

Employer-Based Child Care Feasibility & Assessment Guide





This resource is designed to assist the employer community in understanding the critical components of and process for exploring the feasibility of on- or near-site employer-based child care. Executives Partnering to Invest in Children (EPIC), with support from First Things First, is proud to make this guide available to individuals and entities across the state interested in pursuing this step in their organization's future, and hope it serves as a valuable tool in planning, decision-making and implementation.

Looking for other potential child care options for your employees?Check out Child Care Solutions for Businesses from First Things First.

Learn more at FirstThingsFirst.org/business

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Introduction

Thank you for your interest in learning about employer-based child care solutions. This guide illuminates the process of exploring employer-based early care and education (ECE) and will guide readers through initial steps to identify whether this might be an approach an employer is interested in taking. After working through this guide, users will understand the core components of the decision-making process and be able to identify the assets and opportunities for their organization related to employer-based child care.

This guide is geared toward:

 Arizona-based working parents who are passionate about this issue and are seeking resources to bring to their employer leadership on this topic.

OR

• Individuals who have been asked by the leadership of their organization to explore employer-based child care.

After working through the guide, users will be able to:

- Explain to others the relevance of employer-based care in their organization.
- Further define the opportunity to pursue employer-based care (potential number of slots, space needed, etc.)
- Identify the key steps within the exploration process.
- Understand a high-level timeline for implementation.

Topics Covered in this Guide

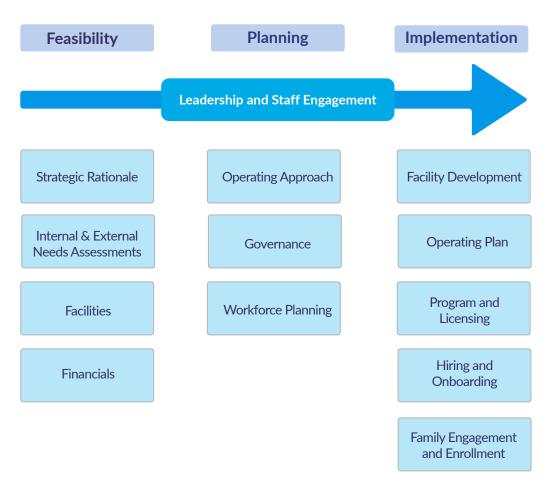
The exploration process around employer-based child care occurs in three phases: feasibility, planning, and implementation. This guide focuses on the first phase, feasibility, and helping you to investigate whether employer-based care may be a good fit for your organization.

This guide will help users tackle questions such as:

- Why might an employer consider opening an on-site child care center?
- How does an employer know if employees might benefit from on-site child care?
- How many children might an employer aim to serve in a center?
- How much space does an employer need to support a child care center?
- What impacts the finances of a child care center?
- How much will a child care center cost an employer organization?
- What other options exist if on-site care may not be the right fit for your organization?

This guide uses the visual below throughout the document to highlight the topic of focus within the feasibility column. An organization's process will not always be linear. Some looping back will be required, but working through this guide will establish a strong foundation for success, including deciding whether this is the right approach for an employer organization.

Employer-based child care exploration and implementation approach



The guide will focus on helping the user understand the feasibility of employer-based ECE for an organization, and will also share an approach to consider for leadership and staff engagement. Much of that work will need to be tailored to an organization's individual context.

Some of the questions the guide will **not** cover include:

- Who will operate the center? The guide makes no assumptions about whether the operations will be done by the company or outsourced to a third-party.
- What does the governance model look like for the center?
- How can an employer ensure the center can attract high-quality early childhood educators?

At the end of the guide, additional resources are offered to help the user along the next steps of the journey in planning for on-site ECE.

A quick note on terms: This guide will use a variety of terms to describe early education environments in order to address the opportunities for employer-sponsored family support. It is recognized that some terminology related to early education settings is preferred in specific contexts, and the terms used in this guide are meant to be representative of all preferences. Throughout this guide, "on-site child care" and "employer-based child care" are used interchangeably to mean a child care center that is linked to the employer (housed in the employer's facility, is funded by the employer, and/or requires employment by the employer to attend). Child care and child care center are used interchangeably with early care and education and are all intended to mean a licensed facility where children below kindergarten age are cared for and learning. Although licensed family child care homes are also a child care offering in Arizona, because the guide is concerned with employer-sponsored child care, which is typically in or near the employer's workspace, the guide speaks primarily about child care centers.

Why Employer-Based Child Care

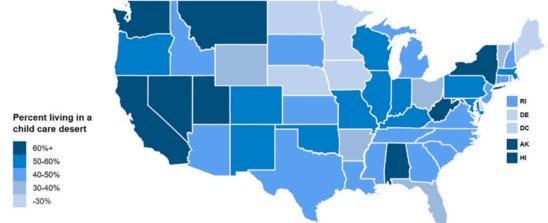
Economic, Workforce, and Community Rationale

Child care is in crisis across the nation, and Arizona is no exception. Access to affordable, high-quality child care options is becoming increasingly difficult for working families, particularly for women, and is affecting Arizona's workforce pipeline, economic growth, and community stability. Arizona's child population is growing, particularly in urban centers, but the availability of licensed child care is not keeping up. This gap creates challenges for families and hinders the state's ability to support workforce participation and economic development. Arizona's early childhood system faces mounting pressure that threatens to undermine family economic security and the state's long-term workforce competitiveness. A more compelling data point comes from a 2023 survey conducted by ReadyNation, which found that 70% of Arizona parents with children under age 5 reported that access to child care presented a challenge. Many Arizona parents have to rely on informal care networks or patchwork care due to the lack of licensed options.

The State of Early Childhood Education: Access

Inadequate access to child care impacts the workforce and the ability of employers to attract, engage and retain staff needed for their business to thrive. While much of this report focuses on Arizona, it's important to understand that access to child care is a national challenge. Across the U.S., entire communities are classified as child care deserts, where the number of licensed child care slots falls far short of the number of children who need them. As shown in the map below, these deserts are not isolated to one region or income bracket. In fact, 51% of Americans live in a child care desert, with shortages most severe for infants and toddlers. This widespread lack of access limits parents' ability to work, strains local economies, and makes it difficult for employers to attract and retain the talent they need.





Arizona faces significant challenges in meeting the early childhood education needs of its families. Approximately 48% of the state's population lives in a child care desert, meaning there are more than three young children for every available licensed child care slot. There are about 512,946 children under age six in Arizona, nearly 240,000 of whom are infants and toddlers. Among these families, approximately 62% have all available parents participating in the workforce, intensifying the demand for reliable and accessible child care. A 2024 report from the Children's

Action Alliance further shows that many providers are operating below their licensed capacity. While licensed slots exist on paper, the actual availability of care is constrained by several underlying factors. Chief among them are persistent staffing shortages, which prevent providers from meeting mandated child-to-staff ratios, and strategic reductions in enrollment to improve quality through smaller class sizes and more individualized attention. These challenges exacerbate the mismatch between available care and what families can reliably access, especially for infants and toddlers.



For every 3 children in Arizona, there's just 1 licensed child care slot.

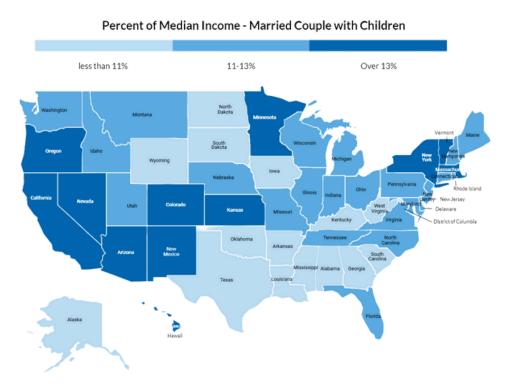
While licensed capacity numbers offer a valuable snapshot of Arizona's formal child care system, they do not capture the full range of care arrangements families use. Arizona's early learning infrastructure is primarily composed of state-licensed centers and homes regulated by the Arizona Department of Health Services, with a smaller share represented by federally funded programs like Head Start. As shown in Figure 2, Arizona has approximately 2,779 licensed or certified providers, with the majority of capacity concentrated in child care centers and public schools. Together, small group and certified family homes represent just 1.3% of total licensed capacity, underscoring the limited reach of formal home-based options. Many families (particularly in rural, tribal, and lower-income areas) rely on unlicensed care networks such as family members, friends, or small home-based providers operating outside the formal licensing system. A 2023 survey by First Things First found that 25% of parents (with children under age six, who are not enrolled in kindergarten) rely on family members or friends for child care, while 42% have their child cared for at home by a parent or guardian.

Figure 2. Licensed and Certified Providers in AZ as of April 2024 (Source: Arizona Department of Health Services) 14

Provider Type	Number of Providers ⁷	Percent of Total Providers	Approved Capacity	Percent of Approved Capacity
Child care Centers	1,620	58.3%	181,528	65.9%
Public Schools	673	24.2%	90,361	32.8%
Small Group Homes	292	10.5%	2,839	1.0%
Certified Family Homes	194	7.0%	758	0.3%
Total Providers	2,779		275,486	

Access is only one side of the challenge; affordability remains a critical barrier to high-quality child care for families across the country. Arizona ranks 13th nationally for least affordable for both married-couple and single-parent families using center-based Infant Care. Married-couple families spend approximately 8.1% of their income on infant care, compared to the national average of 10%. Single-parent families spend about 22.8% of their income, which is lower than the national average of 32%. While Arizona performs slightly better than the national average on affordability, costs still far exceed the federal affordability benchmark of 7% of household income.

