



# 2015 PARENTS AND THE HIGH COST OF CHILD CARE

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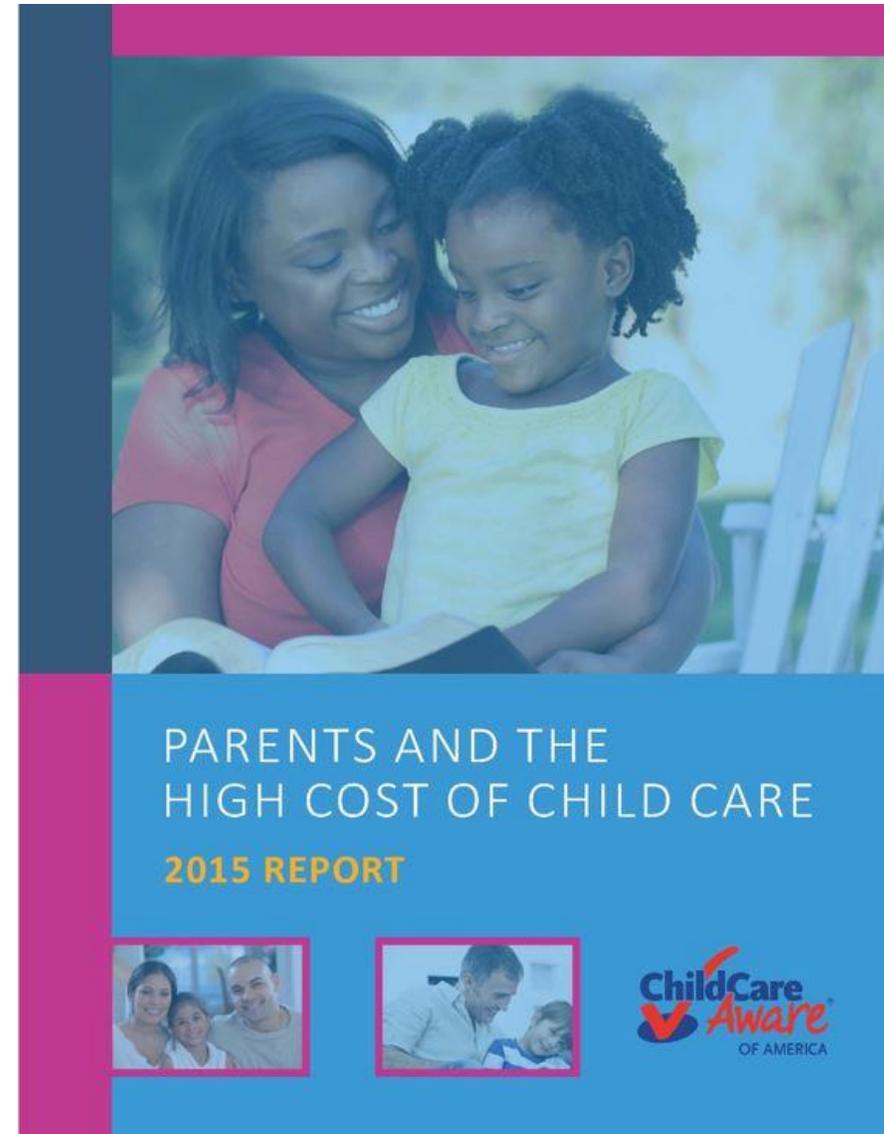
**Child Care Aware of Minnesota** grows communities by fostering the healthy growth of children and the professional growth of child care providers.

We provide statewide leadership in shaping collaborations that build a diverse, high-quality child care system accessible to all Minnesota families through local resource and referral services.



# PARENTS AND THE HIGH COST OF CHILD CARE REPORT

- Examines the dual importance of child care as a workforce support and as early learning programs.
- Describes the changing demographics and the impact on child care across the country.
- Ranks states according to their affordability for infants and toddlers, four-year-olds, and school-age children in **center-based care**
- Compares the cost of child care to other family expenses.



## What the report includes:

- Cost data on licensed child care programs reported by each state
- Does *not* include cost data for other early care and education programs (i.e. Head Start, School based Pre-K, other non-licensed care)
- *Ranking* is based on **center based care** but some data on Licensed Family Child Care is captured and offered for comparison



# A GOOD INVESTMENT

- Stronger families
- Safer communities
- Healthier children



## Other points:

- Child care remains one of the most significant expenses in a family budget
- Lack of affordability impacts everyone – families, business, economy
- Access is particularly difficult for low income families



# COST TO BUSINESS

In the most recent Wilder survey (2009), **35%** of families lost work time or income due to a problem with a child care arrangement (not including a sick child)

65% OF PARENTS' WORK SCHEDULES ARE AFFECTED BY **CHILD CARE CHALLENGES**

*an average of 7.5 times over a six month period.*



# COST TO BUSINESS

There is an obvious business case for quality, affordable child care.

Adjusted for inflation, U.S. businesses lose approximately **\$4.4 billion annually** due to employee absenteeism as the result of child care breakdowns.



# Family-Friendly Policies

- Paid family and maternity leave
- Flexible schedules
- Subsidized care
- Resource and referral

