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## Rural Child Care Solutions: From the Ground Up

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Child care has been in a downward spiral for twenty years and is a main factor exacerbating the growing worker shortage. New attention before and financial aid during the pandemic perhaps slowed the spiral, but it hasn't reversed it. The primary cause of the shortage in Greater Minnesota is simple: family child care providers, who supply the bulk of child care in rural regions, are leaving the field at a much faster rate than people entering it. The reason appears to be a complex combination of factors that push each provider to a personal tipping point. At the same time, women who may have considered entering the child care field are noticing rising wages in other workplaces. At the same time, centers are not increasing capacity in Greater Minnesota enough to make up the difference.

As the shortage intensifies, local decision makers are becoming increasingly aware of child care's importance to local employers and communities' economic well-being, pushing them toward action and—hopefully—solutions.

The bulk of child care policy is set at the federal and state level, but to better understand what is happening at the local level, CRPD conducted an unscientific survey of economic development officials, local leaders, and other stakeholders around the state in the fall of 2021.

Having a scan of these initiatives is important. First, they show that at the local level, residents are no longer willing to wait for solutions to trickle down from higher up.

Second, sharing a list and descriptions of these projects can provide valuable information and inspiration to other communities just starting to tackle their child care issues.

Third, understanding where local leaders are putting their resources gives an indication of what they believe the particular problems are *in their unique communities* and what may be effective.

The purpose of this report is to identify a sample of projects in progress right now, which will hopefully provide important information on what's being tried, why, and what we can learn from these experiences.

## A little history of the child care shortage in MN

Child care capacity in Greater Minnesota has been on a steady trajectory downward since the early 2000s, when family child care providers began leaving the industry at a steady rate. While total child care center capacity has been on an upward trend statewide, that growth has only been consistent in the state’s most populated counties. Figure 1 shows that since 2000, total capacity has really only been maintained in the entirely urban group of counties, demonstrating that the lower the population density of a region, the lower its ability to sustain child care centers. Growth in center capacity in the entirely rural group of counties has been volatile at best over the last twenty years, with much of the growth happening in a few population centers. [\(Click here for an explanation of Rural-Urban Commuting Areas and how we group counties by “rurality.”\)](#)

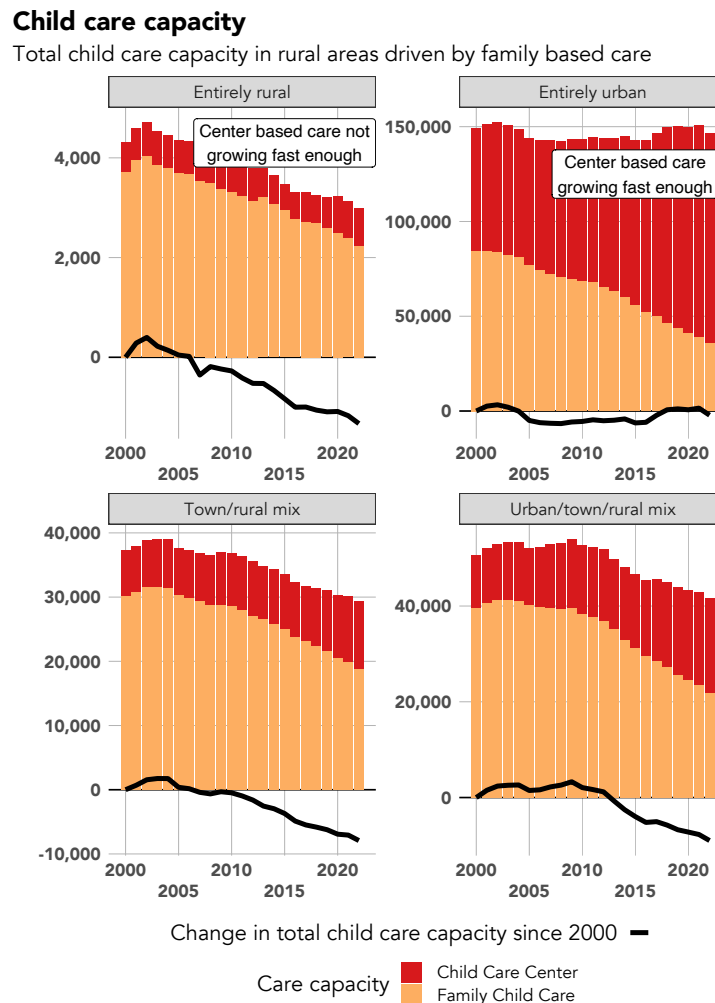


Figure 1: The change in total child care capacity has depended quite a bit on population density. The entirely urban counties were able to maintain their total capacity through growth in centers while the other three groups were not. Data: MN Department of Human Services.

Family child care capacity (FCC), on the other hand, has been on a steady downward trajectory since 2002 regardless of location or population density. Family child care is of greatest concern in rural Minnesota because it is still the most common form of child care available.

Minnesota is tied for first with Iowa and South Dakota for having the highest labor force participation rates, but by 2019, lack of child care had been identified as a major rural economic development issue, according to an article by Dr. Elizabeth Davis, a professor of applied economics at the University of Minnesota. “The percentage of children with working parents tends to be higher in rural than in urban areas. ... Many rural families need care for children during evening or weekend hours to accommodate retail and service-sector jobs or shift work.”<sup>1</sup>

During 2020, child care capacity continued to decline, although not as quickly as in previous years (Figure 2). However, during 2021, the state lost nearly 6,500 FCC spaces, or 8% of FCC capacity.

