

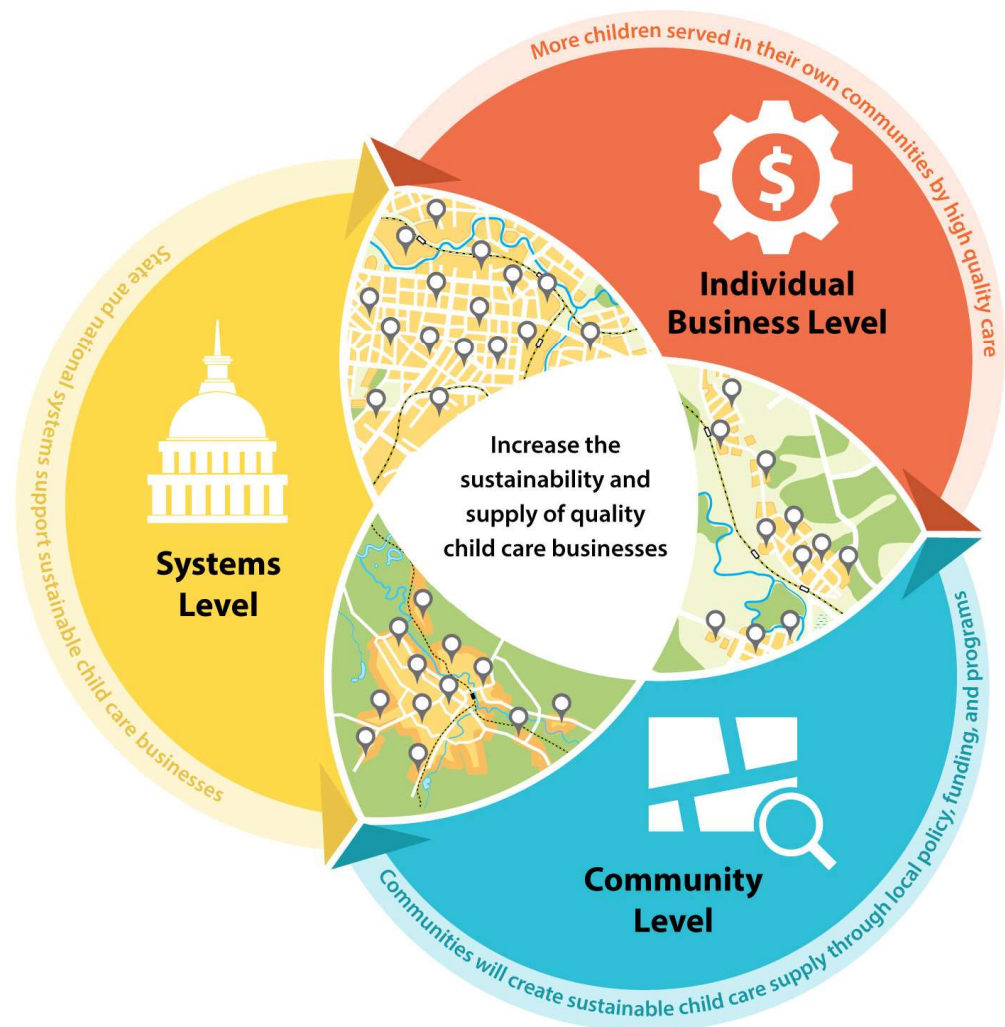


State of Child Care in Minnesota

October 3, 2019 – Winona

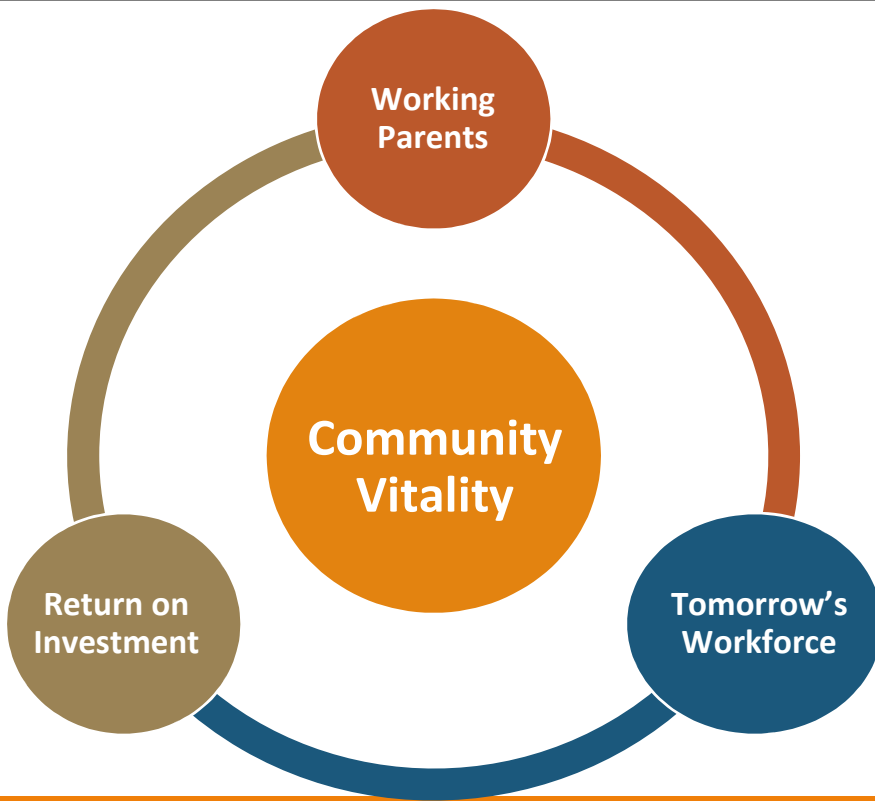


What does First Children's Finance do?





Why This Matters



Access to quality child care and early education is vital to individual productivity and regional economic growth.



Potential Need Analysis