Parents are best able to work when they have access to

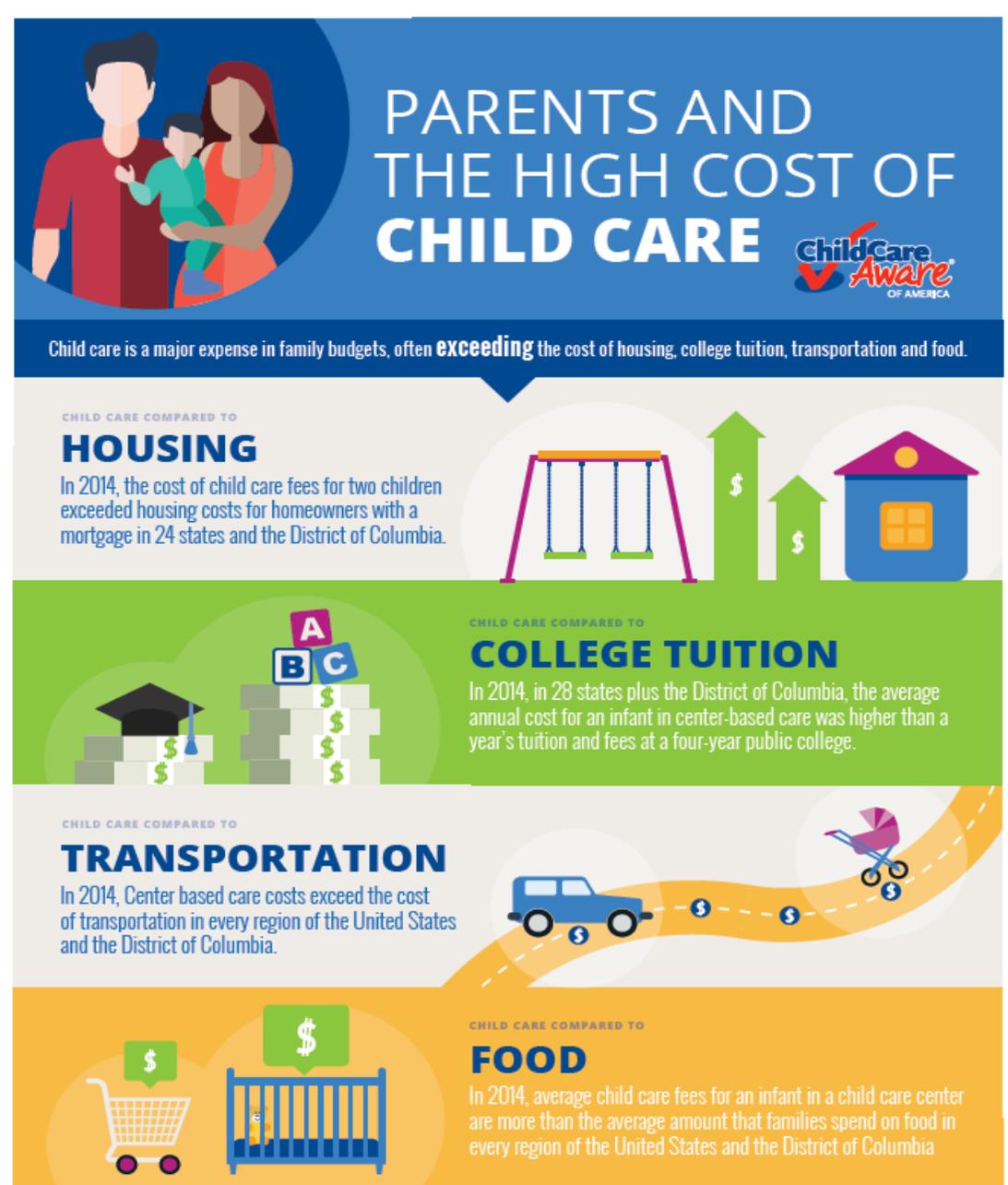
**STABLE,  
HIGH-QUALITY,  
AFFORDABLE CHILD  
CARE ARRANGEMENTS.**



# What are the cost drivers?

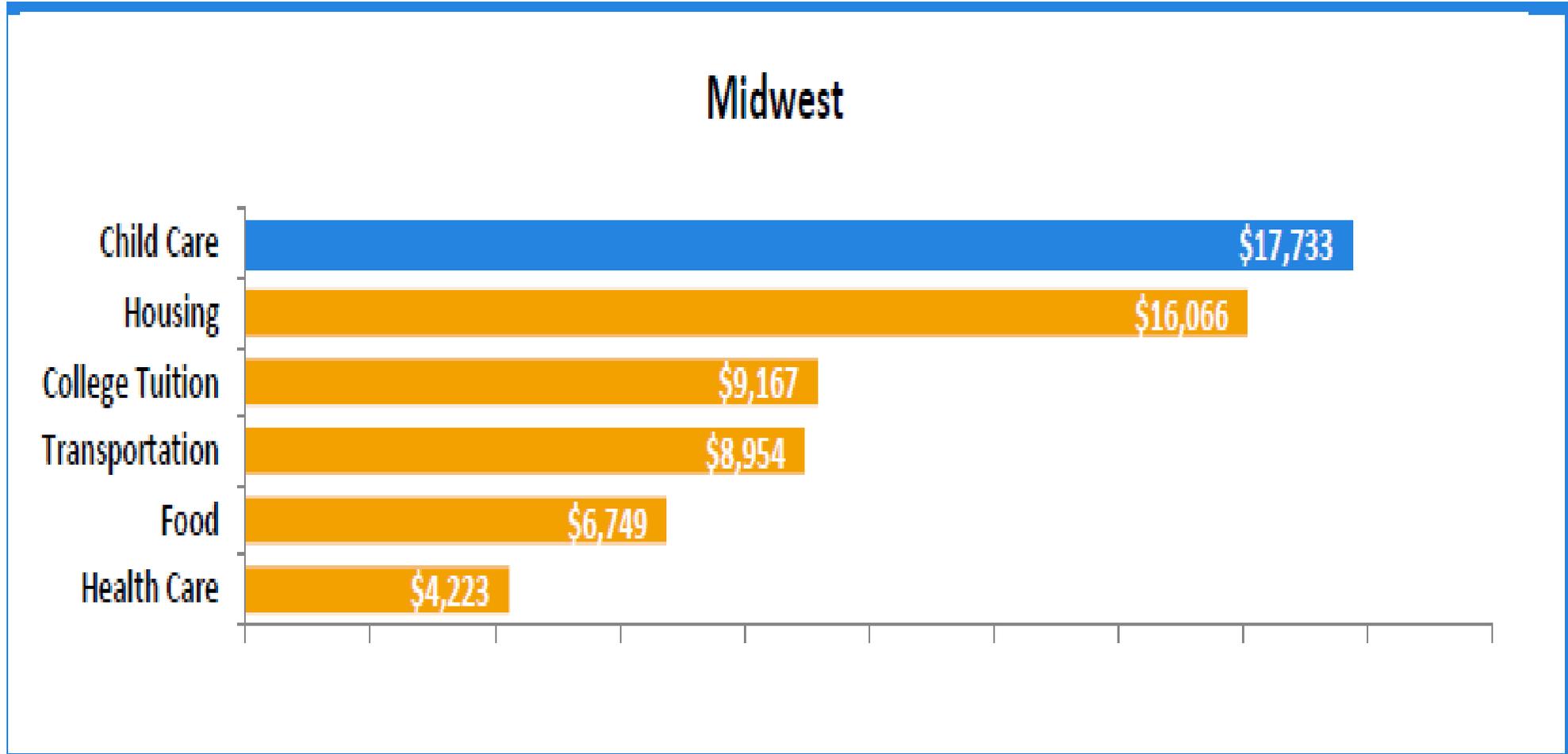
- **Qualified staff**-Early learning programs need significantly more staff than other settings for children, such as K-12 classrooms. Up to 80% of child care expenses are for payroll and payroll-related expenditures.
- **Facilities**-property, utilities, maintenance, licensing, insurance
- **Food**- breakfast, lunch, snacks
- **Program costs**- activities and materials
- **Professional development and training**-pre-service and ongoing
- **Lost revenue**

