

Early Care and Education: Profile of an Industry in Crisis

Presentation to the House Early Childhood Finance and Policy Committee
February 2, 2021

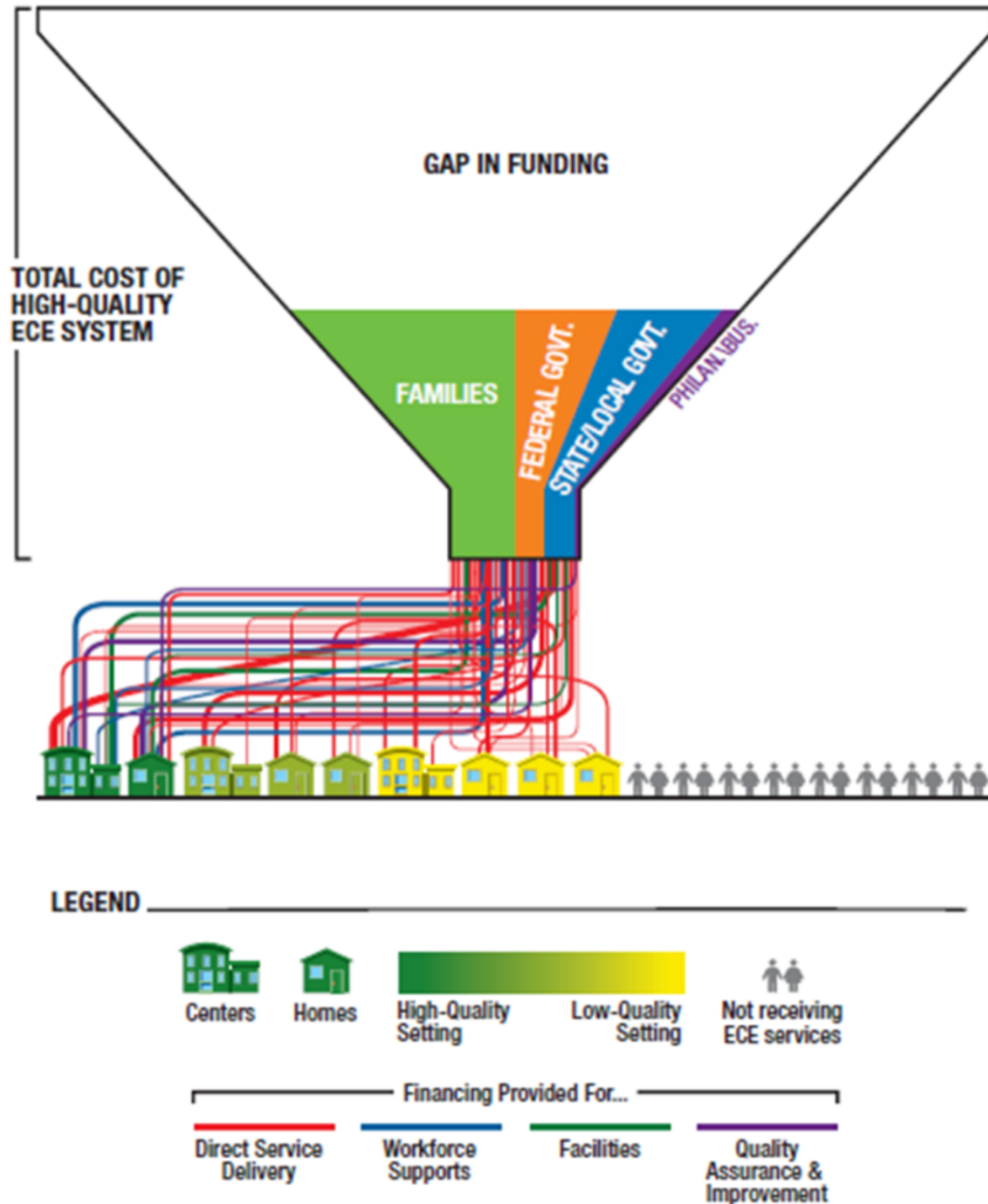
Christa Anders, Coordinator, Transforming Minnesota's Early Childhood Workforce

Jamie Bonczyk, Executive Director, Hopkins Early Learning Center

Oriane Casale, Interim Labor Market Information Director, Minnesota Department of Employment and Economic Development

