First Children's Finance

The Child Care Ownership Transition Initiative

A Plan for a Child Care Accessibility Fund of the Future

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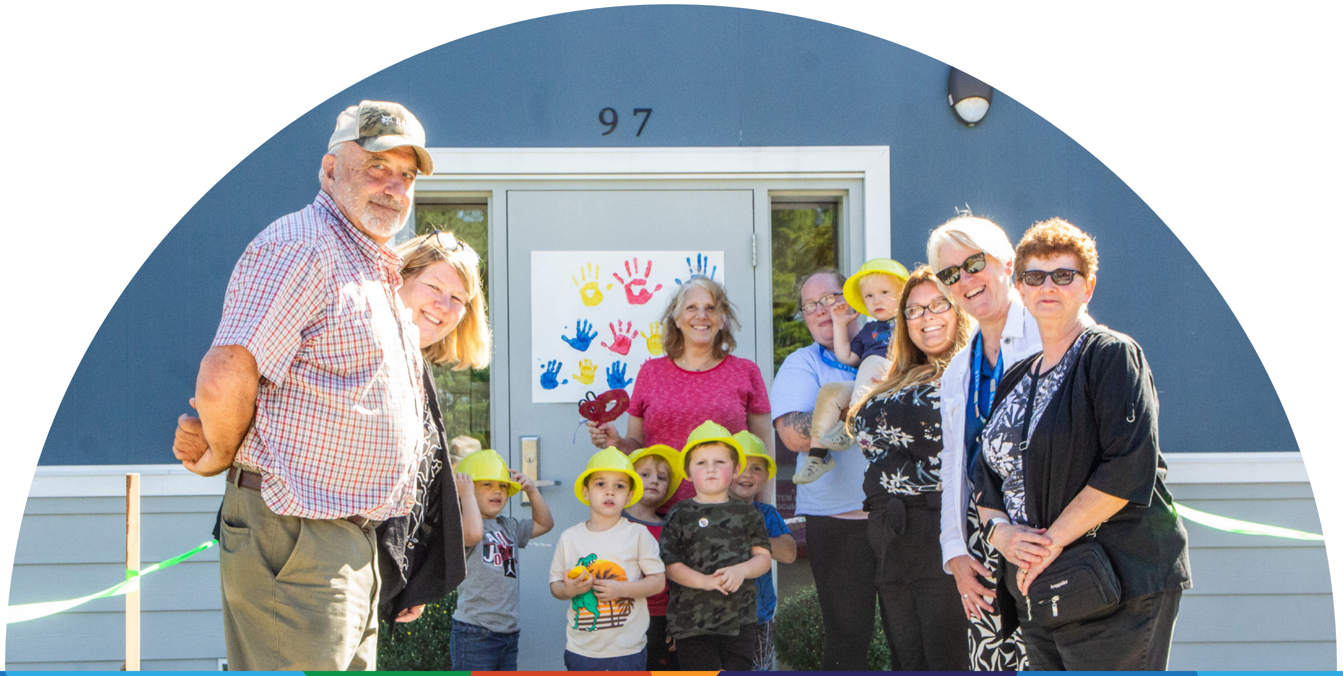
First Children's Finance and its partners propose a concept for a new initiative to respond to the evolving needs of the Vermont child care sector, with a mission to keep Vermont child care businesses:

- **Open**—prevent business closures that impact continuity of care for children and families' ability to work, and sustain the existing supply of critically needed child care throughout Vermont;
- **High-quality**—create equitable opportunities to retain skilled ECE professionals as child care business leaders, and overcome barriers to capital for the many child care entrepreneurs who are women, people of color, and/or low-income; and
- **Vermont-owned**—help ensure Vermont's transformative new child care investments flow to local communities rather than national chains or private equity.

This concept paper was prepared by Erin Roche, Vermont Director; Anne McSweeney, Director of National Initiatives; Jannan Cotto, Systems Coordinator, Ekinoonaad (the one who guides); Taijha Harden, Systems Coordinator; and Amanda Saillant, Systems Analyst

The initiative was developed over six collaborative design sessions to determine priority needs and services, financial structure, and governance for the initiative. Participants included representatives from First Children's Finance, the Vermont Community Loan Fund, the Vermont Association for the Education of Young Children (VTAEYC), Let's Grow Kids (LGK), and Building Bright Futures (BBF).



About the Fund Research Process

First Children's Finance partnered with Let's Grow Kids on the Child Care Accessibility Initiative – funded by the U.S. Department of Housing and Urban Development – to conduct feasibility and planning activities for a Child Care Accessibility Fund of the future. FCF used an iterative and collaborative process to identify the potential opportunities and highest priority needs for the fund to address. Through this process, we developed the following design principles:

- **Responsiveness:** Supporting child care accessibility into the future and through a period of unprecedented change in Vermont
- **Efficiency:** Supporting good stewardship of Vermont's resources through targeted and impactful investments as well as low administrative costs
- **Systems-integration:** Building on, not supplanting, existing child care infrastructure

Review National Models

Our process began with a national review of 48 funding models including both dedicated child care funds and funds in related sectors such as small business and local agriculture. Nine of these funds were interviewed to learn more about the details of their administration, governance structures, funding models, and implementation.