Figure 3. Percent of Medium Income Spent on Child Care by Married Couple Families with Children 19



Working families in Arizona face a significant financial strain due to child care costs. In 2023, the average annual cost for center-based infant care was approximately \$14,040, while family-based care averaged around \$8,840. For families with both an infant and a four-year-old enrolled in center-based programs, the combined yearly cost can approach approximately \$25,000. The Arizona Office of Strategic Initiatives notes that this financial burden not only affects family well-being but also has critical implications for the state's workforce participation, recruitment, and retention, as many parents are forced to reduce hours, exit the workforce, or delay returning to work due to child care challenges. These local trends mirror broader national patterns that further underscore the urgency of addressing child care challenges.

Recent data points highlight how child care-related disruptions are impacting working families across the country:

- 33% of working parents have missed work due to lack of child care and say they would be more likely to invest time and energy in a company that invests in child care.²³
- 51% of working moms and 43% of working dads report they aren't giving 100% to their job because of parenting challenges.²⁴
- Turnover costs from working parents dropping out of the workforce can exceed 213% of their annual salary.²⁵
- Nearly half (49%) of mothers in the labor force reported experiencing disruptions in their work lives over the previous 12 months because of child care issues such as problems accessing or affording reliable child care.²⁶
- 62% of employers cite child care as a factor for why employees are leaving their workforce.²⁷

These national statistics are reflected in local employment trends:



A 2023 survey funded by the <u>U.S.</u>
<u>Chamber of Commerce Foundation</u>
<u>survey</u> found that 71% of Arizona
parents with children under age 5
reported missing work due to child care
problems in the prior three months²⁸



Similarly, a 2023 survey conducted by First Things First found that 35% of Arizona working parents reported leaving a job in the past year because of child care challenges.²⁹



A 2023 survey by the Annie E. Casey Foundation revealed that 16% of children under age 6 lived in households where a parent quit, changed, or refused a job due to child care issues.³⁰

Recent Arizona data shows workforce participation limits due to caregiving, linked to supply issues. The 2024 Child Care Market Rate Survey found many facilities lacked infant and school-aged care slots: Among the 787 child care centers and 205 public school programs that provided classroom information, nearly half of child care centers (49%) and most public school programs (93%) reported no infant care slots. Additionally, over half of child care centers (57%) and public school programs (55%) did not report slots for school-aged children.

Figure 4. Change in Provider Counts and Approved Capacity 2022-2024 (Source: Arizona Department of Health Services)

Provider Counts			Approved Capacity					
Provider Type	2022	2024	Change	Pct. Change	2022	2024	Change	Pct. Change
Child Care Centers	1,570	1,620	50	3.2%	172,161	181,528	9,367	5.4%
Public Schools	670	673	3	0.4%	84,858	90,361	5,503	6.5%
Small Group Homes	237	292	55	23.2%	2,291	2,839	548	23.9%
Cert. Family Homes	210	194	(16)	(7.6%)	859	758	(101)	(11.8%)
Totals	2,687	2,779	92	3.4%	260,169	275,486	15,317	5.9%

In Arizona, families often navigate a complex landscape of child care options, where decisions are driven more by availability than true preference. The Arizona Child Care Demand Study highlights that many parents resort to a combination of care types (such as self/spouse care, family, friend, and neighbor (FFN) care, and center-based care) not out of choice, but necessity. This "patchwork" approach is frequently a response to the scarcity of affordable, high-quality, and conveniently located child care options. The study reveals that while some parents express satisfaction with their current arrangements, this contentment often stems from a lack of alternatives rather than genuine preference. Many parents acknowledge the challenges in finding reliable and affordable care that meets their standards, leading to compromises that can affect their work schedules and overall productivity. For employers, this scenario translates into tangible impacts on the workforce. Employees juggling multiple child care arrangements or relying on less stable options may experience increased stress and unpredictability, potentially leading to higher absenteeism and reduced focus at work. Recognizing and addressing these child care challenges is crucial for businesses aiming to support their employees effectively and maintain a stable, productive workforce.

The 2023 First Things First Arizona Needs and Assets Report reveals that many working parents (particularly those in rural and tribal regions) express deep frustration about the limited availability of quality care options. Families reported having to adjust work schedules, rely on informal arrangements, or piece together multiple sources of care, not out of preference but necessity. These experiences reflect not just a lack of access, but ongoing strain on reliability and peace of mind, impacting both family well-being and workforce participation.

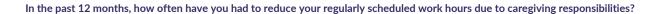
Role of Employers in This Work

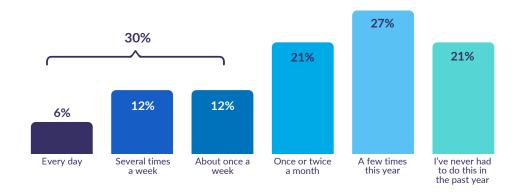
Employers have a key role in building and sustaining child care infrastructure in Arizona. Although early care and education is not the core business model of the vast majority of employers, there are often real estate and other assets, support systems, and potential partnerships and networks in place that can uniquely support high-quality child care operations to support working parents. While child care cannot be an equal benefit to all employees, it is an equitable benefit that allows equal access by all current and potential employees to the workplace, supporting those with children as well as colleagues without children through the increased productivity and presence of their co-workers.

Additionally, as stated above, child care access and affordability directly impacts the attraction and retention of a dedicated and quality employee base, and has a considerable impact on both the economy and the ability of working parents to establish and build their careers.

Figure 5. Child Care Shortages Impact Employee Choices in a Shifting Labor Market (Source: Morning Consult)

Among caregivers who are currently employed, one-third (30%) say they have to reduce their regularly scheduled work hours on a weekly basis due to caregiving responsibilities.





Reducing work hours for caregiving isn't a rare exception but rather a regular occurrence for caregivers across the country. A 2024 survey by Morning Consult and Pivotal Ventures found that 30% of employed caregivers reduce their scheduled work hours every week due to child care responsibilities. For employers, that translates into ongoing disruptions (e.g. missed meetings, unpredictable shift coverage, and limited capacity to take on new work). On-site child care isn't just a benefit for families; it's a tool for stabilizing your workforce, improving retention, and ensuring that teams can function without constant last-minute gaps.

These national trends are mirrored in Arizona's economy. According to a recent First Things First (FTF) survey of approximately 800 Arizona working parents, 35% reported leaving a job within the past year due to child care challenges, and a significant 80% missed work at least once due to these same issues. The FTF survey, conducted between June and October 2023, aimed to understand the impact of child care challenges on businesses in Arizona. These statistics highlight the critical need for child care support to stabilize the workforce and improve employee retention and productivity.³⁴

A 2023 analysis by ReadyNation places the total economic impact of Arizona's child care crisis at **\$4.7 billion** annually. These factors include workplace disruptions, parent income losses, reduced tax revenues, and downstream costs to the public sector. The most significant portion of the \$4.7 billion stems from productivity losses and parents (especially women) scaling back work or leaving jobs entirely due to child care constraints. This figure encompasses:

- \$3 billion in lost earnings and job search expenses for families.
- \$958 million in reduced business output due to employee absences and turnover.
- \$725 million in diminished state tax revenue.

These losses reflect the substantial economic consequences that child care shortages impose on both families and employers. Absenteeism translates to an estimated \$829 million in direct costs to Arizona employers annually, including expenses related to overtime pay and hiring temporary workers. These figures underscore the critical need for investments in child care infrastructure to support Arizona's workforce and economic growth.

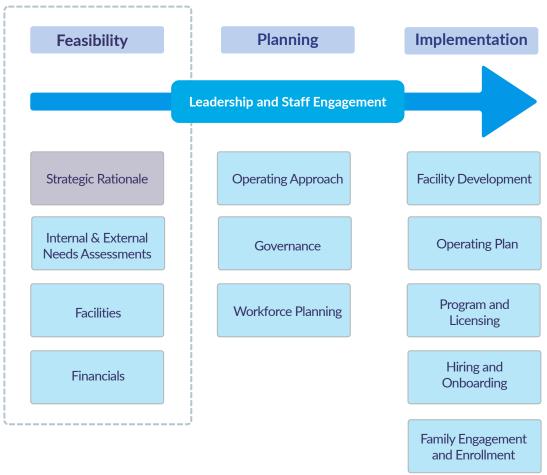
National data shows that for employers, the short- and long-term impacts on workforce stability and growth can help offset the cost of investing in child care:

- Providing child care support for your employees can significantly reduce turnover and absences.³⁷
- Employees with access to child care benefits report an increase in work-life balance and engagement.³⁸
- 83% of women and 81% of men would be more willing to stay with an employer who offers child care benefits.
- 88% of women say having access to child care benefits would make them more willing to choose an employer.
- 115% ROI was estimated by J.P. Morgan for its child care program, due to employees taking less time off and having better focus at work.
- 115-125% ROI was estimated by Patagonia, given intangible benefits, including more women in management, greater employee loyalty, and a stronger workplace culture of trust.³⁹

Although employer-based child care has significant investment considerations, employers should feel empowered to engage in shaping the child care solution for their employees to increase the child care infrastructure in the communities they serve. Developing a strategic rationale within an organization that includes workforce needs, company culture, and community impact and engagement will establish the foundation that can drive the work forward and across the finish line. A strategic rationale can also surface the internal and external resources that can support to help drive the project vision, goals and outcomes.

