Quality Child Care Is Your Business

A Guide to Implementing a Child Care Program for Your Employees

United Way of North Idaho

PRE SCHOOL THE IDAHO WAY

Table of Contents

This guide was produced by the United Way ALICE® Early Care and Education Task Force in collaboration with the following partners:

North Idaho College
North Idaho College Head Start
Mountain States Early Head Start
University of Idaho, Coeur d'Alene
Coeur d'Alene 2030
Coeur d'Alene School District
Panhandle Health Child Care Resource Center
Coeur d'Alene and Post Falls Chambers of Commerce
Current and retired early child care professionals

A Message from the Executive Director

Dear Fellow Employer,

This guide has been created to help you understand the ongoing struggles working parents face as they try to find affordable, high quality child care and how this challenge can affect a business's current and future success.

United Way of North Idaho is working on child care issues as a part of our fight for the health, education, and financial stability of every person in every North Idaho community. The lack of good, affordable child care is a serious problem in our area and hardest hit are working parents with limited resources. In 2016, UWNI joined with the United Ways of the Pacific Northwest to support the United Way ALICE® Project, a research initiative that studies this population under the moniker ALICE—an acronym for Asset Limited, Income Constrained, Employed.

This research identified the financial hardships that a significant portion of our population is experiencing. For example, 41% of households in the five northern counties are struggling and in some communities this number climbs as high as 60%. The research also identified child care as the largest and most burdensome expense for a typical family of four, many of whom do not qualify for child care assistance.

The research also found that the quality of available child care in Idaho varies widely—a major issue. Studies repeatedly show that quality of care has a huge impact on a child's ability to learn, reach crucial emotional and developmental milestones, and achieve future educational and interpersonal success.

How does this problem impact you as an employer? Lack of affordable, high quality child care has a pronounced effect on employee performance as well as absenteeism and turnover rates. It also hinders successful recruitment and retention, particularly of millennials, who are rapidly becoming the largest segment of the workforce. In other words, the lack of good child care options is not good for families, and it's not good for business either.

This makes the shortage of affordable, high quality child care services a shared challenge with intertwined consequences for both working parents and the businesses that employ them. We hope this guide will give you some useful information that sparks an interest in exploring the ways employer-supported child care benefits might become part of your business strategy. Our Early Care and Education Task Force is ready to share its knowledge and resources with you and collaborate in finding ways to support your employees, your business, and, in turn, our community as a whole.

Mark A. Tucker, MNM
Executive Director, United Way of North Idaho

The Case for Employer-Supported Child Care Benefits

Idaho Lags in Support for Preschool

Research repeatedly shows that high quality early childhood education has positive, long-lasting benefits for parents, kids, businesses, and communities. Yet, in 2018, Idaho ranked last in the nation for participation in early childhood education, with less than 30% of kids enrolled in some type of preschool program.

This means thousands of working parents in Idaho must try to find both affordable and high quality child care in communities where it is in very short supply. This shortage impacts not only working parents and their families but their employers and their communities as well.

***"High-quality child care is not a luxury – it is a necessity."* – Katherine B. Stevens**

A Window of Opportunity

In the first three years of life, a child's brain is the most receptive and adaptable and a full 90% of a child's brain development will occur before the age of five. Those first five years present a critical window for learning and growth and this is exactly the time when quality early childhood education can make a truly profound difference in a child's life. Yet this pivotal window of opportunity is missed when quality early childhood education is unavailable or unaffordable.

Setting the Stage for School Readiness

Early childhood education ensures school readiness by laying the groundwork for cognitive, social, and emotional competence. Children who are not properly prepared to start school will encounter serious setbacks that may have life-long consequences. And research shows that kids who lag behind from the outset will most likely continue to lag behind for the rest of their educational years.

Worker Shortages and a Competitive Edge

Local businesses, like businesses all over the U.S., have begun to grapple with serious long-term worker shortages and a growing skills gap as vast numbers of baby boomers retire. And the fact is—replacement workers are just not there. Employment experts predict as many as 5 million unfilled jobs within the year. This means employers will have to vigorously compete for workers in a rapidly shrinking labor pool.

Employers with a competitive edge will find greater success in recruiting and retaining the best workers and that competitive edge comes from offering workers what they really need. And research shows that one of the things a large and growing number of workers need is good, affordable child care.

Studies show that offering child care benefits is not only an excellent recruitment and retention tool, but can also boost employee productivity and morale, reduce absenteeism and turnover, and inspire greater employer loyalty—and businesses qualify for tax benefits to boot.

Community Benefits

Communities also thrive when child care benefits are introduced because high quality, affordable child care means more effective public schools, better personal and public health, reductions in crime, a better-educated workforce, and a family-friendly environment that attracts new residents, bringing workforce growth as well as new consumers and homebuyers.

