2025

Capitol Landscape Analysis Report

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First Children's Finance

Table of Contents

Executive Summary

Child care services in the United States are predominantly provided by small businesses, with the majority being privately owned and operated. Access to capital for child care entrepreneurs is vital to ensure the supply, sustainability, and quality of services. However, the child care business model is inherently fragile. Expenses are high and unavoidable while revenue is constrained by families' limited ability to pay tuition, creating thin profit margins that leave little room for investment or emergency reserves.

The child care industry has unique demographics, with more than 90 percent of businesses owned by women, with a substantial portion of businesses operated by women of color. This makes the sector disproportionately affected by wealth disparities and discriminatory lending practices. As a recognized market failure, the child care sector requires outside investment to provide equitable access to quality care.

Study Overview

First Children's Finance (FCF) partnered with Oregon's Department of Early Learning and Care (DELC) to conduct a comprehensive landscape analysis of capital sources available to licensed child care businesses in Oregon from 2019-2024. The analysis examined diverse funding streams including:

- **DELC's Publicly Funded Early Learning and Care Programs**: Employment Related Day Care (ERDC), Preschool Promise, Baby Promise, and Oregon Pre-natal to Kindergarten (OPK)
- **Small Business Administration Lending**: 7(a) and 504 loan programs
- **COVID-19 Relief Capital**: Paycheck Protection Program (PPP) and Child Care Stabilization Grants (CCSG)

The study analyzed participation patterns across business demographics including license type, language preferences, and the provision of infant care. FCF also reviewed patterns based on the community rurality, Child Opportunity Index, and child care access of the community where child care businesses are based. Finally, FCF conducted interviews with 13 child care providers and used data from Oregon's annual Child Care Business Sustainability Survey to understand business experience of capital access.

Key Findings

Capital Access Varies by License Type

- Registered family child care providers face notable gaps in capital access compared to other license types.
- Registered family providers report feeling overwhelmed by administrative requirements and lack time to pursue additional funding.

Geographic and Economic Disparities Exist

- Child care businesses in child care desert counties (those with less than 33% of children age 0-5 having access to child care slots) show mixed participation patterns—registered and certified family providers participate in capital sources at higher rates while centers participate at lower rates than those not in child care deserts.
- Businesses in low and very low Child Opportunity Index communities generally access more ECE funding sources but are underrepresented in COVID-19 relief and SBA lending programs.
- Rural and frontier businesses face challenges accessing conventional lending, with 89% of SBA 7(a) loans concentrated in urban areas.

Language Barriers Impact Access

- Spanish-speaking providers achieved strong representation in most ECE capital sources but were underrepresented in PPP and completely absent from SBA lending.
- Providers speaking languages other than English and Spanish participated in fewer capital sources overall.

Systemic Challenges Limit Participation

- Fear of scams was a recurring concern, leading providers to stick with known programs or those shared though familiar channels like licensing staff or CCR&Rs.
- Business owners reported experiencing gender, racial, and linguistic prejudice when accessing capital.
- Most providers reported being shut out from conventional lending (e.g., from their local bank) due to credit requirements, collateral demands, and complex application processes.

Policy Highlight

DELC's publicly funded early learning and care programs effectively targeted intended communities, with strong representation in child care deserts, low Child Opportunity Index areas, and rural/frontier regions. Programs serving infants accessed capital at higher rates across nearly all funding streams.

Recommendations

1. Tailor outreach to centers and programs most disconnected from capital sources, especially those in child care deserts, lower-opportunity communities, and rural areas.
2. Provide high-touch supports for registered family child care providers, including application assistance and demonstration of tangible benefits from program participation.
3. Foster banking relationships especially in rural and lower Child Opportunity Index communities, ideally through partnerships with mission-aligned CDFIs and financial institutions.
4. Develop case studies showcasing businesses successfully blending and braiding multiple funding sources to inform broader system improvements.
5. Continue culturally responsive outreach and engagement, including developing business resources in languages other than English and Spanish.

Conclusion

While Oregon has made significant progress in targeting ECE funding to communities most in need, opportunities exist to enhance equitable capital access across the child care ecosystem. By addressing barriers related to awareness, trust, administrative capacity, and systemic inequities, Oregon can strengthen the financial sustainability of child care businesses and improve access to quality care statewide.

Introduction

Child care services in the United States are predominantly provided by small businesses, with the majority being privately owned and operated. Access to capital for child care entrepreneurs is vital to ensure the supply, sustainability, and quality of services.

The child care business model is fragile, and the sector has been labeled a market failure. Expenses are high and unavoidable: Creating safe and nurturing environments for children to learn and grow is necessarily labor intensive, facility costs can be high, and businesses are threatened further by rising costs such as food and insurance. Meanwhile, revenue is constrained: Families of young children, often early in their careers themselves, are particularly limited in the tuition they can afford.[1] Thin profit margins leave little wiggle room for businesses to save for a rainy day or invest in quality or expansion.

The child care industry also has unique business owner demographics. It has the highest rates of women-owned businesses across all sectors, more than 90% of child care businesses are owned by women, and among the highest minority-ownership rates, with a substantial portion operated by women of color.[2] Thus, wealth disparities and discriminatory lending practices have a disproportionate impact on the industry.

As a market failure, the child care sector requires outside investment to provide equitable access to quality care. In this landscape analysis, First Children's Finance examines the uptake of a variety of public capital sources to better understand successful approaches, inequities, and barriers that could be addressed through enhanced technical assistance.

For the purposes of this report, FCF defines capital broadly to mean the money that flows into child care businesses to start up, sustain, or expand their operations. This capital can take many forms, including subsidies, contracts, grants, and loans. FCF has analyzed data from widely varying capital sources, each with unique goals and parameters. They include grants with limited requirements, contracts with specific eligible activities, and loans which must be repaid. This aggregate analysis does not focus on the opportunities and barriers related to the nuances of these programs' designs, but rather on the big picture. Despite their many differences, these programs share the following commonalities:

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[1] U.S. Department of the Treasury. (2021). *The economics of child care*. Retrieved from https://home.treasury.gov

[2] Center for American Progress. (2021). *The economic benefits of child care*. Retrieved from https://www.americanprogress.org

1. Each addresses the challenges of the child care business model in low- and moderate- income communities by infusing additional capital into the sector at a program level.
2. While the complexity of the process varies widely, each requires child care business owners to proactively seek out and apply for the capital, suggesting some degree of awareness, connectivity, and trust.
3. Finally, each requires some additional business acumen or administrative capacity to participate, whether developing an application, participating in training, tracking expenditures, or more complex program compliance or underwriting.

Thus, tracking aggregate participation in these funding streams can inform priorities for outreach, relationship and trust-building, and technical assistance. Without careful design, programs intended to support the child care businesses most in need will likely be accessed by the ones most connected and resourced. “Cracking the code” to support equitable participation in one program can help develop strategies to enhance child care business participation across capital sources.

