

Addressing Rural Child Care Needs

In Iowa

May 5, 2022



Hello I am Angie Rae Duncan, Senior Business Development Specialist with First Children's Finance. Thank you for joining the Iowa Rural Development Council May Zoominar.

There is a lack of child care in many Iowa communities and as you may be aware of or have heard before, Iowa is one of the top states for the percentage of families that have all parents in the workforce. Through community surveys we conduct as part of our work at FCF we often hear the complaints from both parents and employers of individuals being affected by child care including not participating in or having to leave the workforce, having to take a child to work with them, and businesses experiencing lower productivity and even absenteeism—especially at a time where all industries have workforce shortages. Rural Iowa communities in particular are wondering how to move toward right-fit solutions. And that is why we are here.

First Children's Finance



National Nonprofit

Mission: Grow the supply and business sustainability of excellent child care

Community Development Financial Institution (CDFI)

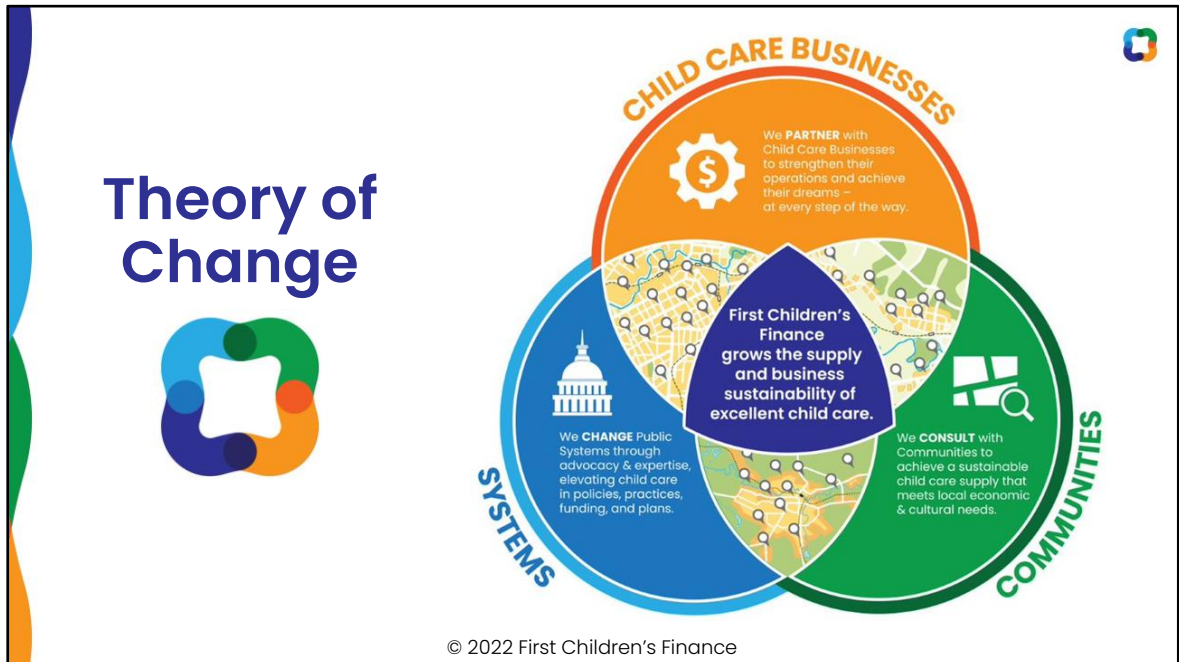
Expanding economic opportunity for underserved communities through financial services and access to capital for child care.

Regional Office in Iowa

Training, coaching, consulting and partnering to carry out our mission throughout the state of Iowa.

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- Updated mission statement. Better reflects the work we do. Much shorter and easier to use.
- We are part of a national nonprofit headquartered in MPLS. Approximately 30 people who are a constant resource on the business of child care.
- We are a Community Development Financial Institution. We can provide loan funding and grants. I'll talk more about that in a minute.
- We have state offices that focus locally, currently in Minnesota, Michigan and Iowa.
- Our work in Iowa is funded in part through Iowa Department of Human Services, Northwest Area Foundation, and USDA Rural Development.



