ability to generate private donations is limited and their capacity to manage a building process is similarly challenged. As with nonprofit affordable housing developers, providers need financial support in the early stages to get their projects going, and require technical assistance throughout the development process to meet their goals.

### A Model In Massachusetts

The United Way of Massachusetts Bay and Merrimack Valley, the Ford Foundation and the Hyams Foundation created the Children's Investment Fund in 1991 to help providers address these facility challenges. Since then, the fund has provided loans and grants, training and technical assistance to child care providers planning to create high-quality space. Six years ago, CEDAC and the fund recognized the

demand for quality child care facilities was far outstripping the supply and that early care providers needed a new source of public capital funding if the commonwealth was going to maintain its educational and economic competitiveness.

While still in its own early stages, the successes of the EEOST Capital Fund are clear. In a competitive process, providers apply for grants up to \$1 million to improve or create new facilities. The program is managed by EEC and CEDAC along with the fund. With 21 projects already funded, more than 2,000 children will be impacted, and nearly 450 new

child care slots will be created. Eighty-six percent of these children come from low-income families. More than 360 construction jobs and more than 30 educator jobs are being generated. The public financing is leveraging an additional \$36 million in private investment. There is strong demand for this capital funding – since 2014, requests from applicants to EEOST totaled \$37.8 million with \$15 million available for funding.

Programs with results like these are worthy of replication. EEOST is a model that other states can follow if they are willing to make a commitment to funding

early education and care. While it won't solve all of the challenges associated with access to care, it eases the burdens that the state and the providers face when it comes to one significant obstacle – accessible funds for high-quality learning facilities. And it shows that once again, Massachusetts is an innovator when it comes to strengthening communities. ■

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