### Annual change in family child care capacity

Declines continue in family child care capacity

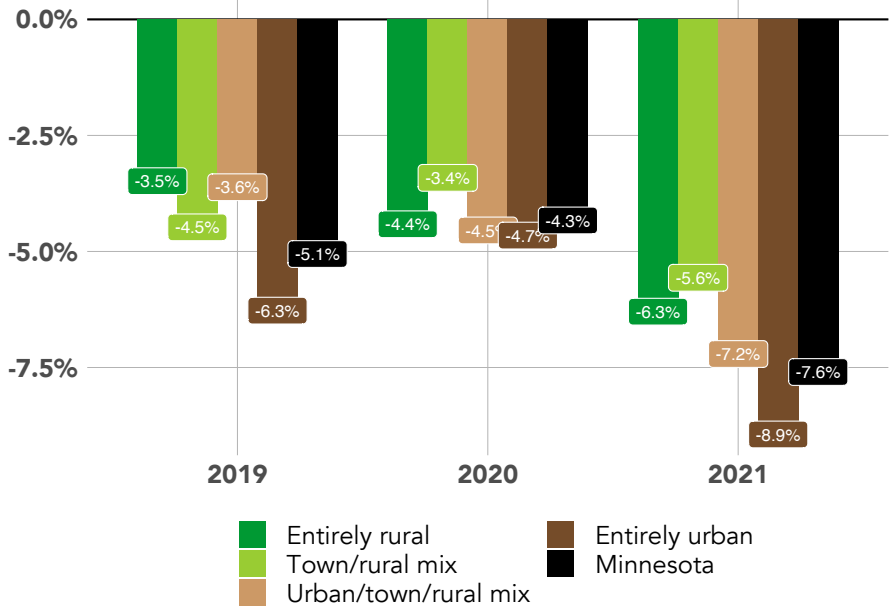


Figure 2: Loss of family child care capacity during 2019, 2020, and 2021. Data: MN Department of Human Services.

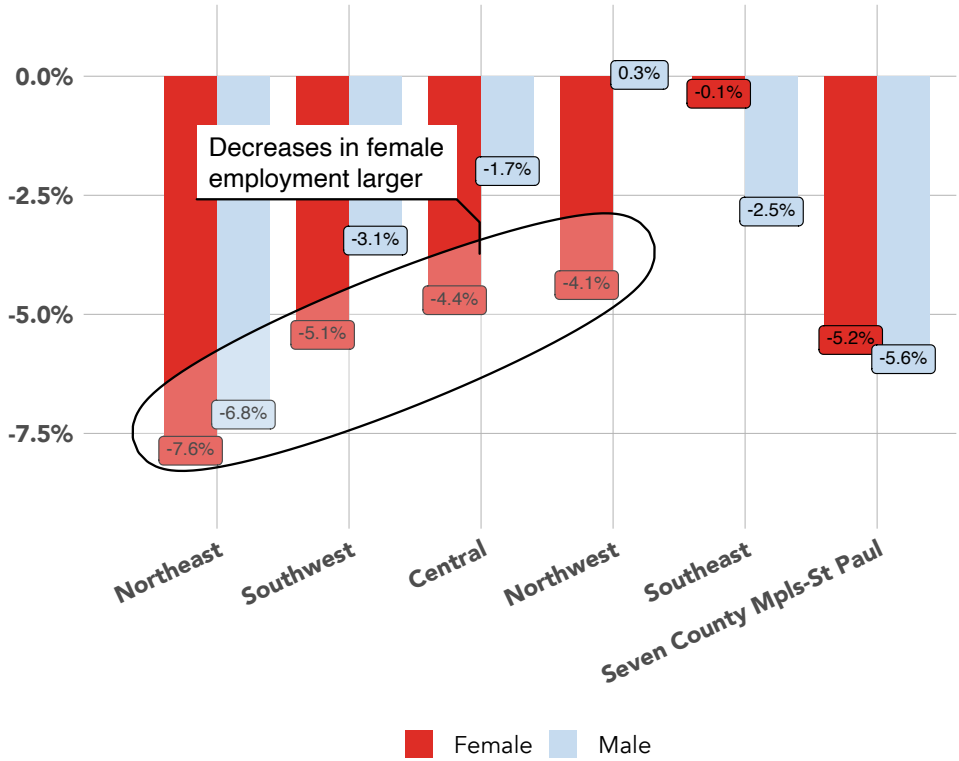
Because dependence on FCC capacity varies around the state, the child care crunch varies by region, too, hitting northern and central Minnesota especially hard. East central Minnesota has

<sup>1</sup> Davis et al., p. 1

led Greater Minnesota in job creation in the last several years, creating even more demand for workers, says Don Hickman, vice president for community and workforce development at the Initiative Foundation in Little Falls, one of six Initiative Foundations located around Greater Minnesota that support economic and community development in their regions. Prior to the pandemic, the problem of job vacancies was on a slow burn across the state, but the issue exploded in 2020. In March of that year, closed workplaces and schools forced a large percentage of parents to leave the workforce and stay home with their children. As workplaces reopened, labor force participation improved, but not as much for women, especially in Greater Minnesota. By the end of 2021, women’s employment rates had regained their pre-pandemic levels only in the Twin Cities and in southeastern Minnesota (Figure 2).

**Percent change in employment 2019 - 2021**

Decreases in female employment more severe in rural areas



U.S. Census Bureau - Quarterly Workforce Indicators

Figure 2: While employment rates took a hit during the pandemic for both men and women, recovery has been slower for female employment in Greater Minnesota. Data: U.S. Census Bureau, Quarterly Workforce Indicators.

Getting women back in the workforce will remain a challenge in areas with low access to child care. “We have to grow capacity so that women can re-engage with the workforce, especially women of color, low-income women, and moms that don't have the solutions that maybe moms in the middle- to upper-income strata would have,” says Scott Marquardt, senior vice president at the Southwest Initiative Foundation in Hutchinson.

