

FY22 Ag, Rural Development Community Project Form
Pete Stauber (MN-08)

Name of Project: Childcare Facility

Recipient Point of Contact: Jon Radermacher, jonr@citylittlefalls.com, 320-616-5500 100 7th Ave NE Little Falls, Minnesota 56345

Project Address: Little Falls, Minnesota, final site TBD.

Project website link: N/A

Agency/Account:

USDA – Rural Development – Rural Community Facilities Program Account

General description of the project and why it is needed:

The City has been working directly on the issue of childcare since 2017. The challenge to increasing the number of childcare slots often comes down to financial resources. The City has worked with a half-dozen potential providers on center and family-based models and each project has failed to progress because there was a gap in funding; either in funding the debt to build a new facility or renovate an existing space, and the revenue that could be generated with the market rates of childcare within our area. According to the Wilder Foundation's Minnesota Compass website, Little Falls, Minnesota had a median household income of \$38,862 in 2018. Affordability of childcare is an issue in most parts of the State; however, with the low median household incomes in our community, providers are in many ways restricted from charging higher rates, and therefore are also limited in their ability to make livable wages by providing this vital service. This, in turn, disincentivizes the creation of new childcare facilities and the expansion of existing ones.

In 2018, the City organized a meeting of providers to gain their input on potential solutions and what they need to keep providing this service. Many of the providers shared that they were not in the childcare profession for the money, but the love of the children and for the support they can give to our community. Others were in childcare because they had no options for their own children and would be getting out of the business when their children became school aged. They also shared that when they calculate their hourly wage and factor in all expenses and reimbursements, it came out to no more than \$1/hour or \$2/hour!

These childcare providers are unable to afford benefits like health insurance through their childcare business and many said that spousal support, both in wages and benefits, is the only thing that keeps them financially viable. Some of the solutions that were discussed included relieving some regulatory burdens, but they were primarily focused on getting access to benefits like health insurance, support in understanding and working to meet regulations, and access to facilities in which they might be able to operate their childcare license outside of their homes.

Since that meeting, the City has been advocating for our childcare providers, including providing multiple testimonies by the City Administrator for State legislative committees, and a special forum with Governor Tim Walz in 2019. The City continues to work with the Initiative Foundation, the Coalition of Greater Minnesota Cities, League of Minnesota Cities, Sourcewell, Community Development of Morrison County, First Children's Finance and others to advocate for legislative funding to support providers and communities to help solve the crisis of childcare. What we have discovered is there is no "silver-bullet" solution to this crisis, but a wide variety of options that need to be brought to the table to give existing providers the support, resources, and respect they need to continue to do this work and to provide the funding, creativity, and encouragement to create opportunities for new or expanding providers to operate within our community.

There are several variables to increasing the available childcare slots in our community: capital facility costs, operating expenses, available childcare providers, and demand for childcare. As previously stated, we have a great need for childcare, and over the past 4 years we have filled the variables, with operators expanding services and staff available to do the work; however, the lone variable that we have not been able to solve has been funding for the renovation or

construction of a facility. The request for funding would be used to fulfill the variable of financing a facility. The site would be owned by the City of Little Falls, and access would be given to a provider or providers to use the space at no cost in the early years of operation so that they can get established. The City will work to create a partnership with a childcare provider to ensure there is access to reliable, affordable and quality childcare.

What are the benefits of this project and why is it a priority?

Access to reliable, affordable, quality childcare is the main barrier for parents in Little Falls seeking to enter the workforce. Our community has a critical need for workers, and by increasing the availability of childcare, hundreds of capable, productive employees could enter the workforce. Our community is poised for growth and improvement, but solving the childcare issue is a challenge that requires public-private partnerships and access to financial resources beyond what the City can provide on its own.

Amount Requested for FY22: \$1,500,000

Total Project Cost: \$1,500,000

Can the project obligate all appropriated funds within 12 months after enactment? yes

If not, what would be the expected date of obligation?

Estimated start and completion dates:

Start date 08/01/2021 Completion Date 04/01/2022

Has the request been submitted to another Subcommittee or Committee this fiscal year? If yes, which one(s)?

No

Is the funding requested by a governmental or non-profit organization? (please choose one) governmental

If there are additional costs necessary to complete the project, have those funds been secured? none

Does the entity plan to make grants to other entities from the funds provided and if so, to which entities? no

What are the community benefits to this project? Increased childcare capacity, providing more eligible people to enter the workforce in our community.

