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Improving access to high-quality affordable childcare in Minnesota



STATE LAWMAKERS SHOULD:

- Loosen child-staff ratios and group size limits
- Loosen staff hiring and training requirements
- Improve the flexibility of licensing rules

Childcare is expensive in Minnesota

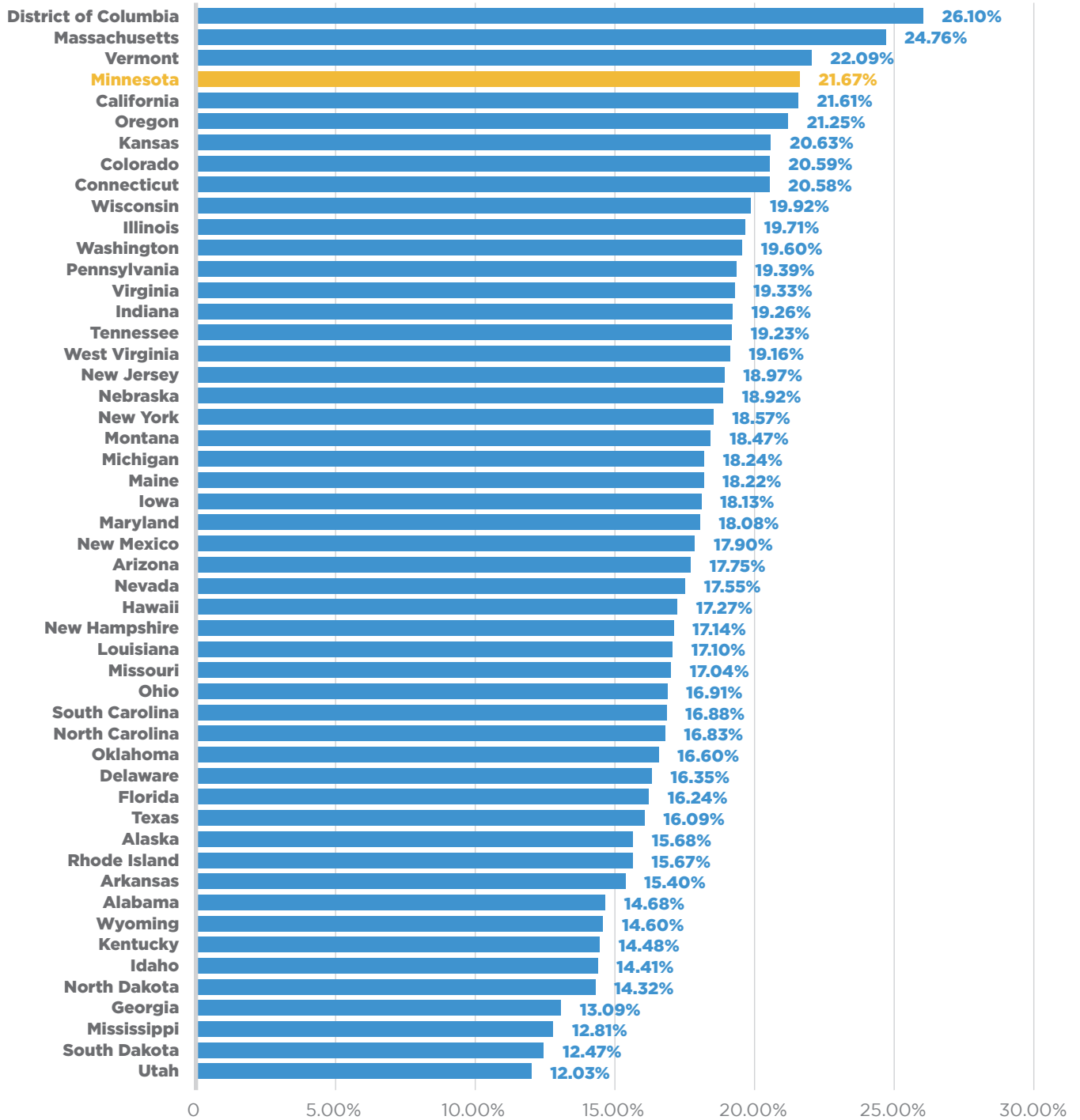
According to data from Child Care Aware, the average family in the United States spent nearly \$12,000 in 2019 to send their infant to a licensed daycare center. For a family with two children — one infant and one 4-year-old — the average cost to keep both kids in a center was about \$21,460. In Minnesota, however, the cost was much higher. Parents in Minnesota paid

\$16,164 — or \$1,344 per month — to send their infant to a daycare center and over \$28,000 for both an infant and a 4-year-old.