Child care is a major expense in family budgets, often exceeding the cost of housing, college tuition, transportation, and food.

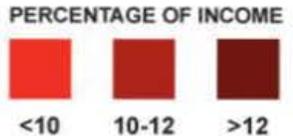
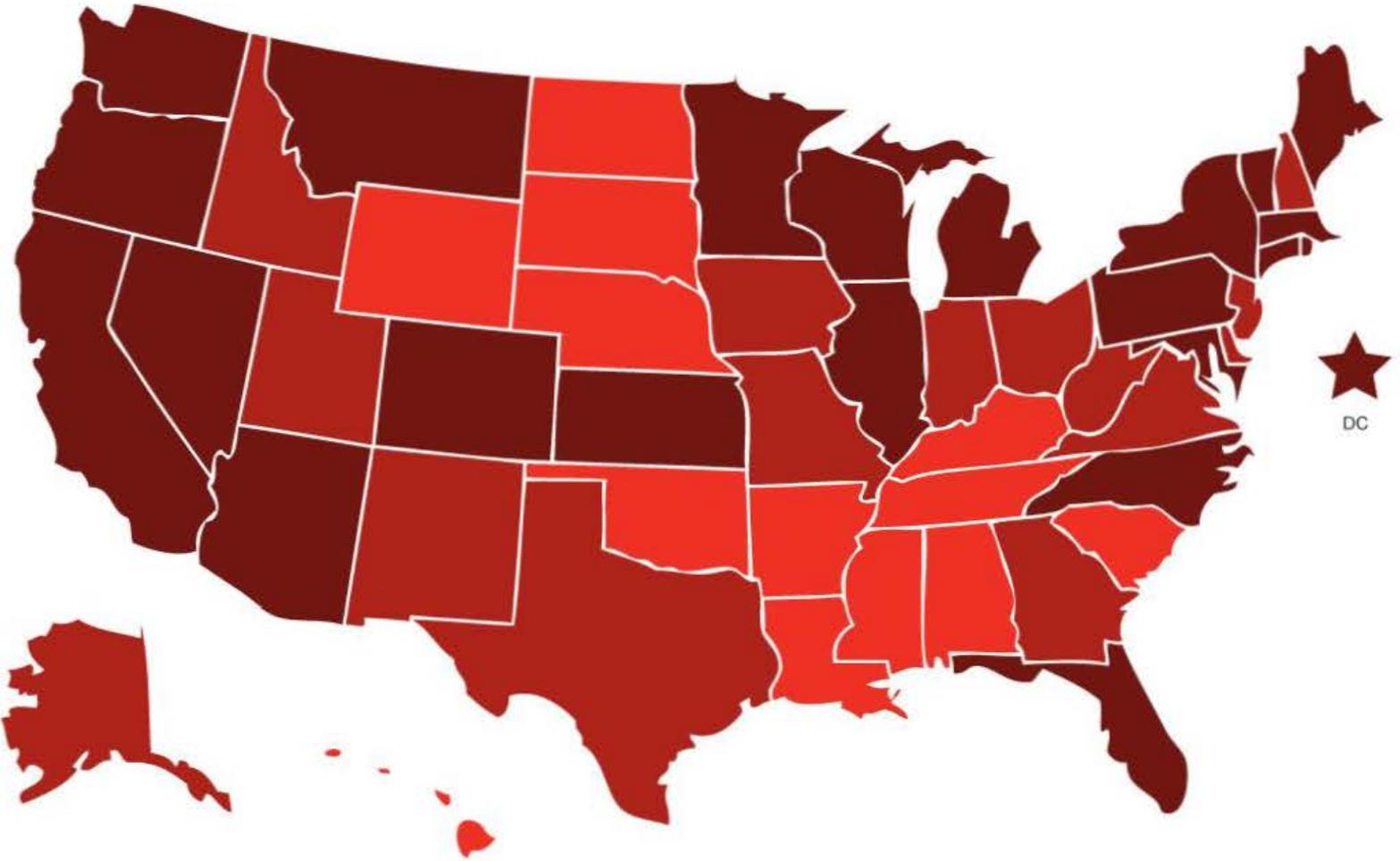


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# Center-based care costs for 2 children (infant & 4 year old) compared with other major household expenses



