Child Care as an Economic Driver

Jessica Beyer, Business Development Manager
Our Story

What does First Children’s Finance do?
The Problem

Why This Matters

Access to quality child care and early education is vital to individual productivity and regional economic growth.
In 2017, **75% of Minnesotans** ages 20-44 participated in the labor force in the past 12 months

(Source: Kids Count)
“If employees can’t find quality care for their children, they won’t work for you. They won’t move to your community, or they’ll be forced to move away, or they might have to consider quitting their job to stay home with their children because they have no other option.”

- Kris Bevell, Editor, Prairie Business Magazine
Implication of Child Care Availability

- 24% of parents withdrew from workforce or declined employment due to child care arrangement (RCCIP Community Surveys)
- 46% of parents stated that child care had implications on their family planning (RCCIP Community Surveys)

“If we want our community to grow and thrive, we need to continue to grow our child care offerings. Children need a safe place to go while their parents are working.”
- Local Parent
Cost of Child Care

2017 Cost of Child Care in the State of: Minnesota

Cost of Care for Young Children

- Infant: Center $15,340, Accredited Center $18,096
- Toddler: Center $13,312, Accredited Center $15,548
- Four-Year-Old: Center $11,804, Accredited Center $13,676

Source: 2017 Child Care Aware State by State Sheet
Understanding Child Care in MN

[Image of a child care room with play equipment and a chalkboard with educational drawings]

[Image of an outdoor play area with children playing]

Presented in partnership with
Center Child Care Organization Overview

- **Child Care Centers**
- Organized under Rule 3
- Regulates areas such as square footage, outdoor play space, toilets and sinks.
- Multiple regulating agencies
• Assumes a Child Care Center in Fillmore County using the Market Rate Survey Rates
• Start-up range from $400k - $600k plus property acquisition
• Wages range from $9 - $13 / hour with $200 monthly health insurance stipend

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Capacity</th>
<th>85% Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infant</td>
<td>16</td>
<td>13.6</td>
</tr>
<tr>
<td>Toddler</td>
<td>28</td>
<td>23.8</td>
</tr>
<tr>
<td>Preschool</td>
<td>40</td>
<td>34.0</td>
</tr>
<tr>
<td>School Age</td>
<td>15</td>
<td>12.7</td>
</tr>
</tbody>
</table>

Loses $74,000 a year
Needs 94% occupancy to break-even
52 Seat Center – Performance Model

- Assumes a Child Care Center in Fillmore County using the Market Rate Survey Rates
- Start-up range from $200k - $450k plus property acquisition
- Wages range from $9 - $13 / hour with $200 monthly health insurance stipend

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Capacity</th>
<th>85% Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infant</td>
<td>8</td>
<td>6.8</td>
</tr>
<tr>
<td>Toddler</td>
<td>14</td>
<td>11.9</td>
</tr>
<tr>
<td>Preschool</td>
<td>20</td>
<td>17.0</td>
</tr>
<tr>
<td>School Age</td>
<td>10</td>
<td>8.5</td>
</tr>
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</table>

Loses $62,000 a year

Needs 101% 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

Family Child Care

- 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
## Family Child Care Expenses

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>Amount</th>
<th>Percent of Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupancy Expenses</td>
<td>$10,833</td>
<td>41%</td>
</tr>
<tr>
<td>Food Expenses</td>
<td>$6,857</td>
<td>26%</td>
</tr>
<tr>
<td>Transportation</td>
<td>$1,568</td>
<td>6%</td>
</tr>
<tr>
<td>Activities/Supplies</td>
<td>$1,355</td>
<td>5%</td>
</tr>
<tr>
<td>Phone/Internet</td>
<td>$1,014</td>
<td>4%</td>
</tr>
<tr>
<td>Cleaning/Supplies</td>
<td>$768</td>
<td>3%</td>
</tr>
<tr>
<td>Other</td>
<td>$3,973</td>
<td>15%</td>
</tr>
</tbody>
</table>

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).
## Family Child Care Providers Overview

<table>
<thead>
<tr>
<th>Annual revenue</th>
<th>$50,938</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual expenses</td>
<td>-$26,372</td>
</tr>
<tr>
<td><strong>$24,566</strong> Average annual profit (salary)</td>
<td></td>
</tr>
</tbody>
</table>

- When converted to an hourly wage, 49% of providers are making less than $8/hour before taxes.
Child Care Need is High

Southern: -11,033
Southwest: -3,827
West Central: -3,235
Northwest: -3,050
Northland: -4,498
Central: -14,637
Deep Dive

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

Investigation

What’s really happening or what is real...
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
Recommendations

1. Understand the interplay between child care, vibrant communities, and economic development.
2. Protect existing early childhood education investments already made; seek opportunities to invest in technical assistance and support to ensure these investments endure.
3. Influence the philanthropic community so other foundation staff and decision makers also understand.
4. Create learning experiences for others to understand the link between child care and the economy.
Group Exercise

How is the lack of child care impacting your local community?
Group Exercise

How is your community helping to reduce the child care shortage?
Presented in partnership with
Contact Information

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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