Strategic Rationale

Employer-based child care exploration and implementation approach



Key question: Why might we consider providing on-site Early Care and Education?

There are a variety of reasons that employers consider employer-based ECE that are largely linked to the benefits to employers discussed above. Expanding benefits to include on-site child care can give an employer a competitive edge in attracting talent and can position them as a forward-thinking destination employer. Child care benefits may also be implemented as an equity strategy related to a company's efforts to prioritize diversity, equity, and inclusion. Some other reasons include:

Workforce

- Increased attractiveness to prospective employees as this reduces the challenge of finding a convenient child care center.
- Increased attractiveness to particular populations who are most impacted by lack of access to high-quality child care.
- Increased retention of parents with young children or who plan to have children in the future.
- Reduced employee absenteeism due to child care challenges.
- Increased engagement and focus of employees due to peace of mind and proximity of their child.

Culture

- General benefits to the brand, including employee attraction and retention, by signaling a culture that is supportive of working parents and a forward-thinking employer of choice.
- · Seeking to support employees in a more holistic way by addressing challenges in their lives.
- Creating a work environment infused with joy and opportunities for engagement with the child care center.

Community Impact and Engagement

- Recognition that accessible high-quality child care is lacking in the community and the employer may have resources to help meet that need or free up slots in the general community by providing capacity for employees.
- Recognition of the economic impacts of building child care supply and infrastructure.

There is no one "right" reason for creating an on-site child care center and there are likely many more not listed here. The key is to identify the reason or reasons that resonate with organizational leadership and ensure those are front and center in the planning process as there will be many choices to make along the way. The most cohesive projects have a clear rationale in which all decisions are rooted.

Debunking myths

There are some common concerns employers have about on-site child care:



Myth: The liability insurance costs are significant



Fact: There are liability insurance requirements, but they are not at all excessive! Many child care centers operate on thin margins and are unable to afford insurance. While it is worth thinking through the reputational risk of a negative incident at your on-site center, the costs are not a reason not to pursue a center.



Myth: The cost of running a center is too high



Fact: There are different costs associated with supporting employer-based child care that are more concrete and visible than the invisible costs associated with employee turnover, disengagement, and absenteeism due to lack of child care. Patagonia, one of the pioneers of the employer-based care model, estimates that less than 10% of the total cost of the center is unrecouped in hard figures, and that factoring in the benefits of more women in management, increased employee loyalty and a stronger culture of trust in the workplace, the ROI is 115-125%.



Myth: Employers shouldn't provide a benefit that isn't universally needed



Fact: Leadership will need to work through their philosophy on this, but employers do this all the time! Health care insurance is not needed by everyone but the employer contributes to the cost. Some people don't drink coffee, but it is still available in the break room. Historically, child care has been viewed as a private issue for families; however, child care supports are seen as a social good by many, much like K-12 education, that is not being publicly funded. Benefits equity is a consideration for employers to work through, but many employers see child care as a core tenant of their diversity, equity, and inclusion strategies and recognize the broader cultural benefits it can impart.



Myth: Only large employers with a large number of employees and lots of money can afford to create on-site child care.



Fact: Small, mid-sized, non-profit, and governmental employers have all been successful in creating on-site or near-site child care facilities. In some cases, multiple employers have created cooperative models and have pooled resources in order to create child care for their employees and local community. This approach allows the cost to be shared across multiple employer organizations and takes a more holistic, community approach.

How leadership weights the different potential reasons to offer employer-based care, given the employer's specific context, may inform the organization's philosophy and the way they approach offering care.

Philosophy

We see that there are not enough child care slots available in the community and are focused on increasing access.

VS.

We want to ensure that we increase access AND make it equitably and financially accessible to our employees.

Approach implication

Charge market rate tuition to employees.

VS.

Offer sliding scale tuition to employees.

Philosophy

The culture of our child care center should be influenced by our workplace.

VS.

We are seeking an expert to tell us how the center should operate.

Approach implication

Self-operate or partner with a flexible operator to align to the employer organization.

VS.

Offer sliding scale tuition to employees.

Philosophy

We want to support current and future employees in their child care needs.

VS.

This center is part of our focus on supporting the broader community.

Approach implication

Make the center available only to employees.

VS.

Open the center to all families in the community.

Case Studies: National Models of Employer-Based Child Care

This section provides a set of case studies from across the country, highlighting a range of strategies employers have used to design, fund, and sustain child care solutions. Each case offers insights into different aspects of employer-based models (such as using existing space, developing new facilities, or partnering with experienced providers). These examples serve as a foundation for thinking through local feasibility and can help Arizona-based employers explore what might be possible in their own context.



Philosophy

The culture of our child care center should be influenced by our workplace.

VS.

We are seeking an expert to tell us how the center should operate.

Approach implication

Self-operate or partner with a flexible operator to align to the employer organization

VS.

Partner with an operator who has an existing model and runs with it

The resort hired an experienced teacher from the successful Grandkids Child Care Center at UCHealth Yampa Valley Medical Center in Steamboat to become the center's new Executive Director. It was a priority for this team to support the center with in-depth local knowledge and influence the daily experience of children and families. It was also critical for Steamboat Ski to both directly contribute to and preserve the connection of community of Steamboat Springs and, more broadly, Routt County.

Philosophy

We want to support current and future employees in their child care needs.

VS.

This center is part of our focus on supporting the broader community.

Approach implication

Make the center available only to employees.

VS.

Open the center to all families in the community.

Because of the center's size and importance to employee attraction and retention, Steamboat Ski decided to prioritize employee enrollment at the center. However, with its philosophy also rooted in community access and growth, the center planned to make community spots available after the first initial months of operation to ensure unused spots are meeting the local needs.



*A note on workforce

Concerns were discussed during the initial phases of the project that a new child care center had the potential to draw staff from other operators in need. However, to the contrary, Steamboat Ski was pleased to discover that many of the center's staff are new to Steamboat and contribute to both the diversity and population growth needed for a thriving community.

There is no right or wrong reason to be considering exploring employer-based care. It is, however, important to get clear on the reasons, and ideally to understand the priority of those reasons. As an organization progresses through the planning process, the organizational "why" will inform many of the decisions along the way. Consider completing the worksheet on the next page to capture the current thinking on paper.

During this step of the process, or at various stages throughout the process, it may become apparent that employer-based care is not an attractive option for the organization. That is okay! Included in Appendix A are a list of other ways employers can support employees with young children.

Leveraging the Employer Child Care Navigator

The <u>Employer Child Care Navigator</u> is a comprehensive online resource developed by Executives Partnering to Invest in Children (EPIC) in collaboration with the U.S. Chamber of Commerce Foundation. This platform is designed to assist employers in identifying and implementing child care solutions tailored to their organization's unique needs.



- Assess Employee Needs: Understand the specific child care requirements of your workforce through guided assessments
- Explore Tailored Solutions: Receive customized recommendations based on factors like company size, workforce demographics, and operational hours
- Access Planning Resources: Utilize a suite of tools and worksheets to plan, implement, and manage child care
 initiatives effectively
- Connect with Vendors: Browse a directory of vetted child care providers and solution vendors to find the right partners for your organization
- Learn from Case Studies: Gain insights from other employers who have successfully implemented child care solutions

By integrating these resources into your planning process, you can develop effective strategies to support your employees' child care needs, enhancing workforce stability and productivity. We've provided a curated list of dynamic, up-to-date planning tools hosted online. These tools walk employers through the critical considerations of launching or supporting a child care solution (from understanding employee needs to assessing space feasibility and exploring financial models). The table below offers a summary of each worksheet, including its purpose, what it helps solve for, and a direct link to access it.



These resources are designed to adapt to evolving regulatory guidance and best practices, allowing employers to remain current without the burden of updating printed templates.

Worksheet title	Purpose
Anchors for Design	Identify guiding principles, ideals, and limitations for this project.
<u>Facilities</u>	Assesses suitability of employer-owned space for a child care program.
Financial Feasibility & Cost Estimation Tool	Supports budgeting and estimating start-up and operating costs.
Articulating Your Vision	Defining the vision to establish the big picture of needs, priorities, and desired outcomes.
Employee Data Collection	A guide for simple data collection before surveying employees.
Employee Needs Survey Approach	A guide for surveying your employees to understand their needs.
<u>Local Landscape</u>	A guide for understanding the licensed capacity vs child care need in your area.
<u>Leadership Engagement</u>	Engage key audiences to become champions for your proposal.

