

TESTIMONY
SB 2301
Senator Kathy Hogan
March 7, 2023

Chairman Louser and members of the committee, my name is Kathy Hogan and I represent District 21 in Central Fargo with a corner of West Fargo.

Childcare is an essential piece of infrastructure if we are to assure a stable and reliable workforce for future growth in ND. Over the last three years, most communities have acknowledged the growing crisis in finding affordable, available quality childcare through the whole state. The Chambers of Commerce in several cities are citing adequate childcare as one of the key pillars of the economic future of their community.

In North Dakota in 2021, the median wage for childcare workers was \$11.19 an hour, which means making \$23,275 per year if working full-time. This is barely above the poverty level for a family of three.

In the last three months, two group childcare facilities in the rural areas of my county have closed. Because of the need to increase wages to hire staff and the inability to charge families more, providers have no option but to stop providing childcare.

During COVID most licensed childcare providers in good standing received monthly payments that allowed them to continue serving children and families. Those payments have been discontinued.

This bill provides a state supported payment structure for all licensed childcare and offers an incentive payment for providers who meet established quality standards.

Many providers say the proposed payment structure would not be enough to stay open. If some type of direct support for childcare is not provided, I fear we will continue to lose licensed childcare services. Most childcare workers can go to work for fast food with higher salary with benefits and less stress. Currently there are long waiting lists in many parts of the state for childcare today.

Without some direct support structure for childcare providers all other actions to increase our workforce will fail.

Let me briefly describe that the bill does. The average cost for infant childcare in 2022 for an infant was \$9,900 dollars annually – the bill originally requested an annual subsidy of \$600 per child or an average of 6% of the costs. The providers said that would not stabilize the current childcare structure let alone allow the payment of fair wage. The providers recommended after the bill was introduced

that that rate be \$150/month for an infant which would result in an estimated 15% subsidy for the provider.

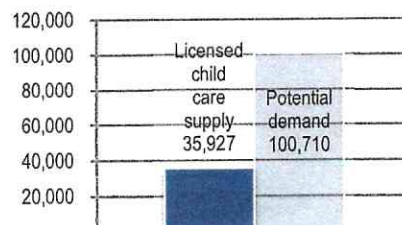
The Senate changed the payment structure to require payment to be based on enrollment. My concern is this new payment structure may generate significant increases in administrative costs for both the childcare provider and the Department. I urge your committee to consider how the process would work in day to-day life.

Here is an excellent report that was completed in August of 2021 on childcare needs in ND. <https://ndkidscount.org/a-modern-economy-depends-on-child-care-north-dakota-can-make-it-affordable-and-accessible>

Thank you, Chairman Louser; I look forward to any questions you may have.

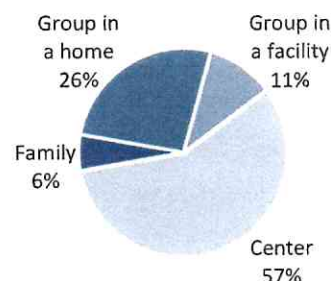
Children Potentially Needing Child Care

	0-2 yrs	3 yrs	4-5 yrs	6-12 yrs	Total
Children in State by Age ¹	32,926	11,069	21,117	68,987	134,099
% of Children Ages 0 to 5 with All Parents in the Labor Force ¹					71.2%
% of Children Ages 6 to 13 with All Parents in the Labor Force ¹					78.8%
Children Ages 0 to 5 potentially needing child care due to parents in workforce					46,372
Children Ages 6 to 12 potentially needing child care due to parents in workforce					54,338
Capacity of state-licensed child care programs (family, group, center, school-age ³)					35,927
Current Child Care Assistance Program Recipients Age 0-13 ¹					4,410
Percent to which supply meets potential demand					36%



State-Licensed Early Childhood Program Type and Capacity² (2020)

