

A close-up photograph of a child's hands and legs as they draw on asphalt. The child is wearing light-colored shorts and is kneeling. They are holding a piece of yellow chalk and drawing several parallel, slightly curved lines. The asphalt is dark, and the chalk lines are bright yellow. The text "Child Care" is overlaid in white on the right side of the image.

# Child Care

Photo Credit: Sandra McHenry

# ISSUE: CHILD CARE



## THE ISSUE

The child care “market place” is facing severe constraints.

Newcomers to the region, as well as long-time residents, can no longer find child care services. Child care providers are challenged to find workers to support small-scale and large-scale child care operations. The lack of child care services is both a workforce and a social issue.

## RECOMMENDATIONS

1. Reconcile Local Regulations with State Regulations Throughout the Region
2. Promote Use of Increased State Subsidy for Low-income Families Needing Child Care
3. Decrease State Reimbursement Time
4. Promote Community-based Collaborative Solutions for Child Care
5. Monitor/Adjust Financial Incentives for Child Care
6. Encourage K-12 and Higher Education to Collaborate on Program Development to Bring Students into the Child Care Career Pipeline
7. Consider and Encourage Inclusion of Child Care Needs in Local Land-use Planning
8. Develop Creative Financial Incentives to Buy down the Cost of Child Care Facility Development
9. Increase the capitalization of the Child Care Grant Program Throughout the Oil-impacted Counties
10. Study the Challenges of Existing State Child Care Programs to Determine Effectiveness and Viability

It has always been a challenge to operate a child care facility in North Dakota. The increase in demand just made it harder. While the basics of child care were generally well served by child care providers prior to the energy industry expansion, even then it was challenging to meet the specific needs of infant care, shift workers, families with multiple children, children who are ill or when the public schools are closed. Today, however, there is a much greater crisis that presents one of the greatest challenges in this entire Regional Plan: meeting the basic child care needs of the region.

The sizzling economy offers a one-two punch to child care providers. First, wages are so high in other occupations that would-be child care providers opt for higher incomes. Second, the higher cost of living makes it more difficult for families to afford such care. The result: an economy—indeed, a society—that is out of balance. Employers cannot find employees. Would-be

## SCALE OF THE PROBLEM

Current projections show population increases of 25% for North Dakota by 2025. Some western cities are projected to see population increases of 30% to 137%.

Current projections recommend North Dakota create child care space for 21,000 more children by 2025 or nearly 1,600 spaces per year. This will be an increase of nearly a thousand new family/group facilities which will need 1,400 staff positions plus nearly 100 new child care centers with an additional workforce of 2,500.\*

\* Source: Dr. Richard Rathge, North Dakota State University

employees cannot go to work because they cannot find child care.

In order to offer child care services at prices families can afford, providers are not able to offer employee benefits. It all becomes a vicious circle.

For experts at the North Dakota Department of Human Services, Early Childhood Services Division, the problem is exceptionally confounding. People who have been providing child care services for decades are retiring. Members of the younger generation who typically would establish a child care business, especially persons in the workforce who simultaneously want to be at home to raise their own children, are choosing not to start these businesses.

The lack of child care availability was consistently one of the top three topics brought forward at virtually every Vision West ND local Voice of the Community meeting. When community leaders and volunteers were asked: "What is affecting the quality of life in your community?" One of the top answers was child care.

The severity of the problem got the attention of the 2013 North Dakota Legislature. As a result, several policies, programs and funding sources were established to help mitigate the problem. While it is too early to determine the effect of such policies and programs, several measures are now in place working to address the problem.

*"I am very grateful for our new, clean, comfortable and safe child care facility. I would not be able to have my job if it were not for this project."*

— Teran Doerr

Executive Director, Bowman County Development Corporation

**BACKGROUND - THREE SCALES OF SOLUTIONS**

Dr. Richard Rathge of North Dakota State University presented three solution scenarios in October 2012.

The first scenario, "Hold Steady," would result in the need for 34,128 spaces by 2025.

The second scenario, "Maintain 2012 Distribution" would result in the need for 10,670 spaces.

