WHO PROFITS FROM CHILD CARE?

AN INVESTIGATION INTO PRIVATE EQUITY, PUBLIC DOLLARS, AND CHILD SAFETY



Sen. Jeff Merkley
Ranking Member

United States Senate
Committee on the
Budget

Democratic Staff Report
November 13, 2026

EXECUTIVE SUMMARY

Private equity (PE)'s expansion into the care sector—the industries that support our communities' health and welfare—has generated increased scrutiny. Studies of hospitals and nursing homes have found that after a PE acquisition, quality of care and patient safety decline while costs rise, often in conjunction with reduced staffing. As a result, Members of Congress have proposed actions to limit PE's involvement in these businesses. However, one care industry has been largely overlooked: child care. In 2024, the nonpartisan Congressional Research Service found PE investment in 13 of the nation's 16 largest for-profit child care chains, yet the first systematic study of PE in the U.S. child care market appeared only in 2026, and no federal or state agency systematically tracks which child care centers PE backs. As a result, little is known about the effects of PE's presence in the child care industry, leaving many basic questions unanswered. How is PE's obligation to maximize profits balanced with ensuring the safety of the children in their centers? As in other care industries, has PE investment meant fewer staff and less safe care?

With these questions in mind, on March 23, 2026, Senate Budget Committee Ranking Member Jeff Merkley (D-OR) opened an investigation into the effects of PE on child care. The Ranking Member requested documents and information from the nation's two largest for-profit child care providers by capacity—KinderCare Learning Companies ("KinderCare") and Learning Care Group (LCG)—and their PE backers, Partners Group and American Securities, respectively. LCG is privately held and publishes no financial statements, while KinderCare's securities filings report companywide results without showing how individual centers are staffed or how resources are allocated. As both companies receive substantial revenue through federal and state programs, Congress has a direct interest in whether that support is making care safer and more affordable or supporting debt and payments to investors. Ranking Member Merkley sought information about the companies' finances, staffing, receipt and use of public funding, and safety records.

However, the companies refused to provide nearly all of the requested information and records, instead providing insufficient responses that described their operations generally. Therefore, this report relies primarily on public financial statements and securities filings, credit rating agency analyses, and state licensing records from three states: California, Texas, and Virginia. California and Texas, which host more KinderCare and LCG centers than any other state, publish bulk licensing and violation records in enough detail to attach violations to individual providers. Virginia, which is also home to a large number of both companies' centers, produced comparable records in response to Committee Democratic staff's Freedom of Information Act (FOIA) request.

Those records cannot answer the questions the companies refused to address, but they establish what can be documented without their cooperation—and the four findings that follow shed light on one fundamental question: Has PE investment in child care come at the cost of staffing and safety?

1. **KinderCare and Learning Care Group rely heavily on public funding.**

   Approximately one-third of KinderCare's and LCG's total revenue is from public funding programs, including subsidies. KinderCare collected roughly $1 billion in subsidy-supported tuition in fiscal year 2025. About one-third of the children in its centers receive public subsidies, including 60,000 families receiving Child Care and Development Fund assistance. LCG received approximately $499 million in various government funding—including child care and food subsidies—in fiscal year 2025 and about 40 percent of the children it serves receive public support.

   In Texas and Virginia, public records confirm that acceptance of subsidies is widespread between the companies. In Texas, 70 percent of KinderCare centers and 79 percent of LCG centers accept subsidies, against 55 percent statewide and 48 percent across all PE-backed centers. In Virginia, 94 percent of KinderCare and 81 percent of LCG centers accept subsidies, against 69 percent statewide and 76 percent across all PE-backed centers. California does not publish bulk data on subsidy participation. Neither company would disclose its exact public funding figures or how any of that money is spent.

2. **Private equity firms and owners have extracted $1.25 billion in dividends from KinderCare and Learning Care Group, leaving the companies with substantial debt.**

   KinderCare and LCG have borrowed more than $1.25 billion to pay their owners dividends: $620 million at KinderCare and at least $636 million at LCG. The transactions have left the companies with substantial debt: KinderCare carried roughly $926 million in debt as of July 2026, while LCG carried a nearly $896 million term loan as of January 2026. These obligations reduce financial flexibility and make it more important to know how the companies balance debt service and investor payments against child safety, staffing, and affordability—information the companies did not provide as requested.

3. **Across three states, KinderCare and Learning Care Group centers have more frequent, more serious, and more persistent safety problems than centers not backed by private equity.**

   Based on Democratic staff analysis of child care licensing and violation records in California, Texas, and Virginia, KinderCare and LCG centers were cited more often, more seriously, and more repeatedly than for-profit chains with no private equity backer ("non-PE chains") and all other centers. Rates are per 100 licensed slots. KinderCare's rates exclude its Champions before- and after-school sites. The two companies drew complaint-triggered inspections at roughly twice the non-PE chain rate and up to four times the rate of all other centers, and in California and Texas more than 50 percent of their centers had five or more such inspections, against 22 to 31 percent of non-PE chains.

On high-risk violations, where the risk of harm to children is the highest, KinderCare's and LCG's rates ran up to three times the non-PE chain rate, and in Texas more than 80 percent of their centers had repeat high-risk citations, against 53 percent of non-PE chains. The widest gaps were on supervision-related citations, which could be identified only in Texas and Virginia. In Virginia, KinderCare and LCG were cited at roughly three times the non-PE chain rate, and most of their centers were cited more than once, against about a quarter of non-PE chains.

4. **KinderCare, Learning Care Group, and their private equity backers refused to provide key records.**

Despite repeated requests, KinderCare, LCG, Partners Group, and American Securities did not provide the documents and data needed to determine how public subsidies and tuition revenues are allocated among safety, operating costs, workforce investments, debt payments, and returns to investors. That leaves policymakers and families unable to answer a basic question: is the substantial public support flowing to these companies being used to make child care more affordable, improve working conditions, and provide safer, higher-quality care—or to support the financial interests of their PE backers?

Table of Contents

BACKGROUND ____ 1

DATA AND METHODS ____ 8

FINDING 1: KinderCare and Learning Care Group rely heavily on public funding ____ 11

FINDING 2: Private equity firms and owners have extracted $1.25 billion in dividends from KinderCare and Learning Care Group, leaving the companies with substantial debt ____ 16

FINDING 3: Across three states, KinderCare and Learning Care Group centers have more frequent, more serious, and more persistent safety problems than centers not backed by private equity ____ 20

FINDING 4: KinderCare, Learning Care Group, and their private equity backers refused to provide key records ____ 31

CONCLUSION ____ 32

APPENDIX A. Detailed Methodology ____ A-1

APPENDIX B. Additional Figures ____ B-1

APPENDIX C. Company Responses ____ C-1

BACKGROUND

A. Labor is child care's largest cost, and public funding is a major share of its revenue

Child care is essential infrastructure for working families, but its economics differ from those of an ordinary consumer market.[1] Reliable care enables parents to work and supports children's development, creating benefits that extend beyond the family purchasing the service.[2] Yet, many families cannot pay the full cost of safe, high-quality child care, while limited revenue and thin margins constrain providers' ability to meet demand and pay their staff a living wage.[3] The result is a persistent gap between what quality care costs to provide, what families can afford, and what providers can charge.[4]

Labor sits at the center of that gap because child care is inherently labor-intensive.[5] State staffing rules limit how many children one adult may supervise, and smaller groups and adequate supervision are important to children's safety and development.[6] Personnel can account for as much as 80 percent of a center's expenses.[7] Providers, therefore, have few ways to reduce costs

[1] U.S. DEP'T OF THE TREASURY, *The Economics of Child Care Supply in the United States* 5–6, 15–20 (Sept. 2021), https://home.treasury.gov/system/files/136/The-Economics-of-Childcare-Supply-09-14-final.pdf; Sam Abbott, *The Child Care Economy*, WASH. CTR. FOR EQUITABLE GROWTH (Sept. 15, 2021), https://equitablegrowth.org/research-paper/the-child-care-economy/.
[2] U.S. DEP'T OF THE TREASURY, *The Economics of Child Care Supply in the United States* 5–6, 15–20 (Sept. 2021), https://home.treasury.gov/system/files/136/The-Economics-of-Childcare-Supply-09-14-final.pdf; Sam Abbott, *The Child Care Economy*, WASH. CTR. FOR EQUITABLE GROWTH (Sept. 15, 2021), https://equitablegrowth.org/research-paper/the-child-care-economy/.
[3] U.S. DEP'T OF THE TREASURY, *The Economics of Child Care Supply in the United States* 12-16 (Sept. 2021), https://home.treasury.gov/system/files/136/The-Economics-of-Childcare-Supply-09-14-final.pdf; CTR. FOR AM. PROGRESS, *Understanding the Basics of Child Care in the United States* (Feb. 20, 2025), https://www.americanprogress.org/article/understanding-the-basics-of-child-care-in-the-united-states/; Caitlin McLean et al., *Early Childhood Workforce Index—2024,* CTR. FOR THE STUDY OF CHILD CARE EMP., UNIV. OF CAL., BERKELEY, at 57 (2024) https://cscce.berkeley.edu/workforce-index-2024/wp-content/uploads/sites/4/2025/05/Early-Childhood-Workforce-Index-2024.pdf (finding that median early educator wages in every state fell below the living-wage benchmark for a single adult without children).
[4] U.S. DEP'T OF THE TREASURY, *The Economics of Child Care Supply in the United States* 13 (Sept. 2021), https://home.treasury.gov/system/files/136/The-Economics-of-Childcare-Supply-09-14-final.pdf; CTR. FOR AM. PROGRESS, *Understanding the Basics of Child Care in the United States* (Feb. 20, 2025), https://www.americanprogress.org/article/understanding-the-basics-of-child-care-in-the-united-states/.
[5] U.S. DEP'T OF THE TREASURY, *The Economics of Child Care Supply in the United States* 5–6, 15–20 (Sept. 2021), https://home.treasury.gov/system/files/136/The-Economics-of-Childcare-Supply-09-14-final.pdf; CTR. FOR AM. PROGRESS, *Understanding the Basics of Child Care in the United States* (Feb. 20, 2025), https://www.americanprogress.org/article/understanding-the-basics-of-child-care-in-the-united-states/.
[6] U.S. DEP'T OF THE TREASURY, *The Economics of Child Care Supply in the United States* 5–6, 15–20 (Sept. 2021), https://home.treasury.gov/system/files/136/The-Economics-of-Childcare-Supply-09-14-final.pdf.
[7] U.S. DEP'T OF THE TREASURY, *The Economics of Child Care Supply in the United States* 5–6, 15–20 (Sept. 2021), https://home.treasury.gov/system/files/136/The-Economics-of-Childcare-Supply-09-14-final.pdf; CTR. FOR AM. PROGRESS, *Understanding the Basics of Child Care in the United States* (Feb. 20, 2025), https://www.americanprogress.org/article/understanding-the-basics-of-child-care-in-the-united-states/.

without raising tuition: constraining staff compensation, operating with fewer teachers, or reducing the amount of care they offer.[8]

The Child Care and Development Fund (CCDF) is the nation's principal federal child care subsidy program for families with low incomes. CCDF includes a combination of federal and state funding.[9] The program mandates a minimum level of state funding, but states commonly supplement federal funding beyond federal requirements.[10] In fiscal year 2023, Congress provided approximately $11.6 billion for CCDF, which served an average of approximately 1.6 million children in 994,000 families each month and paid 247,010 providers over the course of the year.[11]

The program delivers that assistance through grants or contracts with providers and through vouchers that families may use with eligible providers.[12] Federal regulations require states to give families a choice between a provider operating under a grant or contract and a voucher-based provider, and to treat the voucher as assistance to the parent rather than a grant to the provider.[13] Once a family selects a participating center, however, the subsidy payment becomes revenue to that provider.[14] A provider's decision to accept subsidies, therefore, helps determine where federally supported families can obtain care.[15] However, child care subsidies reach only a fraction of eligible children.[16] Families left outside the program face market prices, while providers must balance the price families can bear against the cost of supplying safe, high-quality care.[17]

---

[8] U.S. DEP'T OF THE TREASURY, *The Economics of Child Care Supply in the United States* 5–6, 15–20 (Sept. 2021), https://home.treasury.gov/system/files/136/The-Economics-of-Childcare-Supply-09-14-final.pdf; CTR. FOR AM. PROGRESS, *Understanding the Basics of Child Care in the United States* (Feb. 20, 2025), https://www.americanprogress.org/article/understanding-the-basics-of-child-care-in-the-united-states/.

[9] Emily Katz, *Federal Funding Streams for Child Care and Early Childhood Education*, NAT'L CONF. OF STATE LEGISLATURES (May 13, 2024), https://www.ncsl.org/state-federal/federal-funding-streams-for-child-care-and-early-childhood-education; FIRST FIVE YEARS FUND, *Child Care and Development Block Grant in the United States* (2026), https://www.ffyf.org/wp-content/uploads/2026/04/FFYF_2026_CCDBG-National.pdf.

[10] CHILD CARE AWARE OF AM., *An Uneven Start: Where Child Care Funding Falls Short – And Why It Matters* (Mar. 2026), https://info.childcareaware.org/hubfs/Uneven-Start-Where-Child-Care-Funding-Falls-Short-2026.pdf?hsLang=en.

[11] The total combines approximately $8.0 billion in discretionary Child Care and Development Block Grant appropriations with $3.6 billion in mandatory Child Care Entitlement to States funding. Consolidated Appropriations Act, 2023, Pub. L. No. 117-328; 42 U.S.C. § 618; U.S. DEP'T OF HEALTH & HUM. SERVS., ADMIN. FOR CHILD. & FAMS., OFF. OF CHILD CARE, *FY 2023 Preliminary Data Table 1 – Average Monthly Adjusted Number of Families and Children Served* (Jan. 21, 2026), https://acf.gov/occ/data/fy-2023-preliminary-data-table-1; U.S. DEP'T OF HEALTH & HUM. SERVS., ADMIN. FOR CHILD. & FAMS., OFF. OF CHILD CARE, FY 2023 *Preliminary Data Table 7 – Number of Child Care Providers Receiving CCDF Funds* (Jan. 21, 2026), https://acf.gov/occ/data/fy-2023-preliminary-data-table-7.

[12] 45 C.F.R. § 98.30(a)–(d) (2026).

[13] *Id.*

[14] *Id.*

[15] *Id.*

[16] FIRST FIVE YEARS FUND, *Child Care and Development Block Grant in the United States* (2026), https://www.ffyf.org/wp-content/uploads/2026/04/FFYF_2026_CCDBG-National.pdf; U.S. DEP'T OF THE TREASURY, *The Economics of Child Care Supply in the United States* 5–6, 15–20 (Sept. 2021), https://home.treasury.gov/system/files/136/The-Economics-of-Childcare-Supply-09-14-final.pdf.

[17] FIRST FIVE YEARS FUND, *Child Care and Development Block Grant in the United States* (2026), https://www.ffyf.org/wp-content/uploads/2026/04/FFYF_2026_CCDBG-National.pdf; U.S. DEP'T OF THE

Public support is not limited to recurring child care subsidies: providers may also receive food-cost reimbursements through the Child and Adult Care Food Program, government grants, and temporary emergency aid.[18] During the COVID-19 pandemic, Congress appropriated nearly $24 billion for child care stabilization grants, which supported more than 220,000 providers.[19] Because these funding streams serve different purposes and cover different periods, this report distinguishes among them rather than combining them into a single public-funding total.[20]

These economics make child care center operations and financing especially consequential.[21] When labor is the largest cost and public subsidies are a meaningful revenue stream, decisions about debt, investor payments, and cost reduction may affect the resources available for staffing and classrooms.[22] For subsidized providers, the central public accountability question is how government support is allocated among affordability, staffing and safety, debt service, and returns to investors.[23]

B. Private equity has invested in many of the largest child care chains

Over the past two decades, private equity (PE) firms have acquired many of the largest national child care companies, including KinderCare Learning Companies, Learning Care Group, The Goddard School, Primrose Schools, The Learning Experience, Spring Education

---

TREASURY, *The Economics of Child Care Supply in the United States* 5–6, 15–20 (Sept. 2021), https://home.treasury.gov/system/files/136/The-Economics-of-Childcare-Supply-09-14-final.pdf; CTR. FOR AM. PROGRESS, *Understanding the Basics of Child Care in the United States* (Feb. 20, 2025), https://www.americanprogress.org/article/understanding-the-basics-of-child-care-in-the-united-states/.

[18] *Child and Adult Care Food Program*, U.S. DEP'T OF AGRIC., FOOD & NUTRITION ADMIN., https://www.fns.usda.gov/cacfp (last visited Sept. 21, 2026); American Rescue Plan Act of 2021, Pub. L. No. 117-2, § 2202, 135 Stat. 31–33.

[19] American Rescue Plan Act of 2021, Pub. L. No. 117-2, § 2202, 135 Stat. 31–33; Press Release, Sen. Kirsten Gillibrand, *With Federal Funding for Child Care Providers Set to Expire, Gillibrand Announces Legislation to Avert Looming Child Care Cliff* (Sept. 13, 2023), https://www.gillibrand.senate.gov/news/press/release/with-federal-funding-for-child-care-providers-set-to-expire-gillibrand-announces-legislation-to-avert-looming-child-care-cliff/ (reporting that stabilization grants helped more than 220,000 providers remain open).

[20] *Child and Adult Care Food Program*, U.S. DEP'T OF AGRIC., FOOD & NUTRITION ADMIN., https://www.fns.usda.gov/cacfp (last visited Sept. 21, 2026); American Rescue Plan Act of 2021, Pub. L. No. 117-2, § 2202, 135 Stat. 31–33.

[21] CONG. RSCH. SERV., *Private Equity Investments in Large For-Profit Child Care Organizations* (Oct. 30, 2024), https://www.congress.gov/crs-product/R48252; Diane Schilder, Laura Betancur & Wesley Jenkins, *What We Do and Don't Know About Private Equity Investment in Early Childhood Education*, URBAN INST. (Jan. 28, 2026), https://www.urban.org/urban-wire/what-we-do-and-dont-know-about-private-equity-investment-early-childhood-education; U.S. DEP'T OF THE TREASURY, *The Economics of Child Care Supply in the United States* 5–6, 15–20 (Sept. 2021), https://home.treasury.gov/system/files/136/The-Economics-of-Childcare-Supply-09-14-final.pdf.

[22] U.S. DEP'T OF THE TREASURY, *The Economics of Child Care Supply in the United States* 13–16 (Sept. 2021), https://home.treasury.gov/system/files/136/The-Economics-of-Childcare-Supply-09-14-final.pdf; KinderCare Learning Cos., Annual Report (Form 10-K) 3, 9 (Mar. 13, 2026), https://www.sec.gov/ix?doc=/Archives/edgar/data/0001873529/000119312526106342/klc-2026010; Audrey Stienon, *Children Before Profits in the States*, OPEN MKTS. INST. at 16 (Feb. 2026), https://nwlc.org/wp-content/uploads/2026/03/ChildrenBeforeProfitsintheStatesReport_Feb26_WEB.pdf

[23] Letter from Jeffrey A. Merkley, Ranking Member, S. Comm. on the Budget, to Tom Wyatt, Chief Exec. Officer, KinderCare Learning Cos., Inc., & David Layton, Partner & Chief Exec. Officer, Partners Grp. (Mar. 23, 2026); Letter from Jeffrey A. Merkley, Ranking Member, S. Comm. on the Budget, to John Bork, Chief Exec. Officer, Learning Care Grp., & Michael Fisch, Founder & Chief Exec. Officer, Am. Sec. (Mar. 23, 2026).

Group, and Cadence Education.[24] Consequently, PE is prevalent among the nation's largest for-profit child care providers: a 2024 Congressional Research Service found that 13 of the 16 largest child care organizations had current or past PE investment.[25] Child care attracts financial buyers because the market is fragmented, demand is recurring, and public subsidies support part of the revenue base.[26]

PE's typical business model is in tension with the demands of child care, where staffing determines the safety and quality of care. PE firms pool investor funds with a fiduciary duty to maximize returns.[27] The firms use those funds to acquire controlling stakes in companies and profit by extracting dividends—often financed with company debt—and later selling or taking the companies public at a higher value.[28] The model can supply capital and managerial expertise, but it also creates pressure to generate returns on a defined timetable through growth, dividends, and cost reductions.[29] In child care, the biggest cost available to cut is staffing.

Where PE has applied this business model in other labor-intensive care sectors, safety and quality of care have declined—in conjunction with staffing cuts. A study of U.S. nursing homes found that PE ownership increased mortality by 11 percent, with declines in nurse

---

[24] CONG. RSCH. SERV., *Private Equity Investments in Large For-Profit Child Care Organizations* (Oct. 30, 2024), https://www.congress.gov/crs-product/R48252; Jessica H. Brown & Chris M. Herbst, *Big Daycare: The Growth of Private Equity in the U.S. Child Care Market* 8–9 (IZA Discussion Paper No. 18990, Oct. 2026), https://docs.iza.org/dp18990.pdf.

[25] CONG. RSCH. SERV., *Private Equity Investments in Large For-Profit Child Care Organizations* (Oct. 30, 2024), https://www.congress.gov/crs-product/R48252 (showing 16 child care organizations with reported licensed capacity of 15,000 or more where 13 have known current or past private equity investments).

[26] *Investing Early (Childhood): Trends and Investments in the ECE Space,* TYTON PARTNERS (May 17, 2024), https://tytonpartners.com/investing-early-childhood-trends-and-investments-in-the-ece-space/; Elliot Haspel, *Toddlers and Investors Aren't Playmates: Private Equity in Child Care,* CAPITA (2023), https://capita.org/wp-content/uploads/2024/08/ToddlersandInvestorsArentPlaymatesCapitaFinal0307-1.pdf.

[27] Steven N. Kaplan & Per Strömberg, *Leveraged Buyouts and Private Equity*, 23 J. ECON. PERSP. 121, 124–31 (2009) (describing the leveraged buyout structure, in which the acquired company carries the debt used to finance its own purchase, and the governance, financial, and operational changes sponsors use to increase value before exit); CONG. RSCH. SERV., *Private Equity and Capital Markets Policy* (Mar. 28, 2022), https://www.congress.gov/crs-product/R47053; Eileen Appelbaum & Rosemary Batt, *Private Equity at Work: When Wall Street Manages Main Street* 51–87 (2014) (noting that dividend recapitalizations—borrowing against a portfolio company to fund a distribution to its owners—are documented throughout the care sectors); S. COMM. ON THE BUDGET, *Profits Over Patients: The Harmful Effects of Private Equity on the U.S. Health Care System* (bipartisan staff report of Chairman Sheldon Whitehouse and Ranking Member Charles E. Grassley) (Jan. 7, 2025), https://www.budget.senate.gov/imo/media/doc/profits_over_patients_the_harmful_effects_of_private_equity_on_the_ushealthcaresystem1.pdf.

[28] CONG. RSCH. SERV., *Private Equity Investments in Large For-Profit Child Care Organizations* (Oct. 30, 2024), https://www.congress.gov/crs-product/R48252; Diane Schilder, Laura Betancur & Wesley Jenkins, *What We Do and Don't Know About Private Equity Investment in Early Childhood Education*, URBAN INST. (Jan. 28, 2026), https://www.urban.org/urban-wire/what-we-do-and-dont-know-about-private-equity-investment-early-childhood-education.

