

# CHILD CARE

## IN THE GRAND FORKS REGION

Grand Forks Commission on Human and Social Infrastructure

### Report and Recommendations

*Final Version, 12-19-2014*

The Grand Forks Commission on Social Infrastructure is a group of 13 area citizens coming together to establish a process to handle tough community problems. Commission members agreed that child care is a critical issue for the community and deserving of attention. The group has carried out background research and engaged more than 75 parents, providers, and other child care professionals in discussions about how to improve child care in the region.

## The State of Child Care in Grand Forks

Child care in the Grand forks region is a critical community issue, affecting children, parents, and increasingly regional employers. The issues affecting child care can be framed by two key dimensions: **capacity** and **quality**.

Capacity refers to the supply and demand of child care in the region, including such questions as: Do we have enough? How much does it cost? And what types of care do we need? Quality refers to the level of service provided and how that service is provided. Is the provider safe? Who are the providers? Are we adequately preparing our kids for the next stage of life?

The tension between cost of care to the community and a provider’s need to operate profitably underlies nearly every aspect of child care. Child care is a thin margin business, with little difference between revenue and expenses. The business is highly regulated – for good reason – and high-quality care requires investment in facilities and people.

Infant care is a costly enterprise, with one caregiver required for every four infants. Most providers operate infant care at a loss, using profits from care of older children to cover the high cost for infants.

Yet ultimately any increase in revenue – coming in higher prices – means higher costs for parents who may not be in a position to pay high rates. High demand for care drives up costs in the community. Child care availability dictated only by market forces leaves those with a limited ability to pay with few options.

Child care quality and capacity affects the community directly and indirectly. High quality, highly available care for our youngest residents is an investment in the

community’s future. In the shorter term, child care capacity directly impacts local employers. Grand Forks is a tight labor market, and many employers express trouble finding workers to staff their businesses. Child care is critical to getting parents to work and to making our region a place where families want to be.

Providers and parents agree that child care quality is critical. In the quest to increase local capacity, quality must be maintained.

## Capacity: Child Care Supply in Grand Forks County

Child care capacity in Grand Forks can be measured in terms of the projected number of children needing care compared to the number of available slots for children. According to state law and local ordinances, there are three major types of licensed child care providers in Grand Forks:

- **Family:** 7 children or less, including own
- **Group:** 8-12 children in home or facility, based upon facility size and adult-student ratio
- **Center:** 12 or more children in public/private building

In Grand Forks County, there are total of 131 licensed home-based child care providers and 17 licensed facility-based providers, as shown in the following table. The number of children in home-based care is roughly equal to those attending care in facilities, with 1,466 (50.5%) in homes and 1,436 (49.5%) in facilities.

**Table1 : Grand Forks County Capacity, 2014**

	Number of Programs	Licensed Capacity
Family	35	293
Group in a home	96	1,173
Group in a facility	3	65
Center	14	1,371
<b>Total</b>	<b>148</b>	<b>2,902</b>

There are also five school age child care programs in the county with a licensed capacity of 278. School age programs located in educational facilities approved by the state Department of Instruction – such as ENCORE programs – are not required to be licensed, and some school-age children attend family, group, or center

**Table 2: Grand Forks County Capacity Shifts, 2013-2014**

	2013-2014 Gained		2013-2014 Lost		Net Change	
	Programs	Licensed Capacity	Programs	Licensed Capacity	Programs	Licensed Capacity
Family	13	109	7	49	6	60
Group in a home	7	78	9	104	-2	-26
Group in a facility	1	29	0	-	1	29
Center	3	141	2	109	1	32
<b>Total</b>	<b>24</b>	<b>357</b>	<b>18</b>	<b>262</b>	<b>6</b>	<b>95</b>

providers. Including school-age programs, the total capacity in Grand Forks in 2014 is 3,180.

From 2013-2014 Grand Forks child care capacity increased. The county saw a net gain of six providers and 95 child slots in the past year. The county saw a net gain of six providers serving 60 children in the family provider category. Four facility-based providers opened and two closed, leaving the county with a net gain of two facilities with a licensed capacity of 61.