Capital sources for child care small businesses, like the ones studied here, can be placed on a capacity-building continuum. A child care business owner deciding to participate in ERDC subsidy for the first time is developing skills – such as in recordkeeping – that could also support them eventually finding success seeking a loan from a local bank. To the extent DELC has influence or decision-making authority, documenting and training on these aligned skills, knowledge, and best practices should be emphasized wherever possible to increase child care business owners’ confidence in building robust business models that blend and braid diverse capital sources.

The following section provides more detail on FCF’s approach to the capital landscape analysis, followed by our key findings from capital source participation data. These findings are supported and contextualized by feedback from child care business owners in the next section. Finally, FCF presents next steps and recommendations to DELC to enhance equitable capital access across the Oregon child care ecosystem.

Methodology

First Children's Finance (FCF) partnered with Oregon's Department of Early Learning and Care (DELC) to conduct a landscape analysis of the types and amount of capital available to licensed child care businesses in Oregon. In Fall 2023, the FCF team facilitated a session with DELC partners to better understand their questions and priorities for analysis. The priorities that emerged from those discussions are stated below.

- Understand inequities (by geography, program type, language, etc.) in the current Oregon capital landscape
- Understand child care providers' awareness of and attitudes toward various sources of capital
- Assess barriers for child care business owners accessing capital, pinpointing areas for increased technical assistance
- Understanding patterns of past capital programs to inform potential future gaps/needs
- Understand the relationship between public and private capital and the untapped opportunities to leverage public funding for increased private investment

In response to DELC's priorities, FCF developed a project plan to gather available data from a wide variety of sources. Desk research was conducted to understand the broader scope of available capital sources to Oregon child care, their eligibility requirements, and administration dates. This information served as a starting point for the FCF team.

From January to March 2025, the FCF team conducted one-on-one conversations with child care entrepreneurs and stakeholders to better understand their experiences accessing various capital types. Thirteen providers were interviewed: four child care centers, five certified family homes, two registered family homes, and two Head Start grantees with multiple sites each. Eleven programs indicated their language preference as English and two as Spanish.

The team also utilized findings from Oregon's annual Child Care Business Sustainability Survey, which was administered to Oregon licensed child care business entrepreneurs in October 2024 and March 2025.

Through a data-sharing agreement with DELC, FCF received awardee data from the following programs:

- Employment Related Day Care (ERDC), 2024 funding receipts.[3]
- Preschool Promise (PSP), 2019-2024 funding receipts.
- Baby Promise (BP), 2020-2024 funding receipts.
- Oregon Prenatal to Kindergarten (OPK), 2019-2024 funding receipts.
- Child Care Stabilization Grants, all awards.

The FCF team also reviewed and analyzed publicly available data from the Small Business Administration on 7(a) and 504 loan recipients and participation in the Paycheck Protection Program (PPP).

FCF received licensing data from DELC for all programs with an active license from 2019-2024. For DELC capital programs, FCF matched records by license number to determine whether licensed providers received the funding analyzed. FCF matched program participation in SBA programs by program address.

FCF then analyzed the child care businesses receiving capital sources by various program demographics. The definition and relevant data source for these demographics are detailed in Table 1.

[3] Historical data was unavailable due to agency transition.

Table 1: Program Demographic Definitions

Program Demographic	Definition
Preferred language	Self-reported by the primary licensing contact in DELC licensing data.
Infant and toddler providers	Providers that report capacity to serve infants and toddlers in DELC licensing data. Data on ages served is unavailable for registered family child care homes.
Rurality	Defined as urban, rural, and frontier by zip code of program address. The Oregon Office of Rural Health defines geographic areas in Oregon ten or more miles from the centroid of a population center of 40,000 people or more as rural. Any county with six or fewer people per square mile is identified as frontier. [4]
Child care desert status	Defined by program address at the county-level. A county is defined as a child care desert if fewer than 33% of the county's children age 0-5 had access to a child care slot.[5]
Child Opportunity Index	Defined by program address at the level of census tract. See more detail on the following page.

[4] Oregon Office of Rural Health. (2025). *About Rural and Frontier Data.* Retrieved from https://www.ohsu.edu/oregon-office-of-rural-health/about-rural-and-frontier-data

[5] See Table 1. Percent of Children in County with Access to a Regulated Slot By Age Group in Pratt, M., & Sektnan, M. (2023, May). *Oregon's Child Care Deserts 2022: Mapping Supply by Age Group and Percentage of Publicly Funded Slots*. Oregon Child Care Research Partnership, Oregon State University, College of Public Health and Human Sciences. Retrieved from https://health.oregonstate.edu/sites/health.oregonstate.edu/files/early-learners/pdf/research/oregons_child_care_deserts_2022.pdf:contentReference[oaicite:1]{ind ex=1}

Demographic information on child care business owners was unavailable for analysis. As a proxy for race, ethnicity, and income data, FCF used the Child Opportunity Index (COI). The Child Opportunity Index (COI) is a composite index of neighborhood features that help children thrive. An increasing number of researchers and policymakers are using the COI to design and implement policy and programs to increase equity for children and families. The index includes 44 indicators covering the following content areas: "early childhood education, elementary education, secondary and post-secondary education, education resources, pollution, healthy environments, safety-and health-related resources, economic opportunities, economic resources, concentrated inequity, housing resources, social resources, and wealth."[6]

After matching capital source participation across license numbers, FCF analyzed trends across capital sources and uptake patterns for specific capital programs. The unit for this analysis was unique license IDs. Given the licensing system, sometimes the same or similar program may have different license ID numbers over time. If this was the case, FCF was not able to collapse license IDs to represent one program.

[6] Noelke, C., McArdle, N., DeVoe, B., Leonardos, M., Lu, Y., Ressler, R. W., & Acevedo-Garcia, D. (2024, October 4). *Child Opportunity Index 3.0 Technical Documentation*. diversitydatakids.org, Brandeis University. Retrieved from https://www.diversitydatakids.org/sites/default/files/file/COI30_TechDoc_20241004.pdf

Capital Sources Analyzed

The FCF team examined data on diverse capital sources available to child care businesses across Oregon. These capital sources fall into three categories: early learning and care capital, small business lending, and COVID-19 relief funding.

Early Learning and Care Capital Sources

The early learning and care capital sources analyzed were Employment Related Day Care (ERDC), Preschool Promise, Baby Promise, and Oregon Pre-natal to Kindergarten (OPK). These programs, described in more detail below, all aim to increase access to high-quality care in low- and moderate-income communities. They each have their own mechanisms to prioritize and distribute funding to child care businesses.

FCF's analysis generally confirmed these programs are effectively prioritizing the communities they are intended to support, including those in child care deserts, those scoring lower on the Child Opportunity Index, and those in rural and frontier areas. This aggregate cross-program view also provides new insight informing opportunities to enhance equitable participation in ECE public funding among child care businesses across Oregon.

Employment Related Day Care (ERDC)

The Employment Related Day Care (ERDC) program in Oregon helps families living at or below 200% of the federal poverty level, as well as children in foster care, afford child care so parents can work, go to school, or participate in family well-being activities.[7] To participate, child care businesses must meet state health and safety standards, including completing annual training. In interviews and focus groups some child care businesses owners associated ERDC with increased administrative burden and decreased autonomy. One shared, "regarding ERDC or other programs, I've heard other providers talk about the extra stresses. I've chosen to not have the headache."