## Challenges for today's providers

### *The economics of child care*

Rural areas have inherent characteristics like sparser population that make child care programs more difficult to maintain, particularly centers, with their higher overhead costs compared to family child care. To recover these higher costs, a center must be able to enroll enough children and charge a high enough rate to cover expenses. A good rule of thumb is that a center needs about 80 kids enrolled on a steady basis to cash flow adequately, says Teri Steckelberg, business development manager in eastern Minnesota for First Children's Finance, an organization that coaches providers on the business aspects of child care and helps communities figure out where child care fits in their overall economic development plan. That number might be lower or higher in some communities, but the fact remains, if a community doesn't have that critical mass of paying customers, a center will not survive on tuition revenue alone.

A 2020 report by the MN Department of Human Services agrees, demonstrating that unless the conditions of the community are just right, a child care business can't survive without help. DHS created a “cost model” of child care to take a closer look at how the current child care business model functions and under what circumstances it can succeed. In the model, researchers used previous studies to estimate as many factors as possible, such as revenue based on the average market rate charged in each county, current CCAP rates, hours per week worked, and the cost of supplies and other inputs. They also calculated wages for child care center workers and compared them to the average wages of other comparable positions, like preschool teachers and kindergarten teachers.<sup>2</sup>

The model indicates that the current way of doing business for child care centers is not financially sustainable anywhere in the state except in “large metro areas” [Combine Tables 16-18 showing expenses, revenues, and profit for basic quality.] and that “centers in greater Minnesota are constrained by child care markets that lack population density, yet yield relatively low prices compared to large metro areas.”<sup>3</sup>

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<sup>2</sup> “Minnesota Cost Modeling Analysis,” MN Department of Human Services, 2020.

<sup>3</sup> Ibid, 17-18.

For family (in-home) child care providers, the study's cost model found that the average family provider in Minnesota routinely makes a profit. However, the number of hours FCC providers work, estimated in the model to be about 65 hours a week, turned that profit into \$11 an hour for rural providers and about \$13 dollars an hour for providers in small metros. The model calculated that FCC providers in large metros were able to generate enough revenue to produce an hourly wage of about \$18 an hour, on par for a preschool teacher in the Twin Cities metro, but well below the median hourly wage of a kindergarten teacher, according to the Minnesota Department of Employment and Economic Development (DEED).

### *Challenges for family child care providers*

Despite the more favorable economics of family child care for rural areas, Greater Minnesota still has half the family child care capacity it did in 2000, and the precise reason why isn't easy to pin down.

A 2021 report from the Erickson Institute on why family providers are leaving found that besides the reasons researchers had hypothesized, there were also "common intersecting factors that drive some people out of FCC work."<sup>4</sup>

A 2020 study conducted by Minnesota Management and Budget (MMB) surveyed 1,623 family child care providers who had recently closed their programs also supports a combination of business and personal reasons. The top business factors having a high impact on FCC providers' decisions to leave were lack of benefits, such as health insurance (40%), long hours (34%), difficulty finding substitute providers (30%), home maintenance requirements, including wear and tear on their homes (28%), and not enough income/low earnings (26%).<sup>5</sup>

These two studies together suggest that the shortage is not due to any one specific reason but rather a swarm of personal challenges and stressors resulting in each person's unique tipping point and leading to the high rate of exit for family providers. In MMB's survey, for example, when former providers were asked what impact various personal factors had on their decision to leave, the top answer was "other personal reasons" (37%), which ranked higher than wanting a change in job field (27%), isolation from other adults (24%), or mentally demanding work (23%).<sup>6</sup>

Further questions provided some clues as to these "other personal reasons":

- When asked about the administrative factors that had a high impact on their decisions to close, the top three were: "complying with other regulations – such as minor

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<sup>4</sup> Bromer, 61.

<sup>5</sup> "Former Licensed Family Child Care Provider Survey," MN Management & Budget, 4.

<sup>6</sup> Ibid., 5.

infringements or stress of unannounced visits (45%), completing required paperwork and documentation (37%), and training requirements (32%).”

- On the other hand, “78 percent said that their interactions with the county licenser had no or low impact on their decision to close.”
- And “when asked about the difficulty of complying with regulations relating to minimum health and safety standards, the majority of respondents answered that the following regulations were either not difficult at all or not applicable, or not very difficult: water, food and nutrition requirements (91%), physical location or space requirements (86%), and background study requirements (84%).”<sup>7</sup>

Training requirements, for instance, are often cited as an issue for family providers, especially rural providers, who have a more difficult time accessing required annual training, and indeed, 32% of respondents said issues with training requirements contributed to their decisions to leave the business. When asked about specific aspects of training requirements, though, only 8% of respondents said they found affording training very difficult, while only 6% said the same of understanding training requirements. However, 66% responded that “Taking time away from business or family to attend training” was either difficult or very difficult.

The common thread here could be interpreted as the value of time, from hours spent on administrative paperwork to a lack of substitutes making it impossible for providers to get away without closing. The MMB study found that the lack of subs are a greater problem in rural areas, in fact. “For difficulty in finding substitutes, there were clear regional differences. Whereas in Minneapolis or St. Paul, only 13 percent of former providers listed this as having a high impact on closure, in North East [Minnesota], this was 39 percent.”<sup>8</sup>

Many women get into family child care with a calling to care for children. The Erickson Institute’s report stated that “FCC educators in this study emphasized the joy that comes from working with children...” describing “the enduring relationships they develop with families of children in their programs, the multi-generational relationships that form, and the mutual supports that occur with families as an aspect that keeps them in the work.”<sup>9</sup>

And of course, many family child care providers start simply because they would like to stay home with their own children until they reach school age, while some “may settle into FCC work as a convenient way to support their families and earn an income.”<sup>10</sup> “Forty-eight percent of providers stated that their primary reason for becoming a licensed family child care provider was either to raise or provide child care for their own children.”<sup>11</sup>

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<sup>7</sup> Ibid., 5-6.