[29] Diane Schilder, Laura Betancur & Wesley Jenkins, *What We Do and Don't Know About Private Equity Investment in Early Childhood Education*, URBAN INST. (Jan. 28, 2026), https://www.urban.org/urban-wire/what-we-do-and-dont-know-about-private-equity-investment-early-childhood-education; CONG. RSCH. SERV., *Private Equity Investments in Large For-Profit Child Care Organizations* (Oct. 30, 2024), https://www.congress.gov/crs-product/R48252.

staffing, patient well-being, and compliance with care standards.[30] Separate studies of PE-acquired hospitals found a 25.4 percent increase in hospital-acquired adverse events and an 11.6 percent reduction in staffing relative to control hospitals.[31] These studies do not establish that PE ownership produces the same results in child care, which has received far less analysis. An October 2026 discussion paper describes itself as the first systematic analysis of PE ownership in the U.S. child care market and notes that no national database of child care centers exists, requiring researchers to combine proprietary investment data with state licensing and other records.[32]

C. KinderCare and Learning Care Group operate thousands of child care centers nationwide

KinderCare Learning Companies ("KinderCare") and Learning Care Group (LCG) are the largest and second-largest for-profit, early childhood education and care providers in the United States, respectively, measured by licensed center capacity.[33] PE holds a majority ownership stake in both companies.[34]

As of January 3, 2026, KinderCare operated 2,754 early learning centers and before-and-after school sites in 41 states and the District of Columbia under several brands, including KinderCare Learning Centers, Crème School, Champions before- and after-school programs, and KinderCare employer-sponsored centers.[35] As of July 4, 2026, its community-based and employer-sponsored centers had a licensed capacity of 210,539 children.[36] Partners Group, a Swiss PE firm, acquired KinderCare in 2015 as part of its purchase of Knowledge Universe's

---

[30] Atul Gupta et al., *Owner Incentives and Performance in Healthcare: Private Equity Investment in Nursing Homes*, 37 REV. FIN. STUD. 1029 (2024), https://doi.org/10.1093/rfs/hhad082.

[31] Sneha Kannan et al., *Changes in Hospital Adverse Events and Patient Outcomes Associated with Private Equity Acquisition*, 330 JAMA 2365, 2365, 2368–69 (2023), https://doi.org/10.1001/jama.2023.23147; Sneha Kannan et al., *Hospital Staffing and Patient Outcomes After Private Equity Acquisition*, 178 ANNALS INTERNAL MED. 1529 (2025), https://www.acpjournals.org/doi/10.7326/ANNALS-24-03471.

[32] Jessica H. Brown & Chris M. Herbst, *Big Daycare: The Growth of Private Equity in the U.S. Child Care Market* 1, 11 (IZA Discussion Paper No. 18990, Oct. 2026), https://docs.iza.org/dp18990.pdf.

[33] CONG. RSCH. SERV., *Private Equity Investments in Large For-Profit Child Care Organizations* (Oct. 30, 2024), https://www.congress.gov/crs-product/R48252; KinderCare Learning Cos., Inc., Registration Statement (Form S-1/A) 1 (Oct. 7, 2024), https://www.sec.gov/Archives/edgar/data/1873529/000119312524233295/d760946ds1a.htm (identifying KinderCare as the largest private U.S. provider by center capacity); Press Release, *Learning Care Group Solves Summer Scheduling Woes for Working Families,* LEARNING CARE GRP. (Feb. 23, 2026), https://www.learningcare.com/news/learning-care-group-solves-summer-scheduling-woes-for-working-families/ (identifying LCG as North America's second-largest for-profit early education and child care provider).

[34] *See* KinderCare Learning Cos., Inc., Annual Report (Form 10-K) 21–22 (Mar. 13, 2026) (identifying Partners Group and its affiliates as KinderCare's controlling shareholders), https://www.sec.gov/Archives/edgar/data/1873529/000119312526106342/klc-20260103.htm; *Learning Care*, AM. SEC. (last visited Oct. 8, 2026) (listing LCG as a current portfolio company and identifying 2014 as the investment year), https://www.american-securities.com/companies/learning-care/.

[35] KinderCare Learning Cos., Inc., Annual Report (Form 10-K) 53 (Mar. 13, 2026), https://www.sec.gov/ix?doc=/Archives/edgar/data/0001873529/000119312526106342/klc-20260103.htm.

[36] KinderCare does not report a capacity figure for its Champions sites. KinderCare Learning Cos., Inc., Quarterly Report (Form 10-Q) 8 (Aug. 13, 2026), https://www.sec.gov/Archives/edgar/data/1873529/000119312526349480/klc-20260704.htm.

U.S. child care business.[37] Founded in 1996 by brothers Michael and Lowell Milken and Oracle co-founder Larry Ellison, Knowledge Universe had expanded through acquisitions, including KinderCare in 2005.[38] In October 2024, Partners Group took KinderCare public through a partial initial public offering (IPO) on the New York Stock Exchange (NYSE) but retains roughly 70 percent of the shares.[39] KinderCare accordingly reports itself as a "controlled company" under NYSE rules, exempt from the requirement that a majority of its board be independent; and Partners Group retains the ability to nominate more than half of the board and to exercise consent rights over executive leadership changes, major acquisitions, equity issuances, and significant new debt.[40] KinderCare's public listing requires filing annual and quarterly financial reports with the Securities and Exchange Commission (SEC), but those reports present select results for the company as a whole, not by center or state.[41]

LCG operates more than 1,110 schools across 40 states and the District of Columbia with a stated capacity of 166,000 children under 11 brands, including La Petite Academy, Childtime, Tutor Time, The Children's Courtyard, and Everbrook Academy.[42] American Securities, a New York PE firm, acquired control of LCG from Morgan Stanley's PE arm in 2014 in a deal reportedly valued at $650–$700 million.[43] As the majority shareholder, American Securities holds seats on LCG's board, which oversees "major strategic matters," including executive

---

[37] The acquired business was legally named Knowledge Universe Education LLC and adopted the name KinderCare Education in January 2016; the existing KinderCare center brand did not change. Press Release, *Knowledge Universe Education LLC to Change Name to KinderCare Education,* KINDERCARE EDUC. (Jan. 4, 2016), https://www.kc-learning.com/newsroom/press-releases/knowledge-universe-education-llc-to-change-name-to-kindercare-education; Press Release, *Partners Group to Acquire Knowledge Universe's US Early-Childhood Educational Business,* PARTNERS GRP. (July 9, 2015), https://www.partnersgroup.com/news-and-views/press-releases/investment-news/detail?news_id=a6e1a2d8-69bd-4ec6-999b-33374c32b653.

[38] Mark Walsh, *Education Firm Charts Growth of Its Universe*, EDUC. WK. (Aug. 4, 1999), https://www.edweek.org/leadership/education-firm-charts-growth-of-its-universe/1999/08; Mack Burke, *Milken-led Private REIT Nabs $642M Loan on KinderCare Portfolio*, COM. OBSERVER (July 29, 2021), https://commercialobserver.com/2021/07/nrt-kindercare-learning-centers-goldman-sachs-jpmorgan-chase/; Press Release, *KinderCare Education Acquires Rainbow Child Care Center, Expanding to More Than 1,500 Learning Centers, Serving 185,000 Children Across the United States,* KINDERCARE EDUC. (Aug. 27, 2018), https://www.kc-learning.com/newsroom/press-releases/kindercare-acquires-rainbow-child-care-center.

[39] KinderCare Learning Cos., Inc., Annual Report (Form 10-K) 21–22 (Mar. 13, 2026), https://www.sec.gov/ix?doc=/Archives/edgar/data/0001873529/000119312526106342/klc-20260103.htm; *Partners Group portfolio company KinderCare prices IPO and lists on New York Stock Exchange*, PARTNERS GRP. (Oct. 10, 2024), https://www.partnersgroup.com/en/news-and-views/press-releases/investment-news/detail?news_id=0eb1282e-892c-4d7b-b244-f5196e414fd7.

[40] KinderCare Learning Cos., Inc., Annual Report (Form 10-K) 21–22 (Mar. 13, 2026), https://www.sec.gov/ix?doc=/Archives/edgar/data/0001873529/000119312526106342/klc-20260103.htm; KinderCare Learning Cos., Inc., Current Report (8-K) (Exhibit 10.2 Stockholder's Agreement) 4 (Oct. 8, 2024), https://www.sec.gov/Archives/edgar/data/1873529/000119312524237635/d851702dex102.htm.

[41] KinderCare Learning Cos., Annual Report (Form 10-K) (Mar. 13, 2026), https://www.sec.gov/Archives/edgar/data/1873529/000119312526106342/klc-20260103.htm.

[42] *Home*, LEARNING CARE GRP., https://www.learningcare.com/ (last visited Sept. 26, 2026); *Learning Care's 11 Brands*, LEARNING CARE GRP., https://www.learningcare.com/brands/ (last visited Oct. 9, 2026); *Real Estate,* LEARNING CARE GRP., https://www.learningcare.com/real-estate/ (last visited Oct. 9, 2026).

[43] Shasha Dai, *American Securities Buys Learning Care Group From Morgan Stanley*, WALL ST. J. (May 5, 2014), https://www.wsj.com/articles/DJFLBO0020140505ea55kdkbe.

appointments, long-term strategy, and financial and operational controls.[44] The company is privately held and does not publish financial statements.[45]

Together, the two companies operate over 3,800 centers and sites with a combined licensed capacity of at least 376,000 children.[46] Both are structured as portfolio companies of active PE sponsors. Both carry debt incurred in part to pay their owners.[47] Both draw substantial revenue from public child care subsidy programs.[48]

D. Ranking Member Jeff Merkley requested records from KinderCare, Learning Care Group, and their private equity backers

On March 23, 2026, Ranking Member Merkley wrote to KinderCare and LCG, and their PE backers—Partners Group and American Securities, respectively—requesting documents and answers to a series of questions about ownership and governance, debt and dividend decisions, tuition setting, staffing, subsidy revenue, and each company's handling of safety and compliance problems.[49] Very little about how these companies operate is visible from the outside. LCG is a private company and does not publish financial statements. KinderCare's SEC filings describe the company in the aggregate and disclose almost nothing at the level where care actually happens. The letters sought the information necessary to connect financing decisions to conditions in classrooms—the information that public records cannot supply.

The companies responded with short, flattering narratives of their overall operations but produced none of the underlying records.[50] This report therefore relies principally on public filings, credit rating agency analyses, the companies' scant written representations, and state licensing records from three states: California, Texas, and Virginia.

---

[44] American Securities told Committee Democratic staff that it is LCG's majority shareholder, holds a non-majority of the company's board seats, and has a "meaningful voice" in decisions concerning executive leadership, long-term strategy, and financial and operational controls. Letter from Arnold & Porter Kaye Scholer LLP, on behalf of Learning Care Grp., Inc. & Am. Sec. LLC, to Hon. Jeffrey A. Merkley, Ranking Member, S. Comm. on the Budget 8 (Apr. 27, 2026); Letter from Arnold & Porter Kaye Scholer LLP, on behalf of Learning Care Grp., Inc. & Am. Sec. LLC, to Hon. Jeffrey A. Merkley, Ranking Member, S. Comm. on the Budget 3 (July 3, 2026) (all in Appendix C); *PSP Investments Makes Significant Investment in Learning Care Group in Partnership with American Securities*, PSP INVEST. (Mar. 13, 2018), https://www.investpsp.com/en/news/lcg-as-psp-pressrelease-en/.

[45] Learning Care Group, Inc. terminated the registration of its securities under section 12(g) of the Securities Exchange Act of 1934 on January 10, 2006, following a going-private merger, and has filed no periodic reports with the Securities and Exchange Commission since. Learning Care Grp., Inc., Certification and Notice of Termination of Registration (Form 15) (Jan. 10, 2006), https://www.sec.gov/Archives/edgar/data/1003648/000116923206000065/d66441_15-12g.htm.

[46] *Home*, LEARNING CARE GRP., https://www.learningcare.com/ (last visited Sept. 26, 2026); KinderCare Learning Cos., Inc., Quarterly Report (Form 10-Q) 8 (Aug. 13, 2026), https://www.sec.gov/Archives/edgar/data/1873529/000119312526349480/klc-20260704.htm.

[47] *See infra* Finding 2.

[48] *See infra* Finding 1.

[49] Letter from Jeffrey A. Merkley, Ranking Member, S. Comm. on the Budget, to Tom Wyatt, Chief Exec. Officer, KinderCare Learning Cos., Inc., & David Layton, Partner & Chief Exec. Officer, Partners Grp. (Mar. 23, 2026); Letter from Jeffrey A. Merkley, Ranking Member, S. Comm. on the Budget, to John Bork, Chief Exec. Officer, Learning Care Grp., & Michael Fisch, Founder & Chief Exec. Officer, Am. Sec. (Mar. 23, 2026).

[50] *See infra* Finding 4.

DATA AND METHODS

A. Use of state licensing records

This report provides analysis of licensing and violation data from active, licensed child care centers in California, Texas, and Virginia.[51] Democratic staff selected these three states because each publishes or produced inspection records detailed enough to identify findings at individual centers and because each is a state where KinderCare and LCG operate a large number of centers—824 between them, or 524 KinderCare centers and 300 LCG centers.[52] Together, the three states contain 22,765 licensed centers with roughly 2.17 million licensed slots, including 1,538 centers with more than 249,000 licensed slots operated under PE-backed companies.[53]

The Texas data includes citations issued between April 1, 2021, and June 12, 2026.[54] The Virginia data includes inspections conducted between January 4, 2021, and July 16, 2026.[55] The California data includes licensing visits between December 1, 2020, and June 12, 2026.[56] Based on publicly available information, Democratic staff assigned each child care center to one of the following ownership categories: PE-backed, non-PE chain (for-profit), or all other centers. All other centers includes all remaining centers that were not matched to an identified chain or PE backer. This is a residual group and includes nonprofit, faith-based, public, and unaffiliated for-profit providers.

Violation and complaint measures are reported as rates per 100 licensed slots. Repeat citations are those recorded at a second inspection visit and are reported as a share of centers. Unless a figure states otherwise, every figure covers all age groups served, including school-age

[51] Texas includes centers that are classified as "Licensed Centers." California includes licenses with the status of "Licensed" or "On Probation." Virginia includes those licenses with the status of "Current" or "Renewal." S. Budget Comm. Democratic staff, Analysis of Cal. Dep't of Soc. Servs., Cmty. Care Licensing Div., Child Care Center Licensing & Inspection Data (June 14, 2026 extract) (on file with Committee Democrats) [hereinafter *California Licensing Records* (June 14, 2026 extract)]; S. Budget Comm. Democratic staff, Analysis of Tex. Health & Hum. Servs. Comm'n Child Care Regulation Open Data (June 15, 2026 extract) (on file with Committee Democrats) [hereinafter *Texas Licensing Records* (June 15, 2026 extract)]; S. Budget Comm. Democratic staff, Analysis of Va. Dep't of Educ., Off. of Child Care Health & Safety, Records Produced in Response to FOIA Request 26-424 (July 23, 2026 production) (on file with Committee Democrats) [hereinafter *Virginia Licensing Records*, FOIA No. 26-424 (July 23, 2026 production)].

[52] Texas and California publish bulk child care licensing and violation data; whereas Virginia responded to Committee Democratic staff's Freedom of Information (FOIA) request. Counts reflect centers holding an active license at the time each state's records were extracted and are drawn from the licensing records cited below. California licenses are combined into operator-location records before counting because a single location commonly holds separate licenses for its infant, preschool, and school-age programs. *California Licensing Records* (June 14, 2026 extract); *Texas Licensing Records* (June 15, 2026 extract); *Virginia Licensing Records*, FOIA No. 26-424 (July 23, 2026 production); *Texas Open Data Portal*, TEXAS.GOV, https://data.texas.gov/ (last visited Sept. 30, 2026); *Download Data*, CAL. DEP'T OF SOC. SERVS., https://www.ccld.dss.ca.gov/carefacilitysearch/DownloadData (last visited Sept. 30, 2026).

[53] *California Licensing Records* (June 14, 2026 extract); *Texas Licensing Records* (June 15, 2026 extract); *Virginia Licensing Records*, FOIA No. 26-424 (July 23, 2026 production).

[54] *Texas Licensing Records* (June 15, 2026 extract).

[55] *Virginia Licensing Records*, FOIA No. 26-424 (July 23, 2026 production).

[56] *California Licensing Records* (June 14, 2026 extract).

programs. Centers operated under KinderCare's Champions brand, which provides before- and after-school programs at school sites, are reported both within the KinderCare total and separately because their operations differ substantially from standalone early childhood education centers.[57]

B. Private equity's presence in California, Texas, and Virginia

Figures 1 through 3 measure PE's reach in California, Texas, and Virginia relative to both the number of licensed centers and licensed capacity.[58] In each state examined, the median capacity of PE-backed centers exceeds the statewide median by a factor ranging from about 1.5 in Virginia to 2.5 in California.[59]

Figure 1. Licensed centers and capacity by ownership group, California

Group	Centers	Share of centers	Licensed capacity	Share of capacity	Median capacity
PE-backed					
KinderCare (incl. Champions)	235	2.2%	28,152	3.7%	123
KinderCare (excl. Champions)	150	1.4%	20,890	2.8%	138
LCG	123	1.2%	18,288	2.4%	148
All other PE	123	1.2%	21,432	2.8%	168
Total, all PE	**481**	**4.6%**	**67,872**	**8.9%**	**142**
Non-PE					
For-profit chains	342	3.2%	38,550	5.1%	100
All other centers	9,739	92.2%	652,556	86.0%	53
Total, all California centers	**10,562**	**100.0%**	**758,978**	**100.0%**	**57**

Note: *"All other PE" is every PE-backed brand in California other than KinderCare and LCG. See Appendix B for PE brand-level figures. The two KinderCare rows overlap and must not be added.*
Source: *California Licensing Records (June 14, 2026 extract).*

[57] KinderCare Learning Cos., Annual Report (Form 10-K) 1–2, 4 (Mar. 13, 2026), https://www.sec.gov/Archives/edgar/data/1873529/000119312526106342/klc-20260103.htm (describing Champions as "a leading private provider of before- and after-school programs for children ages 5-12 in the United States, which also includes summer camp programs," operating 1,153 sites as of January 3, 2026 under an "outsourced model" under which the company provides "staff, teachers and curriculum" to schools and districts, and accounting for 8 percent of fiscal 2025 revenue).
[58] *California Licensing Records* (June 14, 2026 extract); *Texas Licensing Records* (June 15, 2026 extract); *Virginia Licensing Records*, FOIA No. 26-424 (July 23, 2026 production).
[59] California Licensing Records (June 14, 2026 extract); *Texas Licensing Records* (June 15, 2026 extract); *Virginia Licensing Records*, FOIA No. 26-424 (July 23, 2026 production).

Figure 2. Licensed centers and capacity by ownership group, Texas

Group	Centers	Share of centers	Licensed capacity	Share of capacity	Median capacity
PE-backed					
KinderCare (incl. Champions)	185	1.9%	27,222	2.4%	125
KinderCare (excl. Champions)	108	1.1%	17,457	1.5%	144
LCG	119	1.2%	21,054	1.9%	153
All other PE	425	4.4%	85,535	7.5%	203
Total, all PE	**729**	**7.6%**	**133,811**	**11.8%**	**184**
Non-PE					
For-profit chains	525	5.5%	97,471	8.6%	188
All other centers	8,339	86.9%	904,541	79.6%	91
Total, all Texas centers	**9,593**	**100.0%**	**1,135,823**	**100.0%**	**100**

Note: *"All other PE" is every PE-backed brand in Texas other than KinderCare and LCG. See Appendix B for PE brand-level figures. The two KinderCare rows overlap and must not be added.*
Source: *Texas Licensing Records (June 15, 2026 extract).*

Figure 3. Licensed centers and capacity by ownership group, Virginia

Group	Centers	Share of centers	Licensed capacity	Share of capacity	Median capacity
PE-backed					
KinderCare (incl. Champions)	104	4.0%	11,716	4.2%	120
KinderCare (excl. Champions)	81	3.1%	10,555	3.8%	128
LCG	58	2.2%	8,844	3.2%	147.5
All other PE	166	6.4%	26,820	9.7%	169
Total, all PE	**328**	**12.6%**	**47,380**	**17.1%**	**145**
Non-PE					
For-profit chains	207	7.9%	28,969	10.4%	130
All other centers	2,075	79.5%	201,092	72.5%	80
Total, all Virginia centers	**2,610**	**100.0%**	**277,441**	**100.0%**	**96.5**

Note: *"All other PE" is every PE-backed brand in Virginia other than KinderCare and LCG. See Appendix B for PE brand-level figures. The two KinderCare rows overlap and must not be added.*
Source: *Virginia Licensing Records, FOIA No. 26-424 (July 23, 2026 production).*

The findings that follow examine the public funding those centers receive, the payments their PE backers have extracted, and their safety records.

FINDING 1: KinderCare and Learning Care Group rely heavily on public funding

KinderCare and LCG draw a substantial share of their revenue from public programs, and their centers accept child care subsidies at rates well above other providers in the states examined. Across California, Texas, and Virginia, the companies participate in a subsidy system that serves hundreds of thousands of children. Federal funding through the Child Care and Development Fund (CCDF) is allocated to states under several formulas using different factors, such as child populations, income, and historical funding levels.[60] States do not necessarily spend their full allotment in the year it is awarded: funds may remain available for later years, and unused funds may be returned to the federal government or redistributed.[61] The figures below reflect spending that states reported during fiscal year 2023, including spending from earlier federal awards, rather than the amounts allotted to them that year.[62]

In fiscal year 2023, California, Texas, and Virginia spent a combined $2.31 billion through CCDF to fund child care subsidies, quality improvement efforts, and program operations, with those funds serving an average of 424,700 children each month across the three states.[63]

[60] *See* 42 U.S.C. §§ 618, 9858m; 45 C.F.R. §§ 98.61(a), 98.62(a), 98.63(a) (2025).
[61] 42 U.S.C. §§ 618, 9858h, 9858m(e); 45 CFR §§ 98.60, 98.64.
[62] *See* ADMIN. FOR CHILD. & FAMS., U.S. DEP'T OF HEALTH & HUM. SERVS., *FY 2023 Preliminary Data Table 1—Average Monthly Adjusted Number of Families and Children Served* (Jan. 21, 2026), https://acf.gov/occ/data/fy-2023-preliminary-data-table-1.
[63] Fiscal year 2023 is the most recent year of CCDF expenditure and participation data available for this analysis as of Oct. 6, 2026. Spending for the California, Texas, and Virginia rows is calculated by adding Mandatory, Federal Match, and Discretionary expenditures for the federal share, and State Match and maintenance-of-effort expenditures for the state share. The $2.31 billion total excludes supplemental and other one-time aid. Spending covers expenditures during the fiscal year, including funds awarded in earlier years. The children served total is the sum of preliminary average monthly counts for the three states. *See* ADMIN. FOR CHILD. & FAMS., U.S. DEP'T OF HEALTH & HUM. SERVS., *Table 4a—All Expenditures by State—Categorical Summary (FY 2023)* (May 18, 2026), https://acf.gov/occ/data/table-4a-all-expenditures-state-categorical-summary-fy-2023; ADMIN. FOR CHILD. & FAMS., U.S. DEP'T OF HEALTH & HUM. SERVS., *CCDF Expenditures Overview for FY 2023 (All Appropriation Years)* (May 19, 2026), https://acf.gov/archive/occ/data/ccdf-expenditures-overview-fy-2023-all-appropriation-years; ADMIN. FOR CHILD. & FAMS., U.S. DEP'T OF HEALTH & HUM. SERVS., *FY 2023 Preliminary Data Table 1—Average Monthly Adjusted Number of Families and Children Served* (Jan. 21, 2026), https://acf.gov/occ/data/fy-2023-preliminary-data-table-1.