Strategic Planning Tool Worksheets

The following series of worksheets designed to support employers in the step-by-step planning of an on-site or employer-sponsored child care solution. These worksheets are intended strategic tools that help ground your planning process in real data, internal clarity, and operational feasibility.

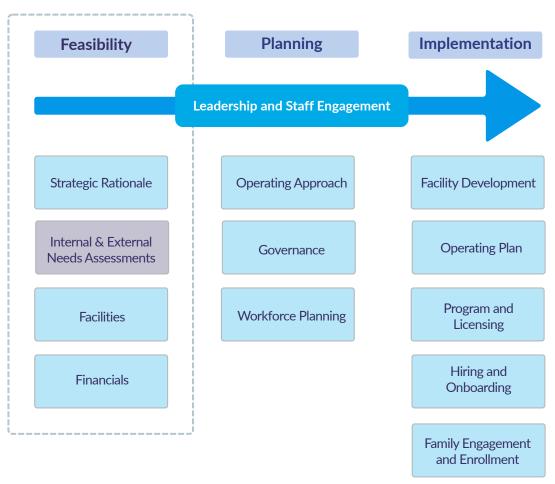
Each worksheet aligns with a key phase in the employer journey from defining your rationale, to assessing employee needs, evaluating space, and modeling financials. Used together, they create a foundational planning record that can be revisited, expanded, and shared with decision-makers or partners.

This toolkit is a guided decision-making system, not a checklist to be completed all at once. When approached intentionally, it allows your organization to move beyond vague commitments into concrete scenarios and action pathways. The table below outlines each worksheet, the planning phase it supports, and any Arizona-specific references you may need.

Journey stage	Worksheet title	Purpose	AZ-specific notes or links
Step 1: Define your why	Strategic Rationale and Anchors for Design	Helps employers articulate why they are considering child care and what their core parameters are.	Submit a public data request directly to First Things First (FTF) for provider data and the 2024 Arizona Child Care Market Rate Survey for capacity and enrollment trends.
Step 2: Understand demand	Internal and External Needs Assessment Local Landscape	Supports data gathering about employee demographics, needs, and the local child care landscape.	Refer to the Child Care Aware of America's 2023 Arizona Fact Sheet for affordability data and the Children's Action Alliance report for economic impact insights.
Step 3: Assess feasibility	<u>Facilities</u>	Assists in estimating facility requirements and options (existing, acquisition, or new build).	Refer to <u>ADHS Child</u> <u>Care Facilities Licensing</u> for regulations and facility standards.
Step 4: Build your budget	<u>Financials</u>	Provides a template to model cost/revenue, using tuition, subsidy, and staffing costs.	Submit a public data request directly to First Things First (FTF) for workforce data trends. Use the <u>Provider Cost of Quality Calculator</u> to estimate true costs across program types and ages, and the <u>Opportunities Exchange Iron Triangle</u> tool to create a simple budget framework linking enrollment, tuition, and expenses.
Step 5: Engage leadership	<u>Leadership</u> <u>Engagement</u>	Offers tools to identify champions, address resistance, and build internal alignment.	No state-specific content, can be applied universally.

Internal and External Needs Assessment

Employer-based child care exploration and implementation approach



Begin by identifying the strategic rationale for the development of on-site child care. Then it will be valuable to gather some information about the needs of the organization's employees. In alignment with the strategic rationale, these needs will inform critical decisions such as the number of slots in the center, hours of operation, ages to serve, and potentially the location and tuition levels.

Key questions:

- What can we learn about our employees and their needs for child care?
- How are our employees' needs impacted by the external landscape?
- How many children might make use of on-site care and what are their ages?
- What hours and schedule would be valuable to families?

There are a few different ways to approach data collection, depending on the organizational context and stage of exploration.

Stage of exploration	Potential data collection approaches
Feasibility (during exploratory stages)	 Research regarding local landscape for child care Collection of non-identifiable data from human resources Ad hoc employee conversations
Planning and implementation (when there is a commitment from the organization)	Employee surveyFocus groups

Local Landscape for Child Care

Arizona's child care system faces challenges similar to those identified across the nation, including insufficient capacity for infants and toddlers, a declining number of providers, and low compensation for early childhood educators. Between 2022 and 2024, Arizona experienced modest growth in licensed child care capacity, with a 6% increase in approved slots. This expansion was primarily driven by a 3% rise in child care centers and a 23% increase in small group homes. However, the number of certified family homes declined by 12%, indicating a consolidation trend toward larger centers and a reduction in home-based providers. This shift has led to fewer choices for families and longer distances between providers, especially in less-populated areas. This consolidation of providers may expand overall capacity, but it also reduces diversity of care settings and makes access more challenging for families in rural or lower-density regions. However, physical access is only one piece of the equation.



To truly meet demand, Arizona must also address the severe workforce shortages impacting its early care system. While Arizona saw a 43% increase in median annual wages for child care center workers between 2019 and 2023 (from \$24,890 to \$35,680), the state simultaneously experienced a 45% decline in the overall number of child care workers during that same period.

Several tools and resources provide a data-driven understanding of Arizona's child care supply, capacity, and regional gaps. The following resources help employers and stakeholders assess the local child care landscape:

- <u>Arizona Early Childhood Regional Needs & Assets Reports (First Things First):</u> First Things First publishes regular updates on licensed provider counts, capacity by region, and regional demographic data.
- <u>Children's Action Alliance</u> & <u>Arizona Center for Economic Progress</u>: Reports from these organizations, such as The Cost of Child Care in Arizona (2023), quantify the economic impact of child care challenges on families and employers. They also highlight regional disparities and affordability issues, particularly for infants and toddlers.
- <u>DES Child Care Administration Data (Arizona Department of Economic Security)</u>: DES provides reimbursement rate data, enrollment trends, and subsidy access figures through the Arizona Child Care Assistance Program. While not synthesized into an interactive platform, this information offers a foundational view of demand and public investment patterns by zip code and county.
- <u>Child Care Aware of America's State Annual Landscape Report</u>: This national dataset includes state-specific insights into Arizona's provider availability, workforce metrics, and affordability trends. While it lacks local granularity, it helps place Arizona's supply landscape in national context and highlights areas where the state lags in meeting demand.

Employer-Specific Data Collection

1. Collection of non-identifiable data from human resources

Working with human resources provides opportunities to understand employees' likely interest in on-site care. If that is not an option, consider what you know or could find out about the organization in other ways that would offer a reasonable proxy for this information.

Data to collect	What the data tells you
# of local employees	As a common rule of thumb, the number of slots needed should be near 10-15% of the total employee population that would have access to the facility. This will not hold in all cases and assumes a distribution of employee ages typical of private employers. If a portion of the workforce works remotely, consider that this rule of thumb may indicate more slots than would be needed.
Employee age distribution/average age	Understanding the age distribution of employees may offer insight into the number of employees with or likely to have young children in the future. People may become parents at all ages, but taking what is known about typical ages for childrearing and aligning it to the organization's population may offer clues about the level of need for child care benefits.
Parental leave counts	One way to get a sense of the number of young children that employees have is to look at the number of parental leaves over the past 5-6 years. If the organization has stayed the same size over this time, adding up the number of leaves can offer a reasonable estimation of the number of children who may be eligible for child care.
Dependent counts	An additional check on the number of young children is looking at dependent counts on the healthcare plans of employees who participate in your employer-sponsored plan. Look at what percentage of employees participate and for them how many dependents there are. Assume only approximately 25% of them are under age 6, and know this will not capture all eligible children, but can provide an estimate of how many eligible children employees may have.
Employee work sites and home locations mapping	Looking at where people live and work provides insight into what locations may be attractive for employer-based care. This will be most relevant if a new site will be needed to house a child care center. This resource walks through how to create a heat map of a large number of addresses, which may help to visualize attractive locations.
Work location requirements and routines	An assessment of what or how many days, if any, employees are required to be in the office, and what hours individuals in different roles work, will help to determine what hours child care support may most be needed. Coupled with location mapping (above) this will help to paint a picture of when and where child care would be attractive.

None of these pieces of data will offer comprehensive answers to the key questions just yet, but they will provide much more information about the employee base and their likely needs. By putting together these pieces of data the user can begin to craft a hypothesis about employee needs from which to base the next steps of exploration.

For example, compare the parental leave data to the "10-15% rule of thumb" and check both numbers based on the fact that not all families will send eligible children to a potential center. Perhaps just about half would consider it. Those rates will vary significantly based on the local market and the work location and routines of employees as well as unknowns at this point like tuition rates and programming offered at the employer-based center.

2. Ad hoc employee conversations

Speaking with even just a handful of parents who have young children can provide significant insight into how families think about and experience the need for child care. Asking about what has worked for them, what has been difficult, how their work schedule impacts child care needs, etc. can all be highly informative to start to determine what might be helpful to employees. In fact, ensuring knowledge of some experiences to share with leadership will help make this challenge and opportunity more tangible to decision-makers.

