

A close-up photograph of a young child with dark, curly hair, focused on playing with colorful plastic blocks. The child is wearing a light-colored sweater with dark spots. The background is a soft, out-of-focus green, suggesting an outdoor setting. The text is overlaid on the left side of the image.

LISC PHOENIX

Arizona Child Care Infrastructure Grant

An Analysis
of Grant
Process and
Impacts

MARCH 2024

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Project led by: LISC Phoenix

Project funding:

The Arizona Child Care Infrastructure Grant program was funded by the Arizona Department of Economic Security (ADES) and First Things First (FTF) through Child Care Stabilization Grants appropriated in the American Rescue Plan (ARP) Act of 2021.

Special thanks to the team who made this incredible program possible: the child care providers, the Arizona Department of Economic Security, Division of Child Care, First Things First, the technical assistance partners, the LISC Phoenix staff of 23 people who supported grantees, Kelsey Hamory Consulting, LISC's national teams, the Arizona Department of Health Services, Bureau of Child Care Licensing, MPW Consulting and the vendors who completed this work as quickly as possible. We are grateful to be part of Arizona's child care community – a group that collaborates tirelessly to ensure Arizona's children receive quality early education and care.

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The logo for First Things First features a stylized grid icon composed of blue and green squares. Below the icon, the text "FIRST THINGS FIRST" is written in a bold, blue, sans-serif font.

Contents

- 2** Funding Acknowledgement
- 4** Overview
- 5** By the Numbers: The Arizona Child Care Infrastructure Grant
- 7** Launching the Application
- 11** Selecting Grantees: An Equity Approach
- 13** The Awards: 478 Grantees
- 16** Grant Impacts: Turning Dreams into Reality
- 23** Technical Assistance is Key
- 27** Lessons Learned
- 30** Future Recommendations

Overview

Local Initiatives Support Corporation (LISC) is one of the country's largest community development organizations, helping forge vibrant, resilient communities across America.

LISC Phoenix, one of 38 local offices, was formed in 1992 and since its inception has collaborated with place-based organizations and our corporate, foundation and public partners to create an innovative approach to working with neighborhoods that face systemic challenges.

LISC has filled an important gap in the early education and child care landscape by providing capital, thought leadership and technical resources centered on the physical environment.

For more, visit www.lisc.org/phoenix.

In less than a year, 478 child care businesses in Arizona were awarded nearly \$60 million in federal funding to improve 511 facilities for children, staff, and families. Through the Arizona Child Care Infrastructure Grant, child care providers made much-needed improvements to increase the quality, capacity, and safety of their spaces, ensuring Arizona's youngest children receive quality early education, more families have access to child care, and the child care workforce has a welcoming space to care for children.

The Arizona Child Care Infrastructure Grant program was a true collaboration. With funding from the Arizona Department of Economy Security (ADES), Division of Child Care (DCC) through time-limited child care funding appropriated in the American Rescue Plan (ARP) Act, DCC and First Things First (FTF) allocated \$65 million to launch and fund the grants. Local, Arizona-based technical assistance partners, including Candelen, Child & Family Resources, Easterseals Blake Foundation, Southwest Human Development, and United Way of Tucson and Southern Arizona, provided guidance, coaching, and business training on how best to use the grant funds. They continue to offer resources to providers today. LISC Phoenix managed the program, offering hands-on support to help providers navigate a complex federal grant process, coordinating partners, and administering the funds.

Rooted in equity, the program prioritized child care providers in low- and moderate-income communities and areas where access to child care is limited, those serving infants and toddlers, children with disabilities, children receiving child care assistance through ADES, those with waitlists and those that offer non-traditional hours (nights and weekends). Due to federal timelines, the program application launched in December 2022, and all projects had to be completed by September 30, 2023.

With LISC's support, child care providers extended learning outdoors with new shaded playgrounds and safe surfacing for kids to run and play. Inside, they repaired leaks, replaced windows and doors, and addressed safety concerns, making classrooms warm and inviting. They redesigned spaces to better meet children's developmental needs and serve more children who needed care. They updated technology and security to modernize their facilities. Some made progress towards opening a new facility where care is limited. Child care business owners jumped in feet first to manage this grant and a renovation project on top of their primary roles caring for children.

Many things went well and LISC Phoenix learned important lessons along the way to improve the process for future grantees and programs. Strategic partnerships and thoughtful assistance to providers were critical to the program's success. As federal child care COVID-19 relief funding expires and the nation faces continued gaps in access to child care that were present pre-pandemic, finding sustainable funding sources for the child care industry has never been more important. The Arizona Child Care Infrastructure Grant program is a framework for how private and public sector partners can deploy funding quickly, effectively, and most importantly, equitably, to child care providers at scale.

By the Numbers

The Arizona Child Care Infrastructure Grant

968

applications received



478

child care providers supported



more than

\$176m

requested by applicants



\$59.6m

invested directly into child care businesses

Grantee Data

87%
serve infant and toddlers

57%
serve children with disabilities

52%
had a waitlist at the time of application



13

of 15 counties in Arizona were awarded infrastructure grants in 2023

53%

are located in low- and moderate-income communities

51%

serve >50% children who are eligible for ADES assistance

51%

are located in a child care desert

23%

operate during non-traditional hours

Grantees identify as:



83%
women



60%
Asian, Black, Indigenous or Hispanic/Latino



19%
Spanish speakers

Impact Data



99%
improved their quality of care

51%
addressed health/safety concerns

44%
addressed licensing/certification concerns

2,800+
new child care slots created

40%
increased their capacity

20%
reduced/eliminated their waitlist



Promesas de Esperanza Childcare
Maricopa County

Gloria Rodriguez, a grantee in Pima County, purchased playground equipment and installed turf and a shade sail for her ADES certified family child care home, Little Hands Daycare.



Launching the Application

Partners Providing Outreach Assistance

Arizona Department of Economic Security

Arizona Department of Health Services

Arizona Early Childhood Education Association

Candelen

Child & Family Resources

Child Care Resource & Referral

Easterseals Blake Foundation

First Things First

Intertribal Council of Arizona

Southwest Human Development

United Way of Tucson and Southern Arizona

The Arizona Child Care Infrastructure Grant program was designed to strengthen and expand the child care supply in Arizona by investing in the quality, health, safety, and capacity of child care facilities. It also was an opportunity to expand the number of child care facilities that contracted with ADES to accept children receiving child care assistance, addressing the affordability challenge for families. This meant LISC Phoenix needed to reach as many types of child care providers as possible to share the news about the grant opportunity and launch a user-friendly application process to be successful.

Outreach

LISC Phoenix partnered with trusted community organizations and agencies to help share the grant opportunity with the child care community. Technical assistance partners, state agencies, child care associations, and tribal partners spread the word about the grant opportunity before the application launched and encouraged providers to apply throughout the application window. These partners invited LISC Phoenix to share information about the opportunity at conferences and virtual meetings with their staff and child care providers. They shared information both in-person and with their email lists. Partners' existing relationships with child care providers and outreach efforts were essential in ensuring providers from across the state knew about the opportunity and submitted an application.

Designing the Application

LISC Phoenix took additional steps to reach as many eligible providers as possible. The team created an online, mobile-friendly application in both English and Spanish to ensure language was not a barrier. Bilingual staff held virtual office hours to answer questions and assist people in completing applications. Staff and technical assistance partners also made themselves available by email and phone to help with any technological barriers. Knowing child care owners and operators are busy managing the day-to-day operations, the application was streamlined by project category (existing facility, expanding facility, or new entrant) to ask only those questions necessary for determining eligibility.

