

# State of Child Care Businesses in Iowa 2024 Report

# State of Child Care Businesses in Iowa

## 2024

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## INTRODUCTION

First Children's Finance (FCF) is a national nonprofit organization founded in 1991 and headquartered in Minneapolis, Minnesota, with state offices in Iowa, Minnesota, Vermont, Michigan, and Oregon.

**Our mission** is to grow the supply and business sustainability of excellent child care.

First Children's Finance (FCF) provides direct business training, consulting, financing, and technical assistance services for child care centers and family child care programs, consulting and facilitation for communities seeking to support child care, and consulting to state and locally systems.

## PURPOSE

Nothing short of heroism describes the individuals who operate the quality child care businesses upon which our Iowa children, families, and communities rely every day. The following descriptive report helps the rest of us to learn directly from child care business owners and administrators about the dreams and challenges they face operating child care center and family child care businesses. In turn, it is our hope that this information will be used to provide insight, ignite public will, and inspire creative solutions and support for the early care and education industry.

## STUDY DESIGN

The QUESTIONS that this report seeks to answer include: What are the business successes and challenges experienced by child care programs across Iowa? And, what do child care owners and administrators really need to sustain quality operations today and into the future? The survey has been developed by First Children's Finance, incorporating decades of experience and partnership serving child care businesses throughout the United States.

The DATA in this report have been obtained using a census method of collection, reaching out to all child care businesses across Iowa. Respondents represented a variety of child care centers and family child care homes. Only one representing respondent was received from each business.

ANALYSIS in this report includes First Children's Finance's professional interpretation of the data collected. The information and analysis presented in this document are intended to provide a basis for increased understanding and action in support of child care business in Iowa. No warranty is stated or implied as to completeness or accuracy. AI was not used in the development of the survey, the full report, or any excerpts.

## PUTTING THIS STUDY TO USE

It is our hope that the information in this report will be useful to decision-makers, initiative leaders, philanthropists, and to child care businesses themselves; to better understand how early care and education in Iowa operates with the successes and challenges that entails.

## EXECUTIVE SUMMARY

First Children's Finance (FCF) is a national nonprofit organization founded in 1991 and headquartered in Minneapolis, Minnesota, with state offices in Iowa, Minnesota, Vermont, Michigan, and Oregon.

**Our mission** is to grow the supply and business sustainability of excellent child care.

The following descriptive report is intended to help the public learn directly from child care business owners and administrators about the dreams and challenges they face operating child care center and family child care businesses in Iowa.

Iowa population of children under age ten in 2023 was 382,359. According to the US Census Bureau in 2023, approximately 75% of children were in households where all parents are working. If all those children needed child care, that number would be 286,769.

The child care industry in Iowa includes several types of child care businesses, most of which are regulated by Iowa Department of Health and Human Services or the Department of Education. Over 3,600 child care businesses registered with HHS were the primary focus of this study. However, other types of child care were openly invited to respond to the survey.

Eighty-four (84) child care business representatives responded to the survey in October of 2024. Out of those, seventy-one (71) completed the survey. Data included in this report represents the group of 71 who completed the survey. Individual narrative responses were considered from all 84 respondents.

The complete State of Child Care in Iowa descriptive report contains summaries of the data collected, direct responses from child care business owners and administrators of centers and family child care, as well as brief analysis throughout. Some of the key findings are listed here. However, each one warrants further study and consideration.

Child care businesses in Iowa overall conveyed:

1. Serious concerns about their ability to sustain operations into the short and long-term future.
2. Appreciation for several forms of support, primarily from the state of Iowa, including subsidies, grants, wage enhancements, and Child Care Assistance; while very concerned that these supports would end.
3. Need for access to capital to grow, make necessary purchases, and maintain the safety of their environments.
4. Understanding that they should increase tuition (their primary source of income) for their business viability but concerned about the cost to families and the possibility that families would leave.
5. Passion in their business and hope for their future and the future of Iowa's young children and families.

## IOWA BACKGROUND

### Total Population and Ages

According to the US Census Bureau as of 2023, the total population of Iowa is 3,207,004; which is a net increase since 2018 of 50,859 people. The population increase over the last 5 years has not been consistent by age. Children under 5 years of age decreased by 15,820. Children from 5 to 9 years increased by 2,842. Children from 10 to 14 years decreased by 4,948.

Table A: Iowa Population		
	2018	2023
Total Population	3,156,145	3,207,004
Under 5 Years	197,883	182,063
5 to 9 Years	197,454	200,296
10 to 14 Years	215,222	210,274

Source: Data from US Census Bureau (2018, 2023)

### Race and Ethnicity

According to the US Census, Iowa demographics included the following responses:

Table B: Race and Ethnicity	
Asian	2.7%
Black or African American	4.5%
White	89.6%
American Indian, Alaska Native, Native Hawaiian, Other Pacific	0.9%
Hispanic or Latino	7.4%

Source: Data from US Census Bureau (2024)

### Working Families

Families who have all parents in the workforce are most likely to need child care. According to the US Census Bureau in 2023; 214,756 people in Iowa had children under age 6 in their household. Of those 74.9% had all parents in the family in the labor force. Both the number of families with children under age 6 and the percent of households having all parents working has decreased from 231,199 people with children under age 6 with 76.8% having all parents in the workforce.

## Child Care and Preschool Workforce and Wages

Most child care and preschool workers fall under one of three categories as defined by the US Office of Management and Budget (OMB) Standard Occupational Classification (SOC) system: Childcare Workers<sup>1</sup>, Education and Childcare Administrators, Preschool and Daycare<sup>2</sup>, or Preschool Teachers, Except Special Education<sup>3</sup>.

According to Iowa Wage Report Data from Iowa Workforce Development as of May 2024, the hourly mean<sup>4</sup> wage for Childcare Workers is \$13.76 and the annual mean wage is \$28,630. There are 5,870 of these workers in Iowa.

For Education and Childcare Administrators, Preschool and Daycare in Iowa, the mean hourly wage is \$24.10, and median annual wage \$50,120. There are 1,030 of these workers in Iowa.

Table C: Childcare and Preschool Workforce	
	Total Jobs in Iowa
Childcare Workers	5,870
Education & Childcare Admin, Preschool & Daycare	1,030

Source: Data from Iowa Workforce Development (May 2024)

Table D: Childcare and Preschool Workforce and Wages		
	Hourly Mean	Annual Median
Childcare Workers	\$13.76	\$28,630
Education & Childcare Admin, Preschool & Daycare	\$24.10	\$50,120

Source: Data from Iowa Workforce Development (May 2024)

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<sup>1</sup> SOC Child Care Worker Definition: Attend to children at schools, businesses, private households, and childcare institutions. Perform a variety of tasks, such as dressing, feeding, bathing, and overseeing play. Illustrative examples: Au Pair, Daycare Provider, Nanny.

<sup>2</sup> SOC Administrator Definition: Plan, direct, or coordinate academic or nonacademic activities of preschools or childcare centers and programs, including before- and after-school care. Illustrative examples: Childcare Center Administrator, Head Start Director, Preschool Director.

<sup>3</sup> SOC Preschool Teacher Definition: Instruct preschool-aged students, following curricula or lesson plans, in activities designed to promote social, physical, and intellectual growth. Illustrative examples: Home-based Preschool Teacher, Nursery School Teacher, Preschool Head Start Teacher.

<sup>4</sup> Mean Wages is the average wage and is computed by dividing the estimated total wage for an occupation by its weighted employment.



## EARLY CARE AND EDUCATION IN IOWA

There are several types of child care businesses available in Iowa to meet families' varying needs and preferences. These include:

- Licensed Child Care Centers and Preschools
- Head Start and Early Head Start
- School-Based Programs
  - School-Age Care
  - Statewide Voluntary Preschool Program
- Registered Child Development Homes
- Child Care Homes
- Legal Unregulated Home Care
  - Nanny or Au Pare
  - Family, Friend or Neighbor care

### Iowa Department of Health and Human Services<sup>5</sup>

In Iowa, the Department of Health and Human Services (HHS), formerly Iowa Department of Human Services (DHS), oversees programs that fall into three categories—Licensed Centers, Registered Child Development Homes, and Child Care Homes. The level of regulation and requirements placed on the provider varies based on the type.