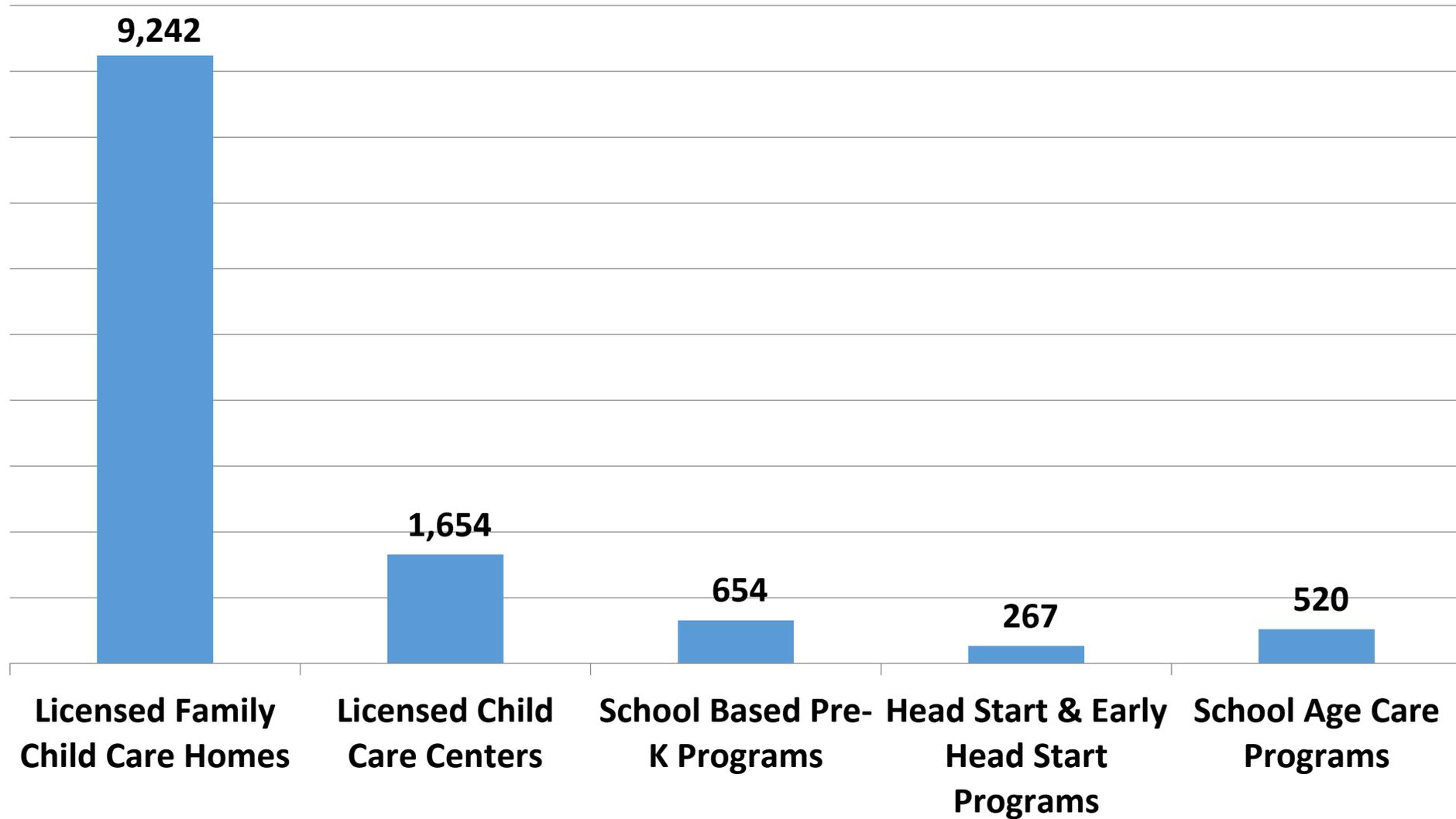
# Average cost for center-based infant care as a percentage of married couple's median income



## Rankings based on center-based care in MN

- Minnesota ranks as *the least affordable* state for infants and *5<sup>th</sup> least* affordable state for 4 year olds in **center based care** as a percentage of the median income of a married couple
  - SMI for married couple \$94,432
  - Average annual cost of center-based infant care- **\$14,366** (15.2% of SMI)
  - Average annual cost of center-based 4 year old care- **\$11,119** (11.8% of SMI)