Figure 4. CCDF spending and children served by state, FY23

State	Federal spending ($ millions)	State share ($ millions)	Combined spending ($ millions)	Average children served each month
California	792.1	292.8	1,084.8	232,500
Texas	820.0	153.4	973.5	158,700
Virginia	201.5	54.4	255.9	33,500

Note: *Federal spending and the state share do not overlap; combined spending is their sum. These totals cover the whole program, not amounts paid to child care providers and exclude supplemental and other one-time aid. Components may not sum to the total shown because figures are rounded to the nearest $0.1 million. Children served are preliminary average monthly counts, not annual totals of individual children served.*
Source: *U.S. Department of Health and Human Services, Administration for Children and Families, FY 2023 CCDF expenditure and preliminary participation tables.*

Beyond the amounts in the table, California spent $2.1 billion, Texas spent $2.0 billion, and Virginia spent $61.7 million in federal fiscal year 2023 from supplemental or other one-time federal appropriations, including child care stabilization grants.[64]

These statewide figures describe the scale of child care funding. State licensing records show how widely KinderCare and LCG participate in the subsidy programs, while the companies' disclosures provide information about their revenue from public funding.

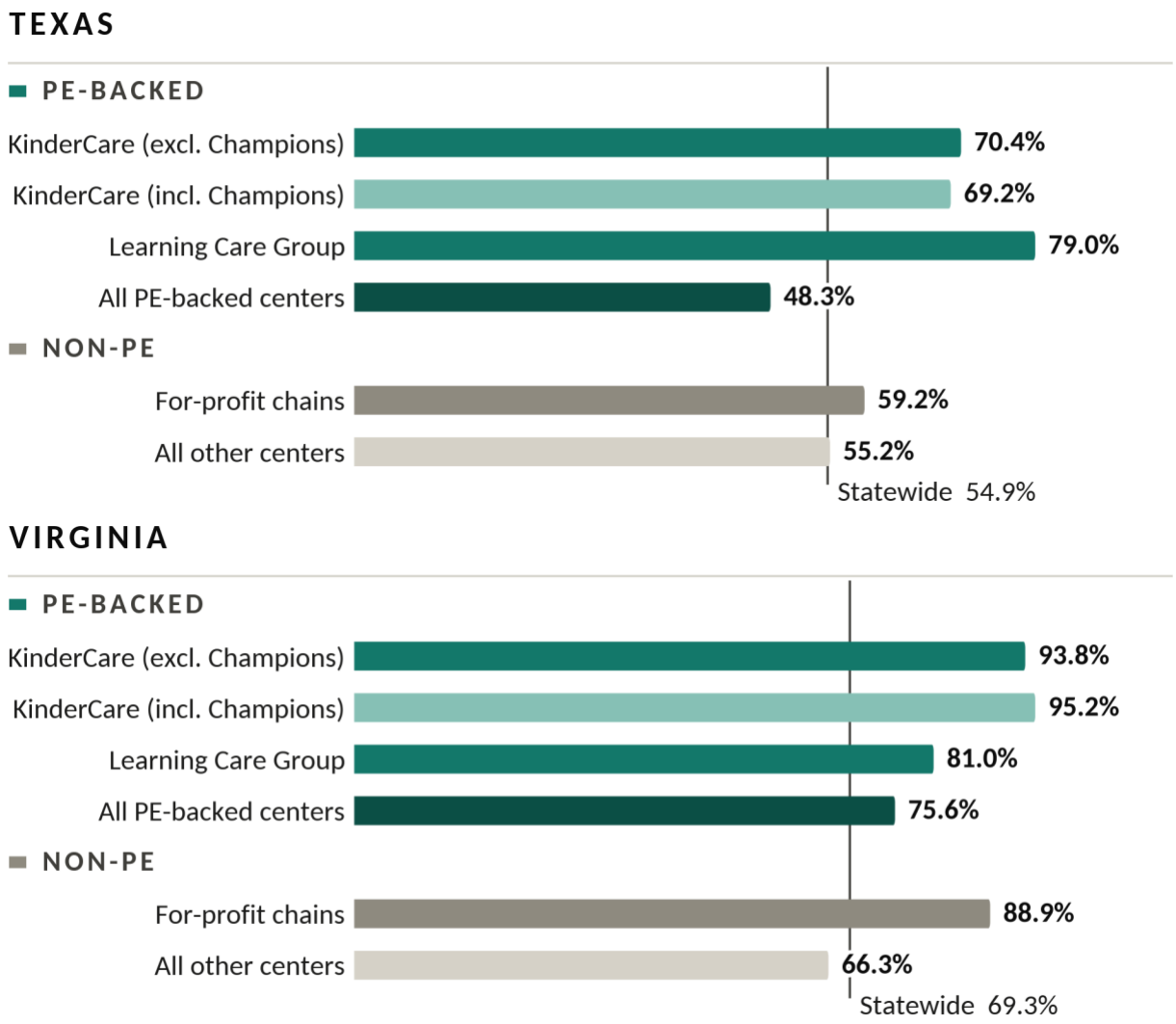
A. KinderCare and Learning Care Group widely participate in child care subsidy programs in Texas and Virginia

State licensing records show that subsidy participation is embedded across both companies' centers.[65] In Texas, 70 percent of KinderCare centers (excluding its Champions sites) and 79 percent of LCG centers accept subsidies, compared with 55 percent statewide; in Virginia, KinderCare's figures are 94 percent and LCG's are 81 percent, compared with 69 percent statewide.[66] California does not publish bulk subsidy acceptance information and is not included. Figure 5 places those figures alongside other comparison groups.[67] The comparisons distinguish between two groups not identified as PE-backed: for-profit chains ("non-PE chains")

[64] Supplemental and other one-time expenditures from the California, Texas, and Virginia rows were calculated by summing the Discretionary CARES, Discretionary CRRSA, Discretionary Disaster Relief, Discretionary ARP Supplemental, and ARP Stabilization columns. *See Table 4a—All Expenditures by State—Categorical Summary (FY 2023)*, ADMIN. FOR CHILD. & FAMS., U.S. DEP'T OF HEALTH & HUM. SERVS. (May 18, 2026), https://acf.gov/occ/data/table-4a-all-expenditures-state-categorical-summary-fy-2023.
[65] Letter from Brownstein Hyatt Farber Schreck, LLP, on behalf of KinderCare Learning Cos., Inc., to Hon. Jeffrey A. Merkley, Ranking Member, S. Comm. on the Budget 1, 3 (Apr. 24, 2026); Letter from Arnold & Porter Kaye Scholer LLP, on behalf of Learning Care Grp., Inc. & Am. Sec. LLC, to Hon. Jeffrey A. Merkley, Ranking Member, S. Comm. on the Budget 6 (July 3, 2026) (all in Appendix C); *Texas Licensing Records* (June 15, 2026 extract); *Virginia Licensing Records*, FOIA No. 26-424 (July 23, 2026 production).
[66] *Texas Licensing Records* (June 15, 2026 extract); *Virginia Licensing Records*, FOIA No. 26-424 (July 23, 2026 production).
[67] *Texas Licensing Records* (June 15, 2026 extract); *Virginia Licensing Records*, FOIA No. 26-424 (July 23, 2026 production).

and all other centers, which includes nonprofit, publicly operated, and non-chain, unaffiliated for-profit providers.

Figure 5. Subsidy participation by ownership group, Texas and Virginia



Note: *Subsidy status records only whether a center is recorded as accepting subsidies, not dollars received or children served. Centers not recorded as accepting subsidies may still receive substantial public funding—Head Start and other publicly funded programs, counted in "all other centers," serve eligible families at no charge. Shares are calculated from unrounded counts. California licensing data does not include whether centers received subsidies. The two KinderCare rows overlap—Champions sites are counted once in the company total. "All PE-backed centers" includes KinderCare and LCG. The "statewide" line is the rate for every licensed center in the state, including all the groups shown. See Appendix B for PE brand-level figures.*
Source: *Texas Licensing Records (June 15, 2026 extract); Virginia Licensing Records, FOIA No. 26-424 (July 23, 2026 production).*

Participation data shows where families may use subsidies and how much licensed capacity is available at participating centers; however, the data does not show how many

subsidized children attend a center or how much public money each company received.[68] The companies' own disclosures provide the best available national funding figures, but those disclosures use different categories and cannot be compared directly to each other.[69]

B. Company disclosures show substantial public funding

KinderCare publicly reports subsidy revenue, food-program reimbursements, government grants, and pandemic relief as separate categories, while LCG reported only a single figure combining government funding with meal reimbursements.[70] Figure 6 presents the figures as the companies reported them and does not treat the two columns as direct comparisons.[71]

[68] *Texas Licensing Records* (June 15, 2026 extract); *Virginia Licensing Records*, FOIA No. 26-424 (July 23, 2026 production).
[69] KinderCare Learning Cos., Inc., Annual Report (Form 10-K) 3, 31, 61–62 (Mar. 13, 2026), https://www.sec.gov/Archives/edgar/data/1873529/000119312526106342/klc-20260103.htm; Letter from Arnold & Porter Kaye Scholer LLP, on behalf of Learning Care Grp., Inc. & Am. Sec. LLC, to Hon. Jeffrey A. Merkley, Ranking Member, S. Comm. on the Budget 6 (July 3, 2026) (in Appendix C).
[70] Neither company's reported figures distinguish between federal and state funding. KinderCare Learning Cos., Inc., Annual Report (Form 10-K) 3, 31, 61–62 (Mar. 13, 2026), https://www.sec.gov/Archives/edgar/data/1873529/000119312526106342/klc-20260103.htm; Letter from Arnold & Porter Kaye Scholer LLP, on behalf of Learning Care Grp., Inc. & Am. Sec. LLC, to Hon. Jeffrey A. Merkley, Ranking Member, S. Comm. on the Budget 6 (July 3, 2026) (in Appendix C).
[71] KinderCare Learning Cos., Inc., Annual Report (Form 10-K) 3, 31, 61–62 (Mar. 13, 2026), https://www.sec.gov/Archives/edgar/data/1873529/000119312526106342/klc-20260103.htm; Letter from Arnold & Porter Kaye Scholer LLP, on behalf of Learning Care Grp., Inc. & Am. Sec. LLC, to Hon. Jeffrey A. Merkley, Ranking Member, S. Comm. on the Budget 6 (July 3, 2026) (in Appendix C).

Figure 6. Government funding reported by KinderCare and LCG

Reported measure	KinderCare	LCG
Children served with public support[72]		
Share receiving public subsidies	~1/3	~40%
Families receiving CCDF subsidies	60,000	-
Government funding		
Subsidy revenue share of total revenue ($), 2025[73]	37% ($1.0 billion)	~1/3
Subsidy revenue share of total revenue ($), 2024[74]	35% ($942.1 million)	-
Subsidy revenue share of total revenue ($), 2023[75]	32% ($795.9 million)	-
Other public funds, KinderCare[76]		
Food program reimbursement, 2025	$53.2 million	-
Food program reimbursement, 2024	$51.7 million	-
Food program reimbursement, 2023	$44.1 million	-
Government grants, 2025	$50.9 million	-
COVID-19 stimulus, 2023 and 2024	$248.6 million	-

Note: *Figures are national, and the two companies' fiscal years differ from each other and from the federal fiscal year. A dash means the company has not reported that measure, not that the amount is zero. LCG is privately held and publishes no financial statements, so figures are only those it supplied or that credit rating agencies reported.*
Source: *Company disclosures to Committee Democratic staff, to credit rating agencies, in filings with the SEC, or figures calculated from those disclosures; none are derived from government payment records.*

[72] Letter from Brownstein Hyatt Farber Schreck, LLP, on behalf of KinderCare Learning Cos., Inc., to Hon. Jeffrey A. Merkley, Ranking Member, S. Comm. on the Budget 1, 3 (Apr. 24, 2026) (in Appendix C); Letter from Arnold & Porter Kaye Scholer LLP, on behalf of Learning Care Grp., Inc. and Am. Sec. LLC, to Hon. Jeffrey A. Merkley, Ranking Member, S. Comm. on the Budget 6 (Apr. 27, 2026) (in Appendix C).
[73] LCG reported to Committee Democrats that it received approximately $499 million in government funding in 2025 and that the figure includes reimbursement for free or reduced-price meals. Letter from Arnold & Porter Kaye Scholer LLP, on behalf of Learning Care Grp., Inc. & Am. Sec. LLC, to Hon. Jeffrey A. Merkley, Ranking Member, S. Comm. on the Budget 6 (July 3, 2026) (in Appendix C); *Research Update: Learning Care Group (US) No. 2 Inc. Outlook Revised to Negative on Increasing Refinancing Risk, Ratings Affirmed*, S&P GLOBAL (June 5, 2026), https://www.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/3576162; KinderCare Learning Cos., Inc., Annual Report (Form 10-K) 3, 31, 61–62 (Mar. 13, 2026), https://www.sec.gov/Archives/edgar/data/1873529/000119312526106342/klc-20260103.htm (reporting that subsidy-supported tuition comprised 37 percent of fiscal year 2025 revenue, and total revenue was $2.733 billion).
[74] KinderCare Learning Cos., Inc., Annual Report (Form 10-K) 44, 47 (Mar. 21, 2025), https://www.sec.gov/ix?doc=/Archives/edgar/data/0001873529/000095017025043210/klc-20241228.htm (reporting its fiscal year 2024 revenue as $2,663,035,000).
[75] KinderCare Learning Cos., Inc., Annual Report (Form 10-K) 44, 47 (Mar. 21, 2025), https://www.sec.gov/Archives/edgar/data/1873529/000095017025043210/klc-20241228.htm (reporting $2,510,182,000 in revenue in fiscal year 2023).
[76] KinderCare Learning Cos., Inc., Annual Report (Form 10-K) 3, 31, 61–62 (Mar. 13, 2026), https://www.sec.gov/Archives/edgar/data/1873529/000119312526106342/klc-20260103.htm.

KinderCare publicly reported that subsidy-supported tuition accounted for 37 percent of its revenue in fiscal year 2025—and separately reported $53.2 million in food-program reimbursements and $50.9 million in government grants.[77] Credit rating agency analysis reported that approximately one-third of LCG's total revenue is from federal and state subsidy programs.[78] LCG told Committee Democratic staff that it received approximately $499 million in total government funding in its fiscal year 2025 but did not separate child care subsidies from meal reimbursements or other public support.[79]

While KinderCare and LCG received hundreds of millions of dollars in public funding in 2025 alone, both companies refused to provide a breakdown of that funding or information on how those dollars are spent. In addition, the financial evidence shows that both companies incurred debt and other obligations to finance substantial payouts to their owners—commitments that can place considerable pressure on the companies to reduce operating costs.

FINDING 2: Private equity firms and owners have extracted $1.25 billion in dividends from KinderCare and Learning Care Group, leaving the companies with substantial debt

KinderCare's and LCG's PE backers and owners have extracted substantial payouts while leaving the child care businesses saddled with debt and other financial obligations that will likely outlast PE's investment.[80] KinderCare has executed at least two debt-financed dividends during Partners Group's investment: $300 million in August 2017 and $320 million in March 2024, shortly before its initial public offering (IPO)—for a total of at least $620 million.[81] The

---

[77] Credit rating agency analysis reported that public funding accounts for approximately one-third of KinderCare's revenue in September 2026. *Research Update: KinderCare Learning Cos. Inc. Outlook Revised to Negative on Sector Headwinds, Higher Leverage; 'B+' Ratings Affirmed*, S&P GLOB. (Sept. 10, 2026), https://www.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/3625434; KinderCare Learning Cos., Inc., Annual Report (Form 10-K) 3, 31, 61–62 (Mar. 13, 2026), https://www.sec.gov/Archives/edgar/data/1873529/000119312526106342/klc-20260103.htm (reporting that subsidy-supported tuition comprised 37 percent of fiscal year 2025 revenue and total revenue for fiscal year 2025 was $2.733 billion).

[78] *Research Update: Learning Care Group (US) No. 2 Inc. Outlook Revised to Negative on Increasing Refinancing Risk, Ratings Affirmed*, S&P GLOBAL (June 5, 2026), https://www.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/3576162 (stating that LCG "derives about one-third of its revenue from state and federal budgets through various subsidy programs").

[79] Letter from Arnold & Porter Kaye Scholer LLP, on behalf of Learning Care Grp., Inc. & Am. Sec. LLC, to Hon. Jeffrey A. Merkley, Ranking Member, S. Comm. on the Budget 6 (July 3, 2026) (in Appendix C).

[80] CONG. RSCH. SERV., *Private Equity and Capital Markets Policy*, *Dividend Recapitalization* (Mar. 28, 2022), https://www.congress.gov/crs-product/R47053 (explaining that these transactions increase portfolio companies' debt while transferring the cash proceeds to equity investors); Ian Clark, *Templates for Financial Control? Management and Employees Under the Private Equity Business Model*, 23 HUM. RES. MGMT. J. 144, 145–46 (2013), https://irep.ntu.ac.uk/id/eprint/35058/1/Clark_12587.pdf (explaining that portfolio companies bear repayment obligations that can remain after PE investors exit).

[81] KinderCare Learning Cos., Inc., Prospectus (Form 424B4) 158 (Oct. 8, 2024), https://www.sec.gov/Archives/edgar/data/1873529/000119312524235226/d760946d424b4.htm; *see Moody's changes KinderCare Education's outlook to stable from positive upon a dividend recap transaction,* MOODY'S (Aug. 2, 2017), https://www.moodys.com/research/Moodys-changes-KinderCare-Educations-outlook-to-stable-from-

2024 distribution also rewarded top executives: KinderCare's chief executive officer received $17.6 million of the distribution.[82] LCG followed a similar pattern. In February 2018, LCG paid at least $636 million in cash to its owners, including American Securities, financed by debt and a $317 million preferred equity investment from a Canadian public pension fund.[83]

The payouts benefited investors, but the debt used to finance them remains the responsibility of the child care companies, which can greatly affect their financial stability. KinderCare carried approximately $1.5 billion in outstanding debt as of mid-2024.[84] After applying a portion of its IPO proceeds to repayment, it carried roughly $926 million as of July 2026.[85] Since its IPO, KinderCare's financial health has been steadily declining; its stock price has fallen more than 90 percent,[86] and a credit rating agency downgraded the company's outlook and predicted a significant increase in its leverage.[87] In addition, KinderCare launched a "center optimization initiative," where it is closing dozens of "underperforming" centers based on "low enrollment or shifting neighborhood demographics."[88] In the second quarter of 2026 alone,

---

positive-upon-Rating-Action--PR_370373 ("In a proposed transaction, the proceeds from KinderCare Education's new $260 million second lien term loan and $50 million first lien term loan add-on will be used to fund a shareholder distribution.").

[82] Mr. Wyatt received a share of $17,640,279 of the March 2024 distribution in respect of Class B Units. KinderCare Learning Cos., Definitive Proxy Statement (Form DEF 14A) 23–27 (Apr. 21, 2025), https://www.sec.gov/Archives/edgar/data/1873529/000095017025056279/klc-def14a-2025.htm; *see* KinderCare Learning Cos., Annual Report (Form 10-K) F-47 (Mar. 21, 2025), https://www.sec.gov/Archives/edgar/data/1873529/000095017025043210/klc-20241228.htm.

[83] The exact amount of the distribution is unreported and may be materially higher. LCG and American Securities told Committee Democrats that LCG had invested more than $1 billion in capital expenditures and repairs and maintenance under American Securities' ownership, excluding acquisitions, but they provided no underlying records or annual breakdown that would permit Democratic staff to compare those investments with owner payments and debt service. Letter from Arnold & Porter Kaye Scholer LLP, on behalf of Learning Care Grp., Inc. & Am. Sec. LLC, to Hon. Jeffrey A. Merkley, Ranking Member, S. Comm. on the Budget 2 (Apr. 27, 2026) (in Appendix C); Letter from Arnold & Porter Kaye Scholer LLP, on behalf of Learning Care Grp., Inc. & Am. Sec. LLC, to Hon. Jeffrey A. Merkley, Ranking Member, S. Comm. on the Budget 2 (July 3, 2026) (in Appendix C); *Moody's affirms Learning Care's B3 CFR; outlook stable,* MOODY'S (Mar. 13, 2024), https://www.moodys.com/research/Moodys-affirms-Learning-Cares-B3-CFR-outlook-stable-Rating-Action-- PR_486997.

[84] KinderCare Learning Cos., Inc., Registration Statement (Form S-1) F-61 (Sept. 6, 2024), https://www.sec.gov/Archives/edgar/data/1873529/000119312524215139/d760946ds1.htm.

[85] KinderCare Learning Cos., Inc., Quarterly Report (Form 10-Q) 2, 23 (Aug. 13, 2026), https://www.sec.gov/Archives/edgar/data/1873529/000119312526349480/klc-20260704.htm.

[86] KinderCare Learning Cos., Inc. priced its initial public offering at $24.00 per share; its closing price on September 18, 2026, was $2.25 per share. *Partners Group Portfolio Company KinderCare Prices IPO and Lists on New York Stock Exchange*, PARTNERS GRP. (Oct. 10, 2024), https://www.partnersgroup.com/en/news-and-views/press-releases/investment-news/detail?news_id=0eb1282e-892c-4d7b-b244-f5196e414fd7; *KinderCare Learning Cos., Inc. (KLC) Historical Data*, NASDAQ, https://www.nasdaq.com/market-activity/stocks/klc/historical (last visited Sept. 21, 2026) (showing KLC's stock price at $2.25 per share).

[87] *Research Update: KinderCare Learning Cos. Inc. Outlook Revised to Negative on Sector Headwinds, Higher Leverage; B+ Ratings Affirmed*, S&P GLOB. (Sept. 10, 2026), https://www.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/3625434.

[88] *Research Update: KinderCare Learning Cos. Inc. Outlook Revised to Negative on Sector Headwinds, Higher Leverage; B+ Ratings Affirmed*, S&P GLOB. (Sept. 10, 2026), https://www.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/3625434; KinderCare Learning Cos., Inc., Current Report (Form 8-K) (Exhibit 99.1) 1 (Aug. 11, 2026), https://www.sec.gov/Archives/edgar/data/1873529/000119312526349267/klc-ex99_1.htm.

KinderCare closed 49 child care centers.[89] Likewise, LCG carried a $895.5 million term loan as reported in January 2026, separate from roughly $625 million in preferred equity.[90] The preferred equity that helped finance LCG's 2018 payout grew from $317 million to roughly $625 million by December 2025, as dividends were added to its balance, with a higher dividend rate beginning in 2025 further increasing financial risk.[91]

Beyond its debt payments, KinderCare carries substantial rent obligations. KinderCare pays rent on nearly all of its centers and recorded $391.1 million in companywide lease expenses for fiscal year 2025.[92] As of July 4, 2026, its remaining payments under lease obligations totaled approximately $2.32 billion.[93] KinderCare reported that real estate and related costs are its second-largest expense and warned that higher lease costs could pressure the company to raise tuition, increase enrollment, or close centers.[94]

Separate from dividends and rent, KinderCare paid its PE backer—Partners Group—an annual fee for management services. The company's financial statements reported $4.865 million in Partners Group management services in each of fiscal years 2022 and 2023, and $3.768 million in fiscal year 2024—roughly $13.5 million over three years, in a period when the company was also servicing debt incurred to pay that same sponsor a dividend.[95] Given the management services agreement began in August 2015 and ended in October 2024, KinderCare paid Partners Group more than $42 million in management fees.[96] LCG likely pays a similar yearly management fee to American Securities, but the companies refused to disclose this information. Figure 7 sets out what each company paid its owners—including their PE backers—in dividends, what each paid its PE backer in fees, and the debt each still carries as a result.

---

[89] KinderCare Learning Cos., Inc., Current Report (Form 8-K) (Exhibit 99.1) 1 (Aug. 11, 2026), https://www.sec.gov/Archives/edgar/data/1873529/000119312526349267/klc-ex99_1.htm.

[90] *Moody's Ratings Affirms Learning Care's CFR at B3; Outlook Revised to Negative from Stable*, MOODY'S (Jan. 29, 2026), https://www.moodys.com/research/Moodys-Ratings-affirms-Learning-Cares-CFR-at-B3-outlook-revised-Rating-Action--PR_518768 (reporting $895.5 million term loan due 2028).

[91] *Id.* (reporting that as of December 26, 2025, the preferred equity balance was accruing a pay-in-kind dividend at a double-digit rate).

