Private Equity in New Mexico:

The Hidden Force Threatening Childcare

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Americans for Financial Reform Education Fund

ABOUT

Americans for Financial Reform Education Fund (AFREF) is an independent, nonprofit organization founded by a coalition of more than 200 civil rights, community-based, consumer, labor, small business, investor, faith-based, civic groups, and individual experts. We fight for a fair and just financial system that contributes to shared prosperity for all families and communities. realbankreform.org

The OLÉ Education Fund (OLE) partners with BIPOC working families in New Mexico to develop grassroots community organizing capacities to enrich and build power in their communities. Learning how to practice non-partisan voter engagement, policy advocacy, social and earned media communications, leadership development, and community organizing strategies, community members are able to shape the future New Mexico they envision for their families. olenm.org

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WHY PRIVATE EQUITY'S CHILDCARE TAKEOVERS ARE HARMFUL

The private equity industry has taken an interest in the childcare sector to the detriment of children, caregivers, and small providers.

Nationally, eight of the 11 biggest childcare chains by capacity are private equity-owned. These firms see childcare as a "resilient" sector because it is reliably in demand and typically withstands economic shocks (e.g., the COVID-19 pandemic). However, private equity's speculative business practices are at odds with the fundamental needs of the childcare sector. Private equity firms rely on substantial debt to finance their acquisitions and place the responsibility of repaying these debts on acquired providers, while also requiring these companies to turn a quick profit. They also frequently take out additional debt on the books of the childcare providers to pay themselves dividends. To make these large debt payments, private equity owners often cut corners by keeping wages low, understaffing centers, and penny-pinching resources, among other tactics at their disposal. In New Mexico, the largest for-profit chains are owned by private equity, with two of the largest childcare chains in the country, KinderCare (owned by private equity firm Partners Group) and Learning Care Group (owned by private equity firm American Securities), setting up shop in the state.

Private equity-owned childcare chains have a troubling record despite their easy access to capital and millions of dollars in revenue, primarily from public sources. These providers have a history of not meeting children's needs. In 2018, the Justice Department reached settlements with both Learning Care Group and KinderCare over violations of the Americans with Disabilities Act. Investigations found that Learning Care Group staff refused to provide assistance with insulin administration to children with Type I diabetes based on a corporate-wide policy and the KinderCare investigation also focused on allegations related to accommodations for children with diabetes. New Mexico's childcare inspection surveys illustrate how some of these practices have now come to the state, with private equity-owned centers facing citations for distributing expired medication to children and inappropriate disciplining of children using physical restraints.

New Mexico has already become a target of private equity firms in other parts of the care system. For example, the state has the highest proportion of private equity-owned hospitals in the country. Nationally, private equity's takeover of hospitals has resulted in reduced staff and insufficient supplies leading to worse patient outcomes, including patient deaths. As the state appropriates state funds for its Early Childhood Education and Care Department, funds which have greatly increased providers capacity to make child care more affordable and accessible, we expect to see an increase in private equity's activity in New Mexico's childcare sector.

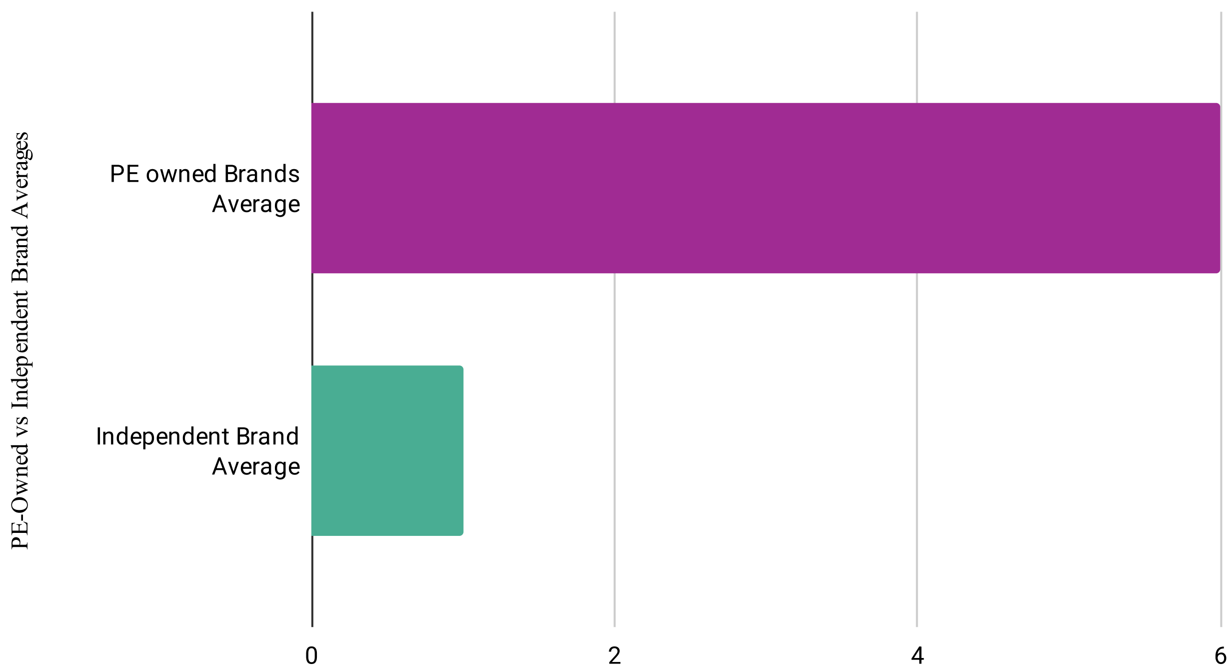
MAIN PRIVATE EQUITY ACTORS IN NEW MEXICO'S CHILDCARE