# Programs in Minnesota as of January, 2016



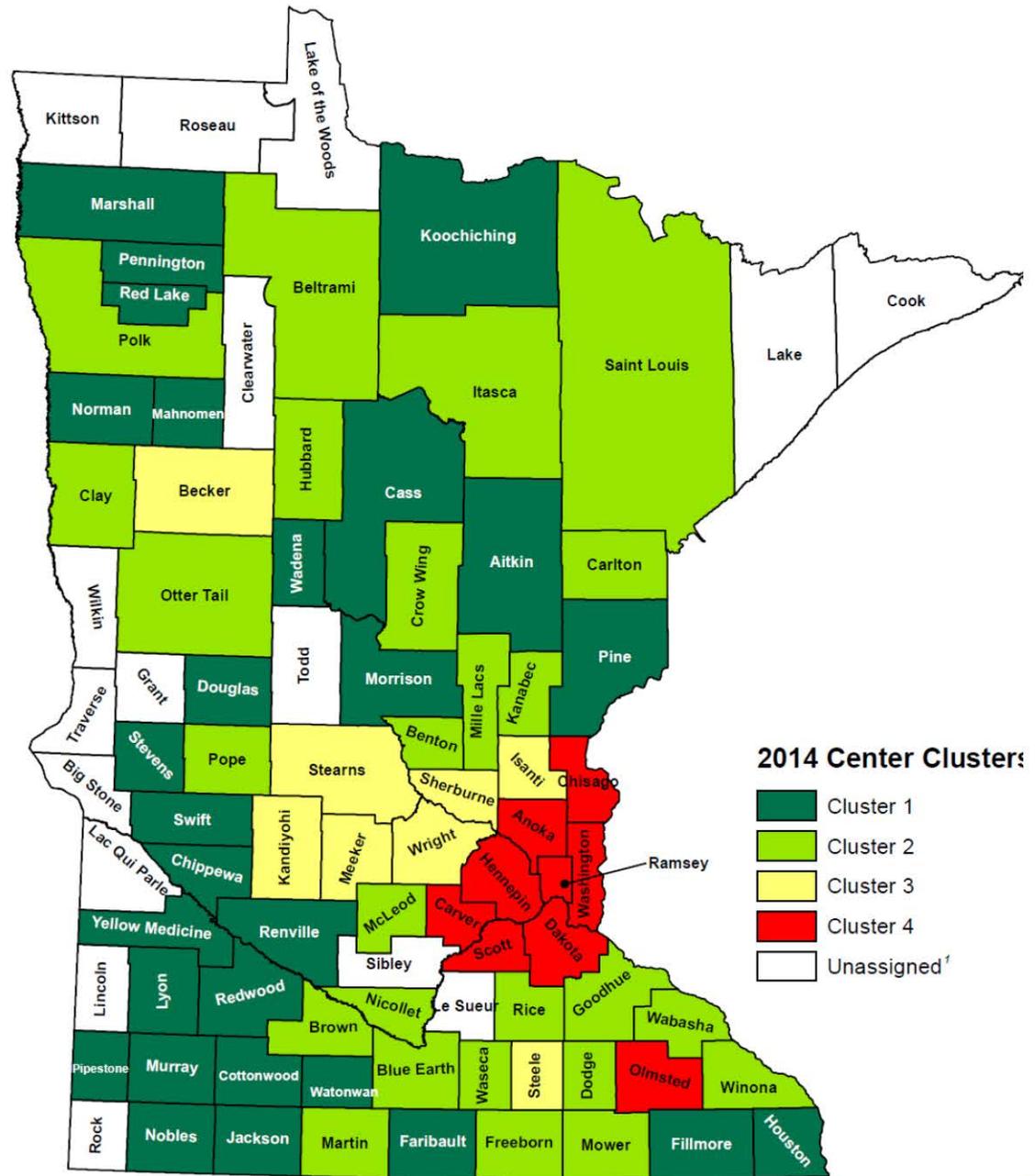
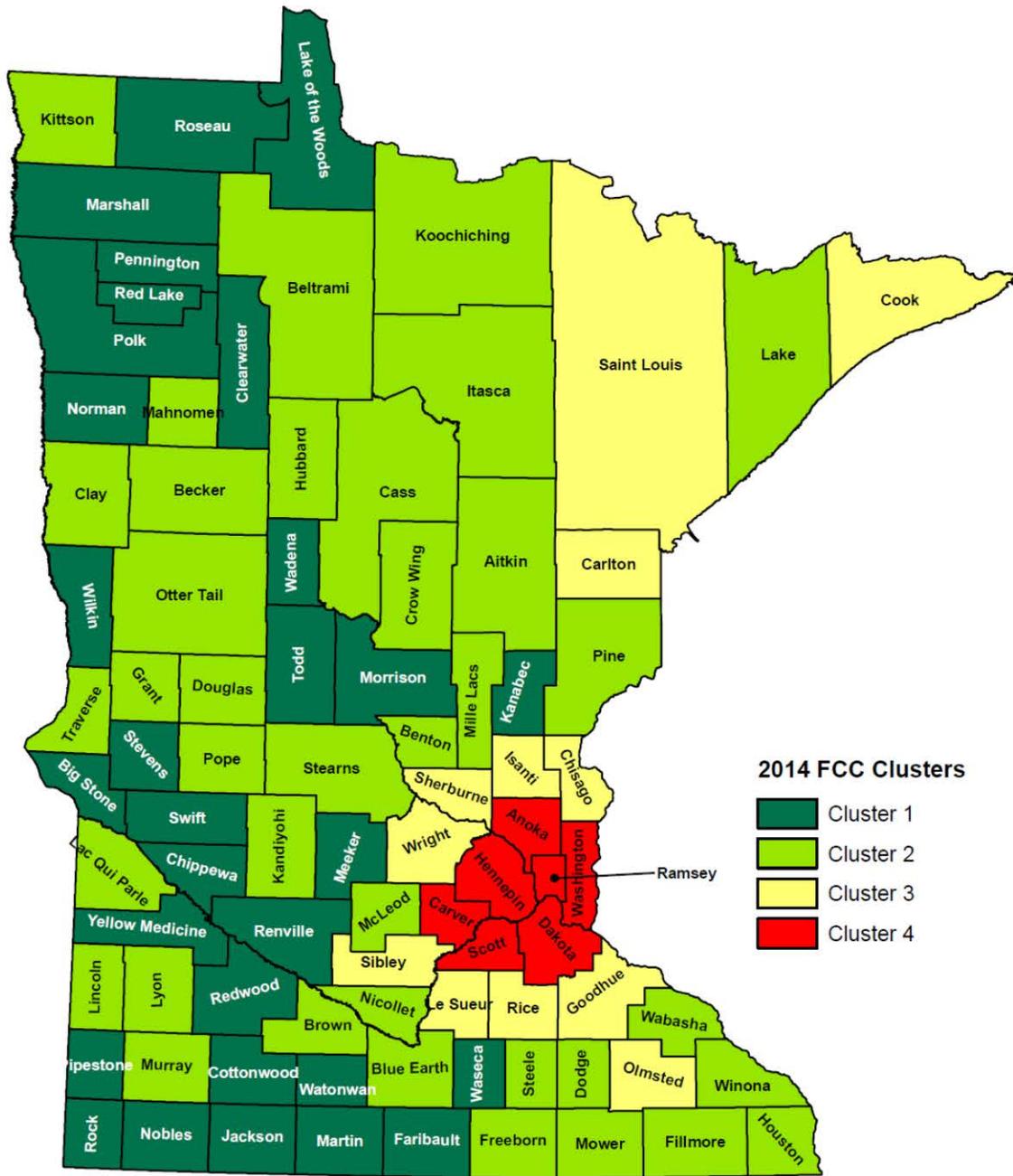
## Additional context for the ranking