[92] KinderCare leased approximately 1,600 early childhood education centers as of January 3, 2026. KinderCare Learning Cos., Inc., Annual Report (Form 10-K) 10, 68 (Mar. 13, 2026), https://www.sec.gov/Archives/edgar/data/1873529/000119312526164250/ars_-_2026.pdf.

[93] KinderCare Learning Cos., Inc., Quarterly Report (Form 10-Q) 13, 22 (Aug. 13, 2026), https://www.sec.gov/Archives/edgar/data/1873529/000119312526349480/klc-20260704.htm.

[94] KinderCare Learning Cos., Inc., Annual Report (Form 10-K) 10 (Mar. 13, 2026), https://www.sec.gov/Archives/edgar/data/1873529/000119312526164250/ars_-_2026.pdf.

[95] KinderCare Learning Cos., Inc., Annual Report (Form 10-K) 50, 104 (Mar. 21, 2025), https://www.sec.gov/Archives/edgar/data/1873529/000095017025043210/klc-20241228.htm; KinderCare Learning Cos., Inc., Prospectus (Form 424B4), 153, 156–57 (Oct. 8, 2024), https://www.sec.gov/Archives/edgar/data/1873529/000119312524235226/d760946d424b4.htm (identifying Partners Group affiliates as KC Parent unitholders and reporting that entities affiliated with Partners Group beneficially owned 90.1 percent of KinderCare immediately before the offering).

[96] KinderCare Learning Cos., Annual Report (Form 10-K) 87 (Mar. 13, 2026), https://www.sec.gov/ix?doc=/Archives/edgar/data/0001873529/000119312526106342/klc-20260103.htm.

Figure 7. Distributions to owners, sponsor fees, and resulting debt

	KinderCare	LCG
Sponsor and year acquired[97]	Partners Group, 2015	American Securities, 2014
Dividend, August 2017[98]	$300 million	—
Dividend, February 2018[99]	—	at least $636 million
Dividend, March 2024[100]	$320 million	—
Total dividends	**$620 million**	**at least $636 million**
Yearly management fee	$4.9 million	not disclosed
Total management fees[101]	**$42 million+**	**not disclosed**
Debt outstanding, mid-2024[102]	~$1.5 billion	not disclosed
Debt outstanding, most recently reported[103]	~$925.7 million (July 2026)	$895.5 million (Jan. 2026)

Note: *Dashes mark transactions that did not occur; "not disclosed" marks figures the company has not reported. LCG's February 2018 dividend is shown as at least $636 million because the full amount has never been disclosed. Debt figures are as of the dates shown and are not directly comparable: KinderCare's figure is total debt outstanding, while LCG's is the balance of a single-term loan and excludes preferred equity accruing a pay-in-kind dividend.*

Source: *KinderCare's figures are from its filings with the SEC and from credit rating agency analyses. LCG is privately held and publishes no financial statements; its figures are from credit rating agency analyses.*

---

[97] Press Release, *Partners Group to Acquire Knowledge Universe's US Early-Childhood Educational Business*, PARTNERS GRP. (July 9, 2015), https://www.partnersgroup.com/news-and-views/press-releases/investment-news/detail?news_id=a6e1a2d8-69bd-4ec6-999b-33374c32b653; Shasha Dai, *American Securities Buys Learning Care Group From Morgan Stanley*, WALL ST. J. (May 5, 2014), https://www.wsj.com/articles/DJFLBO0020140505ea55kdkbe.

[98] KinderCare Learning Cos., Inc., Prospectus (Form 424B4) 158 (Oct. 8, 2024), https://www.sec.gov/Archives/edgar/data/1873529/000119312524235226/d760946d424b4.htm; *see Rating Action: Moody's changes KinderCare Education's outlook to stable from positive upon a dividend recap transaction*, MOODY'S (Aug. 2, 2017), https://www.moodys.com/research/Moodys-changes-KinderCare-Educations-outlook-to-stable-from-positive-upon-Rating-Action--PR_370373.

[99] The exact amount of the distribution is unreported and may be materially higher. *Moody's Downgrades Learning Care's CFR to B3 from B2 on Dividend Transaction; Outlook Stable*, MOODY'S (Feb. 26, 2018), https://www.moodys.com/research/Moodys-downgrades-Learning-Cares-CFR-to-B3-from-B2-on-Rating-Action--PR_380029 ; *Moody's Says That Learning Care's Term Loan Upsize Is Credit Negative, but Does Not Impact Ratings*, MOODY'S (Mar. 2, 2018), https://www.moodys.com/research/Moodys-says-that-Learning-Cares-term-loan-upsize-is-credit-Announcement--PR_380319 (reporting that the $520 million term loan was increased by $30 million as the transaction proceeded); Press Release, *Pub. Sector Pension Inv. Bd., PSP Investments Makes Significant Investment in Learning Care Group in Partnership with American Securities*, PSP INVS. (Mar. 13, 2018), https://www.investpsp.com/en/news/lcg-as-psp-pressrelease-en/; *Moody's Ratings, Moody's Ratings Affirms Learning Care's CFR at B3; Outlook Revised to Negative from Stable,* MOODY'S (Jan. 29, 2026), https://www.moodys.com/research/Moodys-Ratings-affirms-Learning-Cares-CFR-at-B3-outlook-revised-Rating-Action--PR_518768.

[100] KinderCare Learning Cos., Annual Report (Form 10-K) F-47 (Mar. 21, 2025), https://www.sec.gov/Archives/edgar/data/1873529/000095017025043210/klc-20241228.htm.

[101] Staff estimate at the disclosed annual rate. KinderCare Learning Cos., Annual Report (Form 10-K) 87 (Mar. 13, 2026), https://www.sec.gov/ix?doc=/Archives/edgar/data/0001873529/000119312526106342/klc-20260103.htm.

[102] KinderCare Learning Cos., Inc., Registration Statement (Form S-1) F-61 (Sept. 6, 2024), https://www.sec.gov/Archives/edgar/data/1873529/000119312524215139/d760946ds1.htm.

[103] KinderCare Learning Cos., Inc., Quarterly Report (Form 10-Q) 2, 23 (Aug. 13, 2026), https://www.sec.gov/Archives/edgar/data/1873529/000119312526349480/klc-20260704.; *Moody's Ratings Affirms Learning Care's CFR at B3; Outlook Revised to Negative from Stable,* MOODY'S (Jan. 29, 2026), https://www.moodys.com/research/Moodys-Ratings-affirms-Learning-Cares-CFR-at-B3-outlook-revised-Rating-Action--PR_518768 (reporting $895.5 term loan due 2028).

These transactions delivered substantial returns to investors while leaving the child care companies with financial obligations that compete for resources needed to support staff, maintain safe facilities, and keep care affordable—obligations that, together with the considerable public funding these companies receive, heighten the need to scrutinize the safety and quality of their care.

FINDING 3: Across three states, KinderCare and Learning Care Group centers have more frequent, more serious, and more persistent safety problems than centers not backed by private equity

Licensing records from California, Texas, and Virginia show a consistent pattern: after adjusting for licensed capacity, KinderCare (excluding its Champions sites) and LCG centers had higher rates of complaints and high-risk citations than non-PE chains and all other centers in the same state, and records from Texas and Virginia also showed higher rates of supervision-related citations.[104] To make those comparisons, the report measures complaint and citation activity per 100 licensed slots across the full study period and compares providers only within the same state.[105] The comparisons distinguish between two groups not identified as PE-backed: for-profit chains ("non-PE chains") and all other centers, which includes nonprofit, publicly operated, and non-chain, unaffiliated for-profit providers.

A. Across all three states, KinderCare and Learning Care Group centers generate more complaint-triggered inspections than centers not backed by private equity

Complaints are an important warning sign because they begin with a concern raised outside the regular inspection schedule. They are not themselves proof of a violation, but repeated complaints can point to centers that warrant closer attention. Across all three states, KinderCare and LCG had more inspections triggered by complaints ("complaint inspections") per 100 licensed slots than other centers; KinderCare's rate was higher both including and excluding Champions. The following rates for KinderCare exclude its Champions sites. California showed the largest gap for KinderCare: its complaint inspection rate was nearly 2.5 times that of non-PE chains and more than 4 times the rate of all other centers.[106] About two-thirds of those KinderCare locations and just over half of LCG locations had at least five complaint inspections.[107]

In Texas, KinderCare centers received more than twice the rate of complaint inspections (excluding reports from the providers known as "provider self-reports") than both non-PE chains

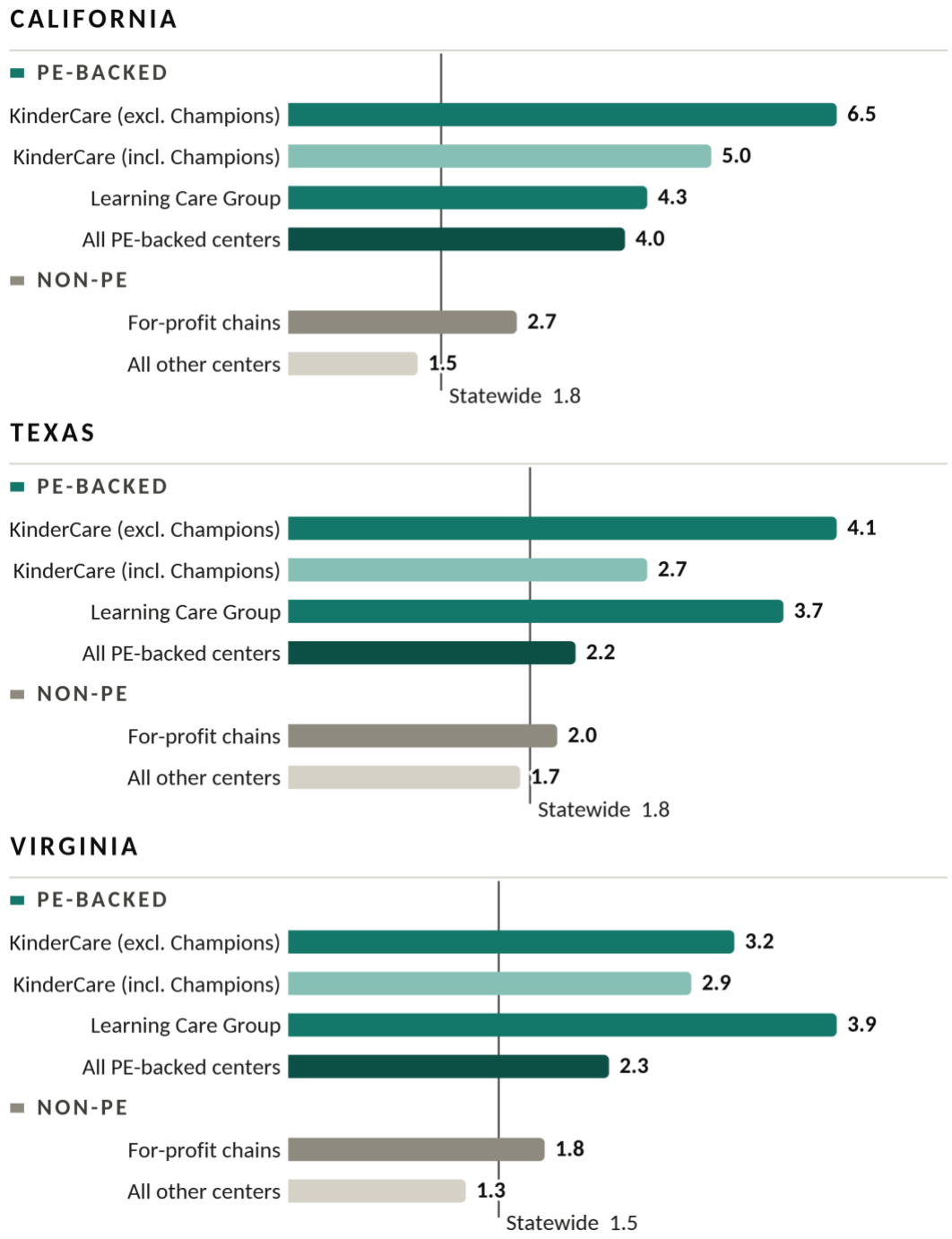
[104] *Texas Licensing Records* (June 15, 2026 extract); *Virginia Licensing Records*, FOIA No. 26-424 (July 23, 2026 production); *California Licensing Records* (June 14, 2026 extract).
[105] *See* Appendix A (Detailed Methodology).
[106] *See infra* Figure 8.
[107] *California Licensing Records* (June 14, 2026 extract).

and all other centers, and over 60 percent of their centers received at least five reports.[108] In Virginia, LCG's complaint inspection rate was more than double the non-PE chain rate and more than three times the rate of all other centers.[109] Figures 8 and 9 show KinderCare's and LCG's complaint inspection rate per 100 licensed slots and the share of centers with five or more complaint inspections as compared to other ownership groups.

[108] KinderCare told Committee Democrats that it maintains a policy of self-reporting potential licensing issues, but the Texas complaint measure excludes provider self-reports, meaning KinderCare's elevated rate cannot be attributed to that policy. Letter from Brownstein Hyatt Farber Schreck, LLP, on behalf of KinderCare Learning Cos., Inc., to Hon. Jeffrey A. Merkley, Ranking Member, S. Comm. on the Budget 2 (Apr. 24, 2026) (in Appendix C); *Texas Licensing Records* (June 15, 2026 extract).

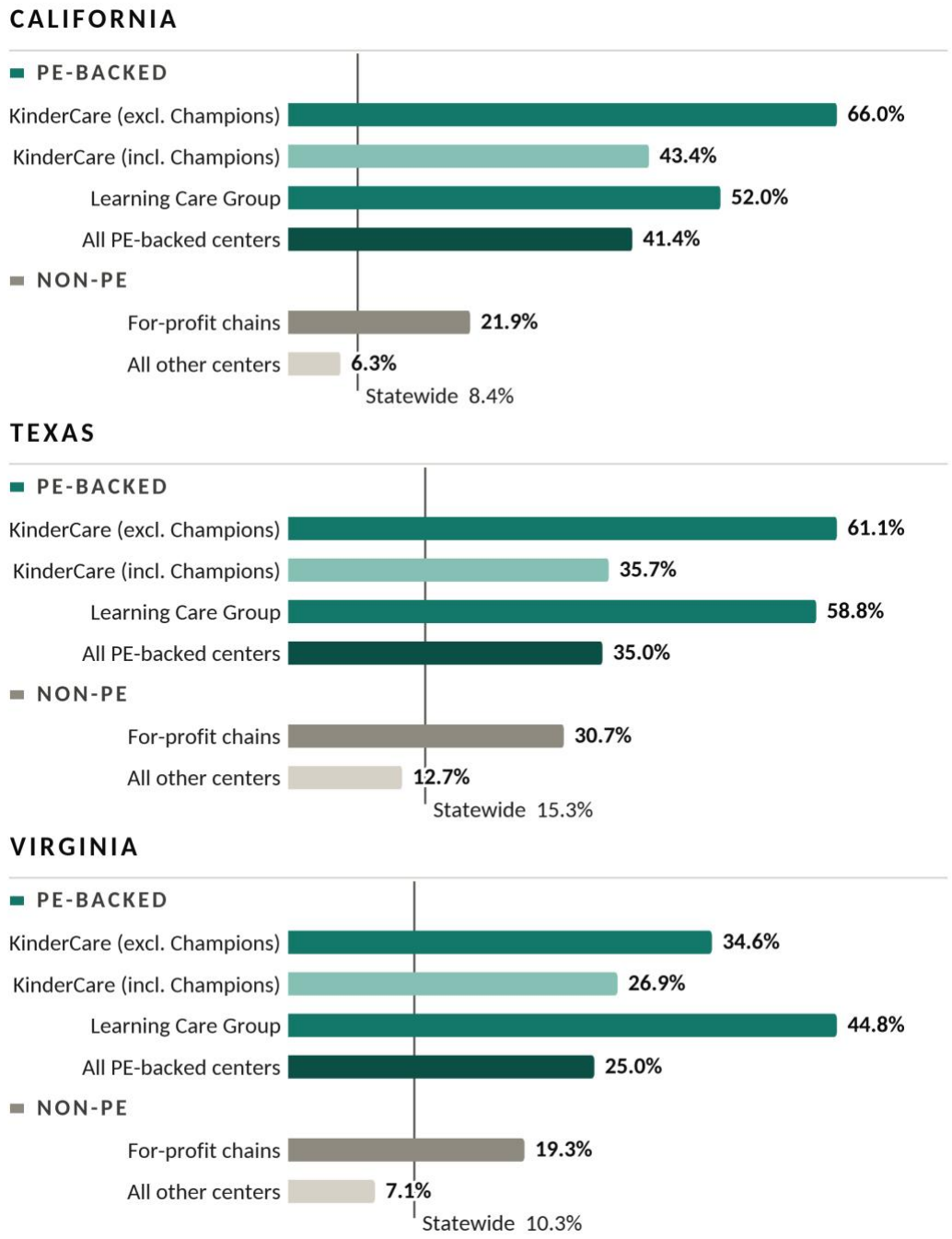
[109] *Virginia Licensing Records*, FOIA No. 26-424 (July 23, 2026 production).

Figure 8. Complaint inspections per 100 licensed slots, by state and ownership group



Note: *Texas counts reports made by someone other than the provider; Virginia counts visits made in response to a complaint; California counts complaint-triggered licensing visits. The two KinderCare rows overlap—Champions sites are counted once in the company total. "All PE-backed centers" includes KinderCare and LCG. The "statewide" line is the rate for every licensed center in the state, including all the groups shown. See Appendix B for PE brand-level results.*
Source*: California Licensing Records (June 14, 2026 extract); Texas Licensing Records (June 15, 2026 extract); Virginia Licensing Records, FOIA No. 26-424 (July 23, 2026 production).*

Figure 9. Share of centers with 5+ complaint inspections, by state and ownership group



Note: *Percent of centers in each group recorded with five or more complaint inspections over the state's study period. The two KinderCare rows overlap—Champions sites are counted once in the company total. "All PE-backed centers" includes KinderCare and LCG. The "statewide" line is the rate for every licensed center in the state, including all the groups shown. See Appendix B for PE brand-level results.*
Source: *California Licensing Records (June 14, 2026 extract); Texas Licensing Records (June 15, 2026 extract); Virginia Licensing Records, FOIA No. 26-424 (July 23, 2026 production).*

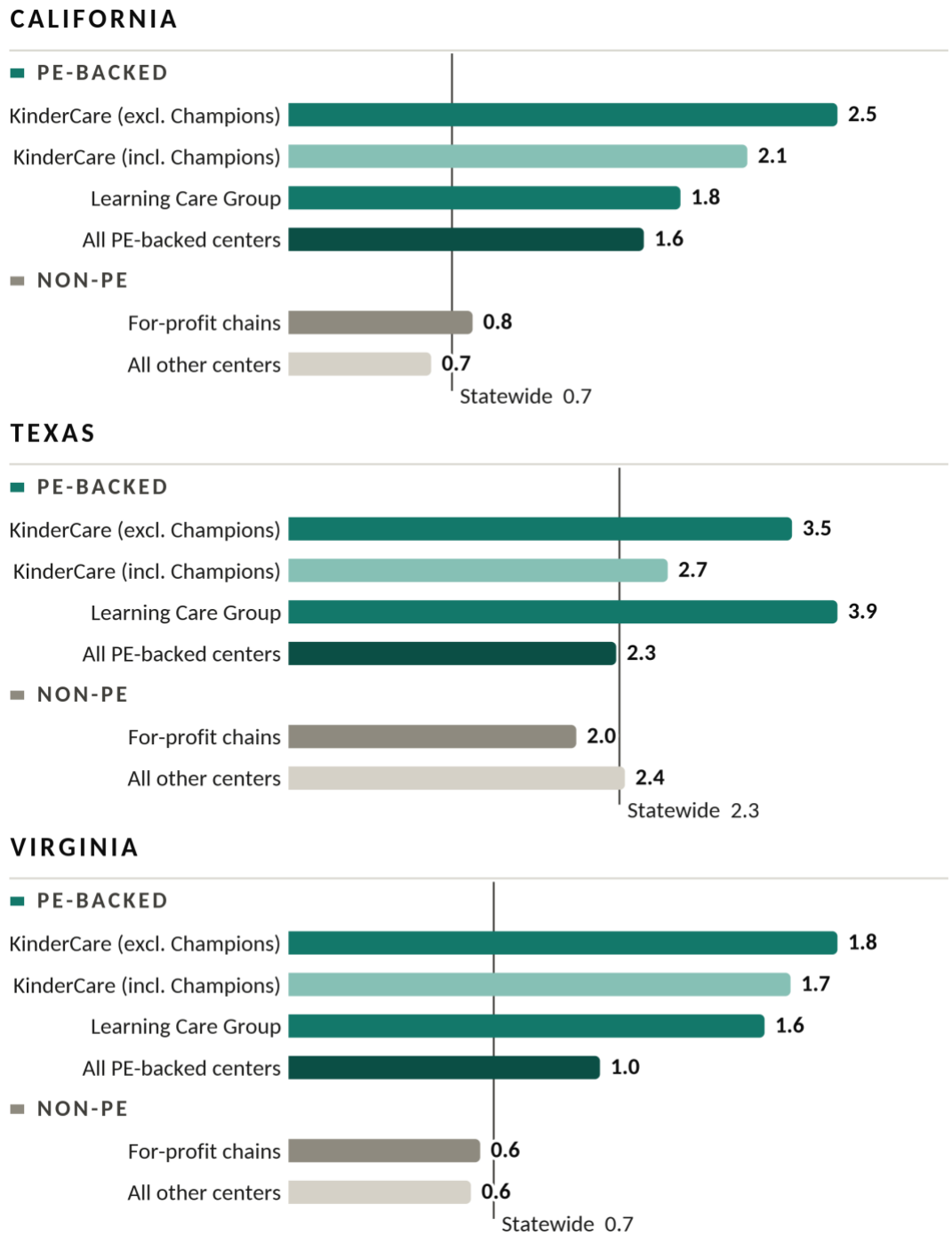
B. Across all three states, KinderCare and Learning Care Group centers have an increased number of high-risk citations when compared to centers not backed by private equity

Across all three states, both KinderCare and LCG had higher rates of high-risk violations—meaning the risk of harm to children is the highest—when compared to non-PE chains and all other centers. The following rates for KinderCare exclude its Champions sites. In Texas, KinderCare centers accumulated high-risk citations at a rate nearly 50 percent higher than all other centers, with 80 percent of its centers having repeat high-risk citations.[110] A repeat high-risk citation is a citation recorded at a second inspection visit during the study period. LCG's high-risk citation rate was nearly double the non-PE chain rate and about 63 percent higher than the all other center rate, with 88 percent of its centers having repeat high-risk citations.[111]

In Virginia, KinderCare's high-risk-citation rate was roughly triple the rate for both non-PE chains and all other centers, and LCG's rate was about 2.5 times the non-PE chain rate and about 2.6 times the rate of all other centers.[112] As high risk, this analysis counts Virginia violations rated 16 or higher on the state's 18-point risk matrix, the band in which the probability of harm is high and the potential harm is moderate to serious.[113] In California, Type A citations are those presenting an immediate risk of harm.[114] KinderCare's Type A rate was more than double the non-PE chain rate and 3.8 times the rate of all other centers, and LCG's rate was roughly 2.1 times the non-PE chain rate and nearly 2.8 times the rate of all other centers.[115]

[110] *Texas Licensing Records* (June 15, 2026 extract).
[111] *Id.*
[112] *Virginia Licensing Records,* FOIA No. 26-424 (July 23, 2026 production).
[113] VA. DEP'T OF EDUC., OFF. OF CHILD CARE HEALTH & SAFETY, *Assessing Risk: How to Assess Potential or Actual Harm* (rev. June 22, 2023), https://www.childcare.virginia.gov/home/showpublisheddocument/54710/638527273574870000.
[114] *Notice of Form Change No. 04-091*, CAL. HEALTH & HUM. SERVS., https://www.cdss.ca.gov/lettersnotices/entres/getinfo/nfc04/pdf/04-091.pdf (last visited Oct. 2, 2026).
[115] *California Licensing Records* (June 14, 2026 extract).