3. Employee survey

An employee survey is the most comprehensive way to collect employee information and assess interest in employer-based care. The downside to surveying employees is that it may set an expectation or get employees' hopes up that on-site care or other child care solutions are likely to happen. Some of the types of things that could be collected in a survey include:

- # children under age 6 (and anticipated future children). Birthdays can be helpful to collect depending on the stage of exploration you are in.
- Current care arrangements (hours, setting, etc.)
- Cost of current care arrangements
- Attractiveness of employer-based care (consider asking by age of child)
- What would be most important in considering employer-based care (i.e. location, hours)

4. Focus groups

Focus groups provide an opportunity to gather more qualitative information about employees' experience with child care and needs for child care. They can be helpful after completing an employee survey and when a planning process is underway, to run ideas or questions by a group of engaged and interested parents/guardians to help shape the direction of planning for the center.

Employee Needs

Data to collect	Our data
# of local employees	We have employees working locally. 10-15% of this number is child care slots.
Employee age distribution/average age	Our median employee age is I expect that over time more/fewer/the same number of employees will have young children based on what I know of our workforce.
Parental leave counts	On average over the past 5 years there have been parental leaves each year. If we served all of those children in on-site care we would need about slots (avg # per year times 5-6). Note: it would be highly unusual to serve all employees' children in on-site care from birth through pre-kindergarten.
Dependent counts	About percent of our employees participate in our health care program. There are dependents enrolled in our health care program. 25% of this number is, which may approximate the number who are under 6.
Employee work sites and home locations mapping	From reflecting on work sites and home locations as well as work location requirements and routines, insights include the following about location:

What else have you heard from employees about the need for child care?

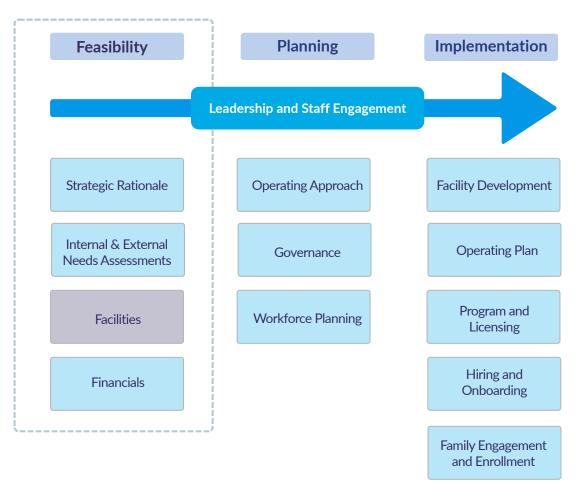
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Reflecting on all of the data above, what are your insights about:

- # slots to consider offering:
- Ages to be served by the center:
- Location for the center:

Facilities

Employer-based child care exploration and implementation approach



Identifying and preparing an early education space is a process of varying complexity driven by the priorities of the organization and available options for consideration. The primary drivers for any employer seeking a space to house child care are generally cost, proximity, and alignment to employee needs. When working to identify the ideal balance of these priorities, it is best to approach the process through the foundation of the organization's strategic rationale.

Key question: Where will the center be located?

Proximity to place of employment can be a key factor in determining the attractiveness of a site under consideration, and will be driven by the specific trends of the workplace. For some employers, being in the office is not a requirement, while for others commuting to work daily is vital to their services and consumer base. Understanding the trade-offs among employees' needs when identifying a location, including proximity, will help to narrow the choices when selecting the site for the project.

Use Existing Space

For employers that have existing space either on- or near- site that can be retrofitted for child care, this can be an attractive option to reduce start-up and real estate search and acquisition costs. For many industries, something close to work can be optimal for employee access to their children, and the ability to maintain work schedules.

Pros

- Lower cost option to renovate
- Highest accessibility to employees
- Shorter timeline for real estate identification and selection

Cons

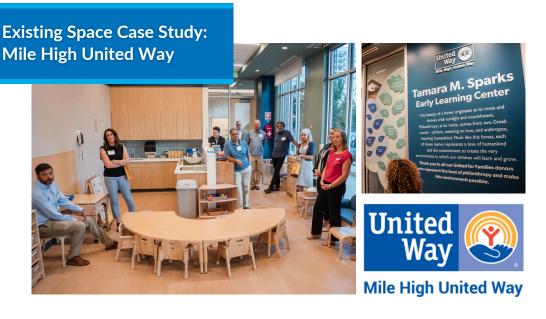
 May have to adjust capacity expectations or plans with available space; extended ramp up period

Existing Space Case Study: Kendal at Hanover

As a mission-driven retirement community, Kendal at Hanover has long understood the connection between high-quality care environments and high-quality workforces. Over 50 years ago, Kendal prioritized child care for its employees by establishing an on-site early learning center within its existing campus footprint making child care an integrated part of daily life. The facility serves both the children of staff and select community families, building connections across generations and deepening ties between employees and the residents they care for.

The model not only supports employee retention and satisfaction, but also aligns with Kendal's broader values around intergenerational learning and holistic well-being. By subsidizing the cost of care for its staff (ensuring they pay no more than 10% of their household income), Kendal demonstrates a long-term commitment to early care as a stabilizing force for both its workforce and community.

Center Basics			
Capacity	35 children		
Ages Served	6 weeks - 6 years		
Population Served	Kendal at Hanover employees and select community members		
Square Footage	Approximately 4,500 (within campus footprint)		



As a prominent and impactful community impact organization, it was a priority for Mile High United Way to consider the potential within their existing space in Downtown Denver; in order to fulfill both their statewide and local mission, making their office 'more than a building' and understanding how integrating support for such a critical need as child care in the community where it sits could impact both their workforce and the populations they support through expanded programs and services.

Additionally, Mile High United Way had the opportunity to utilize their knowledge and relationships with the surrounding community to find an experienced local operating partner to help meet the environmental and developmental goals of a unique early care and education center at Mile High United Way. These priorities led to feasibility exploration within their offices and resulted in the development of a nearly 60 child capacity center on the ground level to serve their employees and target external populations in surrounding neighborhoods, which opened in 2024.

Center Basics			
Capacity	58 children		
Ages Served	6 weeks - 6 years		
Population Served	Employees and targeted community populations; 70% subsidy-eligible		
Square Footage	6,000		

Acquire New Facility Space

If real estate assets for the child care project are not in the company's portfolio, commercial and other spaces appropriate for child care can be researched and acquired in the surrounding community. While this is a more time consuming option, it can offer the opportunity for increased alignment between the space and priorities of the project.

Pros

- Greater opportunity to fulfill capacity needs
- Higher probability of community access and partnership

Cons

- Often higher cost to lease space
- Increased facility costs
- May be less opportunity to customize the space

Acquire A New Facility Example: Steamboat Ski Resort

Steamboat Ski Resort supports a variety of diverse year-round and seasonal employees that need access and proximity to their place of work; however, after researching their assets, there was not an ideal location on-site to accommodate the center that the Steamboat Ski team was envisioning. In order to keep development costs manageable and keep the quality and environmental goals of the center, the team signed a lease at a nearby facility space and renovated it into a warm, modern and welcoming space for children and families, with immersion in the natural world the backdrop of the center and the core of their curriculum. With river adjacency and a walking path nearby, the outdoor space requirements were able to be creatively approached, and it ultimately fits the needs of parents, early educators and Steamboat Ski.

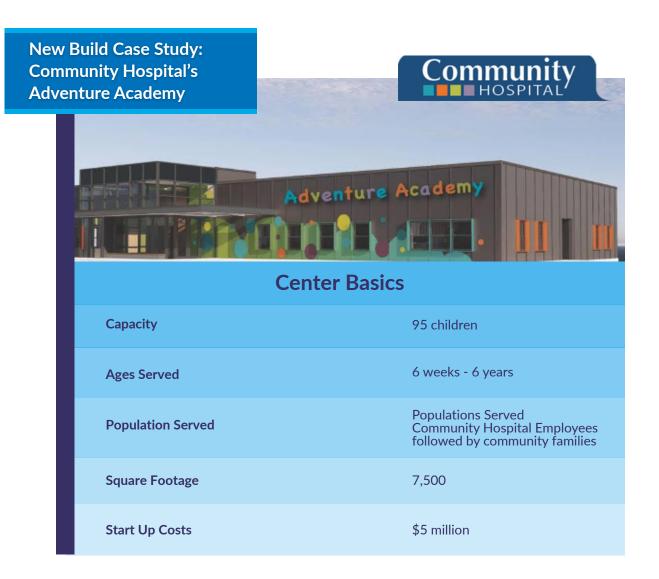
Build a New Facility

Pros

- Greatest opportunity to customize space and learning environment
- Increased opportunities for community access and engagement
- Partnership opportunities and incentives for land owners and developers through tax credits

Cons

- Often highest start up costs
- Likely not as close to place of employment
- Likely longest developmental timeline



Community Hospital of Grand Junction in Mesa County is a 140,000 square foot state of the art Level III Trauma Center that offers full outpatient diagnostic services and inpatient care for the Western Slope region of Colorado and Eastern Utah. In order to address the growing strain on their workforce due to child care constraints and challenges, Community Hospital saw the opportunity to invest further in their land assets on site, and wanted the ability to create their environment from the ground up, to truly be a complement to their current facility, as well as create a customized and high-quality learning environment as possible.



