Innovative Strategies to Building Child Care Supply

2018 EDAM SUMMER CONFERENCE
JUNE 28, 2018
Presentation Overview

• Who is First Children’s Finance
• Why Child Care Matters
• Our Approach to Building Supply
• Right Sized Solutions
• Moving Forward
What does First Children’s Finance Do?

<table>
<thead>
<tr>
<th>Level</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>Individual Business Level</strong></td>
<td>FCF helps child care entrepreneurs start and grow sustainable business: Access to capital, business training and consulting</td>
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<tr>
<td><strong>Community Level</strong></td>
<td>We analyze child care supply trends, innovate ideas to create new slots, and empower communities to implement right sized solutions</td>
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<td><strong>Systems Level</strong></td>
<td>Identify opportunities to leverage resources, build public-private partnerships, and advocate for sustainable funding mechanisms</td>
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First Children’s Finance has made visible impact across the state of Minnesota

**Overall Impact**

**Empowering Minnesota Communities**
- Supported 38 communities in sustaining and increasing supply of affordable and high quality child care in Minnesota, in the last year
- Developed 19 Community Solution Action Plans to guide communities in increasing the supply of high quality child care, in the years 2015 - 2018

**Strengthening New and Existing Child Care Businesses**
- Supported 328 Child Care businesses to sustain and grow their child care operations, in the last year
- Provided 744 hours of training and 1163 hours of consulting to Family Child Care providers and Child Care Centers, in the last year

**Increasing the Supply of High Quality Child Care**
- Created 710 new child care slots, since inception of RCCIP in 2015
- Trained 51 community leaders to address and develop solutions to the child care shortage in their communities, and to sustain and grow the quality of child care, in the last year
Our Loan Fund Impact
Early Care and Education Businesses

340 Businesses Funded
$12 Million deployed
88% Women
1,800 jobs created

Over 13,000 Slots Created or Sustained!
Access to quality child care and early education is vital to individual productivity and regional economic growth.
The Perry Preschool Study

• Higher Achievement by Age 14
• Graduate from HS on-time
• Don’t require investment in special education supports

• By age 40 – have higher rates of home ownership
• Earn more than $25k
• Have a savings account
Factors Contributing to Child Care Challenges

- Community Growth
- Parents and Families Want More Choices
- It's Difficult to be a Family Provider
- Community Recognition and Support
- Infant and Toddler Care is Hard to Find
- Prices are High...Delivery Cost is High

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“We waited to have our second until we knew there would be room at our daycare provider for another baby”
–Local Parent
Economic Impact Of Child Care In Roseau

24% of survey respondents withdrew from workforce or declined employment due to child care arrangements

Work issues occurred due to child care arrangements in the last 12 months

- 35% Tardiness
- 52% Inability to Work
- 50% Overtime
- 47% Absent from Work
- 47% Inability to Work on Different Shift

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What is the FCF Approach?
Our Role Supporting Communities

Facilitator * Educator * Supporter
What we think is happening or what we see...

Investigation

What’s really happening or what is real...
## Potential Need Analysis Example

### Highlights of Potential Need in the Initiative Region

<table>
<thead>
<tr>
<th>Location</th>
<th>Need Analysis</th>
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<tbody>
<tr>
<td>Brainerd</td>
<td>-638</td>
</tr>
<tr>
<td>St. Cloud</td>
<td>-1273</td>
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<tr>
<td>Cambridge</td>
<td>-409</td>
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<tr>
<td>Staples</td>
<td>-224</td>
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<tr>
<td>Monticello</td>
<td>-736</td>
</tr>
<tr>
<td>Hinckley</td>
<td>-238</td>
</tr>
</tbody>
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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
Action Plan

**Ongoing Education**
- Webinars
- Topical Training
- Strategy Sessions

**Responsive Supports**
- On-Demand Support
- 1:1 Consultation
- Start-up & Feasibility

**Access to Capital**
- Traditional Lending
- Forgivable Loans
- Sharia Compliant Loans

**Community Engagement**
- Facilitate Discussion
- Educate Stakeholders
- Support Community Efforts
Right Sized Solutions

SOLUTIONS THAT ARE SUCCESSFUL
Go To Solution: New Child Care Center
Cost of Delivery is High

**Child Care Center**

- Staffing - 70%
- Facilities - 20%
- Food - 5%
- Everything else... 5% (Including Profit)
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
Basic Approaches to Non-Residential Family Child Care

Statute 245A provides for special family child care licenses to be granted:

1. Employer
2. Faith Community
3. Community Collaborative
4. Commercial Space – Leased/Rented
Faith Based Model

• Space
• Win-win scenario
• Can be family or center license
• Potential to expand existing program
• Community support?
Nursing Home – Child Care Partnership

- Nursing home needed child care
- Attract new employees
- Wanted to stay committed to their mission; not interested in operating a child care business

**SOLUTION:**
Partner with a family child care business to provide onsite child care
Nursing Home – Child Care Partnership

**Keys to Success**

- Legal contract between partners
- Clear expectations and regular communication
- Match between philosophy of nursing home and family child care provider
- Family child care provider committed to operating a financially sustainable business
Employers saying they need child care

Large departure of family child care businesses

FCF did Potential Need Analysis – 156 licensed slots needed

FCF did financial modeling for a center – numbers couldn’t work and not the right solution for the area

New York Mills Case Study
New York Mills Pod Model Case Study
General Pod Model Overview

- Available space
- Currently need a Community Action Agency to coordinate the program
- Generally lower start up costs than a center
- Start-up material costs for each room could be $4,000-$8,000
- Low to no rent could help sustainability of the businesses
- Public and private partnerships
School District Model
Montevideo School Case Study

Private non-profit center initially rented space in the elementary school between 2011 and 2016

2016 – Cost of care was high/tuition could not keep up and Chippewa County withdrew funding

Montevideo School district took over the center-staff transitioned to school district employees - infant, toddler, and preschool rooms were licensed under the school
Montevideo School Case Study

**FUNDING**

- Special Education Tax Levies - $13,000
- United Way Funding - $3-4k
- Montevideo EDA - $10K for infant room
- Building owned by Montevideo school - Thunder Hawk Care pays no rent
- Center has breakeven budget - can lose a few thousand a year

**BENEFITS**

- Steady support from school board
- Finances, HR, and Admin handled by district
- Teachers are non-bargaining district employees - benefits/retirement
- More slots and more infant care
- Nurse/speech/OT/counseling/social worker access
- 253 children enrolled
School Model - Key Considerations

- Need the support from superintendent and school board
- Lease Levy
- Program may breakeven or run at a deficit
- Parents may have sticker shock
- Low interest loans from EDA
- Engage local employers
Moving Forward

DEVELOPING OUTCOMES FOR YOUR COMMUNITY
Guidance on Community Solutions

- Gap
- Champion
- Community Engagement
- Task Force

-Provider Support
- Sustain Supply
- Private Sector
- Run the Numbers
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