Why Quality Matters in Child Care Programs

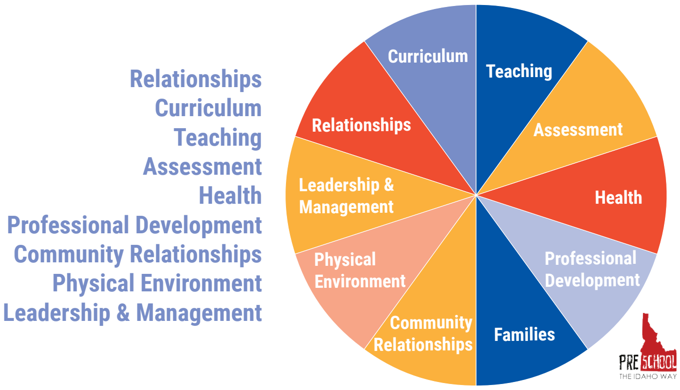
Quality in child care is created when a constellation of factors come together to produce a safe, engaging environment with a wide range of enriching emotional and developmental experiences. Children who attend high quality child care programs grow and thrive. And parents know when their children are receiving quality care in an enriching environment and when they are not. All the positive benefits of offering a child care program will be seriously undermined if the child care program offered by an employer misses the mark on quality.

A Path to Program Quality

Right now there are no nationally recognized quality standards or accreditation requirements for child care and early childhood education programs. However, the National Association for the Education of Young Children (NAEYC) offers excellent resources and expert guidance as well as a set of quality standards that employers can follow to create a high quality child care program. These standards cover teaching, curriculum, staff competencies, leadership and management, individual, family, and community relationships as well as health and the physical environment.

Currently, quality improvement is voluntary in Idaho, but IdahoStars offers a "Steps to Quality" program that closely aligns with the NAEYC standards. IdahoStars consultants (located in every Idaho county, including Kootenai County) are also ready to help providers improve their child care delivery practices. Links to the NAEYC standards and IdahoStars Quality Program have been included in the Endnotes under Quality.

NAEYC 10 Quality Standards of Early Childhood Programs



The Advantages of Providing High Quality Child Care Benefits

The advantages employers enjoy when they offer their employees child care benefits have been well documented, are quite numerous, and are particularly valuable right now in light of the shrinking labor pool. Some of these advantages include more successful recruitment, reduced absenteeism and turnover, increased employee satisfaction and productivity, and a positive reputation that attracts new and repeat business.

Recruitment and Retention

The American labor pool has been shrinking and one big reason for this is the parade of baby boomers heading out the door and into retirement. The up and coming workforce is filled with millennials and women, two groups that will soon dominate the labor pool. By 2020, they will make up 50% of the workforce and by 2030 they will have grown to 75%.

Research shows that work/family balance is a high priority for both these groups, and a Care.com survey found that 83% of millennials were willing to make a job change based on available work/family benefits. And for new parents that number jumps to 90%, according to a Goldman Sachs survey. In addition, higher wages in neighboring Washington state already puts pressure on Kootenai County employers to offer competitive incentives.

90% of new parents were willing to make a job change based on work/family benefits.

This means that employers who respond to the needs and values of this new labor pool will be the winners in the competition for the best recruits. The more an employer offers the "right" kind of benefits, the stronger the draw for quality employees. And right now a high priority need for a large number of women and millennials with children is affordable, quality child care.

Businesses already know that a talented, reliable, and highly effective workforce is critical to their success. Offering child care benefits in an increasingly competitive labor market has not only been proven to be an excellent tool for recruiting and retaining the best workers out there, but studies show that workforce effectiveness goes up when workers' child care concerns go down.

Employers who meet the needs of their employees not only enjoy the rewards of business success and a reputation as the employer of choice, but gain recognition as an important contributor to our community's overall success as well as the future success of our next generation. I think there is an enormous return on investment here and really, it's a win for everyone involved.

—Steve Wilson, Former President and CEO, Coeur d'Alene Chamber of Commerce

Absenteeism & Turnover

Absenteeism and turnover cost businesses big time—$3 billion a year in absenteeism costs and as much as $30 billion a year in turnover costs, according to Gallup estimates. So once employers win the competition for quality workers, they will want to remove any obstacles that could reduce employee attendance or drive employee departures.

And most employers know first-hand that working parents with inadequate child care are much more likely to be late or absent from work. They are also more likely to reduce their work hours, leave their jobs, or even leave the workforce altogether. This is especially true for working mothers who are still the primary parent responsible for child care.

In 2019, the Idaho Association for the Education of Young Children (Idaho AEYC) conducted a statewide survey to delve into the ways child care problems impact Idaho parents and their ability to participate in the workforce. The survey found that:

71% occasionally take time off due to child care issues	**25%** frequently take time off
64% are occasionally late or miss work due to child care issues	**17%** are frequently late or miss work
61% occasionally reduce their work hours due to child care issues	**27%** do this frequently
Almost **41%** occasionally move from full- to part-time employment	**15%** make this shift frequently
21% occasionally had to resign in response to child care problems	Over **8%** do this frequently

High rates of absenteeism and turnover don't just cut into a business' bottom line but can create a vicious cycle. Often when a coworker leaves, employees must "pick up the slack," a situation that's doubly stressful for working parents without decent, affordable child care, thus ensuring a continuing pattern of high absenteeism and turnover. This pattern will worsen as more baby boomers retire and younger workers of childbearing age come to dominate the workforce. Compounding this problem are the serious worker shortages, which will keep the damaging cycle of absenteeism and turnover going. To help employers understand their own absenteeism and turnover costs, cost calculation worksheets are provided in the Appendix.

