



First Children's Finance

Rice County Quantitative Analysis

April 2023





Project Goals

- A group of organizations in Rice County is in early stages of exploring the possibility of a voter-approved fund for early care and education.
- The group wanted to understand the needed investment in the ECE system to inform the feasibility and design of this ballot initiative.
- As a first step, FCF estimated the needed investment to meet the true cost of care for all children, birth-5, needing care in the region.



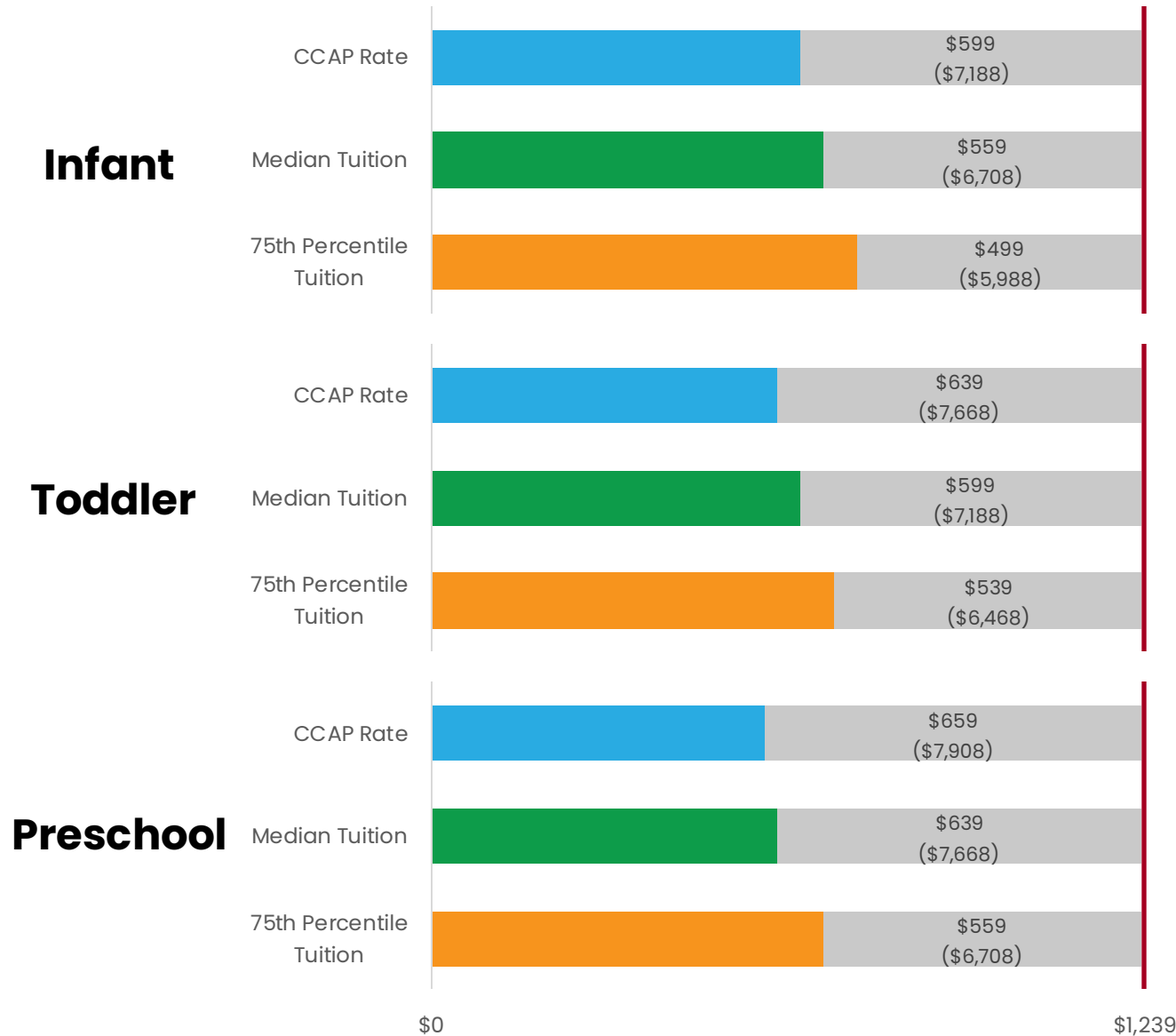
What is the “Cost of Care”?

Price vs. Cost

- Most states use a Market Rate Survey to understand the price of child care services.
- Studies have shown that for many child care businesses, the price of tuition does not reflect the cost of providing care.
- Many providers set tuition rates based on what local families can afford and may balance their budgets by offering low wages, or by not paying themselves.
- The “cost of care” reflects an estimate of the true cost of what it takes to provide child care, regardless of the price the local market can support.