When compared to other states, Minnesota was the 6th most expensive state for center-based infant care in 2019, only behind Washington D.C., Massachusetts, California, New Jersey, and Connecticut. After controlling for income, families which had the state median household income paid nearly 22 percent of their income on center-based infant care. This is the

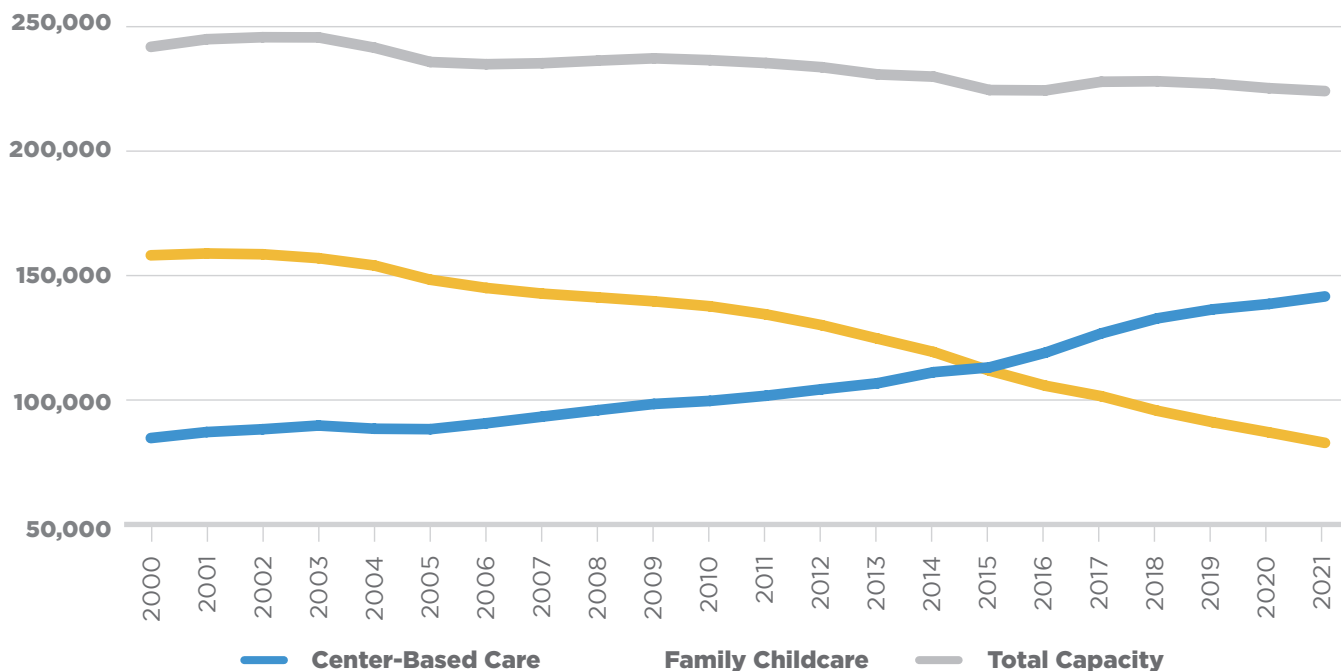
FIGURE 2

ANNUAL COST OF CENTER-BASED INFANT CARE AS A PERCENT OF STATE MEDIAN HOUSEHOLD INCOME



SOURCE: CHILD CARE AWARE (2019), U.S. CENSUS BUREAU (2019)

FIGURE 2
CHILDCARE CAPACITY BY TYPE OF CARE
 2000-2021



SOURCE: MINNESOTA DEPARTMENT OF HUMAN SERVICES

fourth highest rate in the nation. The story is no different when it comes to toddlers and pre-school kids.