Creating an on-site option was additionally important for Community Hospital's workforce due to the unique nature of their shift needs, and the ability to access their children more readily if and when needed. These needs outweighed the opportunity to occupy an existing offsite space, or renovate other real estate options on-site, and the \$5M needed to make the vision a reality. Community Hospital celebrated their Groundbreaking Ceremony in November 2022 and welcomed children to the center in early 2024.

Key Facility Considerations



As stated, location choices for employers should be rooted in the greatest balance of ability to serve employee needs, proximity and access, quality, and overall cost to the organization. Based on the needs assessment, employers should be able to determine ideal locations based on employee commuting, scheduling, and household composition. These critical factors will help identify priorities and parameters for choosing a location for child care.

Facilities for child care are beholden to a complex set of rules and regulations that govern the safety, required space, building parameters and other requirements of the facility. When a location has been selected, employers should engage the <u>Arizona Department of Health Services (ADHS) Interpretation and Clarification of Child Care Licensing Rules</u>. The ADHS oversees all licensing requirements for child care facilities in the state and provides guidance to ensure that prospective programs meet the necessary health, safety, and operational standards. In Arizona, the Arizona Department of Health Services ensures programs meet regulatory health and safety standards, while the Child Development Bureau supports providers through funding, credentialing, and professional development resources. Engaging early with these offices can help employers understand the regulatory expectations and the potential trade-offs involved in creating a high-quality environment aligned with both state and national standards. These include but are not limited to:

- Square footage allotted per child in each age group
- Outdoor access and playground space
- · Building design, fire safety, and zoning
- · Mechanical and plumbing fixtures

These regulations are designed to serve as a basis for operations. However, whenever an environment experiences a hardship or limitation that cannot fulfill written licensing regulations, it is possible to apply for a waiver that allows for exemption from specific rules and regulations when a reasonable accommodation or alteration can be found. Waivers are evaluated on a case by case basis, and can be more specifically explored within the context of the environment you are working to create. Although this consideration will be generally assessed after your facility selection, you can find out more information on the waiver process and requirements.

Explore your Facility: Calculating Space

Key question: How much space will we need?

The size of your facility will be primarily determined by the needs assessment results, related to likely age composition and overall number of children you hope to serve. This will also be driven by the investment level and type of environment you endeavor to create.

For detailed information on Arizona's licensing rules and to ensure compliance when setting up an on-site or near-premises child care center, employers should refer to the <u>Arizona Department of Health Services (ADHS)</u>
Interpretation and Clarification of Child Care Licensing Rules, which oversees licensing for child care facilities statewide.

In addition to state licensing standards, many providers also look to national quality benchmarks to guide their classroom design and staffing models. Research shows lower caregiver-to-child ratios lead to better interactions and improved developmental outcomes for children. Required ratios and group sizes help staff provide better supervision and that in general, children who are younger should have more adults present and smaller group sizes. Specifically:

- Children feel safe and secure with one-on-one attention which also reduces feelings of being overwhelmed (for both children and adults). This type of responsive caregiving is very important to children's social-emotional development, physical well-being, and overall learning
- Smaller group sizes allow adults to interact more easily with each child and quickly respond to each child's unique needs⁴⁴

We would recommend getting as close as possible to the ratios and group sizes recommended by the American Academy of Pediatrics (AAP).⁴⁵ Current Arizona staff-to-child ratios by ADHS, DES (for centers that are contract to accept Child Care Assistance/subsidy, and AAP) are as follows:

Child Care Group Size and Ratio Standards in Arizona and AAP Recommendations

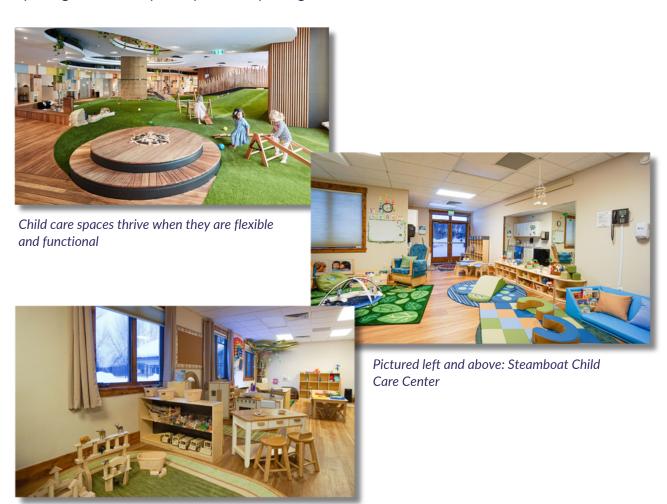
Age group	ADHS Staff:Children	ADES Max Group Size	AAP Staff:Children Recommendation	AAP Max Group Size Recommendation
Infants	1:5 or 2:11	11	1:3	6
1-year-old	1:6 or 2:13	13	1:4	8
2-year-old	1:8	16	1:4	8
3-year-old	1:13	26	1:7	14
4-year-old	1:15	30	1:8	16
5-year-old not school-age	1:20	40	1:8	16
School-age children	1:20	40	1:10	20

Quality First Participation

<u>Quality First</u> is a program of First Things First, Arizona's early childhood agency. First Things First created Quality First to help early care and education providers in our state improve the quality of their programs and help young children be ready for kindergarten. Participation is free for regulated child care centers, homes and preschool programs in Arizona.

Quality First supports child care and preschool providers across Arizona to improve the quality of their early learning programs for children birth to age 5. The goal of this system of support is to help early learning programs help Arizona's children be ready to succeed in school and in life. This includes assessment to find strengths and opportunities, technical assistance, coaching and professional development to expand teaching skills. These supports help providers create learning environments that nurture children's healthy development.

Exploring Your Facility: Sample Facility Designs



Facility designs for child care centers can vary from simplistic to imaginative and will depend on project elements like budget, environmental goals and available space. Flexibility is perhaps the most important aspect of a facility design behind health and safety, to allow for greater use of the space and multiple functions for the evolving needs of children and educators. Early care and education design opens the doors to innovative solutions for shared space, outdoor access and integration into the community, as aligned to organizational priorities and goals for the child care center.

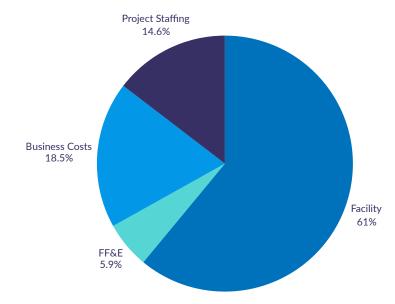
Exploring Your Facility: Start-up Costs Estimates

Employer investment, whether through funding support or other utilization of assets is a reality of determining child care project feasibility. Start-up costs will vary widely based on the size, makeup, design and location of your child care center, and depend on a variety of factors, impacted by both local regulations and statewide standards. The markets that govern child care start-up costs are ever changing, and while the figures below cannot reflect every possible project profile, they represent recent industry averages and can be used as a basis for consideration for your organization's level of investment:

Facility Approach	Average Start-Up Cost
Use existing facility	\$50k - \$2 million
Acquire new facility space	\$1 million - \$8 million
Build new facility	\$3.5 million - \$16 million

The approach to your facility will govern the range levels you will most likely experience, however it is also important to understand the major cost drivers in the start-up budget. The majority of costs will be rooted in the cost of building a quality indoor and outdoor space to accommodate young children, with the remaining costs being dedicated to external and internal project support; operational and staffing preparations; and furnishings, and fixtures and equipment (FF&E). The primary drivers are represented below as an average percentage of total start-up budget:

Drivers of Start-up Costs



While start-up costs can be intimidating, there are a variety of options to support development costs for child care projects. Not all funding sources will be applicable to your project depending on your organization type, scope and project goals, so be sure to check for those that best fit your needs. To help guide your thinking on available supports, consult the tables below:

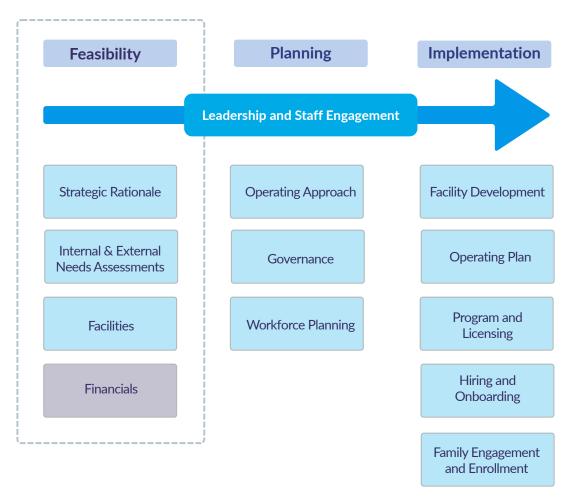
Funding Sources to Support Center Development