Figure 10. High-risk citations per 100 licensed slots, by state and ownership group



Note: *Severity follows each state's own standard—Texas, citations recorded at the "High" risk level; Virginia, citations with a risk rating of 16 or higher; California, Type A deficiencies as recorded. The two KinderCare rows overlap—Champions sites are counted once in the company total. "All PE-backed centers" includes KinderCare and LCG. The "statewide" line is the rate for every licensed center in the state, including all the groups shown. See Appendix B for repeat rates and PE brand-level results.*
Source*: California Licensing Records (June 14, 2026 extract); Texas Licensing Records (June 15, 2026 extract); Virginia Licensing Records, FOIA No. 26-424 (July 23, 2026 production).*

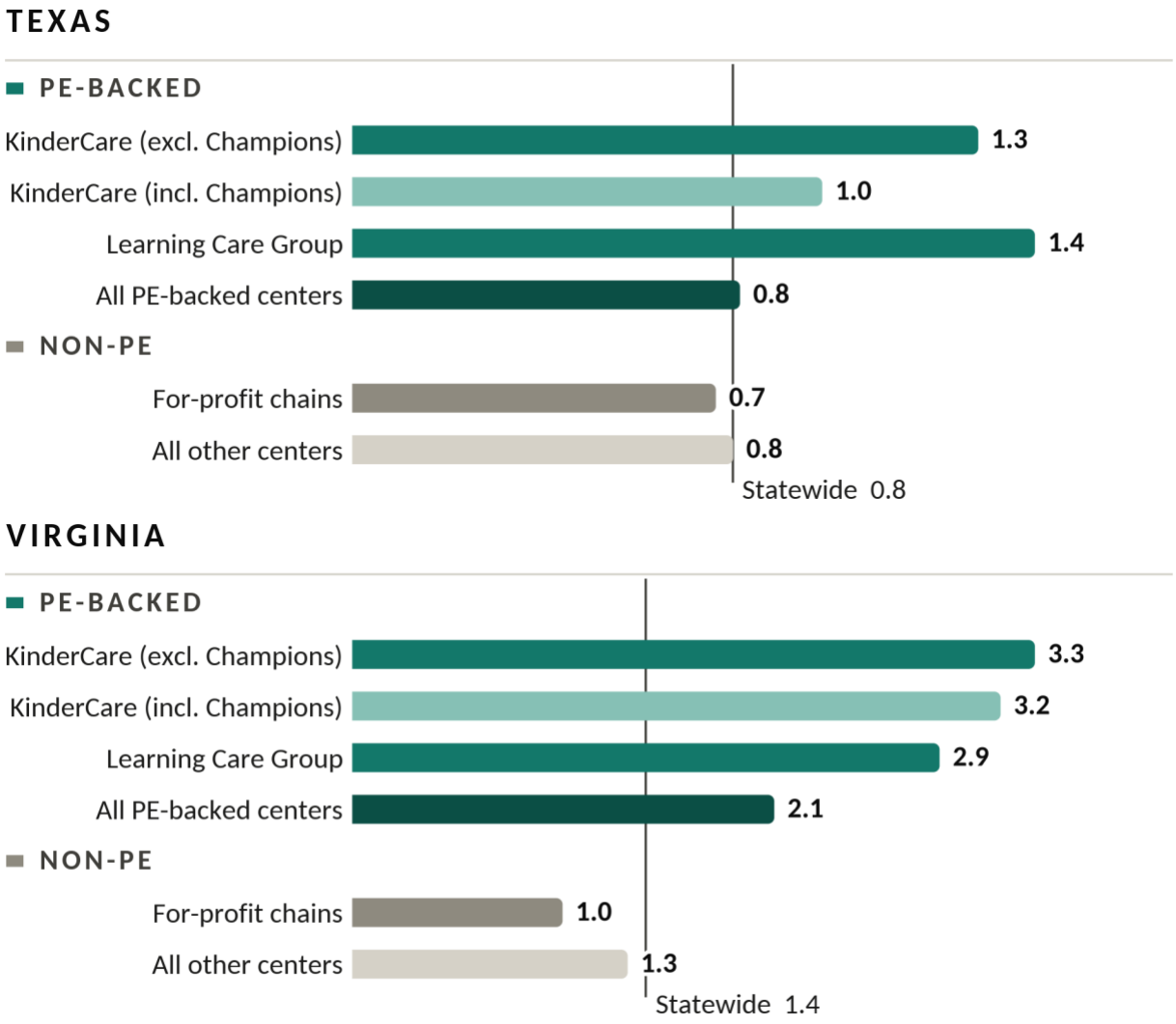
C. KinderCare and Learning Care Group centers have more supervision-related violations than centers not backed by private equity in Texas and Virginia

KinderCare and LCG centers had higher rates of citations for supervision-related problems—violations related to the inadequate supervision of children, such as having too few staff for the number of children[116]—than non-PE chains and all other centers in both Virginia and Texas.[117] The following rates for KinderCare exclude its Champions sites. In Virginia, both companies' rates were roughly two to three times the rate of non-PE chains and all other centers.[118] In Texas, KinderCare's supervision-related citation rate per 100 licensed slots was about 65 percent higher than the statewide average, and LCG's supervision-related citation rate was nearly 80 percent higher.[119] In Texas, 56 percent of LCG centers and 48 percent of KinderCare centers drew supervision-related repeat citations—meaning at two or more separate inspections—against 28 percent of non-PE chains and 17 percent of all other centers.[120]

In Virginia, 69 percent of LCG centers and 58 percent of KinderCare centers had repeat supervision-related citations, compared to 26 percent of non-PE chains and 22 percent of all other centers.[121] This measure covers Texas and Virginia only, the records of which provide either an inspector narrative (Virginia) or the name of the code cited, in addition to an inspector narrative (Texas).[122] California's public violation records identify each citation by code number alone, without the title of the standard cited or the inspector's account of what was found, so there is no text in which to identify a citation's subject.[123]

[116] This is referred to as "staff-to-child ratio." A staff-to-child ratio is the maximum number of children one caregiver may supervise at a time, while a separate limit caps total group size regardless of staffing. Requirements are set by state law and vary. For example, Texas allows one caregiver for every 18 four-year-olds, in a group of up to 35; whereas Virginia requires one staff member for every 10 children from age three to school age, in a group of no more than 30. 26 Tex. Admin. Code §§ 746.1601, 746.1609; 8 Va. Admin. Code § 20-780-350. A state receiving CCDF money must describe its own standards for "[g]roup size limits for specific age populations" and "[t]he appropriate ratio between the number of children and the number of caregivers," but that obligation only applies to the state, which sets its own rules. 45 C.F.R. § 98.41(d)(1)–(2). Federal ratio and group size requirements are applicable only to the operations of a center carried out under a federal Head Start or Early Head Start program grant as part of the grant conditions. 45 C.F.R. § 1302.21(b); 42 U.S.C. § 9836a(e)(1).
[117] *Texas Licensing Records* (June 15, 2026 extract); *Virginia Licensing Records*, FOIA No. 26-424 (July 23, 2026 production).
[118] *Virginia Licensing Records*, FOIA No. 26-424 (July 23, 2026 production).
[119] *Texas Licensing Records* (June 15, 2026 extract).
[120] *Id.*
[121] *Virginia Licensing Records*, FOIA No. 26-424 (July 23, 2026 production).
[122] *Virginia Licensing Records*, FOIA No. 26-424 (July 23, 2026 production); *Texas Licensing Records* (June 15, 2026 extract).
[123] *California Licensing Records* (June 14, 2026 extract).

Figure 11. Supervision-related citations per 100 licensed slots, by state and ownership group



Note: *A citation is counted when "ratio," "ratios," "group size," "supervision," or "supervising" appears as a whole word, case-insensitively, in the title the state assigns to the standard cited or in the inspector's written account of that citation. Texas assigns a title to every standard; Virginia assigns none, so every Virginia citation in this measure is counted based on the inspector's account. California publishes neither, so this measure cannot be produced for California. The two KinderCare rows overlap—Champions sites are counted once in the company total. "All PE-backed centers" includes KinderCare and LCG. The "statewide" line is the rate for every licensed center in the state, including all the groups shown. See Appendix B for repeat rates and PE brand-level results.*
Source: *Texas Licensing Records (June 15, 2026 extract); Virginia Licensing Records, FOIA No. 26-424 (July 23, 2026 production).*

These findings starkly contrast with the companies' own descriptions of their safety performance: KinderCare said it maintains "consistent quality and safety standards" across its programs and characterized compliance findings as isolated events that it addresses promptly and

thoroughly, while LCG said it "routinely exceeds state minimum licensing standards" and described itself as a "national leader in health and safety."[124]

Other PE-backed brands also had widespread complaint inspections, as well as high-risk and supervision-related citations. Results vary by brand and measure. Appendix B provides PE brand-level results.

D. Staffing is central to child care safety

Staffing is both the main cost of running a child care center and the foundation of safe supervision.[125] KinderCare told Committee Democratic staff that it employs over 34,000 teachers and staff, and labor costs account for 70 percent of a child care center's operating budget.[126] Similarly, LCG reported that it employs 22,500 staff and teachers, and the "cost of teacher wages and benefits represents [its] largest operating cost."[127] Both companies were asked directly how they weigh those pressures against one another. KinderCare did not respond. LCG answered with the figures in Figure 12, comparing its tuition increases and average wage growth to the inflation rate for services over three fiscal years.[128]

[124] Letter from Brownstein Hyatt Farber Schreck, LLP, on behalf of KinderCare Learning Cos., Inc., to Sen. Jeffrey A. Merkley 1–2 (Apr. 24, 2026) (in Appendix C); Letter from Arnold & Porter Kaye Scholer LLP, on behalf of Learning Care Grp., Inc. & Am. Sec. LLC, to Sen. Jeffrey A. Merkley 3 (Apr. 27, 2026) (in Appendix C).
[125] *See* Admin. for Child. & Fams., U.S. Dep't of Health & Hum. Servs., *What Is Child Care Licensing?*, CHILDCARE.GOV (last visited Oct. 10, 2026), https://www.childcare.gov/consumer-education/regulated-child-care/child-care-licensing (explaining that adequate staffing is necessary to supervise children safely); OFF. OF HEAD START, ADMIN. FOR CHILD. & FAMS., U.S. DEP'T OF HEALTH & HUM. SERVS., *Active Supervision* (last visited Oct. 10, 2026), https://headstart.gov/safety-practices/article/active-supervision (explaining how staff observation, positioning, and timely intervention protect children from harm); U.S. DEP'T OF THE TREASURY, *The Economics of Child Care Supply in the United States* 13–14 (Sept. 2021), https://home.treasury.gov/system/files/136/The-Economics-of-Childcare-Supply-09-14-final.pdf (identifying wages as the largest component of child care centers' operating expenses and explaining that constraints on revenue create pressure to minimize labor costs).
[126] Letter from Brownstein Hyatt Farber Schreck, LLP, on behalf of KinderCare Learning Cos., to Sen. Jeffrey A. Merkley 3 (Apr. 24, 2026) (in Appendix C).
[127] Letter from Arnold & Porter Kaye Scholer LLP, on behalf of Am. Sec. and Learning Care Grp. Inc., to Sen. Jeffrey A. Merkley 2 (Apr. 27, 2026) (in Appendix C).
[128] Letter from Arnold & Porter Kaye Scholer LLP, on behalf of Am. Sec. and Learning Care Grp. Inc., to Sen. Jeffrey A. Merkley 2 (July 3, 2026) (in Appendix C).

Figure 12. Tuition increases, average wage growth, and services inflation, as reported by Learning Care Group and American Securities

As previously noted, Learning Care's tuition increases have roughly tracked inflation annually and, indeed, have cumulatively trailed both overall inflation and national wage growth over the past three fiscal years. Learning Care's competitive tuition rates help keep childcare and early education affordable for American families. Recognizing that labor constitutes the largest share of childcare costs, you asked for additional information regarding how Learning Care's tuition increases compare to its employees' wage growth, and we provide that information below:

Fiscal Year	FY Inflationary Rate for Services (%)[1]	FY Tuition Increase (%)	FY Year-Over-Year Growth in Average Learning Care Wage[2]
FY25	3.6%	3.8%	4.8%
FY24	5.0%	4.2%	4.7%
FY23	6.2%	4.6%	6.2%

As this chart reflects, Learning Care's average wage growth has outpaced its tuition increases in each of the past three fiscal years, demonstrating our continued commitment to both affordability for families and competitive compensation for teachers and school staff. Additionally, during this period, Learning Care's wage growth exceeded both the broader inflationary rate and U.S. average wage increases.[3]

[1] U.S. Bureau of Labor Statistics, BLS Data Finder 1.1, https://data.bls.gov/dataQuery/search (view data for "services less energy services in U.S. city average, all urban consumers, seasonally adjusted," select "12-Month % Change," and view data for June 2025, June 2024, and June 2023).
[2] Weighted wage growth for all school-based employees at continuously operating schools. Field leadership and back-office staff are excluded.

[3] *See* Social Security Administration, Average Wage Index (AWI), https://www.ssa.gov/oact/cola/awidevelop.html (cumulative growth in calendar years 2022 through 2024).

Source: *Response from LCG and American Securities (July 3, 2026 excerpt).*

The above numbers show wage growth outpacing tuition increases in each of the three years. However, these figures conspicuously exclude pertinent information. LCG reported growth rates without levels: the letters never state what one of its teachers is actually paid, and a 4.8 percent increase on a low base is a small amount of money. For example, in Texas, the median hourly wage across all occupations is approximately 70 percent higher than the median hourly wage for child care workers.[129] Nationally, child care workers earn roughly half the

[129] *Compare* Hourly median wage, Texas, May 2025: childcare workers (SOC 39-9011) U.S. BUREAU OF LABOR STATISTICS, *Occupational Employment and Wage Statistics, May 2025 National Occupational Employment and*

average wage across all U.S. occupations—less than janitors or retail salespersons.[130] Further, LCG is silent on headcount and because total labor cost is a combination of wage, hours, and the number of people employed, an average wage can rise while a company employs fewer staff or reduces hours.

The first systematic academic study of PE in the American child care market reported findings that bear directly on the pattern described above.[131] Annual teacher turnover at PE-backed providers was 42 percent, compared to 32 percent at non-PE providers.[132] Child turnover at PE-backed providers over a three-month period was 20 percent, compared to 14 percent at non-PE providers.[133] And only 3 percent of PE-backed providers were likely to offer scholarships or sliding-scale assistance, compared to 22 percent of providers generally.[134]

Two findings are more pointed. The authors reported that PE-backed centers operate with fewer employees per square foot and target regulatory environments that permit looser staff qualifications and child-to-teacher ratio requirements, while at the same time being significantly more likely to obtain formal quality accreditations.[135] They characterize this combination as a form of "regulatory arbitrage": investing in the observable signals of quality that parents can see, while minimizing the more expensive inputs that they cannot.[136] KinderCare's and LCG's responses to Committee Democratic staff inform this finding. Regarding its quality of care, KinderCare's response focused on its third-party accreditations and participation in states' quality rating programs, while LCG boasted of its accreditation rate being "four times the industry average"—observable signals of quality.[137]

These findings rest on the same underlying condition: that staffing is the dominant cost of operating a child care center, and therefore the largest available lever when a company comes

---

Wage Estimates, https://www.bls.gov/oes/current/oessrcst.htm (last visited Oct. 2, 2026) (showing hourly median wage of child care workers in Texas as $13.73); *with* Hourly median wage, Texas, May 2025: all occupations (SOC 00-0000) U.S. BUREAU OF LABOR STATISTICS, *Occupational Employment and Wage Statistics, May 2025 National Occupational Employment and Wage Estimates,* https://www.bls.gov/oes/current/oessrcst.htm (last visited Oct. 2, 2026) (showing Texas hourly median wage for all occupations as $23.38).

[130] Mean annual wages, May 2025: childcare workers (SOC 39-9011), $35,030 across 518,910 workers; all occupations, $69,770 across 155,495,730 workers; janitors and cleaners, $38,760; retail salespersons, $37,310; fast food and counter workers, $32,150; preschool teachers, $43,030; kindergarten teachers, $69,370. U.S. BUREAU OF LABOR STATISTICS, *Occupational Employment and Wage Statistics, May 2025 National Occupational Employment and Wage Estimates,* https://www.bls.gov/oes/current/oessrcst.htm (last visited Sept. 22, 2026).

[131] The turnover and scholarship figures come from the authors' own survey of child care providers in Georgia, Ohio, and Pennsylvania. The survey does not cover California, Texas, or Virginia. The paper's remaining findings cited here draw on national business listing, transaction, and accreditation data. Jessica H. Brown & Chris M. Herbst, *Big Daycare: The Growth of Private Equity in the U.S. Child Care Market* (IZA Discussion Paper No. 18990, Oct. 2026), https://docs.iza.org/dp18990.pdf.

[132] Authors noted that PE-backed providers fell at the high end of the distribution more often than chance would explain. *Id.* at 23.

[133] *Id.*

[134] *Id.* at 24.

[135] The authors noted that KinderCare is the primary driver of this result with 51 percent of its facilities accredited. *Id.* at 18–20, 25.

[136] *Id.* at 26.

[137] Letter from Brownstein Hyatt Farber Schreck, LLP, on behalf of KinderCare Learning Cos., to Sen. Jeffrey A. Merkley 3 (Apr. 24, 2026) (in Appendix C); Letter from Arnold & Porter Kaye Scholer LLP, on behalf of Am. Sec. and Learning Care Grp. Inc., to Sen. Jeffrey A. Merkley 2 (Apr. 27, 2026) (in Appendix C).

under financial pressure. What the independent research describes at the sector level, and what the licensing records show at the center level, converge on the one input these figures do not measure and neither company provided staffing data.

FINDING 4: KinderCare, Learning Care Group, and their private equity backers refused to provide key records

Ranking Member Merkley's March 2026 letters asked both companies and both PE firms to explain how ownership and governance decisions are made, how debt and dividend decisions are weighed against staffing and safety investment, how tuition is set, and how each company monitors and responds to safety and compliance problems. The letters requested information and underlying records concerning several core aspects of the companies' operations and their PE backers' decisions, including:[138]

- Ownership and governance: The respective roles of company management and the PE firms in decisions about center safety compliance, openings and closures, staffing, capital budgets, debt, and distributions.
- Public funding: How much each company received in child care subsidies, by program and year, and how those funds were allocated and used.
- Staffing and pay: Staffing levels, wages, turnover, vacancies, and staff-to-child ratios, along with internal staffing policies and targets.
- Safety and oversight: Board minutes and materials relating to safety violations and licensing actions; internal compliance reviews; and corrective action plans for centers with repeated violations or serious licensing actions.
- Financial decisions and investment in care: How the PE firms evaluated the effects of dividends and debt on the companies' ability to invest in staffing, safety, training, and facility improvements.
- Executive pay and decisions: How much executives were paid and what measures their bonuses were tied to, who approved payouts to owners, what those decisionmakers were told about staffing and safety at the time, and the records showing how the trade-offs were weighed.
- Tuition and access: How tuition increases were determined, whether obligations to lenders or owners influenced pricing, and why centers closed or reduced capacity.

All four recipients responded between April 24 and July 6, 2026, with brief, flattering narratives. None produced the records requested. There are no board minutes, no internal compliance reviews, no staffing data, and no state-by-state accounting of subsidy revenue. Appendix C contains the totality of the responses the companies provided to Committee Democratic staff. KinderCare and Partners Group each provided a single response that was three

[138] Letter from Hon. Jeffrey A. Merkley, Ranking Member, S. Comm. on the Budget, to Tom Wyatt, CEO, KinderCare Learning Cos., Inc., & David Layton, Partner & CEO, Partners Grp. (Mar. 23, 2026); Letter from Hon. Jeffrey A. Merkley, Ranking Member, S. Comm. on the Budget, to John Bork, CEO, Learning Care Grp., & Michael Fisch, Founder & CEO, Am. Sec. (Mar. 23, 2026).

to four pages long.[139] LCG and American Securities—represented jointly—provided two responses for a combined 13 pages.[140] After Committee Democratic staff narrowed its requests and provided another 30 days to respond, both companies still refused to provide the underlying records. KinderCare stated that it would "not be providing any further response," while Partners Group said that it did "not anticipate any supplementation."[141] LCG and American Securities noted their need to "protect[] sensitive commercial and business information" and provided another brief, flattering overview.[142]

Partners Group was explicit about the limits of its response. When asked about capital structure, financing activity, use of the 2024 offering proceeds, executive compensation, and government funding, it directed Committee Democratic staff to KinderCare's public filings with the SEC.[143] Those filings report results for the company as a whole and contain none of the underlying records requested. Neither KinderCare nor Partners Group addressed the debt-financed dividends of 2017 and 2024; neither LCG nor American Securities addressed the 2018 distribution or the preferred equity balance it created. Most consequentially, no company provided the requested staffing data.

The data gaps this report worked around at every stage—incomplete state reporting, inconsistent disclosure, a private company that publishes no financials, and four non-responsive letters that describe rather than document—are not merely a methodological inconvenience. They are close to the underlying problem itself. Families are unable to make informed decisions about their children's safety and welfare when the operations of these child care companies are shielded from public view.

CONCLUSION

The record assembled in this report is partial by necessity, but the pattern within it is consistent. Two companies borrowed more than $1.25 billion to pay their PE backers and owners, while both still carry that debt.[144] Both draw heavily on public funding, without any public accounting of how that money is spent.[145] In Texas and Virginia, KinderCare (excluding Champions sites) and LCG centers have higher rates of complaint inspections, high-risk

[139] Letter from Brownstein Hyatt Farber Schreck, LLP, on behalf of KinderCare Learning Cos., to Sen. Jeffrey A. Merkley (Apr. 25, 2026); Letter from Latham & Watkins LLP, on behalf of Partners Grp., to Sen. Jeffrey A. Merkley (Apr. 25, 2026) (all in Appendix C).
[140] Letter from Arnold & Porter Kaye Scholer LLP, on behalf of Learning Care Grp., Inc. and Am. Sec. LLC, to Hon. Jeffrey A. Merkley, Ranking Member, S. Comm. on the Budget (Apr. 27, 2026); Letter from Arnold & Porter Kaye Scholer LLP, on behalf of Am. Sec. and Learning Care Grp. Inc., to Sen. Jeffrey A. Merkley (July 3, 2026) (all in Appendix C).
[141] Email from Brownstein Hyatt Farber Schreck, LLP, to S. Comm. on the Budget (July 6, 2026); Email from Latham & Watkins LLP, to S. Comm. on the Budget (July 3, 2026) (all on file with Committee Democrats).
[142] Letter from Arnold & Porter Kaye Scholer LLP, on behalf of Am. Sec. and Learning Care Grp. Inc., to Sen. Jeffrey A. Merkley 1 (July 3, 2026) (in Appendix C).
[143] Letter from Latham & Watkins LLP, on behalf of Partners Grp., to Sen. Jeffrey A. Merkley 3 (Apr. 25, 2026) (in Appendix C).
[144] *See supra* Finding 2.
[145] *See supra* Finding 1.

citations, and supervision-related citations per licensed slot than non-PE chains and all other centers.[146] California independently corroborates the complaint and serious-risk pattern: KinderCare and LCG have substantially higher complaint inspections per licensed slot and far more high-risk citations than non-PE chains and all other centers in the state.[147]

Whether PE profiting from child care companies has affected the number of qualified teachers in a classroom can only be answered with staffing records and internal safety reporting. Committee Democratic staff asked for exactly those records.[148] The child care companies and their PE backers refused to provide them. This is the structural problem the report ultimately describes. A family choosing a child care center can see a license on the wall. They generally cannot see who controls the company, the dividends distributed to its owners, how much debt the center carries as a result, or how many employees are on the payroll. State licensing records, which are the public's only systematic window into these facilities, cannot answer these questions.[149]

When the parties best positioned to explain a troubling pattern decline to explain it, and the public records that might substitute were never designed for that purpose, the resulting uncertainty is not neutral. It falls on families, who make the decision with the least information, and on children, who make none.

