



## FAQs: Childcare Solution Funds in Iowa

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### Question: What is a Childcare Solutions Fund?

Communities launch Childcare Solutions Funds with the sole purpose of helping parents or guardians who want to join the workforce but cannot because they are unable to find quality, affordable childcare in their local community.

These funds accomplish four important goals for the counties or cities they serve. They:

- **Increase the number of children** who can enroll in local, affordable and quality childcare, which allows more parents to return to the workforce
- **Attract childcare workers** by increasing the wages and benefits of these positions
- **Incentivize local businesses** to fund local childcare solutions
- **Empower local communities** to solve local childcare challenges through local business investments and local decision-making

Childcare Solutions Funds merge public and private funding to create a sustainable funding source for community childcare providers, allowing them to make investments that might not otherwise be supported by the market, such as increasing wages or benefits to attract childcare workers.

### Q: Why are Iowa communities launching Childcare Solutions Funds?

Iowa business leaders have been clear that the high cost of childcare, combined with the shortage of childcare services, is a challenge for both families and businesses.

The state has made some headway: Iowa's childcare shortage declined nearly 9% since 2018, which should be commended.

Families continue to face significant challenges in finding reliable, affordable childcare in their community, however. Iowa has more than 500,000 children from birth through age 12, yet only 177,000 childcare slots are currently available with registered or licensed childcare providers.

On average, Iowa parents pay 14% of their income to childcare, which is considered unaffordable.



**Q: What is considered affordable childcare?**

Nationally, childcare is considered affordable when families spend no more than 7% of their income on childcare services, according to the U.S. Department of Health and Human Services.

Since Iowa parents are paying 14% of their annual income for childcare care, it is considered an unaffordable amount as it's twice what's considered affordable nationally.

**Q: Why are businesses involved in solving childcare challenges?**

Businesses say that many working parents need reliable, quality childcare to balance their employment duties with their family responsibilities. Working parents without reliable childcare are more likely to miss work or drop shifts, or are less engaged in their jobs.

Businesses also note that many working parents switch jobs or leave the workforce altogether due to the high cost of childcare.

Other parents say they cannot find a quality provider in their area. Many childcare centers are operating far under capacity due to their inability to hire quality staff without increasing the costs for parents.

**Q: Why don't the childcare centers just pay their workers more?**

Unfortunately, many families simply don't have licensed providers in their area. Nearly 1 in 4 Iowans lived in a "childcare desert" with a shortage of licensed providers in 2021. The challenge is even more significant in rural areas, with 1 in 3 Iowans living in a "childcare desert."

"The economic impact is significant; Iowa loses \$935 million dollars annually as a result of lack of child care," according to the 2021 Governor's Child Care Take Force.

In addition, childcare providers understand how sensitive families are to the costs of childcare and worry that raising prices to attract workers with higher wages would price families out of the service. In many cases, a parent or guardian decides to stop working rather than pay what is already considered a steep price for childcare.

On average, Iowa families spend 14% of their annual income for services from childcare centers, which is considered an unaffordable amount.



### **Q: How much do childcare workers earn in Iowa?**

Childcare workers in Iowa earn an average of \$12.62 an hour, or \$26,250, according to May 2023 data from the U.S. Bureau of Labor and Statistics. It's among the lowest-earning professions tracked.

### **Q: Have Childcare Solutions Funds been successful in Iowa?**

Hamilton County was the first community in Iowa to start a Childcare Solutions fund in 2021.

Community leaders partnered with the Iowa Women's Foundation to survey their community and identify pressing needs. Local childcare centers were operating at or below 65% capacity. These childcare centers would normally serve 125 children, but they were unable to offer those slots due to unfilled staff positions.

After launching the local Childcare Solutions Fund with support from local business leaders, area childcare centers increased wages at qualifying childcare centers by 36%. By offering competitive wages and benefits, the childcare centers attracted more staff and retained current staff.

Importantly, 100 more children are being served in childcare centers in Hamilton County as of 2023. In addition, three of the four centers are operating at 100% capacity.

### **Q: What are the results from a state Childcare Solutions Fund pilot program?**

Iowa Women's Foundation believes that data reported by seven pilot program communities are indicators of the pilot program's success:

- **Businesses are motivated to donate to Childcare Solutions Funds.** The pilot program incentivized 373 local businesses to donate nearly \$2.4 million, of which \$1.4 million utilized the state's 2-to-1 match. An additional \$1 million was raised in private donations in these seven communities beyond the match. Private donations totaled \$2.4 million.

Of the seven communities, they received \$2.9 million in state funding and, when combined with \$2.4 million in private donations, raised a total of \$5.3 million in combined public-private funding for local childcare solutions.

To incentivize private investment in local childcare solutions, the state matched private donations in all 10 pilot communities. State funding totaled \$3 million, which came from the American Rescue Plan Act.

