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Nathan Bean
Center for Small Towns

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Responding to the Child Care Shortage:

Case Studies of Innovation in Greater Minnesota

Nathan Bean

Humphrey School Intern, Center for Small Towns

University of Minnesota, Morris

August 2018

Internship supported by funding from the Humphrey School of Public Affairs, West Central Initiative,
Otto Bremer Trust & UMM Vice Chancellor for Academic Affairs.

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Introduction

Greater Minnesota is in the midst of a child care crisis. According to a 2017 report from the Center for American Progress, 26% of Minnesotans live in a child care desert¹. Data from the Center for Rural Policy and Development shows that challenges in Greater Minnesota are distinct from those in the metro area. They identified a loss of 22,714 family child care slots in Greater Minnesota between 2006 and the end of 2016, partially offset by an increase of 7,048 center-based care slots. While the number of family slots in the Twin Cities decreased by 18,174 over the same period, an increase of 24,810 center-based slots meant the metro area gained child care slots overall. Access to child care is still an issue in the Twin Cities, but the data show a particularly concerning trend in Greater Minnesota.

The number of family providers in Greater Minnesota has been plummeting due to failures in the child care market. A key challenge for providers is that many families struggle to afford child care, and providers can't charge more than their customers can spend. Child Care Aware of Minnesota estimates the average cost of child care for a toddler in Greater Minnesota was \$195 a week in centers and \$135 a week in family-licensed care as of April 2018. That means that year-round care for a toddler would cost over \$10,000, or about 16% of the 2015 Minnesota median income, according to the Minnesota Department of Human Services. These costs are especially prohibitive for single-parent households and families with infants, whose care costs considerably more than toddlers.

These pressures can cause providers to charge less than they need to operate their businesses comfortably in order to maintain affordable care. This leads to low profitability and low wages for child care workers. Providers also sometimes cite state regulations as a source of cost and stress, but these regulations are often important for creating a healthy and safe environment for childhood development. Overall, the inability of families to afford child care limits the demand for care at prices that are sustainable for providers. In turn, this leads to fewer family providers in the market and less child care available to the families that need it.

The slow growth of child care center capacity in Greater Minnesota means that its losses of family providers are felt harder than in the Twin Cities. Centers face several key challenges when operated in smaller towns across Greater Minnesota. It's difficult for rural areas to provide a large enough market to sustain a child care center and pay for their high start-up costs. Child care centers must also meet more stringent staffing regulations than family providers. The attendance cost of child care centers is also typically higher than for family providers, and incomes in rural areas are lower than the state average. These factors combine to make it very difficult to open and sustain child care centers in Greater Minnesota.

¹ A child care desert is defined as "a census tract with more than 50 children under age 5 that contains either no child care providers or so few options that there are more than three times as many children as licensed child care slots".

Child care shortages can have a significant effect on community vitality. Lack of child care prevents parents from pursuing jobs and increases absenteeism among workers. It's also a barrier to attracting new families to Greater Minnesota. High quality care is important for early childhood development and protecting children from adverse childhood experiences which can affect them for the rest of their lives. In summary, adequate child care is an important aspect of a healthy community. To better understand the efforts of rural communities to combat child care shortages, the Center for Small Towns commissioned this report to study examples of community-driven efforts to expand access to child care.

This report features seven accessible case studies that highlight different community approaches to increasing child care access. The case studies are built on information gained from interviews with those involved in the efforts. Each case has “key words” that allow readers to quickly understand its context and model. The cases highlight the shortages that led to community efforts, what assets were available, and why communities chose the solutions they did. The options available to each community look different because of their unique assets, but the report synthesizes valuable insights that may be useful for others looking for solutions. Some of the key takeaways from the cases are summarized below:

- There are a variety of ways for communities to support or attract child care providers. Assistance can come from community members, local government, businesses, and community organizations, and there are a variety of ways interested parties can get involved besides direct financial support.
- Non-traditional child care models, like cooperative family providers and employer-supported child care offer advantages over typical family and center-based models.
- While the community solutions discussed were successful at expanding access to child care for local families, they didn't eliminate the existing shortages. This suggests community-level efforts may not be able to fully ease pressure on families and providers, and changes need to be made at the state level instead.

Battle Lake Area Child Care Center

Case keys: center, new building, community-funded

Battle Lake had a population of 875 at the 2010 census, and the center is intended to serve Battle Lake and the surrounding 8-ZIP code area. The Battle Lake Area Child Care Center will have a capacity of 42 children.

In 2015, a child care shortage emerged as a major concern in Battle Lake. The small town was known for its strong public school system, yet enrollment was declining. The shortage of child care slots kept coming up during meetings of Network Battle Lake, a volunteer group that works on community projects. Mike Henkenius, the city's economic development director and member of Network Battle Lake, took the early lead in pursuing a solution. He created Battle Lake Youth Center Inc. (BLYCI), a nonprofit that would be the nexus of the effort to increase child care access in the Battle Lake area.