## Child Care Demand in Grand Forks County

Demand for child care in Grand Forks County can be estimated using U.S. Census data collected by the regional Child Care Aware agency. According to Census data, there are 9,768 children age 12 and under in the county.

**Table 3: Number of Children in Grand Forks County**

Age	Number of Children
0-2 yrs	2,608
3 yrs	862
4-5 yrs	1,610
6-12 yrs	4,688
<b>Total</b>	<b>9,768</b>

Not all children require child care outside the family, however it is likely that children with all parents at home participating in the workforce do require care. In Grand Forks County 68% of children

under age 6 have all parents in the workforce, and 77% of children age 6-12 have all parents in the workforce.

**Table 4: Estimate of Child Care Demand**

Age	Total Children	% With All Parents in Labor Force	Children Needing Care
5 and under	5,080	68%	3,444
Age 6-12	4,688	77%	3,619

**7,063**

Including only those children in both age groups with all parents in the workforce, Grand Forks County has a potential demand of 7,063 children needing care.

## Addressing the Need

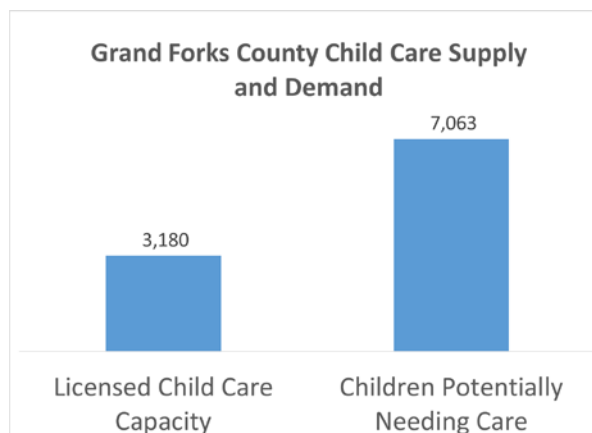
With 7,063 children potentially needing care Grand Forks County and a licensed capacity of 3,180, the county is meeting 45% of the potential demand. The accepted ideal capacity goal is 50%. The county falls below the goal to the point of distress, but not crisis.

To reach the 50% goal level, the county would need to increase capacity to serve an additional 352 children.

Capacity for care is a problem across the state of North Dakota, driven by the state’s recent explosive population and economic growth. The average capacity across the state is 37%. Just two counties Ramsey (68%) and Cass (56%) meet the 50% benchmark. Several counties – particularly in rural areas – fall below 20%.

Child care professionals use the 50% level as only a target benchmark, indicating that reaching the target doesn’t necessarily mean there is “enough” child care in a county. In the state’s metropolitan areas, where care by relatives and neighbors is less common, 50% is even less adequate. The 50% capacity goal is also not an indication of the community’s ability to provide adequate infant care.

Overall estimated vacancy in the county is 5.4%. Competition is tighter for facility-based providers, with a vacancy rate of 4.3%. The vacancy rate for home-based providers is 6.4%. Not accounting for the specific needs of a particular child, a vacancy rate of 10% allows parents some level of choice.



## Child Care Cost

Partly due to the high demand and high costs associated with providing infant care, this youngest age group carries the highest cost of care. Parents of infants younger than 18 months can expect to pay about \$550 per month at a home-based program and \$750 per month at a center or group facility.

The highest priced infant care in the community is \$780 per month at a home program and \$1,072 per month at the highest priced center offering infant care.

**Table 5: Annual Cost of Care in Grand Forks County**

Age of Child	Home-based Programs		Centers and Group Facilities	
	Average	Highest Rate	Average	Highest Rate
0-17 Months	\$ 6,606	\$ 9,360	\$ 9,013	\$ 12,870
18-35 Months	\$ 6,417	\$ 9,360	\$ 8,614	\$ 12,870
Ages 3 to 5	\$ 6,301	\$ 9,360	\$ 8,090	\$ 12,870

According to Child Care Aware’s most recent cost survey, in 2014 home-based care in Grand Forks County was the lowest-priced of the state’s four largest counties. Care at centers in Grand Forks County is comparable to the other largest counties in the state.