Our theory of change says that in order to achieve real change to advance our mission and the child care industry, we must work on three levels.

1. We work to strengthen the business-side of child care operations. We offer business training, coaching, consulting, TA and for child care centers and homes. And as a Community Development Financial Institution or CDFI, we have a few revolving loan funds to provide financing.
2. We help Iowa communities. We conduct market studies for cities and counties, we offer financial modeling for future projects, and facilitate strategic planning to help communities reach their best possible child care solutions.
3. We help to inform and improve child care systems. We partner and serve on committees state-wide and locally. Currently, I serve on the State Child Care Advisory Committee and on the Early Childhood Iowa Professional Development Leadership Team.



Child Care Project Development

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There are many ways a community can approach addressing child care, today we will look at 3 simple steps you can take to fill your local needs.

We will send Bill the slides to share so no need to try to write everything down if you are taking notes.



Child Care Project Development



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1. Learn- Collect and understand the data
2. Prepare- Develop your strategy/model. Engage community, including current child care providers
3. Act, only after you've learned and prepared should you act.



Learn



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LEARN: Build your base of knowledge of the child care in your community and successful approaches that will provide pathways to filling your community's needs.

Collect and understand the data.

1. What is really needed?
 2. Community studies- just like you would do for housing
-
1. Take a look and learn about your local child care market, as well as parents needs
 2. Along with the antidotal stories you hear or personally experience, make sure you have facts to quantify the need,
 3. Build understanding from other communities' experiences

I am going to share a few examples of data that can be useful when you are learning about the child care environment within your community. FCF has conducted Child Care Market Analysis for several years in many communities in Iowa. The next few slides are aggregate data from studies done across the state over several years.

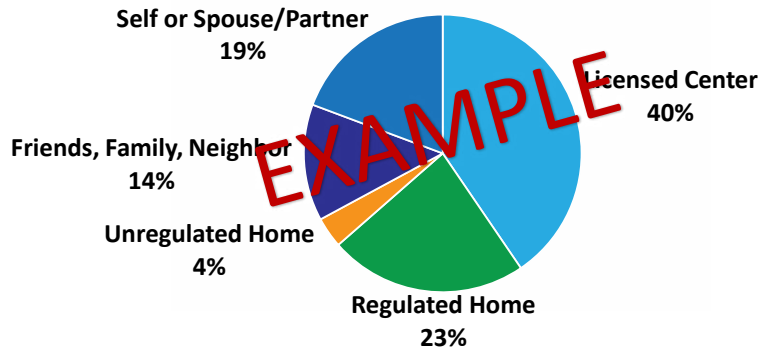
TRANSITION: As I show you these next slides I need to stress this is read data. It is an

aggregate of a handful of communities and some of the data is as old as 2016, therefore it is not usable as-is. In addition, we know a lot has changed then both in the child care industry and within Iowa's workforce over the last 2 years.



Learn Example- Preferred Child Care Settings

FCF research shows, parents prefer...



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Parent surveys conducted by FCF in Iowa, from 2016-2019 show us that...



Learn Example- Timing of Child Care Needs

FCF research shows, most parents want care year-round...



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Parent surveys conducted by FCF in Iowa, from 2016-2019 show us that...

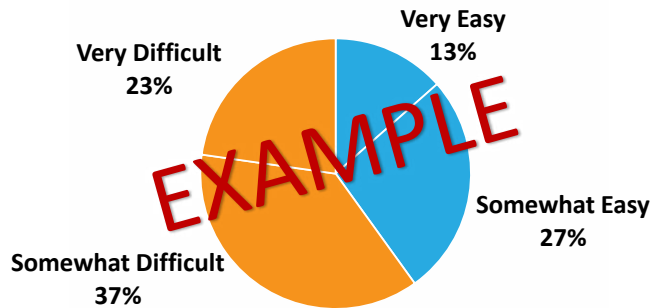
Another parent preference we like to look at is, when parents would like to use care. Due to several factors including their own job or availability of other family members, not all parents want "outside" child care all of the time.