Initially, Mike and other community members worked with child care experts to develop a realistic plan given the resources they had. They didn't have access to an existing building that could accommodate a provider or a business or other benefactor to finance the project. After evaluating their options, BLYCI decided to fund the construction of new child care center through a community capital campaign. They would use the new building to attract an experienced provider to the area.

Karalyn and Gary Harrington volunteered to chair the campaign, which was ultimately given the goal of raising \$755,000. The quality of the 14-person, cross-generational team was paramount to the success of the fundraising effort. It relied on their ability to make connections in Battle Lake area and convey the importance of a new child care center. Most members of the all-volunteer team donated over a year of their lives to the project. While many experienced volunteers were involved, they did not have significant fundraising experience beforehand, so working with outside experts was crucial. The team was trained by Cyndi Anderson of Mosaic Consulting in fundraising, and they had marketing materials designed by North Point Professionals.

Educating the lakes area community about the shortage was a critical first step of the campaign. The Harringtons interviewed about 25 area families to hear their personal child care stories while Reba Gilliland, a grant writer on the capital campaign team, used census data and information from area providers to quantify the need for child care. This information was featured in presentations given to groups and families about the child care shortage and got Battle Lake and other area communities talking about the issue.

The campaign didn't go public until January 2018 when 75% of the fundraising goal had already been raised. Instead, the team relied on individual "ask visits" where they met with potential donors to share the story of the campaign. The more personal fundraising style was

successful, and sustained engagement with donors led many to donate multiple times. One of their first big donations was a matching fund of \$50,000 put up by a local family, which soon grew to \$75,000 after additional support. The campaign team only matched up to \$5,000 per individual donor to build wide community involvement in the early stages of the campaign. This strategy encouraged donations from people at all levels and created a sense of broad community ownership of the center.

Collaboration with community partners was also crucial. First National Bank in Battle Lake offered free assistance and staff time while being a “Visionary” level donor, donating at least \$50,000 to the project. Their reputation also lent increased credibility to the campaign. Other area businesses also found ways to contribute. A local painting company donated 100 hours of painting, while another local business offered to handle lawn care and snow removal for three years. As BLYCI Board Member Patty Johnson said, “people might not be able to give you a check, but they’ll find different ways to show you their support.” Nearby churches made large donations and hosted events in support of the project. Other significant donations came from three area Lions Clubs, the Blandin Foundation, and West Central Initiative. The City Council of Battle Lake also got involved to offer tax incentives totaling \$104,000 over eight years.

Despite these successes, there have been challenges and difficult decisions over the campaign that forced the team to adjust their plans. Initially, Mike Henkenius planned to open a community recreation center with the hope its revenue could help pay the operating expenses of the child care facility. BLYCI bought a building for that purpose in 2015, but eventually it became apparent the plans weren’t feasible and had to be changed. Also, during the campaign, an outside consultant found that the business plan for the center was missing a few key elements, which added another \$155,000 in soft costs. The capital campaign team was able to overcome these obstacles, but they showed the importance of having firm plans done well in advance.

The groundbreaking for the new center was held on April 21, 2018, and it brought in another outpouring of donations from community members. Construction is underway, and the center is on track to be opened in the fall. Fundraising efforts still continue, as the team looks to raise the last \$130,000 needed to meet their goal. As members of the campaign acknowledged, while one stage of the project is nearing its end, another is just beginning. Reba Gilliland particularly highlighted the challenge of making the center accessible for low-income families. Sustaining a child care center in a small community like Battle Lake is difficult, but BLYCI is in a strong market position targeting Battle Lake and the 8-ZIP code surrounding area.

They’ve already contracted a provider called Tiny Tykes LLC., which runs two child care centers in North Dakota. BLYCI will continue to own the building and charge minimal rent. Attracting an existing provider with strong center management experience was important for the project and the lack of a significant mortgage payment was key to attracting Tiny Tykes to a rural area where it would otherwise be hard to operate profitably. Tiny Tykes is aware from experience it may not start out at full capacity as it takes time to find quality staff, and they can

afford to do that without the pressure of a mortgage. There are already over 20 families on the center's waitlist. In an interview with Rick Shara for Live Wide Open, the operators of Tiny Tykes revealed they eventually hope to hire 10 to 12 employees, which itself will be a significant benefit to the local economy.

Insights

- The campaign for a new facility relied on dedicated and skilled volunteers. Many of the members of the campaign were part of Network Battle Lake, a community-focused group who had worked on previous projects. Taking advantage of similar prebuilt networks would be an effective way for others to build a strong volunteer base.
- Skepticism about the feasibility of the campaign was an important initial challenge. Collaboration with reputable organizations like the First National Bank, the Blandin Foundation, and West Central Initiative were crucial to increasing the credibility of the initiative. Communities considering large child care projects should look for similar partners.
- There are many options for businesses and other community groups who wish to support child care. Many groups came up with ways of supporting the project on their own through in-kind donations and events. Encourage community partners (e.g. churches and service organizations) to find their own ways to support area child care.
- Drawing an existing child care provider to a new center offers advantages compared to starting a new organization. Previous experience running a center and dealing with regulations is particularly important given the tight business models of centers in rural Minnesota. Community financial investments like the one in Battle Lake are crucial to attracting existing providers to small towns.