Positive and Productive Business Cultures

University of Michigan researchers found that work environments with "positive and virtuous" practices scored higher on effectiveness indicators like financial performance, customer satisfaction, and worker productivity. Some of these positive and virtuous practices (which can sound almost old fashioned these days) include showing compassion, providing support, treating others with respect, and showing gratitude.

Offering benefits that help working parents access affordable, high quality child care certainly qualifies as a "positive and virtuous" practice, one that will contribute to a positive workplace culture which boosts motivation, performance, and productivity—key ingredients for growth, financial success, and business longevity. A large and growing body of research on positive organizational psychology confirms that "a positive workplace culture will lead to dramatic benefits for employers, employees, and the bottom line."

Reputation and Community Networks

Enriched employee relations go hand-in-hand with an enhanced community reputation. After all, employees, their families, and extended families are part of the community, sometimes a very large part, and they are also part of the consumer pool for local businesses. Add friends and others in the community that workers connect with and this translates into an extensive network of communication.

Many businesses spend significant sums of money both to recruit within the community and advertise their business in an effort to convince consumers they can be trusted to offer quality products and services. But research shows that there is no more effective advertising than word of mouth.

A single employee who feels their employer has helped them with one of the most difficult challenges of their work life—quality, affordable child care—can communicate the most powerful recruitment and marketing messages an employer can receive. Multiply this by the number of workers and it's clear an employer will reap very tangible benefits from these messengers.

Tax Benefits

Businesses that offer child care support not only reap tax benefits for themselves, but they often have an opportunity to reward employees with tax savings as well.

The tax information that follows should not be construed as giving legal advice or providing legal representation to any employer. Employers should consult with a tax advisor or tax attorney for professional tax advice.

Tax Credits and Tax Deductions

The type of child care benefits offered will dictate which tax credits and deductions an employer can claim. The two most commonly offered child care benefits are subsidies, such as a Dependent Care Assistance Plan, and an onsite or near-site child care facility.

Employer-supported child care programs can bring tax benefits to businesses as well as employees.

Dependent Care Assistance Plan

A Dependent Care Assistance Plan (DCAP), sometimes called a dependent care flexible spending account allows workers to pay child care expenses with pre-tax dollars via payroll deduction, thus lowering their taxable income. DCAP accounts can help families save up to $2,000 annually on child care expenses.

Employers can save Social Security, Medicare, and federal unemployment taxes on any DCAP contributions since they are a benefit and thus non-taxable dollars. In addition, employers can provide up to $5,000 per employee in non-taxable child care assistance and deduct the total amount of the subsidies paid out in the current tax year.

Businesses may be eligible for a tax credit of up to 25% of facility costs, up to $150,000.

Onsite Child Care Facility

Employers who provide employees with an onsite or near-site child care facility are eligible for a general business tax credit of up to 25% of facility costs, up to $150,000, and this tax credit can be earned every year. Other expenses related to a child care facility can be written off as a business expense including the costs incurred to acquire, construct, rehabilitate, or expand property that will be used as part of a qualified child care facility along with facility operating costs.

A Win-Win Situation

Child care benefits not only help working parents to both take care of their kids and meet their work obligations, but these benefits also add to an employer's set of tools—to draw quality recruits as well as remove one of the big reasons employees are absent from work, struggle with impaired performance and productivity, and too often become a turnover statistic. Offering these benefits can also add to the kind of business reputation that attracts both quality recruits and new and repeat business.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Child Care Business Models

For employers who want to provide an onsite or near-site child care facility, the two most common child care facility business models are the Single-Employer model and the Multiple-Employer or Consortium model. In both models, a child care facility can be self-managed either by an employer or consortium or it can be run contractually by a professional child care management company. Both of these models can be modified to best suit an individual employer, for example, by adding child care subsidies or a specific employee cost-sharing arrangement.

Employer-Managed Onsite Facility

In the employer-managed model, a single employer owns and operates the child care facility and takes responsibility for managing every aspect of the facility and child care program—from construction to classroom curriculum and everything in between. Employers using this model must make sure they comply with all federal, state, and local laws, meet licensing, insurance, and legal requirements, follow all health and safety standards, and ensure staff quality and professional certifications.

"The ability to offer employer-sponsored onsite child care is a huge benefit to our staff and a major recruitment tool as well." **—Debbie Kerns, Human Resources Director, Kootenai Health**

Contractor-Managed Onsite Facility

In the contractor-managed model, a single employer contracts with a child care professional services company. This company takes on responsibility for facility licensing, staffing, curriculum delivery, and all the other aspects of facility operation and management, including legal compliance. With this approach, a single employer can offer onsite child care services while having child care professionals do the work needed to start up and run the facility.

Consortium-Supported Onsite or Near-Site Facility

In the consortium-supported model, two or more employers partner and pool their resources to establish an onsite or near-site child care facility. This is the favored model for small employers and also the most inexpensive approach for each of the consortium partners.