PE has moved through the care sector with little scrutiny and through child care with almost none. It is well past time for Congress to begin holding these companies and their PE backers accountable. This report should mark the beginning.

[146] *See supra* Finding 3.
[147] *Id.*
[148] Press Release, *Merkley Launches Investigation into Private Equity Ownership of Child Care Centers*, U.S. SENATE COMM. ON THE BUDGET (Mar. 24, 2026), https://www.budget.senate.gov/ranking-member/newsroom/press/merkley-launches-investigation-into-private-equity-ownership-of-child-care-centers.
[149] *California Licensing Records* (June 14, 2026 extract); *Texas Licensing Records* (June 15, 2026 extract); *Virginia Licensing Records*, FOIA No. 26-424 (July 23, 2026 production).

APPENDIX A. Detailed Methodology

A. Sources and study periods

The child care licensing and citations data was gathered from state public records. Each state was evaluated independently. Unless a figure states otherwise, every figure covers all age groups served, including school-age programs. Details are as follows:

California

Data was sourced from Department of Social Services, Community Care Licensing Division licensing and inspection records and was extracted on June 14, 2026. The data covers activity from December 1, 2020, through June 12, 2026.[150] Each row in the dataset represents a child care facility license. It is possible that a child care facility holds multiple licenses. For example, a location could include one center that holds separate licenses for infant and toddler services. Separate licenses for programs at the same physical site are grouped using standardized addresses and operators, and their capacity is combined. Distinct operators sharing an address are treated as separate locations. Our analysis is completed at the facility level after consolidating the licenses.

The dataset contains 19,453 licenses. Our analysis only includes licenses whose status is "Licensed" or "On Probation." Licensed centers that are closed, as well as centers exclusively serving ill children, were excluded from the analysis. On net, the analysis includes 10,562 locations (roughly 13,000 licenses) with 758,978 licensed slots. The dataset does not contain any home-based care. California licenses centers by age group—infant, preschool, and school-age—and this report includes all of them. The school-age group sets no upper age, so the limit comes from the facility definition, which covers children under 18.[151]

Texas

Data was sourced from the Health and Human Services Commission Child Care Licensing (HHSC CCL) Regulation Open Data portal and was extracted on June 15, 2026. The files cover activity from April 1, 2021, through June 12, 2026. Several files were utilized: HHSC CCL Daycare and Residential Operations Data was used to identify licensed centers, operating status, and aggregate counts of citations and reports. Each row in the dataset represents a single licensed facility. HHSC CCL Non-Compliance Data contains detail on each citation, including the date it occurred, the code section that was violated, narrative detail on the violation, and the risk level of the violation. Each row represents a unique citation that can be linked to the operations dataset with a facility identifier.

[150] *California Licensing Records* (June 14, 2026 extract); *Texas Licensing Records* (June 15, 2026 extract); *Virginia Licensing Records*, FOIA No. 26-424 (July 23, 2026 production).
[151] Cal. Code Regs. tit. 22, § 101152; Cal. Health & Safety Code §§ 1597.059(b), 1596.750.

The operations dataset contains 15,027 child care centers. Our analysis only includes the 9,593 centers that are classified as "Licensed Centers." These centers contain 1,135,823 licensed slots. Texas licenses centers by four age bands—infant, toddler, pre-kindergarten, and school-age—and the licensing file records which bands each center serves; this report includes centers licensed for any combination. The school-age band sets no upper age, so the limit comes from the facility definition, which covers children under 14.[152]

Virginia

Data was sourced from Department of Education, Office of Child Care Health and Safety records. The data was provided to Committee Democratic staff in response to Committee Democratic staff's FOIA request 26-424 and was produced on July 23, 2026. It covers activity from January 4, 2021, through July 16, 2026. The data displays each center, its annual or complaint-driven inspections, and any violations found during those inspections. Each row in the dataset represents a violation (if an inspection found any) or an inspection (if there were no violations). Duplicate rows representing the same violations cited on the same day were disregarded. The data contains unique identifiers for each center and each inspection. The data contains licensed capacity for each center.

The dataset contains 5,652 child care centers. Our analysis only includes the 2,610 centers classified as child day centers (CDCs) and holding a "Current" or "Renewal" license on July 23, 2026, with 277,441 licensed slots in the all-ages population. Family day homes (FDHs) and short-term centers ("CCS") were in the dataset but excluded for comparability with other states. Virginia's records do not identify the ages of children served, so all centers are included. The upper limit comes from the license type: a child day center serves children under 13.[153]

B. How centers were assigned to ownership groups

Centers from each state are classified in three mutually exclusive groups. Democratic staff identified company affiliations by cross-referencing each center's operating name and licensee information with corporate filings, company website listings, public company profiles on PitchBook, news reports, and press releases. California's licensing records identify the licensee; the Texas and Virginia records do not, so assignments in those two states rest principally on the operating name. Due to these limitations, centers classified as PE-backed or non-PE chain are likely undercounted.

Private equity backed ("PE-backed"): Centers operated under a brand whose parent company a PE firm acquired or in which it holds a majority or controlling interest. The determination is made at the parent-company level. A brand was placed in this group where the sponsor's own announcement or portfolio listing, a filing with the SEC, news reporting, or PitchBook documented the transaction. Ivybrook Academy and Spanish Schoolhouse are exceptions: staff could only confirm that their parent companies have PE backing. Ownership percentages are

[152] 26 Tex. Admin. Code § 746.123; Tex. Hum. Res. Code § 42.002.
[153] Va. Code § 22.1-289.02.

seldom disclosed in private transactions. A center that became affiliated with private equity during the study period is treated as PE-backed for the entire study.

For-profit chain, not private equity backed ("non-PE chains"): Commercial multi-site operators for which no PE backer was identified, matched principally by brand name. A company whose PE backer has fully exited is classified here; the test is whether a PE firm retains an interest. Results are reported for the combined group, not by chain.

All other centers: Includes all other centers that were not matched to an identified chain or PE backer. This is a residual group and includes nonprofit, faith-based, public, and unaffiliated for-profit providers.

C. Measures

Centers – Count of the number of child care centers.

Total licensed capacity – Count of the maximum number of enrollment slots for which a center is licensed. It does not represent the number of children enrolled.

Accepts subsidies – Count of centers or sum of total licensed capacity at those centers that accept child care subsidies from any government source. Does not count the number of subsidized children.

Citations – Findings recorded by a state child care licensing agency that a center failed to comply with an applicable law, regulation, minimum standard, or licensing condition. States also refer to these findings as "violations" or "deficiencies."[154] Citations were measured as per 100 licensed slots—calculated as the number of citations divided by the licensed capacity, times 100—to standardize the measure across child care centers of different sizes.

Complaint inspections – An unannounced visit from a state licensing agency to a child care center to investigate an allegation or "complaint" that the center has violated licensing requirements. It is distinct from a routine monitoring inspection, which an agency conducts on its own schedule. All three states investigate such allegations, but each uses different terminology and records the information differently. This report uses "complaint inspection" for all three. Complaint inspections are per 100 licensed slots—calculated as the number of complaint inspections divided by the number of licensed slots, times 100—to standardize the measure across child care centers of different sizes.

[154] *See* TEX. HEALTH & HUM. SERVS. COMM'N, *Child Care Regulation Handbook: CCRH Definitions of Terms*, entry for "deficiency" (last visited Oct. 10, 2026), https://fhb.hhs.texas.gov/handbooks/child-care-regulation-handbook/ccrh-definitions-terms; VA. DEP'T OF EDUC., *Child Care and Development Fund (CCDF) Plan for Virginia, FFY 2025–2027* 192 (certified Oct. 1, 2024) (explaining that inspectors cite violations when providers fail to comply with applicable requirements and document those findings in violation notices), https://www.childcare.virginia.gov/home/showpublisheddocument/55566/638647472799800000; Cal. Code Regs. tit. 22, § 101193(a), (d)(1)–(2), https://www.cdss.ca.gov/ord/entres/getinfo/pdf/ccc3.pdf.

Texas

This report counts activities classified as reports and not flagged as self-reports (ACTIVITY_TYPE = REPORT, SELF_REPORT = N).[155] Child Care Regulation (CCR) treats the two as distinct categories. A report is "information CCR receives from the public, including from a parent, regarding a possible violation of statutes, administrative rules or minimum standards."[156] A self-report is "an account of a serious incident that happened at an operation," which operations, other than listed family homes, are required to submit to CCR; a serious incident "includes but is not limited to a serious illness or injury to a child, a missing child or a disaster that requires the operation to close."[157] CCR investigates both and may cite a deficiency in either case. Both are distinct from a monitoring inspection, which CCR defines as "a routine, on-site visit to a child care operation by a CCR inspector," and from an assessment, a review of "information, paperwork or other materials instead of conducting an on-site inspection."[158]

Counting only outside complaint reports keeps the measure aligned with what it is meant to capture: a concern about a center raised by someone outside it. Self-reporting is mandatory,[159] so counting self-reports would treat an operation's compliance with a reporting requirement as though it were an outside concern and would credit an operation that reports less diligently with a better record than one that reports as required.

Virginia

The Virginia figures count every inspection coded as a complaint or as a complaint SHSI, a subsidy health and safety inspection, each counted once per inspection identifier (INSPECTION_CLASS_CODE = C or P).[160] Virginia classifies each inspection by type and identifies those conducted in response to a complaint, but its records do not identify who raised the complaint and do not distinguish an incident a provider reported about itself from a complaint raised by a family, an employee, or a member of the public.[161] Virginia law directs the Superintendent of Public Instruction, on receiving a complaint concerning a child day program, to cause an investigation to be made for good cause shown, whether or not the program is licensed. The program must permit reasonable inspection of its records, facilities, staff, and children.[162]

California

The California figures count every visit the California Department of Social Services ("the Department") recorded as a complaint visit summed across each license the operator held at that site; where one operator holds several licenses at one address—most often separate infant, preschool, and school-age licenses—the visits recorded against all

[155] *Texas Licensing Records* (June 15, 2026 extract).
[156] *What Are CCR Reports, Inspections and Enforcement Actions?*, TEX. HEALTH & HUM. SERVS. COMM'N, https://www.hhs.texas.gov/services/safety/child-care/frequently-asked-questions-about-texas-child-care/what-are-ccr-reports-inspections-enforcement-actions (last visited Oct. 10, 2026).
[157] *Id.*
[158] *Id.*
[159] 26 Tex. Admin. Code § 746.305 (2025).
[160] *Virginia Licensing Records*, FOIA No. 26-424 (July 23, 2026 production).
[161] *Id.*
[162] Va. Code § 22.1-289.042 (2026).

of them are counted together as that center's total.[163] The records identify complaint visits but not their source and likewise do not distinguish an incident a provider reported about itself from an outside complaint.[164] California law permits any person to request an inspection of a child day care facility by notifying the Department of an alleged violation of state law or regulation and requires the Department to make an onsite inspection within 10 days of receiving the complaint.[165] The Department keeps a complainant's identity confidential unless the complainant consents to its release, which is why the source of a complaint cannot be recovered from the records.[166]

Therefore, Texas counts are narrower than Virginia's and California's. As this report compares providers only against other providers in the same state, the difference does not affect any comparison reported.

Centers with repeat citations – Centers that receive a citation at two or more separate inspections. Does not include centers cited at only one inspection, even if that single inspection resulted in multiple citations.

High-risk citations – Definition varies by state. High-risk citations were measured per 100 slots to standardize the measure across child care centers of different sizes. A sensitivity analysis was performed to evaluate whether the study should measure by slot-years, but the results were very similar.

Texas

Texas assigns every child care minimum standard one of five weights—high, medium-high, medium, medium-low, or low—based on the risk a violation of standard poses to children. In this report, high-risk citations only include citations that the state classifies as High risk. Standards carrying a high weight include those addressing abuse, neglect, or exploitation of a child; safety hazards; safe sleep practices; timely reporting of information to a parent or to Licensing; and certain background-check failures.[167]

Virginia

[163] *California Licensing Records* (June 14, 2026 extract).
[164] *Id.*
[165] Cal. Health & Safety Code § 1596.853 (2026).
[166] *CCLD Complaints*, CAL. DEP'T OF SOC. SERVS., https://www.cdss.ca.gov/reporting/file-a-complaint/ccld-complaints (last visited Oct. 10, 2026).
[167] Each citation record in the state's open data reports both the standard cited and the risk level assigned to it; this report counts only citations recorded at the High level. Examples of standards recorded throughout the period include 26 Tex. Admin. Code § 745.641 (background-check notification before a person may be present), § 746.305(a)(6) (reporting a situation that placed a child at risk), § 746.1201(4) (ensuring no child is abused, neglected, or exploited), and § 746.3407(12) (toxic materials kept inaccessible to children); *Texas Licensing Records* (June 15, 2026 extract); TEX. HEALTH & HUM. SERVS. COMM'N, *Minimum Standards*, https://www.hhs.texas.gov/providers/child-care-regulation/minimum-standards (last visited Sept. 2026); *see* TEX. HEALTH & HUM. SERVS. COMM'N, *Minimum Standards for Child-Care Centers* 5 (Dec. 2024), https://www.hhs.texas.gov/sites/default/files/documents/doing-business-with-hhs/provider-portal/protective-services/ccl/min-standards/chapter-746-centers.pdf (standards are weighted according to "the risk to children presented if the standard or rule is violated," and "[t]he assigned weights do not change based on the scope or severity of an actual deficiency").

Virginia rates each violation on a matrix combining the probability that harm will occur (low, medium, or high) with the level of harm that would result if it did (low, moderate, or serious); the two judgments combine into a point value ranging from 2 to 18. For this report, a violation is counted if it scores 16 or above, capturing the two combinations in which the probability of harm is high and the potential harm is moderate to serious. Examples of violations Virginia treats as carrying a serious level of harm include exposure to a life-threatening allergen, exposure to or ingestion of an illicit drug or medication not intended for the child, suffocation or strangulation hazards, and supervision failures involving unsafe surroundings or environmental conditions.[168] Examples of violations Virginia treats as carrying a moderate level of harm include intentional actions resulting in harm; requiring a report to licensing, Child Protective Services, or law enforcement; medication administration errors; or injuries that require medical attention beyond first aid.[169]

California

California classifies each deficiency as Type A or Type B; a Type A deficiency poses an immediate risk to the health, safety, or personal rights of a child, and a Type B deficiency does not.[170] Deficiencies are recorded against a license rather than against a center. No repeat-citation rate is available in the raw data. This report counts Type A deficiencies as high risk. Because California licenses by program, one center may hold separate infant, preschool, and school-age licenses. Whether a single finding is ever entered simultaneously against more than one of those licenses, thereby inflating the number of reported deficiencies, is not disclosed.

Supervision-related citations – Measure of the number of citations a center receives related to supervision over children. To calculate, a text search of citation descriptions and inspector narratives was completed. A citation was considered supervision related if the text contained any of the following words: "ratio", "ratios", "group size", "supervision", "supervising".

Texas publishes the state's own title for the standard cited, as well as an inspector narrative. Virginia only publishes an inspector narrative. For Texas, the title of the standard cited is the first search field. As a backup, the analysis also searched the inspector's written account of the citation. For Virginia, the only search field was the inspector narrative.

---

[168] VA. DEP'T OF EDUC., OFF. OF CHILD CARE HEALTH & SAFETY, *Assessing Risk: How to Assess Potential or Actual Harm* (rev. June 22, 2023), https://www.childcare.virginia.gov/home/showpublisheddocument/54710/638527273574870000; *Virginia Licensing Records*, FOIA No. 26-424 (July 23, 2026 production).

[169] *VA. DEP'T OF EDUC., OFF. OF CHILD CARE HEALTH & SAFETY, Assessing Risk: How to Assess Potential or Actual Harm (rev. June 22, 2023),* *https://www.childcare.virginia.gov/home/showpublisheddocument/54710/638527273574870000*; *Virginia Licensing Records*, FOIA No. 26-424 (July 23, 2026 production).

[170] *Notice of Form Change No. 04-091*, CAL. HEALTH & HUM. SERVS., https://www.cdss.ca.gov/lettersnotices/entres/getinfo/nfc04/pdf/04-091.pdf (last visited Oct. 2, 2026).

Use of "supervision" and "supervising": Democratic staff began with a wildcard search for every word beginning with "supervis" appearing in the standard cited or inspector narrative, then tested each most commonly used form, reviewing the citations each would match and therefore include in the analysis. Based on this testing, staff narrowed the keyword list to "supervision" and "supervising," the forms that most accurately capture citations relating to the supervision of children while limiting those relating to the supervision of staff.

Data for California is not included in this measure, as it does not record a title or description of the code cited.

D. Limitations

Results are descriptive associations. School-age programs have different staffing requirements and operating schedules than infant or toddler programs.

The licensing summaries do not measure staffing levels, wages, enrollment, attendance, tuition, subsidy dollars, or profitability.

No authoritative source identifies which company owns a given child care center. Neither the state nor federal government has compiled such lists, and the companies did not provide them to Committee Democratic staff as requested. Ownership and brand assignment depend on matching facility names and licensees to the companies. Incomplete or inconsistent names, licensees, or addresses can lead to classification errors. Address grouping and regulation-code matching can also affect the reported totals.

Ownership reflects the underlying classification used for each state summary. The files do not provide ownership-effective dates. A citation recorded before an acquisition cannot automatically be attributed to the current owner.

Subsidy status indicates only whether a center is recorded as accepting subsidies. It does not measure subsidy dollars received, the number of subsidized children served, or the share of revenue from public sources. Centers not recorded as accepting subsidies may still receive substantial public funding—Head Start or programs based at public schools are sometimes recorded as not receiving subsidies.

This report reports data only for California, Texas, and Virginia, and for the reporting dates specified, and therefore its results cannot be extrapolated to the rest of the United States.

APPENDIX B. Additional Figures

A. Private equity presence and subsidy participation

1. California

Figure 13. Private equity presence, by brand and ownership group, California

Brand or group	Locations	Total capacity	Median capacity	Share of locations	Share of capacity
PE-backed					
KinderCare (incl. Champions)	235	28,152	123	2.2%	3.7%
KinderCare (excl. Champions)	150	20,890	138	1.4%	2.8%
LCG	123	18,288	148	1.2%	2.4%
Spring Education	56	10,232	180	0.5%	1.3%
The Learning Experience	20	3,298	163.5	0.2%	0.4%
Endeavor Schools	15	2,099	120	0.1%	0.3%
The Goddard School	13	2,253	168	0.1%	0.3%
Cadence Education	10	1,859	213	0.1%	0.2%
Primrose Schools	9	1,691	200	0.1%	0.2%
Total, all PE	**481**	**67,872**	**142**	**4.6%**	**8.9%**
Non-PE					
For-profit chains	342	38,550	100	3.2%	5.1%
All other centers	9,739	652,556	53	92.2%	86.0%
Total, all California centers	**10,562**	**758,978**	**57**	**100.0%**	**100.0%**

Note: *Separate program licenses at the same site are grouped as one location. Shares are calculated from unrounded counts and capacity. Both KinderCare rows overlap, and Champions is counted once in the PE and statewide totals. Primrose Schools is the only PE brand with fewer than 10 locations, so it is shown by name rather than pooled. California licensing data contains no subsidy field, so this table has no subsidy columns.*
Source: *California Licensing Records (June 14, 2026 extract).*

2. Texas

Figure 14. Private equity presence and subsidy participation, by brand and ownership group, Texas

Brand or group	Centers	Total capacity	Median capacity	Subsidy centers	Share of centers	Subsidy capacity	Share of capacity
PE-backed							
KinderCare (incl. Champions)	185	27,222	125	128	69.2%	17,759	65.2%
KinderCare (excl. Champions)	108	17,457	144	76	70.4%	10,303	59.0%
LCG	119	21,054	153	94	79.0%	16,807	79.8%
Primrose Schools	143	31,457	217	24	16.8%	5,177	16.5%
The Learning Experience	74	14,507	196.5	38	51.4%	7,539	52.0%
The Goddard School	68	14,644	211.5	37	54.4%	8,366	57.1%
Right At School	31	1,665	50	0	0.0%	0	0.0%
Cadence Education	26	6,178	207	15	57.7%	3,298	53.4%
Childcare Network	23	4,556	196	2	8.7%	476	10.4%
Spanish Schoolhouse	20	2,704	136	0	0.0%	0	0.0%
Spring Education	11	3,086	255	3	27.3%	944	30.6%
All other PE	29	6,738	253	11	37.9%	2,888	42.9%
Total, all PE	**729**	**133,811**	**184**	**352**	**48.3%**	**63,254**	**47.3%**
Non-PE							
For-profit chains	525	97,471	188	311	59.2%	57,100	58.6%
All other centers	8,339	904,541	91	4,604	55.2%	491,849	54.4%
Total, all Texas centers	**9,593**	**1,135,823**	**100**	**5,267**	**54.9%**	**612,203**	**53.9%**

Note: *"Subsidy centers" and "subsidy capacity" count centers recorded as accepting subsidies and all licensed slots at those centers; neither measures subsidized enrollment. Centers not recorded as accepting subsidies may still receive substantial public funding—Head Start and other publicly funded programs, counted in "all other centers," serve eligible families at no charge. Shares are calculated from unrounded counts. KinderCare excluding Champions overlaps the including-Champions row and is not added to totals. Brands with fewer than 10 centers are pooled in "All other PE": Big Blue Marble Academy, Endeavor Schools, Ivybrook Academy, LeafSpring Schools, and Lightbridge Academy.*

Source: *Texas Licensing Records (June 15, 2026 extract).*

3. Virginia

Figure 15. Private equity presence and subsidy participation, by brand and ownership group, Virginia

Brand or group	Centers	Total capacity	Median capacity	Subsidy centers	Share of centers	Subsidy capacity	Share of capacity
PE-backed							
KinderCare (incl. Champions)	104	11,716	120	99	95.2%	10,958	93.5%
KinderCare (excl. Champions)	81	10,555	128	76	93.8%	9,797	92.8%
LCG	58	8,844	147.5	47	81.0%	7,219	81.6%
The Goddard School	32	5,922	178	17	53.1%	3,153	53.2%
Right At School	28	1,787	55	28	100.0%	1,787	100.0%
Primrose Schools	24	4,688	190	7	29.2%	1,335	28.5%
The Learning Experience	19	3,190	166	18	94.7%	3,029	95.0%
Cadence Education	17	3,406	189	15	88.2%	3,071	90.2%
Spring Education	12	1,859	153	2	16.7%	359	19.3%
All other PE	34	5,968	179	15	44.1%	2,884	48.3%
Total, all PE	**328**	**47,380**	**145**	**248**	**75.6%**	**33,795**	**71.3%**
Non-PE							
For-profit chains	207	28,969	130	184	88.9%	25,863	89.3%
All other centers	2,075	201,092	80	1,376	66.3%	138,905	69.1%
Total, all Virginia centers	**2,610**	**277,441**	**96.5**	**1,808**	**69.3%**	**198,563**	**71.6%**