Funding opportunity	Typical award size	Context	Suggested next step
Gifts, grants and donations	\$50k - \$1 million	Some foundations and philanthropic organizations have grants dedicated to capital projects, and enhancing community access to critical needs like child care Private and independent donors can be interested in funding and supporting sole and partnership endeavors to support child care projects within your specific community.	Contact community and regional philanthropic organizations to inquire about funding for child care infrastructure, capital improvements, or family-focused services. Research state and local foundations that support child care infrastructure and development
Community and/or employer partnership	Determined by project scope and needs	If your organization exists adjacent to other employers and businesses, it may be of interest to pursue potential partnership discussions to assess the pros and cons of sharing financial and sustainability obligations to support a common community need	Conduct market and internal research to determine if this approach is a fit for the needs and goals of your project
Community loan funds	Determined by project scope and needs	Loan product that carries debt implications for operations; however solutions to reduce debt obligations to the ongoing operations	Research Community Development Finance Institutions throughout the state
Congressionally directed funding	Determined by project scope and needs	Part of the broader appropriations process, CDS is a mechanism by which members of Congress can request funding for specific projects in their home state that have been submitted for consideration by local government entities and nonprofits. Funding for projects, if approved, passed by Congress, and signed into law, would be distributed during the following fiscal year (October - September).	In Arizona, Congressionally Directed Spending (CDS) requests are coordinated through the offices of U.S. Senators. Organizations seeking federal appropriations for child care infrastructure should monitor the CDS request portal via Senator Mark Kelly's office and consult with local government partners to ensure eligibility and strategic alignment.
State grant programs	Determined by funding source and project scope and needs	Child Care and Community development funding for capital and other project needs	Arizona offers competitive state grant opportunities that may support capital improvements, community-based partnerships, and the expansion of early childhood education infrastructure. Organizations can explore current opportunities through relevant agencies such as the Arizona Department of Economic Security (DES), the Arizona Department of Education and First Things First for child care-specific programs.

Whether the project team is versed in the development funding landscape or completely new to various funding types and applications, creating a robust and detailed financial model for the child care operation is key to pursuing the necessary funding.

Financials

Employer-based child care exploration and implementation approach



The ongoing financial bottom line of offering employer-based care is certainly top of mind for most leaders considering the addition of this benefit for their employees.

Key question: What will the financial impact be of offering an on-site child care center?

As one might imagine, there are many variables that go into determining the answer to this question. Here we will provide an overview of how the child care center financial model works, at a high level, and provide some examples to increase understanding of what the financial impact is likely to be.

The ECE Financial Model

The current ECE business model in Arizona is financially strained, largely due to a tight revenue ceiling that limits what providers can charge and what families can afford:

- With the average cost of center-based infant care around \$14,000 annually, that represents approximately 17% of the state's median household income of \$76,815. This figure is more than double the federal affordability benchmark of 7%, as defined by the U.S. Department of Health and Human Services. This ceiling on tuition rates directly impacts business viability, forcing many providers to rely on subsidies that still fall short of covering actual operational costs.
- Arizona's DES Child Care Assistance Program⁴⁷ sets subsidy reimbursement rates based on biennial market rate studies. However, these rates often fall short of covering true provider costs and are still tethered to what families in low- to moderate-income brackets can reasonably pay.⁴⁸ For Quality First programs rated at 3–5 stars or those that are nationally accredited, DES offers an enhanced reimbursement rate that more closely matches the cost of providing high-quality care and reduces the financial burden on families.

Additionally, the largest line item in the child care center budget is personnel. Below is the breakdown of expenses for an average child care center in the U.S. by age of child. The difference between age levels is driven primarily by the number of children who can be supported by one teacher, which is much lower for infants than for preschoolers.

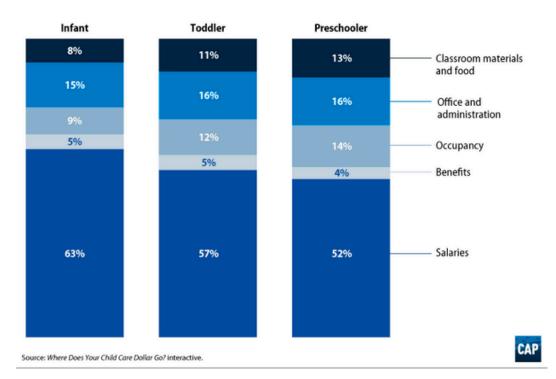


Figure 12. Personnel Costs via Early Childhood Policy at the Center for American Progress⁴⁹

With the squeeze in budgets to lower costs, the personnel line item is often viewed as the easiest way to make it work. This primarily takes the form of undercompensating employees, not funding benefits, and in some cases limiting hours worked and/or sending employees home when they are not required in a classroom to ensure the minimum teacher-to-child ratio required by licensing. In Arizona, the median early childhood educator earns approximately \$17.81 per hour, while the estimated living wage for a single adult with no children is \$24.42 per hour. When adjusted for dependents and regional housing costs, this wage gap deepens. The result is high turnover and difficulty recruiting qualified educators. This gap highlights the economic insecurity facing much of the child care workforce. Downward pressure on wages has resulted in reducing the number of individuals interested in working in early care and education.

This is all to say that the challenging early care and education business model is part of the reason this country has experienced demand for care that vastly outpaces supply of child care slots. However, as discussed above, an employer has a different equation to consider in determining the value of employer-based care. The benefits to the employer come in the form of reduced absenteeism, greater employee productivity, reduced turnover, and more.

Exploring Your Business Model: Costs

Employers will need to use their rationale for this work and their values as an organization to make key decisions that will inform their approach to operating their center and, in turn, the costs of that center. Some of the key decisions that will impact the cost of care per child include:

- Ages Served: While infant and preschool classrooms can have similar staff-to-child ratios, the number of children each teacher supervises varies significantly. For example, a classroom with 10 infants typically requires the same number of teachers as a classroom with 30 preschoolers, leading to higher staffing costs in infant care compared to preschool care.
- Compensation Approach: As shared above, market rate compensation for educators in New Hampshire is quite low. Additionally, benefits such as paid time off, retirement contributions, and health care benefits are uncommon. Compensation at market level or the level of local competitors may enable a balanced budget, but may result in high turnover and may not be aligned with the company's compensation philosophy or with hopes for individuals affiliated with the organization.
- **Center Size:** A center with more classrooms has the benefit of fixed costs of administration, systems, etc. being spread over more classrooms.

These all have both financial and operational tradeoffs to them. Serving more preschoolers may seem to make sense, yet the scarcity of slots is likely much higher for infants and toddlers locally. That is when parents feel the biggest pain points and are more likely to enroll. A larger center may make more sense financially, but many parents crave the intimacy of a smaller center for their children and family.

Previous resources shared how to think about center size and collect some data about what ages to serve. A few resources to consider in thinking about compensation include:

- Determining market rate wages for early childhood educators in your community by visiting commonly used job boards such as the <u>AZ Toolkit Job Bank</u>, Indeed, Monster, or ZipRecruiter and reviewing the compensation listed there can help illuminate what is typical in your community.
- Referencing Arizona-specific wage and workforce data, the Arizona Center for Economic Progress and the
 Morrison Institute for Public Policy at Arizona State University regularly publish analyses on early educator
 wages, workforce shortages, and regional cost-of-living comparisons. These can offer valuable context for
 setting wage benchmarks that support retention and quality.

Estimating these costs without a robust financial model may be difficult! As a starting point, use the information above about sample costs of care or the Center for American Progress's <u>Cost of child care calculator</u>. The <u>accompanying report</u> offers some valuable context and comparison across states.⁵²

Cost Exploration Case Study: Steamboat Ski Resort

In order for Steamboat to consider a child care center, even with an international parent company, Alterra Mountain, they had to fit the costs into their annual budget, working with far less resources than are at the disposal for the entire company. However, after examining the annual losses incurred from both challenges in recruitment and retention due largely to child care constraints, the leadership team was able to establish an ROI and investment strategy that worked, ultimately investing those dollars lost into a long-term solution like child care that would reduce or impact those costs over time.



Exploring your Business Model: Revenues

Revenues primarily come from tuition and, for this center, has come from public funding streams such as the Colorado Child Care Assistance Program (CCCAP), the Universal Preschool Program (UPK) Colorado, and others.

Tuition

Tuition may be set on a sliding scale based on household income or other factors; may be aligned to the "market rate" in the local community; or could be subsidized for all employees. If tuition rates charged to employees are lower than market rate, the difference between the paid rate and market rate is considered a benefit offered by the company and may create a tax liability for employees. Consult with a tax expert to better understand this situation.

Tuition information may be more difficult to find, as many providers do not post it publicly on their websites. Some do, so it is worth checking to see what you can find. There may also be private resources online that share average tuition rates in your area. Some folks engaging in exploration may also find out from families what they are paying for their child(ren)'s care. This information is often more easily collected through an anonymous survey, as some people may not be comfortable personally disclosing this information.