	Family	Group in a home	Group in a facility	Center	Total
Number of Programs	216	622	145	201	1,184
Licensed Capacity	1,894	8,837	3,505	19,158	33,394
Reported Vacancies ⁴	203	715	364	1,909	3,191
Families/Capacity Added	46/389	53/781	29/673	19/1663	147/3506
Providers/Capacity Lost	67/581	95/1342	28/672	17/1292	207/3887
Programs open before 7:00 a.m.	39	130	32	100	301
Programs open after 6:00 p.m.	15	18	7	11	51
Programs open on Weekends	12	11	3	4	30
Reported Size of Workforce	256	1,092	714	3,588	5,650
State-licensed school-age programs ³		32	with a licensed capacity of		2,533



Annual Cost of State-Licensed Child Care²

Age of Child	Home-based Programs		Centers and Group Facilities	
	Average	Highest Rate	Average	Highest Rate
Ages 0 to 17 months	\$7,968	\$13,520	\$9,539	\$16,640
18 to 35 months	\$7,773	\$13,000	\$9,067	\$15,080
Ages 3 to 5	\$7,650	\$13,000	\$8,589	\$14,040
Ages 6 to 12 (Annual costs for school-age children vary greatly based on hours needed.)				

www.ndchildcare.org

¹ 2020 ND Kids Count Fact Book

² Child Care Aware® of North Dakota NACCRR Aware Database (surveyed between January and June 2020)

³ School-age care numbers reflect programs licensed exclusively as before and after school programs under Early Childhood Services rules. Not all school-age programs are required to be licensed. In addition, many school-age children are enrolled in family/group programs and child care centers.

⁴ Vacancies change daily and may not match the location or program characteristics desired by families needing care. A 10% vacancy rate allows families some leeway among programs.



Cost of Licensed Child Care (2020)