As of August 2025, private equity-owned firms owned **approximately seven percent** of New Mexico's 310 private, for-profit childcare centers with two or more locations. Four private equity firms own childcare locations in New Mexico: Learning Care Group, through its La Petite Academy brand; KinderCare Learning Companies, Inc. ("KinderCare"); The Learning Experience; and Ellie Mental Health. These four companies own a **combined 22 facilities** in New Mexico.1 Learning Care Group has a nearly five percent market share of the private, for-profit centers, KinderCare's share is approximately one percent, and The Learning Experience and Ellie Mental Health make up less than one percent of the market. The private equity owners of these chains are American Securities, Partners Group, Harvest Partners LP, and Princeton Equity Group, respectively.

PRIVATE EQUITY-BACKED CHILDCARE CHAINS IN NEW MEXICO			
CHILD CARE COMPANY **Subsidiaries (if applicable)**	**PRIVATE EQUITY OWNER(S)**	**TOTAL LOCATIONS**	**ESTIMATED MARKET SHARE OF PRIVATE, FOR-PROFIT CHAINS**
Learning Care Group (Novi, MI) La Petite Academy1,010 locations in 40 states2	American Securities (New York, NY)	14 locations (Albuquerque, Bernalillo, Rio Rancho, Santa Fe)	4.5%
KinderCare Learning Companies (Portland, OR) 2,300 locations in 42 states	Partners Group (Denver, CO)	4 locations (Albuquerque)	1.3%
The Learning Experience (Deerfield Beach, FL) 546 locations in 35+ states	Harvest Partners, LP (New York, NY)	3 locations (Albuquerque, Rio Rancho)	.96%
Ellie Mental Health (Mendota Heights, MN) 250+ locations in 36 states	Princeton Equity Group (Princeton, NJ)	1 location (Albuquerque)	.3%
TOTAL PRIVATE EQUITY OWNED	-	**21 LOCATIONS[3]**	**7.1%**
ALL FOR-PROFIT CHAINS	-	**310 LOCATIONS**	**100%**

Out of the total 565 childcare centers in New Mexico's database,[4] private equity-owned child care chains represent just under four percent of the total center market. Non-profit and other private centers continue to make up the majority of childcare centers in the state. However, these proportions may continue to shift without policy attention, as chains like KinderCare and Learning Care deploy aggressive acquisition strategies that focus on buying up non-profit or private, independent centers. These strategies include unsolicited letters, offering cash upfront for the business, or promising to relieve providers of administrative tasks or help them save money through economies of scale. Already, private equity-backed childcare chains in New Mexico own, on average, more schools than other private, for-profit chains. Independent proprietors of for-profit child care centers own an average of about one school per owner. By contrast, the average number of schools owned by the private equity-backed chains is six schools per owner.

FACILITY OWNERSHIP OF PE-OWNED VS. INDEPENDENT CHILDCARE CHAINS



Independent centers may find it difficult to keep up with the largest chains in the country. For example, The Learning Experience made $574 million in revenue in 2022, while KinderCare has brought in over $2 billion in revenue every year since 2022 and is projecting $2.8 to $2.9 billion in revenue for the 2025 fiscal year. The growth of private equity-owned chains in New Mexico may also threaten the stability of the system. Private equity owners often use their portfolio companies essentially as credit cards during their ownership period, leaving them prone to bankruptcy. Both American Securities and Partners Group have taken out additional debt on the books of their childcare centers to pay dividends to themselves and their investors, in a type of transaction known as dividend recapitalization. In 2017, Partners Group took out $310 million in loans through KinderCare to pay itself a dividend. In 2018, American Securities took out loans through Learning Care Group to pay itself and investors $636 million. These maneuvers can weaken the financial health of the childcare centers, increasing their debt burden and leaving less money going to childcare.

PRIVATE EQUITY CHAINS’ TROUBLING TRACK RECORD IN NEW MEXICO

The proliferation of private equity-owned childcare centers is concerning because these companies have a troubling track record of issues related to child safety, despite the significant resources at their disposal. Between 2022 and 2025, common issues appeared in New Mexico’s childcare inspection surveys for three out of four private equity-owned centers,[5] such as failures to meet safety and hygiene standards, inappropriate disciplinary practices, incomplete immunization records, and unfulfilled state-mandated trainings.[6] These chains also received violation notices for failing to conduct background checks on staff and for not having signed medical authorizations from parents or guardians in the event of an emergency. La Petite Academy centers failed to comply with fire safety regulations, including conducting fire drills, having fire extinguishers, and posting an evacuation plan. La Petite Academy also had multiple citations for educators distributing expired medication to children. KinderCare and the Learning Experience reports show multiple instances of inappropriate disciplining of children, including the use of physical or mechanical restraints on a two-year-old child and a child being lifted by the legs for disciplinary reasons. These violations were sometimes recurring, meaning that although they were usually resolved in time for the state’s follow-up visit, the centers would often backslide into noncompliance by the next semi-annual or annual inspection.