Consortiums most often elect to contract with a child care professional services company to get a facility up and running and to operate it over the long-term. This model gives each consortium partner the ability to offer an important employee benefit they might otherwise have found unaffordable.

Employer-Provided Child Care on a National Level

Employer- and consortium-provided onsite child care is not a new phenomenon. Many forward-thinking companies have provided onsite child care for years. Patagonia, a successful designer and retailer of sporting goods and apparel, has provided onsite child care as far back as 1983. Other successful, high profile companies—Home Depot, Starbucks, Toyota—have also chosen to offer onsite child care to achieve high levels of employee satisfaction and maximum productivity.

Employer-Provided Child Care on a Local Level

Kootenai County is home to some thriving Idaho businesses that successfully provide much-needed child care benefits to their employees. For example, Kootenai Health has been offering high quality, affordable onsite child care to employees and their families for more than five years.

Patagonia: Leading the Way

In 1983, Patagonia, a designer and retailer of sporting goods and apparel became one of the first companies in America to introduce a corporate-sponsored onsite child development center.

The company has long been reaping the rewards—greater employee retention and employee engagement, high levels of productivity, more women in management, and a strong, vibrant company culture.

After Patagonia launched its onsite child care program, 100% of employees on maternity leave returned to work. Patagonia CEO, Rose Marcario, says that's an amazing feat, considering between 25% to 35% of American mothers don't return to work after the birth of their baby.

Marcario also says, "For the past five years, our turnover rate for parents who have children in the program has run 25% less than for our general employee population. In sum, we estimate that we recover 91% of our calculable [child care program] costs annually."

For decades, Patagonia has served as a model of excellence for onsite child care centers. The company champions high quality child care for working parents and encourages other businesses to follow suit.

Originally, Kootenai Health partnered with Heritage Health in providing affordable, high quality child care. However as the child care program grew more popular and waiting lists grew longer, Kootenai Health chose to go solo to better meet their employees' increasing need for child care.

Shoshone Medical Center in Kellogg offers child care subsidies that cover 49% of an employee's child care costs. And Alliance Data Systems, another successful Coeur d'Alene business, offers employees 40 hours of paid back-up child care to cover unexpected child care breakdowns.

No matter which child care benefits a business chooses to offer, whether it's paid family leave, child care subsidies, or an onsite child care facility, preparing for a very different labor market is a good strategic move. United Way's experienced Early Care and Education Task Force can supply employers with helpful information and assistance with the process of providing these invaluable employee benefits.

Local & Regional Employers Offering Child Care

- Kootenai Health
- North Idaho College
- The Coeur d'Alene Casino
- University of Idaho (Moscow, ID)
- Shoshone Medical Center (Kellogg, ID)
- Silver Mountain Resort (Kellogg, ID)
- Schweitzer Mountain Resort (Sandpoint, ID)
- Schweitzer Engineering Laboratories (Pullman, WA)
- St. Alphonsus Medical Center (Boise, ID)
- St. Luke's Boise Medical Center (Boise, ID)

Case Study: Kootenai Health's Kootenai Kids Program

Five years ago, Kootenai Health established an onsite child care center for their employees with children—a large part of their workforce and over time it's become an invaluable recruitment tool. "Access to child care is very often a decision point for many candidates, even physicians," says Kootenai Health HR Director Debbie Kerns. "And our biggest challenge right now is space," Kerns says. "We are a rapidly growing organization and currently have a wait list of close to 100 families."

Kootenai Kids is a department of Kootenai Health, so most functions such as purchasing, billing, and facility maintenance are handled internally and all hiring is local so the best candidates can be selected. And unlike many places, Kootenai Kids child care providers receive the same employee benefits as the rest of the medical center's staff.

Kootenai Kids accepts children from 6 weeks to 5 years old and currently cares for 162 children. Half-day and full-day rates are slightly less than the going market rate, and Kootenai Health offers dependent care flex spending accounts so employees can use pre-tax dollars to cover child care expenses, thus lowering their tax bill.

And, it looks like Kootenai Health's decision is paying off. Since establishing Kootenai Kids, they have been a three-time winner of a Gallup Great Workplace award for exceptional workforce engagement and productivity and also appeared twice on the Becker Healthcare list of *150 Top Places to Work in Healthcare*.

Business Models Comparison Chart

Facility and Employer	Facility Owner(s)	Onsite or Nearby	Self-Managed or Contracted	Nonprofit or Private	Single or Consortium	Funding Source(s)	Operating Costs Funding Sources
Kootenai Kids at Kootenai Health	Private developer, leased to employer	Nearby (just off main campus)	Self-Managed Employer hires staff Program is a department of the hospital	Nonprofit	Single	Kootenai Health	Parent fees, FSA benefit, government subsidies (CACFP & ICCP), deficit covered by employer
North Idaho College Children's Center & Lab	North Idaho College	Onsite	Self-Managed Employer hires staff Facility is a department of the college	Nonprofit	Single	Dept. of Public Works, NIC Foundation, Capital Campaign	Parent fees, grants, government subsidies (ICCP & CACFP), NIC Children's Center & Lab
Little Hummingbirds Coeur d'Alene Casino	Coeur d'Alene Tribe	Nearby (within 5 miles)	Self-Managed Employer hires staff Facility is a department of the Coeur d'Alene Tribe	Private	Single	Coeur d'Alene Tribe & Casino	Parent fees (bi-weekly payroll deduction), employer & government subsidies
Vivvi and contracted employers (New York)	Vivvi	Nearby	Self-managed or contracted: Self-managed; Vivvi owns and operates child care center and leases bulk seats to employers	Private	Consortium	Business consortium, private capital	Parent fees, employer & government subsidies

Costs, Financing & Funding

The first two questions most employers ask when considering an onsite child care facility are "What does it cost?" and "How can I pay for it?"