<sup>8</sup> Ibid., 4.

<sup>9</sup> Bromer, p. 62-63.

<sup>10</sup> Ibid., 63.

<sup>11</sup> “Former Licensed Family Child Care Provider Survey,” p. 3.

There is no question, however, that even if it is a calling, there is a point where a provider simply has to call it quits. As one respondent to the CRPD survey stated:

“Child care is not a high-paying profession. While there are subsidies to help families pay for care, there are no subsidy programs to help the providers. Further, metro solutions revolve around center[s]. Rural areas have more family providers who need additional support and should be recognized as business owners, not just babysitters.”

### *Problems for center child care providers*

The problems for center-based child care providers are much more clear-cut: in both rural and metro, center directors can't afford to pay competitive wages to staff.

The same worker shortage that is making it increasingly difficult for employers to find workers is doing the same to child care centers. A center provider, whose revenue, like FCC providers, is restricted by what families can afford, can only offer so much in wages, and nowadays it isn't enough to compete with other jobs out there, especially in rural areas, where the pool of workers is even more constrained, and wages are rising.

The biggest expense for centers is staff, which typically takes up 60% to 80% of the budget, says Jessica Beyer, First Children's Finance's business development manager for western Minnesota.

The competition for workers in this pay range has been growing, especially in Greater Minnesota, since the Great Recession, when the state's job vacancy rate bottomed out at under 2.5%. By the end of 2021, the job vacancy rate had climbed to 8%-9% in all parts of the state. In addition, child care workers must have a certain amount of training and/or formal education, limiting the pool of potential workers further. The situation makes finding and retaining staff a constant struggle.

Elena Foshay, with City of Duluth Workforce Development, illustrated well the conundrum of child care centers competing with other employers and the ripple effect generated:

“I have definitely heard of parents who left work during the pandemic and would like to return but can't due to child care. I have also heard a growing number of parents at risk of being forced to leave work because their child care falls through—for example, the after school program in all Duluth elementary schools is really struggling to find staff for next school year, so they cut back slots by two thirds and now many parents are saying they might have to leave their jobs if more slots don't open up. And I was just contacted by a parent today whose child care center is at risk of shutting down because of staffing challenges, and the parent would have to stop working if that happens. So it's a domino effect—workforce shortage in child care exacerbating workforce shortage in other industries.”



Data from the U.S. Bureau of Labor Statistics show that in Minnesota, median annual wages for child care workers are on par with jobs that require less formal training and these days even offer benefits (Table 1).

Table 1: A comparison of median annual wages between child care workers and similar-paying occupations. Data: U.S. Bureau of Labor Statistics.

Occupation	2015	2021	2015-2021
Cashiers	\$19,430	\$28,290	46%
<b>Child care Workers</b>	<b>\$22,470</b>	<b>\$29,430</b>	<b>31%</b>
Demonstrators and Product Promoters	\$21,720	\$30,210	39%
Hotel, Motel, and Resort Desk Clerks	\$21,100	\$28,470	35%
Preschool Teachers, Except Special Education	\$32,130	\$36,620	14%

“Staffing is the number one challenge,” says Beyer. “You can build the center, you can have the kids, but you can’t open your doors unless you have the staff, and a lot of centers have to close a room or two rooms because they don’t have staff.”

As one respondent to CRPD’s survey stated, “We are in a wage range that directly competes with places that do not require formal education. We are vastly below the wage of any place that requires the same amount of formal education.”

Like center-based providers, family child care providers may also be lured away by the promise of benefits, specifically health insurance. MN Management & Budget’s former-FCC provider survey showed that a lack of benefits was another top factor in those providers’ decisions to quit. [In a 2018 survey of both FCC and CCC providers conducted by CRPD](#), only about 20% of FCC providers in Greater Minnesota and 25% in the Twin Cities said they could pay for their own health insurance out of their revenue. The remainder depended on the health insurance of a spouse or went without. For center-based providers, about 57% of respondents in the Twin Cities said they could afford health insurance for themselves and their staff, compared to only about 38% in Greater Minnesota.

Table 2: Can you pay for your own health insurance out of your revenue?

	Greater MN	Twin Cities metro
Family child care: Yes	20%	25%
Center child care: Yes	38%	57%

Unfortunately, given that the workforce shortage before the pandemic was driven largely by retirements within an aging workforce, it's not expected to go away anytime soon. A July 21, 2022, press release from DEED announced that the state's unemployment rate fell to an unprecedented 1.8% in June 2022, "entirely due to people moving from unemployment to employment," with the labor force participation rate increasing to 68.5%. Meanwhile, businesses continue adding jobs, but the state's labor force is still down more than 72,000 people since before the pandemic, DEED Commissioner Steve Grove said in the same statement.<sup>12</sup>

## Examples of initiatives

The goal of CRPD's survey in the fall of 2021 was not only to collect a list of initiatives that could be shared with other communities, but also to look for themes that could reveal what rural leaders see as important to making child care work in their communities. While it is not a comprehensive list of projects, it is representative enough to show that these initiatives fall into a few broad groups:

- Direct and indirect financial support to providers.
- A growing interest in pods
- Public schools
- Education and outreach
- Employers as providers

## Themes

- **Direct and indirect giving to providers.**

The theme that comes to the front when examining the initiatives and the comments that accompanied them in the survey is that a provider's business is a *business*, and it needs to be both financially stable and sustainable to survive and be a benefit to the community. Otherwise, the provider has no incentive to continue. About 54% of survey respondents said one of the problems with child care in their community is that as a business, child care is not financially sustainable.

Regarding profitability, DHS' cost modeling report stated that "Centers in rural areas may need to rely on a combination of additional revenue sources, lower wages, or a leaner staffing model,"<sup>13</sup> but in today's environment, cutting expenses in this way is simply not an option. Many centers are struggling to keep the workers they have.