### Licensed Centers

Licensed Centers include child care centers (including child care programs operated by school districts), preschool programs, and Head Start. A center can care for larger groups of children, which are typically separated by age groups according to specific staff-to-child ratios. All centers are required to have an Iowa HHS inspection prior to opening and an annual inspection after that. A licensed center may apply for a Child Care Assistance<sup>6</sup> Provider Agreement and may participate in the voluntary Iowa Quality for Kids (IQ4K) quality rating system<sup>7</sup>.

### Registered Child Development Homes

Registered child development homes can provide care for up to 8, 12 or 16 children at a time depending on the registration level. Registration levels A, B, or C are based on the providers'

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<sup>5</sup> Information in this section adapted from "Child Care Overview". Iowa Department of Health and Human Services. <https://hhs.iowa.gov/childcare/overview>.

<sup>6</sup> Child Care Assistance (CCA) is a tuition assistance program available to children of income-eligible parents. The tuition reimbursement is paid directly to the child care program based on the child's attendance.

<sup>7</sup> Iowa Quality for Kids (IQ4K) is voluntary rating system for Licensed Centers and Preschools, Registered Child Development Homes, Head Start programs, and child care programs that are operated by school districts. Participating providers achieve a rating on a scale of 1 to 5, by meeting key indicators of quality in the areas of nutrition & physical activity, professional development, leadership & administration, family & community partnerships, environment, teaching staff qualifications, and teaching & learning for centers, and the areas of nutrition & physical activity, professional development, family & community partnerships, environment, provider qualifications, and teaching & learning for homes.

experience and if there are any assistants or co-providers present. These programs are required to have an Iowa HHS inspection prior to opening and an unannounced annual inspection after that. A registered child development home may apply for a Child Care Assistance Provider Agreement with HHS and may participate in the voluntary ChildNet<sup>8</sup> program and IQ4K.

### Child Care Homes

Child Care homes can care for 6 or fewer children at any given time. These programs are not required to register but have the option to do so. A Child Care Home may apply for a Child Care Assistance Provider Agreement with HHS. Child Care Homes serving children eligible for child care assistance must complete an unannounced inspection once per year to assure compliance with health, safety, and fire standards. These providers are not eligible to participate in ChildNet or IQ4K.

Table E: HHS Regulation and Maximum Capacities for Child Care Providers in Iowa							
	Non-Registered Home without HHS agreement	Non-Registered Home with HHS agreement	Child Development Home A	Child Development Home B	Child Development Home C (2 providers)	Child Development Home C (1 provider)	Licensed Center
State Regulated	No	Yes	Yes	Yes	Yes	Yes	Yes
Maximum Capacity <sup>9</sup>	6	6	8	12	16	8	Varies by license

Adapted from: Iowa Department of Human Services (2011)

<https://ccmis.dhs.state.ia.us/providerportal/ChildCareRequirements.aspx>.

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<sup>8</sup> ChildNet certification is a requirement for Child Care Home providers wishing to achieve a Level 2 and higher in the Iowa Quality Rating System. To earn ChildNet certification, the provider must complete the ChildNet training series with Iowa Child Care Resource & Referral (CCR&R), enroll in the Child and Adult Care Food Program, and demonstrate 100% compliance with the Iowa Department of Human Services' Registration checklist through a certification visit with their local CCR&R Child Care Consultant.

<sup>9</sup> A home provider's own children are included in their legal capacity. Their school-age children are not unless they are being home-schooled.

## **Iowa Department of Education**

Iowa's Statewide Voluntary Preschool Program administered by the Iowa Department of Education provides an opportunity for all young children in the State of Iowa to enter school ready to learn by expanding voluntary access to quality preschool curricula for all four-year-old children. Participating school districts receive funding to offer at least 10 hours of preschool per week during the school year. Districts may provide preschool directly or contract with a community partner to provide preschool on their behalf.

Many DOE programs are also licensed as a child care center under HHS. Other programs are exempt from child care licensing under HHS; including an instructional program for children who are attending prekindergarten, as defined by the State Board of Education under Iowa Code section 256.11; or a higher grade level and are at least four years of age, or are at least three years of age and eligible for special education under chapter 256B, administered by a public or nonpublic school system accredited by the Department of Education or the State Board of Regents; or a nonpublic school system that is not accredited by the Department of Education or the State Board of Regents.

## **Iowa Legal Unregulated Care**

In Iowa, parents may choose "family, friend, or neighbor care" or another unrelated caregiver such as a nanny or au pair. These types of care are not regulated and typically not tracked, unless the provider has an agreement with HHS to accept child care assistance, at which time they are considered a Child Care Home as described earlier. Because these providers are "off the radar" and data is not available, the data in this section does not include unregulated providers.

## **Iowa Early Care and Education Supply**

The total number of HHS regulated child care providers and child care spaces across Iowa has changed over the last few years. According to Iowa Child Care Resource & Referral data reports, over the last 5 years (from 2018 to 2023) the total number of child care programs (centers and homes) declined by 17% from 5,426 to 4,513. The total number of child care spaces in Iowa increased by 6% while the number of children ages 0 to 5 declined by 3%. Loss of child care businesses is a concern that warrants further study. The loss in net number of child care businesses means fewer options for families, particularly in rural areas.

## **Child Care Assistance in Iowa**

Child Care Assistance (CCA) is available to the children of income-eligible parents to help pay for Iowa Department of Health and Human Services (HHS)-approved child care services while a parent or caretaker works or attends school. Child care businesses are reimbursed directly from HHS when they provide care to a family that qualifies. The income eligibility limit for those initially applying for CCA is 160% of Federal Poverty Level (FPL), or 200% if they have a child with special needs.

## SURVEY 2024

### Survey Recipients and Respondents

The First Children's Finance Iowa staff reached out to Iowa child care businesses in various ways to invite their participation in the State of Child Care in Iowa 2024 Survey. First Children's Finance used a public list of child care businesses and their mailing addresses available from the Iowa Department of Health and Human Services (HHS). The primary means of outreach to survey participants was a postcard sent to more than 3,600 child care businesses in September of 2024. The postcard included a QR code linked directly to an electronic survey. In addition to the mailing, the same invitation was extended on the First Children's Finance Iowa Facebook page. Child care providers and partners who follow the First Children's Finance Newsletters, were also invited to access or share the survey.

The survey was projected to take about 20 minutes to complete. The average actual completion time was 16 minutes. The majority of the surveys were submitted within two weeks from the survey launch.

Eighty-four (84) child care business representatives responded to the survey. Out of those, seventy-one (71) completed the survey. Data included in this report represents the group of 71 who completed the survey. Individual narrative responses were considered from all 84 respondents.

There was broad representation across the geography of Iowa. Out of the 71 completed surveys, 38 counties were represented, including both urban and rural areas.

Over 94% of the respondents were women. This is consistent with child care business owners and administrators across the country.

Race and ethnicity was asked in the survey. Respondents selected all that applied, including Asian 1.41%, Black African American 4.23%, White 92.96%, Other 2.82%. Over 2 percent chose not to answer (2.82%).

