

Committee on Small Business

House Small Business Subcommittee on Rural Development, Agriculture, Trade and Entrepreneurship

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Taking Care of Business: How Child Care is Important for Regional Economics

Written Testimony from Dan Levi, AIA

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Chairwoman Finkenauer, Dr. Joyce and other distinguished Subcommittee Members,

Thank you for engaging in the very real child care crisis affecting many communities across Iowa, and for considering my testimony. I serve on the Black Hawk County Child Care Coalition, formed in 2017 by a small group of volunteer community members. Our goal was to address the lack of community awareness and the challenges facing families with children, and how that impacts the community they live in.

A child care crisis is occurring in Iowa, including Black Hawk County. The waiting lists are in the thousands and it is impacting families and our economy.

- Approximately 9,000 children in Black Hawk County are not having their child care (birth – school age) needs met.
- 26% of employers identify child care as a barrier to employee retention.
- In Black Hawk County, 21,324 children are under the age of 12, and there are only 7,686 child care space available countywide.
- 5-year trend for Iowa shows a 37% loss of centers (31% in Black Hawk County) while an increase in the number of dual-income earning families.

Child care is a critical component to healthy communities. Adequate, affordable child care allows parents to feel confident their child is being nurtured in a safe environment and enables them to be more productive at work and absent less. Child care is an economic driver. When a community has child care available it is able to recruit and retain businesses, employees, and families.

The Black Hawk County Child Care Coalition has quickly evolved to support communities in Black Hawk and surrounding counties through business consultation, encouraging entrepreneurs, partnerships with secondary education entities, mentorship groups and engagement with the non-English speaking groups within our communities.

The Business and Child Care Subcommittee provides support to communities with detailed business plan templates and suggested input data, architectural review of possible projects, funding opportunity consultation, community engagement tactics and facilitation of partnering between public, private and private non-profits entities to maximize opportunities. Public-private partnerships have garnered the most interest from the private sector as a means to stretch matching funds between organizations and capitalize on the varying limited resources available.

Through a generous grant from the Iowa Women's Foundation, the Business and Expansion Subcommittee has created "Child Care in a Box". This program provides generic examples of small and medium-sized child care center floor plans and a robust budget template. These tools help to inform communities with little experience and provide reasonable expectations regarding a project size, cost and financial sustainability. Existing centers can benefit from the budget worksheets to ensure their financial sustainability for years to come. These tools are provided free, and distributed through the Child Care Resource & Referral offices around the state.

Private businesses, and my own business, understand the lack of potential employees in Iowa as a barrier to economic growth. The costs associated with recruitment and retention combined with the limited hiring pool keeps many business (including the clients I work for daily) from expanding. Small communities understand this as well. The coalition provides experience and information to proactive communities looking to take on the challenge of child care to save their towns from declining population and economic ruin.

The private sector is starting to join the conversation. Businesses are partnering with existing providers to secure slots in established child care centers as a way to provide tangible benefits to employees. While few businesses want to run a child care center, they are willing to share capital costs and/or operational costs of an extremely low-margin industry.

In Cedar Falls, the Coalition and Western Home Communities are leading a project to provide a new center of 280 children. More private business partners are being engaged as well as the City of Cedar Falls, Hawkeye Community College and the University of Northern Iowa as a possible third-party operator. The University has the opportunity to expand their Early Childhood Education program and bolster enrollment as well as securing child care slots for their own faculty and staff similarly to the other partnering entities. This will further build the currently limited educated early childhood workforce.

Partnerships like this benefit all organizations involved and have the opportunity to provide a less than market rate cost to families, *and* provide teachers with an above market rate income with benefits.

Hawkeye Community College, in Waterloo, partnered with local non-profit Exceptional Person, Inc. (EPI) to create a new child care center. Hawkeye Community College provides space in a new building in the downtown area rent free, while EPI operates the center with its own employees. The college removes a significant barrier for non-traditional students to attend the college, and EPI gains a valuable recruitment and retention benefit. Since the center opened, a new scholarship program has been funded with help from local foundations to assist those families that don't qualify for Child Care Assistance, but find it difficult to afford child care.

Small school districts with progressive superintendents have been invaluable partners in several communities. They see the child care in their towns as the feeder to the school, and possible growing enrollment. A child's education starts at birth and many school districts recognize better prepared student entering their curriculum after being in a quality child care center prior to starting kindergarten. Too many towns have seen young people move away or not move to town in part because of the lack of child care opportunities. Iowa has one of the highest rates of dual-income earning households in the nation. Lack of child care is a real cause for families to move or even voluntarily remove themselves from the workforce.

In Charles City, the school district is creatively engaging the local child care center to help them expand. The school district recently abandoned an older, non-contiguous middle school with the construction of a new middle school on their main campus. The school district needs to sell the building, but the child care center can't afford the cost to purchase, plus renovations. The child care center will rent the building from the school district for a dollar, expand their

business to help feed the school district, and eventually purchase the building from the district. This partnership is financially more responsible for the child care center, allows them time to fundraise while expanding immediately and the school district gets to take this underused building off their ownership.

Local foundations and charities are also seeing the need for quality, affordable child care. In the last few years we have seen the attitude change from completely hands-off (not wanting to appear to “be in the business of child care”) to actively seeking the advice of local, private experts and the State-funded, Child Care Resource & Referral offices on applications of organizations seeking matching grant dollars for child care capacity expansion. These local foundations are vital to their communities and their projects seeking funds to fill the gap between small operational expense over revenue after private donations and state/county assistance.

Funding child care projects is difficult. Private fundraising is the largest funding source with significant help from private foundations, Community Development Block Grants, USDA Rural Development loan program, and private lending as a last resort.

Capital costs for a licensed child care are higher than typical office or retail projects. The State of Iowa Administrative Code requires strict teacher-student ratios varying on age, minimum square footage per child, multiple sinks in every classroom, minimum classroom equipment and lower-than-typical toilet fixture ratios. My office has reviewed dozens of existing structures over the past ten years for possible renovation for child care centers. Rarely do existing buildings cost-effectively fit the specific code requirements or realistic programmatic needs.

If funding projects is difficult, we have found the operation is even more financially difficult. Labor costs are the most critical issue for a center. Strict adherence to the mandated teacher-student ratios means many teachers for few children. To be sustainable, projects must be designed around and programmed to work well with these ratios.

Some of the Black Hawk County Child Care Coalition goals include increasing the number of child care slots, build a larger early childhood workforce, increase the average teacher pay, creating a more robust career path for teachers/directors and reduce the average cost to families for their childcare. Policy change goals we would like to see are non-profit access to Small Business

Administration loan program, a more stream-lined CDBG process and government support with public-private partnership led projects.

In Iowa, Child Care Resource & Referral offices regularly hear frustrations from families that child care centers cap their Child Care Assistance program enrollment, typically blamed on low reimbursement rates. A specific example of beneficial policy change is the federal government tying the Child Care Assistance program to the Quality Rating Improvement System. This policy change has encouraged licensed centers to increase their quality to receive higher reimbursement rates for their Child Care Assistance customers. For the higher-rated centers, this policy has removed any financial incentive to artificially cap the number of enrolled families on Child Care Assistance.

Thank you for your interest in the child care crisis we are experiencing in Iowa. Early Childhood reaches further than families with children from infants to 9-year olds. This issue affects small town population, child development, as well as local and regional economies. The excitement you have created by getting even more involved can't be overstated.

Respectfully,

A handwritten signature in blue ink, appearing to read 'D. Levi', with a stylized flourish extending upwards and to the right.

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