The cost of child care benefits such as paid family leave, dependent care flex accounts, and child care subsidies is fairly straightforward. However, determining the cost of an onsite or near-site child care center is somewhat more complex and project funding may also become an issue for some employers.

Fortunately, resources to help employers determine these costs and to locate funding sources are readily available. The United Way Early Care and Education Task Force also offers employers assistance in locating these resources as well as locating and evaluating potential funding sources.

Employer-Managed Child Care

A single employer who chooses to establish a child care facility and provide a child care program must be prepared to invest more time and resources than employers who elect the consortium model (that is, two or more businesses sharing costs and resources). They must consider the costs of maintaining appropriate staffing levels, providing fair compensation for high quality educational and support staff, covering the costs of employee professional development and continuing education as well as taking into account the costs of early childhood education curricula and facility and equipment costs.

Consortium-Supported Child Care

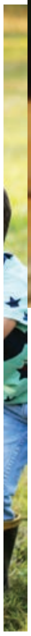
A child care consortium, where businesses pool resources and share costs, is typically the most cost-effective approach to establishing a child care facility and providing a child care program. This approach also offers businesses the option of sharing services such as business office and administrative support, purchasing (buying in bulk), IT, and HR, thereby cutting costs and increasing efficiency. Consortiums most often elect to contract with a child care professional services company, thereby delegating the responsibility for both program startup and ongoing operations.

Estimating Onsite Facility and Operating Costs

Estimating the cost of providing a child care facility and program services can be done in different ways, but it is always good to keep the 10% rule in mind, especially when deciding on employee cost-sharing formulas.

Budget analysts find that most families cannot afford to spend more than 10% of their gross annual income on child care for all of their children. For example, a family in Kootenai County with two children earning the median annual income of $53,000 (2017 data) cannot afford to spend any more than $5,300 per year or about $440 per month on child care for both children. By contrast, the average full-time rate for two children in Kootenai County is a minimum of $700 per month.

According to the 2017 United Way ALICE report, about 40% of residents earn less than the median annual income, and for most families, if more than 10% of their income is spent on child care, other essentials must be sacrificed. In reality, families with an annual income below $30,000 cannot even afford to spend $250 a month on child care.



Most families can't afford to spend more than 10% of their gross income on child care.

When estimating the cost of a child care facility and services, physical location should always be included in the estimates since it can have such a large impact on overall costs. A fuller discussion of site selection, including location costs is presented in the *Choosing a Location* section of this guide.

Cost Per Child and Functional Area Analysis

Estimating operating costs can be achieved using different methods, but two quick ways to get a rough idea of these costs is to use a cost-per-child calculation or a functional area cost analysis. Each approach provides some parameters for making program and budget decisions.

To calculate the average cost per child, simply divide the roughly estimated total for operating costs (including all classroom and administrative personnel costs) by the projected number of enrollees. With a functional area analysis, the cost of staff and related expenses for each service area is estimated and then compared to a list of standardized cost percentages. Marked deviations from these percentages are red flags that cost estimates are too low or the overall cost of the project is too high.

The New Construction and the Renovation Cost Estimate Tools are another way to obtain a rough cost estimate for building or renovating a facility. Examples of these tools are provided in the Appendix.

Budget Modeling and Cost Estimation

Creating a model budget for both capital and operating costs is much more work-intensive, but it allows businesses to get a much more detailed picture of overall program costs. Sample capital and operating budgets (available in the Appendix) list the typical costs an employer can expect when considering an onsite child care facility and program services. These sample budgets may help an employer develop a realistic budget for use in estimating facility and operating costs.

Third-Party Cost Evaluation Services

Many child care professional management companies offer project feasibility services that determine project costs and evaluate affordability. These services can be included when contracting with a child care management company or as a standalone service.

Project Funding and Financing Sources

Once the question “How much does it cost?” is answered, albeit in a very preliminary way, the question “How will I pay for it?” must be considered. A shared investment approach that taps into both public and private dollars can mitigate start-up costs and ongoing operating expenses.

One of the most common sources of funding for a child care facility is company resources, including employee cost-sharing revenue. Commercial bank loans, government loans, and grant programs are other potential sources of funding.

Commercial Banks

Commercial banks and credit unions as well as community development financial institutions offer short- and long-term loans. Special programs may also be accessed depending on market demographics. Some examples of these programs are the New Markets Tax Credit (NMTC) program which provides capital to businesses, developers, and nonprofits to help fund their projects in low-income communities. The Community Reinvestment Act (CRA) similarly encourages financial institutions to meet the credit needs of low- to moderate-income communities.