Families in Grand Forks County can expect to pay 9.2% of their income for infant care at home-based programs and 12.5% for infant care at child care centers. This is slightly higher than cost/income ratios in Burleigh and Cass Counties, but lower than Ward County. Table 6 lists costs per week of home- and center-based child care for each age group in the state’s four largest counties. Green cells indicate the lowest costs and red cells indicate the highest costs among the four counties in each category.

Ultimately, local policymakers should avoid an environment where parents are forced to choose between quality and cost. Child care is more expensive than a college education and just as critical for

development, yet the expense comes early in a parent’s career when the ability to pay is the lowest.

## What is the Cause?

After a few years of stagnancy, Grand Forks is growing, particularly among the youngest age groups. The story of the population boom in western North Dakota is well known, but growth is causing stress in the Grand Forks Region as well.

The number of children in the county is growing. From 2011-2013, the county added 203 children under age 5 (5% growth) and 498 children age 6-13 (8%). Grand Forks County also added residents in the 25-to-44 year old age group over the past two years. A common age group comprising young parents, this age group is up 517 residents, more than 3% since 2011. Recent basic demographic trends support reports of increasing demand for child care.

Child care is a thin margin business and infant care is a costly enterprise. Expanding high-quality care requires and investment in facilities and people. Constraints providers face include managing space while complying with regulations, finding employees to meet child/teacher ratio requirements, and a business model that balances tension between affordability and profitability.

After hours child care has been attempted in the past by some providers, but the local demand has not materialized.

## The Child Care Cost and Worker Challenge

Like many other occupations in Grand Forks County, child care workers are tough to find. Not just anyone can be an effective child care provider. Child care

**Table 6: 2014 Cost of Licensed Care**

	Avg Weekly Cost Family/Group			Avg Weekly Cost Center			Median income families w/ kids under age 17	% of income for 1 infant @ family	% of income for 1 infant @ center
	0-17 months	18-35 months	Age 3-5	0-17 months	18-35 months	Age 3-5			
<b>Grand Forks</b>	<b>127.04</b>	<b>123.41</b>	<b>121.18</b>	<b>173.33</b>	<b>165.55</b>	<b>155.57</b>	<b>\$ 69,251</b>	<b>9.2%</b>	<b>12.5%</b>
Burleigh	138.79	136.27	134.21	163.93	158.33	144.76	\$ 78,221	8.9%	10.5%
Cass	135.93	131.36	128.21	178.12	168.67	155.05	\$ 74,483	9.1%	12.0%
Ward	133.61	129.78	126.8	174.23	165.27	155.7	\$ 63,769	10.5%	13.7%

requires a particular temperament and set of skills to manage many children at once. Infant and toddler care is NOT simply custodial care. It is a tough job.

Child care work is low paying, yet local providers indicate that personnel costs make up 80-90% of expenses. Forty percent turnover is typical across the nation. Higher pay would require higher child care rates, pricing some parents out of high-quality – or any reasonable – care for their children.

Providers offering early childhood education often must compete for qualified teachers with other schools and providers, along with other local jobs offering better wages. Providers say that finding qualified substitute teachers is particularly challenging.

Table 7 compares child care worker pay in Grand Forks County to other similar and similarly-paying occupations in the county. The regional advocacy organization Child Care Aware reports that there are 518 workers at licensed child care providers in the county. Federal labor market data shown in table 7 estimates that there are 440 child care workers (by occupation) and 90 preschool teachers in the county. These data include estimates of the full-time self-employed.

Median pay for child care workers in Grand Forks County is just \$8.59 per hour, lower than retail sales, hotel desk clerks, gaming dealers, and janitors. Pay for child care workers is particularly uncompetitive at the highest pay levels. A child care worker at the 90<sup>th</sup> percentile makes just \$10.56 per hour, less than a \$2

premium to median pay and just \$3 more per hour than an entry-level child care worker at 10<sup>th</sup> percentile pay.

In contrast, a retail salesperson at the 90<sup>th</sup> percentile can expect more than \$19 per hour in Grand Forks County.

## The Regulatory Compliance Challenge

According to North Dakota Century Code, providing care to six or more children or more than three infants without a license is illegal. It is a Class B Misdemeanor.

Provider licensing is issued by the North Dakota Department of Human services and compliance is administered by Grand Forks County Social Services. Licensing provides a base-level check on child care quality; it is the minimum requirement.