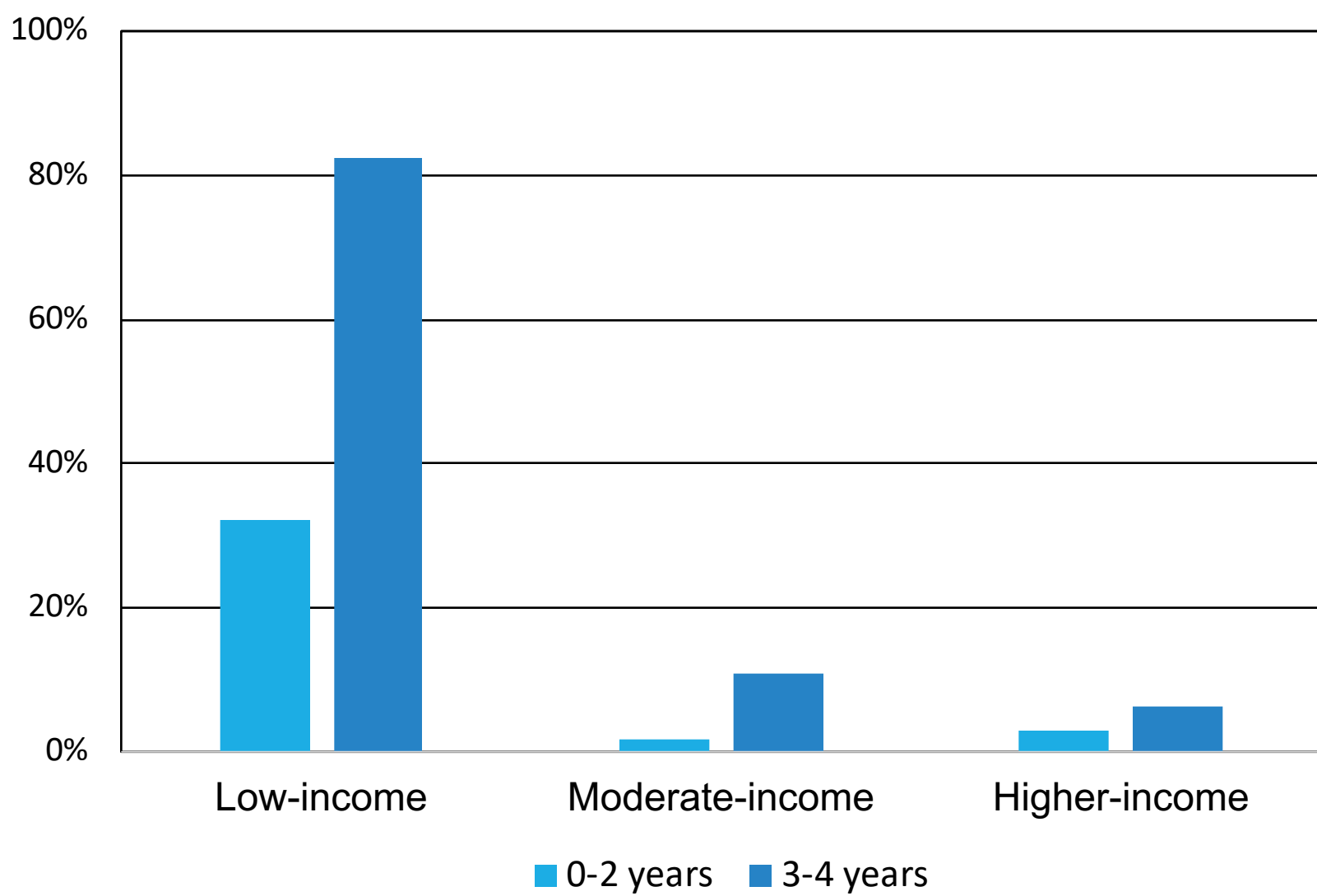


Gap in Funding



- Families pay about 52% of ECE costs
- Federal, state and local govts 46%
- Private sector 2%
- Multiple funding streams
- Gap in funding to meet cost of high-quality care

Current Public Investment Share of Baseline ECE Costs in Minnesota



Percentage of Income Spent on Center-Based Child Care for Family Earning Median Household Income for One Infant and One Preschooler in Freeborn County

Median Household Income: \$53,631 per year

Cost of Center-Based Child Care: \$19,900 per year*

Weekly rates:
Infant: \$216
Toddler: \$196
Preschool: \$182



*Cost data from Child Care Aware of Minnesota: <https://www.childcareawaremn.org/community/cost-of-care/>

Percentage of Income Spent on Family Child Care for Family Earning Median Household Income for One Infant and One Preschooler in Freeborn County

**Median Household
Income:** \$53,631

**Cost of Family Based
Child Care:**
\$13,600

Weekly rates:
Infant: \$142
Toddler: \$136
Preschool: \$131



Child Care Costs: 25%

Income Share Needed to Pay for Child Care

Median income of families with children under 6 in Minnesota range from:

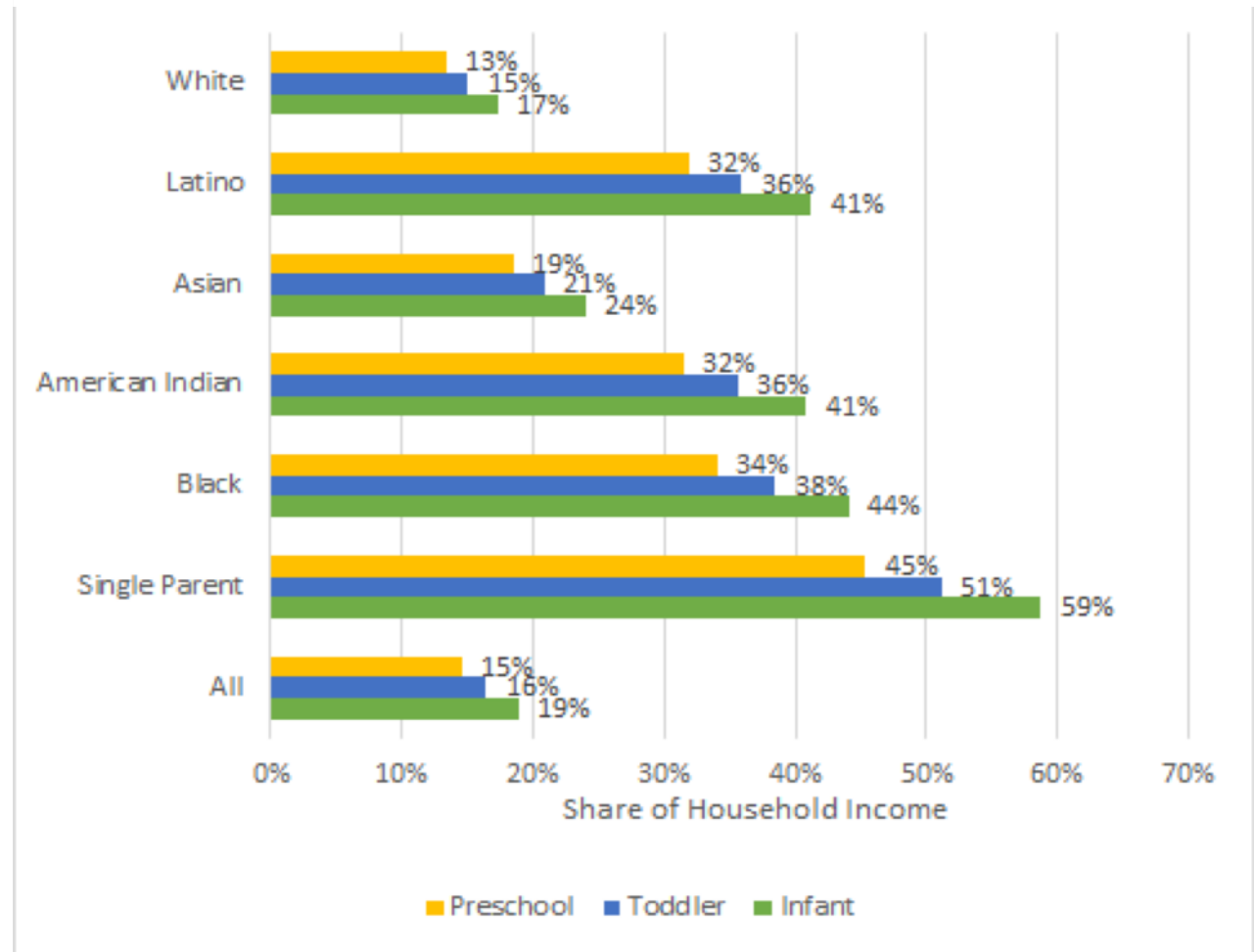
- Single parents \$26,463
- 2-income households \$89,483
- White non-Hispanic \$89,973
- Black \$35,231