Instead of using their abundant resources to provide high quality care, private-equity owned childcare centers have demonstrated repeated lapses in New Mexico. Continuing to effectively enforce quality and safety standards is essential to maintaining appropriate levels of care across all providers.

A PARENT OF A CHILD ATTENDING LA PETITE ACADEMY IN ALBUQUERQUE STATED:

“I was alarmed by Le Petite Academy’s lack of safety and concern for our children. I saw children hanging out of a broken window. I saw a teacher shake off my child and walk away after he crawled over to embrace her ankle. I regularly walked right into the center because no one was at the front desk, checking IDs, and I almost never saw the same teacher twice. They constantly churned through teachers. A child care center is meant to be a sanctuary where a parent’s most precious trust is placed. That trust was broken by negligence at La Petite Academy. The shattered promise of safety left my child vulnerable, and left me feeling a profound sense of broken trust in myself for making the choice that I believed was the right one for my child.”.

RECOMMENDATIONS

The state has several levers at its disposal to safeguard public dollars that are invested in childcare and direct them to quality care delivery, not corporate or investor profits. These approaches are described below.

PROGRAM REGISTRATION AND TRANSPARENCY

Currently, a patchwork of requirements related to registration and licensing of childcare centers makes it difficult to understand how much of the state's childcare capacity is controlled by investor-backed entities. To remedy this, the state should require programs to disclose if they are investor-owned, and by whom. Additionally, investor-owned programs should report more data to the state, including executive compensation, debt-to-asset ratio, and any acquisitions or closures of child care programs and related services by the ultimate parent in the past year.

CONDITIONS ON RECEIPT OF PUBLICLY-FUNDED ASSISTANCE

Public funds should be used to promote access and affordability to families, not line the pockets of remote investors. As a condition of receiving public funding for childcare services in New Mexico, entities should agree to:

- Limit asset stripping, such as making a capital distribution, program closing or mass layoffs, in order to keep money at the portfolio company level and prevent the siphoning of revenue to PE parent company
- Limit executive compensation using a 20-to-1 ratio, meaning an eligible executive could not earn more than 20 times the average worker
- Cap administrative costs and management fees and/or overall profits
- Abide by parent-company and investor-owned size rules and disclose all affiliates, so franchises do not skirt size requirements in order to be eligible for programs, in order to direct state resources intended for smaller providers to those providers
- Abide by an acquisition moratorium
- Set workers wage and career standards as a condition of receiving public funds
- Enact whistleblower protections

Additionally, the state can prevent unequal distributions of public funds that harm small providers and take measures to protect workers if providers go bankrupt.

SUPPLY BUILDING

One major hallmark of investor-backed companies is their access to capital, which allows them to expand the supply of childcare rapidly. To promote equitable growth in the supply of formal child care through community-based (i.e. non-corporate or private equity-backed) programs, the state should sustain and expand its initiatives that provide access to capital to local providers along with the operational capacity and expertise needed to tap it. The state should also support local communities in doing the same, through incentivizing local governments and the numerous early childhood collaboratives across the state to mobilize and expand supply according to the needs identified in their communities.

REPORTING

To promote transparency and accountability, the state can require regular updating of the information described as part of program registration and transparency. Data collection and dissemination are key to ensure program compliance with the requirements for public funding.

Private equity's growing footprint in New Mexico's childcare sector poses a clear threat to the stability and quality of the system. Small businesses get crowded out, affordability and access for families is hampered, and money meant for care continues to get siphoned out of the system. But New Mexico has several tools at its disposal to prevent these outcomes, give children and their families access to high quality childcare, and provide workers with a living wage in a fulfilling and essential career. Now is the opportunity to act.

Endnotes

1. The first analysis of this data focused on those entities with three or more locations in the state. For this group, which does not include Ellie Mental Health, private equity-owned firms own over one-fifth (22.1 percent) of New Mexico's 95 private, for-profit childcare locations. On the second pass, the analysis expanded to include entities with two locations as well as a scan through those with one location for any corporate ownership. Of the 82 entities with two locations, none were private equity-backed.

2. La Petite Academy is Learning Care Group's largest brand and has more than 450 locations nationwide in 36 states.

3. This total includes private equity ownership of companies with two or more locations. One additional location, Ellie Mental Health, is not included as it is a single location private equity owned site.

4. Total numbers for this analysis do not include government-run public schools that offer free child care services through the state's New Mexico PreK program. Data as of May 2025.

5. Ellie Mental Health, the fourth chain, has no inspection survey records.

6. The Childcare Inspection Survey Database only goes as far back as 2022; these centers may have more violations that are not reflected online.