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<sup>12</sup> "Unemployment Sinks Again to Another All-Time Low: 1.8%," MN Department of Employment and Economic Development, July 21, 2022.

<sup>13</sup> "Minnesota Cost Modeling Analysis," 2020, p. 18.

Community leaders are instead focusing on revenue sources that close the financial gap for providers, which in turn stabilizes their businesses.

Several projects mentioned in the survey simply involved small stipends to help providers with the cost of cleaning supplies during the pandemic and other expenses. Providing necessary things like this for providers saves them money and shows appreciation, says Nancy Jost, Director of Early Childhood at West Central Initiative in Fergus Falls. “Even though we’re not solving the shortage, we’re trying to support people so they know that someone out there cares about them. We want to make sure that whether you’re a family child care provider or work in a center, you feel valued and supported.”

#### *Examples of what communities are doing:*

**Swift County** offers a child care grant program to help existing providers and new providers with expenses. Family providers can apply for up to \$150 per child enrolled, while centers can apply for up to \$12,500. Allowable expenses include things like home or facility modifications or upgrades required to meet licensure requirements; educational curriculum and equipment; safety improvements (e.g., fence around play area); and costs related to expanding the number of children served (not including operating expenses). The Swift County Board of Commissioners created the program in 2017 and have been funding it ever since.

**Duluth 1200 Fund.** An existing business development fund, the Duluth 1200 Fund created a funding pool using federal American Rescue Plan dollars to provide gap financing child care projects within the Duluth city limits. The fund supports child care expansion, workforce training, and a floating pool of subs, as well as retention bonuses for existing child care providers and workers.

**Making education easier to access: East central Minnesota, Brown County.** Child care providers, whether they work in a center or in their home, need initial training to become licensed and ongoing annual training and professional development. Ongoing training can be particularly problematic for rural family providers. Between the hours spent in the training itself and the travel time involved, FCC providers often need to close their doors for a day or more to attend training if they can’t find a qualified substitute to stand in for them, making the cost of training more than just the tuition.

The **Initiative Foundation** in Little Falls has contracted with the three community colleges in its region to make it possible for people to get up to a four-year degree in early child development and education and **graduate debt-free**. After the students have pursued financial aid packages, if there is still a gap, the foundation will cover the rest, says the Initiative Foundation’s Hickman. The next step is to offer these credentialing pathways in both Spanish- and Somali-language programs as well, Hickman says.

In **Brown County**, the economic development authority **provides training opportunities** for local providers, while the county itself has chosen to **not charge a fee for licensing or re-licensing**. The decision to charge a fee to license a family child care business is up to the county.

Over the years, the **Blandin Foundation** has invested hundreds of thousands of dollars into child care access in north central Minnesota and around the state.

- **Collaborations and coalitions**

Collaborations within the community can be crucial to any child care initiative. It’s vital to have as many stakeholders as possible—providers, families, local government, employers, schools, organizations—get together as early as possible to discuss the nature of the problem and the community’s unique needs: Not enough infant space? Not enough flexibility for second- and third-shift workers? Need pathways to licensure for immigrants? Getting the stakeholders together early helps create a broader understanding of the need and better community buy-in, which helps lead to more effective solutions.

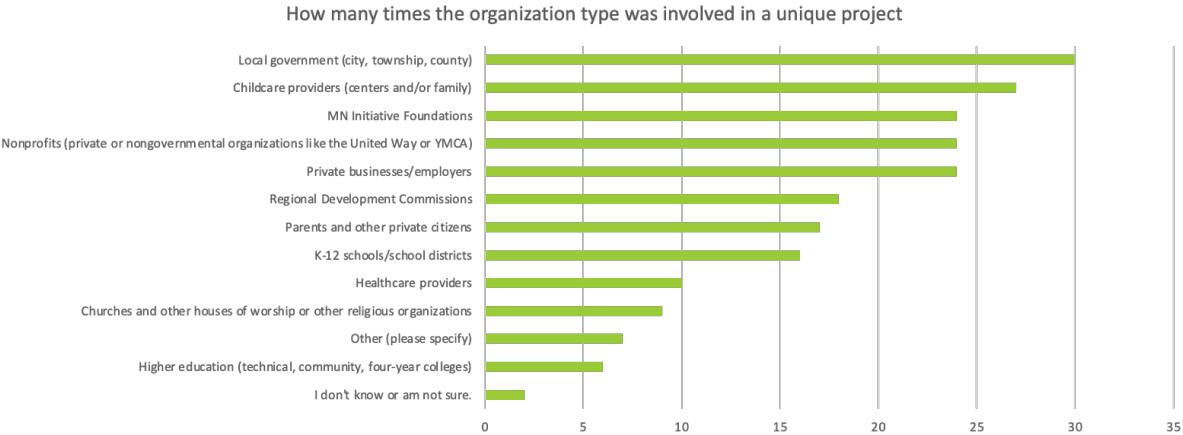


Figure 3: Many groups were mentioned as being involved in community collaborations and coalitions, with local government leading and providers the way.

Several collaborations were mentioned in the survey responses:

**Duluth Partnership on Child Care:** A group of child care center directors, city officials, Duluth Education & Economic Development, and others that meet monthly to discuss the child care crisis for employers, the hiring crisis for child care directors, and the awareness of the importance of early education.

**Meeker County Child Care Team:** Focuses on helping providers. As of last fall, they were looking to start a fund where providers could access dollars to start up a child care business or to help with necessary improvements to their home or center. In May they hosted a child care provider appreciation event.