Average cost of full-time care ranges from \$15,550 for center-based infant care to \$12,000 for family child care based preschool care

Lower-income families qualify for subsidies through Minnesota Child Care Assistance Program (CCAP)

- 1,473 families on CCAP waiting list in July 2020

Share of Income Needed to Pay for Center Based Care, Minnesota Families with Children age 0 to 5, 2018 Median Family Income and 2020 Avg Program Costs



Source: Child Care Aware MN, April 2020 survey data and American Community Survey income data for MN, 2018.

Businesses Operate with Razor-Thin Margins

Most of the cost of running early care and education programs is in staffing

Business expenses:

- 70% staffing costs
- 20% facilities
- 10% for program expenses, curriculum and administrative costs

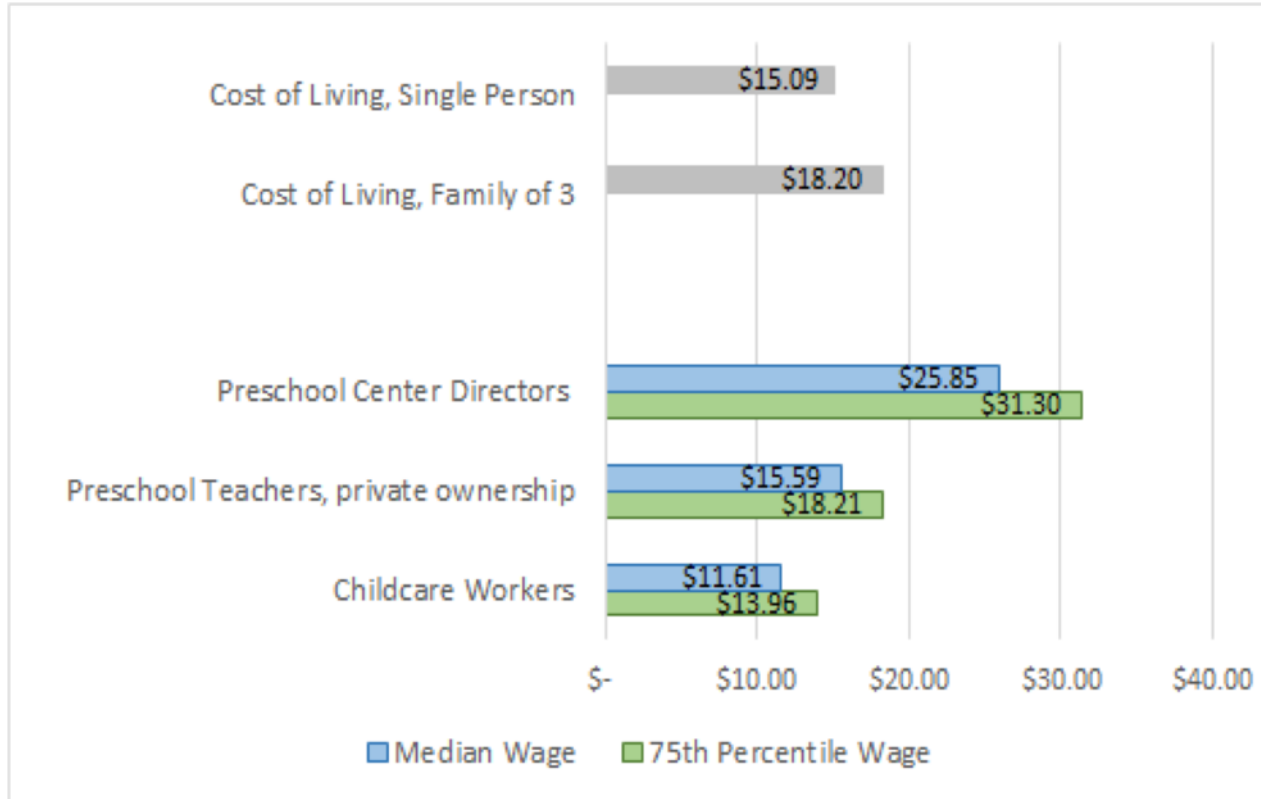
Child care centers must comply with detailed safety, health and educational regulations, including staffing ratios and space requirements.

A typical 57-seat child care center in Greater Minnesota operates at a loss even at 85% capacity.

- 100% capacity is nearly impossible to reach: children move in and out of different age groups, each with different compliance markers for staffing and space. Spaces must be reserved for current enrollees as they move into older age classes.