Design for Vermont

FCF shared the results of the national scan with seven organizations representing different facets of the Vermont child care landscape to identify promising models that responded to the needs in the state.

FCF then supported six collaborative design sessions from January 2025 to June 2025 with partner organizations to define the concept for the fund.

Test with Child Care Business Owners and Service Providers

FCF tested our proposed concept with nine child care entrepreneurs including those who recently bought or sold child care businesses in Vermont and those considering their succession options as well as five organizations that support the broader succession planning ecosystem in Vermont.

The Challenge: Access to Child Care Hindered by Lack of Business Succession Planning and Options

Access to quality child care is foundational to the flourishing of children, families, and local economies across Vermont. Act 76 represents an unprecedented public investment in the Vermont child care sector. Fully implemented in 2024, it is already reversing long-standing declines in child care supply and increasing the market value of child care businesses. However, Vermont's aging population and many child care business owners seeking to retire creates a demographic headwind that may slow this critical progress. Even within a strengthened child care sector, business transitions remain a particularly vulnerable moment for child care supply.

Act 76 dramatically increased the share of Vermont's child care sector for which child care entrepreneurship – both in centers and homes- offers a genuine pathway to financial security. Attention paid to ownership now at this time of transition will determine the leaders who shape the accessibility, quality, and equity of Vermont's child care sector well into the future.

Child care business owners are approaching retirement without a plan

In Vermont, approximately 54% of licensed child care centers are for-profit businesses, and all home-based care is provided by small businesses. One in five of Vermont's for-profit child care centers is over 20 years old. Despite providing a critical public service, many child care business owners are approaching retirement without a plan.

Existing child care facilities are hard to replace

Child care facilities must meet licensing regulations, along with public safety, wastewater and accessibility requirements. Many of Vermont's historic buildings do not meet these requirements. High real estate and construction costs, as well as the requirements for plumbing and septic systems, limit the viability of new facilities.

Unplanned business transitions risk net long-term loss of child care facilities.

Potential buyers and sellers don't know where to turn for support

Some child care entrepreneurs were unaware of the succession planning and financing available in Vermont, while others noted these resources are not always designed with their particular business needs in mind. All the child care entrepreneurs interviewed for this project indicated that additional business transition supports would be valuable.

The Solution: Dedicated Funding with Integrated Supports Create a One-Stop Shop for Child Care Buyers and Sellers

Leveraging FCF's existing role as a trusted and well-networked source of child care business technical assistance, FCF can serve as the backbone entity for a collaborative system of ownership transition supports. In this model, buyers and sellers will experience a "one-stop shop" with First Children's Finance staff available to walk hand-in-hand through the business transition process.

Plan and assess → Connect buyers, sellers, and needed experts → Identify financing → Support and enhance business operations through and following ownership transition

Needed Services for All Child Care Entrepreneurs

- **Succession planning workshops** focused on the complexities of child care business transition – integrated into the existing business technical assistance ecosystem – to help child care entrepreneurs plan early in their businesses' life cycle
- **Technical assistance throughout business transition:** FCF staff will be available to offer strategic and logistical support to maintain momentum throughout the transition. This may include support with planning, valuation, and identifying financing options.

- **Discrete buyer and seller matchmaking:** Recognizing the sensitivity of these transitions for sellers, communities, and the workforce, FCF and its partners will connect local buyers and sellers through trusted relationships.
- **Connections to a network of experts** including certified succession planners, tax professionals, real estate, and other specialists.

- **Identify potential financing models and sources** including conventional financing and CDFIs, seller financing and lease-to-own models, and financing for nonprofit or cooperative conversions.

- **Ongoing business consulting to strengthen businesses under new ownership.** New owners can access FCF's existing business consulting services to deepen their financial and operational know-how as they learn the ropes of their new enterprise.

Anticipated Annual Impact

Based on analysis of Vermont license data and turnover rates, FCF proposes a solution that would annually support:

3	5	200	40+
Child care centers transfer ownership	Family child care homes with transition and replacement plans	Vermont families experience continuity of care at their chosen child care provider	Teachers, assistants, and other staff sustain employment

Connecting with child care business owners when it matters most by building on the expertise and relationships of FCF Vermont

- **Since its founding in 2023**, FCF's Vermont Office has provided training, business consulting, grant administration and lending services
- **57%** of regulated child care businesses in Vermont are already working with FCF
- **$3.4 million** in grants to child care businesses helped increase capacity by **1,300 children**
- In just two years, FCF led **12,025 professional development hours** with child care entrepreneurs

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Targeted supports for child care centers in a range of sizes

Small Centers

A unique feature of the Vermont child care system is that very small programs make up about 85% of the private child care center market. These programs serve fewer than 60 children and have an estimated average business valuation of $150,000 to $300,000. In these small programs, business owners typically wear many hats, and business transitions can be financially, operationally, and emotionally complex.