- **Working parents benefited from increased access to affordable childcare.** The seven reporting pilot communities added 275 childcare slots, which created more opportunities for



working parents or guardians to access childcare in their community. The pilot program merged public and private funding to help qualifying local childcare programs attract and retain childcare workers by increasing wages and improving benefits.

- **Childcare centers increased staff and childcare capacity.** Communities added or retained 223 childcare workers from 105 childcare providers in reporting pilot programs analyzed.

Additional information can be found in the report “Iowa Childcare Solutions Fund: A Model for Closing the Childcare Gap,” by the Iowa Women’s Foundation and the Common Sense Institute.

### **Q: Should the pilot program be expanded statewide?**

The decision to start a Childcare Solutions Fund is, at its heart, a local decision. Launching a fund requires an intentional, coordinated effort by local leaders in business, community and childcare.

The results of a pilot program initiated by the Iowa Department of Health and Human Services are promising. An economic analysis by the Common Sense Institute projected that expanding the pilot program statewide would:

- Create 8,000 new jobs
- Enable 5,000 more parents and guardians to join the workforce
- Add 11,000 new childcare slots
- Increase Iowa’s GDP by \$13 billion

Additional results can be found in the report, “Iowa Childcare Solutions Fund: A Model for Closing the Childcare Gap,” by the Iowa Women’s Foundation and the Common Sense Institute.

### **Q: Which communities participated in the pilot program?**

Ten Iowa communities with Childcare Solutions Funds participated in the program, which provided a 2-to-1 state funding match to businesses and other private donors. They are:

- Allamakee County
- Cerro Gordo County
- Dubuque city
- Hamilton County
- Howard County
- Johnson County
- Knoxville city
- Lisbon city
- Mount Vernon city



- Mitchell County

**Q: How was the pilot program funded?**

The pilot program was overseen by the Iowa Department of Health and Human Services in coordination with the Iowa Women’s Foundation, which provides support, guidance and technical assistance in implementing and managing local Childcare Solutions Funds.

The pilot matched private investment with up to \$3 million in state funds from the American Rescue Plan Act.

**Q: What can a Childcare Solutions Fund pay for?**

Childcare Solutions Funds have helped childcare centers increase the wages and benefits of childcare workers. Since local childcare task forces decide the best way to utilize funding to improve local childcare, they can also allocate dollars in other ways to meet local needs, such as paying for childcare equipment or to build, upgrade or expand childcare facilities.

In addition to supporting childcare centers, funds have also paid for the state registration costs of in-home providers. Because of the expense associated with starting an in-home childcare business, paying these fees has increased the number of in-home childcare options in Iowa.

**Q: Who operates the fund?**

Typically, the local economic development, chamber of commerce, or well-established foundation will house and administer the fund. This allows businesses and individuals who donate to the fund to receive tax benefits because it is housed in a 501(c)3 nonprofit.

As with other funds, nonprofits typically charge a percentage to offset costs associated with fund operations and administration.

**Q: Are more Childcare Solutions Funds planned in Iowa?**

Several additional Iowa communities are in the early stages of establishing a Childcare Solutions Fund, including collecting data about local need through a survey provided by the Iowa Women’s Foundation. The state has identified IWF as the single point of contact to support communities in launching and maintaining Childcare Solutions Funds.



## **Q: What are all the benefits of a Childcare Solutions Fund?**

Childcare Solutions Funds offer the following benefits:

### **Parents or guardians:**

- Maintain the choice of deciding which childcare is best for their family
- Encounter shorter waitlists for childcare when a center is fully staffed
- Access expanded childcare services without paying higher fees
- Return or join the workforce after enrolling children in quality, affordable childcare

### **Childcare providers:**

- Are not required to sign contracts with businesses
- Fill previously unfilled staff positions by paying higher wages and improving benefits
- Retain current childcare staff by paying higher wages and improving benefits
- Address local needs beyond increasing wages and benefits, such as paying for childcare equipment or funding building improvements or expansions

### **Businesses:**

- Increase their workforce as more parents and guardians pursue employment after finding quality, affordable childcare
- Improve staff morale as working parents and guardians with reliable childcare are less likely to miss work or drop shifts, and are more likely to be engaged in their job
- Receive tax incentives when donating to their community's Childcare Solutions Fund, which is housed and administered by a local 501(c)3 nonprofit
- Lower childcare costs for working parents and guardians; after childcare services are fully staffed, communities may decide to offer stipends to lower childcare expenses for qualifying families

### **Communities:**

- Receive support, guidance and technical assistance through the Iowa Women's Foundation in creating and maintaining a Childcare Solutions Fund
- Retain local control of funding by appointing a local childcare task force to oversee the distribution of funds to local childcare providers
- Improve the availability of quality, affordable childcare, making their community more attractive to business investment or economic development
- Increase economic growth in their community as more parents and guardians enter the workforce