Compensation that Does Not Meet the Basic Cost of Living

Wages of Early Care and Education Professionals and Cost of Living

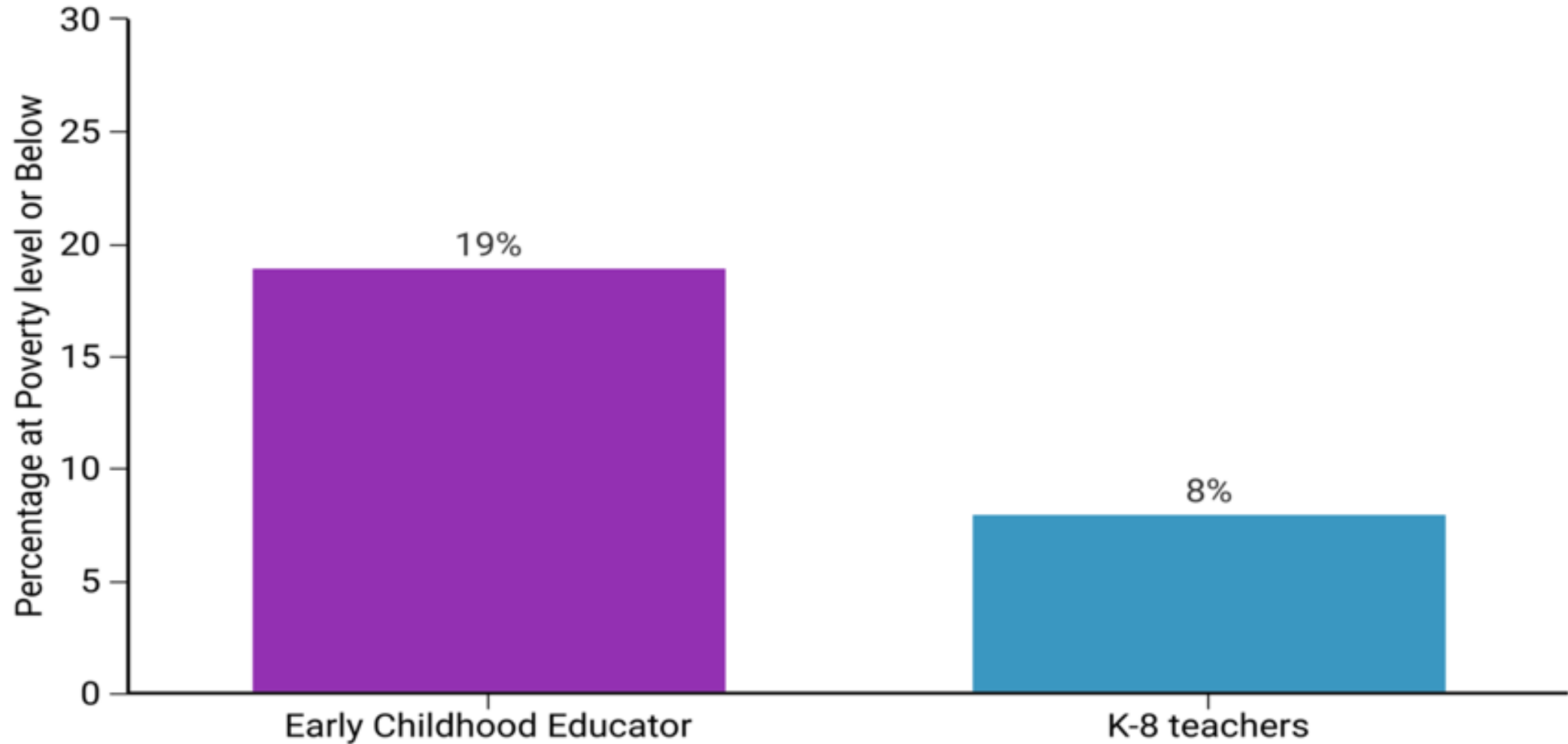


Source: Occupational Employment Statistics, 2020 Wages and Minnesota Cost of Living, 2020 data, DEED

Wages below the basic cost of living result in high turnover. Annual turnover rates:

- 14.4% for the Child Day Care Services industry
- 5.9% in Manufacturing
- 8.1% in Educational Services
- 8.3% in Healthcare & Social Assistance
- 9.1% economy-wide in Minnesota

Poverty Rates Considerably Higher for Early Childhood Educators



Data provided by the Center for the Study of Child Care Employment, University of California, Berkeley.

Approximately 1/3 of the early
childhood workforce in Minnesota
receives public support (EITC,
Medicaid, SNAP, TANF) at a cost of
\$43 Million per year.

*Center for the Study of Child Care Employment, Early Childhood Workforce
Index, 2016, University of California, Berkeley*

What is the Impact on Educators?

SEQUAL Report

- Multipurpose, validated tool
- Sample of 167 licensed child care centers
- Final sample included 47 centers (33 in Parent Aware and 14 not in Parent Aware)
- Also included 35 Program Leaders and 143 teachers (69% lead teachers and 31% assistant teachers)
- 99% female



2018

Teachers' Voices

Work Environment Conditions That Impact Teacher Practice and Program Quality



Minnesota

Center for the Study of Child Care Employment
Institute for Research on Labor and Employment
University of California, Berkeley

Marcy Whitebook
Marisa Schlieber
Aline Hankey
Lea J.E. Austin
George Philipp

Select Findings from SEQUAL Report

Compensation

- Median hourly wage of teaching staff = \$12.75
- Teachers with a BA = \$14.03
- Teachers with 10 years at their center worked their way up to \$16.28
- **38%** rely on some form of public assistance
- **20%** had no health insurance

Adult Well-Being

- **56%** worried about paying for routine health care costs.
- **55%** worried about having enough to pay their families' monthly bills.
- **39%** worried about paying housing costs.
- **24%** worried about having enough food for their families.
- Over half had student loan debt and 52% of those with debt owed more than \$25,000

Which Would You Choose?

Starting pay: **\$31,200** per year (\$15/hour)

PLUS paid vacation, health insurance and sick time, retirement benefits, college tuition

Perks: 10% discount at Target, Free pound of coffee every week!