**City of Worthington, Nobles County, and ISD 518:** The three entities have come together to work on closing an estimated 400- to 700-space gap in local child care capacity. “We realized we had a bigger problem than the county could solve on its own,” said Beth Mahoney, Family and Children’s Social Services Supervisor for Nobles County. The group is still in the “idea phase,” but one of their first moves was to hire a project manager. Joshua Schuetz started in June and is beginning with outreach. Schuetz is currently reaching out to employers and chambers, “because there’s going to be that investment ask, and that requires relationship building.” Before they can even begin hammering out any details, they need to build trust among stakeholders and with potential partners. At a child care/foster care appreciation night in April, “the first thing we said [to existing providers] is, you guys are part of this plan. We need you to be here,” says Mahoney.

**Healthy Communities Initiative, Rice County:** Healthy Communities initiative in Northfield collaborates on more than 25 projects in the Rice County area. For providers specifically, HCI is leading an effort to offer training sessions for individuals who speak Spanish as their first language and would like to be providers. HCI is also working with Growing Up Healthy, which is studying the specific child care needs of the community, especially second- and third-shift workers.

Another coalition mentioned in the survey: **Becker County Child Care and Early Childhood Moving Forward Committee.**

- **The pod model**

A provision of the family child care license allows providers to operate their child care businesses outside the home. While that license is usually applied to a location like a church, interest is growing in another use: the pod model. This option allows multiple people to operate as family providers in the same building as long as their children aren’t “co-mingled.”

Interest may be growing because of the way in-home child care can encroach on the provider’s own family, and the challenges that can bring. The Erickson Institute report found that “Notably, many FCC educators told stories of personal and family illness and hardship that increased the stress of long hours doing FCC work and, in some cases, created tipping points where educators felt they could no longer stay open.”<sup>14</sup> The pod model allows a person to operate at the smaller scale of an FCC license without having to have their business in their home. This option could be an important decision factor for people thinking about entering the field.

**Worthington, Nobles County, and ISD 518:** It is still early in their collaboration, but they are already looking at the potential of pods for existing FCC providers and as a way to attract new

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<sup>14</sup> Bromer, 2021, p. 62.

people. Pods may also be a better solution for people from the large culturally diverse population that Worthington has, where people might like to become FCC providers but can't operate in their homes because they rent.

Other communities mentioned in the survey: **Stevens County, Little Falls.**

- **Public schools stepping in**

While a move about ten years ago for public schools to offer pre-K child care across the state was paused because of its potential impact on the finances of private providers, school districts in some parts of the state have started to offer child care down to as young as six weeks old. “We are encouraging every school board to think about their role in child care,” says Marquardt at the Southwest Initiative Foundation. “With child care being early learning, we believe K-12 schools have a key role to play in that.”

But while getting into child care makes sense for public schools—they have the buildings, support staff, and infrastructure like meal services already in place—it isn't a silver bullet. Staffing can still be a problem, and schools need to take care to not compete with existing providers.

**Kasson-Mantorville school district.** A community needs assessment revealed a shortage of infant and toddler child care in the Kasson-Mantorville school district. In response, the district added an infant and toddler child care program, Project Beginnings, to go with their existing preschool program, Project Kids. Opening in 2020, Project Beginnings has space for seven infants and fourteen toddlers, and they are working on an expansion—their waitlist currently stands at 130. The program's advisory council worked closely with First Children's Finance and the Southern Minnesota Initiative Foundation.

Among the lessons learned: It took hard work, creativity, and grant funding support to make the new infant, toddler, and additional preschool spaces happen, says Jenny Carrier, Director of Community Education for the district. “It was like grant after grant after grant. We got really good at getting grant funding support. Without that, we wouldn't have been able to do a lot of the additional expansion work.” They also had to think creatively, for instance, in how to divide up their existing space to produce enough classrooms that met licensing requirements, says Child Care Coordinator Lauren Asbrey.

Since the local providers were all at capacity in their younger age groups already, there was no issue of competition, says RaeJean Hanson, Vice President for Early Childhood at the Southern Minnesota Initiative Foundation, which contributed grants and technical assistance to the project. Even so, the district worked with existing providers from the start, getting their input.

“We don’t want to be in competition with providers,” Carrier said. “We need them. We want them to thrive in our communities, but there are just not enough providers right now to meet the need.”

**Benson (Discovery Kids); Montevideo (Thunder Hawk Care); and Buffalo Lake-Hector-Stewart (Little Stangs Learning Center).** These school districts offer care for children six weeks through sixth grade. **Ortonville** was in the planning stages as of last fall.

- **Educating the public about child care**

For family providers, there can be a general feeling of being taken for granted, that they are seen as “only babysitters” or “less than” and are not taken seriously as professionals or important caretakers. Being left out of the legislature’s “hero pay” package on a technicality this summer did not help.

“It’s not just a revenue issue,” says Clare Sanford, Government Relations chair for the Minnesota Child Care Association, a member organization representing child care centers around the state. “Obviously, that’s a big piece, but also, it’s a respect issue. ... The whole reason we have the private child care industry in our country is because the government was not investing in [children age 0-5]. The private sector stepped in to fill that need.”

**Public education effort in Redwood County:** In 2018 Redwood County’s Economic Development Authority developed a series of outreach strategies to increase awareness about the importance of child care to not only families and employers but the community at large through public meetings, newspaper articles, radio interviews, regional panels, talks presented by Child Care Aware, and a child care provider appreciation event. For providers, the EDA partnered with First Children’s Finance to create a technical assistance cohort for existing providers to provide them tools to structure their daycare as a business. Discussion focused in particular on what it means to be a provider.

As a result of these efforts, the county gained twelve new providers. “It was the first time in years we had a net positive,” said Briana Mumme from the Redwood County EDA. “There was a lot of momentum around the development of a center, knowing it would increase the number of slots. However, funding simply was the barrier... . A center model on paper wouldn’t pencil out. We know this is a barrier and continues to be of great concern.”