Has any funding for the project been included in any presidential budget and if so, how much, which fiscal year, and in which agency or agencies and program(s)? no

Has the project received federal funding before and if so, how much and when and from which agency or agencies and program(s)? no

For rural development projects, is the project for an eligible use and does it meet all eligibility requirements under current law? yes

For ReConnect requests, please provide relevant information, such as the number of households, businesses, or farms that would be served, what the performance of the service to be offered will be, and whether healthcare or educational facilities will be served.

Please attach to this submission as many letters of community support as practical.

These letters should be in PDF format and be on the letterhead from the organization sending the letter. Please also attach any news articles or relevant information to support this project.



212 Third Ave. N., Suite 310
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FirstChildrensFinance.org

April 23, 2021

Congressman Peter Stauber
U.S. Congress
461 Cannon HOB
Washington, DC 20515

Re: City of Little Falls
RFP-Rural Community Facilities Program Account
Letter of Support

Congressman Stauber:

On behalf of First Children's Finance, please accept this letter of support of the City of Little Falls, Minnesota in their application for funding to build a child care facility.

First Children's Finance is a nonprofit, 501c3 organization that for the past 30 years has worked to build the supply and financial sustainability of excellent child care in Minnesota. We focus on the business side of child care, providing training and consultation services to individual family child care programs and child care centers, as well as working with rural communities to assess and address their local child care needs. Our work necessitates cooperation and collaboration with other child care stakeholders and as such we are well positioned to provide this letter of support.

First Children's Finance, in conjunction with the Initiative Foundation, has been working with the City of Little Falls over the past two years to address the dire need for child care in their community. The funding being requested by the City of Little Falls to construct a child care facility serving at least 100 children will go a long way in addressing the need in their area and allow parents to freely join the workforce when knowing their children are well cared for. According to a June 2020 assessment completed by First Children's Finance, the need for child care in the Little Falls zip code alone is 190 slots and in Morrison County, the need is roughly 276 slots.

Thank you for considering the City of Little Falls' proposal. Please feel free to contact us with questions. We can be reached at teris@firstchildrensfinance.org or suzannep@firstchildrensfinance.org.

Sincerely,

A handwritten signature in black ink that reads "Teri Steckelberg".

Teri Steckelberg
Business Development Manager
First Children's Finance

A handwritten signature in black ink that reads "Suzanne Pearl".

Suzanne Pearl
Minnesota Director
First Children's Finance

‘People are desperate’: Walz holds roundtable to discuss Minnesota's limited rural child care

In terms of a free falling child care industry, lawmakers have pointed fingers at different causes — with members of the Republican Party mostly blaming over-regulation and draconian agencies for the decline, while Democrats largely paint the issue as a lack of funding and public sector support.

Written By: Gabriel Lagarde / Forum News Service | Jul 10th 2019

LITTLE FALLS, Minn. — Discussions took on something of a bleak tone when the plight of families — particularly young, rural and working parents — came up during discussion.

“People are desperate,” said Christine Gesme of Harmony House of Little Falls, who noted she no longer adds more parents to her waiting list of 150 families. “I’ve had people asking me when was a good time for them to get pregnant. That’s real and that’s a real odd conversation. What do you tell these families who just want to work and raise their children?”

Gov. Tim Walz, flanked by Lt. Gov. Peggy Flanagan, visited the Initiative Foundation in Little Falls Wednesday, July 10, to host a gathering of elected officials, government heads, child care providers, nonprofits and other experts. They aimed to invigorate an ongoing (and some members would say, decades long) discussion about how to address the issue of child care.

“This is a key issue of economic growth,” said Walz, who noted the state economy has a return of \$12 for every \$1 spent on child care. “This isn’t just a nice thing to have, it’s a necessity for hiring, retaining and recruiting an effective workforce.”

The United States is approaching a labor crisis as younger generations struggle to care for children and work at the same time, Walz said, while baby boomers continue to age out of the workforce without ready successors.

And the answer, members of the roundtable discussion observed, while often complex and difficult to quantify, looks to rest in the hands of private-public partnerships between government entities and small business entrepreneurs with a knack for child care.

“We need to step back a bit, take the blinders off and say ‘OK, what really works here? What are some creative solutions,’” said state Rep. Ron Kresha, R-Little Falls.