Common North Dakota requirements for child care place minimums on facility square footage and adults per child served. Providers must offer 35 square feet of indoor and 75 square feet of outdoor space per child. License levels differ in provider qualifications , for instance a group licensee must have one year of qualifying child care experience, and a child care center license requires a director to have a two or four-year degree or have completed an approved certification program and experience.

Like any business, child care providers must also comply with appropriate local laws such as fire codes, public

health laws, and land use regulations. Complying with regulations can place a fiscal hardship on providers – such as facility upgrades – and can increase startup costs for new providers.

**Table 7: Child Care Worker Pay in Grand Forks County, 2014**

Description	2014 Jobs	Pct. 10 Hourly Earnings	Pct. 25 Hourly Earnings	Median Hourly Earnings	Pct. 75 Hourly Earnings	Pct. 90 Hourly Earnings
<b>Childcare Workers</b>	<b>440</b>	<b>\$7.58</b>	<b>\$8.09</b>	<b>\$8.59</b>	<b>\$9.23</b>	<b>\$10.56</b>
Retail Salespersons	2,117	\$7.59	\$8.30	\$9.65	\$12.85	\$19.24
Hotel, Motel, and Resort Desk Clerks	152	\$7.91	\$8.75	\$10.17	\$11.84	\$13.87
<b>Preschool Teachers, Except Special Education</b>	<b>90</b>	<b>\$8.62</b>	<b>\$9.53</b>	<b>\$10.82</b>	<b>\$19.40</b>	<b>\$25.51</b>
Substitute Teachers	32	\$9.36	\$9.61	\$10.92	\$13.50	\$17.85
Gaming Dealers	111	\$9.61	\$10.18	\$11.08	\$12.67	\$16.16
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	953	\$8.33	\$9.62	\$11.21	\$13.57	\$16.31
Office Clerks, General	1,488	\$8.38	\$9.71	\$11.93	\$14.34	\$17.12
File Clerks	35	\$8.55	\$10.08	\$12.37	\$15.44	\$17.98
Social and Human Service Assistants	56	\$9.60	\$10.52	\$12.71	\$16.20	\$18.69
Receptionists and Information Clerks	214	\$9.38	\$10.79	\$12.87	\$14.70	\$17.72
Teacher Assistants	424	\$10.37	\$11.74	\$13.12	\$14.90	\$17.31
Kindergarten Teachers, Except Special Education	48	\$15.39	\$17.26	\$20.68	\$24.43	\$27.92
Child, Family, and School Social Workers	58	\$16.07	\$18.61	\$21.25	\$25.14	\$28.66

However child care providers universally agree that licensing and appropriate regulation is critically important to maintain quality. Quality is the most important concern, yet licensing offers only a minimum standard for quality.

## The Infant and Special Needs Care Crunch

Parents and providers in the region express frustration about the options available for infants and care for children with special needs in the Grand Forks area. Infant care is the most dire current capacity need for Grand Forks.

Infant and toddler care is a challenge because it is principally unprofitable for providers. Child care centers must provide one employee per four infants and adequate facility space. However federal guidelines and local experts suggest that even this ratio places a strain on quality, a 3-to-1 infant to teacher ratio is preferred.

Local providers suggest that care for older children is used to subsidize care of infants and toddlers. Under the current model, providers would be challenged to provide care for infants without care for older children to offset losses.

The infant care crunch shows no signs of abating based upon the recent demographic trends and record births at Altru Health System in recent years.

Parents report frustrations in finding enough capacity in the region for care children with special needs. Caring for children with special needs requires particular skills, equipment and facilities. In the last biennium, North Dakota provided grant funds to support facility investments to provide care for children with special needs. These funds were quickly exhausted.

## Child Care Aware: Maintaining and Improving Quality

Child Care Aware of North Dakota is contracted to deliver assistance to providers, parents, and child care workers to increase capacity and to manage quality-improvement efforts. In Eastern North Dakota, Child Care Aware is operated by Lakes and Prairies

Community Action Agency and maintains an office in Grand Forks.