Ministerios Tierra de Bendicion Coqui Children Center in Cochise County used funding to reconfigure its space, adding 10 new slots for toddlers and eliminating its waitlist.



Eligibility

To be eligible for the grant, applicants had to be one of the following:

- A regulated child care provider (ADES certified family child care home, Arizona Department of Health Services (ADHS) certified small group home, ADHS licensed center, tribal child care provider, or child care provider regulated by military installations)
- Any regulated provider interested in expanding (i.e., certified home becoming a licensed center or a licensed center opening another licensed center)
- Any unlicensed/uncertified provider interested in becoming a licensed or certified facility
- An individual or entity interested in opening a new child care facility

Additionally, applicants had to:

- Be in good standing with ADHS and ADES
- Be contracted or agree to contract with ADES to accept children receiving child care assistance

Applicants could select one of three project categories:

- 1) Existing Facility: An applicant looking to improve an existing eligible facility
- 2) Expanding Facility: An applicant looking to expand to serve more children by moving or opening a new eligible facility
- 3) New Entrant: An individual or entity new to child care interested in opening a new eligible child care facility

Child care businesses were able to submit more than one application if they operated more than one eligible facility or were applying for more than one project category.

Overwhelming Need

With an initial \$26 million available in grant funding, the application window opened on December 6, 2022. In the first week alone, LISC Phoenix received over 400 applications requesting more funding than was available. Due to the response, LISC Phoenix announced on December 15, 2022 that the application would close on December 21, 2022.

Thanks to the support of outreach partners, the streamlined application process and the trust of child care providers, LISC Phoenix received 968 applications requesting over \$176 million in funding – nearly seven times the initial \$26 million available – in just a two-week period.

Increased Grant Funds

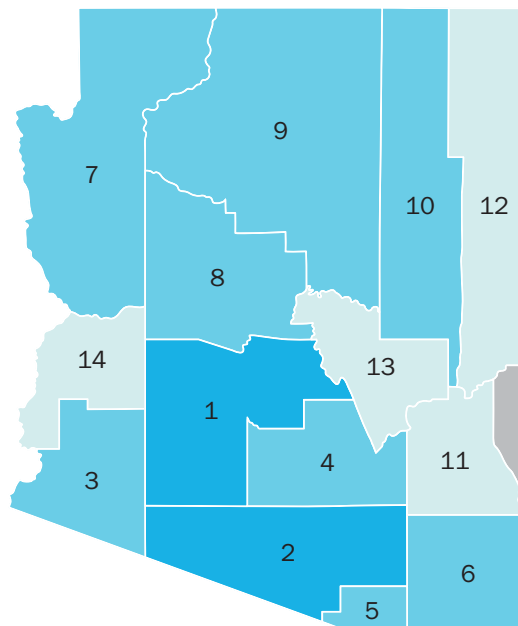
This incredible demand for the funding, combined with LISC Phoenix’s track record of deploying funding quickly, led to ADES and FTF dedicating an additional \$35 million of ARPA Child Care funds to the program for grantmaking, training, and technical assistance in May 2023. With this additional funding, close to \$60 million was available to grant directly to child care providers. The deadline for expending all funding remained September 30, 2023.

Who Applied

Applicants reflected the diversity of Arizona. Providers in all but one of Arizona’s counties – Greenlee County – applied for funding, with the highest demand coming from providers based in Maricopa County. One in 10 providers completed applications in Spanish, and 31% of applicants identified as Hispanic or Latino. Thirty-seven percent of applicants had child care businesses in low- or moderate-income communities. Seventy-four percent of applicants identified as women.

FIGURE 1 ▶
Applicants by county

- >100
- 10-99
- 1-9
- None

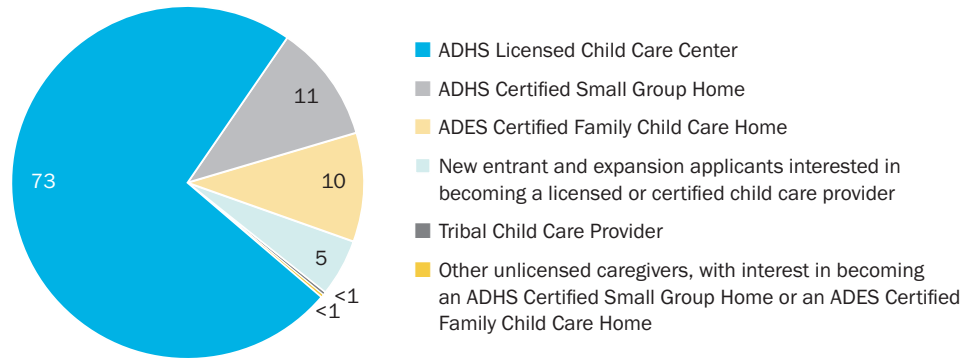


1	Maricopa	527
2	Pima	231
3	Yuma	59
4	Pinal	32
5	Santa Cruz	26
6	Cochise	20
7	Mohave	18
8	Yavapai	18
9	Coconino	17
10	Navajo	13
11	Graham	4
12	Apache	1
13	Gila	1
14	La Paz	1

Applicants mirrored the Arizona child care landscape. ADHS certified small group homes and ADES certified family child care homes make up about 17% of providers in Arizona and represented roughly 1 in 5 applications. Nearly one-third of the 2,300 ADHS licensed child care centers in Arizona applied for funding. Close to 85% of applicants already had a relationship with ADES: about 75% of applicants were already contracted with ADES to serve children receiving child care assistance and another 10% of applicants were an ADES certified family child care home.

New entrants, individuals, or entities new to child care hoping to open facilities completed 36 applications, and 61 applied to expand or move their current facility to serve more children.

FIGURE 2 ▶
Percent of applicants by provider type



Toshina Thames used funding to replace flooring and install updated sinks, cabinets, and antimicrobial surfaces in her center, Beautiful Oasis Childcare, in Maricopa County.



Selecting Grantees: An Equity Approach

With overwhelming need and limited resources, LISC Phoenix selected grantees with an approach grounded in equity.

Applicants were selected to be finalists in rounds and prioritized based on multiple factors, including:

- Located in a child care desert (an area with little to no access to child care) or where there is a gap for care
- Located in a low- or moderate-income community
- Serve 50% or more children eligible for ADES child care assistance or projects that would allow a provider to serve more children eligible for assistance
- Offer non-traditional hours of care (before 7 a.m. and after 6 p.m. on weekdays, anytime on weekends)
- Care for infants and toddlers (0-3 years old)
- Care for children with special health care needs or physical and/or developmental disabilities
- Have a waitlist for care

Gathering Priority Factors

To determine which communities have more children that are eligible for child care assistance, LISC Phoenix used the most recent low- and moderate-income (LMI) calculations. The [HUD data set](#) provides estimates of the number of low- and moderate-income individuals (LMISD) by block group based on the 2011-2015 American Community Survey (ACS). An area where at least 51% of the residents of the block group are low- and moderate-income persons is considered an “LMI Area”.

