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# Child Care Provider Expansion Loan Program with Louisiana Economic Development

## Overview: The Impact of Child Care on Louisiana's Workforce

The child care sector is the backbone of the Louisiana workforce and economy. Child care businesses allow Louisiana's working parents to be productive students or members of the workforce by providing a safe, reliable, enriching environment for their young children while their parents are at work or in school. In Louisiana, nearly 10,000 independent child care small businesses employ over 15,000 workers and support tens of thousands of workers across all industries. The child care sector's economic impact totals \$973 million, including \$520 million in direct revenue within the industry and \$454 million in spillover or related productivity in other sectors. Additionally, the sector generates \$241 million in wages and earnings for the child care workforce, which supports another \$130.8 million in additional earnings across the state.

Yet many working families still do not have access to reliable, high-quality child care. As a result, Louisiana's economy loses \$1.3 billion a year and Louisiana businesses lose \$762 million a year from employees missing work, staff turnovers, and other related costs (e.g. paying other workers overtime to make up for lost productivity or hiring replacement workers, temporary workers, or contractors).

A robust child care sector is a key component of improving workforce productivity and participation. One strategy for strengthening the industry is increasing enrollment capacity for high-quality providers. This increases access opportunities for working families, and improves providers' ability to leverage economies of scale. To do this, most providers would need to expand or improve their facilities. Unfortunately, like other truly small businesses, the state's current child care providers operate on thin margins and often lack the financial capital necessary to fund facility improvements outright or secure loans to finance a project. To address this issue, the state would benefit from a small business loan program specifically for child care providers. A loan program would help child care businesses afford the upfront costs of facility improvements and new equipment, enabling them to increase their capacity and ultimately serve more working families. These investments will have an immediate positive benefit on our state's workforce, businesses, and economy.

# Proposal for a Loan Program for Louisiana Child Care Providers

While Louisiana Economic Development (LED) currently has several programs designed to support local, small businesses, the child care sector's outsized role in the state's economy merits specific tools to support these unique businesses to grow and thrive. The Louisiana Policy Institute for Children recommends that LED invest at least \$6 million to create a business expansion loan program for the child care industry. A program like this can provide loans to child care providers meeting specific criteria for expansion improvements to serve more working families in Louisiana. The details of the proposed loan program are outlined below.

## Loan Structure

The child care provider expansion loan will be a revolving loan fund that offers loans to eligible child care providers. The loans may be forgivable, no-interest, and/or low-interest, starting at \$25,000 and not to exceed \$1 million. The loan repayment period will be between 5 to 20 years, depending on the loan amount. Louisiana Economic Development will administer the loan program and determine the appropriate lenders to partner with to best serve small child care businesses.