Government Agencies

Federal, state, and local government agencies offer special financial assistance to small businesses, and many loan and grant programs funded by the government are also available. For example, federally, there are the 21st Century Community Learning Center grants administered by the U.S. Department of Education, Community Development Block Grants administered by the Department of Housing and Urban Development (HUD), and the Child Care Development Fund administered by the Idaho Department of Health and Welfare (DHW).

The state is another potential source of funding, but the objectives of state assistance are almost always tied to the public good, such as job creation or increased tax revenues, and funding is most often used for long-term capital needs, such as facility and equipment costs. Subsidies may also offer some financial assistance; for example, the state of Idaho administers the Child Care Assistance (ICCP) program which helps low-income families pay for child care, and the federal Child and Adult Care Food Program (CACFP) will reimburse child care centers for the nutritious meals and snacks they provide.

Grant Programs

Grants, which can originate from federal, state, and local governments as well as corporate, community, and private foundations, are awarded for projects that are in the best interest of the public—without expectation of repayment. Idaho regional early care and education projects have been successfully funded by the Innovia, Kellogg, Wells Fargo, and Idaho Community Foundations.

Grants—especially those funded by tax dollars—have strict compliance and reporting requirements, and grant eligibility typically requires tax-exempt status, such as a 501(c)3 designation and a grant proposal that includes program objectives, design, budget and a demonstrated ability to achieve projected outcomes.

Community Partners

Forming community partnerships is another way to find support and assistance for your child care project. The following organizations have expressed an interest in assisting businesses who wish to provide an employer-supported child care benefit:

- United Way of North Idaho
- Panhandle Health District Child Care Resource Center
- North Idaho College Small Business Development Center
- Coeur d’Alene Area Economic Development Corporation
- Advanced Benefits
- The Coeur d’Alene Chamber of Commerce

Licensing and Insurance

Licensing is an important way to ensure the delivery of safe, quality child care. In Idaho, state licensing requirements are dictated by Idaho law and administered by the Idaho Department of Health and Welfare. City and county governments are allowed to set their own licensing requirements as long as they meet or exceed state requirements.

City of Coeur d'Alene Licensing Requirements

The City of Coeur d'Alene has established its own licensing requirements for facilities that provide for two or more children in a 24-hour period. Employers or child care professional services companies that represent them must obtain a facility license, staff licensing, and volunteer and visitor licensing. They must also comply with any county and state ordinances governing child care facilities (e.g., building codes, zoning codes, and special permits).

A facility license requires a licensed operator, fire, health and safety inspections, criminal background checks, staff training and certifications, and fire and liability insurance. Staff, volunteer, and visitor licenses require a criminal background check and negative TB test. Staff must also provide references and recommendations, be certified in child/infant CPR and first-aid, and complete a safe-sleep class.

Business Insurance Coverage

Providing for children in a child care setting and assuming responsibility for their safety and security means assuming a certain amount of risk as well. But even when everything is done right, accidents happen. So the right insurance is an important part of any risk management plan and a tool for protecting an employer's financial investment and preventing any debilitating financial setbacks.

Required and Supplemental Insurance Coverage

Child care businesses must have three types of insurance—general liability insurance, fire insurance, and Worker's Compensation insurance. Both general liability and fire insurance are licensing requirements and Worker's Compensation insurance is a state requirement.

Because a general liability policy doesn't provide all-inclusive coverage, some employers purchase supplemental insurance policies that provide more specific types of protection. Some of these policies include professional liability insurance, business interruption insurance, commercial property insurance, crime and fidelity insurance, commercial auto insurance, and commercial umbrella insurance.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Site Location and Evaluation

The right location has a strong influence on almost all aspects of a child care program, including project costs, regulatory compliance, and facility safety and security. Businesses may want to employ an experienced commercial real estate professional who can assist in locating, evaluating, and acquiring available facilities or building sites. Businesses may also find the technical advice or services of an architect or other construction professional helpful when choosing a location for a child care facility.

Location Search and Site Evaluation

Some basic location criteria should be developed that includes legal, regulatory, and licensing requirements as well as safety and security must haves. When a potential site has been located, a thorough inspection should be conducted, including a site environmental safety assessment prior to purchase. This is essential as there can be severe repercussions for children who are exposed to air pollution, contaminated water, and various biological and chemical contaminants. Links to sample Environmental Site Assessment Checklists, designed to help businesses identify and evaluate potential environmental risks, are listed in the Endnotes under Child Care Facility Location & Evaluation.

Facility Cost Estimates

Estimating location costs can be as basic as calculating cost per square foot to obtain a ballpark figure or as complex as projecting the cost of each facility system or construction phase to get a more detailed or more accurate estimate. When estimating these costs, it's important to revisit the non-negotiable child care facility space demands, for example, interior and exterior per-child space requirements.

