

The Financial Rollercoaster

The rise in child care expenses continues to become a financial rollercoaster for our economy

CHILD CARE

PUBLIC AWARENESS CAMPAIGN

Part 2 of 3

Big Stone || Chippewa || Lac qui Parle || Swift || Yellow Medicine

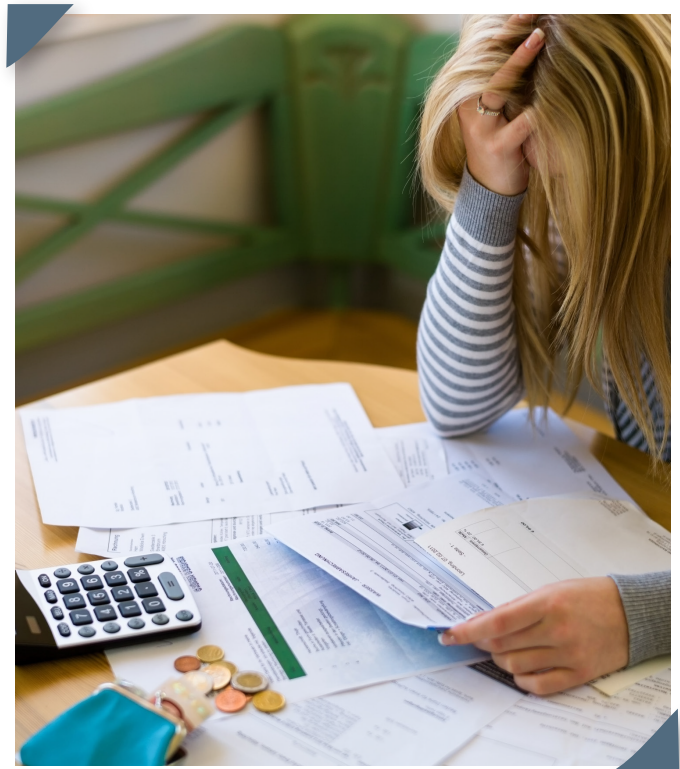
The Upper Minnesota Valley Regional Development Commission (UMVRDC) serves as a community development planning organization offering a wide variety of technical assistance and resources to our local units of government within Swift, Yellow Medicine, Lac qui Parle, Chippewa, and Big Stone Counties. The UMVRDC's annual survey results showed that **"child care accessibility and affordability"** was the region's #1 top issue identified by our local units of government. This campaign showcases how our region has faced childcare challenges and how we can continue to support our local workforce and economy.

The Makeup

Child care programs face unique constraints on both the cost and revenue sides of the business equation. Due to a variety of factors, including the typically small scale of child care programs, critical health and safety requirements around facilities and staffing ratios, and centrality of staff to providing care, there are limited options when it comes to reducing the cost of providing child care. With limited ability to increase revenue or reduce costs, child care providers are stuck in the middle and often absorb the discrepancy in the form of low wages. These disconnects in the child care business model have wide-reaching impacts on families' ability to access care, workers' interest in entering or ability to stay in the Early Childhood Education (ECE) field, and workforce participation more broadly across our economy.

\$16,164 MN's market rate for infant

Minnesota's market rate for infant care at a child care center in 2021 was \$16,164. At that cost, a family in Minnesota making the median household income of \$71,000 would spend more than 20% of their earnings on child care. National guidelines suggest child care should cost about 7% of a family's annual income. Minnesota ranks the sixth most expensive state in the country for child care.



Minnesota's makeup of a child care center:

Staffing/wages - **70% (underpaid)**

Facilities - **20%**

Food - **5%**

Everything else - **5%**

(Including Profit)



The Rollercoaster

Why are child care fees for families so high, when child care providers remain some of the lowest-paid workers in Minnesota? The primary problem for child care providers, whether they offer in-home care or center-based care, is a fundamental gap between what it costs to run a child care program and what parents are willing or able to pay.

The disconnect between expenses and income continues to be a crippling issue. Ideally, a business owner sells a service or product at a price that covers the cost of producing that item, plus a little profit. At the same time, though, they can only charge a price the market will bear or else the market won't buy. In some Twin Cities suburbs, where incomes are higher and children are plentiful, providers can make a reasonable income.

They can charge what they need to, and if a family can't afford it, another family is willing to take and pay for that spot. In rural areas, it is more challenging for a provider to push that price up. Median household incomes are lower in rural areas (sometimes much lower), but the cost of providing child care isn't necessarily lower. (Barb Wagner)

An analysis of themes suggests creating viable and coherent

pathways for the ECE workforce by improving workforce compensation, adopting clearly defined career pathways and wage ladders, and investing in multiple entry points into the field.

According to Opportunities Exchange, an organization that researches child care business practices, the three elements of a successful business model for child care programs are full enrollment, full fee collection, and revenues that cover per-child costs. Even programs that manage these factors carefully operate on razor-thin margins with little room to absorb minor setbacks, much less the major disruptions of a multi-year pandemic. *(MBVC, Child Care Business Supports Working Group).*

A child care center is an amenity to a community, similar to a pool, park, movie theater, etc. – you don't necessarily make money on it (more than likely will lose), but it's an amenity you must offer to attract and retain families.

Our 5-county region, consisting of Swift, Big Stone, Lac qui Parle, Yellow Medicine, and Chippewa counties, battles these day-to-day struggles, similar to other counties across the nation – but the one thing our region has taken initiative on is coming

together, understanding the crisis, and developing a plan as to how we can move forward to continue to support our local centers and providers.

Each center has a unique development, whether it's housed in a church, business, school, private, etc. We have seen employers come to the table with donations, as they see the importance of their staff having child care – to churches and schools providing free/low fee rent – to community fundraisers – to county funding grants.

There are many success stories within our region of communities rallying around child care centers because they have seen how crucial they are to the community, offering great hope to our region and beyond.

Follow the UMRDC on Facebook or visit our website for child care resources, updates, case studies, funding opportunities, and more.

<https://umvrdc.org/childcare-case-studies/>