LISC Phoenix used two data sets to determine areas with limited to no access to child care:

- **Child Care Desert** – Using the [Arizona CAP map](#), a child care desert is any census tract with more than 50 children under age 5 that contains either no child care providers or so few options that there are more than three times as many children as licensed child care slots. Rural areas were automatically considered a child care desert.
- **Child Care Gap** – The Child Care Gap compares the supply of and the potential need for child care in each census tract. Partnering with Maricopa Association of Governments, who developed the Child Care Gap analysis for [Bipartisan Policy Center](#), LISC Phoenix assigned a child care gap percentage based on the census tract of each applicant. The higher the gap percentage, the greater the need for increased child care supply.

All other priority factors were collected through the application.

Finalists were notified in five rounds. Three rounds were dedicated to existing projects, one round for expansion, and one round for new entrants. New entrant applicants that were selected as finalists completed interviews with LISC staff to ensure the project was a good fit for the grant opportunity.

TABLE 1 ▼

Finalists

FINALIST NOTIFIED	PROJECT CATEGORY	PRIORITY CRITERIA
January 2023	Existing – Round 1	50% or more LMI and located in child care desert
March 2023	Existing – Round 2	40% or more LMI and child care desert, or Child care gap above 40%, or Located in an 40% or more LMI area and serve children eligible for ADES child care assistance
March 2023	Expansion	Proposed expansion project is located in a LMI area, child care desert, or area with 40% or more child care gap Evidence the additional facility would result in serving more children from the priority populations
April – May 2023	New Entrant	Proposed new facility is in a LMI area, child care desert, or area with 40% or more child care gap Evidence the additional facility would result in serving more children from the priority populations Completion of interview with LISC staff
May 2023	Existing – Round 3	Completion of a survey to update application information in April 2023 All applicants located in a rural area, who were not previously selected Applicants in urban areas were selected based on meeting more than one priority area listed below and describing an eligible project in their application or survey response: <ul style="list-style-type: none"> • Located in a child care desert/area with high child care gap • Serve 50%+ children eligible for ADES child care assistance • Serve infants and toddlers or looking to increase slots for infant and toddler care • Have an existing waitlist • Currently offer non-traditional hours of care or looking to increase these hours (before 7 a.m. and after 6 p.m. on weekdays, weekends) • Serve children with physical and/or developmental disabilities or looking to increase slots with ADA accessibility for physical and/or developmental disabilities

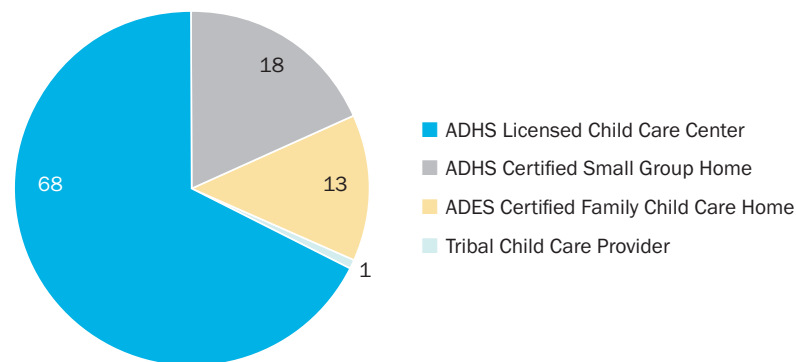
LISC staff also considered scenarios where child care owners submitted more than one application for multiple eligible facilities. In general, a single business was limited to no more than three sites or no more than \$600,000 in funding. LISC staff could use their discretion to award more if the project benefited the priority population.

The Awards: 478 Grantees

In all, LISC Phoenix selected 478 child care providers for funding: 323 ADHS licensed child care centers, 89 ADHS certified small group homes, 62 ADES certified family child care homes, and 4 tribal child care providers.

The average grant award for ADHS licensed child care centers was \$162,895, for ADHS certified small group homes it was \$49,015, for ADES certified family child care homes it was \$25,000, and for Tribal Child Care Providers it was \$275,761.

FIGURE 3 ▶
Percent of grants
by provider type



Most grantees met one or more of the priority area criteria:

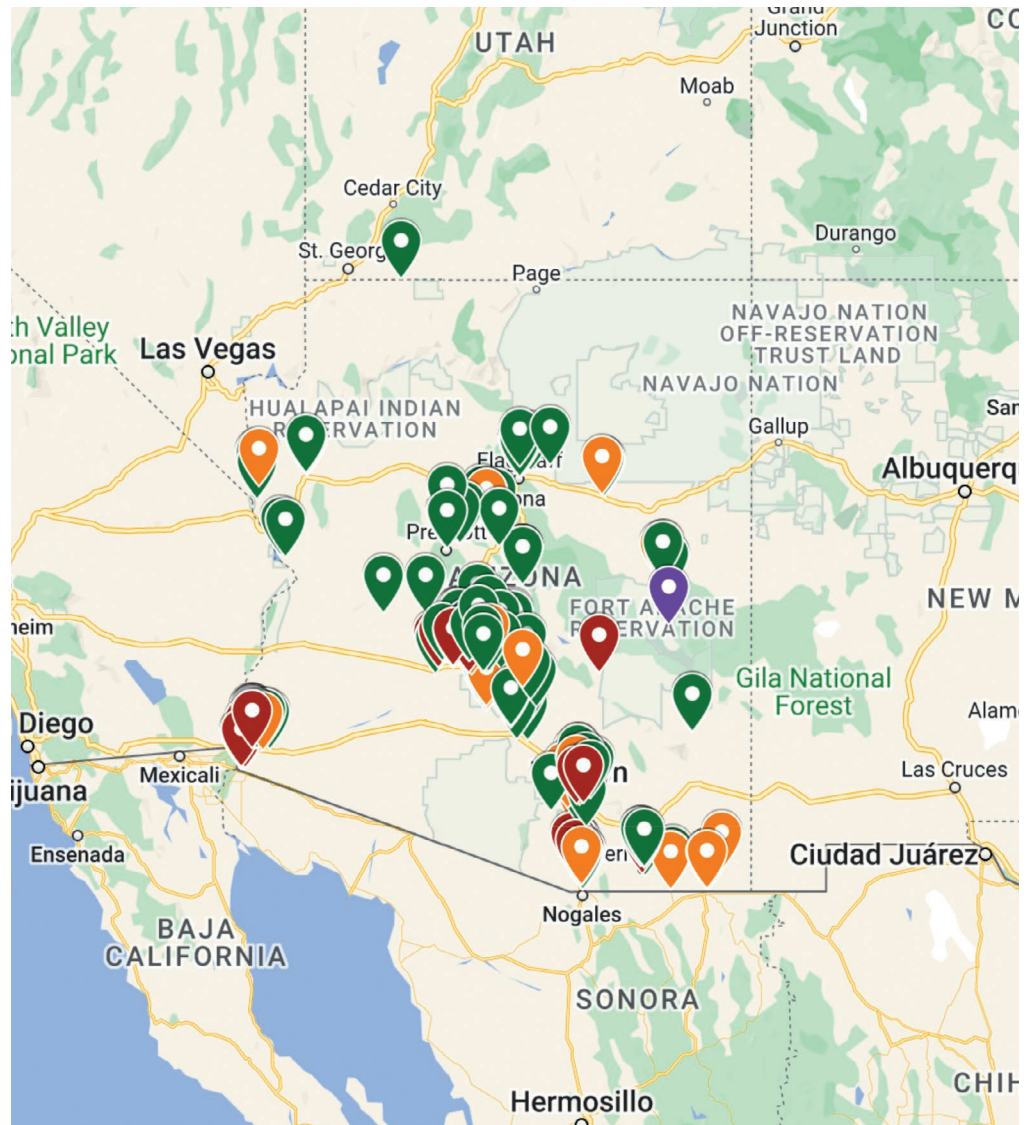
- More than half of grantees are in low- and moderate-income communities.
- More than half are located in a child care desert, including rural communities.
- 87% of grantees serve infants and toddlers.
- 57% of grantees serve children with disabilities.
- Half of grantees serve 50% or more children eligible for ADES child care assistance.
- Nearly a quarter of grantees operate during non-traditional hours, including extended nights or weekends.
- More than half of grantees had a waitlist at the time of their application.