While home-based childcare is less expensive compared to center-based care, it is still unaffordable. The Department of Health and Human Services defines childcare as affordable if it does not exceed 7 percent of household income. Under that threshold, Minnesota parents, regardless of the age of their child or type of care, pay significantly more than 7 percent of their income with center-based care being more costly.

Childcare spaces are also hard to find

Not only is childcare expensive, but spaces are also hard to find as there isn't enough licensed capacity. Research evidence indicates that the average family in Minnesota lives in a location where there are nearly two children for every nearby slot of licensed capacity. In 2019, for example, Minnesota had enough capacity

to care for 227,368 kids. However, the number of kids under six potentially needing care — i.e., children whose parents were in the labor force — was 310,767 — a shortage of 83,399.

Shortages are especially acute in rural Minnesota where family childcare providers are the staple of the industry. In recent years, Minnesota has seen a decrease in the number and share of family childcare providers in the market leading to a decline in capacity.

Excessive regulation is to blame

Childcare is a labor-intensive industry, so there is no avenue for improving productivity. This partly explains why childcare is expensive in general. This, however, does not explain why childcare is more expensive in Minnesota compared to most states. The cost of living in Minnesota is, moreover, below the national average. So, it cannot be a contributing factor to the childcare crisis. According to the Bureau of