No degree or ongoing training required



Average pay: **\$23,795** per year

No benefits, no paid planning time, hard work

Employers prefer degrees in early childhood

Ongoing training required

Workforce Pipeline in Crisis

The result of very low wages is a broken workforce pipeline with few qualified people entering the profession.

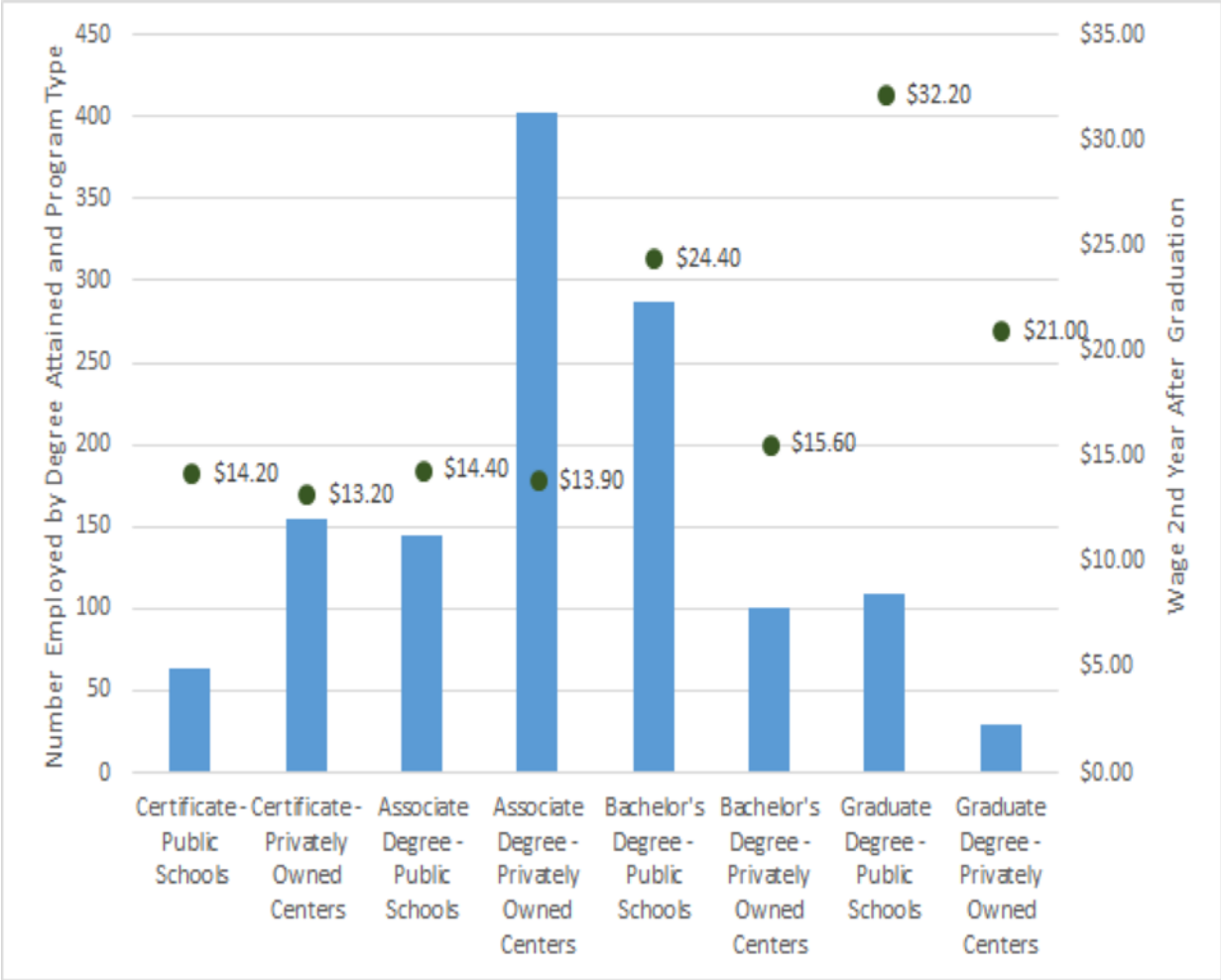
Centers are often not able to hire employees who meet basic licensing qualifications.

- Variance approved in 2018 addressed the immediate problem but not the long-term lack of qualified professionals and high turnover in the industry.

The wages in the table do not include family child care providers. A survey of recently closed programs identified the following business factors as having the most impact on their decision to close:

- Lack of benefits such as health insurance: 40%
- Long hours: 34%
- Difficulty finding substitute providers: 30%
- Low wages ranked lower on the list

Payoff to Educational Investment, Early Learning & Child Development Programs, 2013 to 2017 Graduates



Source: SLEDs, data analysis by Alessia Leibert, DEED

Why Early Care and Education Matters for Minnesota

Businesses risk losing critical workers if families can't find care that meets their needs.

- More than 311,000 workers, just over 10% of Minnesota's labor force, are parents of children under six years old.
- Minnesota has the highest labor force participation rate (tied with a few states) of children under age 6 with all available parents in the workforce.
- Child care was in the top three issues that businesses raised with DEED prior to the pandemic
- Businesses and groups across Minnesota are actively attempting to tackle the shortage

The early care and education industry shapes Minnesota's future workforce.