Here you can see there is a good share that only want care during the school year, they don't need summer care.



Learn Example- Finding Child Care

FCF research shows, parents have difficulty finding child care...



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Parent surveys conducted by FCF in Iowa, from 2016-2019 show us that...

Overall 60% of parents indicated that finding child care had been difficult on some level.

Prepare Engage the Community



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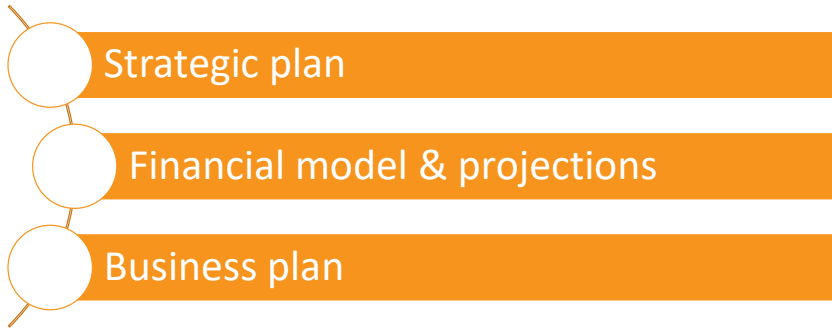
Prepare- Preparing is even a process in itself.

Develop your strategy/model. Engage community, including current child care providers

1. Awareness- Keep sharing the information collected from the learn phase.
2. Leaders- Don't overlook current child care providers. Take community members, a lot of great resource providers and partners that work on state or regional level, but need to have individuals that have invested interest and will stick around for long-term.
3. Communication- Keep everyone involved informed, also keep community up to date as much as possible. Rumors can kill a project, be sure the information comes directly from you.
4. Clear Roles- Two extremes are too many cooks in the kitchen, and everyone expecting someone else to do it. In either case can become problem.
5. Trust- Trust the process, trust the leaders, let your actions be trustworthy to gain support.



Prepare Develop Your Strategy



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Prepare before you act. **Develop the model or strategy that is right for your community**

Like that saying measure twice, but once. This step is where efforts are made that could help you avoid mistakes. FCF has seen some cases of acting happening before preparing, such as designing the building, then finding out the business model was not feasible or didn't align with efficient operations, resulting in more money being spent to make changes.

1. Strategic planning- just like you would do for your community or organization. Use the data you collected to be sure what you are planning fills the needs of parents and local employers. As a community you can't be everything to everyone, but you can do best to offer a variety of options.
2. Business planning if you are starting a new program. Good financial projections is often the hardest component, and not having them can be the biggest mistake.
3. Allow plenty of time to prepare before acting. The most stable projects tend

to take time, sometimes even years to get off the ground.

TRANSITION

I want to share a few successful models that FCF has worked with directly. Examples are center-focused because that is what most communities can get buy-in to support and invest resources in, vs. a home-based provider that is a sole proprietor. Communities need options for parents and most child care markets have room for both.



Successful Child Care Strategy: Expand What Already Exists

- Efficiencies from governance down to day-to-day operations
- Build on an already established good reputation
- Iowa allows a child care business entity to license more than one location (building/facility)



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Chose the path of least resistance. There are many benefits to starting with your existing infrastructure and expanding, rather than starting from scratch. This could be an existing business in a different industry adding child care (like the employer-sponsored care), or an existing child care program expanding to add more spaces or another location.

Of course, the steps it takes to establish a new company whether that's for-profit or nonprofit can take time. Deciding on policies, getting handbooks together, etc. all take time. And then the regulatory process for a facility to be approved for licensing can take months. (120 day application period per DHS handbook).