Invest Early

Case keys: comprehensive, large-scale, foundation-supported

In 2017-18, the Invest Early program served 550 children in the Grand Rapids, Deer River, Greenway, and Nashwauk-Keewatin school districts across 38 classrooms.

Invest Early is the largest rural early care and education system in Minnesota. Since its start in 2005, the program has been an example of how a comprehensive, high-quality early childhood program can function in Greater Minnesota. It integrated and expanded previously separate services provided by Head Start, Early Childhood Family Education (ECFE), and School Readiness. Additionally, it partners closely with Itasca County Health and Human Services. Invest Early is primarily funded by a \$2.1 million yearly grant from the Blandin Foundation and serves children through age five. Families fill out a universal application for all the programs that are part of Invest Early, and families that are working, going to school, and that have increased needs are prioritized.

The birth of Invest Early was the result of several years of work. In 2004, the Blandin Foundation volunteered to put money toward early childhood education in the area. At the same time, early childhood educators had already been discussing how to fill gaps in their services. When Blandin put out its request for proposals to area organizations and school districts, it emphasized the importance of systems change. They didn't want to fund the various early childhood education and care programs in their current states, it wanted them to come together. Initially educators put forward a proposal where the different entities coordinated planning together, but this approach didn't go far enough. In December 2004 a final proposal that blended the classrooms and funding of existing programs was accepted and funded for \$1.5 million. In October of the next year, Invest Early officially opened 16 classrooms.

The resulting Invest Early initiative is best described as an umbrella, with the previously separate Head Start, ECFE, School Readiness, and family health programs underneath. Funding streams for ECFE and School Readiness are combined and Invest Early coordinates programming to meet the requirements for all programs. Blended classrooms integrate children from the previously separate programs into the same classrooms that must meet combined performance standards, including from Head Start. The blended classrooms create interaction between children in different programs who often come from much different socioeconomic backgrounds. In addition to blending services, the funding from Blandin allowed a drastic expansion of the numbers served and services provided.

The combination of the previously independent programs helps maximize their resources. The different programs work together to find ways to use their combined funding most effectively and can contract with each other for some services. They also divide purchasing classroom materials between themselves. Mixing the staff from each program increases the efficiency of trainings and allows programs to pool their resources to bring in speakers.

One challenge for Invest Early is attracting qualified staff from the tight early childhood education workforce. According to Jan Reindl, Executive Director of Invest Early, “it used to be we couldn’t expand because of money, but it’s getting to the point that filling classrooms with qualified teachers is a big concern.” The program has over 150 staff and has well-developed strategies for finding them. Invest Early partners with Itasca Community College and Mayville State University in North Dakota to find staff and support those getting their early childhood degrees. They also encourage current staff to continue their educations and offer scholarships to cover a portion of their education costs. Additionally, licensed teaching staff are paid on the school district salary schedule which is higher than is typically offered by centers.

The tremendous scale of Invest Early also means it’s difficult to find enough space for all its classrooms. Sites frequently move around to different buildings in the school districts, which can be costly. Invest Early started with 16 classrooms and getting them all off the ground at once was a huge undertaking. The combination of figuring out licensing, ordering materials, and hiring staff on a large scale was a massive effort. Reflecting on the process, Reindl said it would likely have been better to start smaller and grow from there. In addition, it’s likely that opening so many sites would be even more difficult now given the shortage of early childhood workers.

The comprehensive package of child care, early childhood education, and family education provided by Invest Early requires a lot of resources, but it has yielded real benefits for children who have participated. Yearly evaluations of the program show that Invest Early is effective at improving kindergarten readiness and home learning environments for children. In June 2014, Blandin extended their grant for another 10 years and \$21 million, its largest grant ever. In recent years the program has been able to slightly reduce its reliance on the Blandin grant using voluntary pre-K funding from the state. The ongoing funding from Blandin makes Invest Early unique, and high start-up costs make replicating this model difficult. However, it stands as an important example of how small towns can develop high-quality childhood education programs, and the resources that takes.

Insights

- Program evaluations of Invest Early, in addition the state and national level research, give evidence that comprehensive early childhood education provided through programs like Head Start and ECFE have real benefits for children.
- The level of support Invest Early receives from the Blandin Foundation may not be possible in all areas. However, this support reflects the true costs of providing high-quality education, and its benefits, in addition to basic child care.
- Finding qualified staff remains a huge hurdle for early education and child care providers. Forming partnerships with colleges that offer early childhood degree programs can be a successful way to deal with this challenge.

New York Mills Child Care Project

Case keys: pod model, public-private partnership, existing building, planning stage

New York Mills had a population of 1,227 at the 2010 census, and the future child care site will serve children from the local population and nearby communities.