While child care businesses decide whether they wish to serve ERDC participating families, families choose their own provider. For the purposes of this analysis, FCF matched subsidy receipts to unique license IDs to indicate whether a program participated in ERDC as a capital source. Historical data was not available due to departmental transitions so FCF's analysis focuses on participation in 2024. Additional child care businesses may be participating in ERDC but were not selected by a

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[7] Oregon Department of Early Learning and Care. (2025, March 1). *Employment Related Day Care (ERDC) program.* Retrieved from https://www.oregon.gov/delc/programs/pages/erdc.aspx

participating family in 2024 and thus did not receive funding. Ongoing child waitlists for ERDC during the analysis period further complicate this picture. Despite these limitations, ERDC was one of the most accessed capital sources analyzed, with 38.5% of the licensed child care businesses in FCF's dataset participating.

Preschool Promise (PSP)

Preschool Promise is a state-funded early learning program in Oregon designed to provide high-quality, culturally responsive preschool experiences to children aged three and four from families living at or below 200% of the federal poverty level as well as children in foster care. PSP is offered through a mixed-delivery model.[8]

To participate in PSP, child care businesses must apply to be placed on the eligible provider list. Eligible programs must meet curriculum and operational standards, participate in SPARK, and have lead teachers who meet educational attainment and training requirements. Several interview and focus group subjects described the application process as intensive.

Applicants request to offer a specific number of PSP slots, with a minimum slot requirement based on license type. Each regional Early Learning Hub sets its own prioritization criteria for the children who will be enrolled in PSP and coordinates enrollment from their region's eligible provider list.

FCF's analysis matched PSP receipts to unique license IDs. A total of 301 sites received PSP funds over the course of FCF's analysis period, 35% of which participated in the program over the total four-year span.

[8] Oregon Department of Early Learning and Care. (2025, March 1). *Preschool Promise*. Retrieved from https://www.oregon.gov/delc/programs/pages/preschool-promise.aspx

Baby Promise (BP)

Baby Promise is a federally funded, Oregon-designed contracted slot pilot program intended to test strategies to build the supply of high-quality infant and toddler care. Baby Promise involves rigorous programmatic standards facilitated through intensive quality and provider supports, including monthly onsite visits. Baby Promise is available in three CCR&R regions, representing seven counties: Multnomah, Crook, Jefferson, Deschutes, Coos, Curry, and in coastal Douglas County. Child care businesses apply to participate through their regional CCR&R, which also coordinates family enrollment.[9]

FCF analyzed BP participation data from 2020-2024. A total of 62 unique programs received Baby Promise funding, with 28 of them funded across multiple years.

Oregon Pre-natal to Kindergarten (OPK)

Oregon Pre-natal to Kindergarten (OPK) is modeled after Head Start/Early Head Start to support family success and healthy child development. OPK offers free, high-quality, culturally responsive preschool, infant, and toddler care in various settings and models. OPK grantees must meet rigorous Head Start Performance Standards and offer comprehensive health and family services to support family success. Like Head Start and Early Head Start, OPK serves families living at or below 100 of the federal poverty level.[10]

FCF analyzed historical information about OPK grantees, and sites. From 2020 to 2024, a total of 35 grantees, across 322 sites, received Oregon Pre-Natal to Kindergarten (OPK) funding. In addition to their own programs, OPK grantees may subcontract a portion of their slots to other programs in their community, including family child care homes. Given this ability to allocate grantees slots across multiple programs, the analysis in this report focuses on OPK program sites rather than OPK grantees.

[9] Oregon Department of Early Learning and Care. (2025, March 1). *Baby Promise*. Retrieved from https://www.oregon.gov/delc/programs/Pages/baby-promise.aspx

[10] Oregon Department of Early Learning and Care. (2025, March 1). *Oregon Prenatal to Kindergarten*. Retrieved from https://www.oregon.gov/delc/programs/Pages/head-start-opk.aspx

Small Business Administration Lending

FCF analyzed publicly available data on Oregon businesses participating in the 7(a) and 504 loan programs, core products of the U.S. Small Business Administration. These programs have their own prioritization goals and are designed to support small businesses that would not be able to access capital through conventional business loans.

Compared to the early learning and care capital sources analyzed, child care business participation in the SBA loan programs is very low. Accessing these funding streams requires awareness, willingness to take on debt, strong business and personal financials, and connections to banks and community development corporations. The density of participating lenders, especially those willing to serve businesses with a higher risk profile, across different regions can also impact access.

Unsurprisingly, FCF's analysis found that child care participation in these loan programs was focused in urban areas, and more likely to occur in higher Child Opportunity Index communities and those with more child care access. This suggests an opportunity to connect child care businesses more equitably to these SBA products as well as support loan products more broadly.

7(a) Loan

The SBA 7(a) loan is the agency's flagship program for providing financial assistance to small businesses. These loans are issued by banks and credit unions but are partially guaranteed by the federal government, which helps reduce risk for lenders and improves access to capital for borrowers. Small businesses can use 7(a) loans for a wide range of purposes, including purchasing or renovating property, buying equipment or supplies, covering daily operating costs, refinancing existing debt, or supporting changes in business ownership. To qualify for an SBA 7(a) loan, a business must be a for-profit entity operating in the U.S., meet SBA size standards, and demonstrate creditworthiness and a need for funding not otherwise available through conventional means. Applicants must also provide financial documentation, commit personal guarantees, and may need to offer collateral depending on the loan amount.[11]

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[11] U.S. Small Business Administration. (n.d.). 7(a) loans. U.S. Small Business Administration. Retrieved from https://www.sba.gov/funding-programs/loans/7(a)-loans

Two of FCF's interview subjects had accessed 7(a) loans. One described the process, "it was extremely intensive. I want to say it took almost a year. It was so intensive, incredibly invasive into both personal and business. For me, my husband, my business partner, her husband, we had to put essentially everything we own, every house, like is all on the line for that SBA 7(a) loan." Using their house as collateral was a particular source of stress for the other 7(a) recipient as well who received her loan at the very beginning of the COVID-19 pandemic, a "7(a) loan during COVID was one of the most stressful situations I've ever been through… knowing that this loan was then tied to my house, my home, I literally was afraid I was going to lose everything, my business, my house."

Between fiscal year 2020 and 2024, 4,144 SBA 7(a) loans were approved for small businesses in Oregon. Of these, only 32 loans went to child care businesses, with 27 of those going to licensed child care programs.

504 Loan

The SBA 504 Loan Program supports small businesses with long-term, fixed-rate financing for assets like real estate and equipment. The program operates through Certified Development Companies (CDCs), which are nonprofit organizations certified and regulated by the SBA. These CDCs collaborate with private sector lenders to finance small businesses, typically covering up to 40% of the project cost, with the private lender contributing 50%, and the borrower providing the remaining 10%.[12] Child care businesses benefit from these types of loans as capital can be used to purchase and enhance facilities, purchase equipment, and increase capacity to meet demand.