During the pandemic, the **Kandiyohi County Economic Development Commission** sent thank-you notes to the county’s child care providers, recognizing them as businesses and thanking them for their work. They also awarded relief grants to help cover the cost of cleaning supplies.

- **Spanish language training & multi-cultural settings**

**Rice County & Steele County.** According to RaeJean Hanson at the Southern Minnesota Initiative Foundation, SMIF has been assisting the Healthy Communities Initiative in an ongoing project to attract more Spanish speakers into child care.

All the participants completed SMIF-funded trainings and technical assistance. “None of the providers have officially started,” says Hanson, “but three are making ongoing efforts (the last we’ve heard, so that may have changed). They all universally are challenged by lack of access to capital and unease with licensing requirements.”

Immigrants’ access to child care is an important topic in many cities in Greater Minnesota, where large local employers have attracted many foreign-born workers and their families, and it therefore requires a special mention. [A recent CRPD report done in partnership with the University of Minnesota’s Humphrey School of Public Affairs](#) highlights the many barriers not just keeping immigrants, specifically Latino immigrants, from accessing child care but also keeping local officials and providers from helping them.<sup>15</sup>

The researchers focused on Worthington in Nobles County, a city where 32% of the population is foreign-born, 40% are Latino, and 48% speak a language other than English at home. They interviewed three groups for the study: Spanish-speaking families; local officials; and child care providers. The three groups all identified five general barriers to access: capacity, or lack of it; transportation issues; language barriers; work schedules; and the potential for immigration consequences. The families, however, also identified three more barriers: affordability; lack of information on child care and assistance programs; and concerns about safety for their children.

One barrier they did not identify that local officials and providers did: cultural preferences. Families expressed concern about the balancing act they understood they had to make between affordability and quality, the socialization and education they wanted for their children, safety, and the significant angst caused by the language barrier and immigration status, but none mentioned preferences based on culture that could not be met by local providers.

One additional barrier for families was the concern over filling out official forms and being “in the system.” This is a problem that may be unique to people from Central and South America due to the ongoing contentiousness of immigration policy in the U.S.

- **Employers as providers**

Respondents to CRPD’s survey indicated that local employers are aware of the lack of child care and consider it a barrier to attracting and retaining workers. Central Minnesota reported the

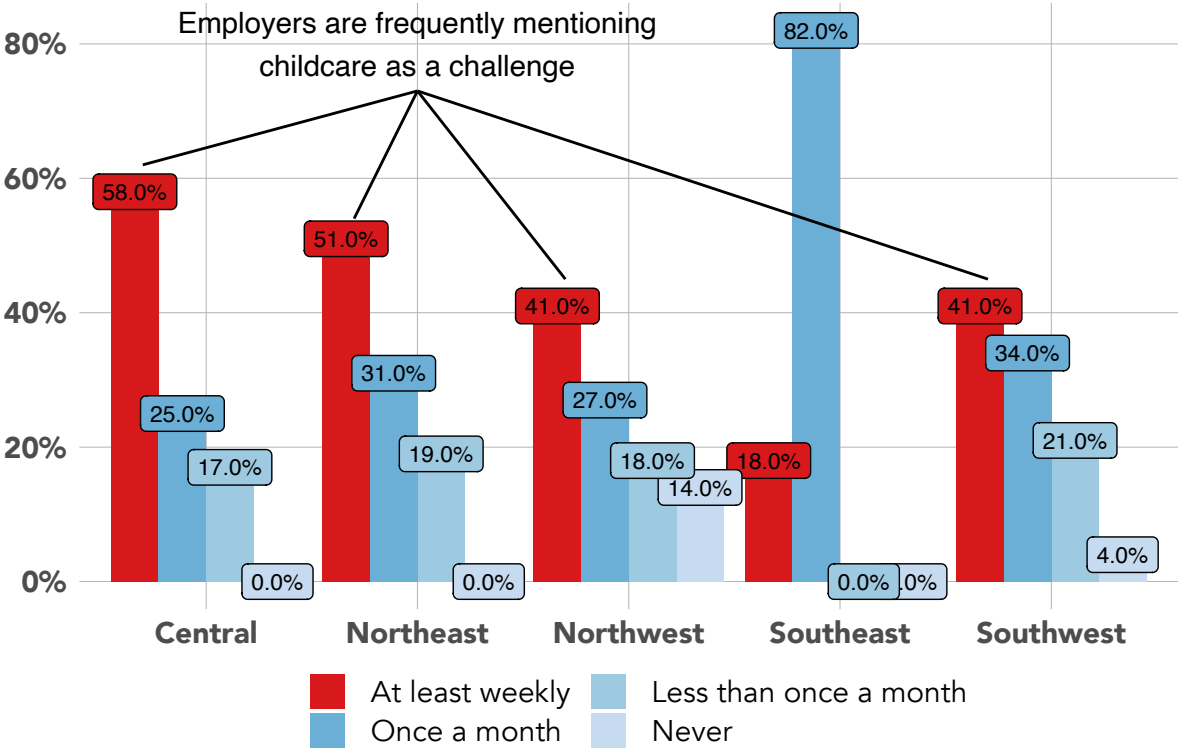
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<sup>15</sup> Linares, et al., 2022.



most serious problem, where 58% of respondents said they heard from employers at least once a week about the issue (Fig. 4).

### How often do employers mention childcare as a barrier to attracting or retaining talent?



Center for Rural Policy and Development - Childcare Initiative Survey

Figure 4: Respondents in all regions of Minnesota reported in our 2021 survey that they were hearing about child care as a barrier to worker recruitment at least once a week.

Two employers were mentioned in the survey as working on projects where the company would be providing child care directly: Hormel in Austin and CCM Health’s hospital campus in Montevideo.

There has been a growing call for employers to start their own centers, but rural communities shouldn’t count on one or two local employers to solve the child care problem themselves. There are dangers in tying child care too directly to employers, says Sanford.