Cost of Care Gaps- Family Child Care

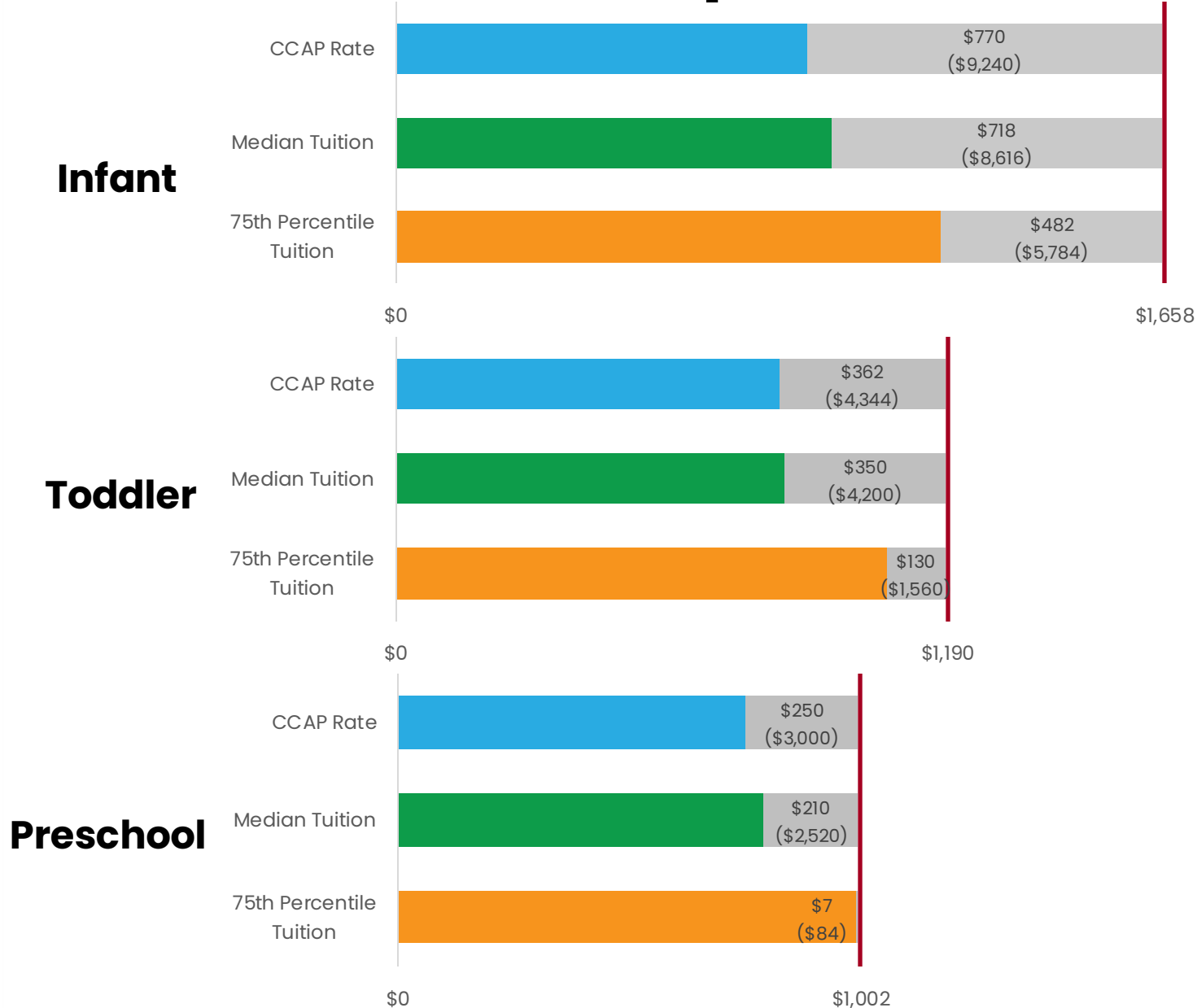


These graphs illustrate the monthly gap between the **true cost of care (\$1,239 per child)**, **CCAP rates**, **median tuition**, and the **75th percentile of tuition** in Rice County for family child care.

The annual gap is noted in parenthesis.



Cost of Care Gaps- Child Care Centers



These tables illustrate the monthly gap between the true cost of care, CCAP rates, median tuition, and the 75th percentile of tuition in Rice County for child care centers. The true cost of care varies across infants (\$1,658 per child), toddlers (\$1,190 per child), and preschoolers (\$1,002 per child) due to different licensing staffing ratio requirements. The annual gap is noted in parenthesis.