In fiscal years 2010-2024, a total of 1,118 loans were disbursed to Oregon small businesses, representing 12 loans to child care businesses. These loans were concentrated within the Multnomah, Clackamas, Marion, and Washington counties.

[12] U.S. Small Business Administration. (n.d.). *504 loans*. U.S. Small Business Administration. Retrieved April 28, 2025, from https://www.sba.gov/funding-programs/loans/504-loans

COVID-19 Relief Capital

FCF analyzed the receipt of two large scale COVID-19 relief funding initiatives. While these capital sources are no longer available to child care businesses, their uptake patterns reveal valuable insights into potential gaps in the awareness, trust, and business acumen needed to participate in unfamiliar capital initiative.

Paycheck Protection Program

The Paycheck Protection Program (PPP) was launched in response to the economic challenges brought on by the earliest days of the COVID-19 pandemic, aiming to support small businesses in maintaining payroll and covering essential expenses such as rent, mortgage, and utilities. Funded through the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the U.S. Department of the Treasury, the program provided over $953 billion in forgivable loans.[13] However, according to a report by the Bipartisan Policy Center, child care providers received only a small portion of these funds. In 2020, nearly 43,000 child care providers nationwide accessed approximately $2.3 billion in PPP loans—less than 1% of the $525 billion distributed at that time.[14]

In Oregon, between April 2020 and June 2021, the Treasury disbursed around 115,000 PPP loans, totaling more than $10 billion in support across diverse industries, including construction, retail, education, healthcare, and social assistance. Of these, 1,161 loans were awarded specifically to child care businesses in the state.

Businesses accessed PPP through individual banks, with slightly different processes and online portals, which created an extra hurdle for unbanked providers and additional complexity for technical assistance. The program's design as a forgivable loan, for which the forgiveness process was untested, was also a likely deterrent. Nonprofit child care businesses are notably underrepresented in PPP recipients at the national level.[15]

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[13] U.S. Small Business Administration. (2021). *Paycheck Protection Program (PPP) Report: Approvals through 06/30/2021*. https://www.sba.gov/document/report-ppp-2021-report

[14] National Association for the Education of Young Children. (2020). *From the Front Lines The Ongoing Effect of the Pandemic on Child Care* https://www.naeyc.org/sites/default/files/globally-shared/downloads/PDFs/resources/topics/naeyc_coronavirus_ongoingeffectsonchildcare.pdf

[15] Bipartisan Policy Center. (2021). *Child Care Essential to Economic Recovery Received Just 2.3 Billion in PPP Funds*. Retrieved from https://bipartisanpolicy.org/blog/child-care-essential-to-economic- recovery-received-just-2-3-billion-in-ppp-funds/

Child Care Stabilization Grants (CCSG)

Child Care Stabilization Grants (CCSG), funded through the American Rescue Plan Act (ARPA), were designed to support the overall stability of the child care market during the COVID-19 pandemic. These grants aimed to help providers cover essential business-related expenses— such as wages, rent, utilities, and supplies—and to prioritize support for historically underserved communities disproportionately impacted by the crisis. The application requirements for Oregon's CCSGs were designed to be accessible, particularly for providers already participating in the Employment Related Day Care (ERDC) program. Eligibility extended to a broad range of providers, including licensed family child care, center-based care, and license-exempt providers receiving child care subsidies. 2,777 licensed child care businesses in FCF's dataset participated in CCSG, making it the most accessed capital source in this analysis. CCSG reached child care businesses that had never participated in a public capital source. As one interview subject shared, "during COVID we were all forced into figuring out some grants and funding during those times for sure. I've never done public funding."

Findings

FCF identified the following trends relevant to capital inequities, gaps, and opportunities to improve the ECE system.

Capital Trends by Child Care License Type

Registered family child care providers experience a gap in capital access compared with other license types

Family child care plays a critical role in the supply of child care. However, the administrative burden and financial and operational requirements associated with various capital sources can weigh heavily on these small programs. To ensure an adequate supply of child care, especially in rural communities, DELC has a vested interest in family child care providers participating in diverse capital sources that strengthen and sustain their business.

In FCF's analysis of participation in capital sources, key differences emerged across license types. Roughly a third of each license type participates in one capital source (see Table 2). However, registered family child care providers were more likely to not participate in any capital source and were also less likely to participate in multiple capital sources.

In FCF interviews, registered family child care providers reported feeling overwhelmed and unsure of where to begin to seek out additional capital sources. One shared, "I'm already working a 53-hour week, sometimes I'm too tired to sit there and work an extra five hours just to find extra stuff."

Table 2 Number of Capital Sources Accessed by License Type

Registered family child care homes are more likely than other programs to not participate in any capital sources, and notably less likely to participate in two or more sources

	Number of capital sources accessed					
Facility Type	**0**	**1**	**2**	**3**	**4**	**5**
Child Care Center	24%	35%	32%	8%	1%	0.2%
Certified Family Child Care	31%	37%	24%	8%	1%	0.1%
Registered Family Child Care Home	51%	33%	14%	12%	0.0%	0.0%
Total	**38%**	**35%**	**22%**	**5%**	**1%**	**0.1%**

Participation patterns differ across capital sources. Capital sources with the lowest barriers to participation were distributed evenly across license types, as seen below in the proportional distribution of ERDC and Child Care Stabilization Grants in Table 3. Conversely, certified family child care businesses are engaged in Preschool Promise and Baby Promise at high rates, while relatively fewer of these contracts are accessed by registered providers. The comprehensive services of OPK are almost exclusively offered by centers.

While not quite proportional, registered family child care providers participated in PPP loans at relatively high rates, suggesting some registered providers are successfully connected with banks. No registered providers accessed SBA loan products, which likely suggests that these loans are not a good match for FCC needs.

DELC's deployment of ERDC and stabilization grant capital suggests the agency has the administrative and relational capacity to equitably distribute capital across license types. It also indicates at least a portion of registered family child care businesses are willing to participate in public funding. DELC can explore whether increasing participation of registered family child care in Baby Promise and Preschool Promise is feasible given program goals and requirements.

Table 3 Distribution of Capital Sources by License Type

Some capital sources are representatively allocated across license-types. On average, across the 2019-2024 timespan, active child care licenses in Oregon were equally divided across certified centers, certified family child care, and registered family child care.

	Subsidy	**COVID relief**		**Oregon-specific capital sources**			**SBA**	
Facility Type*	**ERDC**	**PPP**	**CCSG**	**BP**	**PSP**	**OPK**	**7(a)**	**504**
Child Care Center	32%	32%	33%	48%	52%	96%	81%	92%
Certified Family Child Care	34%	41%	30%	35%	41%	4%	19%	8%
Registered Family Child Care Home	32%	26%	37%	15%	6%	<1%	0%	0%

*For comparability this represents distribution to licensed programs, excluding distributions to license exempt programs.