- A young child's brain develops faster than at any other time, reaching about 90% of its adult size by age 5.
- The neural connections and skills that emerge in early childhood impact future success in school, employment, and society.
- Longitudinal studies of participants in high-quality early care and education programming show reductions in toxic levels of stress, criminal justice system involvement, and reliance on social insurance programs, as well as increases in educational attainment, employability, and lifetime earnings.
- This translates to future savings in health, legal and social insurance costs, as well as improved economic output and opportunity

Hopkins Early Learning Center: The Impact of the Crisis



Jamie Bonczyk, MA
Executive Director of HELC



Hopkins Early Learning Center's Commitment to Quality



HELC's Commitment
to Quality Includes

the following

- | | | | |
|--|---|--|--|
| 1 High Quality Facility
 | 2 Indoor and Outdoor Play Spaces
 | 3 Curriculum for Advanced Development
 | 4 Nutritious meals prepared on site
 |
| 5 Consistent Credentialed Staff
 | 6 Ongoing Professional Development
 | 7 Community Partner Relationships
 | 8 Supportive Work Staff Environment
 |
| 9 Out of Class Planning Time
 | 10 Insurance for Staff
 | 11 403b Retirement Plan
 | 12 Vacation and Sick Time
 |

Expenses	Cost
Payroll	1,100,000
Health Insurance	65,000
Retirement	40,000
Facilities (subsidized)	141,000
Scholarships	12,000
Training and Quality	14,000
Classroom Materials	11,000
Food	80,000
Recruitment and Marketing	9,000
Consultants (IT, Audit, Health)	20,000
Cleaning and Supplies	\$21,575
Expenses Total	\$1,513,575

Pre-COVID Break-Even Budget

Revenue	Amount
Tuition from Parents (Includes Early Learning Scholarships)	1,463,000
County (CCAP)	30,000
USDA Food	18,000
Fundraisers	800
Grants	750
Donations	2000
Revenues total	\$1,514,550



**Net Assets for the year =
\$975**

Expenses	Amount
Salaries	1,100,000
Health Insurance	65,000
Retirement	40,000
Facilities (market rate at low \$18/ft)	423,000
Scholarships (paid out of reserve)	12,000
Training and Quality	14,000
Classroom Materials	11,000
Food	80,000
Recruitment and Marketing	9,000
Consultants (IT, Audit, Health)	20,000
Cleaning and Supplies	21,575
Expenses Total	\$1,795,575

Budget with Market Rate Facility Costs

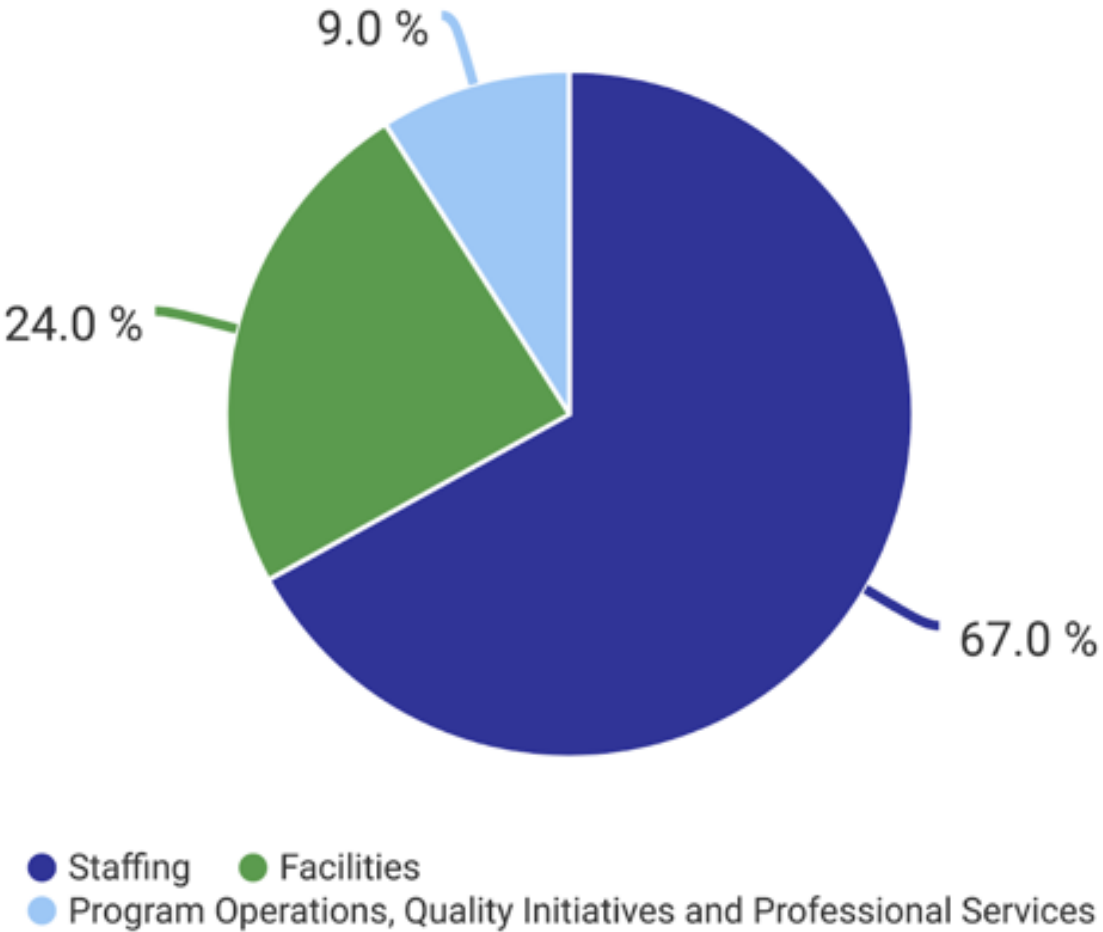
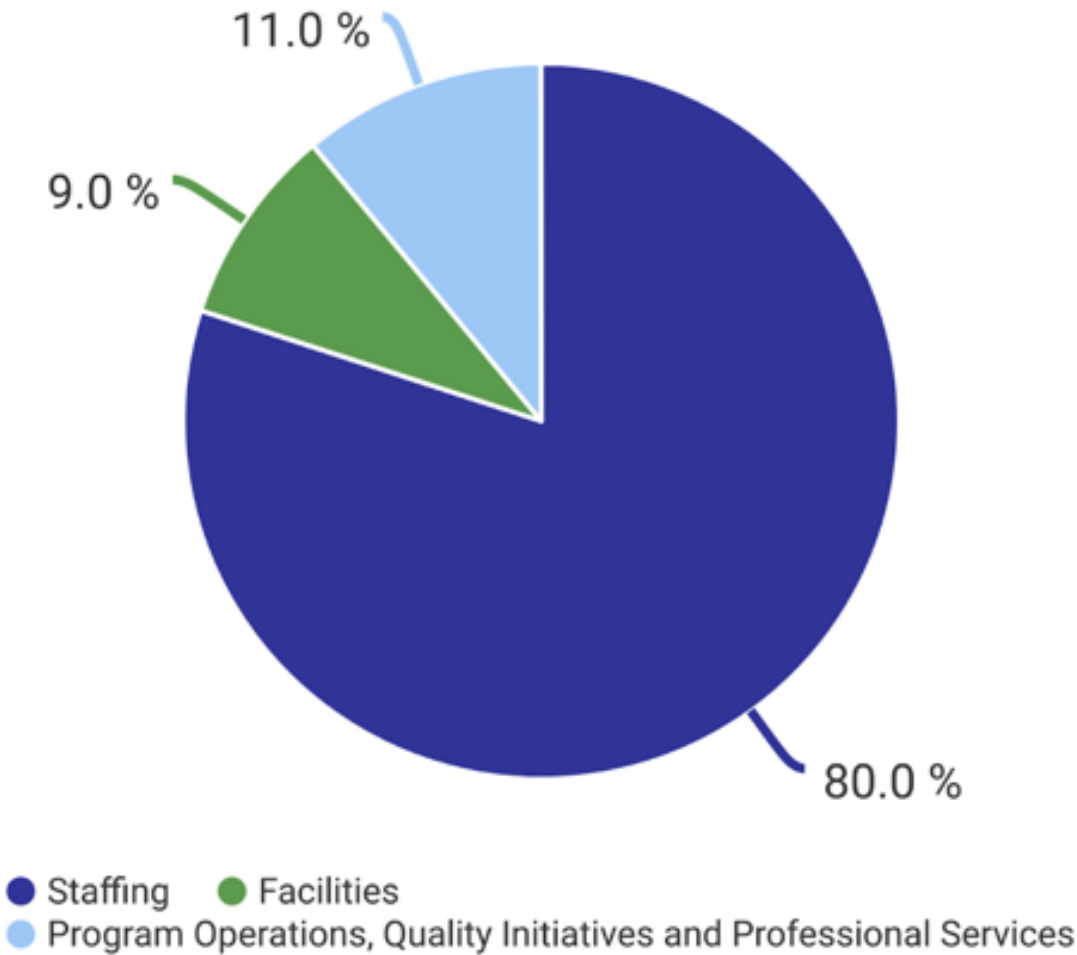
Revenue	Amount
Tuition from Parents (including Early Learning Scholarships)	1,463,000
County (CCAP)	30,000
USDA Food	18,000
Fundraisers	800
Grants	750
Misc. donations	2,000
Revenue total	\$1,514,550