Walz spoke of collaboration — often framing the issue in terms of “streamlined programs,” “private-public partnerships” and “upstream thinking.” Urging greater Minnesota towns to reject the idea they’re little more than “broken Minneapolis,” Walz said the problem takes on different dimensions in rural communities, where overwhelmed day cares are few and far between, often entailing a roughly two-hour round commute for working parents.

In turn, child care, he said, forms the root of many societal ills — everything from employers struggling to find available workers, to a precipitous population decline, to overcrowded prisons filled with neglected children who became broken adults.



Gov. Tim Walz (upper, second from the right) speaks during a discussion roundtable intended to tackle the issue of child care in rural Minnesota. The gathering, hosted Wednesday, July 10, at the Initiative Foundation in Little Falls, brought together law makers, day care providers, nonprofit heads and others to brainstorm solutions for a problem with ramifications for nearly every aspect of society. Gabriel Lagarde / Brainerd Dispatch



Matt Varilek (left), CEO and president of the Initiative Foundation, speaks with Gov. Tim Walz minutes prior to a roundtable discussion Wednesday, July 10, on rural child care at the Initiative Foundation in Little Falls. Gabriel Lagarde / Brainerd Dispatch

According to data provided by the Greater Minnesota Partnership, the status of child care in rural areas of the state is dire — evidenced by a 27% decline in child care providers statewide between 2006 to 2015. This, while nearly 74% of families with children below the age of 6 have both parents in the workforce.

Lawmakers have pointed fingers at different causes — with members of the Republican Party largely blaming stifling regulations and draconian agencies for this decline, while Democrats largely paint the issue as a lack of funding, which trickles down to narrow profit margins, overwhelmed providers and underpaid caretakers.

Marcia Schlattman, the program manager of childhood development organization Milestones, said more than two-thirds of Minnesota providers report it's a struggle to find worthy candidates to work as caretakers — most of whom are college educated, but often garner \$12 per hour and no benefits.

“We need 37% growth in licensed child care to meet the shortfall,” Schlattman said. “If we are going to have the best and brightest people seeing to our children’s needs, we need to look at how our communities and policies provide support.”

Little Falls, the seat of Morrison County, represents a critical area of concern. As the county reported in early 2018, no less than 20 of its then 110 child care providers closed their doors between 2017 and 2018 alone.

Crow Wing County hinted at a similar conundrum that year as well, as reports indicate affordable housing and accessible child care are the primary reasons why more than 8,000 people were able, willing and want to join the labor force, but unable to for other extraneous reasons.

Republicans call for deregulation

During the meeting, Kresha called for the Walz administration to push for less restrictions, monitoring and punitive measures for day cares across the state.

“Governor, we have got to take some of those regulations off,” Kresha told Walz. “We have got to stop rule-making. We have to stop rule-making our child care providers out of business. We have to trust the fact that child care providers are going to take care of their kids.”

In related statements, Senate Majority Leader Paul Gazelka — who did not attend Wednesday’s roundtable discussion — echoed Kresha and lambasted how state agencies have handled child care inspections in the past.

“We’ve made a good start on streamlining training requirements for child care center employees and reducing fix-it tickets for unnecessary violations like ‘spikey grass,’ plungers located near a toilet, and bicycle wheels in a yard for play,” Gazelka wrote.

“We also established a Family Child Care Task Force that will provide Department of Human Services with a better perspective on what discourages child care providers, many of them female-owned businesses, from starting up or expanding. I look forward to continuing to work on child care issues in the coming session.”



Gov. Tim Walz (left) chats with Little Falls Mayor Greg Zylka minutes prior to a roundtable discussion Wednesday, July 10, at the Initiative Foundation in Little Falls. Discussion members looked to tackle the issue of child care in rural Minnesota. Gabriel Lagarde / Brainerd Dispatch



Gov. Tim Walz shakes hands Wednesday, July 10, with the young son of Initiative Foundation President Matt Varilek. Walz and Varilek joined a panel of child care providers, experts, lawmakers, nonprofit leaders and others to discuss the dire state of child care in rural Minnesota and potential solutions. Gabriel Lagarde / Brainerd Dispatch

Legislature needs to find help for state's child care 'deserts'

Lack of providers is a worsening problem, especially in Greater Minnesota.