Square Footage Cost Estimates

Calculating cost per square foot is one way of obtaining a rough facility cost. One way to make this calculation is to take the national average for the cost to build or renovate and multiply by estimated square footage. For example, in North Idaho the baseline cost for commercial construction in 2019 was $180 per square foot. An additional cost percentage is added when there are unusual circumstances or special requirements, for example, the high cost of construction in remote areas. A link to an online calculator that can assist with square footage determinations is included in the Endnotes under Child Care Facility Location & Evaluation.

Location and Program Success

Having the right location is one of the key components in developing an accessible and effective child care program. Finding and evaluating a potential child care site is not always easy and requires careful attention (and professional guidance when necessary) if an employer is to provide a safe, secure, and convenient child care facility.

Next Steps in Providing Employee Child Care Benefits

What are the next steps for an employer who sees the advantages of offering child care benefits to employees and is ready to move forward? Employers will want to begin by conducting an employee needs assessment and then developing a business plan for their child care program.

Employee Needs Assessment

An employer will want to respond appropriately to the needs of their unique workforce and in order to know what these needs are they may choose to conduct an employee needs assessment survey. This can be done through a needs assessment questionnaire (which can include questions tailored to individual businesses), employee group meetings, or by hiring a company that specializes in employee surveys.

Survey results can be used to project the number of enrollees and thus the required facility size as well as the types of care (based on age groups) and the types of programs, staff mix, and curricula that need to be put in place. A link to a sample needs assessment questionnaire is included in the Endnotes under Next Steps.

Child Care Benefit Decisions

Employers who find that providing benefits such as child care subsidies, dependent care accounts, or child care referral services would work best for their employees and would best fit their budget can work internally with their financial and human resources departments to introduce these benefits.

Employers who find that an onsite or near-site child care facility would meet their budget and employee needs may want to first find out what resources are currently available in the community before moving ahead with a business plan.

The Panhandle Health District Child Care Resource Center offers useful information on community child care resources and local child care providers that will help draw an accurate picture of the child care shortages that currently exist in the area.

Positive Outcomes for Businesses and Families

Businesses can be instrumental in helping working parents secure affordable, high quality child care that promotes their children's emotional and educational growth and their future interpersonal and career success. In turn, these businesses will be rewarded with a valuable recruiting tool, reduced absenteeism and turnover, a boost in employee performance and productivity, and a strong reputation as the employer of choice.

The United Way of North Idaho Early Care and Education Task Force has many resources at its disposal and is ready to assist businesses with employee needs assessments, business plans, or any other tasks involved in providing child care benefits to working parents.

Appendix

ABSENTEEISM COST CALCULATION WORKSHEET

This worksheet provides a simple way to quickly calculate the estimated cost of absenteeism as well as the absenteeism rate. However, these estimates are very basic and do not account for the many variables that may influence an employer's absenteeism costs.

ABSENTEEISM COST CALCULATION

1. Total work hours lost to employee absenteeism per year_______
2. Average wage per hour per employee = $_________
3. Cost of employee benefits* per hour per employee (Line 2 x 0.31) = $_______
4. Total compensation lost per hour per absent employee
   a. If employee absences are paid (Line 2 + Line 3) = $_________
   b. If employee absences are unpaid (Line 3) = $_________
5. Total compensation & benefits lost to absenteeism (Line 1 x Line 4a or 4b) = $_________
6. All other costs related to absenteeism (OT pay, temp pay, etc.) = $__________
7. Total cost of absenteeism for the year (Line 5 + Line 6) = $________

** assumes cost of benefits is 31% of wage based on 2019 Bureau of Labor Statistics*

CALCULATING ABSENTEEISM RATE

The formula for the rate of absenteeism expressed as a percentage is as follows: *Absenteeism Rate = Number of days absent ÷ total number of employees x total work days x 100%*

TURNOVER COST CALCULATION WORKSHEET

This worksheet provides a simple way to quickly calculate the estimated cost of replacing a worker (by position type) as well as total overall cost of turnover and turnover rate. These estimates are very basic and do not account for the many variables that may influence an employer's turnover costs.

The cost to replace a separated employee is approximately 33% of the worker's annual salary, according to the Work Institute's 2017 Retention Report. And the cost of benefits for an employee in 2019 is approximately 31% of wages, according to the Bureau of Labor Statistics.

TURNOVER COST CALCULATION

Note: If exact benefit rate is known, substitute percentage rate on Line 2.

Turnover cost by position

1. Annual salary of position = $ ___________
2. Annual salary plus benefits (Line 1 x 0.31) = $ ___________
3. Turnover cost of position (Line 2 x .33) = $ ___________
4. Total separated employees in position during the year ________
5. Total cost of turnover for position (Line 3 x Line 4) = $ _________

Total Turnover Cost

Total cost of turnover for each position category added together = $ ___________

CALCULATING TURNOVER RATE

The formula for turnover rate expressed as a percentage is as follows: *Turnover Rate = Number of separated employees ÷ (employees at beginning of period + employees at end of period) ÷ 2 x 100%*

Cost Estimate Tool for New Construction

To estimate the approximate cost for a major new construction or renovation project you need three figures:		
	Low	High
1. Gross square feet per child	70	110
2. Number of children the facility will be licensed to serve	100	100
3. Cost per square foot	125	300
Estimated Cost	$875,000	$3,300,000

Hint State licensing requires only 35 square feet of classroom space per child, but to create quality space you should provide 45 to 55 square feet per child not counting space used by large objects like counters. Even more space is needed for infant and toddler rooms. Double this number to allow for non-classroom space such as multi-purpose space, bathrooms, kitchen, offices, hallways, etc. Remember, you want two estimates, a modest, low-end one and a more ambitious high-end version.