**Projected loss
for the year = \$281,025**

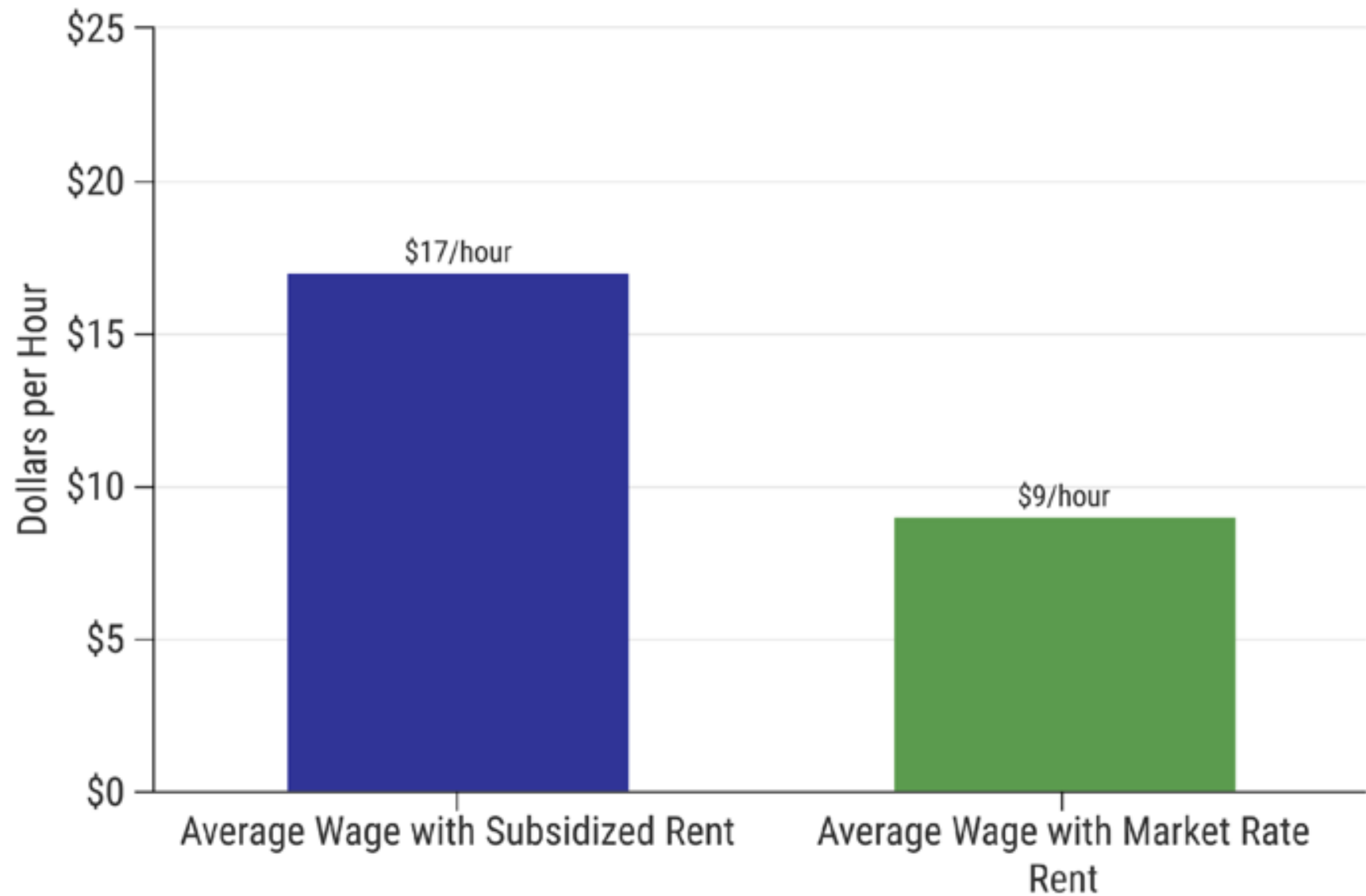


Subsidized Rent

Market Rate Rent



In order to balance HELC’s budget, staff salaries would have to be cut almost in half:



Lost Lease and COVID Deficits

Unable to secure sufficient public or philanthropic investment to subsidize business model.

- No turn-key facility available in any relevant geography
- No access to below market rate capital to allow financing of one-time costs associated with relocation and site renovation
- Potential public and private partners unable to provide sufficient subsidy or charitable resources for move, renovation or initial losses prior to operating at scale

COVID-19 complicated efforts not only to operate but to relocate.

- Increased operating costs by 57%.
- Decreased enrollment by 50%.
- Childcare competing with other basic needs or public goods for resource allocation
- Diminished bandwidth among potential partners to redesign ECE business model in their community



The Math Simply Does Not Add Up:

We made the heartbreaking decision to close our program.

Date: Thu, Sep 24, 2020 at 6:26 PM

Subject: Program Closure

We have been dissolving Hopkins Early Learning Center. It has been a difficult decision to make. The combination of COVID and the need for more effective programs made it impossible for us to continue.

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Hop

loc

fam

inclusive community

For non-profit organizations interested in submitting a 1-page letter of inquiry to office@hopkins.edu, please include a brief description of your mission, how the materials will help you achieve your mission and the materials that would benefit your program by October 30, 2020. Priority will be given to non-profits that are serving low-income families. Someone from the HELC administration will be in contact with you about next steps.

Hopkins Early Learning Center has been serving children and families in the Harley Hopkins location for the past 39 years and we are deeply saddened to announce to the public we have begun the process of dissolving.

Loss to the Community



117 high-quality spaces for infants, toddlers and preschoolers are no longer available in the West Metro.

21 experienced, trained staff and teachers unemployed.

Societal Impacts - The Loss of Child Care

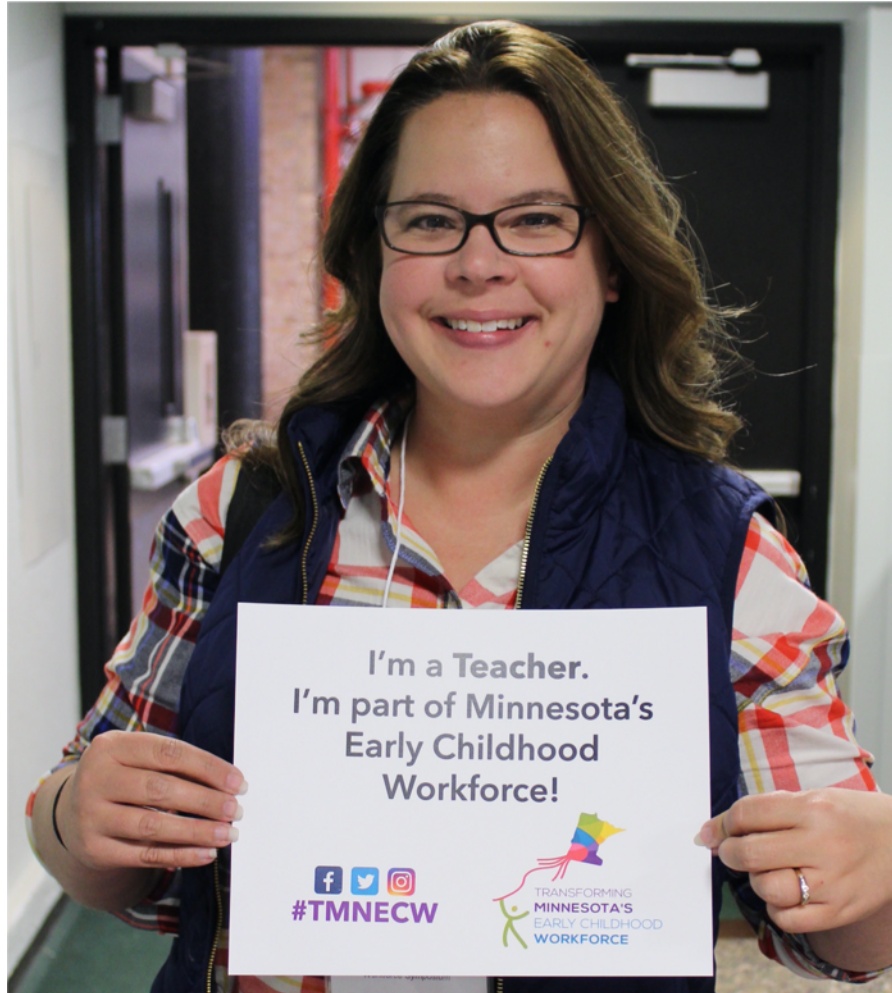


Unequal access to ECE creates opportunity and achievement gaps that carry large, downstream societal costs.

Triple bottom line is not fully realized for children, their families and our communities.

- Children & Families
- Businesses / Economy
- Broader Society

For More Information:



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