County	Average Weekly Cost of Child Care Home-based Programs			Average Weekly Cost of Child Care Facilities			Median Income of Families with Children Ages 0- 17, 2014-2018, 2020 ND Kids Count	% of Income for One Infant in Home-based Programs
	Ages 0 to 17	18 to 35	Ages 3 to 5	Ages 0 to 17	18 to 35	Ages 3 to 5		
	months	months		months	months			
Adams	\$ 128.25	\$ 128.25	\$ 128.25	\$ 135.00	\$ 135.00	\$ 135.00	\$ 71,827.00	9%
Barnes	\$ 129.50	\$ 129.50	\$ 128.60	\$ 160.89	\$ 159.64	\$ 145.12	\$ 86,544.00	8%
Benson	\$ 125.00	\$ 125.00	\$ 125.00	\$ 125.00	\$ 125.00	\$ 125.00	\$ 34,712.00	19%
Billings ²	\$ -	\$ -	\$ -	\$ 200.00	\$ 200.00	\$ 200.00	\$ 72,083.00	0%
Bottineau	\$ 152.97	\$ 145.21	\$ 142.90	\$ 166.00	\$ 158.50	\$ 151.00	\$ 87,500.00	9%
Bowman	\$ 130.50	\$ 121.44	\$ 117.69	\$ 148.50	\$ 137.92	\$ 129.58	\$ 110,208.00	6%
Burke	\$ -	\$ -	\$ -	\$ 166.50	\$ 160.50	\$ 154.50	\$ 100,893.00	0%
Burleigh	\$ 161.93	\$ 159.90	\$ 157.68	\$ 203.45	\$ 194.31	\$ 179.39	\$ 92,083.00	9%
Cass	\$ 157.99	\$ 153.08	\$ 149.99	\$ 204.84	\$ 192.52	\$ 178.75	\$ 81,212.00	10%
Cavalier	\$ 164.25	\$ 164.25	\$ 164.25	\$ 190.00	\$ 173.00	\$ 156.00	\$ 102,031.00	8%
Dickey	\$ 127.35	\$ 124.23	\$ 122.88	\$ 143.33	\$ 141.67	\$ 133.33	\$ 80,089.00	8%
Divide ¹	\$ 156.67	\$ 153.33	\$ 153.33	\$ 188.00	\$ 176.00	\$ 164.00	\$ 114,821.00	7%
Dunn	\$ 175.00	\$ 175.00	\$ 175.00	\$ 200.00	\$ 175.00	\$ 175.00	\$ 68,913.00	13%
Eddy ²	\$ 144.49	\$ 144.49	\$ 144.49	\$ -	\$ -	\$ -	\$ 66,250.00	11%
Emmons	\$ 125.75	\$ 125.75	\$ 125.75	\$ 121.67	\$ 121.67	\$ 121.67	\$ 81,375.00	8%
Foster	\$ 130.00	\$ 130.00	\$ 130.00	\$ 131.25	\$ 128.75	\$ 128.75	\$ 71,250.00	9%
Golden Valley	\$ 140.40	\$ 140.40	\$ 140.40	\$ 125.00	\$ 125.00	\$ 125.00	\$ 70,000.00	10%
Grand Forks	\$ 153.80	\$ 149.71	\$ 146.21	\$ 213.70	\$ 197.19	\$ 183.17	\$ 75,897.00	11%
Grant	\$ 144.93	\$ 144.93	\$ 144.93	\$ 135.00	\$ 135.00	\$ 135.00	\$ 80,750.00	9%
Griggs	\$ 139.69	\$ 139.69	\$ 139.69	\$ 165.00	\$ 165.00	\$ 165.00	\$ 70,313.00	10%
Hettinger	\$ 130.00	\$ 120.00	\$ 120.00	\$ 168.75	\$ 168.75	\$ 146.25	\$ 62,448.00	11%
Kidder	\$ 127.74	\$ 127.74	\$ 127.74	\$ 145.50	\$ 145.50	\$ 136.26	\$ 60,461.00	11%
Lamoure	\$ 135.83	\$ 127.50	\$ 127.50	\$ 135.00	\$ 130.00	\$ 130.00	\$ 84,583.00	8%
Logan	\$ 127.17	\$ 127.17	\$ 127.17	\$ 135.00	\$ 135.00	\$ 135.00	\$ 76,667.00	9%
McHenry	\$ 138.00	\$ 135.50	\$ 135.50	\$ 128.74	\$ 135.83	\$ 125.67	\$ 87,525.00	8%
McIntosh	\$ 117.90	\$ 117.90	\$ 117.90	\$ 150.00	\$ 150.00	\$ 145.00	\$ 62,969.00	10%
McKenzie	\$ 200.00	\$ 200.00	\$ 200.00	\$ 180.50	\$ 180.50	\$ 175.50	\$ 82,270.00	13%
McLean	\$ 146.06	\$ 146.06	\$ 142.94	\$ 175.00	\$ 150.00	\$ 150.00	\$ 83,964.00	9%
Mercer	\$ 156.94	\$ 156.94	\$ 156.94	\$ 177.50	\$ 175.00	\$ 172.50	\$ 105,781.00	8%
Morton	\$ 155.66	\$ 150.31	\$ 149.72	\$ 194.41	\$ 183.53	\$ 179.31	\$ 99,517.00	8%
Mountrail	\$ 129.86	\$ 129.86	\$ 129.86	\$ 174.36	\$ 163.88	\$ 161.38	\$ 83,026.00	8%
Nelson	\$ 141.25	\$ 141.25	\$ 141.25	\$ 152.50	\$ 150.00	\$ 147.50	\$ 72,750.00	10%
Oliver	\$ -	\$ -	\$ -	\$ 132.79	\$ 132.79	\$ 132.79	\$ 83,250.00	0%
Pembina	\$ 132.50	\$ 132.50	\$ 132.50	\$ 148.50	\$ 140.00	\$ 135.75	\$ 86,477.00	8%
Pierce	\$ 140.40	\$ 140.40	\$ 140.40	\$ 186.75	\$ 186.75	\$ 180.00	\$ 65,000.00	11%
Ramsey	\$ 144.89	\$ 140.91	\$ 139.31	\$ 162.00	\$ 153.75	\$ 146.25	\$ 85,979.00	9%
Ransom	\$ 150.63	\$ 136.45	\$ 133.95	\$ 153.20	\$ 152.08	\$ 150.95	\$ 81,000.00	10%
Renville	\$ 164.13	\$ 164.13	\$ 158.74	\$ -	\$ -	\$ -	\$ 82,500.00	10%
Richland	\$ 132.02	\$ 130.51	\$ 130.56	\$ 151.30	\$ 144.18	\$ 138.75	\$ 78,138.00	9%
Rolette	\$ 137.26	\$ 136.43	\$ 135.59	\$ 116.10	\$ 110.25	\$ 110.25	\$ 35,757.00	20%
Sargent	\$ 162.50	\$ 150.00	\$ 137.50	\$ 165.00	\$ 161.67	\$ 146.67	\$ 88,050.00	10%
Sheridan	\$ -	\$ -	\$ -	\$ 175.00	\$ 150.00	\$ 150.00	\$ 57,292.00	0%
Sioux	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,885.00	0%
Slope	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97,500.00	0%
Stark	\$ 170.84	\$ 164.49	\$ 163.23	\$ 192.15	\$ 191.27	\$ 189.12	\$ 99,918.00	9%
Steele	\$ 112.50	\$ 112.50	\$ 112.50	\$ 150.00	\$ 125.00	\$ 125.00	\$ 77,188.00	8%
Stutsman	\$ 140.91	\$ 138.85	\$ 138.07	\$ 146.28	\$ 145.08	\$ 141.69	\$ 72,500.00	10%
Towner	\$ 150.00	\$ 150.00	\$ 140.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 71,136.00	11%
Trail	\$ 150.00	\$ 148.50	\$ 146.00	\$ 154.09	\$ 152.16	\$ 142.69	\$ 85,507.00	9%
Walsh	\$ 131.79	\$ 128.79	\$ 124.45	\$ 162.50	\$ 155.83	\$ 144.87	\$ 70,192.00	10%
Ward	\$ 153.11	\$ 148.98	\$ 144.74	\$ 192.76	\$ 181.34	\$ 170.89	\$ 83,529.00	10%
Wells	\$ 115.00	\$ 115.00	\$ 115.00	\$ 112.67	\$ 105.58	\$ 105.58	\$ 83,529.00	7%
Williams	\$ 188.73	\$ 180.30	\$ 176.79	\$ 212.58	\$ 190.16	\$ 186.52	\$ 92,172.00	11%