- The majority (73%) of the Child Care Centers in MN are located in the **Metro areas** where costs are nearly double our most rural regions
- **Centers** make up a much **smaller** portion of the MN market:
  - National average- 2,300 or 40% of the market
  - Minnesota- 1,654 or 15% of the market
- **Family child care providers** make up a much **larger** portion of the MN market:
  - National average -3,000 or 60% of the market
  - Minnesota -9,242 which is 85% of the market

## Yearly costs range widely depending on setting and region:

<b>Age (Setting)</b>	<b>Median Rate (Lowest price counties*)</b>	<b>Median Rate (Highest price counties*)</b>
<b>Infant (Child Care Center)</b>	<b>\$6,760</b>	<b>\$16,900</b>
<b>Infant (Family Child Care)</b>	<b>\$5,720</b>	<b>\$8,840</b>
<b>4-year-old (Child Care Center)</b>	<b>\$6,500</b>	<b>\$12,896</b>
<b>4-year-old (Family Child Care)</b>	<b>\$5,200</b>	<b>\$7,800</b>

*\*From 2014 Minnesota Department of Human Services (DHS) Market Rate Survey report which now creates four clusters of counties based on price.*

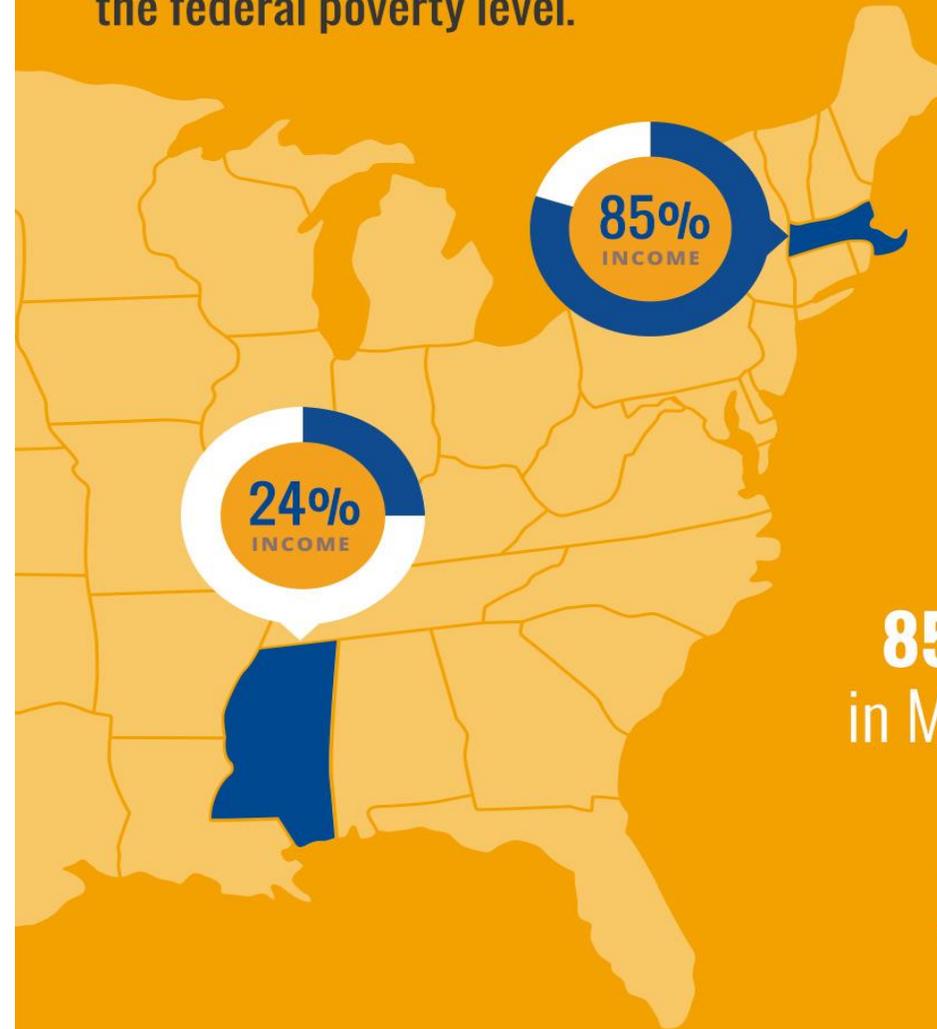


# Access issues

For Minnesota families **at poverty level** (\$19,790 for family of 3 in 2014):

- Infant care in a center averaged **71%** of expenses
- Infant care in a Licensed Family Child Care home averaged **39%** of expenses

The cost of child care is difficult for families living at or below the federal poverty level.



Full-time center-based care for an infant ranges from **24%** of income in Mississippi to **85%** of income in Massachusetts.