Note: *"Subsidy centers" and "subsidy capacity" count centers recorded as accepting subsidies and all licensed slots at those centers; neither measures subsidized enrollment. Centers not recorded as accepting subsidies may still receive substantial public funding—Head Start and other publicly funded programs, counted in "all other centers," serve eligible families at no charge. Shares are calculated from unrounded counts. KinderCare excluding Champions overlaps the including-Champions row and is not added to totals. Brands with fewer than 10 centers are pooled in "All other PE": Big Blue Marble Academy, Childcare Network, Endeavor Schools, The Gardner School, Ivybrook Academy, LeafSpring Schools, Lightbridge Academy, and The Little Gym.*
Source: *Virginia Licensing Records, FOIA No. 26-424 (July 23, 2026 production).*

B. Complaint inspections

1. California

Figure 16. Complaint inspections per 100 licensed slots, by brand and ownership group, California

Brand or group	Complaint inspections	Complaint inspections per 100 slots	Centers with 5+ complaint inspections	Share with 5+ complaint inspections
PE-backed				
KinderCare (incl. Champions)	1,422	5.0	102	43.4%
KinderCare (excl. Champions)	1,366	6.5	99	66.0%
LCG	783	4.3	64	52.0%
Spring Education	157	1.5	12	21.4%
The Learning Experience	137	4.2	7	35.0%
Primrose Schools	102	6.0	7	77.8%
The Goddard School	62	2.8	4	30.8%
Cadence Education	47	2.5	2	20.0%
Endeavor Schools	17	0.8	1	6.7%
Total, all PE	**2,727**	**4.0**	**199**	**41.4%**
Non-PE				
For-profit chains	1,051	2.7	75	21.9%
All other centers	10,077	1.5	609	6.3%
Total, all California centers	**13,855**	**1.8**	**883**	**8.4%**

Note: *Separate program licenses at the same site are grouped as one center. Inspections are complaint-triggered, not complaints, and an inspection is not a finding. KinderCare excluding Champions is a subset of the combined KinderCare row and is not added again to totals. Primrose Schools is the only PE brand with fewer than 10 locations, so it is shown by name rather than pooled.*
Source: *California Licensing Records (June 14, 2026 extract).*

2. Texas

Figure 17. Complaint inspections per 100 licensed slots, by brand and ownership group, Texas

Brand or group	Complaint inspections	Complaint inspections per 100 slots	Centers with 5+ complaint inspections	Share with 5+ complaint inspections
PE-backed				
KinderCare (incl. Champions)	736	2.7	66	35.7%
KinderCare (excl. Champions)	721	4.1	66	61.1%
LCG	785	3.7	70	58.8%
Primrose Schools	484	1.5	40	28.0%
The Learning Experience	328	2.3	30	40.5%
The Goddard School	256	1.7	22	32.4%
Cadence Education	102	1.7	8	30.8%
Spring Education	63	2.0	7	63.6%
Childcare Network	26	0.6	2	8.7%
Spanish Schoolhouse	21	0.8	0	0.0%
Right At School	0	0.0	0	0.0%
All other PE (29 centers)	95	1.4	10	34.5%
Total, all PE	**2,896**	**2.2**	**255**	**35.0%**
Non-PE				
For-profit chains	1,975	2.0	161	30.7%
All other centers	15,803	1.7	1,055	12.7%
Total, all Texas centers	**20,674**	**1.8**	**1,471**	**15.3%**

Note: *Texas counts reports made to the licensing agency by someone other than the provider; provider self-reports are excluded. A report is not a substantiated violation, and one report may raise several allegations. KinderCare excluding Champions is a subset of the combined KinderCare row and is not added again to totals. Brands with fewer than 10 centers are pooled in "All other PE": Big Blue Marble Academy, Endeavor Schools, LeafSpring Schools, Lightbridge Academy, and Ivybrook Academy (Ivybrook Academy (five centers) had zero complaint inspections).*

Source: *Texas Licensing Records (June 15, 2026 extract).*

3. Virginia

Figure 18. Complaint inspections per 100 licensed slots, by brand and ownership group, Virginia

Brand or group	Complaint inspections	Complaint inspections per 100 slots	Centers with 5+ complaint inspections	Share with 5+ complaint inspections
PE-backed				
KinderCare (incl. Champions)	335	2.9	28	26.9%
KinderCare (excl. Champions)	334	3.2	28	34.6%
LCG	344	3.9	26	44.8%
Cadence Education	84	2.5	6	35.3%
The Goddard School	71	1.2	4	12.5%
The Learning Experience	66	2.1	6	31.6%
Primrose Schools	60	1.3	3	12.5%
Spring Education	50	2.7	4	33.3%
Right At School	0	0.0	0	0.0%
All other PE (34 centers)	68	1.1	5	14.7%
Total, all PE	**1,078**	**2.3**	**82**	**25.0%**
Non-PE				
For-profit chains	527	1.8	40	19.3%
All other centers	2,534	1.3	147	7.1%
Total, all Virginia centers	**4,139**	**1.5**	**269**	**10.3%**

Note: *Virginia counts inspections made in response to a complaint, not the complaints themselves; a single complaint can draw more than one inspection, and an inspection is not a finding. KinderCare excluding Champions is a subset of the combined KinderCare row and is not added again to totals. Brands with fewer than 10 centers are pooled in "All other PE": Big Blue Marble Academy, Childcare Network, Endeavor Schools, The Gardner School, Ivybrook Academy, LeafSpring Schools, Lightbridge Academy, and The Little Gym (The Little Gym (two centers) had zero complaint inspections).*

Source: *Virginia Licensing Records, FOIA No. 26-424 (July 23, 2026 production).*

C. High-risk citations

1. California

Figure 19. High-risk citations per 100 licensed slots, by brand and ownership group, California

Brand or group	High-risk citations per 100 slots	Share of centers with 5+ high-risk citations
PE-backed		
KinderCare (incl. Champions)	2.1	18.3%
KinderCare (excl. Champions)	2.5	28.0%
LCG	1.8	17.9%
The Learning Experience	1.4	20.0%
Cadence Education	1.1	10.0%
The Goddard School	0.9	7.7%
Spring Education	0.8	12.5%
Endeavor Schools	0.2	0.0%
Total, all PE	**1.6**	**16.4%**
Non-PE		
For-profit chains	0.8	5.3%
All other centers	0.7	1.4%
Total, all California centers	**0.7**	**2.2%**

Note: *California classifies each deficiency as Type A or Type B; this table counts Type A only. A Type A deficiency poses an immediate risk to a child's health, safety, or personal rights. California records Type A findings against a license rather than against a dated citation, so centers cited at two or more separate inspections cannot be identified; this table therefore reports the share of centers with five or more Type A findings in place of the repeat measure used for Texas and Virginia. Findings are counted as the state records them, so a finding recorded against more than one license at the same site is counted more than once. Both KinderCare rows overlap and must not be added. Primrose Schools, the only PE brand with fewer than 10 locations, is omitted but remains in the all-PE and statewide totals.*

Source: *California Licensing Records (June 14, 2026 extract).*

2. Texas

Figure 20. High-risk citations per 100 licensed slots, by brand and ownership group, Texas

Brand or group	High-risk citations per 100 slots	Share of centers with repeat high-risk citations
PE-backed		
KinderCare (incl. Champions)	2.7	61.6%
KinderCare (excl. Champions)	3.5	80.6%
LCG	3.9	88.2%
Cadence Education	3.0	96.2%
Spring Education	2.9	90.9%
The Goddard School	2.0	66.2%
Primrose Schools	1.9	67.1%
The Learning Experience	1.9	52.7%
Childcare Network	0.6	26.1%
Spanish Schoolhouse	0.4	10.0%
Right At School	0.3	0.0%
Total, all PE	**2.3**	**62.8%**
Non-PE		
For-profit chains	2.0	53.0%
All other centers	2.4	43.0%
Total, all Texas centers	**2.3**	**45.0%**

Note: *High-risk citations are those the agency records at the High risk level, the most severe of five. Centers with repeat citations are those cited at two or more separate inspections. Both KinderCare rows overlap each other and must not be added. Brands with fewer than 10 centers are omitted but remain in the all-PE and statewide totals: Big Blue Marble Academy, Endeavor Schools, Ivybrook Academy, LeafSpring Schools, and Lightbridge Academy.*
Source: *Texas Licensing Records (June 15, 2026 extract).*

3. Virginia

Figure 21. High-risk citations per 100 licensed slots, by brand and ownership group, Virginia

Brand or group	High-risk citations per 100 slots	Share of centers with repeat high-risk citations
PE-backed		
KinderCare (incl. Champions)	1.7	23.1%
KinderCare (excl. Champions)	1.8	29.6%
LCG	1.6	34.5%
Cadence Education	1.4	29.4%
The Learning Experience	0.8	10.5%
Spring Education	0.6	8.3%
The Goddard School	0.5	9.4%
Primrose Schools	0.3	8.3%
Right At School	0.1	0.0%
Total, all PE	**1.0**	**17.7%**
Non-PE		
For-profit chains	0.6	10.6%
All other centers	0.6	7.2%
Total, all Virginia centers	**0.7**	**8.8%**

Note: *High-risk citations are those rated 16 or higher on the state's 18-point risk matrix, the band in which the probability of harm is high and the potential harm is moderate to serious. Centers with repeat citations are those cited at two or more separate inspections. Both KinderCare rows overlap each other and must not be added. Brands with fewer than 10 centers are omitted but remain in the all-PE and statewide totals: Big Blue Marble Academy, Childcare Network, Endeavor Schools, The Gardner School, Ivybrook Academy, LeafSpring Schools, Lightbridge Academy, and The Little Gym.*

Source: *Virginia Licensing Records, FOIA No. 26-424 (July 23, 2026 production).*

D. Supervision-related citations

1. Texas

Figure 22. Supervision-related citations per 100 licensed slots, by brand and ownership group, Texas

Brand or group	Supervision-related citations per 100 slots	Share of centers with repeat supervision-related citations
PE-backed		
KinderCare (incl. Champions)	1.0	31.4%
KinderCare (excl. Champions)	1.3	48.1%
LCG	1.4	55.5%
Cadence Education	0.8	53.8%
The Goddard School	0.7	38.2%
Spring Education	0.7	54.5%
The Learning Experience	0.7	28.4%
Primrose Schools	0.6	30.8%
Spanish Schoolhouse	0.1	5.0%
Childcare Network	0.1	4.3%
Right At School	0.0	0.0%
Total, all PE	**0.8**	**33.1%**
Non-PE		
For-profit chains	0.7	28.4%
All other centers	0.8	17.3%
Total, all Texas centers	**0.8**	**19.1%**

Note: *A citation is counted when "ratio," "ratios," "group size," "supervision," or "supervising" appears as a whole word in the title Texas assigns to the standard cited or in the inspector's written account of that citation. Centers with repeat citations are those cited at two or more separate inspections. Both KinderCare rows overlap each other and must not be added. Brands with fewer than 10 centers are omitted but remain in the all-PE and statewide totals: Big Blue Marble Academy, Endeavor Schools, Ivybrook Academy, LeafSpring Schools, and Lightbridge Academy.*
Source: *Texas Licensing Records (June 15, 2026 extract).*

2. Virginia

Figure 23. Supervision-related citations per 100 licensed slots, by brand and ownership group, Virginia

Brand or group	Supervision-related citations per 100 slots	Share of centers with repeat supervision-related citations
PE-backed		
KinderCare (incl. Champions)	3.2	48.1%
KinderCare (excl. Champions)	3.3	58.0%
LCG	2.9	69.0%
Spring Education	3.6	58.3%
Cadence Education	2.0	52.9%
Right At School	1.5	17.9%
The Learning Experience	1.4	36.8%
The Goddard School	1.2	40.6%
Primrose Schools	0.8	20.8%
Total, all PE	**2.1**	**43.6%**
Non-PE		
For-profit chains	1.0	26.1%
All other centers	1.3	22.2%
Total, all Virginia centers	**1.4**	**25.2%**

Note: *A citation is counted when "ratio," "ratios," "group size," "supervision," or "supervising" appears as a whole word in the inspector's written account of that citation; Virginia assigns no title to the standard cited. Centers with repeat citations are those cited at two or more separate inspections. Both KinderCare rows overlap each other and must not be added. Brands with fewer than 10 centers are omitted but remain in the all-PE and statewide totals: Big Blue Marble Academy, Childcare Network, Endeavor Schools, The Gardner School, Ivybrook Academy, LeafSpring Schools, Lightbridge Academy, and The Little Gym.*
Source: *Virginia Licensing Records, FOIA No. 26-424 (July 23, 2026 production)*

APPENDIX C. Company Responses

Brownstein

Brownstein Hyatt Farber Schreck, LLP
202.296.7353 main
600 Massachusetts Avenue NW, Suite 400
Washington, DC 20001

April 24, 2026

The Honorable Jeff Merkley
United States Senate
531 Hart Senate Office Building
Washington, DC 20510

Via Email

RE: Response to 3/23 Letter

Senator Merkley,

Thank you for your letter dated March 23 and for your attention to the child care sector, which plays a vital role in supporting working families, fostering early childhood development, and strengthening the workforce and the broader economy. At KinderCare Learning Companies (KinderCare), we believe all children deserve access to safe, high-quality, and affordable care, and we welcome conversations as we build on that commitment.

KinderCare is a leading provider of early childhood education and care in the United States, serving children and families in communities across the country. Today, we operate more than 2,700 early learning programs in 41 states plus D.C., caring for nearly 200,000 children annually and employing over 34,000 teachers and staff. Approximately one-third of the children we serve, or 60,000 families, receive subsidies through the Child Care and Development Fund (CCDF). We also offer before- and after-school programs for school-age children and serve more than 3,000 active-duty military families in off-base facilities through the Military Child Care in Your Neighborhood (MCCYN) program. Our size and scale allow us to support families in communities with limited child care options, while maintaining consistent quality and safety standards across our programs.

KinderCare is proudly headquartered in Oregon, our shared home state. In the state alone, we operate 135 locations, serve more than 7,000 Oregonian families, and employ over 1,200 early childhood education professionals and shared services staff, supporting child care operations from our National Service Center located in Lake Oswego.

We take seriously the questions raised in your letter and want to address many of those points in turn.

I. QUALITY OF CARE

Quality and accountability are central to KinderCare's mission of providing high-quality child care to America's families. All of our locations operate under rigorous licensing requirements, which vary by state, in addition to our internal quality standards.

Third-party accreditation is a critical way to objectively assess and demonstrate the quality of child care programs in the United States through a rigorous, voluntary evaluation process that measures compliance with established standards and provides accountability and assurance to parents. The accreditation process typically takes up to two years across numerous standards,

including relationships with children, families, and the community; nutrition and health; teaching practices; physical environment; and leadership and management. Accreditation standards often exceed state requirements for safety and quality, and in those instances, KinderCare strives for and demonstrates the achievement of those higher standards.

While fewer than 15% of U.S. early care and education providers are accredited, nearly all KinderCare programs have achieved this designation. We seek accreditation at all our centers and onsite programs, demonstrating our commitment to establishing and maintaining best practices across the sector. KinderCare's centers are accredited by the National Association for the Education of Young Children (NAEYC), the National Accreditation Commission for Early Care and Education Programs (NAC) and the National Early Childhood Program Accreditation (NECPA), which are external, independent accrediting agencies.

In addition to accreditation, many of our programs voluntarily participate in state quality programs. Nearly all states have a Quality Rating and Improvement System (QRIS). QRIS allows states to measure program quality based on a common set of metrics set by the state, including health and safety, curriculum, family engagement, and provider qualifications. Although QRIS standards vary by state, nearly all KinderCare centers earn high ratings nationwide, demonstrating consistent, state-validated quality across diverse regulatory frameworks.

Regulatory oversight is also a critical component of quality, providing clear standards, transparency and safeguards for children and families. KinderCare takes compliance seriously and integrates regulatory expectations into our broader quality framework through robust internal monitoring systems and a policy of transparency, including the self-reporting of potential licensing issues when they arise. While isolated compliance findings may occur, we address them promptly and thoroughly as part of our ongoing commitment to quality improvement.

Our more than 55 years of experience show that high-quality outcomes are dependent on sustained quality investment, a well-trained workforce, consistent oversight, and strong regulatory accountability. Whether the capital to achieve these outcomes comes from philanthropy, the public sector, or private investment misses the point; quality ultimately depends on stable, sustainable resources, not ownership structure.

II. COST OF CARE

High-quality child care is expensive for both families and providers. However, this is not the result of ownership structure, but rather the fundamental economics of the child care sector. Organizational form does not determine program quality or tuition levels; instead, costs are driven by factors such as quality standards, educator compensation, regulatory requirements, and other inputs needed to operate safe, reliable programs. The early childhood education sector, predominantly for-profit businesses supporting working families, is made up of mission-driven educators and community leaders who work every day to balance program sustainability with family affordability.

KinderCare represents a small segment—less than three percent—of the licensed child care market in the United States, so our role in shaping tuition levels across the sector is limited. Like all licensed child care providers, our tuition rates reflect the significant cost of providing child care. The service we provide to working families is labor-intensive, highly regulated, and costly to

deliver at high quality. As a result, this requires significant investment. Labor costs account for 70% of a child care center's operating budget, with rent, utilities, and administrative overhead being other drivers of cost across all program types. As inflation increases, the cost of operating child care centers does as well. The complex nature of the child care system means that these investments can come from private funding, tuition payments and government programs.

KinderCare, like all child care providers, is accountable first to families. Without quality, affordability, and the trust of families, no provider can maintain a successful program. We believe that all families, regardless of means, deserve access to high-quality child care. And we are proud that our programs are often among the most affordable in communities. In fact, approximately one-third, or 60,000, families KinderCare serves receives a child care subsidy voucher through the CCDF. Because every dollar from CCDF goes first to a working family, they can leverage that voucher to select the provider that best meets their needs. Unfortunately for both the family and provider, those CCDF vouchers cover far less than the cost of tuition. Reimbursement rates are often far below the market rate of care and vary significantly by state, meaning the full cost of care is often not fully covered.

While government subsidies are critical and provide partial assistance, they do not entirely resolve the industry's funding challenges, and other sources of equity are needed to continue serving low-income families. Concerns over the source of that equity, including whether it is from private sources, obfuscate the real determinant of child care quality: access to secure and long-lasting resources.

KinderCare is proud to serve families that receive support through government subsidies and is committed to connecting families with the support they need to afford our high-quality care. Below-market reimbursement rates are one example of the affordability and cost of care challenges in our industry. To that end, we want to make clear: the recent tuition increases cited in the letter reflect broader economic pressures endemic to the industry at large. It's with that in mind that we encourage you to consider increasing funding for the Child Care and Development Fund to help more working families access this critical program.

III. WORKFORCE

Delivering high-quality child care requires sustained investment in teachers, and we are proud to be a sector leader in supporting our workforce. Our centers' largest operating cost is staff compensation, and our access to financing at our scale enables long-term investments—such as offering health care and retirement benefits—and allows us to plan for stability and growth in a highly constrained market. By contrast, the majority of child care providers today simply cannot afford to offer health care and retirement benefits to staff.

We place a strong emphasis on workforce development, recognizing that our teachers are the foundation of quality care. We provide comprehensive training, career pathways, and benefits designed to support retention and professional growth, including dedicated training days, child care tuition assistance, and tuition reimbursement for those seeking to continue their education. These investments not only bolster an early childhood workforce but fundamentally ensure continuity of care for children and families.

IV. FINANCIAL GOVERNANCE

Maintaining financial stability is an essential component of KinderCare's strategy to sustain child care capacity. Like many providers, both for-profit and nonprofit, KinderCare responsibly uses financing to invest in facilities, safety upgrades, and program improvements, and uses tuition revenue to support ongoing operations and future growth. As with other child care providers, we utilize investment to support our operations and responsible growth. As a publicly traded company, our financial management is tracked, regulated, and fundamentally sound. Our financial discipline enables us to remain a reliable resource for children, families, employers, and the broader economy over time.

In addition, any income KinderCare earns is important to the availability of our services. A sustainable child care enterprise attracts public, private, and philanthropic investment that allows for expanded services and a higher quality of care. To that end, KinderCare's income is the fuel that allows us to scale high-quality child care in a sustainable, reliable way. Relatedly, as a publicly traded company, KinderCare provides reasonable dividends, when possible. These dividends are just one piece of KinderCare's broader financial strategy that is designed to attract investors to fund the quality child care that we provide.

As policymakers consider the future of child care, we believe solutions should focus on outcomes—quality, safety, access, workforce stability, and family choice—rather than ownership status. The United States relies on a mixed delivery child care system where all types of providers, including for-profit, nonprofit, home-based, and religious-based providers, play an essential role, and KinderCare is proud to be a responsible and accountable partner within that system. Families across the country are facing rising costs and limited options, and providers are navigating the challenge of investing in quality, while maintaining affordability. Addressing these pressures will require collaboration across sectors and recognition of the providers already serving families at scale.

We appreciate your attention to these issues and stand ready to work with you to strengthen the child care system in ways that reflect both families' urgent needs and the practical realities of delivering high-quality care.
Sincerely,



Marc Lampkin
Shareholder

Jonathan C. Su
[redacted]

555 Eleventh Street, N.W., Suite 1000
Washington, D.C. 20004-1304
Tel: +1.202.637.2200 Fax: +1.202.637.2201
www.lw.com

LATHAM & WATKINS LLP

FIRM / AFFILIATE OFFICES

Austin	Milan
Beijing	Munich
Boston	New York
Brussels	Orange County
Chicago	Paris
Dubai	Riyadh
Düsseldorf	San Diego
Frankfurt	San Francisco
Hamburg	Seoul
Hong Kong	Silicon Valley
Houston	Singapore
London	Tel Aviv
Los Angeles	Tokyo
Madrid	Washington, D.C.

April 25, 2026

Hon. Jeffrey A. Merkley
Ranking Member
Committee on the Budget
United States Senate
624 Dirksen Senate Office Building
Washington, DC 20510

Dear Ranking Member Merkley:

I write on behalf of Partners Group (USA) Inc. and certain of its affiliates ("Partners Group"), in response to your letter dated March 23, 2026. Partners Group is a global markets investment firm that manages and, in certain instances, advises investment funds on behalf of its clients. We appreciate the opportunity to provide information and context regarding Partners Group's investment in KinderCare Learning Companies, Inc. ("KinderCare").[1]

KinderCare's Positive Impact on Children, Families, and Local Communities

Partners Group invested in KinderCare in 2015 because it believed in KinderCare's mission to deliver high-quality child care to working families nationwide. Partners Group also made this investment because the U.S. child care sector offered strong long-term growth and resilience, driven by rising female workforce participation, dual-income households, and growing recognition of early education's developmental benefits. KinderCare stood out as the largest for-profit provider, with nearly 1,900 centers and sites nationwide. KinderCare's scale enabled competitive advantages in curriculum development, technology implementation, and health and safety standards. Since 2015, KinderCare has been a leader in the child care sector with unmatched scale, quality, and innovation, allowing families to experience significant benefits through expanded access to high-quality early childhood education. KinderCare has grown from approximately 1,900 centers and sites in 2015 to more than 2,700 today, including both new builds and acquisitions—broadening access for families nationwide. Beyond center and site growth, KinderCare has enhanced student and family experiences, delivering meaningful benefits across several dimensions:

- **Quality**: KinderCare is actively working toward 100% national accreditation, with 87% of centers already accredited—far exceeding the industry average of fewer than 15%. This commitment helps foster rigorous standards for health, safety, and learning. Accreditation is a voluntary process administered by third parties such as the National Association for

[1] Partners Group provided similar information to the Government Accountability Office in January 2026, in response to an inquiry into similar issues.

the Education of Young Children, where program operators elect to meet higher, national standards, exceeding minimum state licensing requirements—a process that involves internal self-studies and external reviews by professionals to ensure quality curriculum, qualified staff, supportive relationships, and overall program excellence.

- **Access**: KinderCare invests in inclusion programs and specialized staff training to serve children with disabilities and health challenges, helping to enable equitable access for all families. KinderCare participates in early education funding programs to help expand access to high-quality child care for families, applying the same high standards of care regardless of payer or funding source.