Ongoing efforts since 2016 to increase child care access in New York Mills have brought together city and county agencies, prominent local businesses, and the Mahube-Otwa Community Action Partnership to work toward a solution. After two years of exploring potential options those involved are still evaluating the most cost-effective solution. While the exact outcome of the project is still in development, the innovative approach by the partners offers valuable lessons for other communities.

One of the first options discussed in New York Mills was building a traditional child care center. However, over time it was decided a center wasn't best option due to many common reasons centers are hard to operate in rural areas: high overhead costs, staff requirements, and fluctuations in enrollment. Ultimately, those involved decided to pursue an innovative approach to providing child care: a cooperative family model, or "pods". This model allows multiple family providers to operate in one location. Doing so lessens some of the burdens imposed by a center license, while creating more slots than a single family provider. According to Michelle Wilkowski, the Head Start Director at Mahube-Otwa, the adoption of the pod model "was a huge mindset change. Often people first think of centers, but it's very hard to run a profitable center in rural Minnesota."

In the proposed system each provider operates out of the same location, but they have their own separate space and are self-sufficient. A family care license lessens many of the requirements imposed on centers, while having multiple providers offers a high number of slots. The pod model also offers advantages over traditional in-home care. Having to work in-home can both dissuade providers from getting into the business and cause them to quit. Expensive remodeling can be necessary for some homes to meet regulation, and child care can lead to significant wear-and-tear on a home, not to mention privacy issues for families. Operating outside of their homes can be attractive for family-licensed providers.

Housing multiple providers in the same building also leads to some centralization of services. It creates a network for providers to prevent them from feeling isolated, makes training more accessible, and helps connect them with outside resources. It also makes it more likely families with multiple children can drop them off in one location. Overall, the cooperative model can offer both financial and quality advantages over traditional types of family and center-based care.

The cooperative family model also brings some challenges. One of the most important has to do with providing food. Based on the current interpretation of child care food laws, family

providers that operate outside their residences must rely on the food subsidy program used by centers instead of the one used by family providers. This program is more cumbersome, and can take several months to enroll in. During the wait, providers must provide food without the subsidy. Providers can also be forced to cater instead of making their own food, which is more expensive. Finding a viable source of catering can be an obstacle, but partners in New York Mills have a tentative plan worked out with a local restaurant.

This model has been made possible by the widespread interest from different entities in New York Mills. Plans aren't totally settled yet, in part because uncertainty about where the final location for the facility will be. The leading candidate has been the county office building, located in the old high school. Only a small portion of the building is currently occupied. Renovations would be necessary to meet child care regulations, which would be primarily funded through city bonding money. Part of this funding would be spent putting in a secure entrance, building a playground attached to the facility, and creating an inside playroom for winter months. The renovation costs have proved expensive, especially because of the old, concrete school building. While using the county building is appealing because it's underutilized, the city is also exploring another building that could be developed by the housing authority. Otter Tail County Communications and External Relations Director Nick Leonard expressed confidence about the plan, and emphasized it was just a matter of finding the most cost-effective option.

The current plan for the county building includes renovating the space for two child care rooms, with the hopes that capacity could eventually expand further. Based on current plans, Mahube-Otwa would hold the contract and lease the space to the providers. Mahube-Otwa would then cooperate with participating area business to financially support the rooms. The outside financial support would greatly reduce the provider's rent payments to make operating in a commercial building viable. Another possible way local businesses might contribute would be to guarantee a number of slots, meaning they pay tuition for an empty slot for a short period while providers look for a new child. This would help guard against swings in revenue that can make the difference between sustainability and losing money.

This approach depends on buy-in from different sectors in New York Mills. The collaboration allows the participants to each take on an important role, rather than leaving all the responsibility to a single group. Supplemental funding by the partners in New York Mills will help ensure it's more feasible for providers themselves to profit, and reflects a growing recognition that communities have an important role to play in child care.

Insights

- The pod model of child care offers advantages over traditional center and family care license for providers, children, and parents. Innovative child care models like the pod model are still unfamiliar to some people involved in child care, making spreading awareness important.
- Having access to unused building space can be an important asset for a community looking to open a new facility. However, complying with child care regulations often requires renovations that grow very expensive, meaning using an existing building may not always be the best option.
- The large number of participants in the project creates a system of shared risk which makes major investment more feasible. While taking on the entire burden of the venture might be too much for one party, the collaboration allows for each partner to contribute what they can.
- The large network of partners also makes the process more time-consuming and requires more coordination. While the number of different perspectives can improve the depth of conversations, it can also mean the solution will occur over a longer time frame.

C's Montessori Home Daycare

Case Keys: family provider, tribal license, low-income community

C's Montessori Home Daycare is located in Red Lake, which had a population of 1,731 at the 2010 census. It currently serves 19 full-time children from around the local community.

Cheryl Thomas runs C's Montessori Home Daycare in Red Lake, Minnesota. She holds a tribal license and plays a crucial role for the children she cares for. Nearly all of the children who attend C's qualify for child care assistance, and many are foster children. The building is currently being expanded so it can serve up to its capacity of 30 children. C's success in a very difficult child care market has been made possible by the dedication of the Thomas family and drawing on connections within the Red Lake community.