Most businesses (83%) supported with funding identified as being woman-owned. About 60% of grantees identified as Asian, Black or African American, Indigenous, or Hispanic or Latino. Nearly 1 in 5 grantees identified as Spanish speakers.

FIGURE 4 ▶

Arizona Child Care Infrastructure Grant Map

Grantees were spread across 13 of Arizona's 15 counties.



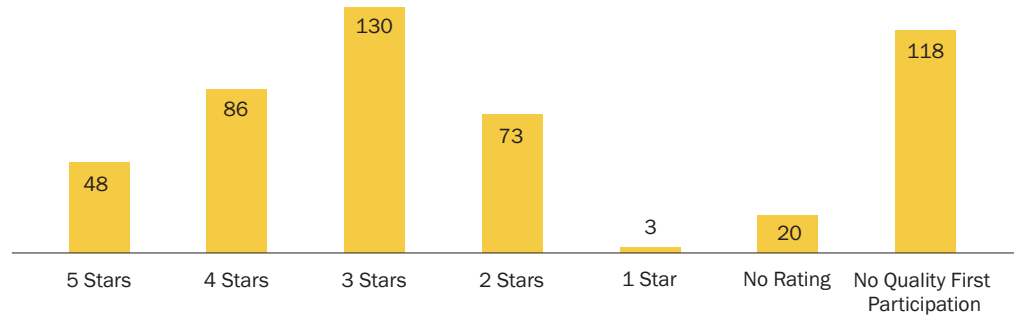
-  ADHS Licensed Child Care Center
-  ADHS Certified Small Group Home
-  ADES Certified Family Child Care Home
-  Tribal Child Care Provider

More than three-quarters of grantees participate in Quality First. Of those grantees in Quality First, most grantees (130) had a Quality First rating of 3 stars at the time of application. Some providers have already shared that their Quality First rating has since increased thanks to the improvements made possible by the grant.

FIGURE 5 ▶

Number of grantees by Quality First start rating

Quality First is a signature program of First Things First designed to help early care and education providers strengthen their programs through professional development and coaching, specialized assistance from a team of early childhood experts and funding to improve facilities and learning materials. Participating providers are assigned a quality level based on a rating scale. The highest level of quality is a 5-star rating.



The majority of grantees were already contracted with ADES to serve families receiving child care assistance. This is an important tool to ensure cost is not a barrier to quality early childhood education. The 23 grantees who weren't yet contracted with ADES agreed to complete the process.

Most grantees – 455 – were existing sites, 17 were expansion grantees, and six were new entrants to the child care space.

Outside of the 478 grantees referenced above, 24 selected sites, or finalists, eventually withdrew from the grant program for various reasons. Some decided they did not want to go through the ADES contracting process; others felt they couldn't meet the grant deadline. Eleven other finalists were eventually denied because they did not respond to emails and phone calls about the grant or were not able to submit the required documentation to receive a grant. In all, just 7% of finalists ended up not completing the program.

Beyond the data, grantees painted a vivid picture of the need for funding. One provider shared how their center was more than 40 years old and had “been held together in some places with tape.” Others faced similar situations – operating in buildings that hadn't been renovated in decades and were in urgent need of repairs. Some providers had more than 100 children on their waitlist and needed funding to reconfigure their existing spaces to meet community need for child care.

Grant Impacts: Turning Dreams into Reality

With the funding, child care providers increased the capacity, quality, health, and safety of their facilities. They made much-needed updates to their child care businesses that they had put on hold for years, turning wish lists into reality. The results? Children and families are excited and eager to use updated facilities that now match the excellence of care from their child care providers. And educators and staff feel acknowledged as essential workers and well cared for too.

Among grantees, the five most common infrastructure improvements were installing new astroturf or other ground covering, purchasing playground equipment, installing new indoor flooring, repainting the interior or exterior of their facility, and upgrading their HVAC systems. Nearly every grantee also purchased classroom supplies, equipment, and furniture with the funding.

99% of grantees improved their quality of care.

In Yavapai County, Esmeralda Mata-Church of LaLa's Land of Learning reimagined her entire 3,900 square-foot outdoor space to include five distinct learning areas with pergolas, a bike track, and new turf.

Nearly every grantee improved the quality of the care they deliver to children. Improvements to outdoor play areas were overwhelmingly the most common use of grant funds. Eighty-seven percent of grantees used funding to improve outdoor play spaces, purchasing new playground equipment, installing canopies to provide shade and relief from Arizona's hot summers, replacing sand or pavement with artificial turf and other soft surfacing for children to run and jump, and more. In Yavapai County, Esmeralda Mata-Church of LaLa's Land of Learning reimagined her entire 3,900 square-foot outdoor space. She used funds to create an outdoor classroom with five learning areas, each with its own pergola and activity focus. Children can play on turf and ride tricycles along a new bike track.



“This grant opportunity has been life-changing for us and our center. We have been able to turn wish lists and dreams into reality. We have been able to provide our staff with a better and updated work environment complete with new training and laundry facilities and provide our families with better security for their children. Best of all, we are able to provide a clean, safe, fun, shaded, and beautiful outdoor play space for our preschool ages 2 to 5.”

DEBORAH KITCHENS, MADISON CHRISTIAN CHILDREN'S CENTER, MARICOPA COUNTY

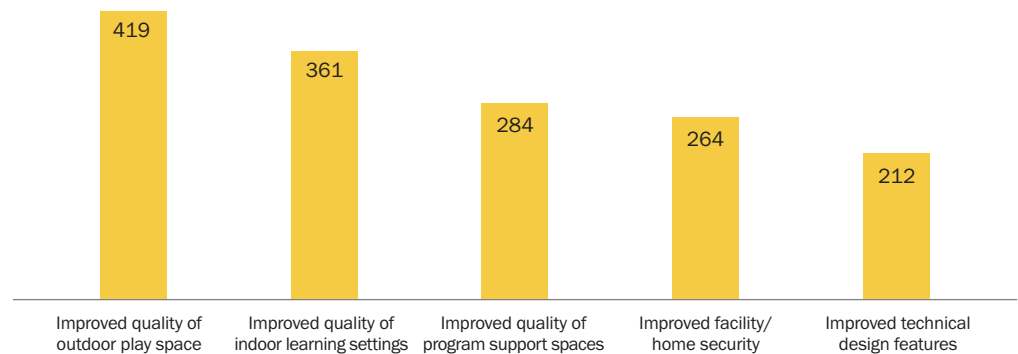
Seventy-five percent of grantees improved the quality of indoor learning spaces. Grantees made minor renovations to their facilities – updating bathrooms to ensure age-appropriateness and child safety, replacing flooring, windows, doors, and roofing, installing LED and energy-efficient lighting, or addressing plumbing and electrical issues. Shiloh Murillo, director of First Presbyterian Preschool of Mesa, used funds to replace leaking toilets and install new tile flooring. She had dark wallpaper removed and classrooms repainted in bright colors. Families have noticed the changes and are delighted to see the spaces when they pick up their children.