- **Outcomes**: Families benefit from KinderCare's proprietary curriculum and strong educational results. Assessments of kindergarten readiness show KinderCare students scoring 2–3 months ahead of the national average, according to Brigance testing, a series of diagnostic assessments used by educators to evaluate a young child's developmental and academic skills. These outcomes give parents confidence that their children are receiving care that supports cognitive, social, and emotional development.

- **Workforce Support**: KinderCare's scale and employer-sponsored programs have improved convenience and affordability for working families, enabling greater workforce participation through flexible, reliable child care options.

KinderCare's impact extends beyond its centers by facilitating increased workforce participation, supporting businesses whose employees rely on dependable child care arrangements, and helping children enter school better prepared to learn. This contribution matters deeply to families, local communities, and the broader economy.

Benefits of Institutional Ownership

The child care sector faces significant challenges. High-quality child care is labor- and capital-intensive and subject to robust federal, state, and local regulations and licensing requirements. All child care providers—nonprofit, public, and for-profit—must navigate a dynamic set of challenges including staffing shortages, wage pressures, facility costs, regulatory and licensing compliance, and fluctuating enrollment figures, while often operating within a funding environment that does not fully reflect the true cost of quality child care.

Institutional ownership, paired with responsible governance and a long-term orientation, helps address these challenges. With Partners Group's support, KinderCare has been able to invest in curriculum development, teacher support, technology, employer partnerships, and operational infrastructure. The ability to sustain such investment through both positive and negative economic environments—despite demographic shifts, labor pressures, and fluctuating enrollment—helps support continuity for working families.

Partners Group's support of KinderCare during the COVID pandemic, an extraordinarily challenging period in the child care sector, is an example of how responsible long-term institutional ownership can benefit the child care sector. Additionally, during the pandemic, Partners Group

employees and executives made substantial personal contributions to KinderCare's OneFund, which provided emergency resources to KinderCare employees who had experienced personal hardship. When continuity, workforce stability, and access to child care mattered most to families and local communities, KinderCare was able to continue serving them.

Further, child care remains a local, consumer-driven service within a highly competitive market in which families can often choose among multiple providers. Families often choose child care providers based on location, schedule, educational approach, reliability, and cost. Providers earn trust by showing up every day, delivering quality care, and giving parents confidence that their child will be in a safe and supportive learning environment.

Long-term institutional ownership can support stronger infrastructure, broader access, and the sustained investment required to serve children, families, and local communities at scale.

Partners Group's Role

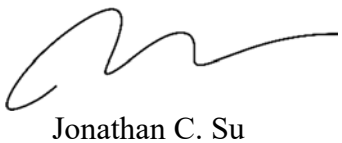
Partners Group's role in KinderCare is focused on participating in governance as a shareholder and providing long-term strategic guidance—not on day-to-day operations. KinderCare's management team is responsible for operating decisions, including matters such as staffing, pricing, center openings and closures, facility investments, and regulatory compliance, subject to board of directors' oversight as appropriate.

Partners Group believes that long-term business success in child care is linked to quality, trust, and access, and it supports KinderCare's mission to provide safe, high-quality education and care for families. Families return when they trust the experience; children benefit when programs are strong; and providers are more resilient when they invest consistently in the systems, people, and practices that support quality over time. These mutually supportive goals have been central to Partners Group's approach to KinderCare.

For additional information regarding KinderCare's financial statements (including capital structure, financing activity, operating strategy, use of proceeds from the 2024 initial public offering, executive compensation and incentive structures, and government funding) as well as Partners Group's ownership, relationship, and agreements with KinderCare, we respectfully direct you to KinderCare's periodic reports and exhibits filed with the U.S. Securities and Exchange Commission that are available through the SEC's EDGAR database at www.sec.gov and KinderCare's website.

Thank you for the opportunity to provide information on this important matter.

Sincerely,



Jonathan C. Su
LATHAM & WATKINS LLP

Arnold & Porter

Mark Epley
[redacted]

April 27, 2026

VIA E-MAIL

The Honorable Jeffrey A. Merkley
Ranking Member
United States Senate
Committee on the Budget
Washington, DC 20510-6100

Re: Response to March 23, 2026, Letter Regarding American Securities and Learning Care

Senator Merkley:

We write on behalf of our clients American Securities and Learning Care Group Inc. (Learning Care) in response to your letter, dated March 23, 2026, requesting information regarding the effects of private equity ownership in the child care sector.

For nearly 60 years, Learning Care has provided hundreds of thousands of children with early childhood education that starts with care, compassion, and safety and continues into exploration, learning, and growth. Learning Care creates spaces where children are supported and encouraged, and where every child can flourish. Learning Care's mission, carried out by its team of 22,500 staff and teachers across the U.S., is to strengthen families and communities by educating, encouraging, and inspiring the next generation of lifelong learners.

Your letter raises concern about private equity ownership of child care centers. As described below, Learning Care believes it is better positioned to address affordability, staffing, and access challenges in the child care industry because of—not in spite of—private capital backing from American Securities. Indeed, the 2024 Congressional Research Service paper cited in your letter notes that "the [child care] industry may potentially benefit from PE funding" because private equity "investments could help to enhance business operations, increase competition, or

expand the availability of child care, potentially reducing existing supply gaps."[1] The Learning Care–American Securities experience delivering child care nationwide supports that hypothesis.

I. Background: Learning Care and American Securities

Headquartered in Novi, Michigan, Learning Care is one of the largest providers of early childhood education in the U.S. For nearly 60 years, Learning Care has been a leader in supporting working families with quality care for infants through school-age children in environments where children socialize, play, practice new skills, and develop a love of learning.

Learning Care's community of more than 1,100 schools spans 40 states and the District of Columbia, with a combined capacity to serve more than 165,000 children each day. Learning Care supports the employment of approximately 22,500 educators, school staff, and back-office support staff. Learning Care's community of schools operates under 11 brands: AppleTree & Gilden Woods Early Care and Preschool, The Children's Courtyard, Childtime Learning Center, Creative Kids Learning Center, Everbrook Academy, La Petite Academy, Montessori Unlimited, Pathways Learning Academy, Tutor Time Learning Center, U-GRO Learning Centre, and the Young School.

American Securities, the majority shareholder of Learning Care, is an investment firm with a philosophy of creating long-term strategic partnerships with existing management teams through the provision of strategic, operational, and financial support. American Securities has owned Learning Care for twelve years and counting. Under American Securities' ownership, Learning Care has invested over $1 billion to upgrade existing facilities, open new child care facilities, modernize operations, enhance education curricula, and make other improvements to its large network of community schools. While supporting Learning Care's investments, American Securities has also provided operational and management expertise to help Learning Care scale what works, standardize quality across locations, adopt and build technology solutions that improve the family and employee experience, provide data insights to enhance attraction and retention of families and teachers, and build workforce infrastructure to ensure its schools are continuously provided with the support needed to deliver a high-quality early education experience at all 1,100 schools.

[1] Congressional Research Service, R48252, *Private Equity Investments in Large For-Profit Child Care Organizations: In Brief* 8 (Oct. 30, 2024), https://www.congress.gov/crs_external_products/R/PDF/R48252/R48252.3.pdf.

II. Learning Care's Record of Safety, Affordability, and Expanding Access

Your letter asks about safety, tuition, staffing, and access, all of which are important to parents when choosing a child care provider. Learning Care has made itself a market leader in the sector by earning parents' trust on these important issues.

A. Safety

Protecting the health and safety of its students and staff is fundamental to Learning Care's mission and culture. Learning Care routinely exceeds state minimum licensing standards through accreditation by the premier accreditation programs in the early childhood education field. Currently, 449 schools are nationally accredited by Cognia, the National Association for the Education of Young Children (NAEYC), or the National Early Childhood Program Accreditation (NECPA), with hundreds of other schools participating in state Quality Rating Improvement Systems (QRIS), the quality bar established by each state. Learning Care's independent accreditation rate is about four times the industry average.

Organization-wide standards, operational expertise, and management experience—all of which are supported by its scale—have led to Learning Care's high rate of accreditation. In addition to these independent verifications of health, safety, and quality, Learning Care's secure live streaming for parents, dedicated team of field safety personnel, comprehensive safety compliance system, rigorous safety protocols, and extensive training for its teachers and staff have established Learning Care as a national leader in health and safety.

Learning Care is the only national provider with secure live streaming video in every classroom and on every playground. This investment in technology helps to include, inform, and engage parents through a connected window into their child's day. On the rare occasion of concern from a parent, staff member, or licensing representative, this technology also enables Learning Care's safety team to review footage to understand classroom behavior and inform health and safety protocol and training.

All schools have at least one staff member trained in first aid and CPR, and all schools are equipped with defibrillators, including adult and infant rescue pads. Emergency drills are routinely rehearsed for preparedness. In compliance with state licensing regulations, all school employees must pass a background check and receive abuse prevention training. All schools are equipped with front door security systems requiring key cards, security codes, or other forms of access

control. Children must be signed in and out by a legal guardian or authorized designee. Learning Care's schools also provide such features as a least restrictive environment for infant rooms, child-sized amenities, age-appropriate toys and equipment, and cushioned fall zones surrounding play structures. All staff are strictly required to conduct visual face-to-name checks at multiple transition points during the day and safe sleeping checks every 15 minutes during naptime.

Learning Care's team includes field operations leaders who work to ensure compliance with its safety protocols through regular in-person inspections and inspections via cameras and compliance-tracking systems. The commitment to safety is further demonstrated through the Safety Captain Program, which places a designated safety leader in every Learning Care school, responsible for conducting structured daily observations, completing biannual School Safety Audits across all safety non-negotiables, and coaching team members on safe practices in real time. Supported by a team of safety experts, ongoing training, and defined program metrics, Safety Captains drive a proactive safety culture with the stated goal that no child or team member is ever at risk at a Learning Care school.

Learning Care's commitment to safety under American Securities' ownership corroborates the findings of a paper cited in your letter, which found that private equity-owned centers "exhibit substantially fewer [regulatory] violations than other providers," "suggest[ing] that PE ownership improves compliance with quality standards, especially under stricter regulation."[2]

B. Affordability of Tuition

As recently reported by *The New York Times*, child care is becoming increasingly expensive for working families.[3] Through its professional management and scale, Learning Care seeks to maintain the affordability of child care notwithstanding the challenges in the sector. Learning Care routinely negotiates bulk purchasing agreements for supplies, food, and equipment, spreading those costs across a larger base than otherwise possible. Administrative functions like payroll,

[2] Dyaran S. Bansraj & Dong Xu, *How Does Private Equity Shape Childcare? Implications for Competition, Pricing, and Quality* 3 (SSRN Working Paper) (last revised Nov. 25, 2025), https://ssrn.com/abstract=5045089.
[3] Asmaa Elkeurti & Claire Cain Miller, *Why Does Child Care Seem Less Affordable Than Ever?*, New York Times (Mar. 5, 2026), https://www.nytimes.com/2026/03/05/upshot/child-care-expensive-prices.html ("Child care has always been a large expense in parents' lives. Recently, it has become even more so…Child care has become more expensive because providers' operating expenses have increased, largely from higher costs and shrinking government financing. And because the business operates on very slim margins, higher costs almost always mean higher fees.").

insurance, and marketing are centralized and shared across all locations, eliminating the need for each site to bear those expenses independently. Recruiting, training, and retaining qualified staff also become more efficient at scale, reducing the turnover costs that burden smaller operators. Technology investments, including curriculum platforms, billing systems, and security infrastructure, can be deployed once and leveraged everywhere, rather than purchased separately for each site. These efficiencies compound over time, allowing Learning Care to pass the savings of scale onto consumers.

Ultimately, the cost of care is affected by a complex set of factors, including the cost of staff wages and benefits, which are affected by age-based ratios and qualifications determined by the jurisdiction; local cost of living and healthcare costs; operational costs such as rent, utilities, furnishings, and supplies; property, casualty, workers compensation, auto, and other insurance; licensing-, compliance-, and curriculum-related costs; and market-specific factors, including capacity utilization, the total size of the school, balance of ages served, and hours of operation.

Learning Care's tuition rate increases have roughly tracked the rate of inflation. Over the last three fiscal years, the general inflationary rate for services has totaled 15.52%. During the same period, Learning Care's tuition increased by a comparable cumulative rate of 13.13%. Across a similar period, the U.S. average wage increase was 15.31%.[4]

Fiscal Year	**FY Inflationary Rate for Services (%)[5]**	**FY Tuition Increase (%)**
FY25	3.6%	3.8%
FY24	5.0%	4.2%
FY23	6.2%	4.6%

Learning Care's tuition pricing is all-encompassing. When Learning Care quotes families a price, that price includes diapers, food, and other costs of care that some providers might tack on as additional fees. There are no hidden fees or surprise costs at Learning Care. Learning Care also

[4] Social Security Administration, Average Wage Index (AWI), https://www.ssa.gov/oact/cola/awidevelop.html (cumulative growth in calendar years 2022 through 2024).
[5] U.S. Bureau of Labor Statistics, BLS Data Finder 1.1, https://data.bls.gov/dataQuery/search (view data for "services less energy services in U.S. city average, all urban consumers, seasonally adjusted," select "12-Month % Change," and view data for June 2025, June 2024, and June 2023).

offers discounts for care provided to military families, the children of Learning Care staff, and multiple children of one household.

C. Public Funding to Support Families that Qualify

Your letter asks about Learning Care's receipt of public child care subsidy programs. Learning Care is proud to serve economically diverse families—approximately 40% of Learning Care's students receive some state or federal funding to support their attendance at Learning Care. In FY 2025, Learning Care received approximately $499 million in various forms of government funding, including reimbursement for the costs of providing quality care and free or reduced-price meals to eligible children.

In order to make its educational opportunities accessible to working families of all income levels, Learning Care proactively supports families in navigating the often byzantine, paperwork-heavy bureaucracies required to obtain public subsidy funding. Learning Care helps families identify and apply for a myriad of means-tested programs from over 550 governmental agencies and other third parties across the country that subsidize tuition for families that qualify.

In states that have implemented universal pre-kindergarten (UPK) programs, Learning Care has also helped meet critical demand for pre-K seats. Of the states with UPK, more than half leverage a mixed delivery model, which allows families to choose to access care at private centers or at public schools.[6] Learning Care's expertise in quality early childhood education means that it will continue playing an integral part in the success of UPK programs.

D. Staff Wages and Benefits

The cost of teacher wages and benefits represents Learning Care's largest operating cost, and attracting and retaining skilled employees is critical to ensure a consistent, quality experience for the working families we serve. Learning Care offers market competitive wages to attract and retain great teachers.

Learning Care's workforce comprises educators and caregivers who need and deserve great benefits. Fewer than half of the national child care workforce receive employer-sponsored health

[6] National Institute for Early Education Research, *Universal Pre-K: 5 FAQs* (July 15, 2021), https://nieer.org/research-library/universal-pre-k.

insurance, and even fewer have access to paid time off or a retirement savings account.[7] Learning Care proudly offers a comprehensive benefits package, including employer-sponsored health insurance, a 401(k) retirement savings account with an employer match, and paid time off. Learning Care also offers its employees a child care benefit that provides up to 70% off tuition for children enrolled in its schools.

Learning Care also encourages employees to pursue certifications relevant to early childhood education. It offers a tuition reimbursement program for postsecondary learning and fully funds a program to help teachers obtain CDA® (Child Development Associate) credentialing. It also offers a Master Teacher Program, through which its teachers train to become early childhood education experts and better teachers, coaches, and role models within their schools. Upon successful completion of the Master Teacher Program, teachers are eligible to receive an increase in pay.

The employee satisfaction produced by these benefits and opportunities translates into something Learning Care strives for: teacher retention. As of June 28, 2024, 74% of its teachers who have been employed by Learning Care for more than one year have an average tenure of 5.43 years. And approximately 90% of its school directors and acting directors who have been employed by Learning Care for more than one year have an average tenure of more than ten years.

Learning Care's competitive pay and commitment to advance teacher training and credentialing, made possible through its scale and access to resources, provide support for the findings of a report cited in your letter, which found that private equity-owned child care centers "may have stronger financial resources and organizational capacity to recruit, retain, and allocate staff more effectively in a tightened labour market. As a result, PE-owned providers maintained higher regulatory quality even under stricter staff requirements."[8]

[7] Bipartisan Policy Center, *Characteristics of the Child Care Workforce* (Feb. 8, 2021), https://bipartisanpolicy.org/article/characteristics-of-the-child-care-workforce/#:~:text=Many%20child%20care%20workers%20do,access%20to%20paid%20sick%20leave.
[8] Dyaran S. Bansraj & Dong Xu at 27–28.

E. Expanding Child Care Options in Locations with Insufficient Supply

Since American Securities first acquired the company in 2014, Learning Care has opened or acquired nearly 200 more locations. This expansion has brought Learning Care into new states and communities, providing additional child care options to families across the country.

In particular, Learning Care seeks out communities with insufficient existing child care options for families. Learning Care leverages developer networks, broker networks, field leadership expertise, and technology to help the company identify, evaluate, and target locations for new schools with a focus on areas with high demand but insufficient supply. Learning Care strives to make new classroom seats available where families need them.

F. Ownership Structure

The American Securities–Learning Care ownership structure has supported all of the preceding strategic objectives, including safety, quality, affordability, and access. American Securities is the majority shareholder of Learning Care and holds a non-majority of seats on Learning Care's Board of Directors. Like most corporate entities, Learning Care's company management, led by the Chief Executive Officer, is responsible for day-to-day operations and developing and implementing Learning Care's strategic approach, subject to the oversight and approval from the Board of Directors where required.

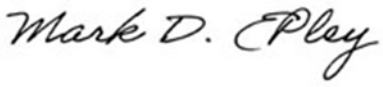
American Securities, acting through its seats on the Learning Care Board and directly as an advisor, has been a collaborative and supportive partner to Learning Care for more than 12 years, offering expertise, support, and endorsement of Learning Care's numerous significant investments in facilities, technology, and education enhancements. Learning Care and American Securities are confident that their partnership has been to the benefit of Learning Care's many working families across the country.

III. Conclusion

Tens of thousands of parents choose Learning Care every day because of staff warmth and experience, program richness, and child development outcomes. Through significant investments in its people, facilities, and operations—enabled in significant part by the backing of American Securities—Learning Care's programs have helped make quality child care more affordable and accessible for working families across the U.S. Under American Securities' ownership, Learning

Care has expanded its footprint, improved its facilities and operations, and helped meet demand for quality affordable child care. Learning Care's network of quality community schools demonstrates that, rather than standing in tension, the goals and interests of providers, investors, children, families, and workers are in close alignment in the child care and early education sector.

Respectfully submitted,



Mark D. Epley

Rachel F. Cotton

CC:

The Honorable Lindsey Graham
Chairman
United States Senate
Committee on the Budget
Washington, DC 20510-6100

Arnold & Porter

Mark Epley
[redacted]

July 3, 2026

VIA E-MAIL

The Honorable Jeffrey A. Merkley
Ranking Member
United States Senate
Committee on the Budget
Washington, DC 20510-6100

Re: Response to June 4, 2026 E-mail on Regarding American Securities and Learning Care

Senator Merkley:

We write on behalf of our clients American Securities and Learning Care Group Inc. (Learning Care) in response to your staff's e-mail, dated June 4, 2026, requesting additional information regarding our April 27, 2026 response to your March 23, 2026 letter. We appreciate your attention to the future of childcare and how to ensure that families have high-quality, safe, and affordable options. It is our intention to continue to be responsive while protecting sensitive commercial and business information. We hope this letter provides additional insight into the significant investments that Learning Care has made under American Securities' ownership and how those investments have enabled Learning Care to provide quality, affordable childcare to tens of thousands of American families and provide meaningful employment opportunities for our team of teachers.

As a leading provider of quality childcare across America, Learning Care takes seriously its responsibility to the educators and staff in our centers, the children in our care, and the families who trust us. Ultimately, we demonstrate every day that affordability, quality, and stability are not competing goals, but are interdependent. Children need a safe, nurturing and stable setting where they can grow and thrive; families need care they can afford in order to work; educators need resources, support and training to deliver high-quality care; and the entire sector needs a policy framework that allows responsible owners, like Learning Care, to invest for the long term.

When providers like Learning Care are able to partner with states, communities, and employers, these important goals can be met and communities benefit. Learning Care remains committed to working alongside policymakers, employers, and families to build solutions that expand access to care, promote quality in the classroom, and stabilize the sector to help keep

childcare centers and classrooms delivering the quality childcare that children and families need and expect.

As we stated in our April 27th response, under American Securities' ownership, Learning Care has invested over $1 billion to upgrade existing facilities, open new childcare facilities, modernize operations, enhance education curricula and safety protocols, and make other improvements to its large network of community schools. That $1 billion figure represents capital expenditures and repairs and maintenance expenses, exclusive of the acquisition of centers. These investments maintain and improve our school buildings, strengthen our safety and security, and ensure our technology platform enhances our operations, communications, and quality in the classroom.

As previously noted, Learning Care's tuition increases have roughly tracked inflation annually and, indeed, have cumulatively trailed both overall inflation and national wage growth over the past three fiscal years. Learning Care's competitive tuition rates help keep childcare and early education affordable for American families. Recognizing that labor constitutes the largest share of childcare costs, you asked for additional information regarding how Learning Care's tuition increases compare to its employees' wage growth, and we provide that information below:

Fiscal Year	**FY Inflationary Rate for Services (%)[1]**	**FY Tuition Increase (%)**	**FY Year-Over-Year Growth in Average Learning Care Wage[2]**
FY25	3.6%	3.8%	4.8%
FY24	5.0%	4.2%	4.7%
FY23	6.2%	4.6%	6.2%

As this chart reflects, Learning Care's average wage growth has outpaced its tuition increases in each of the past three fiscal years, demonstrating our continued commitment to both affordability

[1] U.S. Bureau of Labor Statistics, BLS Data Finder 1.1, https://data.bls.gov/dataQuery/search (view data for "services less energy services in U.S. city average, all urban consumers, seasonally adjusted," select "12-Month % Change," and view data for June 2025, June 2024, and June 2023).
[2] Weighted wage growth for all school-based employees at continuously operating schools. Field leadership and back-office staff are excluded.

for families and competitive compensation for teachers and school staff. Additionally, during this period, Learning Care's wage growth exceeded both the broader inflationary rate and U.S. average wage increases.[3]

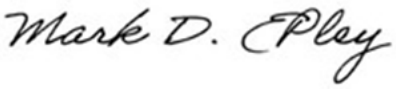
Finally, you ask what categories of decisions require American Securities' consent. As with any corporation, Learning Care's Board of Directors focuses its decision-making on major strategic matters: appointing executive leadership, setting long-term strategy, and ensuring the financial and operational controls that keep the company stable and healthy over time. American Securities holds a non-majority of seats on the Board, ensuring that it has a meaningful voice in shaping these decisions, but ultimately any decision of the Board requires a majority vote of the full Board.

Strong investments in its schools and workforce and a steadfast commitment to making childcare affordable are why tens of thousands of families have chosen Learning Care over the past 60 years. As our initial response and this reply demonstrate, American Securities' ownership has provided ongoing, stable support to Learning Care in meeting the demand for quality, affordable childcare as it continues to grow.

Like you, Learning Care and American Securities recognize that families are facing rising costs and limited affordable childcare options. Learning Care strives to be a part of the solution. We stand ready to work with you and your colleagues to strengthen the early childcare system to work better for children, families, teachers, and providers.

[3] *See* Social Security Administration, Average Wage Index (AWI), https://www.ssa.gov/oact/cola/awidevelop.html (cumulative growth in calendar years 2022 through 2024).

Respectfully submitted,



Mark D. Epley

Rachel F. Cotton

CC:
The Honorable Lindsey Graham
Chairman
United States Senate
Committee on the Budget
Washington, DC 20510-6100