Hint Childcare space tends to be 40 to 50% more expensive than other commercial space because of more extensive plumbing, child-size fixtures, built-in cabinets and counters and other specialized features. To come up with a cost per square foot, ask some architects or contractors for the "total development costs" (not just the construction cost) per square foot for commercial spaces in your area and multiply that by 1.5. Once again, look for a range. Use the lowest number and the highest.

Hint Multiply the three numbers in each column. For example, in the low column, multiply 70 x 100 x 125 = $875,000.

Hint You could say that your project will cost between $900,000 and $3 million or pick a figure between the two but on the high side, perhaps about $2 million.

Cost Estimate Tool for Renovation

To estimate the approximate cost for a small-scale renovation or improvement project:			
1. Collect contractor estimates	$35,000	$65,000	$80,000
2. Average all but the lowest estimate	~~$35,000~~	$72,500	
3. Build a cushion		25%	
Estimated Cost		$90,625	

Hint Multiply the average estimate by 1.25 (that will increase the average by 25%). The result is your estimated project cost.

Source: *Financing and Budgeting for Early Care and Education Facilities.* National Center on Program Management and Fiscal Operations and the Head Start National Center for Program Management.

SAMPLE CAPITAL BUDGET

SITE ACQUISITION COSTS	TOTAL
Property Purchase	$
Total Site Acquisition	$

HARD COSTS	TOTAL
General Contractor	
Demolition	
Grading, Excavation, Foundation	
Framing & Drywall	
Roofing	
Sprinkler & Fire Alarm System	
Electrical & Lighting	
Plumbing & Fixtures	
HVAC	
Finish Work	
Parking & Landscape	
Contingency (15% of Hard Costs)	
Total Hard Costs	

SOFT COSTS	TOTAL
Fees	
Architecture & Engineering	
Environmental Testing	
Development Consultant	
Fundraising Counsel	
Building Permits	
Legal	
Site Survey	
Financing Costs	
Construction Interest	
Loan/Financing Fees	
Total Soft Costs	

OTHER COSTS	TOTAL
Phone System	
Technology Systems	
Furnishings	
Outdoor Play Equipment	
Moving Costs	
Total Other Costs	
TOTAL DEVELOPMENT COSTS	

SAMPLE CHILD CARE CENTER OPERATING BUDGET

OPERATING INCOME	YEAR 1	YEAR 2
Child Care Subsidy Income		
Child Care Grant Income		
Parent Fees*		
Fundraising & Gifts Income		
Other Revenue		
TOTAL OPERATING INCOME		

*Add Capacity x Rate x Utilization Rate for Infant, Toddler & Preschool Enrollees to obtain total amount of parent fees.

OPERATING EXPENSES	YEAR 1	YEAR 2
Personnel Expenses		
Salaries & Benefits		
Program Director		
Administrative Staff		
Teaching Staff		
Kitchen & Food Service Staff		
Maintenance & Janitorial Staff		
Other Personnel		
Fringe Benefits (Health Ins./Retirement/Paid Leave)		
Payroll Taxes (Social Security/Medicare/Federal Unemployment)		
TOTAL SALARY EXPENSES		

PROFESSIONAL SERVICES EXPENSES		
Accounting & Financial Services		
Consultants & Legal Services		
Medical & Nursing Services		
Other Professional Services		
TOTAL PROFESSIONAL SERVICES EXPENSES		

NON-PERSONNEL EXPENSES	YEAR 1	YEAR 2
Equipment & Supplies		
Computer & Phone Equipment		
Administrative & Office Supplies		
Classroom Supplies		
Kitchen & Food Supplies		

Source: *Financing and Budgeting for Early Care and Education Facilities.* National Center on Program Management and Fiscal Operations and the Head Start National Center for Program Management.

Building Maintenance & Janitorial Supplies		
Certifications & Continuing Education Fees		
Travel & Event Expenses		
Field Trips/Events/Activities		
Vehicle Expenses		
Loan Payments		
Licensing and Insurance Fees		
Gas & Vehicle Maintenance Expenses		
TOTAL NON-PERSONNEL EXPENSES		

OCCUPANCY EXPENSES		
Mortgage or Lease Payments		
Real Estate & Property Taxes		
Property Insurance		
Facility Licensing & Permit Fees		
Utilities (gas, electric, water, sewer)		
Landscaping Maintenance & Snow Removal		
Routine Maintenance & Repair		
Contingency Fund		
Total Occupancy Expenses		
TOTAL OPERATING EXPENSES		
TOTAL NET OPERATING INCOME (Total operating income – Total operating expense)		

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For more information on the United Way ALICE® Project visit: UnitedForAlice.com/Idaho, or text IdahoALICE to 50503

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