Trends in Blending or Braiding Capital Sources

Opportunity to Strengthen Blending and Braiding of ERDC and Preschool Promise Among Centers

FCF also examined the relationships between the various capital sources in which licensed child care businesses participated. For certified family child care, FCF found a strong relationship between participation in ERDC and Preschool Promise. Child care businesses that participated in each capital source were more likely to participate in the other. This suggests some certified providers are savvily blending and braiding these two funding streams to support financial sustainability and access to care in their community. This pattern does not exist for registered family child care providers likely due to low participation in Preschool Promise overall.

Interestingly, this pattern is also not found in certified centers. Centers participating in Preschool Promise are no more likely to participate in ERDC than non-Preschool Promise sites, and vice versa. This is a surprising finding given the aligned goals of ERDC and Preschool Promise to expand access to care for low-income families and warrants further investigation. This analysis focuses on 2024 program participation, and waitlists for ERDC may be preventing Preschool Promise programs that would be willing to accept ERDC from enrolling participating families.

The challenges of blending and braiding funding were raised by several interviewed business owners. One who participates in Head Start, OPK, ERDC, and Preschool Promise shared, "right now our cost allocation plan is really complicated. It takes real specialized knowledge to make that thing work."

Limited cross-participation between Preschool Promise and ERDC could indicate that child care centers would benefit from increased financial and operational training to effectively blend and braid funding streams within their programs. Center owners were the most likely to report an interest in increased training on accessing public funding, with 54% reporting this need in FCF's 2025 Child Care Business Sustainability Survey.

2025

Capitol Landscape Analysis Report

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Capital Trends in Child Care Deserts

Opportunity to support centers and increase access to lending

DELC has an interest in directing limited financial resources to the regions of the state with the least access to care. According to Oregon's Early Learning Map, in the state of Oregon, 31% of children ages 0-5 have access to a child care slot. Tillamook, Yamhill, Marion, Linn, Coos, Curry, Lake, and Union are the counties with the lowest percentages of access to child care slots ranging from 17% to 25%.[16]
FCF compared the participation of child care businesses in child care desert counties to those in other counties. Child care access and social and economic opportunity can vary widely across counties and impact the specificity of this analysis.

FCF found that certified and registered family homes in child care deserts had a higher participation rate in the capital sources analyzed. This trend is not true for centers, which had slightly lower average capital participation in child care deserts. Specifically, these centers were underrepresented in accessing COVID-19 relief funding (PPP and CCSG) compared to centers that were not in child care deserts.

Child care businesses in child care deserts are overrepresented in DELC directed funding sources, Baby Promise, Preschool Promise and especially OPK sites, suggesting an effective prioritization of these resources to where they are most needed. Child care businesses in child care deserts are underrepresented in SBA loan programs.

As discussed in greater detail in the following recommendations section, these results may indicate a need for new approaches to engage child care center owners, especially in rural and lower COI communities. In interviews, family child care providers were more likely to report learning about capital sources from the child care licensing division, CCR&Rs, or the union. Alternatively, one center owner reported being part of a local director's group organized by their CCR&R, while others reported the DELC newsletter, informal social media groups, or word-of-mouth as their primary information source. Some center owners reported feeling unsure of where to turn to learn about new opportunities.

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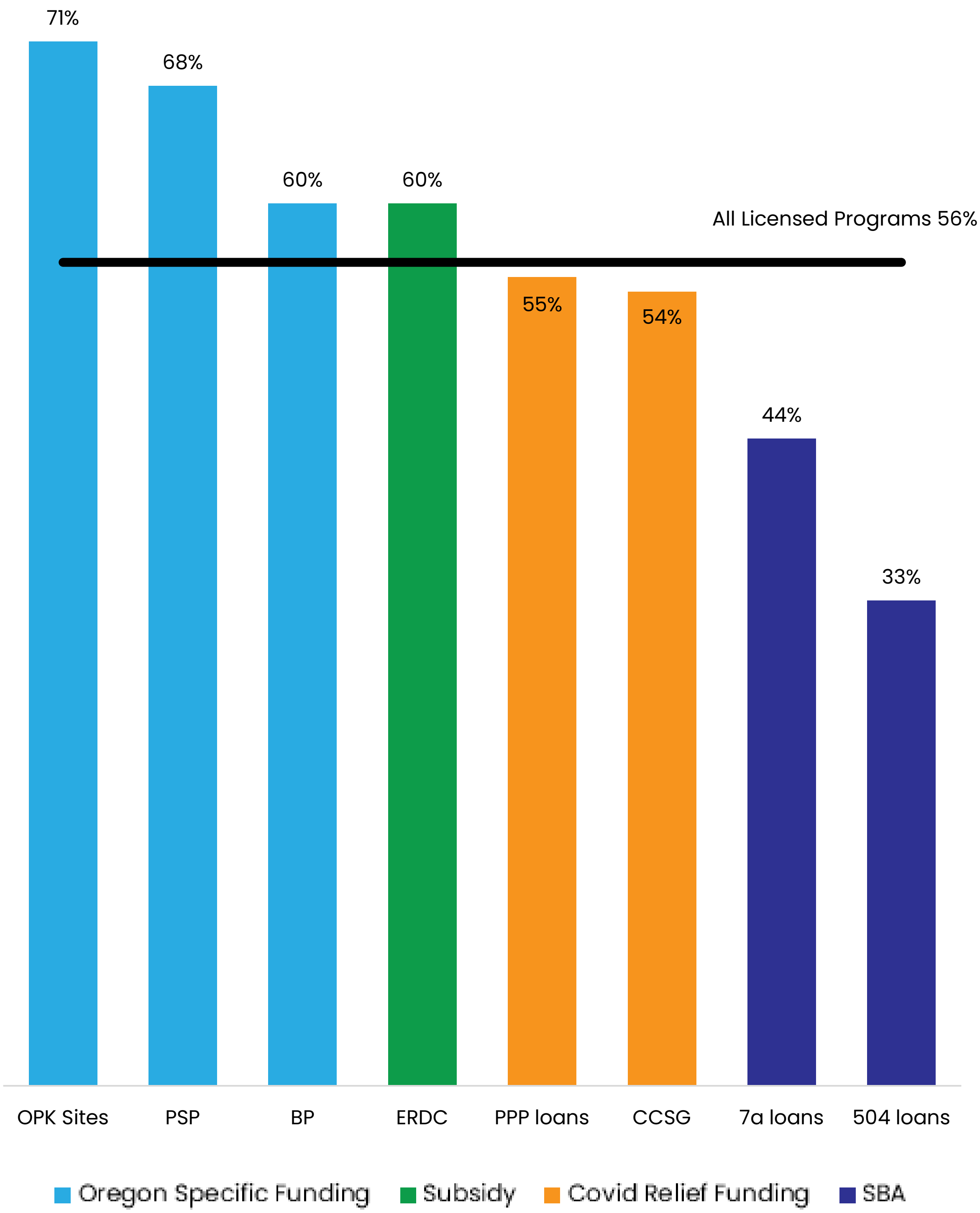
16 January Advisors. (n.d.). *Oregon Early Care and Education (ECE) Data Dashboard*. Retrieved from https://januaryadvisors.shinyapps.io/oregon-ece-app/