The third scenario, "Setting a Goal of Serving 50% of the Potential Need," would result in the need for an additional 21,335 spaces by 2025.\*

\* Source: Dr. Richard Rathge, North Dakota State University

**CHILD CARE SPOTLIGHT - BOTTINEAU COUNTY**

Steering Committee members termed the child care issue a "crisis," noting that many people have quit their jobs due to the fact that child care services are simply not available. The Committee was reassured that Vision West ND is working to address this at the state level, and that Governor Dalrymple and the legislature has directed additional resources to meet the problem head-on.

**RECOMMENDATION #1: RECONCILE LOCAL REGULATIONS WITH STATE REGULATIONS THROUGHOUT THE REGION**

**Summary:** On one hand, the state is loosening regulations in order to foster the development of new child care facilities. On the other hand, many local ordinances are at odds with the more flexible state policies. Creating a common set of objectives related to state and local regulations would benefit current and would-be child care providers.

**Action:** Advocate, Create Policy

**Lead:** Cities and Counties

**Regulations**

Every family wants to know that their child care provider is meeting certain standards related to safety, training, education, food preparation and other basics of tending to the needs and welfare of children. And, in fact, many regulations govern the operation of child care centers and group providers.

While such regulations are necessary, the 2013 North Dakota Legislature eased some of them in order that new child care facilities can more easily be established and existing facilities expanded. Specifically, the group license enrollment requirement, which previously capped enrollment at 18 children, was raised to 30 children. It is not just the state, however, that determines the limitation on enrollment in child care facilities. Local municipalities have zoning ordinances that stipulate these limits. Many communities limit such group homes to 12 children.

In addition, the state stipulates a minimum staffing ratio (staff to children) based upon age. Infants up to 18 months, for example, must have at least one adult present for every four infants. Comparatively, 12 five-year-olds can be managed per child care provider.

Other regulations determine exterior fencing, basement egress, sprinkler systems and other requirements. In recent years, the state has instituted three revisions of its rules to be more accommodating of the needs and circumstances of child care providers.

## ■ **RECOMMENDATION #2: PROMOTE USE OF INCREASED STATE SUBSIDY FOR LOW-INCOME FAMILIES NEEDING CHILD CARE**

**Summary:** Vision West ND should collaborate with the North Dakota Department of Human Services and Child Care Aware (formally Child Care Resource and Referral) and other local agencies to promote the use of state subsidies for provision of child care. Vision West ND can elevate the awareness of the state support throughout its territory and work to address the negative stigma that might be attached to accepting public support for such services. Given the spread between low-income and high-income residents of the region, lower-income individuals should feel supported and recognized for their need for child care as they work to support their families.

**Action:** Advocate

**Lead:** Vision West ND

### **State Financial Support**

Due to chronic shortages in child care services for years, North Dakota has had incentives in place in order that low-income individuals can afford child care services. During the 2013 Session, the threshold for families to receive financial support for child care was increased to 85% of the state median income. In theory, many additional families should qualify for such support. In reality, however, some small communities are not experiencing an increase of such support.

## **CHILD CARE SPOTLIGHT - GOLDEN VALLEY COUNTY**

Our ability to attract young families will be strengthened with a quality system of pre-kindergarten care and education. We hope to reduce the shortage of daycare providers through better training programs. Communication is also an important factor with this strategy. There are many resources available to meet preschool and daycare needs. Marketing these resources will be crucial to strengthening our daycare and preschool system.

## ■ **RECOMMENDATION #3: DECREASE STATE REIMBURSEMENT TIME**

**Summary:** To ensure the viability of child care businesses whose clients receive state financial support for child care, the state should decrease the reimbursement time back to the provider. A fund should be established to provide flexible business processes for state accounts receivable to assist child care businesses to meet routine business expenses.

## ■ **RECOMMENDATION #4: PROMOTE COMMUNITY-BASED COLLABORATIVE SOLUTIONS FOR CHILD CARE**

**Summary:** Vision West ND should help foster a culture supporting creative solutions to child care issues. Businesses, school districts and hospitals, for example, should look for innovations and rewards that reinforce the importance and economic viability of providing child care. Parent- or employer-based cooperatives are a good example of community-based solutions.