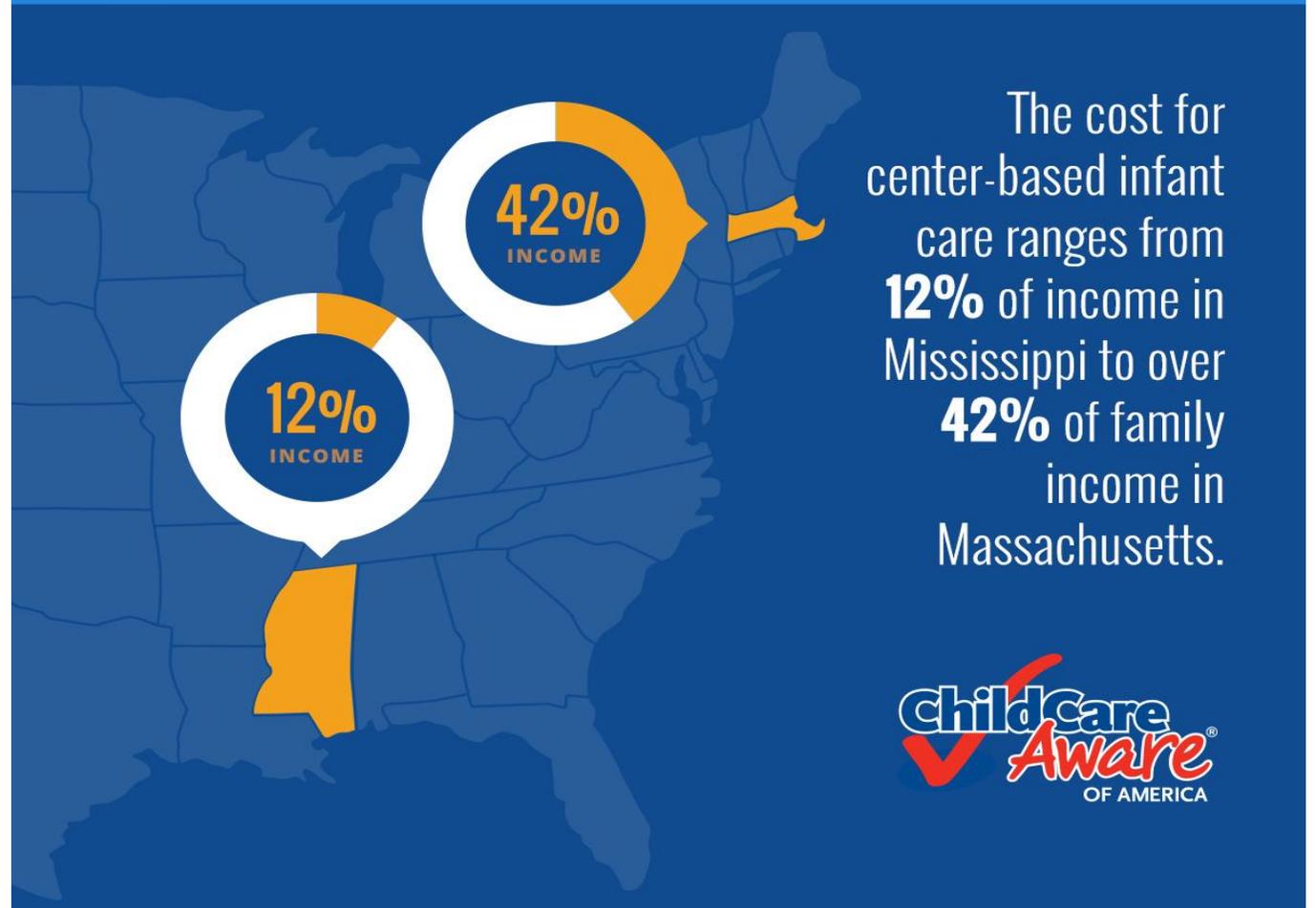


For Minnesota families at **200% of the poverty level** (\$39,580 in 2014):

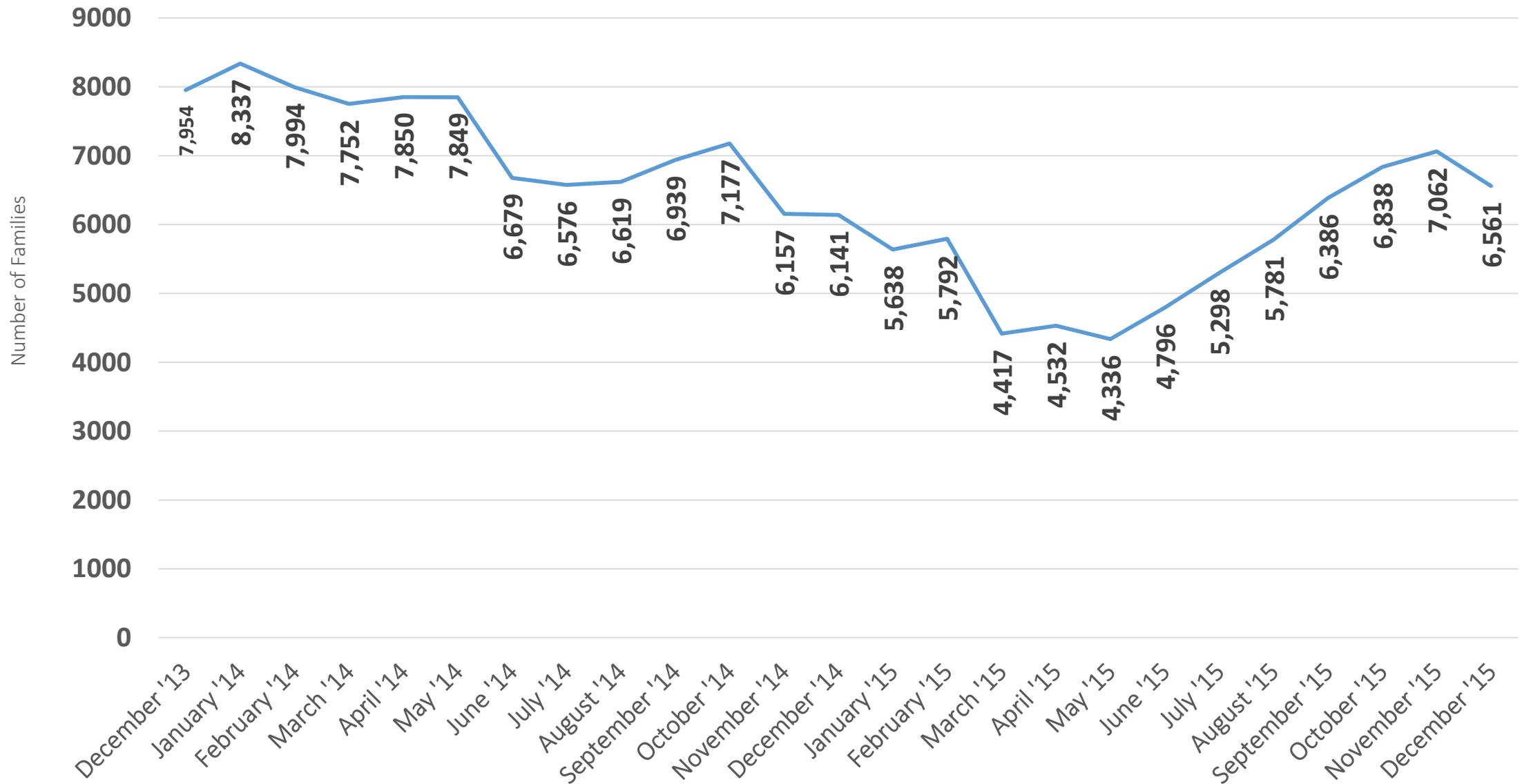
- Infant care in a center averages **36%** of expenses
- Infant care in a Licensed Family Child Care home averages **20%** of expenses