Figure 1 Percent of program grantees or sites located in a child care desert by capital source



Capital Trends in Low and Very Low Child Opportunity Index Communities

Bright spots and gaps in capital access among the communities most in need

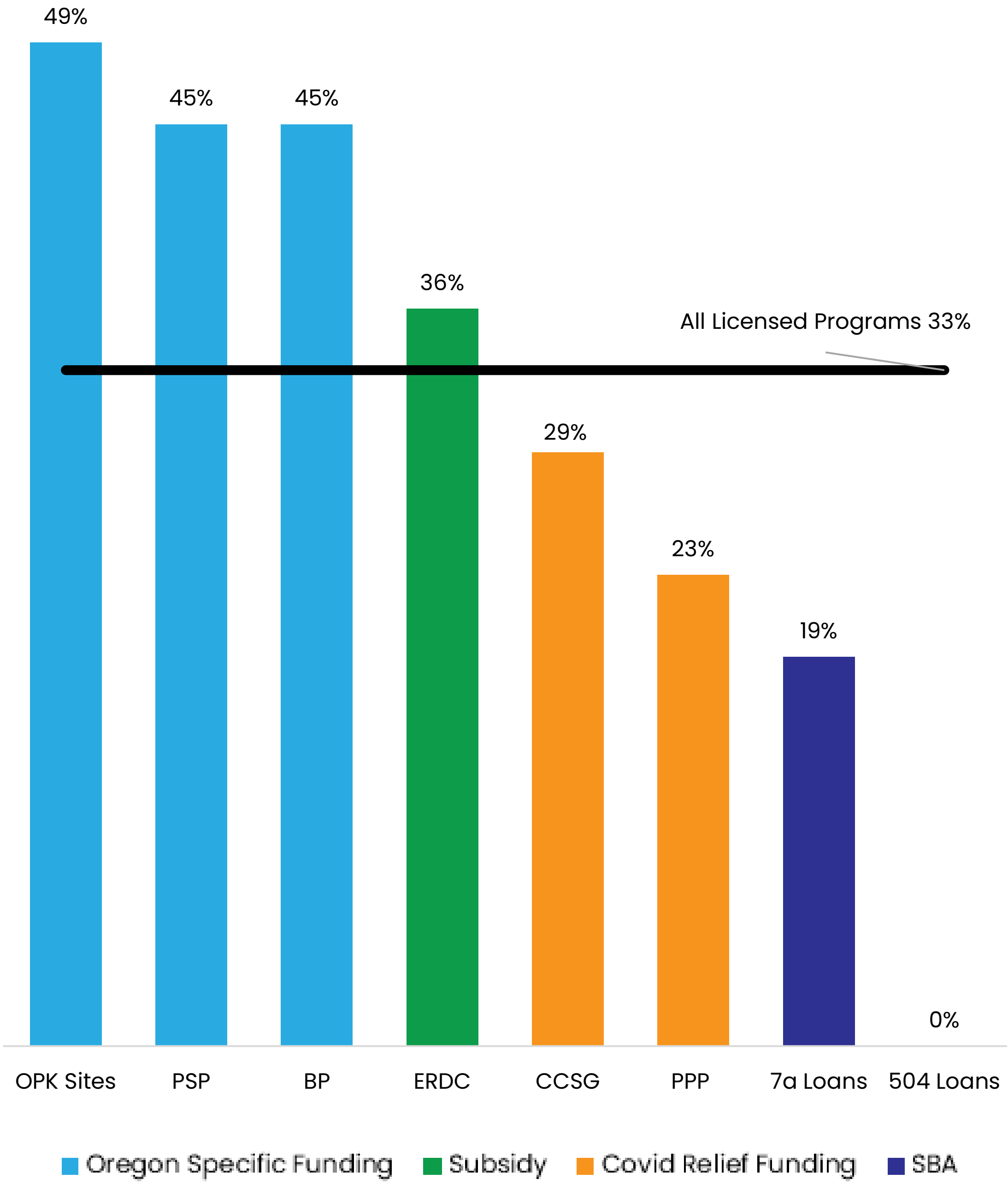
As discussed earlier, the Child Opportunity Index (COI) measures community conditions across education, health and environment and social and economic opportunity for children. DELC has an interest in directing funding to lower COI communities where these investments receive the highest return in positive educational and life outcomes.

In aggregate, certified and registered family providers in low and very low COI communities are participating in more capital sources than their peers in high and very high COI communities. Certified family care providers in very low COI communities participate in an average number of funding sources that are almost double the average in very high communities, and registered family child care providers in very low COI communities participate in an average number of funding sources that is approximately 50% higher. As seen in Figure 2 below this participation trend is driven by the effective targeting of ECE funding to these lower COI communities. Interestingly, this trend does not hold true for centers, which participate in roughly the same number of capital sources across the COI index.

As seen in Figure 2, child care businesses in low and very low COI communities are overrepresented within OPK, Preschool Promise and Baby Promise participation and slightly overrepresented in ERDC representation. COVID-19 relief programs, particularly the Paycheck Protection Program, were less effective in reaching businesses in low and very low COI communities. Finally, SBA loan participation is very low in these areas.

DELC should celebrate and sustain its effective prioritization of grantees in low and very low COI communities across its portfolio of ECE funding streams. However, these results indicate that increased awareness, trust, and support may be needed among centers to build readiness for new capital types, as well as to connect businesses to lending. Tailored strategies to engage child care centers in lower COI communities are discussed in the recommendations section.

Figure 2 Percent of program grantees or sites located in a low or very low COI community



Capital Trends in Urban, Rural, and Frontier Settings

Urban, rural and frontier businesses participate at similar rates but the capital sources accessed differ

FCF analyzed capital source participation in child care businesses located in urban, rural, and frontier classified zip codes. In FCF's 2019-2024 dataset, seventy-two percent of licensed child care businesses were located in an urban area, twenty six percent were in rural areas, and two percent were in frontier areas. In aggregate, there were not large differences in the average number of capital sources received based on geography. The percentage of programs that did not participate in any of the capital sources analyzed was slightly higher for rural and frontier programs in comparison to urban programs. The percentage of programs located in urban areas participating in two capital sources was slightly higher compared to programs located in frontier and rural areas.

Within individual capital sources, distribution patterns vary. ERDC participation was exactly representative of the distribution of programs across urban, rural, and frontier geographies. Baby Promise, which is limited to specific regions within Oregon, was equally distributed across urban and rural settings. Rural and frontier child care businesses are overrepresented among OPK and Preschool Promise participants, potentially reflecting other prioritization criteria related to child care access or child opportunity. Urban providers are slightly overrepresented in COVID-19 relief funding participation. SBA lending shows the strongest geographic trend, with 89% of all 7(a) loans and 100% of 504 loans occurring within an urban community. Child care business owners in rural areas reported feeling cut off from some opportunities, with one sharing, "I'm a small town in the middle of Oregon…so I definitely think that makes it harder for us and then there's not a lot of resources. In Portland, you have how many banks, credit unions, organizations and nonprofits?"