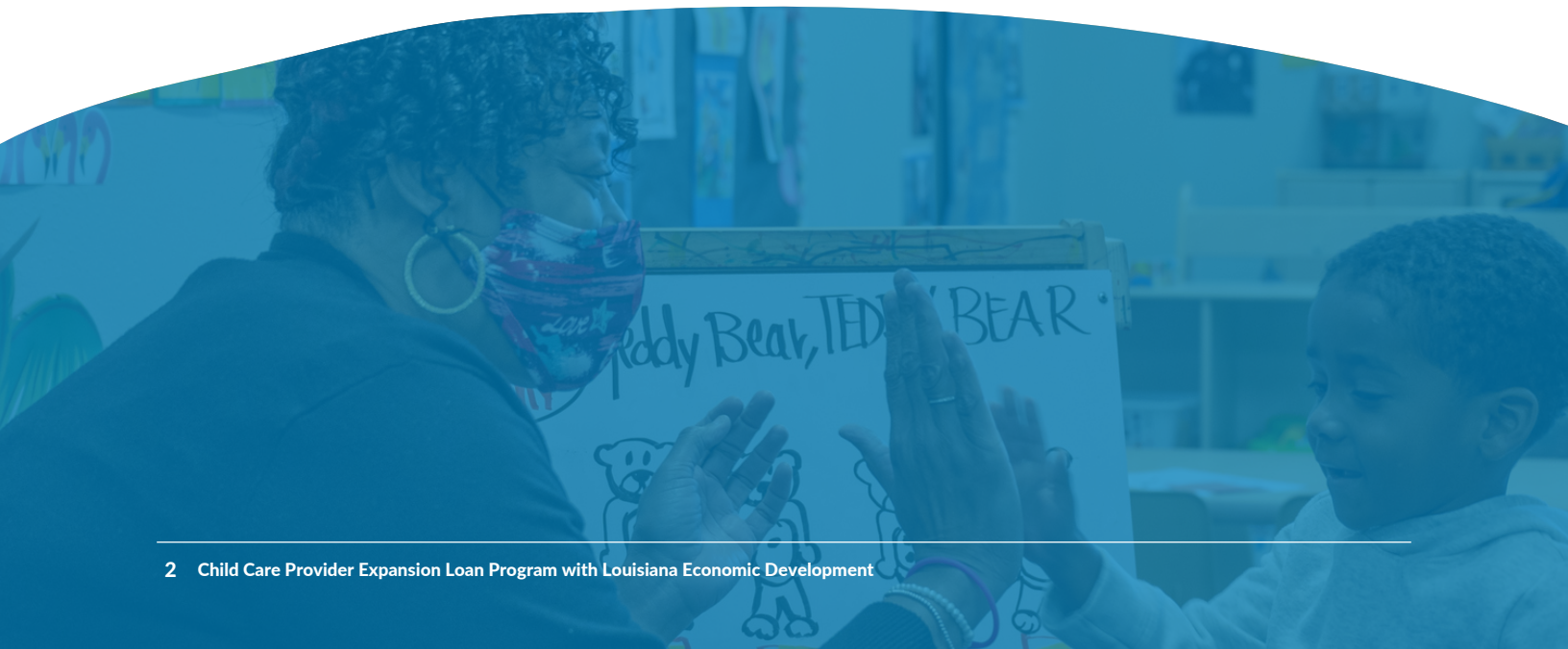
## Loan Eligibility

Eligible child care providers must meet specified criteria:

- (1) be a Type III center or registered family child care provider that participates in the state quality rating system
- (2) be in business for at least 3 years
- (3) rent or own the building for which they plan to use the loan
- (4) agree to participate in business development coaching support

The loan program will cover (1) improvements or renovations in order to expand current facilities or (2) the purchase of new equipment. Providers may not take out a loan for costs such as curriculum or payroll, or for the construction of a new building.

The loan recipients must also demonstrate the facility improvements or equipment purchases will directly support increased enrollment capacity of at least 10%. This ensures that the loan program impacts working families in Louisiana who are struggling to access high-quality child care.





## Examples of Loan Programs in Louisiana and Other States

Other states and communities have implemented similar loan programs for child care providers to help them access capital for similar needs.

### Greater New Orleans Rebuild Collaborative

Child care providers successfully utilized a previous loan program called the **Greater New Orleans Rebuild Collaborative**. In 2006, this program provided \$600,000 in loans to help child care providers address damages post-Hurricane Katrina and Hurricane Rita in order to meet the demand of families returning to the Greater New Orleans region. Any child care business in the Southeast Louisiana region that had been impacted was eligible for the Greater New Orleans Rebuild loan to help repair, renovate, or rebuild their center. The program also provided individualized technical assistance to help child care providers develop robust business plans.

### Minnesota: First Children's Finance Loans

First Children's Finance, a nonprofit lender and community development financial institution (CDFI), works with other lenders, community partners, and economic developers, and directly with child care businesses to provide financing. It currently offers forgivable loans to family child care providers ranging from \$5,000 to \$25,000, and loans to child care centers ranging from \$5,000 to \$125,000. Loans are available to providers in Minnesota, as well as other states.

### Maryland: Child Care Capital Support Revolving Loan Fund

The Maryland General Assembly passed new legislation in 2022 that established the Child Care Capital Support Revolving Loan Fund. This is a special, non-lapsing fund to provide no-interest loans for capital expenses related to a child care facility to child care providers who participate in the Child Care Scholarship Program administered by the Department of Commerce with support from the State Department of Education.

### Virginia: Direct No-Fee, No-Interest Loan from the Virginia Small Business Financing Authority

The Virginia Department of Small Business and Supplier Diversity (SBSD) offers a direct no-fee, no-interest loan from the Virginia Small Business Financing Authority to child care centers and family child care providers for the other necessary items the center needs such as cots, fencing, playground equipment, and buses. Family child care providers may borrow up to \$15,000 with a repayment period of up to 7 years. Child care centers may borrow up to \$150,000 with a repayment period of up to 7 years, or up to \$250,000 with a repayment period of up to 10 years.