¹ Median income is 2013-2017 data from 2019 ND Kids Count

² Some 2020 Kids Count data from rural counties may be considered statistically unreliable due to the small sampling.

Analyzing Financial Statements

Whether you are the owner of a for profit child care business or the executive director or board member of a nonprofit child care center, you are responsible for the organization. You are responsible for making sure that there are reliable procedures in place to manage the business or organization. You are also responsible for planning for the future of the enterprise.

To carry out your duties, you must have financial information that is **correct** and **timely**. You have to have confidence that the business or organizational financial statements are properly prepared and are providing accurate information. If you have any doubts about the accuracy of your financial information, you should clear those up with your bookkeeping staff or accountant first. If at all possible, management should review financial information monthly. If you are just starting to review your organization's statements regularly, it may take a few months to start noticing patterns or inconsistencies in the information.

Financial Information	What You Should Look For
Balance Sheet The balance sheet is a snapshot of an organization's financial worth. It has three main sections: Assets (what the company owns), Liabilities (what the company owes) and Net Worth (what the company is worth.) $\text{Assets} = \text{Liabilities} + \text{Net Worth}$	Are assets greater than liabilities? If not, the company has been running at a loss or deficit. Are there enough cash and collectible receivables to cover bills due now? Is the company behind on payroll or other taxes? For nonprofit organizations, are there large deferred revenues without corresponding cash assets? If yes, the nonprofit may be robbing Peter to pay Paul.
Income and Expense Statement The income and expense statement shows the company's income and expenses over a specific period of time (usually a month, quarter, or a year.) The actual income and expenses are typically compared to the budget or projections. $\text{Income} - \text{Expenses} = \text{Profit or Loss}$	Is income greater than expenses? Was the company able to pay all operating expenses? Are expenses in line with industry averages? Have there been any unusual changes in income or expenses from month to month? Is there anything to watch for in the upcoming month(s)? How do the actual income and expense figures compare to the budget/annual projections?
Budget/Annual Projection The budget or annual projection is prepared annually before the start of the organization's fiscal year. It is based on the organization's goals and objectives for the coming year.	Is the budget or annual projection reasonable and based on previous years' financial performance? How do actual income and expenses relate to the budget for the same period?