Expecting employers to start a center or offer more child care benefits sounds great on the surface, Sanford says, “but we get into the same situation that we’re in with health insurance being tied to employers.” Employees feel like they can’t leave because they’ll risk losing their

child care benefits. A better situation, Sanford says, is to have private employers at the table with other entities—with local governments and other organizations—where they can have input and contribute funding or other resources. “That is very different,” Sanford says.

One example of this is the **Leo Augusta Academy**, an early childhood education center in Blooming Prairie. As area employers looked for more workers for their growing companies, they started to realize that among the three factors needed to attract and keep workers—child care, housing, and schools—there was a significant need for child care, says Doug Anderson, Academy director. Local providers were full with waiting lists. The employers began discussing possible solutions with local government and chambers, and eventually one businessman donated land and buildings. The school opened in June; the academy is paying market-rate pay to staff and charging market-rate tuition to parents, but they also offer scholarships and help families find any assistance they qualify for, Anderson says.

“Part of the reason we love having employers in the room,” the Initiative Foundation’s Hickman says, “is that many are waking up to the fact of how critical [child care] is for employee attraction and retention. Even in small towns with large employee bodies, like a hospital or a meat processing plant or manufacturing, we’re seeing employers step up and say, ‘I could donate the space, or I could commit to guaranteeing fifty spots [at a local center],’ and so the provider all of a sudden has a much more solid economic base.”

- **When things don’t work out**

Things don’t always work out despite the best of intentions.

In **Moorhead**, according to one CRPD survey respondent, employers were invited to discuss the child care issue, but no one accepted the invitation.

In the city of **Clarkfield** in Yellow Medicine County, the community came together to build a child care center, with the city and county each putting in \$50,000, but by November 2019 the center had closed.

In Clarkfield City Administrator Chris Webb’s estimation, there were two major issues: financing and staffing. The first idea for a center in Clarkfield was to house it at the local charter school, but the charter school’s authorizer said no, despite support from the school.<sup>16</sup> The plan then became to build the center through grants and donations, but while the center’s nonprofit board was working on a large grant with a foundation, work began on the building before the

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<sup>16</sup> “An authorizer is a public oversight entity approved by the state to authorize one or more charter schools. An authorizer’s fundamental role is to hold a school accountable for the terms of its performance contract – the ‘charter.’ ... Minnesota authorizers may be **public schools, charitable non-profit organizations or institutions of higher education approved by the state to charter schools**. Authorizer responsibilities include approving, monitoring, evaluating, renewing, and, if necessary, closing charter schools when contract terms are not met.” [Authorizer Performance - MDE - Minnesota.gov](https://www.mde.state.mn.us/authorizer/Authorizer-Performance-MDE-Minnesota.gov)

funds were in hand. The grant ultimately didn't go through, and despite another search for replacement funding, it became necessary to take out a loan to cover construction costs. The loan payment ultimately made it impossible for the center to cash flow, says Webb, who was not city administrator at the time.

The center also struggled with retaining staff. The problem, as for many centers, was pay—two of the three teachers left for jobs offering higher pay. As one survey respondent commented, “The pay was not enough to keep staff; and no benefits were provided. The need was there; families wanted the child care, but with the limited number of staff we could not stay open.” The loan payment, of course, contributed to the problem.

## Recommendations

Looking through the community initiatives collected in our survey, it became apparent fairly quickly that two things were happening: communities have started seeing child care as an investment in economic development; and they believe their most effective action for building capacity is to help providers make their businesses financially stable. Here are some points to consider when thinking about the childcare shortage at the local level.

- **Providers are business owners.** The initiatives going on around the state show that at the local level, people working on solutions understand that child care may be a calling, but providers still need to cover their expenses.
- **There is no one, quick, push-button fix.** The mix of problems that have created the child care shortage are many and complex, especially for family providers, who are key to adding capacity in rural communities. Therefore, every community will need to find its own unique set of solutions based on its unique characteristics. Finding those solutions will take time and work.
- **Measure and understand the unique characteristics and childcare needs in your community.** Distance, demographics, local economics, and local culture affect each community differently, meaning that the solution that worked for one town will not necessarily work for the town twenty miles down the road. However—
- **Look at what other communities are doing, and share what you are doing.** You may not want or be able to do exactly the same thing, but you can collect ideas that can then be adapted to your community's unique needs.
- **Bring together stakeholders as early as possible.** Partnerships are necessary. Fixing this issue will require more resources than any one entity—the county, a local employer, a local nonprofit, etc.—has, but building them takes time. Get people talking now, not when you “feel ready.” The longer you wait, the more critical the issue becomes.

- **Think about childcare in both the short term and the long term.** Short-term solutions might be necessary for now, but if they're not stable and sustainable over the long term, they are not healthy for children, who need routine and stability. They're not good for providers either, who must commit a good deal of time, energy, and money in getting started. Don't get paralyzed by pursuing perfection, but keep in mind the importance of sustainability for the long haul.
- **For FCC providers, there are other pain points besides money.** Family child care providers are vital to Greater Minnesota, but the issues that push them to close are harder to define compared to centers (which is often lack of workers). Therefore, besides more money, consider what else would help FCC providers. For example, can you organize a pool of substitutes? Is there a way to assist with administrative tasks? Can we create social opportunities to help with isolation? Would getting the business out of their house and away from family help?
- **Support DHS in its efforts to modernize.** The MN Department of Human Services is responding to requests from providers by examining and addressing the major pain points that push providers to quitting, such as paperwork and lack of technical support. The department needs to be allowed to continue that work.
- **Rural is different.** Supply and demand don't work the same way in rural areas and sometimes don't work at all. Policy needs to recognize this and adjust accordingly. Distance, incomes, types of employers all affect childcare needs in a community and a provider's financial stability.

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