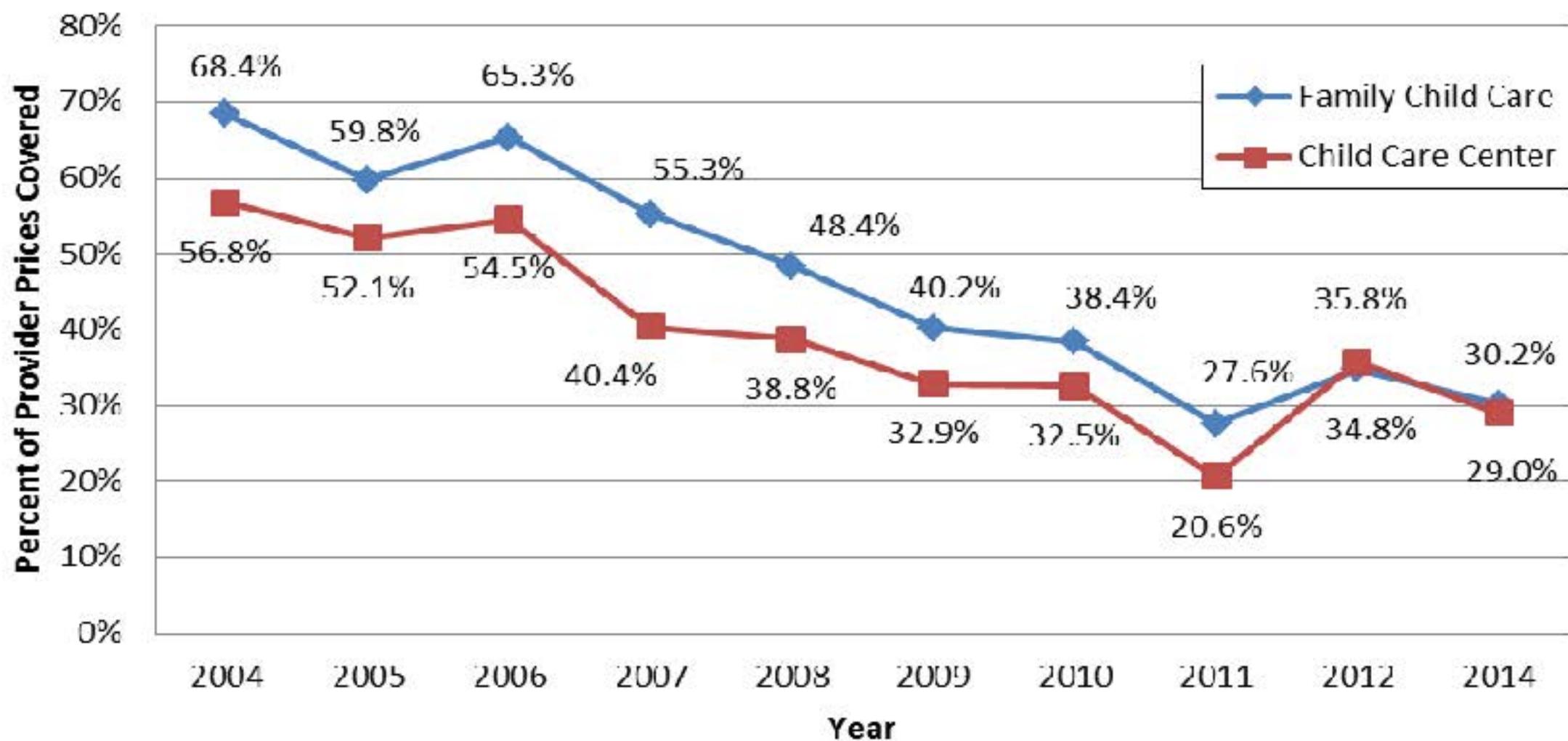
Even for families of three earning an income **double** the federal poverty threshold, child care is a significant burden.



# Basic Sliding Fee waiting list 2013-2015



## Provider Prices Fully Covered by Maximum Rates Statewide



# Potential solutions to address costs

- Increase **Federal and state** investments in Child Care Assistance
- **Expand the supply** of sustainable, quality child care options, including family child care settings offering quality infant and toddler care
- **Layer funding** to create quality programs that meet the needs of families
- **Involve businesses** in supporting better child care for their workforce and communities
- Use the **tax system** to provide support for families and incentives for businesses



## How Minnesota can respond

- Invest in the **Basic Sliding Fee** program to help families access needed child care services
- Continue to provide **higher child care reimbursement rates** and access to **early learning scholarships** for programs with a 3 or 4 Star Parent Aware Rating
- Encourage **mixed delivery options** for child care programs to participate in Pre-K initiatives
- Support growth of **Early Head Start-Child Care partnerships** in Minnesota
- Invest in new and/or expanded **tax credits** for families and business investment
- Involve business and local communities in supporting **development of new child care providers/programs** to serve local families