Management should ultimately do more than review the financial statements. You should compare current financial statements to a benchmark such as the budget or annual projection. You can also compare the current financial statements to those from the past to look for trends, both good and bad, that can affect future performance. Is income growing from year to year or has it been declining? Are profits stable, growing or decreasing over the last few years?

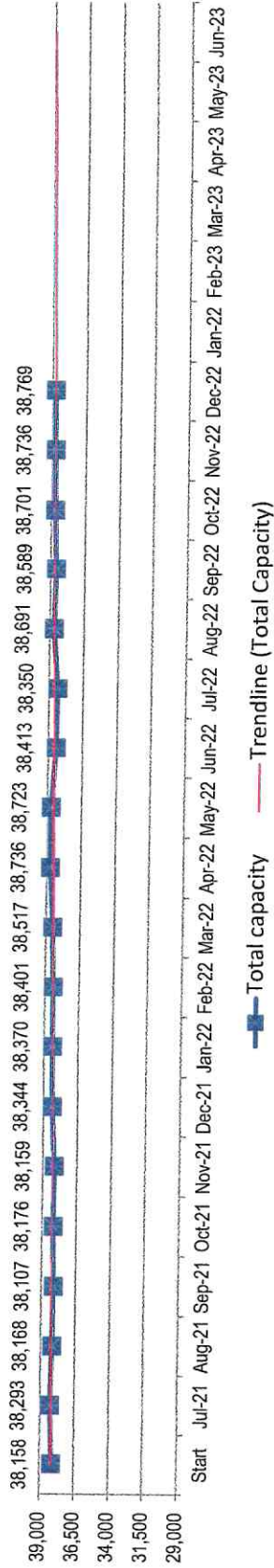
Sometimes, analysis of a few key ratios can be used to expand your understanding of your organization's financial situation. Tracking these ratios from year to year can also help you evaluate your organization's financial situation.

A Few Key Ratios	What They Can Reveal
Current Ratio $\frac{\text{Current Assets}}{\text{Current Liabilities}} = \text{Current Ratio}$	<p>The Current Ratio gives a clue about an organization's capacity to pay its bills and other obligations in a timely manner. A ratio of 1:1 or higher is considered good.</p>
Quick Ratio $\frac{\text{Cash} + \text{Accounts Receivable}}{\text{Current Liabilities}} = \text{Quick Ratio}$	<p>The Quick Ratio is a more conservative version of the Current Ratio. A ratio of 1:1 or higher is considered very good.</p>
Debt to Net Worth Ratio $\frac{\text{Total Liabilities}}{\text{Net Worth}} = \text{Debt to Net Worth Ratio}$	<p>The Debt to Net Worth Ratio measures how well an organization can borrow money and repay its creditors. A ratio of 3:1 or lower is generally considered satisfactory. If a child care business or organization owns real estate and is carrying a mortgage, a Debt to Net Worth Ratio as high as 6:1 may be acceptable. A negative ratio is not good and shows that the company has been operating at a loss.</p>
Percentage of Budget for Personnel $\frac{\text{Total Wages} + \text{Taxes} + \text{Benefits Expense}}{\text{Total Expenses}} = \text{Personnel Costs Rate}$	<p>This percentage rate is typically between 55% to 70% for child care businesses. However, many nonprofit or specialized early care and education programs may have a higher personnel cost percentage. Any change in the Personnel Costs Rate is significant, because staff costs are the largest expense item.</p>
Days Cash on Hand $\frac{\text{Unrestricted Cash}}{\text{Total Operating Expenses (minus depreciation and unusual non-operating expenses)/365}} = \text{Days Cash on Hand}$	<p>This gives a quick test of how adequate the organization's operating reserve is. Thirty days is a minimum reserve with 90 days as a goal. Days Cash on Hand is especially important for nonprofit organizations dependent on operating grants or enterprises that receive most of their income from the child care assistance program.</p>

