



August 28, 2023

The Honorable Xavier Becerra
Secretary of Health and Human Services
U.S. Department of Health and Human Services
200 Independence Avenue, S.W.
Washington, D.C. 20201

RE: Re: 88 FR 45022: Notice of Proposed Rulemaking (NPRM) on Improving Child Care Access, Affordability, and Stability in the Child Care and Development Fund (CCDF)

Docket Number ACF–2023–0003; RIN number 0970–AD02

§ 98.2, Pages 45034 – 45035: Implementing Technical and Other Changes for Improved Clarity

Dear Secretary Becerra:

The Low Income Investment Fund (LIIF) commends the Administration for Children and Families’ (ACF) proposals to amend the Child Care and Development Fund (CCDF) regulations. The thoughtful notice of proposed rulemaking (NPRM) provides much needed changes to make early care and education more accessible and affordable for families and child care providers.

LIIF is a national community development financial institution (CDFI) that drives investments that foster communities of opportunity, equity and well-being. As a CDFI, LIIF supports projects that have high social value but lack access to traditional financial institutions. Since 1984, LIIF has deployed more than \$3.2 billion to serve more than 2.5 million people in communities across the country from its five offices. An S&P-rated organization, LIIF funds healthy communities by providing innovative capital solutions.

LIIF also has a large and growing early care and education (ECE) programmatic team that provides facilities funding via grants and loans, plus offers technical assistance, capacity building and government advisory services to strengthen the ECE ecosystem. Our emphasis on supporting the ECE sector aims to align community development priorities with broader social and care infrastructure, which together are necessary to repair ongoing disparities facing Black, Latino, and other people and communities of color. LIIF’s ECE team has a primary focus in California, San Francisco, Washington, D.C., New York City and Atlanta. LIIF also serves as a co-chair of the National Children’s Facilities Network (NCFN), a coalition of ECE stakeholders focused on developing and improving child care supply in areas that have the least access to ECE and the highest concentrations of low-income families.

In 2020, LIIF refined its mission to focus on mobilizing capital by putting racial equity at the center of investments. As part of this new strategic direction, LIIF has committed to advancing investments to help build a comprehensive ECE ecosystem that promotes racial equity. To that end, LIIF stands as a strong advocate for increased resources to support the development of early care and education facilities -- with a targeted focus on communities that bear the biggest burden of systemic racism and historical disinvestment.

CCDF is an important vehicle for assisting low-income families in accessing child care. LIIF applauds ACF’s efforts to lower family costs for child care and to strengthen provider payment practices. We believe ACF’s approach to improving CCDF will help address the barriers to accessing and providing quality early care and education in historically excluded communities. Specifically, we recognize ACF’s NPRM around increasing child care affordability and improving provider payments. We also offer our recommendations on improving definitions to ensure all CCDF lead agencies have the necessary capital to maintain quality child care facilities.



Lowering Family Costs for Child Care

The cost of child care is often a major financial burden for low-income families. According to the Department of Labor, child care expenses are unattainable for families across the country, given that child care prices are equivalent to between 8-19.3% of median family income per child.¹ The proposed family co-payment cap of 7% of a family's income will significantly improve low-income families' ability to access early care and education. Increased access to affordable child care will have numerous benefits for families and communities, including better job stability and overall economic security.²

Strengthening Provider Payment Practices

Stabilizing operations for providers are also essential to building a strong ECE sector. The current economics of building and maintaining ECE facilities creates significant barriers to providers entering and staying in the market. Through our work in states like South Dakota and California, LIIF has supported efforts to address the difference of paying by enrollment versus attendance.³ Our work has demonstrated that paying providers based on attendance, rather than enrollment, provides greater financial security for providers.⁴ Specifically, attendance-based payment models often lead to financial difficulties for providers, because when a child is sick or absent, the subsidy revenue generated can fluctuate. Shifting to a model of reimbursement based on child enrollment would ensure that providers continue to receive a subsidy to cover their fixed operating costs, therefore providing them with a stable and predictable income so they can focus on operating a high-quality early childhood program.