Fifty-nine percent grantees improved the quality of program support spaces, including purchasing appliances, renovating kitchens to provide hot meals to children, and creating welcoming break rooms for staff to connect and recharge. Loretta Desaulniers, business owner of Kinder Prep Academy in Graham County, created a laundry room onsite, saving her precious hours each week previously spent at a laundromat. Now she can devote more time to children and staff. Loretta also used funding to renovate the teachers' break area, which previously lacked heating and cooling, into a temperature-regulated space. These improvements have helped improve staff morale.

Thanks to these quality improvements, some providers have shared that they have increased their Quality First rating. One grantee noted, “With all of the quality improvements, we were able to apply for Quality First and received a 5-star rating on our first assessment!”

FIGURE 6 ▼

Top 5 quality improvements by number of grantees



Promesas de Esperanza's new transition classroom accommodates babies who have just turned one.



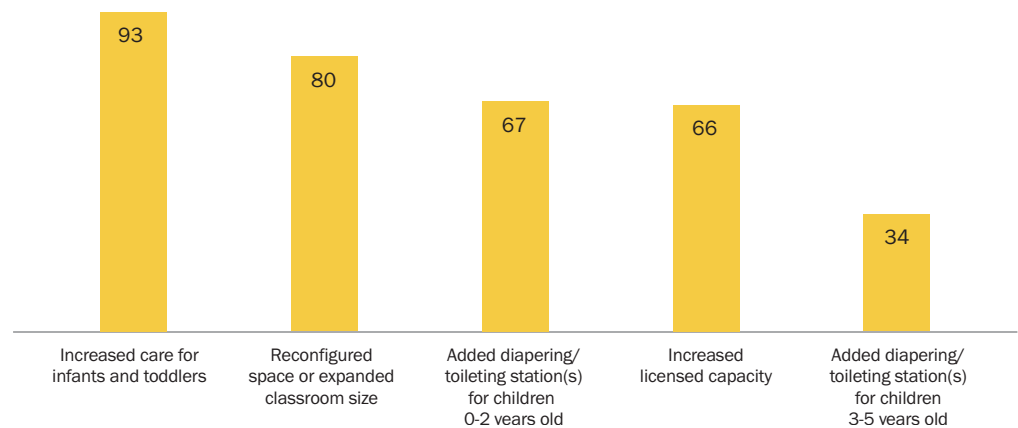
40% of grantees increased their capacity.

Some grantees used the funding to serve more children, creating more than 2,800 new child care slots across the state. They added diapering and toileting stations for children up to five years old, reconfigured their existing space to increase classroom sizes, and increased care for infants and toddlers. About 20% of grantees reduced or eliminated their existing waitlists with the help of the grant.

In Maricopa County, the grant helped Promesas de Esperanza admit 19 children off its waitlist. This was welcome news in the Glendale community, where there are not enough licensed child care facilities for the number of children needing care. Summer Palacios, the owner, used funding to add classrooms that cater to children's developmental needs. A new transition classroom accommodates babies who have just turned one, giving them space separate from younger infants and older children aged 12-23 months. A classroom for three-year-olds now has a diapering station, allowing three-year-olds using diapers to remain with their peers and accommodating children with special needs. This opened slots in her infant and two-year-old classrooms.

FIGURE 7 ▼

Top 5 reasons for increased capacity by number of grantees



More than half of grantees addressed health and safety concerns.

Grantees made updates to their facilities that addressed health and safety concerns: 24% of grantees installed security systems or new locks, 20% improved building ventilation through HVAC or air purification systems, and 13% added hand sanitation stations.

Separately, 44% of grantees used funding to address licensing violations or certification concerns, including removing hazards in outdoor and indoor learning spaces and adding resilient playground surfaces under swings and climbing equipment.

Adriana Aranda, a family child care home provider in Pima County, installed security cameras, magnetic safety locks for cabinets, child-proof outlet covers, and sanitation stations for children and parents. These safety improvements have helped her business, Camila's Playhouse, to enroll more children.

FIGURE 8 ▼

Top 5 health and safety improvements by number of grantees

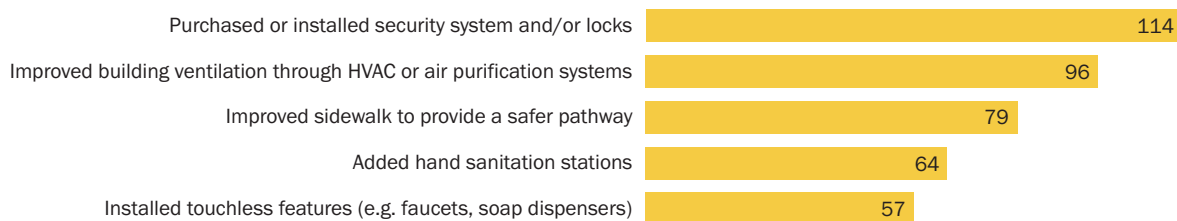
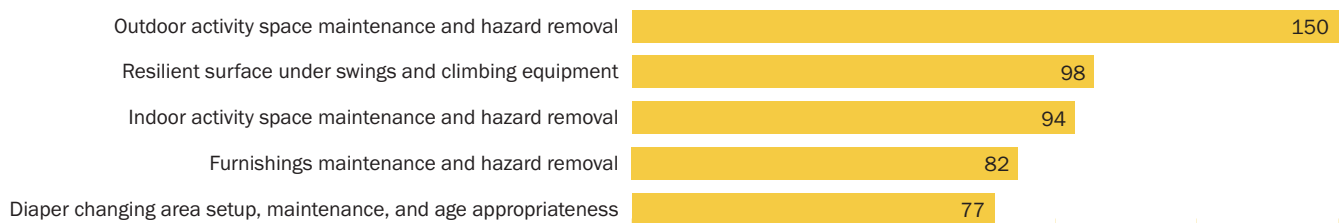


FIGURE 9 ▼

Top 5 licensing violations/concerns addressed by number of grantees



“This grant was a huge steppingstone in working towards building our child development center. Because we were awarded, we were also able to secure (additional) funding. We are on a very realistic path to project development.”

ALLISON HEPHNER, SITGREAVES COMMUNITY DEVELOPMENT CORPORATION, NAVAJO COUNTY

Increased Supply: New Entrant and Expansion

Through the program, LISC Phoenix supported six new entrant grants in Maricopa, Navajo, Pima, and Pinal counties focused on opening ADHS licensed centers:

- Since submitting their application, two grantees had already started the process to become a licensed child care center and funds were used to bring the facility into compliance with ADHS licensing rules and regulations.
- One grantee already completed the feasibility study and had secured funds for the construction phase of the work. The LISC grant was used to purchase furniture and learning materials for nine new classrooms.
- The remaining three grantees completed predevelopment activities, including feasibility studies and architectural fees to draw required plans to become licensed.
- Two of the grantees are planning to be learning labs for students interested in or pursuing a degree in early childhood.

In addition, the program funded 17 expansion projects. These projects had dedicated technical assistance from Southwest Human Development’s Early Childhood Business Solutions team. Each project worked with Southwest Human Development’s team to complete an expansion feasibility assessment that helped business owners assess the type of care needed in the community and plan for operational costs to determine feasibility of opening a larger or additional site.