North Dakota Licensed Child Care Capacity Snapshot

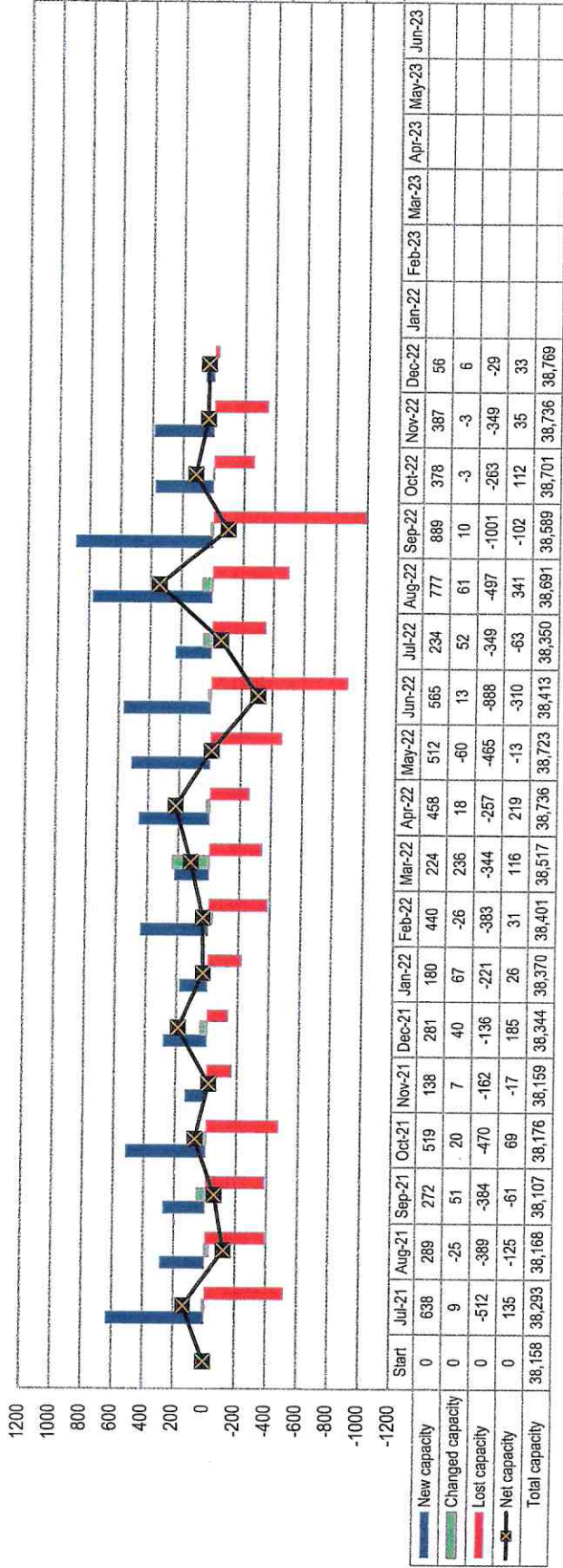
as of December 2022

Change in Total Licensed Child Care Capacity in North Dakota
July 1, 2021 to June 30, 2023



The following chart depicts newly licensed capacity per month, as well as capacity changes within existing licensed programs, and how much capacity was lost due to programs closing. The sum of those totals equals the net capacity for each month.

Change in Licensed Child Care Capacity in North Dakota
July 1, 2021 to June 30, 2022



The chart on the following page documents the potential need for child care in each county, the current capacity of licensed child care, and the % to which that child care supply meets the potential demand. The Capacity Goals columns (yellow) indicate how many new spots would be needed to meet 30%, 40%, or 50% of potential demand.