- **Business Transition Capital** of up to $15k in forgivable loans to enhance buyer equity and enable a trusted employee or outside buyer to finance the purchase of a small and mid-sized business, or subsidize the costs of conversion to nonprofit, cooperative or other innovative business structures.
- **Transitioning-Owner Mentorship** funding, which would enable sellers to stay with the business through a transition period while the buyer acclimates to their new role. This is particularly needed in very small centers, which are rarely profitable enough to support multiple leaders.

Large Centers

A single closure among the remaining 15% that are large centers that serve 60 or more children can disproportionately impact the local ECE workforce and families' access to child care, with few options for sufficient replacement of care and jobs. Large facilities are rare in Vermont and difficult to replace if they are redeveloped. The sale of these businesses, especially when real estate is involved, often requires significant financial resources.

- **Access to specialized technical assistance and financing** to convert primarily mid- and large child care businesses into nonprofit or worker cooperative structures.
- **Facilities Transition Fund** grants to help entrepreneurs obtain financing on critical child care facilities secured with a mortgage restriction that the facility remains a child care business for the duration of the repayment period.

Custom Consulting for Family Child Care Providers

A vital part of child care, especially in rural areas, nearly one-third of Vermont's family child care providers have held licenses for at least 20 years. As these experienced providers prepare to leave, they can supply valuable resources and mentorship to the next generation of caregivers.

- **Custom business consulting** to identify innovative opportunities for business transfer (e.g., sale of brand and materials, sale of business and real estate, mentorship opportunities).
- **Leadership** to identify and elevate best practices of non-residential family child care to the state licensing department. By allowing family child care to operate in community facilities and commercial properties, in addition to providers' homes, Vermont could create meaningful opportunities for FCCH succession and more equitable pathways to child care entrepreneurship for those with less start-up capital or those who cannot or do not want to license their personal residence.

Special Thanks To Our Partners

In addition to our partners – the Vermont Community Loan Fund, the Vermont Association for the Education of Young Children, Let's Grow Kids, and Building Bright Futures – FCF wishes to acknowledge the contributions of the Vermont Community Foundation and the many organizations consulted to inform this concept paper, including:

- Brattleboro Development Credit Corporation
- Champlain Housing Trust
- Early Childhood Investment Corporation
- Early Learning Property Management
- Early Milestones Colorado
- MassDevelopment
- Mission Driven Finance CARE Real Estate Investment Trust
- Rhode Island Child Care and Early Learning Facilities Fund
- State of Vermont Child Development Division
- The ICA Group
- Vermont Conservation Trust
- Vermont Land Trust
- Vermont Real Estate Cooperative

Annual Services

Driven by our business tenure analysis, the initiative is scaled to provide three centers and five family child care providers with hands-on support through business transition each year, while simultaneously fostering awareness and succession readiness among the broader child care community. Services could be scaled larger or smaller dependent on business needs.

Owner Mentorship	Stipends for one new center owner to be mentored by transitioning directors/owners and five family child care providers to explore innovative mentorship and transition options
Business Transition Capital	Three forgivable loans annually to qualified entrepreneurs or to partially subsidize the cost of nonprofit or cooperative conversion
Facilities Transition Fund	One mortgage secured grant annually
Training	Reaching over one hundred entrepreneurs annually by integrating succession planning into ongoing business training and technical assistance
Business Advising and One-on-one Transition Coaching	Provide three centers and five family child care providers with hands-on support throughout business transition
Program Administration	Including outreach, partner coordination, grant management, evaluation and reporting

The Child Care Ownership Transition Initiative represents a pioneering approach to maximizing child care accessibility through an era of transformative change. As the first program in the nation specifically designed to support child care business succession, this initiative recognizes that Vermont's historic public investments through Act 76 have fundamentally shifted the economic landscape of child care entrepreneurship in the state. Act 76 creates unprecedented opportunities for the sector while also raising the stakes for thoughtful ownership transitions that keep child care programs open, high-quality, and locally owned. The initiative will integrate succession planning, matchmaking, technical assistance, and targeted capital into a cohesive system of support, and calibrate these services to Vermont's distinctive child care market dominated by very small centers and family child care providers who now operate in a more financially viable environment. By simultaneously making child care business ownership more attractive, accessible, and equitable, the initiative will sustain and build child care supply and foster the ambitions of the next generation of skilled, diverse ECE leaders.

Interested in learning more? Please reach out to infonational@firstchildrensfinance.org.