To address geographic inequities, DELC should explore opportunities to connect rural and frontier child care businesses to low interest lending capital through CDFIs and other trusted local financial institutions. Additional relationship and trust building would also better position these businesses if future opportunities, similar to CCSG and PPP, arise.

Capital Trends for Child Care Businesses Operating in Languages Other than English

Spanish-preferred providers had similar participation rates as English-preferred providers

In DELC's licensing database, 81% of the contacts for child care businesses (by unique license ID) indicate a preferred language of English, while 13% reported Spanish, 3% as Russian, 2% as other languages, and under 1% as Chinese as their preferred language. Because the job title of licensing contacts can vary, this datapoint is an imperfect proxy for child care business owners' linguistic preferences. It also does not necessarily reflect the linguistic preferences of program staff or the families served, and sample sizes for languages other than English and Spanish are small. However, this data provides the best insight available into the representation of child care program leaders who speak languages other than English in various capital sources.

Overall programs preferring Spanish communications participated in slightly more capital sources on average than English preferred providers. Conversely, providers preferring Russian, Chinese, or Vietnamese participated in fewer capital sources.

Table 4 Average Number of Capital Programs Participated in and Count of Child Care Programs

Preferred Language	Average Number of Capital Sources Accessed	Count of Programs
Spanish	1.08	908
English	0.99	5,625
Russian	0.63	190
Chinese dialects	0.49	63
Vietnamese	0.48	62

Spanish-preferred programs were overrepresented in ERDC, Preschool Promise, and Baby Promise participation. Distribution of Child Care Stabilization Grants was proportional across English and Spanish speaking providers. Notably, Russian-preferred programs, particularly registered family child care homes, were slightly overrepresented in stabilization grant participation, indicating possible success in reaching this specific linguistic community through outreach or support efforts. Providers preferring any language other than English are underrepresented among PPP grantees.

The successful inclusion of child care businesses preferring Spanish across most ECE capital sources is worthy of celebration. The underrepresentation of Spanish speakers among PPP grantees and the lack of any Spanish speakers among SBA borrowers suggests additional supports may be needed to connect Spanish speaking entrepreneurs to more conventional capital sources outside of the ECE sector. Future outreach efforts should also prioritize engaging communities speaking languages other than English and Spanish.

Capital Trends in Child Care Businesses Serving Infants

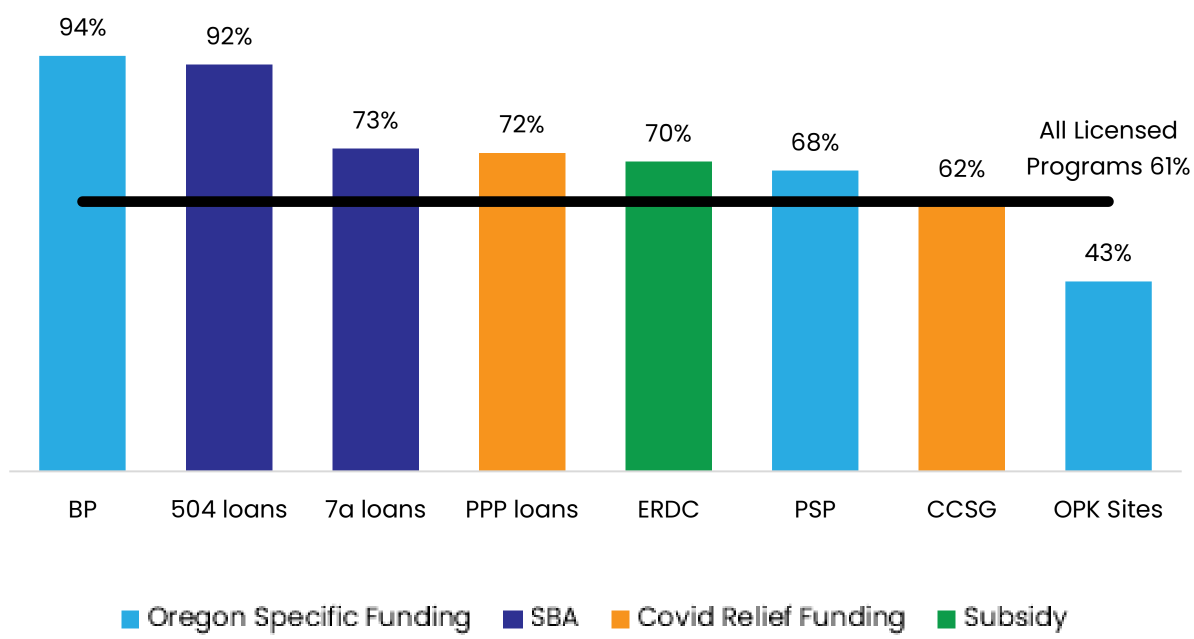
Businesses Serving Infants Access Capital at Higher Rates

DELC has an interest in ensuring that infant care is accessible and sustainable across Oregon. Safely caring for infants requires low staff to child ratios, resulting in high labor costs. Both private tuitions and subsidy rates do not cover the true cost of caring for infants, which is typically sustained with profits generated by the care of older children. Baby Promise represents a first-in-the-nation innovative approach to addressing the true cost of infant and toddler care.

Among the license types with this data available, 61% of child care businesses offered infant care while 39% did not. Data on ages enrolled is unavailable for registered family child care homes. Overall capital participation trends show a slightly higher average participation in capital sources among programs that serve infants in comparison to those that do not. The same trend is true for toddler-serving programs.

This trend of higher participation among infant-serving child care businesses is evident across almost all funding streams. Only OPK grantees are less likely than the total population of licensed providers to serve infants. While the causality of this relationship is unclear, it is a promising sign that DELC ECE funding is reaching programs that serve infants.

Figure 1 Percent of program grantees or sites serving infants by capital source



Business Owner Experiences

Interviews and focus groups with child care businesses owners add context to the capital participation findings.

Some Business Owners Mistrust New Capital Source Unless They Are Shared by a Familiar Source

Based on participation data it is not clear whether child care businesses not participating in capital sources are unaware of them, not interested, not eligible, or some other factor. In interviews, FCF found that awareness of capital sources varied widely. Most providers demonstrated strong familiarity with ECE capital sources such as ERDC and Preschool Promise, but beyond these programs, awareness was mixed. As one interview subject shared, "I know the infrastructure grant and, I mean, I have heard of Preschool Promise. I just don't know. I just don't know how to navigate. I know licensing. My licensing analyst had told me about one website as far as funding and things like that. It's a real challenge."

Many of the business owners interviewed relied on their CCLD licensing specialist, CCR&R, and official DELC emails for information about capital sources. Some family child care providers noted learning about resources from the union. Many cited informal networks including social media groups, peer business owners, and financially savvy family members as an important source of information.