**Action:** Advocate

**Lead:** Vision West ND

### Business/Community Partnerships

There are no quick, “silver bullet” solutions to the child care crisis. Because of this, creative solutions will be required. One emerging practice is for communities to encourage employers to “purchase slots” at existing or new child care facilities. Such pre-purchased services ensure providers of financial returns and businesses of needed services on an on-demand basis. Grocery stores, school districts, hospitals and other major employers, for example, pre-pay for child care services and simply call the child care provider on an as-needed basis. Such collaborations are occurring throughout the region, including in the communities of Hettinger, Killdeer, Ray, Tioga and Minot.

## CHILD CARE SPOTLIGHT - MERCER COUNTY

While the county does have some day care services, they are almost all operated out of homes, and the services that exist are not plentiful enough to meet the needs of the county. The Steering Committee indicated a need for new day-care providers operating out of facilities designed for such use. The high cost of existing services is causing people to pay 75% of their weekly pay check for day care. A sub-committee of Vision West ND may offer some solutions to the region-wide problem.

### RECOMMENDATION #5: MONITOR/ADJUST FINANCIAL INCENTIVES FOR CHILD CARE

**Summary:** While money will not solve all of the problems, continued subsidies from state government will remain a vital component of addressing the child care shortage. Vision West ND and child care advocates statewide should monitor the benefits and remaining challenges of state subsidies in order to better formulate and recommend adjustments to the system.

**Action:** Fund, Legislate

**Lead:** Recommendations by Vision West ND to Legislature

#### It Takes More Than Money

Prior to the 2013 Legislative Session, there was a common notion that the child care sector should “just come to us with a plan and we will fund it.” One lesson learned, however, is that there are some child care solutions that money just can’t buy.

For example, while subsidizing or entirely grant-funding the development of child care facilities is tremendously beneficial, “free facilities” alone still does not solve the staffing problem and grant-funding for staffing is not sustainable.

Killdeer, for example, received an oil-impact grant that was a portion of \$500,000 set aside by the state for child care facility development. While the local goal was to establish an 18-30 child facility, to date only five children/families have benefitted due to the lack of workers available to staff the facility.

### RECOMMENDATION #6: ENCOURAGE K-12 AND HIGHER EDUCATION TO COLLABORATE ON PROGRAM DEVELOPMENT TO BRING STUDENTS INTO THE CHILD CARE CAREER PIPELINE

**Summary:** While high schools within the region are challenged simply to keep up with increased enrollment, these schools can still play a very proactive role in fostering students’ interest in providing child care services after their high school and/or college years. High schools should collaborate with higher education institutions and child care providers at the state and regional levels to develop and institute a curriculum that promotes child care as an entrepreneurial career path. Business courses should be included in this program so students not only understand child development, but also learn relevant business practices.

**Action:** Create Policy

**Lead:** School Districts, Higher Education, Child Care Providers

#### Fostering and Appreciating the Child Care Profession

While there are many issues impacting the availability of child care in western North Dakota, there is one overarching concern: the availability of people willing and able to serve in the profession. In addition to short-term economic incentives and “buy downs” for facility costs and child care rates, longer-term efforts to increase the number of people in the child care profession—and to recognize excellence in the field—are important.

Given the tremendous need for child care in western North Dakota, fostering the next generation of child care workers is critically important.

## RECOMMENDATION #7: CONSIDER AND ENCOURAGE INCLUSION OF CHILD CARE NEEDS IN LOCAL LAND-USE PLANNING

**Summary:** Increasingly, local municipalities are recognizing they have the power to collaborate with developers to build essential public facilities such as parks and fire stations as a part of large-scale developments. For certain projects, it may also be possible to facilitate the development and operation of child care facilities as a part of large residential, commercial and/or industrial development.

**Action:** Advocate, Create Policy

**Lead:** Local Planning and Zoning Commissions

### Including Child Care Facilities in Local Land-use Planning

Given the challenge to communities wrestling with a shortage of child care providers, cities and counties can proactively foster the planning and development of new child care facilities as a part of their land-use planning process.

Proactive communities regularly plan ahead for expanded water and sewer systems, new parks, future schools and other public amenities. New to this equation is proactive planning for future child care facilities.

Not only can cities and counties add child care to their land-use planning agenda, but they can also take proactive measures to encourage new developers to donate land or invest in such facilities and services.