### Section Analysis:

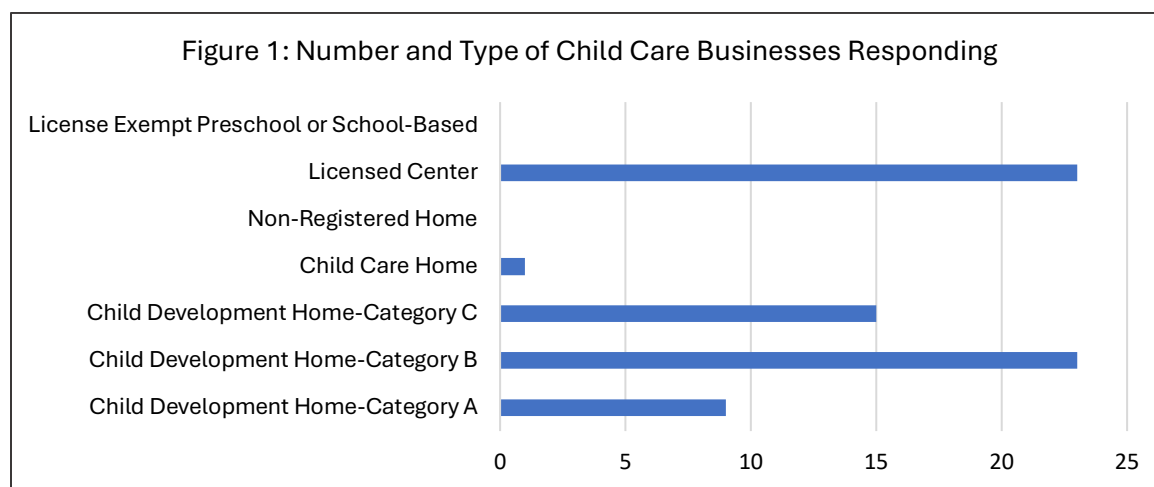
The survey response rate overall was 84 out of 3,600, or 2.3%. As this was the first year of this particular study, we hope to increase awareness of the importance of this study and increase the response rate for the next year.

## Number of Each Child Care Business Type Responding

The respondent group of 71 who completed the survey included representation of the largest types of child care businesses. The two largest groups to respond were Licensed Centers or Preschools and HHS Registered Child Development Homes (Category B).

Table 1: Number and Type of Child Care Businesses Responding	
TYPE	NUMBER
Child Development Home-Category A	9
Child Development Home-Category B	23
Child Development Home-Category C	15
Child Care Home	1
Non-Registered Home	0
Licensed Center	23
License Exempt Preschool or School-Based	0

Source: State of Child Care Businesses in Iowa, 2024. First Children's Finance



Source: State of Child Care Businesses in Iowa, 2024. First Children's Finance

### Section Analysis:

The survey was successful in collecting data from various types of child care business. Non-registered providers and License exempt providers did not respond. It is difficult to determine why, but it is worth considering ways to reach out to these groups in the future. Both groups are relatively small compared to the other types of child care business.

## Comparison of Business Type: All Child Care Business vs. Respondents

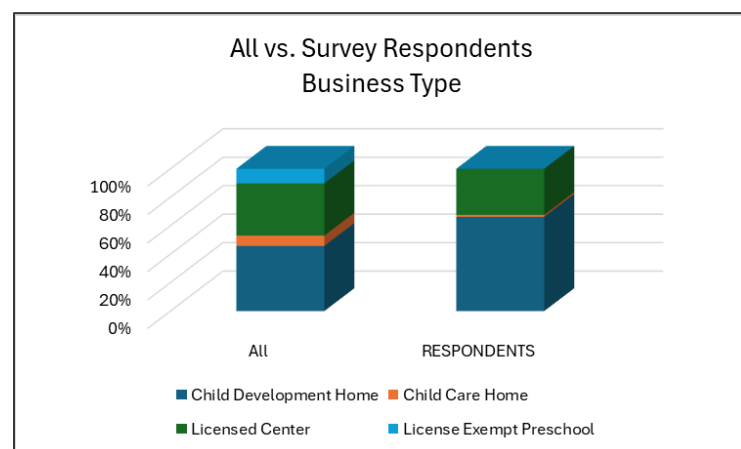
Respondent business types were a fairly close representation of the actual business types reported in the 2024 Data Report by Iowa Child Care Resource & Referral. Survey results show a very strong response from Child Development Home providers relative to the actual. Licensed Center responses were a close match. There were no survey responses from license-exempt or unregistered providers.

Table 2: All vs. Survey Respondents Business Type		
	ALL*	RESPONDENTS**
Child Development Home	45.78%	66.20%
Child Care Home	7.28%	1.41%
Licensed Center	36.67%	32.39%
License Exempt Preschool	10.27%	0.00%
	100.00%	100.00%

\*Over 3,600 child care businesses in Iowa

\*\* 71 respondents who completed the survey

Source: State of Child Care Businesses in Iowa, 2024. First Children's Finance



Source: State of Child Care Businesses in Iowa, 2024. First Children's Finance

### Section Analysis:

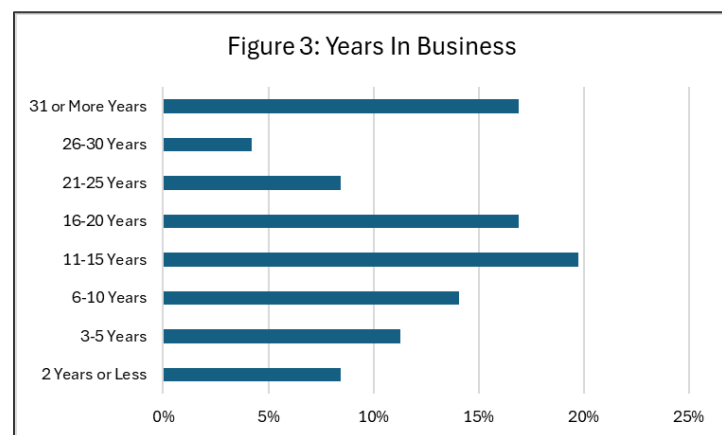
The makeup of the response pool is similar to the actual makeup of child care businesses in Iowa, reflecting close representation of various child care business types. There is an especially strong response from Child Development Homes. This may be due in part to the post card method used to reach out to child care businesses.

## Iowa Child Care Businesses Show Longevity

The survey indicates extensive longevity in the early care and education field. Eighty percent (80%) of child care businesses who responded to the survey reported being in business for over 5 years. Sixty-five percent (65%) have been in business for over ten years. And twenty-one (21%) of child care businesses have operated for over 25 years. The average child care business has operated for 11-15 years.

Table 3: Years In Business	
2 Years or Less	8.45%
3-5 Years	11.27%
6-10 Years	14.08%
11-15 Years	19.72%
16-20 Years	16.90%
21-25 Years	8.45%
26-30 Years	4.23%
31 or More Years	16.90%

Source: State of Child Care Businesses in Iowa, 2024. First Children's Finance



Source: State of Child Care Businesses in Iowa, 2024. First Children's Finance

### Section Analysis:

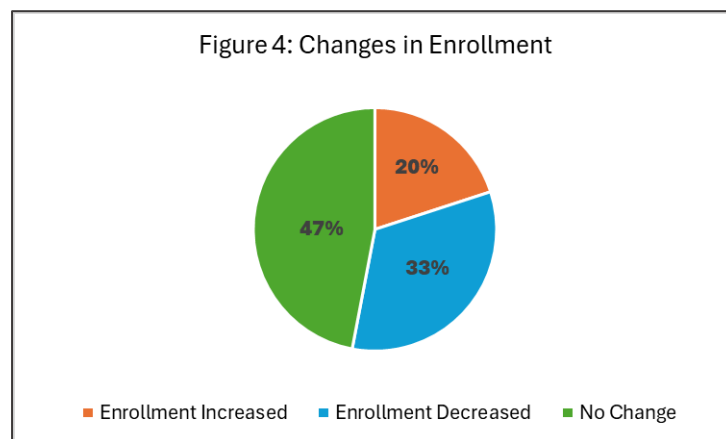
Continuity that results from child care businesses operating over many years is highly beneficial for children and families. There is peace of mind for parents knowing who is caring for their children, knowing the physical environment, and knowing the day-to-day routines to count on. High longevity numbers may also reflect family child care businesses close to retirement. With numbers relatively low for new child care businesses, a surge of retirements could be problematic for many communities that rely on family child care providers.

## Enrollment Changes

First Children's Finance is interested in how enrollments have changed, since enrollment is a critical factor in the financial health of a child care business. Participants were asked how their enrollment changed in 2023. Twenty percent (20%) stated that their enrollment increased. Thirty-three percent (33%) said their enrollment decreased. The majority reported no change (47.14%).

Table 4: Changes in Enrollment	
	PERCENT
Enrollment Increased	20%
Enrollment Decreased	33%
No Change	47%

Source: State of Child Care Businesses in Iowa, 2024. First Children's Finance



Source: State of Child Care Businesses in Iowa, 2024. First Children's Finance

### Section Analysis and Responses:

The vast majority (67%) of child care businesses responded that they saw an increase or no change in their enrollments in 2023. Looking at the glass half full, the reader could assume stability. However, the question did not ask whether they needed enrollment to increase or not. In addition, 33% of respondents said that enrollment did decrease. Narrative comments to this question were interesting and gave additional perspective to the data.