FIGURE 3

NUMBER OF INFANTS ALLOWED PER STAFF VS. ANNUAL COST OF INFANT CARE AT A LICENSED CENTER

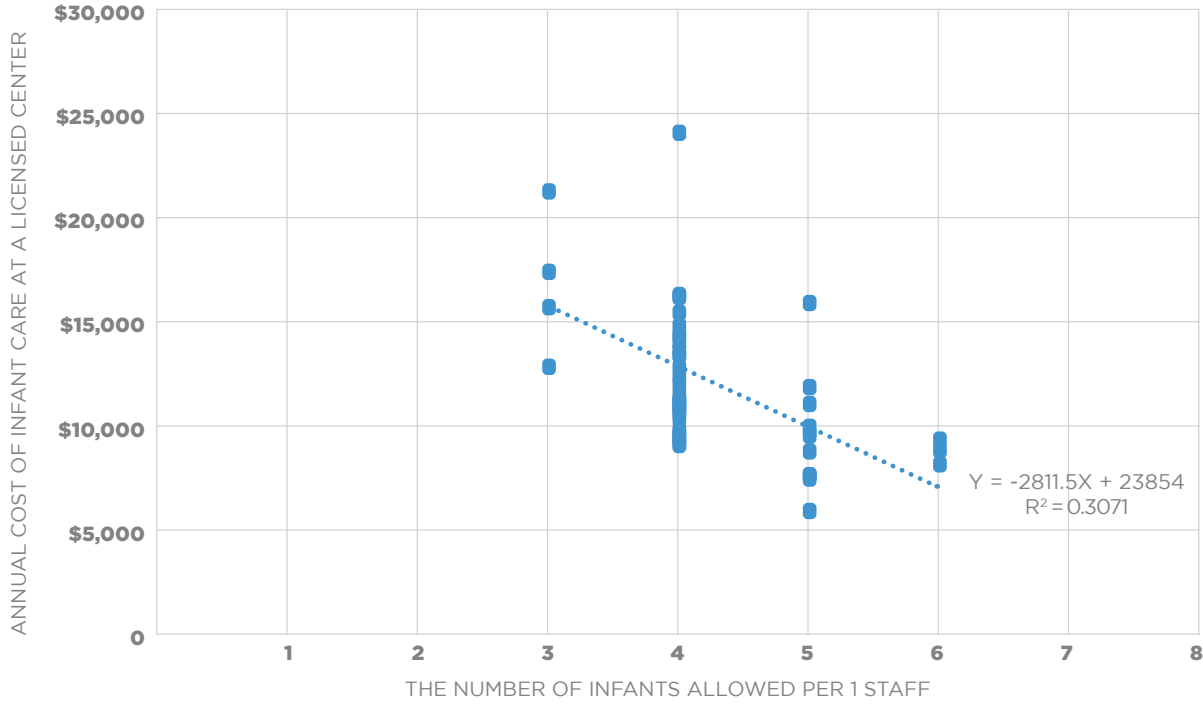
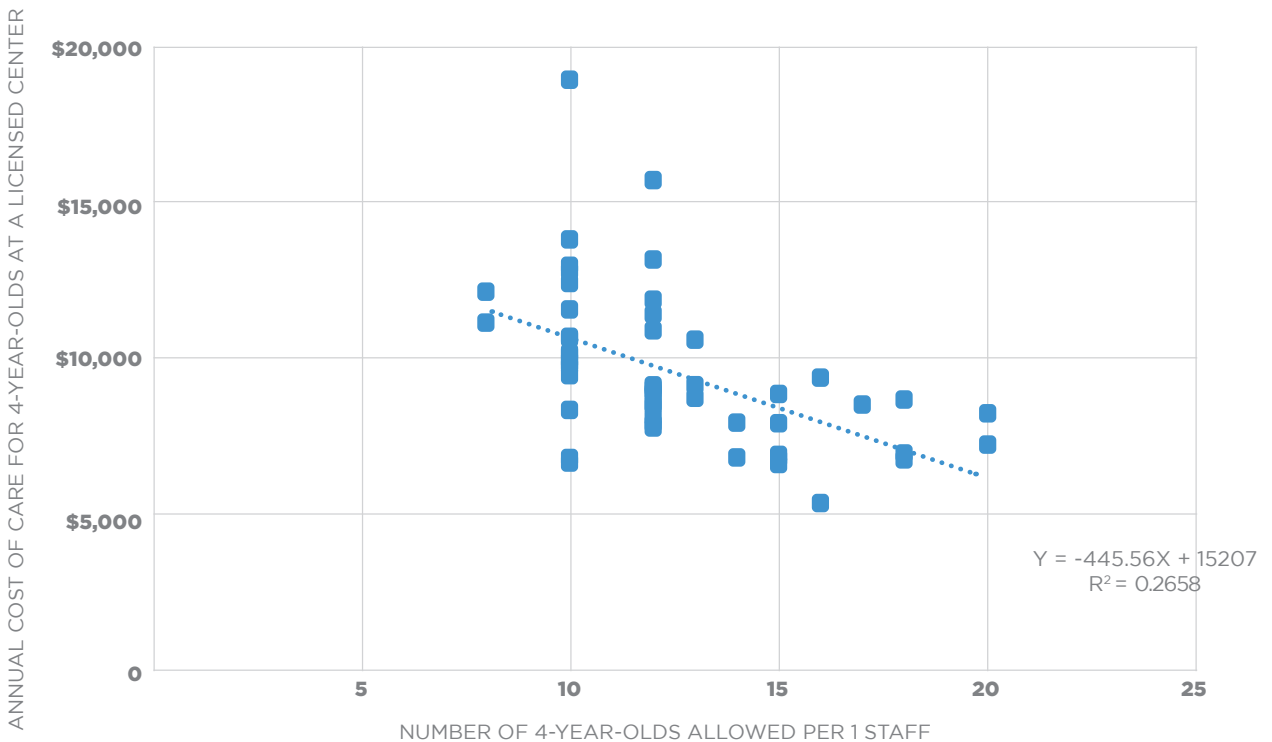


FIGURE 4

NUMBER OF 4-YEAR-OLDS ALLOWED PER STAFF VS. ANNUAL COST OF CARE AT A LICENSED CENTER



SOURCE: CHILD CARE AWARE, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Economic Analysis, Minnesota ranked as the 22nd most expensive state in 2019. Instead, what explains differences in the cost of center-based care among states is government regulation. High staff-child ratios, strict group size limits, as well as stringent teacher hiring and training requirements, raise the cost of center-based care by thousands of dollars. To give an example, Minnesota rules currently require that a licensed center should have one caregiver for every four infants, and one caregiver for every ten 4-year-olds. American Experiment estimates that if centers were allowed to place five infants — instead of four — with one caregiver, the annual cost of center-based infant care would be \$2,800 less expensive. And if centers could place eleven 4-year-olds — instead of ten — with one caregiver, center-based care for 4-year-olds would be \$450 less expensive.