Public Funding Streams

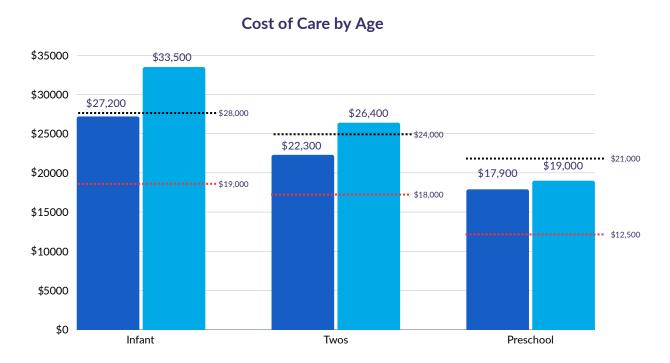
While relying on public funding streams can make accounting more complex, it also helps child care businesses protect themselves financially. In Arizona, the <u>Arizona Department of Economic Security (DES) Child Care Assistance Program</u> remains the primary state funding stream supporting low- to moderate-income families. Eligible families apply through DES, and licensed providers receive reimbursement based on the child's age, schedule, and provider quality level (through the Quality First program by First Things First) or national accreditation.

Arizona sets reimbursement rates based on the Market Rate Survey, including enhanced rates for high-quality providers. However, even these enhanced rates don't fully cover actual provider costs, which still require tuition and additional grant support to maintain high-quality programs. Arizona sets reimbursement rates based on the Market Rate Survey, but actual provider costs often exceed DES reimbursements (especially for higher quality levels) prompting reliance on tuition and additional grants. Arizona's DES reimbursement rates for child care are set statewide using the 2022 Market Rate Survey. These rates, including enhanced rates for Quality First providers, help offset family tuition costs and support employer-based child care strategies. For full details, DES provides worksheets in English and Spanish.

Arizona's child care funding landscape is decentralized and often pieced together from multiple sources. Providers commonly layer Department of Economic Security (DES) Child Care Assistance with federally funded programs like Head Start and Early Head Start, as well as various state and federal grant opportunities. Additionally, many programs benefit from First Things First (FTF) funding, which is key to quality improvement initiatives, workforce development, and expanding infant and toddler care access.

These revenues and costs come together to help develop an understanding of the financial model. Below is a chart representing the financial models of two Executives Partnering to Invest in Children clients in Colorado from 2022. Both centers are high-quality models wishing to compensate educators at \$23 per hour, a level that is currently above the typical market wage. The bars represent the cost of care and the lines represent potential revenues. The black dashed line represents an estimate of the annual full-time tuition rate in the local market. The red dashed line represents the public subsidy rate for a low-income child.

Figure 7. Estimated Annual Cost of Child Care vs. Public Subsidy Rates by Age Group⁵⁴



- **Employer center A (Model A):** serves 120 children and the facilities cost includes rent payment
- **Employer center B (Model B)**: serves 50 children, offers the highest-quality teacher-to-child ratios, facilities cost excludes any rent cost

A few critical insights can be discerned from this chart, including:

- Operational decisions have a significant impact on the cost of care
- Costs of operating a high-quality setting in some cases exceed the revenue available from tuition
- The public subsidy reimbursement rate does not cover the cost of care in either center at any age for these particular models (this will not be true in all cases)

The financial modeling process is an iterative one and changes can be made to better align with the philosophy of the employer and to meet financial goals. It can be difficult, however, to achieve a high-quality environment on all dimensions without the employer contributing financially to the center at some level.

Exploring Your Business Model: Employer Contribution

There are a variety of ways that employers may choose to financially support the operations of an employer-based child care center including:

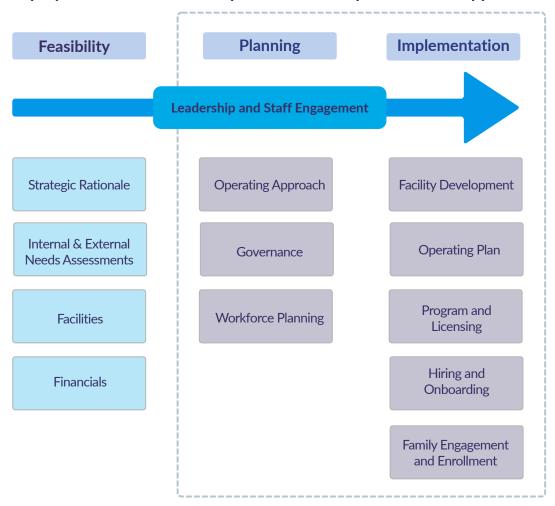
- Providing a regular cash subsidy to operations. If the center is run by the employer rather than outsourced, this may simply mean running the center at a financial loss. If the center is run by a third-party partner, it would mean funding that partner at a higher level to be able to offer the quality of program desired by the employer.
- Offering occupancy at low or no cost. One key line item in center models is rent or mortgage payments. The employer may choose not to pass along the cost of the space to the center to the center operator.
- Covering ongoing facility costs (maintenance, utilities, repairs, etc.). Similar to the above, especially if the ECE program space is part of a larger facility used by the employer, the employer may choose to absorb the costs of using and maintaining the space.

Other elements to take into consideration, depending on your industry or business type, include:

- Property taxes are determined at the county level, and employer-hosted child care facilities may be taxed depending on ownership and lease structure. Employers should consult county assessors early during planning.
- Restricted revenues: if the organization has significant funding in the form of restricted revenue, work with experts who can ensure that the organization meets the revenue requirements despite any organizational financial contributions to the center.

The Path Ahead

Employer-based child care exploration and implementation approach



This guide has progressed through many of the key considerations around the feasibility of developing on-site care. The path ahead from here involves deeper dives on operational elements of the employer-based child care center. The process will require revisiting some of the questions initially explored from a feasibility perspective and delving into new questions as the project begins to take shape.

Key questions to come include:

· Operating approach

- Will the organization operate the program ourselves or outsource it to a third-party?
- If a third party, will it be a corporate provider or a local partner?
- Does our organization have a perspective on the type of program/curricular approach for the center to offer?
- Will the center offer enrollment to community members or only employees?

Governance

- Where will this "sit" within our organization? Who will be responsible for oversight?
- Who will be the key decision-makers and set policy for the center?

Workforce

• Given the existing challenges finding early childhood educators, how might the organization support the development of a robust employee pipeline for our center?

Employee needs

• How might the organization gain more information about the needs of our employees to further shape and inform our decision-making process?

• Facilities

- What will the timeline for facility development be?
- What partners including both facility and ECE experts will support the development of this facility?

Financials

- What resources will fund this program?
- What will be our approach to tuition for employees?
- What are the actual costs of a program likely to be, as more decisions are made that inform the financial model?

As the center takes shape, there will be a variety of individuals and organizations who can provide help along the way.

Category	Partner	Type of support	Notes
Facility	Real estate broker	Identify a facility or location that will meet the identified space.	
Facility	Architect	Develop site plans for a ground-up build or tenant improvements within an existing space.	Aim to find an architect with early education center expertise. K-12 has very different requirements.
Facility	General contractor	Conduct construction work	
Funding	Local funders	Financial support for start-up	
Program/ funding	First Things First	Offers strategic guidance, funding priorities and localized insights. Can support partnership building and advise on community-aligned early childhood projects	Find the <u>local regional</u> partnership council
Program	Early Learning, Licensing and Administration	May provide thought partnership on establishing the program; will authorize the program for operation so engage them early	AZ DHS <u>Child Care</u> <u>Facilities Licensing</u>
Program	Early childhood operator	Operate the center, if desired	Some organizations outsource operations, others will hire individuals to run the program

Additional Resources

- <u>Arizona Child Care Resource & Referral (CCR&R)</u> Arizona's CCR&R platform serves as a statewide child care
 mapping tool that allows users to search for licensed providers by ZIP code. It integrates up-to-date licensing
 data from both the Department of Economic Security (DES) and the Arizona Department of Health Services
 (ADHS), with updates scheduled approximately every six months. This tool helps families identify care options
 and gives stakeholders a snapshot of local supply by geography.
- <u>Early Childhood Business Solutions Southwest Human Development</u> Operated by Southwest Human Development, Early Childhood Business Solutions offers tailored small business support for child care providers. Services include business planning, financial management training, and licensing assistance, specifically geared toward early childhood entrepreneurs.
- <u>LISC Phoenix (CDFI)</u> LISC Phoenix is a Community Development Financial Institution (CDFI) that offers
 financing, technical assistance, and strategic support to both nonprofit and for-profit child care providers. Their
 child care lending efforts are designed to strengthen the sector's physical infrastructure and promote equitable
 access to quality care.
- <u>Small Business Development Center (SBDC)</u> Provides a series of workshops, consulting services and engagement resources and opportunities for entrepreneurs, communities and other business entities across the state in a variety of industries and sectors, including for child care businesses.
- <u>Executives Partnering to Invest in Children (EPIC)</u> Provides comprehensive project consulting and feasibility services, which includes subject matter expertise as well as project management, funding source identification, and overall technical assistance support.
- <u>AZ Toolkit</u> The AZ Toolkit is a subscription website packed with resources built specifically for the early ed profession. Log in to ONE site and quickly find everything you need to run your program right at your fingertips.

In Closing

It is the sincerest wish of the authors of this guide that your organization is successful in ensuring its employees are supported in their needs as working parents, to be the best employees they can be while caring for young children. Hopefully, this guide has expanded the user's understanding about the critical elements of launching employer-based child care programs and sets the organization off on a successful path forward.

Acknowledgments

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Footnotes

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