#### Increased or High:

- Kids enrollment is great, we need staff to accommodate them and future kids.
- Added an additional infant room and increased the group size in preschool
- CCA Pilot program has been a game changer for our staff retention and has been a practical support for the workforce as well as our program's financials
- The need for care is great in our community, so I enrolled an extra student.
- More clients called for spots for younger children, current clients want to leave children in care from opening to closing hours, even during no work times/days
- A lot more infants

#### Decreased or Low:

- Decrease in Pre-K students (year before kindergarten students)
- 3 kids went to school. 1 child's aunt is watching them



People couldn't afford childcare therefore enrollment struggled.

- Enrollment decreased as it does at the start of every school year. Can't compete with free preschool for 3 and 4 year olds.
- More families are needing part time because parents are working nontraditional.
- We were unable to fill some spots due to staffing.
- When Covid hit a lot of parents stopped taking their children to child care and when everyone was able to go back to work people were still worried and still are.
- Enrollment is down since covid. Things are expensive and families try and cut anything possible. More moms are working from home with their little ones if possible.
- Many children aged out of my program and went onto elementary. Problems with payment and policies lead to termination of a family.

Same or Mixed:

- Decrease at beginning of year, increase at middle of the year, now that school is back in session we have a wait list with not enough open spots for current need of childcare.
- While enrollment might be up for 2024 from 2023 this year, we are a pay-as-you-attend program. Our enrollment is 117, but our after-school attendance average is only 40. So, attendance is what is needed, and parents are choosing more and more to keep children home/alternative programs to try to keep costs down. We have had to try to increase enrollment in order to try to keep our actual attendance numbers somewhat stable, as parents pick and choose days/cost of child-care they can afford.
- Always steady
- It has always fluctuated- I have high months and low months
- Daycare started in April of 2023. It took until November to fill spots. At which time all enrolled children were not full time.
- Harder to take toddlers and preschoolers off wait list as need room in classrooms to move kids up rooms as they age and infants turn 2. Yet can't move 4/5 year old up as no where to go except school kids and they are gone during day, so no staff for them to move up during day

It is obvious from the narrative responses that no matter how healthy enrollment may be, many influences may contribute to enrollment gaps; including transition of children from one age group to the next, large numbers of children transitioning to kindergarten, challenges when staffing is low, and normal transitions of families leaving. Openings in child care are extremely expensive for the child care business, especially the smaller programs. If an infant classroom sustains an opening for a year, that could lose a program over \$10,000, depending on tuition and staffing policies.

## Plans to Increase Licensed or Registered Capacity

When asked whether the child care business was planning to increase the licensed or registered capacity of their program to care for more children in the next 3 years, 25% said yes and 75% said no. Narrative responses to this question were interesting and fell into three main categories. A sampling of responses are listed below.

No plans to expand:

- I am at the highest I am able to go

Yes, planning to expand:

- Registered for category B
- We have partnered with a contractor and will begin renovations shortly.
- We're opening an annex to our current facility later this year which will add 95 slots.

Expressing barriers to expansion:

- I would love to add more children but I cannot afford a helper.
- If law changes, I would love to accept more kids
- [Need] Funding to remodel to increase the space used for childcare in the home. Funding to update the outdoor space to meet the newest standards of safety.
- [Need] Finances to expand our space. Our school is most likely going to a 4 day school year next year. 2025-2026 school year. We want to be able to accommodate these kids but we can't do it without more funding. We can NOT afford to lose money doing this also.
- Only if we had funding to do so and the state turned back on retention and recruitment bonuses so we could get and maintain staff
- Clients need care for younger children, I can't take any more in accordance to registration numbers are preschool age and younger
- Co provider experience requirements ... if the main provider is capable of handling a category c on their own and the assistant/sub have been capable and consistent For a year... they should be able to get an exception
- I have to be registered for 2 years before I can move to a category B which will allow me to increase the number of children.
- I am not licensed for more but wish they would increase the total
- [Need] School transportation!!!
- It would be nice to be able to have more kids with 2 providers. Especially with the shortage of daycares

Section Analysis:

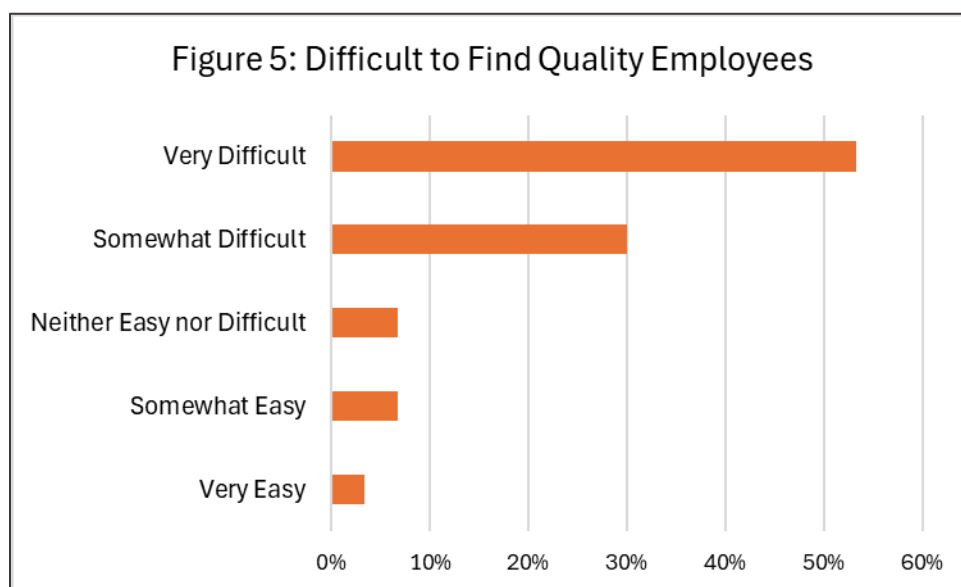
Narrative responses in addition to those who responded "YES to expansion" indicate a desire to expand if barriers are removed. The barriers named are primarily financial and regulatory.

## Hiring and Retention of Staff

Fifty-six (56%) of survey participants responded that their business included employees other than themselves. All center-based child care and many family child care businesses have employees. These child care businesses were asked how easy or difficult it was to hire quality staff in 2023. Forty percent (40%) responded that it was very difficult. If you remove the responses of the 25% who did not need to hire that year, the percentage increases. Fifty-three (53%) of those needing to hire found it very difficult. Another 30% found it somewhat difficult.

Table 5: How Difficult to Find Quality Employees	
Very Easy	3.33%
Somewhat Easy	6.67%
Neither Easy nor Difficult	6.67%
Somewhat Difficult	30.00%
Very Difficult	53.33%

Source: State of Child Care Businesses in Iowa, 2024. First Children's Finance



Source: State of Child Care Businesses in Iowa, 2024. First Children's Finance

### Section Analysis:

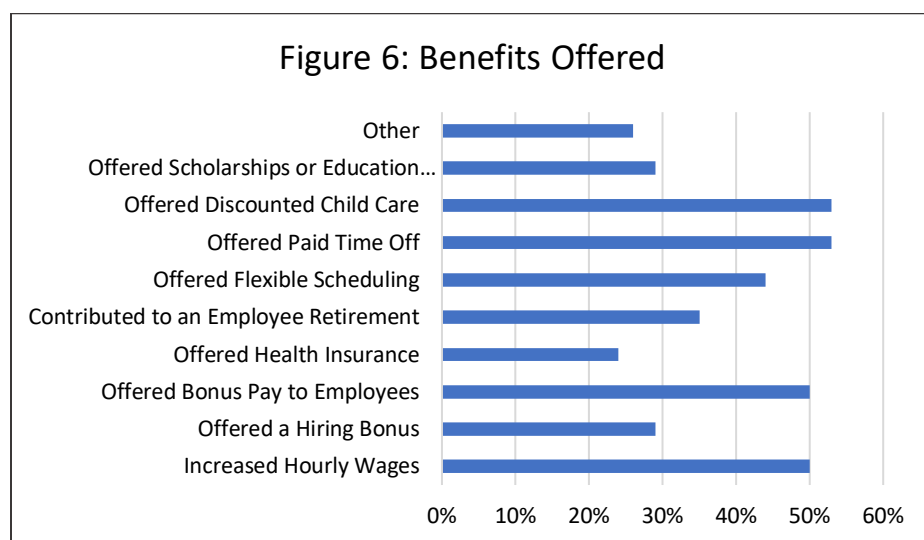
Difficulty hiring qualified staff continues to be a primary concern of child care businesses in Iowa. Eighty-three percent (83%) overall responded it was difficult or very difficult to find quality staff. Twenty-seven (27%) said they struggled to maintain required staffing levels. Lack of qualified staff has direct negative impacts on enrollment and revenue. A few comments pointed out how beneficial the Pilot Child Care Assistance program is for attracting and retaining child care workers, and they hoped it may continue.