July 2019 Regional Highlights of Potential Need

Southeast

-11,033

Southwest

-3,827

West Central

-3,235

Northwest

-3,050

Northeast

-4,498

Central

-14,637



Factors Contributing to Child Care Challenges

**Community
Growth**

**Parents Want
More Quality**

**ECE
Workforce
Crisis**

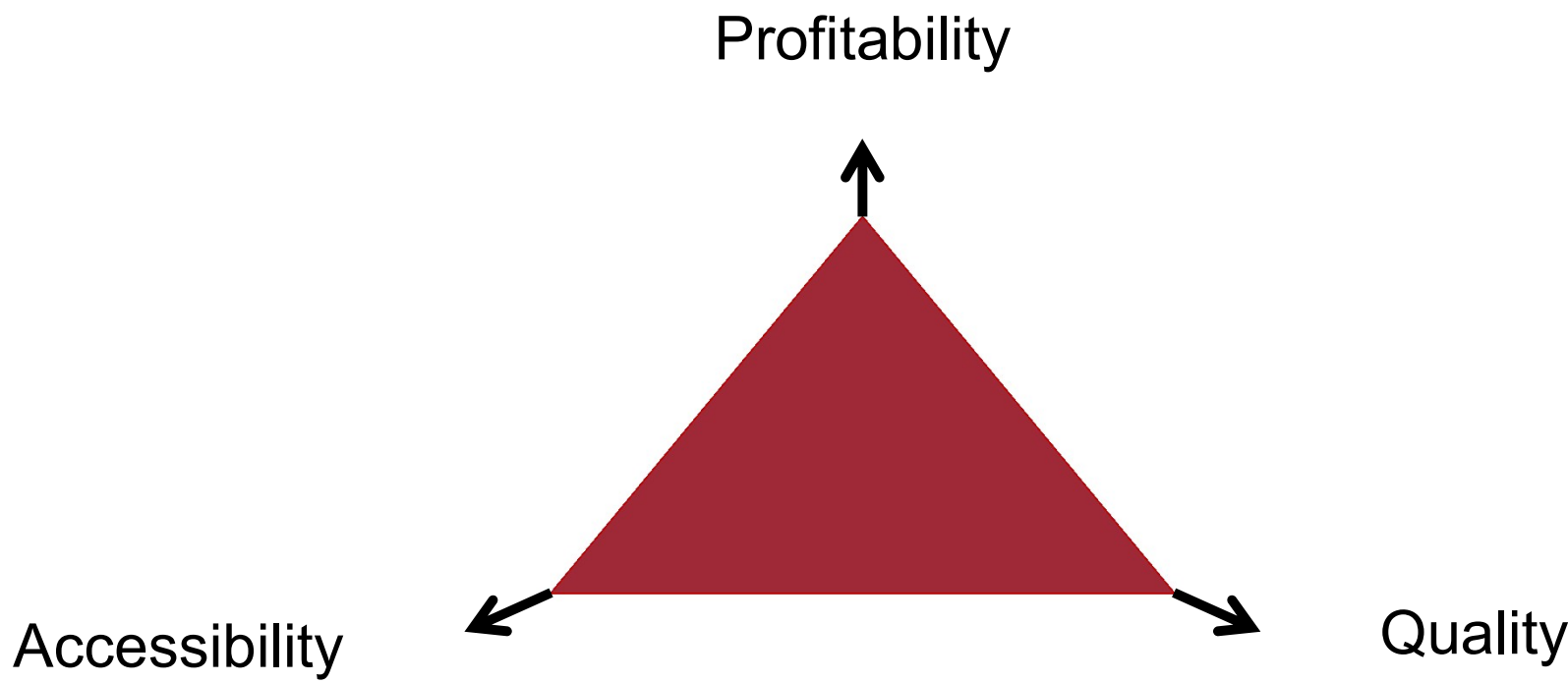
**Infant and
Toddler Care
Requires Scale**