LIIF supports CCDF adjusting payment practices to occur prior to service delivery and to account for enrollment, instead of attendance, to help ensure providers are paid in a timely and fair manner. This systemic change will better support providers, which is imperative to bolstering the ECE sector and economy.

Implementing Technical and Other Changes for Improved Clarity Definitions – Cost Thresholds

LIIF especially appreciates ACF's focus on improving clarity and implementation of cost thresholds for renovation. An important component of child care is the physical quality of the facility. Research shows that developmentally appropriate environments improve learning and development among children.⁵ LIIF strongly believes that the quality and affordability of child care facilities should be elevated as a central tenet of any conversations on child care. Investments in early care and education creates both immediate and long-lasting benefits for individuals and society, in the form of children's social and intellectual development, parents' ability to participate in the workforce, and providers' ability to operate a business and create jobs.

LIIF is encouraged to see ACF updating the definition of *major renovation* to improve implementation, especially in recognition of differing costs and inflation. While LIIF fully supports the shift to a cost-based model, we request an increase in the proposed threshold for family child care providers and a

¹ U.S. Department of Labor, "Child Care Remains Out of Financial Reach for Many Families, US Department of Labor Data Shows", <https://www.dol.gov/newsroom/releases/wb/wb20230124>, (January, 2023).

² National Research Center on Hispanic Children and Families, "Child Care Affordability Is Out of Reach for Many Low-Income Hispanic Households", <https://www.hispanicresearchcenter.org/wp-content/uploads/2019/10/Hispanic-Center-Child-Care-Affordability-October-2019-FINAL.pdf> (October, 2019).

³ Sioux Fall Childcare Collaborative, "Community Childcare Initiative Final Report", <https://siouxfallsthive.org/wp-content/uploads/2023/06/SFCC-Final-Report.pdf>.

⁴ Low Income Investment Fund, Building Better for Families: Policy Strategies for the Co-Location of Early Care and Education Facilities and Affordable Housing, https://static1.squarespace.com/static/5e221ab388621f5c0aeb37e5/t/60be1d9e53bf365e4b9e2cf1/1623072163305/Building+Better+for+Families+May+2021_opt.pdf, (May 2021).

⁵ Bipartisan Policy Center, "From the Ground Up: Improving Child Care and Early Learning Facilities," <https://bipartisanpolicy.org/wp-content/uploads/2019/07/From-the-Ground-Up-Improving-Child-Care-and-Early-Learning-Facilities.pdf>, (May 2019).



consideration for a cost adjustment based on market location. As a national CDFI, we work in various communities across the country and understand the range of financial needs. A sufficient supply of early care and education facilities is critical to providing children with safe learning environments; however, ECE facilities in historically excluded communities and high-cost areas require more flexible and equitable cost thresholds.

Providers often require additional capital beyond the \$25,000 threshold for family child care homes to fund renovations for existing facilities. For example, the maximum in our CA Infrastructure Grant Program for minor repairs and renovations was \$75,000 for family child care homes. Although California is typically a high-cost market, other states may have higher construction costs due to geography and cost of labor. As such, establishing a regional pricing model that reflects construction and labor costs should be considered. Additionally LIIF supports an annual adjustment to cost thresholds based on current market assessments. Due to exceptionally thin margins, child care providers face significant barriers to developing and maintaining quality facilities. This is especially true for providers in high-cost or depressed economic markets. To remain in the market, ECE providers need working capital that can be used to cover the facility requirements of running their business.

To ensure child care facilities are in good condition, providers must have access to sufficient capital to account for renovation costs. Increased funding will help to ensure that ECE providers are able to maintain facilities that serve children in all communities. Without additional funding, the number of children able to participate in CCDF will likely decrease. ACF must increase the cost threshold and include location-based adjustments. This will strengthen the proposed definition of major renovation and ensure CCDF lead agencies in all communities can complete major renovations to provide children with safe and healthy learning environments.

LIIF is greatly appreciative for the opportunity to respond to comments on ACF's NPRM. We look forward to continued engagement on helping all ECE providers develop impactful physical learning environments and sustainable business models.

Sincerely,

Daniel A. Nissenbaum
Chief Executive Officer
Low Income Investment Fund