## Wages and Benefits

Child care businesses responded to several questions about wages and benefits. Survey participants were asked to check all benefits they offered during 2023. They were asked to include all choices that applied. The two responses offered by most child care businesses (53%) were Paid Time Off and Discounted Child Care. Only 23.5% offered health insurance.

Table 6: Benefits Offered	
Increased Hourly Wages	50%
Offered a Hiring Bonus	29%
Offered Bonus Pay to Employees	50%
Offered Health Insurance	24%
Contributed to an Employee Retirement	35%
Offered Flexible Scheduling	44%
Offered Paid Time Off	53%
Offered Discounted Child Care	53%
Offered Scholarships or Education Stipends	29%
Other	26%

Source: State of Child Care Businesses in Iowa, 2024. First Children's Finance



Source: State of Child Care Businesses in Iowa, 2024. First Children's Finance

### Section Analysis:

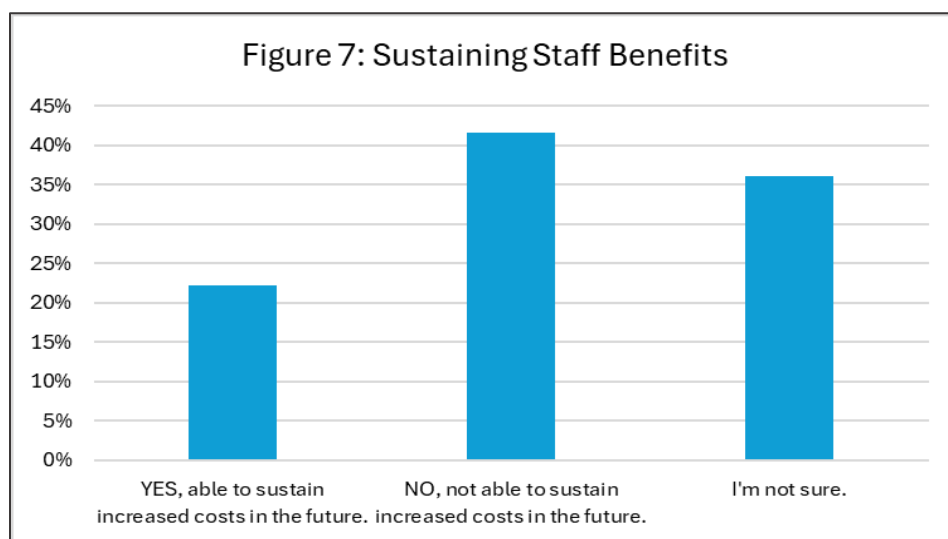
With a tight bottom line, child care businesses find it extremely challenging to budget for benefits to attract and retain their workers. "Other" responses offered in narrative showed some creative benefits offered to child care staff including: wage enhancement pilot program, free meals, bonuses (other than hiring), short-term disability benefits, life insurance, paid sick leave, paid bereavement, paid jury duty, paid training hours, paid accident insurance, paid critical illness insurance, and a retention bonus (using ARPA grant).

## Sustaining Staff Benefits

Survey participants were asked if they would be able to sustain increased wages or other added incentives in the future. Only 22% responded YES. Forty-two percent (42%) said NO and 36% were not sure.

Table 7: Sustaining Staff Benefits	
YES, I will be able to sustain increased costs in the future.	22.22%
NO, I will not be able to sustain increased costs in the future.	41.67%
I'm not sure.	36.11%

Source: State of Child Care Businesses in Iowa, 2024. First Children's Finance



Source: State of Child Care Businesses in Iowa, 2024. First Children's Finance

### Section Responses:

The data confirms the uneasiness that child care business owners and administrators have expressed as they consider whether their operations will be sustainable into the future.

- We hope to but financially are unsure.
- I cannot continue to offer sign on bonuses or retention bonuses.
- I raised tuition rates with the sole purpose of increasing the pay scale.
- Can't give raises as it's too tight on money
- We relied on bonuses from the state for hiring bonuses. Those all went away.
- But we had to raise tuition as well.
- We used the states stipend so not sure we will be able to fulfill it past 2024.
- Now that all funding is done it is very difficult, and we may have to close.
- We do automatic 3% wage increases annually and then we do merit increases

- Due to inflation and the elimination of retention bonuses. If I offer extra it comes from my pocket while I no longer receive incentives.

### **The Facility is the Home of the Business**

If it is designed and maintained well, the child care space is like having another staff person. The facility is licensed to ensure safety and developmentally appropriate environment for young children. Poor maintenance can lead to accidents or result in an environment where it is difficult to learn and play. Unsatisfactory environments may also lead to behavior issues, when too crowded or otherwise uncomfortable.



Over 84% of the survey respondents stated that they owned the home or building where the child care business was operated. Just under 16% claimed to rent. When asked if they had a facility maintenance or repair issue during 2023 that they in fact chose to delay fixing, over half responded that they delayed fixing a facility issue.

### **Liability Insurance**

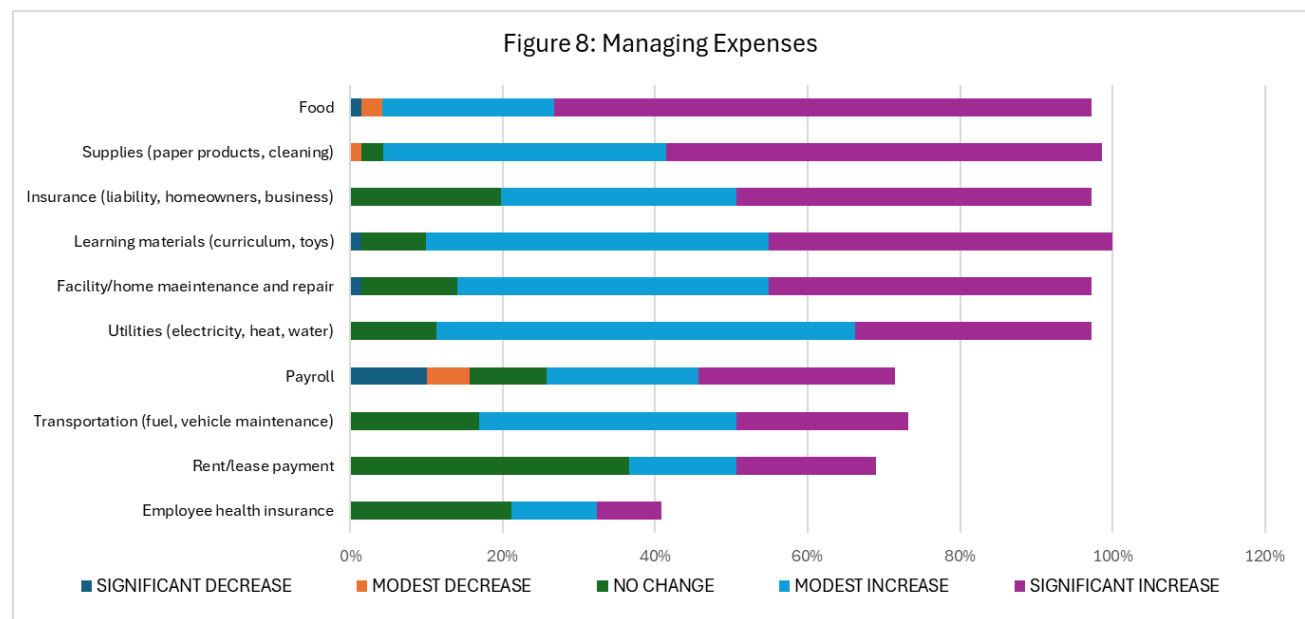
Child care business owners, especially those who operate a home-based business often have questions about liability insurance. They are not only concerned about whether or how much coverage they might need but are also concerned about whether their insurance carrier will provide liability insurance for their business. When asked how easy or difficult it is to secure liability insurance coverage for their business, the responses were spread out, from 14.29% who found it to be very easy, to 12.86% who found it to be very difficult. However, when asked if they were concerned about their liability insurance policy being canceled, 26.09% responded YES.