Ehmke’s Childhaven Preschool
Navajo County

The expansion projects used the funds to complete predevelopment activities, such as architectural drawings, engineering fees, and permitting fees. If the predevelopment work had largely been completed by the time of the award and leases in place or buildings purchased, the expansion projects could request funds to make improvements and purchases necessary to comply with rules and regulations to open the facility. As a result of these expansion projects, more child care slots are now available in five counties: Mohave, Pima, Pinal, Navajo, and Yuma.

Capacity Building

Child care providers developed new skills that will last beyond the grant program. Some managed a renovation project for the first time, learning more about municipal permitting, working with contractors, and quality facility design. Others grew more comfortable working with technology, using Zoom to attend office hours or uploading files as part of their grant application. Many grantees increased their financial skills, pulling together business tax returns and familiarizing themselves with profit-and-loss statements.

Overall, 6 in 10 grantees reported having a better understanding of managing a renovation project, 3 in 10 felt more comfortable working with technology, and 3 in 10 had a better understanding of financial management of their child care business.

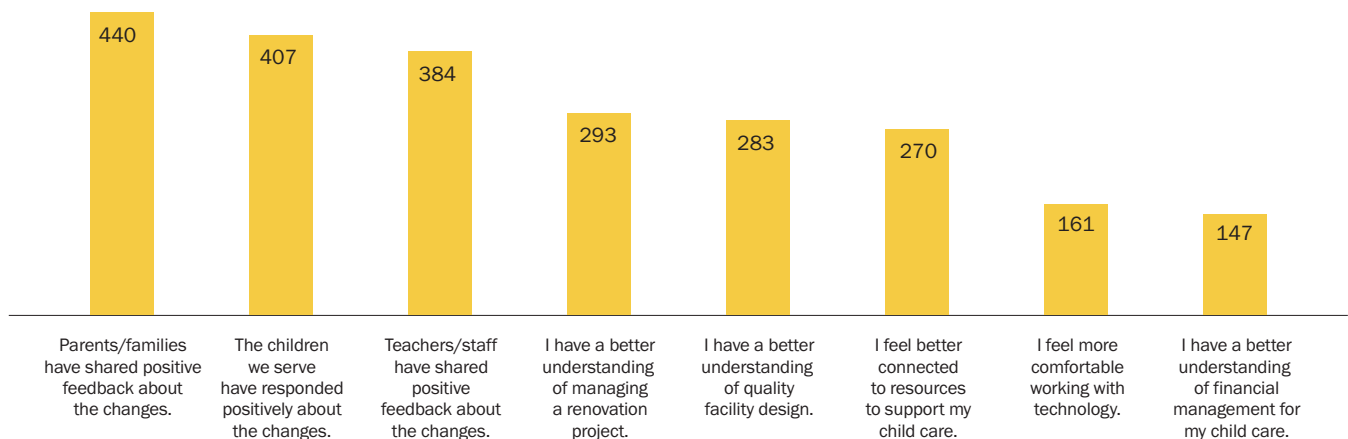
Perhaps most importantly, more than half of grantees felt better connected to resources at the conclusion of the grant program. The Arizona Child Care Infrastructure Grant shows that funding paired with intentional technical assistance can lead to lasting capacity-building in the child care sector.

“The grant overall has helped our center improve our image, quality of care for the children, working environment for the staff, and has motivated us as owners to keep working towards our goals.”

JUAN MARISCAL, THE APPLE TREE LEARNING CENTERS, PIMA COUNTY

FIGURE 10 ▼

Other grant impacts by number of grantees



el NIDO

“We just want to say thank you, thank you, thank you for all the help...Not only the funds, but also all the coaching and advising you give us.”

JOSÉ GUERRERO, LITTLE GIANTS SPANISH IMMERSION PRESCHOOL, MARICOPA COUNTY



Technical Assistance is Key

The biggest hurdle of the grant program was its rapid timeline. In order to ensure grantees complied with federal rules and spent all funds by September 30, 2023, grantees had help at every step in the process.

Technical Assistance Partners

Five Arizona nonprofits with deep expertise in early childhood development, quality child care, and business coaching provided additional technical assistance to grantees: Candelen, Child & Family Resources, Easterseals Blake Foundation, Southwest Human Development, and United Way of Tucson and Southern Arizona. They helped grantees determine how best to use their grant award and develop and manage their budget.

LISC met with technical assistance partners every two weeks to share updated information, problem-solve challenges, and receive feedback to improve the delivery of the grant program. In turn, the technical assistance providers were extremely helpful in reinforcing deadlines for providers, ensuring grantees had what they needed to submit their materials to request funds, and showing up in-person when needed to address technological or other barriers.

“I got to experience the pride in providers when they showed me the renovated playgrounds, kitchens, and bathrooms. This opportunity not only provided tangible assets, but an opportunity for financial education. It’s amazing to see the confidence.”

LIZ RABAGO, TECHNICAL ASSISTANCE PROVIDER, LISC PHOENIX CHILD CARE TEAM AND LIZ RABAGO BILINGUAL SERVICES

LISC Phoenix Support

The LISC Phoenix staff offered multiple types of technical assistance so that people could choose the methods that worked best for them and their schedules.

LISC Phoenix held virtual office hours to make staff easily accessible to answer grantee questions. Office hours were held once a week at first, with separate sessions in English and Spanish. In May 2023, as the September 30 deadline approached, the team held English office hours every weekday. Recognizing that many Spanish-speaking child care providers are one-person operations, the team offered Spanish office hours in the evenings. LISC Phoenix also had a dedicated grant support phone number and email, allowing one-on-one support throughout the grant process. Staff helped grantees troubleshoot issues finding and working with licensed contractors, pulling together financial documents, determining eligible grant uses, and more.

LISC Phoenix sent weekly email newsletters to grantees in both English and Spanish, with reminders of upcoming grant deadlines, tips, and training videos. These short training videos explained how to complete grant steps. LISC Phoenix created 18 videos – nine in English and

nine in Spanish – on topics ranging from completing a budget to requesting disbursement of funds. A “finalists resource hub” and “step-by-step guide” on the LISC Phoenix website – separate web pages in English and Spanish – outlined the grant process, explaining each step and linking to relevant training videos and templates.

Because the program required all grantees to contract with ADES, LISC Phoenix organized special office hours with staff from the ADES Division of Child Care, Provider Network and Support team. This session allowed grantees who needed support contracting with DES to ask questions and get individual assistance. LISC Phoenix also created a contracting guide, distilling the process into four steps for providers.

Resources and Trainings

Technical assistance partners also provided coaching and training to grantees. This included classes on financial literacy, bilingual computer classes to increase technology-based skills, and business practice support.

LISC created facility resource guides and self-assessment tools specific to facility development and quality facility design for Arizona’s landscape. With the help from the technical assistance partners, these guides were adapted from the LISC Rhode Island office to better serve the Arizona child care community. A total of six guides and self-assessment tools were adapted or developed and published in English and Spanish.

Knowing that managing a federal grant was new to many child care businesses, LISC Phoenix engaged Civitas Early Learning Strategies, a national organization specializing in child care business coaching, to create resource guides for providers in English and Spanish. These guides covered a range of topics, from annual business planning to tax credits and tax implications for child care businesses. Civitas Early Learning Strategies hosted office hours and learning sessions for child care grantees and technical assistance providers on the tax implications of federal grants and foundational financial management.