A fear of scams was a recurring theme among interview subjects. Avoiding scams was cited as a reason business owners preferred to learn about capital sources from familiar channels. One child care business entrepreneur stated "I think my fear of reaching out to find a different opportunity is more the concern of, is it safe? ...is it going to do any harm to me? Is it a legitimate thing? I think that's why I stick with the programs that are presented to me as a provider versus reaching out." Alternatively, another shared, "I've Googled grants before, and then I don't know if what I'm looking at is a scam."

Business Owners Report Experiencing Gender, Racial, and Linguistic Prejudice Related to Accessing Capital

Like many states, Oregon lacks a comprehensive dataset on the demographics of child care business owners, limiting quantitative analysis of racial and ethnic inequities in capital access. Interviews were used to help contextualize the systemic barriers owners experienced. The most referenced barriers were challenges faced by child care business owners who speak languages other than English – both in accessing loans and successfully writing grants. Business owners who identified as racial minorities were also more likely to express distrust in capital sources overall. Gender-based discrimination was less commonly reported, although one business owner shared, “systemic advantages to being a white woman in this space have benefited me. [Yet as] a woman in child care, there were definitely some banks that we went to that were just extremely condescending.”

Many Business Owners Report Being Shutout from Conventional Lending

Many interview subjects faced significant challenges when trying to secure traditional financing. Common barriers included high credit score requirements, collateral demands, and complicated loan application processes. One owner shared, “you think you're doing the right thing. You go to a local bank and try to get something, but you don't have the income because you're self-employed. I am an LLC, I payroll myself, I have the income. I used to pay myself minimum wage, I had to up it to a bigger amount, just be able to qualify to refinance my house, to fund other things.” Another owner who did successfully access a loan noted, ”my credit score definitely aided us and helped us in getting loans. I don't know if it's a systemic issue or a problem, but...it's a fact, our profit margins are extremely small in child care.”

Business Owners Shared a Desire for Support in Accessing Capital Sources

While a few business owners shared they had no interest in public funding streams or loans, most were interested in more information and support. Many stressed the need for help understanding which capital sources were a good fit for their business and how competitive the applicant pool was likely to be. Support gathering financial documents and preparing applications were also common requests.

Recommendations

Tailor Outreach to Centers Most Likely to Fall Through the Cracks

FCF's analysis revealed that centers in child care deserts, lower child opportunity index communities, and rural and frontier communities participated in fewer capital sources than centers in more resourced communities. This pattern does not hold true for family child care, suggesting some intervention, possibly DELC communications or relationship with local CCR&R or the union, may be helping to address inequity in funding access for family child care providers more effectively than for centers.

In FCF's 2025 Business Sustainability Survey, a majority of child care center owners shared that support accessing public funding would be particularly beneficial for their child care business (See Figure 4). DELC should test approaches to tailor outreach, relationship-building, and technical assistance to disadvantaged center owners. This may require distinct messaging and strategies for owner-directors, who may have limited time and capacity to explore new capital sources, as well as for owners who are less involved in the day-to-day operations of the business and are often harder to reach.

As an organization exclusively focused on child care business sustainability, FCF can play a leading role in building connection and trust with center owners. For example, FCF's Business Leadership Cohorts help owners build capacity and peer connection. Using geographic demographics (e.g., COI) and startup status (i.e., in their first two years of operation) to prioritize participants could help these initiatives reach the centers most disconnected from capital. Annual business conferences provide another opportunity to convene and engage owners with specific messaging around the financial benefits of participating in ECE funding programs.

Figure 4 Percent of respondents in FCF's 2025 Child Care Business Sustainability Survey who report that support for accessing public funding would be particularly beneficial for their business.

Explore High Touch Supports for Registered Family Child Care Providers

While sometimes grouped together, FCF's analysis revealed distinct capital participation patterns across registered and certified family child care businesses. In interviews registered providers reported they lacked the time to explore and apply to new capital sources because they spend many hours a week providing direct care to children. If DELC wishes to increase participation in Preschool Promise and Baby Promise among registered providers, it should consider specific outreach to this license type. Tailored application writing supports specific to registered providers may be particularly beneficial to increase participation in Preschool Promise. One interview subject shared, they "expect you to understand the verbiage. And quite honestly, it took me a couple of trials for some of the grants." In addition to application support, demonstrating the tangible time and financial benefits of shared service networks may be compelling to increase Baby Promise participation.

Foster Banking Relationships Especially in Rural and Lower COI Communities

In interviews and focus groups, child care business owners described turning to high interest capital in moments of urgency and desperation. While a relatively small segment of child care businesses report current interest in a loan from a bank or CDFI (see Figure 5), increased awareness of the availability of mission-aligned financial institutions can help owners respond effectively to future crises or opportunities. In interviews some rural business owners noted a lack of local resources, however many banks and CDFIs lend frequently outside of their physical footprint. By inviting CDFIs and local banks to participate in regional and statewide child care conferences and webinars, DELC and its partners can begin building awareness and connection for when it is needed or desired.

Figure 5 Percent of respondents in FCF's 2025 Child Care Business Sustainability Survey who report a loan from a bank or CDFI would be particularly beneficial for their business.

Develop Case Studies on Businesses Successfully Blending and Braiding

Some child care businesses are highly successful at integrating diverse revenue streams into their business model. For example, FCF's interview subjects included a center that reported offering Head Start, OPK, ERDC, and Preschool Promise as well as a certified family child care business offering ERDC, Preschool Promise, and Preschool for All. However, systemwide there appear to be missed opportunities to encourage and support blending and braiding, especially among centers offering ERDC and Preschool Promise. Developing case studies on successful businesses could result in practical lessons and greater awareness of these opportunities among business owners. Additionally, they could inform DELC's ongoing efforts to streamline and align funding program requirements.

Continue to Develop Business Resources in Languages other than English and Spanish

In partnership with FCF, DELC should continue culturally-responsive outreach and business owner engagement efforts, including providing business resources and training in languages other than English and Spanish. Cohort models aimed at addressing systemic barriers to capital access may be particularly effective. Such models should be developed with strong community partnerships to effectively reach the relatively small subsets of child care business owners who prefer languages other than English and Spanish.

Conclusion

This comprehensive analysis of Oregon's child care capital landscape reveals both the promise and the gaps in current funding approaches. While DELC has successfully prioritized ECE funding to reach communities with the greatest need—including child care deserts, lower Child Opportunity Index neighborhoods, and rural areas—significant disparities persist, particularly among registered family child care providers and centers in underserved communities. The remarkable success of Child Care Stabilization Grants in reaching 2,777 licensed providers, including many first-time participants in public funding, demonstrates that streamlined, accessible program design can overcome traditional barriers to capital access.

Moving forward, Oregon has the opportunity to build on its funding successes by implementing tailored outreach to disconnected center owners, providing high-touch support for registered family providers, fostering relationships with mission-aligned lenders, and developing resources that reflect the linguistic and cultural diversity of the state's child care leaders, ultimately creating a more equitable and sustainable capital ecosystem that supports quality care for all Oregon families.

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