## Managing Expenses

Like any home caring for children, child care businesses feel the pinch of inflation, but on a much bigger scale. Participants were asked to rate the level of increase or decrease for items that may impact their business. Among several increasing costs, participants described food as showing the highest increase.

	SIGNIFICANT DECREASE	MODEST DECREASE	NO CHANGE	MODEST INCREASE	SIGNIFICANT INCREASE
Employee health insurance	0%	0%	21%	11%	8%
Rent/lease payment	0%	0%	37%	14%	18%
Transportation (fuel, vehicle maintenance)	0%	0%	17%	34%	23%
Payroll	10%	6%	10%	20%	26%
Utilities (electricity, heat, water)	0%	0%	11%	55%	31%
Facility/home maintenance and repair	1%	0%	13%	41%	42%
Learning materials (curriculum, toys)	1%	0%	8%	45%	45%
Insurance (liability, homeowners, business)	0%	0%	20%	31%	46%
Supplies (paper products, cleaning)	0%	1%	3%	37%	57%
Food	1%	3%	0%	23%	70%

Source: State of Child Care Businesses in Iowa, 2024. First Children's Finance



Source: State of Child Care Businesses in Iowa, 2024. First Children's Finance

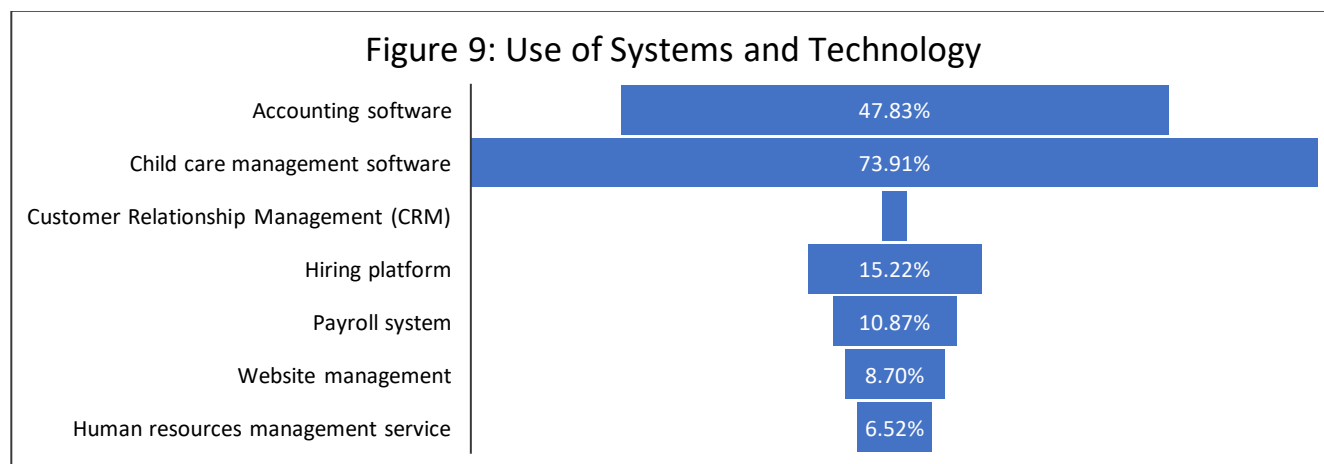
## Technology for Child Care

Before you make any assumptions about the technology used by the child care industry, think again. Providers were asked to choose the systems or technology that they use to manage their child care business. They selected all that applied.

The highest use of technology was reported to be child care management software or CCMS, such as ProCare, Brightwheel, or Playground. Seventy-Four percent (74%) used one of these or other child care management software to manage their business. Use of accounting software like Quickbooks was also relatively high at 48%.

Table 9: Use of Systems and Technology	
Accounting software, like Quickbooks	47.83%
Child care management software, like ProCare or Brightwheel	73.91%
Customer Relationship Management (CRM) program, like Salesforce or Apptivo	2.17%
Hiring platform, like Indeed or School Spring	15.22%
Payroll system, like ADP or Paydata	10.87%
Website management, like WordPress	8.70%
Human resources management service	6.52%

Source: State of Child Care Businesses in Iowa, 2024. First Children's Finance



Source: State of Child Care Businesses in Iowa, 2024. First Children's Finance

### Section Analysis:

In the fall of 2022, Early Childhood Iowa released an announcement about the approved Child Care Management System (CCMS) vendors and the Child Care Collaborative of Iowa program helping many child care businesses to receive up to 12 months of CCMS subscription fees paid, financial management coaching, and up to \$1,000 in funding for technology needs. The data in this report indicates that many child care businesses have taken advantage of this opportunity in addition to those who were previously enrolled in a CCMS.

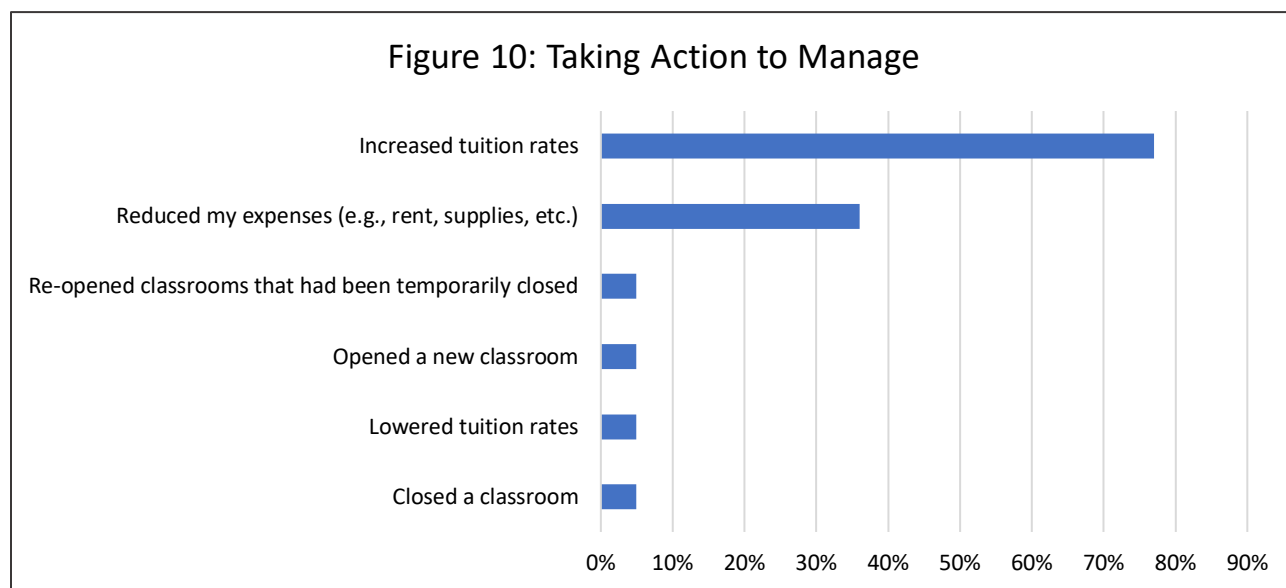


## Business Management Actions Taken

The State of Child Care in Iowa survey provided child care business entrepreneurs with an opportunity to reflect on any and all actions they had taken in the previous year toward sustainability of their child care program. Results show a wide range of actions taken by individuals and teams to increase the viability of the business.