When Thomas and her husband, Greg, first decided to open a business, their initial thought was to open a coffee shop. Thomas worked with Red Lake-based 4-Directions Development on a business plan and financing for the coffee shop which opened in February 2013. She had provided in-home child care between 2000 and 2004, and the new coffee shop building was purposely designed to be functional for child care as well. Soon after opening the new business, the Thomas family decided to transition away from the coffee shop and into providing child care.

C's offers key services for children who often come from low-income backgrounds. For foster children, it's a place to call home and build caring connections. It also offers discounted or free services to families in need. C's is open seven days a week and is licensed for 24-hour care. There aren't many families that take advantage of the late hours offered, but C's still provides care for several children who arrive early and stay as late as midnight. Thomas says she places an emphasis on teaching her children life skills and offers the older ones opportunities to do things like clean up around their area to earn rewards. The Thomas family doesn't live on location, and said she appreciates being able to go home after work is done. Two of her employees, who were previously looking for a job, now live on-site and provide care for the children. She currently has four additional employees who work part-time. The important services provided at C's for little cost to parents are an important example of essential work done by child care providers, but for which they receive little financial reward or recognition.

C's is 2-Star rated by Parent Aware, the quality rating program for child care used in Minnesota. Thomas said a big reason she initially pursued the opportunity for certification by Parent Aware was for increased recognition of the important work C's does. The certification offers privileges, including \$4,000 scholarships for low-income families, which are important to the success of the center. C's also received a \$2,500 grant for attaining 2-Star status which is being used to expand the playground outside of the building. C's is on track to be 3-Star rated by December 2018, and Thomas' long-term goal is to become 4-Star rated.

C's is in the process of adding onto the facility to meet the need in Red Lake. Building an addition to the current facility wouldn't have been financially possible, but the tribal government donated a three-bedroom housing unit to C's that can be connected to the existing building. Connecting the two is being done on a budget of \$3,500, much smaller than the cost of building a new addition. The expansion will create the space for C's to serve up to the 30 children it's licensed for and allow the addition of a dedicated soothing room for children with developmental delays, who sometimes require more attention than others. When completed it will also create three new staff positions, two of which have already been found. C's received important assistance from the Youthworks volunteer group remodeling the interior of the addition, and Thomas says she works on the project on free nights and weekends and receives essential support from her husband, who co-owns the business.

Community connections like the one that resulted in the housing unit have been very important for C's. Thomas has built connections with many in the community including the local schools that bring in donated materials. Much of her materials are either donated or come from garage sales. These connections are a very important source of support and reflect the important role C's plays in the community. 4-Directions Development, the nonprofit agency that helped Thomas start her initial business, identified child care as a barrier for attendance to its classes about financial literacy, entrepreneurship, and other topics. They reached out to C's for assistance, and Thomas agreed to offer part-time care for children that attend those classes. The relationship between the two organizations is a perfect example of the role child care can play in community development, and vice-versa.

C's plays a key role in the Red Lake community, creating a positive environment for children and working with organizations like 4-Directions Development to help parents as well. There is a continuing need for child care in Red Lake and the surrounding area, and Thomas said she would love to expand to other locations if she had more resources. Being a child care provider in a low-income area like Red Lake requires dedication and often a willingness to offer uncompensated support to families. This support is crucial for children but makes it more difficult for C's and other providers to make a steady profit. Support and recognition for providers that play such a key role in their communities remains important for morale and financial sustainability.

Insights

- Smaller types of assistance from communities through donations make a big difference for providers operating on a tight budget. It's valuable to connect providers with outside resources if they haven't made those connections themselves.
- It's very important that providers feel recognition for the important role they play in their communities. There are many ways to recognize providers, which can be a low-cost but valuable source of aid.
- The relationship between C's and 4-Directions Development is a great example of connection between child care and community development. Providers can benefit from the business expertise development organizations, while community development depends on adequate child care.

Cougar Cub Child Care Center

Case keys: center, school district, dual-purpose facility, fast build

The Cougar Cub Child Care Center is located in Franklin, which had a population of 510 at the 2010 census. The center has a capacity of 43 children and is intended to serve the local population as well as nearby communities like Morgan, Fairfax, and Bird Island.

The City of Franklin had an immediate child care crisis in 2015. Three of the town's four child care providers had recently closed. The number of providers in nearby communities had been decreasing as well. Faced with a significant problem for parents and the school district, community leaders came together in December 2015, to figure out a solution.

The school district's first effort was to encourage new family providers to fill the gap. They offered to assist those looking to get into the business but couldn't attract any new providers. After that, those involved explored several options for a new child care center. An initial idea was to add child care facilities onto the Cedar Mountain High School in Franklin. However, strict regulations about building onto the school made that option prohibitively expensive and also ensured the project would take too long to approve and build. Further effort went into looking at houses and commercial spaces that could be adapted into a child care center, but none of them were large enough to accommodate the number of children the center would ideally serve.