## RECOMMENDATION #8: DEVELOP CREATIVE FINANCIAL INCENTIVES TO BUY DOWN THE COST OF CHILD CARE FACILITY DEVELOPMENT

**Summary:** States and communities can be very entrepreneurial when it comes to providing incentives to attract new employers. This behavior needs to extend to the child care industry by providing creative financial incentives to incent development of new child care services. One example might be structuring loans for facility development to be forgiven after a certain period of performance (number of years providing service to a minimum number of clients, for example).

**Action:** Fund, Legislate

**Lead:** Legislature as advised by Department of Human Services

### Incentives for Child Care Facility Development

One of the greatest challenges facing the child care industry in western North Dakota is the cost of building new facilities. Given the two-fold impacts of high construction costs and high labor rates, the fees that child care providers must charge become out-of-reach for many of the families that seek such services.

## CHILD CARE SPOTLIGHT - MOUNTRAIL COUNTY

Day care is insufficient in the county, as the day-care providers need to charge such high fees that the service industry workers cannot afford the service. A new day-care facility (perhaps several) needs to be developed but locating the correct spot for such a business is a challenge. Ultimately, the lack of day care is preventing families from reuniting and the secondary labor force from establishing.

## RECOMMENDATION #9: INCREASE THE CAPITALIZATION OF THE CHILD CARE GRANT PROGRAM THROUGHOUT THE OIL-IMPACTED COUNTIES

**Summary:** During the 2013 North Dakota Legislative Assembly, the entire 2.6 million that was set aside for child care facilities was expended during the first round. It is now clear that the program should be recapitalized. This funding should not be used for staffing. Rather it should be used for acquiring property, leasing, infrastructure and equipment.

**Action:** Fund, Legislate

**Lead:** Legislature

### North Dakota Child Care Grant Program

The 2013 North Dakota Legislative Assembly allocated \$2.6 million to increase the capacity of child care throughout the state through the expansion or creation of child care facilities.

Eligible applicants could receive between \$10,000 and \$187,500 for this purpose.

Although it was anticipated there would be at least two funding rounds, demand was so high that the Department of Commerce does not anticipate accepting any more applications.

Funding was to be used to increase the full-time capacity of child care facilities. Eligible projects include the purchase and renovation of real estate, furniture, fixtures and equipment.

## RECOMMENDATION #10: STUDY THE CHALLENGES OF EXISTING STATE CHILD CARE PROGRAMS TO DETERMINE EFFECTIVENESS AND VIABILITY

**Summary:** Existing state programs have been challenged with addressing the issues described in this section. Creating a uniform system for child care entrepreneurs has been the major challenge. VWND supported and funded the Small Business Development Center's request to create a pilot program to solve this problem that other state agencies have been unable to solve. VWND, along with the state legislature, need to study the inadequacies of these agencies and develop more efficient and responsive avenues to address child care services. Study national child care delivery best practices.

**Action:** Convene, Study

**Lead:** VWND, the Legislature

### SUCCESS STORY - DUNN COUNTY CHILD CARE FACILITY

The Dunn County Child Care Project came together in an effort to both provide and expand Child Care in Dunn County. The project brought together the City of Killdeer, the Dunn County Jobs Development Authority, Dunn County, the Hill Top Home of Comfort, Governor Dalrymple's Child Care Grant pilot, the Small Business Development Center and many private businesses and citizens who provided donated services and capital.

Essentially, the Project partners provided an incubator space in which to operate a Day Care. The Project from conception to opening, took nearly one

and a half years. In the end, the most difficult part of the task was finding a qualified, caring individual willing to open and run a child care facility as a private business.

The Dunn County Child Care Project label was retired in August of 2013 when Mama Bear's Child Care opened its doors. Mama Bear's Child Care strives to hire professional staff and provide professional child care. The business management is striving to move the image of Child Care from that of just babysitting to that of a quality, safe, educational and enjoyable experience for children and families in their care. The

end goal is to create a higher perceived value of care allowing the management to compete for the qualified workforce required to provide that care.

The Child Care business model is difficult under the best of economic conditions. The business hurdles of high labor costs, escalating real estate values, strict governmental guidelines and parental expectations means this startup will likely continue to have subsidized rents and business assistance beyond the first year of operation.

## BACKGROUND

The Dunn County Child Care Project began as a loosely organized parent group, which, upon finding out that the only registered group child care provider in the Killdeer area was closing the doors, sounded an alarm in the community. This group held several public meetings and met with the Killdeer City Commission to express their concerns. Eventually, because of a genuine lack of funding and interest in opening a community-run childcare center this group dissolved and parents found their own solutions to the pending crisis.