In Iowa, a child care business can have more than one location. There could be cost savings, such as the same director, which is typically the highest paid employee, oversees two centers. There would still need to be an on-site supervisor when the director is at the other site, but this person would have lower wages, and can spend the remainder of their time in the classroom.



Successful Child Care Strategy: Co-Locate



- Legal contract between partners
- Clear expectations and regular communication
- Shared philosophy and values
- Child care provider committed to operating a financially sustainable business

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FCF has worked with multiple child care programs that are their own business entity, but located within another business—such as nursing homes, churches, and even school buildings. Over the last 5 or so years we saw umbrella organizations like hospitals get out of child care, in part because the Affordable Care Act made it more difficult. However, in the last year or this has started to turn around and those larger organizations are becoming a player again, in part because they need the child care for their own workforce.

When the right partnership for co-locating can be developed, both entities benefit. The landlord is often an employer and their workforce will have easier access, and sometimes both entities can expand their programming, such as intergenerational programming between nursing home residents and children.

Considerations & Keys to Success

- As separate businesses, it is critical to have a contract developed with legal counsel.
- In one of the examples FCF has worked with, the nursing home completed renovations to meet child care licensing standards, provides space and utilities at no cost to the child care program, and they pay for worker's compensation and liability insurance, provides meals. In exchange, the child care program prioritizes nursing

home staff for enrollment and charges them a discounted tuition rate.

- Major consideration is that the child care program might be at the mercy of the landlord and could be displaced if they later decide they need the space back.
- Good option when an employer has space on-site but can't or doesn't want to get into child care.



Successful Child Care Strategy: Employer Sponsored Child Care

- Think of as an employee benefit
- Realistic expectations regarding expenses, don't expect child care to become independently profitable
- Excellent working relationship with the licensor to create innovative options within the child care licensing regulations



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Employer-Sponsored child care is being discussed a lot right now and it can be a great solution. As you talk about or consider employer-sponsored care, keep in mind there are several ways to do this and the only limitation really is what the employer is willing to do.

Some ways FCF clients have worked with employers—or employers we have worked with have started their own child care are:

- Employer adds on and operates like another department
- Employer starts separate company but oversees operations
- Lease space and maintain very little involvement
- Hire management company to come in and operate, paying a fee to them (Bright Horizons, Kindercare are well known, many others out there).

Common Considerations & Keys to Success

- Company views child care as a benefit to its employees
- Employees of the sponsoring company receive discounted tuition and/or preference on the waiting list
- As employees of the sponsoring company, child care workers are typically eligible for the same benefits as all other employees

- To be successful, the employer has to be prepared to take a loss. Often is highly subsidized by employer, but might be a tax write-off
 - One FCF client which was a construction company, decided they would offer child care to their employees as long as the tuition could cover all costs except the “center director”, whose salary was covered by the company’s revenues from their construction projects.



Successful Child Care Strategy: Partnerships & Support



- Partnering for “shared services” can be easier in rural Iowa
- Clear agreements and role definition needed
- Support is more than funding
- On-going financial support is as important as start-up or capital campaign

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Often communities naturally form partnerships and support each other, but successful child care models may need a little more than other community initiatives. This photo shows a child care center director that's a mastered partnerships and support, which has lead to securing tens of thousands of dollars and donations over the years, allowing the program to make many improvements and helping them even eliminate some expenses.

Share Services Examples-

- A local hospital performs payroll functions for the non-profit child care center.
- A local hospital, who already orders bulk supplies, sells the non-profit child care center certain supplies (such as gloves).
- Back-office type functions especially helpful for child care centers (director doesn't have time or often experience to do it all)
- Child care providers, both homes and centers, can go together for bulk purchases or sharing

Support is more than funding- In-kind examples

- City performs lawn mowing and sow removal for child care center
- Local business donates leftover materials for use/fundraising potential (ex. Linda's

greenery swags)

- City EMS/Fire allows child care staff to participate in CPR/First Aid training
- School allows child care center to use cafeteria/gym or other space within facility

On-going funding support Examples-

- City allows non-profit child care center to apply for Local Option Sales Tax (LOST) annually (funds designated for economic development).
- 28E agreement with county for health insurance, helps retain employees that would otherwise have no benefits, keeping program strong



Common Child Care Challenges



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With the successes, I also have to be sure to share with you what the current common challenges are. These may be challenges your current child care providers are experiencing or may become obstacles as you try to move forward. Just because there are challenges doesn't mean you can't proceed with your community's strategy but you also can't ignore these, in fact part of that planning may include how to address these challenges within your community.