Legislators should:

1. Loosen child-staff ratios and group size limits

Legislators should consider increasing the number of infants and 4-year-olds allowed per caregiver, as well as per group. This would save costs for centers — savings that could be passed on to parents. In addition to that, legislators should relax the definition of infants to allow slightly older kids to be placed in bigger group sizes as this would save costs as well.

The Office of Administration for Children defines an infant as anyone younger than 12 months. Minnesota rules, however, define infants as aged 6 weeks to 16 months for centers. Lowering the infant age cut-off to 12 months would mean that providers can put children aged 12 to 16 months in toddler groups — which are bigger. This would mean less workers required and, therefore, lower costs.

2. Loosen hiring and training requirements

Per evidence, hiring requirements have little to no effect on quality, but they increase the cost of childcare. According to American Experiment research, requiring daycare teachers to have a high school diploma and college credits raises the cost of daycare by \$3,800 for infants, and

by \$2,600 for 4-year-olds in Minnesota.

Research, however, indicates that the length of training does not matter; rather, the type of training does. Training focused on early childhood education and workplace development as well as activities supporting the interaction of teachers and children, for example, have been associated with high-quality childcare.

Legislators should consider loosening childcare training length requirements and instead emphasize on-the-job training focused on early childhood learning and child development or related topics. Making it easier for educators to gain skills, and creating multiple pathways into the profession are good ways to attract workers.

3. Improve the flexibility of licensing rules

Administrative rules sometimes reduce flexibility and increase compliance costs which also raise the cost of care. In Minnesota, for example, the DHS requires that the first person used by licensed centers to satisfy staff-child ratio requirements — or lead caregiver — should have the qualifications of a teacher.

Teachers are, however, more expensive since they face more stringent hiring requirements compared to aides or assistant teachers. This rule means that providers cannot use equally capable, but more affordable workers with less educational qualifications like assistant teachers or aides as lead caregivers.

Allowing providers the flexibility to use other skilled workers like aides or assistant teachers as lead caregivers would lower costs for providers without lowering quality, especially considering that assistant teachers in Minnesota face more stringent requirements than lead caregivers in many states.

More funding is not a panacea

Apart from the fact that public assistance programs merely push costs onto taxpayers, they are also associated with other issues.

For one, assistance programs shield parents from the actual cost of care which

raises demand. This translates to higher prices which necessitates even more subsidies. Public assistance programs are also accompanied by myriad regulations which raise costs for providers and hurt middle- and low- income parents who are ineligible for assistance or cannot access these programs.

Moreover, public assistance programs are more friendly to center-based care so, they encourage the use of center-based care which inadvertently pushes out small providers that cannot compete with subsidized care. This leaves parents with a lower supply and fewer choices.

Additionally, public assistance programs have been associated with negative outcomes among children who use them. In Tennessee, students who enrolled in the state's pre-K program "had lower state achievement test scores in third through sixth grades than control children, with the strongest negative effects in sixth grade." The children were also more likely to misbehave, face disciplinary action, and more likely to need special education. Similar results have been found in places like Quebec.

Conclusion

The lack of affordable high-quality childcare is detrimental not only to parents, children, and families but also the entire economy. High - quality childcare provides a nurturing environment for children to develop and grow while also ensuring that parents participate in the labor force.

Expanding funding is, however, unlikely to address the childcare crisis because it does not deal with the root cause of the crisis — government regulation. Strict staff-child ratios and group limits, as well as stringent hiring requirements raise the cost of providing center-based care in Minnesota — costs which are then passed on to parents. To ensure high-quality affordable childcare, legislators should consider reforming regulations that raise costs for providers without improving quality.

Martha Njolomole is an economist at Center of the American Experiment.