Managing Renovation Projects

Managing a renovation project in a child care facility requires skilled contractor(s)/vendor(s) to complete the work as well as knowledge of local municipal permitting rules and, ideally, ADHS child care rules and regulations.

To help build relationships with licensed contractors, LISC Phoenix released a request for qualifications from vendors on its website. Responses from vendors that met the requirements to work on these projects were added to an online vendor list that child care grantees could use as a reference, although grantees were allowed to work with any licensed and insured contractors/vendors in Arizona. Additionally, a renovation consultant, Foundation for Senior Living, was secured for their rich experience in project management of construction projects in Arizona. With the support of this consultant, LISC Phoenix developed guides on how to select a licensed contractor/vendor, how to develop and evaluate a scope of work, how to manage a renovation project from start to finish, and how to handle disputes. The renovation consultant also advised LISC Phoenix staff on more complex renovation projects, helping to determine compliance and eligibility.

As a licensed child care facility, certain renovation projects needed to be approved and/or inspected by the ADHS Bureau of Child Care Licensing. LISC Phoenix and the renovation consultant met with the ADHS Bureau of Child Care Licensing team to ensure understanding of the rules and regulation requirements, clarify processes for approvals and inspections, and share resources with one another. The partnership from the ADHS Bureau of Child Care Licensing was critical to the grant program’s success, with their timely review of plans, proposals, and onsite inspections.



**Gloria Montelongo,
Santa Cruz County**

Securing vendors to complete projects was a challenge — this is especially true in rural Arizona where there are limited number of licensed contractors. LISC Phoenix supported Arizona’s licensed contractors in meeting the needs of the child care community. One of our grantees in rural Santa Cruz County was unable to find any playground vendor to come onsite to provide a quote. LISC Phoenix was able to secure a playground specialist to serve the need of the Santa Cruz facility. These contractors scheduled work when it least disrupted the care that families depend on and many completed projects in short windows of time. Overall, this grant program increased the number of licensed contractors that know how to work with child care facilities and the capacity of child care providers in completing facility renovations.

Supporting Spanish-Speaking Providers

The Arizona Child Care Infrastructure Grant program made a concerted effort to provide culturally-relevant support to Spanish-speaking providers, who made up nearly 1 in 5 grantees. Two bilingual members of the LISC Phoenix child care team provided support to grantees in Spanish, including holding Spanish-language office hours once a week, calling grantees to provide one-on-one support, and in some cases, visiting grantees’ homes or facilities to provide in-person assistance. The team found it particularly helpful to contact Spanish-speaking grantees through WhatsApp. Other bilingual resources included webpages, newsletters, training videos, budget templates, and invoice trackers.

Almost 90% of Spanish-speaking grantees operated ADES certified family child care homes or ADHS certified small group homes. Therefore, calculating the time-space ratio was a particular challenge for Spanish-speaking grantees. Nearly 1 in 4 Spanish-speaking grantees also identified technology as a challenge, including uploading documents, completing the W-9 online, and using e-signatures. Some components of the grant process, like completing the Excel budget template, are more difficult to do on a mobile device than on a computer.

“Yo agradezco mucho esta ayuda que durante 22 anos que yo tengo trabajando nunca habíamos recibido algo así, lo cual estoy muy feliz con haber sido una de las proveedoras privilegiadas al tomarme en cuenta para esta subvención.”

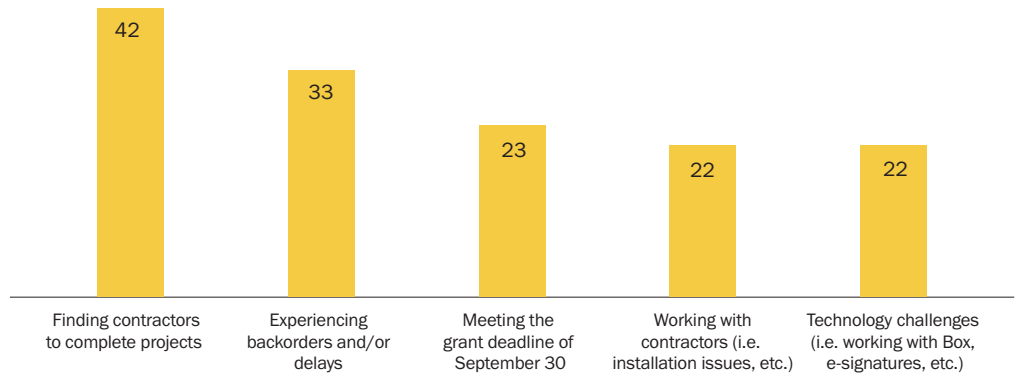
ZULEMA PADILLA, ZULEMA'S CHILD CARE, YUMA COUNTY

“I am very grateful for this help because during the 22 years that I have been working, we have never received anything like this. I am very happy to have been one of the privileged providers to be considered for this grant.”

ZULEMA PADILLA, ZULEMA'S CHILD CARE, YUMA COUNTY

FIGURE 11 ▼

Top five challenges for Spanish-speaking providers



Ladybug House Childcare
Pima County



Lessons Learned

LISC Phoenix gathered feedback through close-out surveys and focus groups to learn more about how the grant funding and process impacted the child care grantees. Nearly all grantees – 98% – completed the close-out survey. Thirty-one child care grantees from six counties also participated in voluntary focus groups: one for licensed centers, one for certified child care homes, and one for monolingual Spanish-speaking child care providers. Two additional focus groups were held for LISC Phoenix staff and technical assistance providers to better understand the role and impact of their support.

Gratitude for Investment

Grantees continuously expressed overwhelming joy, gratitude, and pride for this investment in their businesses and the children in their care. The improvements made possible by these grants would have taken years – if not decades – to save enough to complete. Focus group participants shared that this investment in child care was a real morale boost for a sector that has seen minimal funding prior to the COVID relief funding. Spanish-speaking providers, certified child care home providers, and those with facilities located in rural areas especially felt this way. Rural focus group participants shared they were skeptical about receiving funding, and then were so “grateful to finally be seen.” Child care providers felt like they were finally recognized as essential workers.

“We’re so thankful for this opportunity. We would never have been able to make the improvements that we did without the funds made available through the grant. Thank you and everyone who made it possible.”

JULIA HAMMOND, ARIZONA CULTURAL ACADEMY, MARICOPA COUNTY

Grantees made tremendous strides, but more investment is needed.

The Phoenix metro area broke the record with 55 consecutive day over 110 degrees Fahrenheit, making it the hottest summer on record. Read more about how LISC Phoenix focuses on climate resilience. Message from a Scorched Earth | Local Initiatives Support Corporation (lisc.org)

Grantees made incredible improvements to their facilities in just a few months. The quality and safety of outdoor play spaces were priorities for child care providers throughout the state. Provider after provider said addressing heat and other climate issues were critical to the usability of their outdoor spaces for learning and enrichment. However, nearly 7 in 10 grantees still have needs they weren’t able to address with the grant. Of those grantees with additional needs, 45% didn’t receive enough funding to cover the project expense. Grantees were further limited by what they could accomplish with the tight timeline.

The \$60 million Arizona Child Care Infrastructure Grant program filled a critical need but met just 34% of the total funding requested by applicants and 458 applications did not receive any funding. The overwhelming interest in the program demonstrates the historical lack of funding available to Arizona’s child care community and the need for continued investment. As Kim Burch of 5th Place Community Childcare noted, “This funding has provided us opportunities that have never been seen before in Arizona child care.”