1. **Affordability-** Many parents make too much to qualify for assistance, but not enough to comfortably pay out of pocket- "affordability gap". Closely tied to "child care cliff effect", where parents that are on assistance may not accept a different job or promotion because a small increase in pay will cause them to lose their CCA. CCA= 145% of poverty, self sufficiency is supposed to happen at 200% of poverty- what about the families that fall in between?
2. **Child Care Business sustainability-** Often, child care providers do not charge parents what it actually costs them to care for children, especially younger ages (infant through two- or three-year-old). Programs rely on older children where the cost to provide care is lower to off-set younger ages. What happens within out school districts with Statewide Voluntary preschool and other programs can have

unintended impacts on child care businesses.

3. Staff- Low pay, typically no benefits. Education requirements are low, most required training is industry specific and can be obtained “on the job” through entities like Iowa DHS and ISUEO. According to IWD, the mean wage for child care workers in Iowa currently is \$10.18 or \$21,170/yr. It is the 8th lowest wage of all occupations, those that are lower are mostly food service, and entertainment & recreation. In the past few years finding staff to hire has become the top issue for child care businesses in Iowa. Some program are being forced to close rooms and not accept children.
4. Access- Because of limited supply parents have difficulty finding a provider, or if they do they many not be able to get the schedule they want. From approximately 2015 to 2020 there were major decreases in the number of child care providers in most areas in Iowa, the decline has slowed, but the supply is still less than demand.



Act



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#1-Act, only after you've learned and prepared should you act and follow your child care strategy. During the prepare phase ideally you will develop a written plan of some sort- no matter how formal.

Remember I said most stable, and often the most successful, projects take time-even years.

Ownership of a project is important, meaning who will take the baton and run. A large community group or steering committee can only go so far, at some point an owner (private or nonprofit board) has to take the lead.

And once more, remember it takes time. When building from scratch (starting new entity, and new construction) it can be a couple of years, maybe longer if major fundraising needs to occur.



Act

Funding Sources for Child Care

Bricks & mortar

- Community facilities loans & grants
- Energy efficiency loans & grants
- Capital campaign

Special projects & general operations

- Local foundations
- Local government
- Local options sales tax
- Fundraising
- Endowments

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Part of acting is lining up funding. Unfortunately, there is no magic answer.

Bricks & Mortar

Loans are ok. In many large capital projects loans have to be used to provide cash flow while waiting for multi-year pledges to come in. The key is good financial projections to make sure it can be paid back, along with only taking what you need—don't take lump sum work with bank to take out incrementally only what you need.

Rural communities do have a few opportunities that are not available to anyone else. USDA-RD provides direct loans & some grants to nonprofits and communities for community facilities, including child care. In addition, you have access to the entities that are eligible for "Rural Economic Development Loan and Grant" (REDLG) program. These are zero-interest loans and grants to [Rural Utilities Service \(RUS\)](#) Electric Program and Telecom Program. This can be a win-win because the first loan made within the community is at no interest—perfect for child care.

Special projects & general operations

- Most grants will not fund on-going operations, however if grants can be secured for special projects it may free-up cash to cover general operating.

- Besides brick & mortar, most funding really is local.

With all projects you are seeking funding for—think outside the box. Ex. energy efficiency, playground sun shades/skin cancer.



Your Next Steps

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Communities to Watch

Belmond
Colts Corner Daycare

Creston
Greater Connections
Childhood Development
Center

Fairfield
Cambridge Little
Achievers

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Use other communities as a great source of inspiration but keep in mind the strategy used by a different community may not be the best strategy for you.