By Editorial Board Star Tribune | FEBRUARY 21, 2018 — 6:04PM

It was an offhand comment, yet too important to ignore. State Senate Majority Leader Paul Gazelka volunteered to reporters at a pre-session briefing last week that among the concerns his fellow Greater Minnesota Republicans intend to bring to the 2018 Legislature is “day care” for young children.

Gazelka’s mention is a welcome acknowledgment of a worsening problem: Across the state — and particularly in Greater Minnesota — licensed child care is either insufficiently available, unaffordable or both. What has long been a headache for families is becoming a threat to the economic well-being of entire regions, as a lack of child care impedes the state’s workforce.

The severity of the problem has been quantified by two organizations: one state, one national. By the count of the Mankato-based [Center for Rural Policy and Development](https://www.ruralmn.org/a-quiet-crisis-minnesotas-child-care-shortage/), (<https://www.ruralmn.org/a-quiet-crisis-minnesotas-child-care-shortage/>) Greater Minnesota’s licensed child care providers served nearly 16,000 fewer children in 2016 than in 2006. Though [birthrates](https://mn.gov/admin/assets/mn-births-yet-to-rebound-to-prerecession-level-popnotes-nov2014_tcm36-219637.pdf) (https://mn.gov/admin/assets/mn-births-yet-to-rebound-to-prerecession-level-popnotes-nov2014_tcm36-219637.pdf) in Minnesota dropped after the Great Recession, that’s a larger decline than can be explained by population change.

The loss of capacity among home-based providers is driving that decline. Minnesota had 30 percent fewer in-home licensed child care providers in 2016 than it did 10 years earlier. The same study found a modest increase in capacity in center-based child care statewide. But that growth occurred primarily in the Twin Cities and regional centers.

The dearth of center-based child care in Greater Minnesota is the prime reason Minnesota was rated the most afflicted with “child care deserts” among eight states examined by the [Center for American Progress](https://www.americanprogress.org/issues/early-childhood/reports/2016/10/27/225703/child-care-deserts/) (<https://www.americanprogress.org/issues/early-childhood/reports/2016/10/27/225703/child-care-deserts/>) in 2016. The center defines a child care desert as a ZIP code with at least 30 children under age 5 and either no child care centers or so few that there are more than three times as many children under age 5 as there are spaces in centers. By that definition, 67 percent of Greater Minnesota qualified as a “desert.”

In Greater Minnesota communities, those numbers translate into trouble attracting and keeping workers with young children at a time when skilled labor is in short supply. Jon Radermacher, the Little Falls city administrator, experienced the problem personally when he was hired two years ago from Madison, Minn., only to discover that there was no licensed child care available for his then-infant son. His wife and child stayed behind in Madison for three months until a new provider opened in Little Falls — “making me one of the lucky ones,” Radermacher told reporters at a briefing by the Coalition of Greater Minnesota Cities.

“We have to start taking some measures to address this. This is an economic development issue,” Radermacher said. “If we’re going to attract young families, they need a safe place to take their kids.” Licensed care, which complies with state quality



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Minnesota's Senate Majority Leader Paul Gazelka. One of the concerns that he and his fellow Greater Minnesota Republicans intend

and safety regulations, is often the only care parents who are new to a community will trust, he added.

Gazelka and other legislators are right to take note. But they ought to be closer to agreeing on a remedy. Republicans such as Sen. Bill Weber of Luverne, whom Gazelka credited with raising the issue with him, say that the state's regulatory burden is too heavy, pushing family child care providers out of business and discouraging others from starting.

DFLers note that today's child care shortage was a predicted consequence of major cuts in state child care subsidies to working-poor parents in 2003. Despite the economic recovery since then, those cuts have never been fully restored. Last session, the Republican-controlled Legislature spurned DFL Gov. Mark Dayton's call for a subsidy increase large enough to make, on average, half of the licensed providers in the state affordable to subsidized families. Today's subsidies are pegged to the prices charged by the lowest-cost 25 percent of providers.

In January 2017, a bipartisan legislative [task force](https://www.lcc.leg.mn/tfcc/meetings/Child%20Care%20Report%202017.pdf) (<https://www.lcc.leg.mn/tfcc/meetings/Child%20Care%20Report%202017.pdf>) recommended a “both/and” solution to the child care shortage — more funding and less cumbersome regulation. Its recommendations didn't go far last session. But Gazelka's comment shows that the issue now has legislative leaders' attention. Minnesotans should let their legislators know that this year they expect not just notice, but shortage-easing remedies.