Infrastructure improvements take time.

The federal deadline to liquidate ARPA funds by September 30, 2023 limited what child care providers could do with the grant. Nearly 1 in 5 grantees said they had a project they couldn't complete by the deadline and 44% of grantees found it challenging to meet the grant deadline. The timeline was even more limiting for grantees notified in May.

Fifty-eight percent of grantees said one of their top challenges was finding contractors to complete projects within the deadline. This challenge was especially acute for providers in rural areas, where there are fewer licensed contractors and contractors in urban areas are less likely to travel to provide an estimate.

Focus group participants shared that the timeline forced them to assess projects by what could feasibly get done in the time frame available, rather than focusing on the highest prioritized needs for their child care business. As one technical assistance provider shared in a focus group, "It was such a challenge, and the opportunities were limited for the providers. Grantees had to prioritize in a way that may not have maximized their needs."

Future funding should have a longer implementation window to allow child care businesses to work with technical assistance providers to assess the most important projects that will best improve quality, capacity, health, and safety. Funding should also allow time for training and familiarizing a dedicated cadre of contractors in relevant processes of the grant program, such as providing grantees with detailed quotes and countersigning contracts so that grantees can request disbursement more quickly.

Grant programs must be designed for Tribal Child Care Providers' processes.

LISC Phoenix worked closely with tribal child care providers to remove barriers when possible. However, tribal child care providers are regulated by their tribal councils and each tribal council has its own approval process for grants. This means our tribal grantees had to wait for scheduled tribal council meetings for various approvals, including accepting the grant and contracting with vendors to complete the work. These extra steps create delays in award and implementation of the grant. In the future, tribal child care providers need extended time frames to accommodate their policies and procedures.

Increasing capacity requires more flexible uses of funds.

Due to federal restrictions, grantees were unable to use funding to increase the square footage of their facilities or build new construction. This meant that grantees had to use their existing space to add capacity, either by reconfiguring interior spaces – like adding walls to create a new classroom – or reorganizing classroom layouts to increase enrollment.

Even with these restrictions, 40% of grantees added capacity to their child care programs, allowing many to enroll children from their waitlist. In some cases, providers increased capacity by moving children to developmentally- and age-appropriate classrooms. For example, 34 grantees reported adding diapering stations to classrooms for children aged 3-5 years. This allowed older children who still used diapers and were held in the two-year-old room to move into developmentally-appropriate

classrooms with their peers. It also meant opening more slots for toddlers in classrooms. The age group that most grantees increased child care slots for was toddlers.

While grantees were creative in using funds to increase child care slots, capacity of the child care system could have been greatly increased if funds could have been used more flexibly. This means allowing new construction, addition of square footage, and major renovations, like removing load-bearing walls, to better use the space in older buildings.

New entrants and expansion grantees need multi-phase funding.

The number one reason new entrant and expansion grantees withdrew from the grant program was not having secure funding for the next phase of the work, which may have been renovation of an existing building or new construction of a facility. Approximately 20% of expansion finalists did not proceed with their expansion project because they did not see how they would be able to afford the renovations costs to open and instead used grant funds to improve the existing facility they operate. While predevelopment activities are crucial to determine the viability of opening and operating a new facility, it is also important to design a grant opportunity that connects grantees to funding the renovation and construction costs to open the new facility. This would increase the number of child care providers willing to open or expand their businesses.

Increasing ownership of facilities should be considered in future grants.

Future efforts to stabilize the child care supply should consider increasing the ownership of child care facilities, both centers and homes.

Grantees leasing their facilities presented unique considerations. At times, landlords denied projects, like repaving a parking lot, since the landlord would have to pay a shared portion of the project for other tenants. Grantees and technical assistance providers voiced concerns about rent increases after improvements that could cause providers to have to relocate.

To mitigate some of these concerns, LISC Phoenix reviewed lease agreements to ensure they were in place for at least a year after the grant program. Landlords also had to submit approval letters for intended projects. In expressing gratitude for the funding, one shared that funding would be even more helpful to help them secure a building of their own.

A variety of technical assistance and transparent communication must continue.

As the first infrastructure grant program in Arizona led by a relatively new partner in the Arizona child care sector, a variety of technical assistance and transparent communication helped applicants and grantees navigate the program, its rapid timeline, and its technology-driven process. Consistent, clear, and transparent communication between LISC and the child care community built trust and relationships.

Child care providers overwhelmingly appreciated and valued the regular phone calls to check-in, prompt response to emails and voicemails, and daily office hours. As one focus group participant shared, “The LISC team went to bat for the grantees when the policies did not work. They helped keep the program as equitable as possible for the child care providers.”

Technical assistance partners offering onsite help to overcome technological barriers and communicate more information with grantees were critical as well. They helped build the credibility of LISC Phoenix and the grant program and ensured the grant funds met the goals of the program.

Future Recommendations

1. The State of Arizona needs to establish a dedicated fund for child care infrastructure improvement to increase the supply and quality of child care.

These funds should:

- a. prioritize low-income and historically marginalized communities,
- b. allow at minimum a two-year implementation timeline,
- c. expand eligible uses to include all types of renovation and new construction projects, and
- d. be paired with technical assistance.

The overwhelming number of applications submitted in two weeks totaling \$176 million in requests demonstrate the deep needs in this area. Given the lessons learned, the timeline of grant funds should be removed as a barrier to allow grantees to complete their top priorities, better meet the unique needs of tribal child care providers, and eliminate issues related to contractor availability and supply chain delays. To effectively increase capacity and child care slots, the funds need to allow all types of renovation projects, including the addition of square footage and new construction. In addition, it is clear that technical assistance is a critical support for child care providers to successfully access and effectively manage infrastructure projects and prioritize projects that most improve health, safety, quality and capacity.

2. Financial institutions need to increase access to asset building capital for child care providers through low-interest loan programs and Special Purpose Credit Programs.

Most child care businesses are owned by women entrepreneurs and people of color who face systemic racial- and gender-based inequities embedded in financial services. The razor-thin profit margins of child care programs often limit provider eligibility for traditional forms of private sector real estate products. As a result, most providers are unable to acquire and/or develop facilities, as well as renovate existing facilities for health, safety, and quality. Like other small businesses, child care providers should expect to see operating losses during their startup phase. This is prohibitive to providers entering the market or expanding, especially given the thin operating margins and inability to take on additional debt. Financial products designed to reach those traditionally underserved need to better accommodate the child care business model to increase facility ownership and contribute to the stabilization of the child care supply in Arizona.

3. Technical assistance and business capacity building need to be prioritized and expanded across public and private child care programs.

As small business operators, child care providers face unique financial challenges, especially those serving low-income communities who are highly dependent on unpredictable public funding streams for operations. Learning to braid various funding streams, both public and private, to keep businesses afloat requires strong financial management and business practices. Child care providers need expanded access to technical assistance and business capacity building resources that help them access financing and funding opportunities and support them to grow their organizational resources to a sustainable level.

A Special Purpose Credit Program (SPCP) is intended to make access to financing easier for groups that might have a harder time qualifying for loans or credit because their communities were underserved in the past. Applicants must meet a clearly defined set of criteria to take advantage of the assistance offered under these programs. Often they are designed for women-owned or minority-owned businesses or for businesses located in a LMI area. Many child care owners fit the defined set of criteria making them eligible to take advantage of assistance offered under these programs.

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