After these options were exhausted, it became apparent the most cost-effective option was to construct a new building for the child care center. Those involved formed Franklin Industries Inc. to coordinate the finances of the project. This effort was a huge commitment by those involved. Joe Sullivan, a member of the Cedar Mountain school board and Franklin Industries, estimated he spent around 1,500 hours over the winter of 2015-16 researching regulations and building designs to make the center feasible. The City of Franklin had an existing interest in building a community center, so when plans were made to construct a new child care building they decided to include a community center as well. Franklin Industries finalized the plan to construct a new building divided between the child care and community centers in March 2016, in collaboration with the city, county, and school district.

Moving quickly to meet the immediate need for child care, Franklin Industries financed the center over a one-month period once the plan was finalized. They received both a grant and loan from the Renville County EDA along with an additional commercial loan. The school board used a lease levy to help finance their part of the building as well. The overall cost of the portion of the building used for child care was \$725,000. Ground was broken for the new building on June 22, 2016 and the center opened that fall.

Franklin Industries currently maintains ownership of the building. The school district leases and runs the child care center, while the City of Franklin leases the community center. The school district put down an earnest money deposit on the lease, paying a portion of their future rent up front. The current lease agreement for the child care center is 15 years, and the school district will have the option to buy out the lease afterward for a small payment.

The child care center takes advantage from the synergy between the two halves of the new building. The children can frequently use the community center as an expanded space for activities when it's not in use. In addition, Judy Rose, the center's director, noted that the connection helps create a sense of community around the child care center. The arrangement also allows the center to minimize some costs. For instance, the child care center takes care of the grass maintenance while the community center deals with snow removal.

The involvement of the school district is highly beneficial to the center. Human resources staff from the district take care of duties for the center and food for the children is made at the high school. The children have access to free transportation to school summer programs and the pool. Maybe most importantly staff at the center can better coordinate their curriculum with the district so children enter school more prepared.

Sullivan estimated it would take the center around three years after opening to break even at as it reaches capacity. While the center is licensed for up to 43 children, it was designed to allow for future expansion. There is still some need in the Franklin area, especially among infants, but Franklin's response to its child care crisis is an example of how a small town can quickly improve a child care shortage.

Insights

- Once again, the involvement of dedicated and skilled volunteers was essential to the completion of the project. The commitment of Sullivan and other members of Franklin Industries was crucial to the construction of the center.
- A good strategy for cities and school districts is to first pursue helping family providers before considering opening a new center. Helping family providers requires less investment and leaves the door open for future projects if unsuccessful.
- Local school districts are an important partner to consider for child care efforts. In addition to being a significant source of funding, coordination with school curriculum and opportunities can be valuable for enrolled children.

Little Peeps Gardonville Family Daycare

Case keys: family license, employer-based, existing building

Little Peeps has locations in Brandon and Evansville, with respective populations of 489 and 612 at the 2010 census. It has a capacity of 28 children across its two locations.

Gardonville Cooperative Telephone Association formed a committee in 2014 to explore entering the child care business. A number of their employees were pregnant, and the company was cognizant that some family providers in the area had recently shut down. It became clear to them that child care was an important need for the community they could provide, and it would help attract and retain employees as well. Gardonville quickly decided to pursue the opportunity and opened Little Peeps Daycare in Brandon in September 2014. In response to continuing demand, Little Peeps expanded to a second location in nearby Evansville two years later.

Gardonville was able to adapt an old company office building in Brandon into its first child care facility. The unused building was near its current offices and only required minimal remodeling, including the addition of a kitchen. The unused building was crucial to making Little Peeps feasible. Gardonville initially explored opening a child care center, but after digging into the regulations opted instead for an employer-based family child care license. That option entails less complicated regulations and requirements, making it more accessible for a business getting into child care for the first time. Gardonville's Kayla Bitzan said starting smaller with a family license was a good way for them to "get their feet wet".

Even with the Brandon location at full capacity there was still a continuing need for child care in the community. Gardonville once again took the lead in finding a solution and reached out to other local businesses to gauge their interest in getting involved. Ultimately, both Brandon-based Voyager Aluminum and Brandon Assisted Living contributed to support a second Little Peeps location. The owner of Brandon Assisted Living had access to an unoccupied home in Evansville, and he agreed to rent it to Little Peeps. Voyager Aluminum contributes to the rent payment for the Evansville location. Both locations are currently at their maximum capacity of 14 children.

Little Peeps benefits greatly from Gardonville's role in the operation. Gardonville rents the building in Brandon to the nonprofit at a negligible rate, removing a major source of financial pressure. It takes care of some important services for Little Peeps including financial booking, accounting, and payroll. They also organize and pay for all staff trainings. In return for their investment, Gardonville employees have first access to available slots. While Little Peeps is currently subsidized, it's their eventual hope that it won't require financial assistance. There is still interest in pursuing a center-based model in the future, now that Little Peeps has some child care experience. Consolidating the two locations into a single center could make Little Peeps more profitable in the future. The change would cut down on the duplication of building costs while bringing staff together in a single location.