**Community
Perceptions**

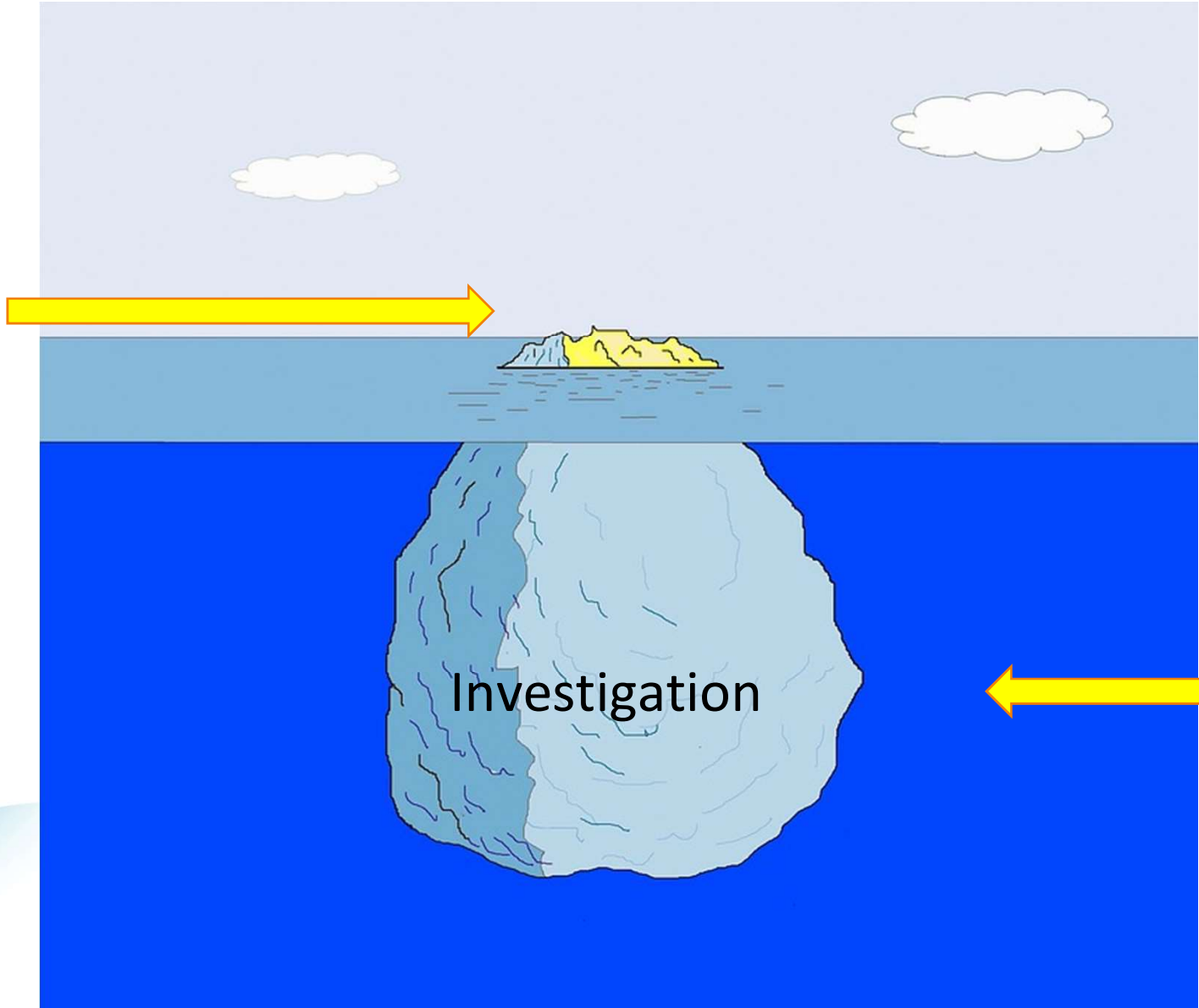
**Prices are
High...Delivery
Cost is High**