Child Care Aware of North Dakota is a state-funded agency that maintains data about child care capacity and offers a broad menu of assistance services to the region:

- **Referral Service** – match making service to connect parents with providers fitting their requirements.
- **Support Services for Providers** – including broad-based training, marketing assistance, resources and materials, and technical assistance on startup and other topics.
- **Professional development and registry for child care workers** – promoting training and tracking workforce qualifications.
- **Inclusion support services** – Support and grants for providers to serve children with special needs.

Child Care Aware also coordinates a critical new program to improve child care quality and capacity: Bright and Early ND.

## Bright and Early ND, A Quality Clearinghouse

Bright and Early ND is a new four-step program seeded with state funding in 2013 to share best practices with child care providers, create a standard multi-level voluntary certification program for providers, and share that certification information with parents to help find a program that fits each family's criteria.

The program bridges the gap between early care and early education, moving beyond basic licensing. The program can identify specific areas of support to help a particular provider and – should the North Dakota policy environment change – become a key player in helping the state's existing providers deploy universal pre-K education.

Bright and Early recognizes that brain development in the first five years of life is critical to a child's future. The program aims to highlight the providers that go



above and beyond in deploying the best methods to promote early childhood brain development.

The program is based upon a four-step framework of best practices for providers:

1. Health and safety
2. Space and materials
3. Activities and Experiences
4. Relationships & Interactions

The Bright and Early program will use a set of symbols to signify providers that meet the criteria to qualify for each step in the program. This assists providers with tailored information and training to ensure quality care, while giving parents the information they need in order to find a provider offering the quality they need.

In the long run, creating this clearinghouse of information about child care quality will reward those providers that go above and beyond and meet one or all of the four steps. It offers providers a framework for care, but also a channel to reach parents with concrete information about the quality of care that is available.

North Dakota lawmakers funded the deployment of steps 1 and 2 in the 2013 legislative session. The Bright and Early ND program debuted in the Grand Forks region in the fall of 2014. More than a dozen Grand Forks providers are participating in the initial roll out.

## Ensuring Successful Assistance Programs

The North Dakota Child Care Assistance Program offers financial assistance for child care costs to low- and moderate-income families in the state. State lawmakers recently expanded eligibility for assistance from 165% of the federal poverty level to 85% of state median income.

A family of four with an income of up to \$70,000 per year may qualify for assistance. Some parents are reluctant to apply for funds because of a social stigma coming with assistance payments. In other cases the program is hampered by a multiple-week delay between the start of supported child care and the initiation of payments. In many regions of the state, applications are limited by a difference between the maximum allowable child care rate to receive assistance and the actual market rates for child care, creating a disincentive for providers to participate.

## Child Care as an Economic Constraint

The Grand Forks region is growing. After years of slow growth, the Grand Forks metropolitan area is moved to the top 15% of the nation's 381 metropolitan areas for population growth in net in-migration.

The region saw strong job growth in 2011-2012, but slower since. Yet population growth numbers are the highest in decades. The region enjoys one of the lowest unemployment rates in the nation.

Home to the UND, the region is a strong talent producer. Most local businesses express few challenges in hiring workers immediately out of college. Yet many firms struggle to find mid-career employees, those with roughly a decade of experience. Demographics confirm a relative shortage of residents in their late 30s to early 40s.

Some cost – particularly housing – are rising in the region, but incomes are rising as well. Grand Forks wages are most competitive in high-demand middle-skill and “blue collar” occupations. Demand is driving up costs for some types of labor and some types of housing.

Many parents tell local child care regulators that the cost and lack of availability of quality child care is the number one barrier to entering the workforce. Attendees to public discussions about childcare noted several examples of parents quitting their jobs because of a child care problem.

Historically, Grand Forks has been a state pioneer in adopting early childhood education. Grand Forks was one of the first school districts in the state to adopt kindergarten, and again one of the first to move to full-day kindergarten. The state caught up with support for full-day kindergarten in 2007.

The North Dakota story is being told across the nation, but Grand Forks remains a region “off the beaten path” with a poor climate. High-quality early childhood care could be a recruiting asset to attract the workers Grand Forks employers need. However, poor quality, unavailable, or costly child care could become another factor setting the community behind.