The biggest challenge for Little Peeps is a common one, attracting and keeping staff. In addition to the director position, Little Peeps currently employs eight staff who work a mixture of part-time and full-time hours. One barrier they've found especially difficult is waiting for the county background check process to be completed for new employees. It can often take up to 6 weeks, too long for staff that need to start the job right away. According to Little Peeps director Kristen Lambertson, who runs both sites, they previously had to close one of their two locations for a couple weeks due to lack of staff. To combat the problem Lambertson has offered sign-on bonuses for new staff, which have sometimes been effective.

Gardenville's support of Little Peeps is a valuable example of how businesses can take a leadership role supporting child care in their communities. They've financially supported Little Peeps and also drawn other community partners to the issue. About $\frac{3}{4}$ of the children served by Little Peeps have parents that work for Gardenville and the service is great for employees. That has made Little Peeps a valuable investment for both the business and community. Despite the impact of Little Peeps, Bitzan said there's still a shortage of child care in the area, leaving the door open for future community solutions.

Insights

- While licenses for center-based care are appealing because of their large capacity, a family child care license can be a good way for a new organization to enter the child care business. Simpler regulations typically mean less confusion and a smaller initial investment.
- While Gardenville hopes Little Peeps won't require subsidies in the future, it's clear that interested businesses need to be willing to spend money initially if they step into the child care business. Child care needs to be seen as a workforce and community investment, rather than a profit-making venture.
- Child care providers must continue to find ways to attract quality staff. Low average wages for child care workers will ensure this remains an issue in the current market, both for centers and family providers.

The Bear's Den

Case keys: center, employer-based, retrospective

The Bear's Den child care center was located in Merrifield, which had a population of 140 at the 2010 census. It had a capacity of 60 children, and served employees of Clow Stamping and communities in the Brainerd Lakes area.

Clow Stamping, a manufacturer based in Merrifield, opened its own child care center in 2001, before the current wave of attention towards the child care shortage in Minnesota. They did so in response to employee needs and a desire to benefit the broader community. In 2004, they stopped directly providing child care and rented their facility out to a nonprofit. When that provider ended its tenure there a couple years later, Clow Stamping couldn't find another interested provider and decided not to get back into the business. This retrospective look at an employer-based child care center illustrates some of the advantages of employer-led care and offers lessons for future businesses.

Clow built an on-site facility in 2001 to house a center with a capacity of 60 children. They designed the center themselves after visiting several successful examples of employer-run child care. It was open between 5:30 a.m. and 10:30 p.m. to accommodate the company's early and late shifts and Clow employees received preferential access to open slots at the center. The Bear's Den was full for most of the time Clow ran it, and about $\frac{1}{3}$ of those served were employees. The new on-site facility was particularly utilized by employees who were just starting their families. Those with existing care arrangements generally didn't switch to the new onsite center because they had strong preexisting relationships with their current providers. The Bear's Den also offered part-time, drop-in care, which was in high-demand from employees and the community. This was especially important for combating absenteeism. Clow didn't view their child care as a profit-maker but as an important service. Despite that, the Bear's Den operated near even because it was usually full and offered flexible, quality care.

However, in 2004 Clow Stamping decided to stop directly providing care. The biggest reason they did so was the commitment it required. The company was in the midst of a busy time and were short on staff. Both Clow Stamping's current personnel manager Tywla Flaws and current HR Generalist Robin Loftis spent a significant amount of time scheduling, collecting payments, and figuring out regulations in addition to their normal duties. They estimated Clow would need to hire two additional human resources staff if they got back into the child care business. The facility was put up for bids so another provider could step in. The center was still full, and Clow planned to charge negligible rent for the facility if its employees continued to receive preferential treatment. This arrangement put any new provider in a strong position, and a nonprofit provider some stepped in and renamed the center to the Precious Years Learning Center. However, after a couple years the nonprofit left the business during an economic

downturn and Clow couldn't find another provider to take over the facility. Clow Stamping didn't have the intention to step back into their previous role, so the center officially closed.

Clow Stamping's business background was an important asset for them while they ran the Bear's Den. Their experience helped them run the center efficiently, and they were willing to offer things like part-time care that the future provider wasn't. The Precious Years center hadn't been as full as its predecessor because of the economy but also likely because it offered fewer services. The large size of company also helped the Bear's Den overcome financial hurdles. A frequent obstacle for centers during the time the Bear's Den was open was the month-long wait time in reimbursement from the Child Care Assistance Program. The delayed payments were a financial strain on many providers, but Clow Stamping's large incoming cash flow lessened its impact.

Clow Stamping also used its preexisting relationship with nearby Central Lakes College to attract staff from the child development programs there. They paid above minimum wage and offered annual reviews with raises for center staff. They made a practice of not sending staff home when the facility wasn't totally full, instead having them do other work around the center. All of these policies helped them attract qualified staff, and there was never a problem finding employees for the center.