The Trilemma of Child Care Business



What we think is happening or what we see...



What's really happening or what is real...





Center Child Care Organization Overview

- Organized under Rule 3
- Regulates areas such as square footage, outdoor play space, toilets and sinks.
- Multiple regulating agencies



Minnesota Department of **Human Services**



57 Seat Center – Performance Model

Assumes a Child Care Center in St. Louis County using the 2018 Market Rate Survey Rates using the 75th percentile

Start-up costs of \$200k plus \$1,500 monthly rent

Wages range from \$12 - \$16 / hour with the Director making \$20/hr

Age Group	Capacity	85% Capacity
Infant	8	7
Toddler	14	12
Preschool	20	17
School Age	15	13

Loses \$102,000 a year
Needs 107% occupancy to break-even



114 Seat Center - Performance Model

Assumes a Child Care Center in St. Louis County using the 2018 Market Rate Survey Rates using the 75th percentile

Start-up costs of \$400k plus \$3,000 monthly rent

Wages range from \$12 - \$16/hour with the Director making \$20/hr

Age Group	Capacity	85% Capacity
Infant	16	14
Toddler	28	24
Preschool	40	34
School Age	30	26

Loses \$34,000 a year
Needs 95% occupancy to break-even



Cost of Delivery is High



Child Care Center

Staffing - 70%

Facilities - 20%

Food - 5%

Everything else....5%
(Including Profit)



Family Child Care Organization Overview

- Organized under Rule 2
- Licensing of homes for family child care and group family child care
- Regulatory areas such as licensing process, negative licensing actions, agency records, caregiver qualifications, licensed capacity, child/adult ratios

Minnesota Rules, part 9502.0367 CHILD/ADULT RATIOS; AGE DISTRIBUTION RESTRICTIONS.

A. Family Day Care:			
Child/Adult Ratio		Age Restrictions	
Licensed Capacity	Adults	Total children under school age	Total infants and toddlers
10	1	6	Of the total children under school age, a combined total of no more than 3 shall be infants and toddlers. Of this total, no more than 2 shall be infants.
B. (1) Specialized Infant and Toddler Family Day Care:			
Child/Adult Ratio		Age Restrictions	
Licensed Capacity	Adults	Total children under school age	Total infants and toddlers
5	1	3	No more than 3 shall be infants.
B. (2) Specialized Infant and Toddler Family Day Care:			
Child/Adult Ratio		Age Restrictions	
Licensed Capacity	Adults	Total children under school age	Total infants and toddlers
6	1	4	No more than 2 shall be infants
C. (1) Group Family Day Care:			
Child/Adult Ratio		Age Restrictions	
Licensed Capacity	Adults	Total children under school age	Total infants and toddlers
10	1	8	Of the total children under school age, no more than 3 shall be infants and toddlers. Of this total, no more than 2 shall be infants.
C. (2) Group Family Day Care:			
Child/Adult Ratio		Age Restrictions	
Licensed Capacity	Adults	Total children under school age	Total infants and toddlers
12	1	10	Of the total children under school age, no more than 2 shall be infants and toddlers. Of this total, no more than 1 shall be an infant.
C. (3) Group Family Day Care:			
Child/Adult Ratio		Age Restrictions	
Licensed Capacity	Adults	Total children under school age	Total infants and toddlers
14	2 A helper may be used in place of a second adult caregiver when there is no more than 1 infant or toddler present.	10	Of the total children under school age, a combine total of no more than 4 shall be infants and toddlers. Of this total, no more than 3 shall be infants.
D. Specialized Infant and Toddler Group Family Day Care:			
Child/Adult Ratio		Age Restrictions	
Licensed Capacity	Adults	Total children under school age	Total infants and toddlers
9	2 Both caregivers shall	7	Of the total children, no more than 4 shall be infants.