The Dunn County Jobs Development Authority, working with a student intern through the Dickinson office of the Small Business Development Center, continued to investigate what a community center might look like and how it might run. The SBDC student intern drafted a business plan and bylaws for a proposed center. Additionally, he ran a five-year pro forma using anticipated costs associated with operation of a group child care facility. His conclusion clearly shows that the delivery of care using a traditional business model does not yield adequate cash flow. He also points out that when faced with having to pay inflated rental rates, or acquiring land and a building in a booming oil economy, plus paying staff and adhering to statutory child care ratios, the new business could not meet minimum financial obligations.

## LITERATURE REVIEW

*“Exploring the Future Needs of Child Care in North Dakota”*  
(Doctor Richard Rathge, Professor, North Dakota State University, October 2012)

- Brief overview of the context of child care in North Dakota
- To determine future child care need
- To forecast future child care provider need
- To explore challenges and begin dialogue regarding solutions

*“Meeting Tioga’s Future Child Care Demand”*  
(North Dakota Child Care Resource & Referral (CCR&R), 2012)

- This document is an example of documents for other communities in which CCR&R help is provided to forecast the demand for child care services in various communities.

*“Growing Child Care in Oil Country”*  
(Child Care Ad Hoc Committee, July 2012)

- The child care supply in Dunn, McKenzie, Mercer, Mountrail, Stark, Ward and Williams counties averages 22% of demand. Industry standards recommend the child care supply meet 50% of demand.
- To move the supply to 50%, the seven counties must collectively add 4,667 spaces over the next three years or, in very concrete terms, must add 37 centers with each center caring for 125 children.
- Given the immediacy of the need and magnitude of the shortage, capacity building efforts should focus on developing larger child care programs able to accommodate 18 or more children (licensed for group or center).
- Because child care businesses have limited cash flow to devote to loan repayments, few prospective child care operators can secure financing for large child care facilities. Addressing the severe shortage requires deep subsidy funding (80%-90% of building or renovation costs).
- Staff shortages stem primarily from low pay. Most child care staff earn minimum, or slightly above minimum wage, and receive no benefits.
- The child care industry does not have the financial capacity to respond to the growing childcare demand.

*“Child Care Aware County Profiles”*  
(Child Care Aware of North Dakota, August 2013)

- To provide a summary of the status of child care in each county
- Summary of children potentially needing child care
- Referral requests
- Licensed early childhood program type and capacity
- Annual cost of licensed child care

*“Growing Child Care in North Dakota ND League of Cities Presentation”*  
(Child Care Aware of North Dakota, August 2013)

- Current and potential demand for child care
- Types of child care
- Current and potential work force
- Building the supply of child care
- Partnering to address child care challenges
- Child care contact information

*“Child Care Grant Program”*  
(North Dakota Department of Commerce, September 2013)

- The 63rd North Dakota Legislative Assembly provided funding to assist North Dakota child care facilities. The Department of Commerce accepted applications from July 21, 2013-August 30, 2013.

- To increase the capacity of child care in the state through the expansion or creation of child care facilities
- Total funding available: \$2.6 million
- Due to overwhelming response, all of the funding was allocated in the first round.
- \$1 of local matching funds was required for every \$3 of grant funding.
- The award range was from \$10,000 - \$187,500.
- Eligibility, qualifications and guidelines are located on the North Dakota Department of Commerce website.

*“Expansion of Quality Child Care in Williston North Dakota“  
(First Children’s Finance, July 2012)*

- Williston is rapidly growing and is becoming a younger community.
- Lack of child care is inhibiting business growth, is a barrier to attracting workers and is putting stress on Williston families and employers.
- Williston hopes to not only attract short-term workers, but those who wish to make Williston their future home.
- Williston business and community leaders are aware of—and many have taken steps to increase—the supply of child care in Williston.
- There is growing, broad-based support for expanded and new child care spaces.
- The study offered four strategies to expand child care spaces: 1) expand existing childcare (48 spaces), 2) bring a child care program into existing community facilities (240 spaces), 3) incorporate the development of family group home child care into other development contracts (72 spaces) and 4) develop new child care centers (250 spaces).