Here are 3 communities FCF has recently worked with to watch that are making things happen. In all 3 cases they have completed the first two steps- learn & prepare, and are now on to acting.



Colts Corner Daycare, Belmond



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Belmond- First Children's Finance worked with the Belmond-Klemme Community School District in 2019 to help them "learn". A *Child Care Market Analysis* was completed and as a result, the community formed a nonprofit to operate a new licensed child care center.

After the nonprofit was formed, financial modeling was the first step of the "prepare" phase. The modeling with budget projections was followed with a business plan.

Colts Corner Daycare will be the first DHS licensed child care center in Belmond. Center will be in a former elementary that is currently being remodeled. Ture partnerships- Belmond-Klemme School District initially worked with FCF for market study and to develop a financial model, Build a Better Belmond bought the property and is taking on the remodeling, City of Belmond has been applicant for grants, Colts Corner Daycare will be the nonprofit entity running the program. Talking with one other entity to be a partner and employ the child care center director. (150 spaces, although some rooms capped at lower capacity for best practice and financial sustainability)

Greater Connections Childhood Development Center, Creston



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Creston- First Children's Finance worked with the Early Childhood Iowa (ECI) region in 2020 to complete a *Child Care Market Analysis*, which kicked off the "learn" phase. The community then worked together to identify their next steps.

FCF was asked to assist further with the "prepare" phase to determine the combination of children to serve (financial model), and to develop a business plan for the nonprofit to transition to a new board.

reston Community School District donated land to Greater Regional Health who will be building the facility and donating it back to I Think I Can Daycare, an existing 501c3 child care program. The over 14,500 square foot facility will serve over 175 children. Also have partnerships with Head Start and Southwestern Community College.



Cambridge Little Achievers, Fairfield



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Fairfield- FCF conducted market study in 2018 that helped the community “learn” what parents desire and to quantify the number of child care spaces needed.

The “prepare” phase began with a strategic plan for child care which had a goal of both center and home-based care. Both have expanded and ground breaking for new center was in 2022.

\$4.7 million fundraising goal for new center to provide care for 188 children. Jefferson County Hospital donated land where center is currently under construction. Cambridge Investment Research donation of \$1.2 million to capital campaign in exchange for naming rights, Traffix \$500,000, Agri-Industrial Plastics \$100,000, Greater Jefferson County Foundation \$250,000 over 5 years (\$50,000/year), \$600,000 CDBG Community Facilities, \$888,000+ IWD/DHS grants, Many other employers committed significant multi-year pledges.



Child Care Resources & Assistance

Early Childhood Iowa (ECI)

First Children's Finance

Iowa Association for the Education of Young Children (IaAEYC)

Iowa Child Care Resource & Referral (CCR&R)

Iowa Department of Human Services (DHS)

Iowa Women's Foundation

Local funders & business organizations

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Early Childhood Iowa- Local ECI areas offer funding for child care programs, as well as preschool scholarships for families, sponsor professional development

FCF- consulting, training, focused only on business and community.

IaAEYC- State Chapter of NAEYC (national accreditation), provides professional development opportunities (institutes), also have some funding programs for child care staff scholarships to further college degrees and stipends to supplement low wages.

CCR&R- assist families with finding child care, and consultation with child care programs.

DHS- this is the regulatory oversight, also funder for entities providing direct services like consulting & training

Iowa Women's Foundation- mission to address barriers faced by women and girls, including removing the barrier of lack of child care so women can participate in the workforce. Involved in advocacy as well as grant funding for child care solutions.

Locally there are a variety of foundations and funders, as well as your local business organizations like economic development, chamber of commerce, and community betterment. The most successful projects FCF has seen recently have significant funding from local foundations (community and private), private company contributions, and some state/federal dollars, such as CDBG and recent IWD Future Ready Iowa Child Care Challenge Fund, and DHS Investing in Iowa's Child Care.



First Children's Finance

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At this point we would like to open up for questions or other discussion.