Family Child Care Expenses

Expense	Amount	Percent of Expense
Occupancy Expenses	\$ 10,833	41%
Food Expenses	\$ 6,857	26%
Transportation	\$ 1,568	6%
Activities/Supplies	\$ 1,355	5%
Phone/Internet	\$ 1,014	4%
Cleaning/Supplies	\$ 768	3%
Other	\$ 3,973	15%

On average, providers reported annual expenses of \$26,372.

Two-thirds of program expenses are associated with occupancy.

The “other” category includes many things (none of which make up more than 2% of program expenses).



Cost of Delivery is High

Family Child Care Providers Overview

Annual revenue \$50,938

Annual expenses -\$26,372

**\$24,566 Average annual profit
(salary)**

- When converted to an hourly wage, 49% of providers are making less than \$8/hour before taxes



Family Child Care Preschool Revenue

Every provider in the sample served preschool children.

Preschool tuition made up, on average, 54% of tuition income.

The importance of preschool tuition for the financial viability of family child care needs to be recognized, especially as Minnesota considers Universal Preschool. Mixed delivery systems for preschool that include – ***or perhaps target***– family child care partnerships is critical to maintaining the supply of child care across the state.



Comparing Metro to Greater MN

- Metro programs make over \$9,000 more annually than programs in Greater MN; the difference in program expenses is just \$1,200 (nonsignificant)
- Differences in profit are driven almost entirely by differences in tuition rates
- Greater MN providers reporting serving more children, on average, than providers in the Metro



Rural Child Care Innovation Program (RCCIP)

Austin, Minnesota





Potential Need Analysis – By County

2019 County Highlights of Potential Need

Mower
-948

Freeborn
-547

Steele
-169

Dodge
-337

Olmsted
-1416

Fillmore
-241



Potential Needs Analysis – Austin

2018 -926	2019 -763
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How Is The Need Supported Today?

- **Variances (Historical)**
- **Legal Unlicensed Care / Family, Friends, & Neighbors**
- **Un-employment**
- **Under-employment / Shift Alignment**
- **Illegal Unlicensed Care**
- **Out of Area Care**



RCCIP Timeline

July 2017 – Kick off meeting

November 2017 – Town Hall Meeting

March 2018 – Community Solution Action Plan published

March 2018 to Present – Project Implementation



Austin RCCIP Goals

1. Engage with large employers to determine interest in on-site child care
 - Expected Impact – new child care center with capacity of 100 slots
2. Create an online database of child care providers that lists opening
 - Expected Impact – better utilization of existing child care slots available in the community
3. Provide education and support to potential family child care providers
 - Expected Impact – Increase family child care slots by 50
4. Create a forgivable loan program to encourage new child care start-ups
 - Expected Impact – 5 new providers started
5. Identify & vet vacant spaces for family child care start-ups
 - Expected Impact – six spaces identified for potential family child care start-ups



Panelists

Austin Rural Child Care Innovation Program (RCCIP)

Core Team Leader:

- Sheri Dankert, Assistant Secretary-Treasurer, *The Hormel Foundation*

Core Team Member:

- Angie Bissen, HR Business Partner, *Hormel Foods*

Facilitator:

- Teri Steckelberg, Business Development Manager, *First Children's Finance*

The Community Perspective

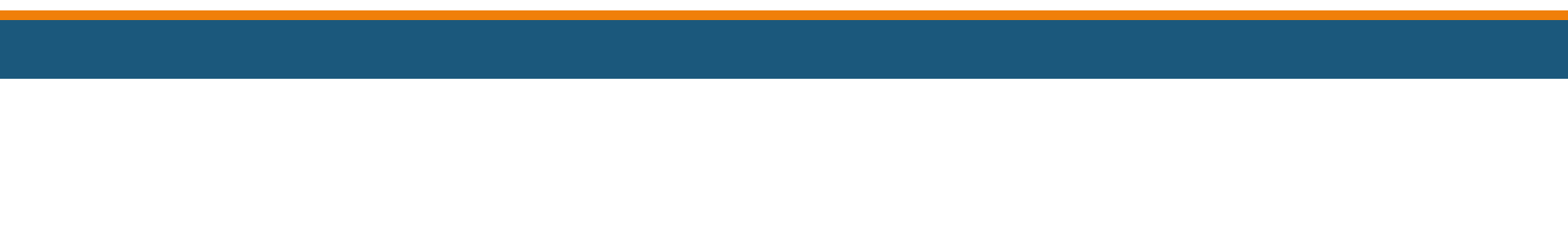


Why Supply and Demand doesn't work in Child Care

Average wage in Austin (median household income)	\$46,923
Average cost of full-time infant care in Austin (1 child)	\$10,400
Percent of gross income	22%
Average gross revenue of an in-home provider	\$50,938
Less costs	(\$26,372)
Net profit	\$24,566
Divided by hours business is open (53 hours/week)	\$8.91 hourly wage with no benefits

HF Recommendation 1

Simplify CCAP

- Provider submission process
 - Easier to understand for families and providers
- 

HF Recommendation 2

Innovate solutions

- State based creative ideas
 - Pod model, license to accommodate number of slots in between family (max of 14) and center based
- Make it easier to innovate locally
 - Faster state response times to allow new ideas to become reality

HF Recommendation 3

Innovate the supply/demand model

- Subsidize the providers in a way that brings their earnings to a livable wage
- Subsidize parents to allow them to pay more for childcare