Robin Loftis, former director of Bear's Den, suggested that if they had to do it again they would have seriously considered opening with a family license rather than as a center. She said a cooperative model with multiple family providers located in the building would have been appealing. The less stringent regulations for family providers would have made it easier for Clow staff to manage the facility and a cooperative model would have still offered a high number of child care slots.

Even though Clow decided to get out of the child care business, it had positive effects for them. It created a stronger connection between the company and community and created fun opportunities for children like Trick 'r Treating through the Clow offices. It was also valuable for employees, and Clow Stamping was named Employer of the Year by Minnesota Business & Professional Women because of their onsite child care. Several years after the center closed, Clow Stamping turned the building into a fitness and training center for employees. According to Tywla Flaws, there's still a need for child care in the area, particularly for employees who work late shifts and those who need last-minute care.

Insights

- Similar to the Little Peeps example, a family license can offer an accessible starting point for employers thinking about entering the child care business. The cooperative, pod model of family care also creates the option for employers to serve more children while having a family license.
- Entering the child care business is a huge commitment. Employers who wish to provide care will likely need to hire additional employees beyond the child care providers to oversee the facility.
- The financial acumen of employers can be an important asset in the child care business. Their expertise can be a key factor that makes sustaining a center possible in Greater Minnesota.
- Part-time and last-minute child care options are some of the most important for combating absenteeism among employees, but they often aren't available.

Conclusion: Lessons for Small Towns

These seven case studies demonstrate there are a variety of ways rural areas in Minnesota can combat the child care shortage. While not exhaustive they present a range of viable approaches that rely on different models, community assets, and community organizations. They also make it clear that community support has been essential to providing needed child care in many Minnesotan communities. Without financial support, like reduced rent or subsidies, providers would have difficulty operating profitably in small towns. The involvement of employers, local government agencies, community organizations, and everyday citizens demonstrates a recognition that child care shortages are a severe threat to the vitality of rural communities.

There's no question that many of the initiatives discussed require significant resources. Supporting a provider is a big financial investment for a small community, not to mention supporting comprehensive early childhood education like the Invest Early program. However, support from so many different community sectors shows growing understanding of role of communities can and should play in supporting the essential child care services. Child care is increasingly being thought of as more of a public good, like K-12 education. This mindset shift is especially important given the continuing gap between what parents can afford to pay for child care and what providers need to be sustainable.

While most of these examples focus on large-scale efforts to expand access to child care, there are a variety of smaller ways communities can support providers as well. Many communities may not be able to afford new centers like in Franklin or Battle Lake, which makes support for in-home providers crucial. Small grants or donations of supplies can be important to a provider struggling to break even. Scholarships for low-income families can make it possible for them to get quality child care. Even increased recognition of the essential work done by providers can be a valuable way to support their efforts. These methods of support deserve more discussion than is featured in this report. Fortunately, Minnesota organizations are expanding the help they offer for child care providers. The six Minnesota Initiative Foundations organize the Minnesota Early Childhood Initiative which helps form local early childhood coalitions and connects them to outside resources. Through its Rural Child Care Innovation Program, First Children's Finance lends its financial expertise to communities looking to undertake projects like those mentioned in this report. These organizations and others are valuable resources for communities across the state.

All the efforts covered in this report significantly increased access, or will increase access once finished, to child care in their areas. Yet in all these examples, those involved indicated there was a continuing need for additional child care in their communities. Even after significant projects, providing enough quality, affordable child care was still a challenge in these small towns. This is especially true for certain types of care, like infant and part-time care. Continuing shortages of affordable care suggest it will be difficult to meet the child care needs in many small

towns without fundamental changes to child care market that make it easier for providers to operate profitably while remaining affordable for families. That could involve changes in state-level policy, or more natural market shifts as unemployment decreases and demand for child care continues to rise. Low wages and few benefits for child care workers are also a consistent problem that puts stress on child care staff and limits workforce size. Wage support could offer one solution to this problem and remove another barrier to affordable, quality care in many communities. The Minnesota Legislative Task Force on Access to Affordable Child Care released a report with recommendations for policymakers in January 2017, which offers a good overview of potential changes. While more work needs to be done, these case studies showcase how small towns have addressed the child care shortage and offer lessons for future communities to consider.

Appendix: Provider Information

Battle Lake Area Child Care Center

Capital Campaign Co-Chair Karalyn Harrington (651- 260-6756)

<https://www.buildchildcare.com/>

Invest Early

Invest Early Main Contact Line (218-327-5850)

<http://www.investearly.org/>

New York Mills Child Care Project

Nick Leonard, Otter Tail County Director of Tourism and Economic Development (218-998-8057)

C's Montessorri Home Daycare

Coowner and Cheryl Thomas (218-308-3703)

Cedar Mountain Cougar Club Child Care Center

Director Jody Rose (507-557-2254)

<https://www.cms.mntm.org/domain/314>

Little Peeps Gardonville Family Daycare

Little Peeps Main Line (320-524-7337)

<https://www.facebook.com/littlepeepsmn/>

Clow Stamping (former owners of the Bear's Den)

Tywla Flaws, Director of Human Resources (218-765-3111)

<http://clowstamping.com/>