# Grand Forks Child Care Policy and Program Recommendations

The following recommendations are based upon the input and insight of the region’s parents and child care providers, along with research on the current situation in Grand Forks. These ideas were developed by the 13-member Grand Forks Social Infrastructure Commission using the input of more than 75 participants and interviewees.

Goals of local child care policy:

- Support an adequate supply of child care to support working families and economic growth
- Help families recognize, access, and rely on high quality early childhood programs
- Prepare and support the local early childhood workforce to provide quality care
- Create an environment where all of our early childhood settings – whether in a home, center, or preschool -- support optimal early development and learning

## Local regulations and ordinances:

1. Modify city code to increase the number of children allowed in group child care home operations from 12 to 18. All child care operations are still required to meet state regulations regarding the number of teachers per child and the amount of facility space per child. Consider the potential to modify city land use regulation and fire regulations to accommodate this change. Begin discussions with the Grand Forks Fire Department and City Planning office about potential constraints to increasing the group limit in home-based providers from 12 to 18.
2. Family child care providers are allowed to provide for up to 7 children with an additional 2 school age children during the school year. Modify city code to allow the additional school-age children to receive care year round.

3. Create a task force of local citizens and child care professionals to review existing city regulations applying to child care and offer suggestions for improvement

## Local Capacity and Child Care Businesses

1. Restart the business-business discussion about local child care capacity and its impact on workforce and employers in the region, to be facilitated by the Grand Forks Region Economic Development Corporation and/or The Chamber.
  - a. Explore ideas for family child care cost management, such as adding child care to cafeteria or flex plans or other creative employer-supported savings plans.
  - b. Businesses should consider funding guaranteed slots for their employees at local centers or home providers. This creates a tangible benefit and recruitment tool for employees while offering providers income stability.
  - c. Businesses should improve internal awareness of the demands placed upon parents and should enact policies – such as flexibility and awareness programs – to support the parents in their workforce.
2. Increase child care “how-to” businesses training for entrepreneurs looking to start child care businesses, such as The Chamber’s Brown Bag or half-day seminars. Many new child care providers need help with business acumen.
3. Promote and coordinate existing one-on-one business assistance programs such as those offered by the Grand Forks SCORE Chapter or Child Care Aware’s Provider Support Staff and Start-up Consultants.
4. Continue to connect with the Early Childhood Teacher Education program at UND to offer options at local child care facilities for students to complete required community service hours. Additionally, instructors will continue to announce full and part time employment opportunities at child care centers to ECE

students as requested by child care program administrators.

5. Explore a cooperative business model to provide child care in Grand Forks.

## Support State Programs

1. Continue to fund and expand the reach and capacity of the Bright and Early program deployed via the State Department of Human Services. The program addresses provider quality and provides a concrete communications channel between providers and parents.
2. Significantly increase Child Care Facility Fund expansion grant program from \$2.6 million in the 2013-2015 biennium. Funds in the last biennium were quickly exhausted.
3. Increase funding for the state Inclusion Support Program grants for child care programs serving children with special needs, a particular area of need with special requirements.
4. Continue to increase income eligibility limits for child care assistance payments to adapt to rapidly shifting economic conditions. Modify the Child Care Assistance Program to address the gap between allowed and actual market rates. Re-frame assistance payments as “scholarships” for children.
5. Create a state income tax credit for child care providers and/or a tax credit for employers paying for or providing child care services for employees. Implement child care provider tax credits to offset the cost of employee training.
6. Consider a state tax credit for parents paying for child care.
7. Discussions of state-level universal Pre-K care must include the impact upon existing providers.

## Awareness

1. Continue to support efforts of Child Care Aware for provider assistance and parent information and the deployment of Bright and Early ND in the Grand Forks region.
2. Create an ongoing group of child care and early childhood organizations and individuals to meet regularly to share information among

themselves and with other Grand Forks business and elected leaders.

3. Focus efforts on improving parent awareness channels, such as schools, hospitals, community events, and other channels. The community could benefit from an integrated communications strategy.
4. Make child care a community priority for private funding and other fundraising.
5. Parents experiencing child care challenges must make it a priority to voice concerns to local policy makers and private funding organizations. Solutions based upon common interest require the participation of everyone.