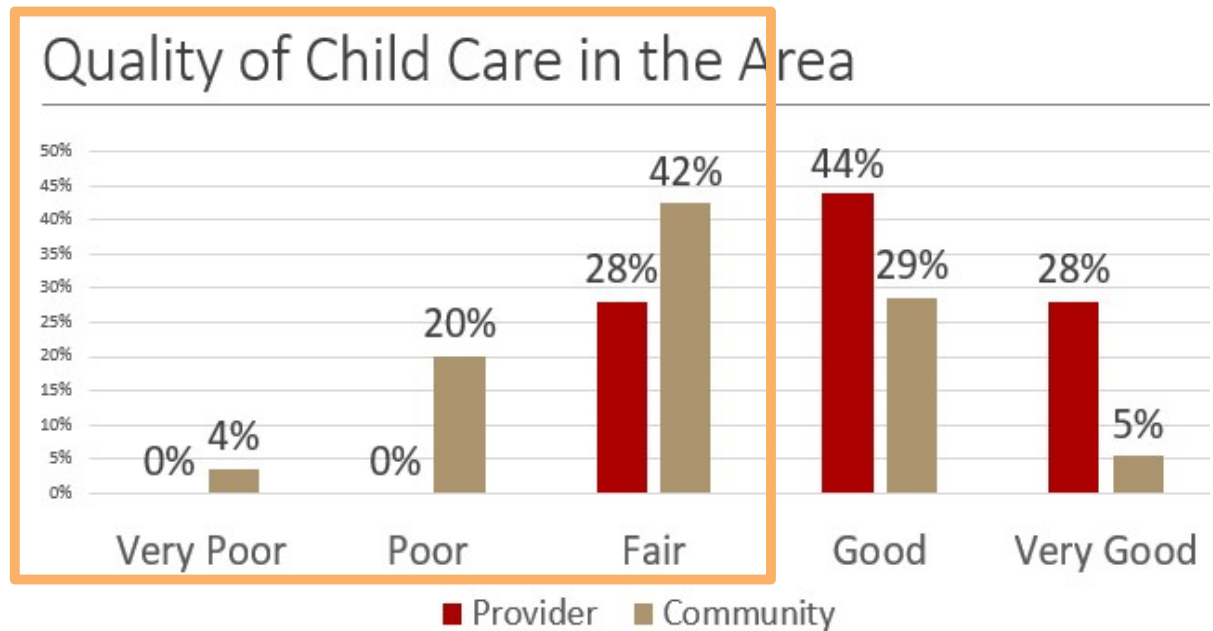
The Employer Perspective



Increasing Quality of Care

66% of parents indicate quality is very poor to fair

Misalignment in quality between providers and parents



Survey Goals:

- **Confirm demand at market rates**
- **Determine center capacity**

1,200 survey recipients (salaried & office hourly)



772 survey responses (62%)

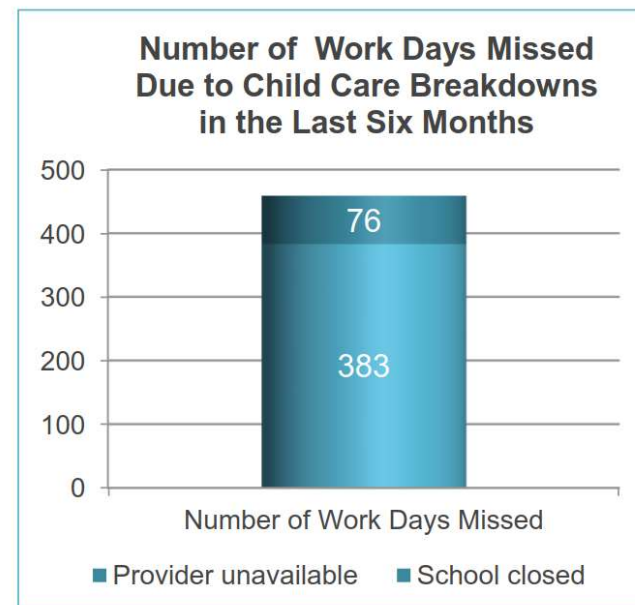
200 children
somewhat/very likely to
use new center

80% of families currently expecting
or adopting would use new center

Impact on Hormel

50% of respondents with children under 6 years of age missed at least one day of work in the past six months due to regular child care provider not available. (124 employees with children under 6) 23% of respondents with school-age children missed at least one day (24 employees with children 6-12 years)¹

459 work days in the past six months due to a breakdown in their child care arrangement, averaging 3 days per employee who missed at least one day.



More than just a *parent* problem...

“Lack of childcare for co-workers affects everyone in the workplace in one way or another. I do not have children in my home. If a co-worker has reliable/available daycare it would be beneficial to all.”

“One thing that could drive me to no longer work for Hormel or live in Austin would be the inability to find child care in town. I do not currently have children, but I am getting married this year and we plan to start a family in the next few years. We both work for the company, and plan to continue to do so, but not having child care in a town away from our families would render us unable to live and work here.”

“Children are the most precious asset a person has in their life and they don't bring their whole self to work if there are any concerns about the care their child is receiving while they are working. As a mother, I have experienced amazing day care and not so amazing day cares and I can tell you my performance at work was aligned with the experience my child was having as I was able to focus when he was in a safe place, receiving quality care, and a good early education.”

“My last child is about to be out of daycare age but I have a grandchild that is in need and the availability of quality care, hours and cost have all been issues. One or two of the 3 have caused it to not work out.”

Employee Surveys



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graph TD; A[Employee Surveys] --> B[Identified Vendors & Financial Estimates]; B --> C[Budgeting & Approvals]; C --> D[Vendor Selection & Begin Project]; D --> E[18 months until doors open];
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Identified Vendors & Financial Estimates

Budgeting & Approvals

Vendor Selection & Begin Project

18 months until doors open



Thank You!

No one has yet realized the wealth of sympathy, the kindness and generosity hidden in the soul of a child. The effort of every true education should be to unlock that treasure.

– Emma Goldman