Table 10: Taking Action to Manage	
Increased tuition rates	77.05%
Reduced my expenses (e.g., rent, supplies, etc.)	36.07%
Closed a classroom	4.92%
Lowered tuition rates	4.92%
Opened a new classroom	4.92%
Re-opened classrooms that had been temporarily closed	4.92%

Source: State of Child Care Businesses in Iowa, 2024. First Children's Finance



Source: State of Child Care Businesses in Iowa, 2024. First Children's Finance

### Section Analysis:

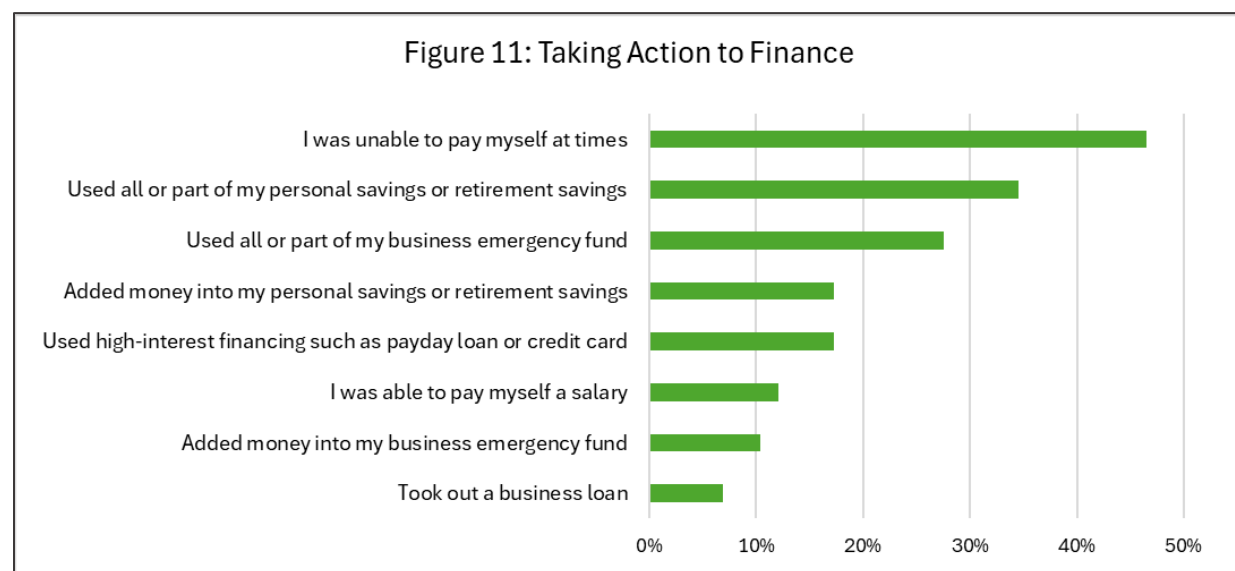
First Children's Finance staff has observed over the last few years that more child care businesses are considering increasing tuition rates as a necessary action toward business sustainability.

## Business Finance Actions Taken

One area of concern for child care businesses is where to find financing. When there is an opportunity to grow or an unexpected need to make repairs or bridge temporary downturns in the business, what opportunities do child care businesses have to access capital? Participants in the survey named some of the actions they take to manage the financing of their business.

Table 11: Taking Action to Finance	
I was unable to pay myself at times	46.55%
Used all or part of my personal savings or retirement savings	34.48%
Used all or part of my business emergency fund	27.59%
Used high-interest financing such as payday loan or credit card	17.24%
Added money into my personal savings or retirement savings	17.24%
I was able to pay myself a salary	12.07%
Added money into my business emergency fund	10.34%
Took out a business loan	6.90%

Source: State of Child Care Businesses in Iowa, 2024. First Children's Finance



Source: State of Child Care Businesses in Iowa, 2024. First Children's Finance

### Section Analysis:

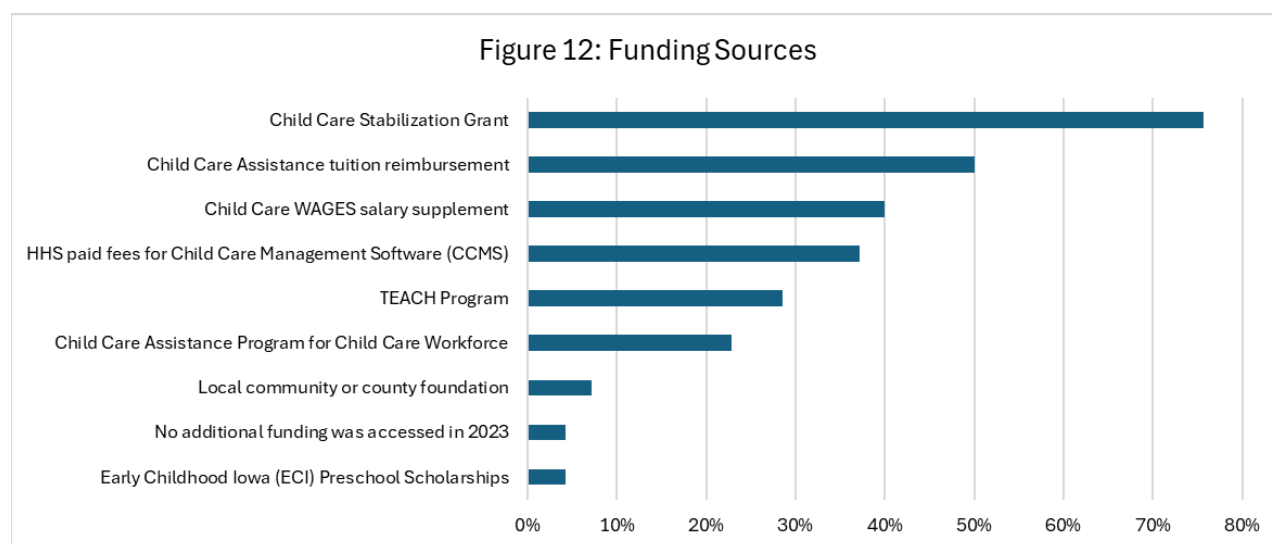
Some of the responses shown above are particularly concerning. However, further research is needed to better understand the whole picture when these financing actions are taken.

## Access to Funding Sources

There are a number of funding opportunities in Iowa to assist child care businesses improve their business. Participants were asked to name all opportunities they participated in during 2023.

Table 12: Funding Sources	
Child Care Stabilization Grant	75.71%
Child Care Assistance tuition reimbursement	50.00%
Child Care WAGES salary supplement	40.00%
Iowa HHS paid fees for Child Care Management Software (CCMS)	37.14%
TEACH Program	28.57%
Child Care Assistance Program for Child Care Workforce	22.86%
Local community or county foundation	7.14%
Early Childhood Iowa (ECI) Preschool Scholarships	4.29%
No additional funding was accessed in 2023	4.29%

Source: State of Child Care Businesses in Iowa, 2024. First Children's Finance



Source: State of Child Care Businesses in Iowa, 2024. First Children's Finance

## Section Responses:

Fifty-nine (59) child care businesses offered comments describing the ways these funding opportunities impacted their programs.