North Dakota Licensed Child Care Capacity Snapshot

	July, 2021				December 31, 2022		Capacity Goals		
	Children Ages 0 to 5 potentially needing child care (NDKC)	Children Ages 6 to 13 potentially needing child care (NDKC)	Capacity of licensed child care (CCA)	Extent licensed care meets potential demand	Net Change in licensed capacity since 7/1/21	Current extent licensed care meets potential demand	Additional capacity needed to meet 30% of demand	Additional capacity needed to meet 40% of demand	Additional capacity needed to meet 50% of demand
North Dakota	39,844	53,576	38,158	40.8%	641	41.5%	-	-	7,911
Adams	94	150	104	42.6%	0	42.6%	-	-	18
Barnes	531	855	505	36.4%	-50	32.8%	-	99	238
Benson	353	590	102	10.8%	12	12.1%	169	263	357
Billings	68	42	42	38.2%	0	38.2%	-	2	13
Bottineau	259	389	393	60.6%	-18	57.9%	-	-	-
Bowman	239	311	159	28.9%	-6	27.8%	12	67	122
Burke	82	169	98	39.0%	0	39.0%	-	2	27
Burleigh	5,334	7,194	4400	35.1%	83	35.8%	-	528	1,781
Cass	10,737	12,159	14535	63.5%	-278	62.3%	-	-	-
Cavalier	180	234	174	42.1%	3	42.8%	-	-	30
Dickey	310	484	290	36.5%	60	44.1%	-	-	47
Divide	117	119	105	44.4%	0	44.4%	-	-	13
Dunn	213	287	61	12.2%	25	17.2%	64	114	164
Eddy	166	202	67	18.2%	30	26.4%	13	50	87
Emmons	118	250	173	47.0%	0	47.0%	-	-	11
Foster	162	279	109	24.7%	33	32.2%	-	35	79
Golden Valley	98	165	83	31.5%	0	31.5%	-	22	49
Grand Forks	3,458	4,536	3442	43.1%	270	46.4%	-	-	28
Grant	103	147	78	31.2%	0	31.2%	-	22	4
Griggs	136	160	71	24.0%	42	38.2%	-	5	35
Hettinger	113	184	78	26.3%	-18	20.2%	29	59	88
Kidder	97	144	77	32.0%	0	32.0%	-	19	43
Lamoure	182	331	222	43.2%	-7	41.9%	-	-	42
Logan	80	151	119	51.5%	15	58.0%	-	-	-
McHenry	262	417	245	36.1%	21	39.2%	-	6	73
McIntosh	143	195	105	31.1%	-9	28.4%	5	39	73
McKenzie	494	808	340	26.1%	0	26.1%	51	181	311
McLean	380	650	209	20.3%	-29	17.5%	129	232	335
Mercer	398	600	250	25.0%	6	25.6%	44	143	243
Morton	1,965	2,173	992	24.0%	124	27.0%	126	539	953
Mountrail	453	810	144	11.4%	-26	9.3%	261	387	513
Nelson	136	177	163	52.2%	-11	48.6%	-	-	4
Oliver	82	90	37	21.5%	-6	18.0%	21	38	55
Pembina	307	536	206	24.4%	74	33.2%	-	57	142
Pierce	208	332	182	33.7%	16	36.7%	-	18	72
Ramsey	617	1,038	1005	60.7%	-31	58.8%	-	-	-
Ransom	268	447	312	43.6%	16	45.9%	-	-	30
Renville	137	212	57	16.3%	1	16.6%	47	82	116
Richland	741	1,225	968	49.2%	85	53.6%	-	-	-
Rolette	714	1,108	214	11.7%	18	12.7%	315	497	679
Sargent	156	311	138	29.5%	0	29.5%	2	49	96
Sheridan	26	53	17	21.5%	0	21.5%	7	15	23
Sioux	262	429	0	0.0%	0	0.0%	207	277	346
Slope	48	25	0	0.0%	0	0.0%	22	29	-
Stark	1,505	2,166	1,037	28.2%	72	30.2%	-	360	7
Steele	79	111	66	34.7%	9	39.4%	-	1	20
Stutsman	1,085	1,464	987	38.7%	-5	38.5%	-	38	293
Towner	92	142	44	18.8%	0	18.8%	26	50	73
Traill	475	581	540	51.1%	46	55.5%	-	-	-
Walsh	505	779	404	31.5%	-33	28.9%	14	143	271
Ward	3,751	5,146	2,582	29.0%	7	29.1%	80	970	1,859