Cost of Care Gap in Rice County

To meet this true cost of care for every child needing care in Rice County, there needs to be an annual investment of:

Age Group		Annual Investment*
Birth-5	Current state	\$12.9 million
	Total needed cost when CCAP rates are raised to the 75 th percentile	\$12.6 million
Birth- 3	Current state	\$7.5 million
	Total needed cost when CCAP rates are raised to the 75 th percentile	\$7.3 million

*This annual investment includes an additional 10% of funds for effective program implementation.



Cost of Care Gap in Northfield

To meet this true cost of care for every child needing care in Northfield, there needs to be an annual investment of:

Age Group		Annual Investment*
Birth-5	Current state	\$3.7 million
	Total needed cost when CCAP rates are raised to the 75 th percentile	\$3.6 million
Birth- 3	Current state	\$1.9 million
	Total needed cost when CCAP rates are raised to the 75 th percentile	\$1.8 million

*This annual investment includes an additional 10% of funds for effective program implementation.



Cost of Care Gap in Faribault

To meet this true cost of care for every child needing care in Faribault, there needs to be an annual investment of:

Age Group		Annual Investment*
Birth-5	Current state	\$5.6 million
	Total needed cost when CCAP rates are raised to the 75 th percentile	\$5.5 million
Birth- 3	Current state	\$3.3 million
	Total needed cost when CCAP rates are raised to the 75 th percentile	\$3.2 million

*This annual investment includes an additional 10% of funds for effective program implementation.



Investment Impact

Additional investments in the child care system in Rice County will strengthen and stabilize current providers, preserving the current supply of child care. These investments can also encourage expansion or new program openings. This could support Rice County in creating the approximately:

1,000

new birth–5 child care seats needed for every child in Rice County needing care to have access to child care.



Data Inputs

Model Input	Data Source
Cost of care	Use https://costofchildcare.org/ cost for Minnesota to estimate for the per-child cost of care.
Private pay tuition	Median tuition for Rice County's 2021 Market Rate Survey cluster
75 th Percentile tuition	75 th percentile tuition for Rice County's 2021 Market Rate Survey cluster. Reflects MN legislative proposals for raising CCAP rates and the best practice for CCAP rates, as defined by the Administration for Children and Families .
CCAP rate	Current CCAP rates in Rice County Based on Parent Aware participation rates in Rice County, assumed that the 20% quality differential would be paid for 50% of children who have CCAP who attend child care centers. Given PA participation patterns, did not assume the quality differential would be paid for any FCC children with CCAP.
Total cost of care gap	To estimate the cost to administer the funds, an additional 10% was added to the total cost of the fund. This is aligned with the allowable administrative spending in the American Rescue Plan Act and reflects the need to build organizational capacity to administer the potential program.



Data Inputs

Model Input	Data Source
Total Number of Children	<p>The following sources were used for each geography:</p> <ul style="list-style-type: none">• Rice County: ACS Table B09001- Population Under 18 Years by Age• Northfield: Northfield School District birth-5 census data• Faribault: Faribault School District birth-5 census data <p>For both Rice County and Northfield, assumed that 25% of 5 year olds would require child care, as they are too young to enter kindergarten. Faribault did not include 5 year olds in the census data provided.</p>
Age Groups	<p>To align with tuition and CCAP payment rates, used MN licensing definitions to define age groups for children in care with FCC and center providers.</p>
Number of Children Needing Care	<p>National Center for Education Studies data set on the % of percentage of children from birth through age 5 participating in weekly nonparental care arrangements. Estimates for the child age group were applied to the total number of children across each geography to estimate the number of children needing care.</p>
Number of children in Rice County with CCAP	<p>ACF Table 1 provided an average number of children receiving CCAP in MN. This was paired with ACF Table 9 to estimate the number of children birth-5 with CCAP. The statewide CCAP usage rate for children birth-5 was then applied to the Rice County population estimates. ACF Table 3 was used to estimate the number of children with CCAP in Rice County in care in FCC and centers.</p>



Data Inputs

Model Input	Data Source
Investment Impact	<p>Licensing data was used to identify the current number of licensed seats in Rice County. Statewide Market Rate Survey data suggests that 72% of slots are for children ages birth-5. Assumed 70% current enrollment efficiency, informed by data from First Children's Finance and the Minneapolis Federal Reserve Bank. The resulting current number of active and enrolled birth-5 slots was subtracted from the total number of children needing care to identify the gap in needed licensed slots.</p>