- I was able to update and improve my toys, outdoor play areas and replace my dishwasher and oven.
- Helped with rent, utilities, food, curriculum, household products

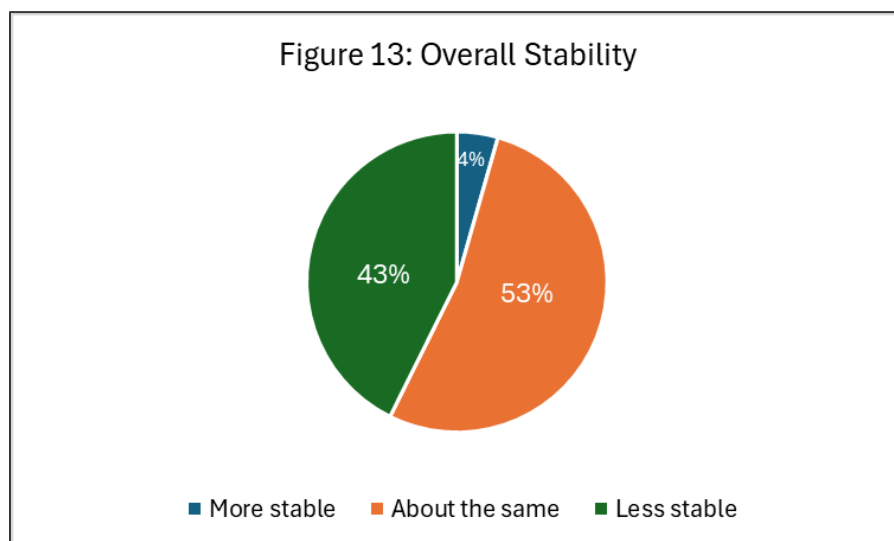
- We redid our playground and helped pay for other building improvements. We gave all the staff bonuses.
- Buying the necessary items I needed and some incentive for staffing help. Transportation and field trips
- CCA payments were beneficial to adding one child to the home. The stabilization money helped buy needed groceries and supplies.
- Helped tremendously. Took away a little stress and concern.
- Significantly. We had funding to increase teacher wages without raising rates for families.
- I was able to stay open.
- It helped us stay afloat and end the year in the positive.
- These grants have been so helpful in keeping me in business as they help cover the increased costs of doing business. It allows me to actually make sure I can make money and pay myself.
- Helped with getting larger items I needed and repairs that I needed for outside play area
- Getting the grants helped significantly in my business as I was able to update some things in my daycare that I couldn't previously. I was able to keep up on my bills because I wasn't using all my money for daycare since I had the grant to use
- As a new child care provider it was very hard at first to figure out how to start the business with a low amount of funds. When I first planned on starting a daycare I was told Grants were available, TEACH could help, WAGES, and the food program. Nothing has helped yet.
- Funding being low makes it hard to keep doing iq4k. Makes it harder to actually pay yourself we don't do as many field trips and stay at the home most times unless it's in our town and can walk
- Was going to put new windows in then we were in the flood of 24 so had to delay that for things we needed to rebuild [ ] half our home
- Child care businesses were also asked if they did not access any of the funding to explain why. Three providers responded that they were either not qualified for the funding source, they were worried about tax implications, or that they were not aware of funding available.

## Overall Stability

When asked about the financial stability of their child care business in 2023, 53% of participants stated they felt it was about the same as the previous year. Very few felt it was more stable. A significant number, 43% felt their business was less stable. About the same, 42% stated that they operated at a financial deficit or loss in 2023.

Table 13: Overall Stability	
More stable	4.41%
About the same	52.94%
Less stable	42.65%

Source: State of Child Care Businesses in Iowa, 2024. First Children's Finance



Source: State of Child Care Businesses in Iowa, 2024. First Children's Finance

## Section Responses:

When asked what would help keep the business financially viable in 2024, sixty-one (61) participants shared their ideas. The following are a few representative responses.

- The ability to have more families enrolled. I am currently at my state maximum.
- More grants/ more funding
- More FCF child care business training
- More staff to keep up with demand
- A full enrollment of full-time and part-time children would help.
- Increase in wages.

- State investment in teacher wages/ family tuition
- Federal assistance or local/state tax incentives for child care providers
- Wage supplement program
- Property tax relief – see examples states of FL and MN. Could tie property tax relief to quality measures and require any savings to be passed to employees and/or parents (this has been discussed with legislators multiple times).
- I think if a daycare provider is either in home or center should be offered IPERS if they are state registered.
- Assistance paying teachers more.
- Tax free grants for operating expenses as well as repairs to my home due to running a child care program out of it.
- No more inflation increases.
- Decreased work hours
- Subsidies
- Livable wages, property taxes decreased, insurance help, wanting the state to see childcare is year-round and birth through school age, so why are we not offered Ipers like school employees.
- Eliminate tiers in the food program.
- Full enrollment
- Be able to have more grants to help with the rising cost of health insurance for us in home providers
- No taxes on in home childcare Increasing CCA rates Offering Ipers to registered providers Payment for continuing ed (this went away) Supplemental pay to hire substitutes for in home programs Consistent IQ4K requirements Continued stabilization or other grants Food program rates to match the cost of food
- debt consolidation, new equipment/upgrades to the home to help with energy costs, and CACFP only having one reimbursement tier that will take into consideration the prices of foods that they require you to feed to the children

## Degrees of Optimism

There have been enormous changes for practitioners in the field of early care and education over the last 5 years. Starting before COVID, moving into increased regulation regarding safety practices, massive temporary funding opportunities, and then decreases in regulations to open up the market for child care workers. Child care businesses were asked to respond to questions about their perceptions of the industry, their trust in support programs, and conditions in the State of Iowa. The most common responses are highlighted in light green.

Table 14: Degrees of Optimism					
	STRONGLY AGREE	SOMEWHAT AGREE	NEUTRAL	SOMEWHAT DISAGREE	STRONGLY DISAGREE
I am optimistic about the future of my child care business.	15.49%	23.94%	28.17%	25.35%	7.04%
The child care industry is in crisis.	71.01%	17.39%	8.70%	1.45%	1.45%
My state is making investments to increase child care subsidy (e.g. reimbursement rates) for low-income children.	4.35%	36.23%	40.58%	7.25%	11.59%
I am willing to accept child care subsidy (e.g. reimbursement for low-income children) because my state is increasing reimbursement rates.	27.14%	24.29%	34.29%	10.00%	4.29%
The child care workforce is paid fairly.	1.41%	7.04%	11.27%	32.39%	47.89%
Compensation for the child care workforce is improving.	2.82%	21.13%	28.17%	29.58%	18.31%
My state is effectively providing financial support to my business to increase teachers' wages.	2.86%	11.43%	32.86%	22.86%	30.00%

My state is effectively investing in child care facilities or child care homes.	4.29%	14.29%	25.71%	25.71%	30.00%
My state is making investments that are increasing the sustainability of child care businesses.	2.82%	15.49%	28.17%	26.76%	26.76%
I am concerned about tax implications of accepting government funding in my child care business.	35.21%	19.72%	26.76%	9.86%	8.45%

Source: State of Child Care Businesses in Iowa, 2024. First Children's Finance



## Calls for Help

Some of the most helpful ideas come when open-ended questions give the floor to child care business leaders. One of the best questions in the survey was simply:

What else would you like to share?

- Our families are struggling to afford care and many parents are leaving the workforce to stay home with their kids.
- Property taxes are high it's as high as one part time persons income for a year. Something should be done to help us financially. Ipers would be nice we are here year round with no summers off, we are the support of the foundation for all children, we need some help.
- We are very much struggling now that grants are no more.
- It would be great if we didn't have to pay property taxes like other NFP programs and churches. Injecting those funds back into my budget would be great.
- Our state needs to help home providers more often. Child care centers are getting all this help with grants and there rate and everything else but what about us home providers. We work just as are if not more and we don't get anything close to what center get.
- I worry about my ability to assist my own kids in paying for college. I know there are programs that assist some non-profit employees in paying tuition. It would be great if child care workers and their children had similar opportunities.
- More and more daycare are going to end, closing due to financial reasons.
- I can't take time off if sick because every dollar I earn goes right back out for monthly bills. I adjust my grocery bill according to my earnings. I cut my list to fit my budget left after monthly bills each week.
- Times are tough for everyone- when providers have to pay more for everything, we have to eat the cost or raise rates, sometimes we can't reasonably raise the rates without risking losing families due to cost - so providers are held hostage and don't charge what they should. A center can charge \$300-\$500 a week and no one says that's wrong, but I tip over \$200 a week and I can't fill spots. Meanwhile my utilities are up, gas is up, food is up, mortgage and taxes are up, etc.
- State assistance for families for daycare need to increase so daycares are paid appropriately not enough pay for unit per child.
- 20 years of being registered and an Early Childhood Education and only make \$20,000 a year! We can't live off of this when you can work at Mcdy's for \$16 an hour!
- We as small businesses need to have a discounted health insurance premium to help keep us healthy, to continue to do our job.