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# Alternate Child Care Licensing Models

12/22/2022

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# Contents

- I. Executive summary ..... 4
- II. Legislation ..... 7
- III. Introduction ..... 8
  - Purpose of report ..... 8
  - Methods ..... 8
    - Workgroup..... 8
    - Public feedback..... 9
    - Literature review ..... 10
- IV. Findings ..... 11
  - A. Literature review / examples from other states ..... 11
  - B. Public feedback ..... 16
- VI. Report recommendations ..... 23
- VII. Appendix ..... 25
  - A. Workgroup members and affiliations ..... 25
  - B. Bibliography..... 26

# I. Executive summary

## Introduction

The Minnesota Legislature initiated the Alternative Child Care Licensing Models project in 2021 to make recommendations related to child care models that are not currently allowed under state statutes as part of Minnesota Laws 2021, 1st Special Session, Chapter 7, Art. 1, Sec. 83. The project came out of a recommendation from the Family Child Care Task Force and seeks to provide a potential solution to Minnesota's multi-faceted child care crisis. Wilder Research prepared this report in consultation with the Department of Human Services and a workgroup advising the project.

## Methods

Wilder Research hosted a total of five listening sessions in May and June 2022 to explore the strengths and challenges of the current licensing models. Input was also accepted via an online feedback form. Overall, 360 people either participated in a listening session or provided feedback via the form. The vast majority of the feedback came from licensors and child care providers, about evenly split between Greater Minnesota and the Twin Cities. In addition, Wilder Research conducted a review of relevant literature and other states' websites.

## Findings

**A review of relevant literature and other states' model found that Minnesota's current child care licensing structure is similar to other states, though the special family child care license model is unique.** Minnesota currently has two types of child care licenses: family child care (FCC) and child care centers. Within family child care licenses, there are seven classes of licenses with various capacity limits by age, and a maximum of 14 children and two providers (Minnesota Rules, part 9502.0367). Minnesota offers a special family child care license, which allows providers to operate a family child care program in a mixed-age, nonresidential setting, most commonly in a church or school. First Children's Finance calls this "small group care" and recognizes Minnesota's special family child care license as innovative.

**Some other states offer a "small center" or "group child care license" for medium-sized programs, or use a point-based system to determine ratios; listening session participants are interested in this model.** Currently in Minnesota, child care providers who are interested and able to find space and staffing for over 14 children must obtain a child care center license, which requires providers to group children by age categories.

During the listening sessions, many FCC providers expressed interest in growing their programs. They currently cannot serve more than 12 children without an assistant. With an additional adult caregiver, they are able to add two children; but many providers reported that hiring someone to serve just two additional children is not financially viable even with community demand and the space or facilities available. Many expressed interest in a model for mixed-age programs (like FCC programs) that would allow more than 14 children.

**Child care networks and pods are program models that allow providers to share resources.** Under the network model, individual providers in different locations are supported by an umbrella organization that provides administrative support. Under the pod model, individual providers operate in the same building, sharing some resources. In 2021, the Minnesota Legislature modified Minnesota Statutes § 245A.14 to allow organizations to hold up to four special family child care licenses, wherein one organization operates four programs either within the same location or at separate locations. However, each licensed program must still operate as a distinct and separate program, making it difficult for providers in a pod to share space, staff, or other resources.

## Recommendations

The workgroup developed a framework for two models: **the umbrella model** and the **mid-sized model**. The commissioner supports further exploration of these models.

**The umbrella model** is a way to grow family child care. This model would allow one individual license holder or owner to oversee or manage multiple family child care programs. Under this model, FCC programs could share the time and resource burden of licensing and operations, as well as facility space, when appropriate. This model may be particularly attractive to FCC providers who would like to combine with other providers to share the business costs, while retaining separate spaces and relationships with the families and children they serve.

**A mid-sized model** is a way to increase the number of smaller child care centers licensed and monitored through DHS. The mid-sized model would be particularly beneficial to providers serving Greater Minnesota, where participants reported that there is more demand than the current FCC providers can handle, but population density cannot support a child care center.

The commissioner also recommends looking at whether additional child care models are needed to cover programs such as day camps or sport programs that provide full-day child care but do not fit in the traditional child care center model.

These models have a potential to offer additional options for licensed child care in Minnesota. The department is committed to continued engagement with relevant stakeholders about these models. It is important that the department consider these models in the context of the larger child care industry, including the geography, density, and impact to existing child care providers. Additionally, consideration should be given to how development of any new models fits with other ongoing projects, including the child care regulation modernization project.

## Conclusion

Minnesota is currently experiencing a child care shortage, workforce challenges, and high costs of child care. New models of licensed child care, such as the umbrella model and the mid-sized model, could help address these challenges. The department is committed to continuing to explore development of these models to better serve children and families in Minnesota. If the legislature is interested in pursuing these models, the department will need sufficient tools and time to devote to addressing the questions, issues, and nuance identified in this report.

During both the listening session and workgroup meetings, what is possible under the existing FCC and center licensing rules was discussed at length. People were not always aware of the breadth of possibilities. Education and messaging, both about underutilized opportunities under the current rules, and new opportunities as these rules change in the coming years and legislative sessions, could encourage providers to adapt the child care they offer in ways that better serve the needs of the community.

These alternative license models may increase capacity and the financial sustainability of child care throughout the state; however, child care will still be expensive to provide. A new model or models may address these concerns, in part; however, they are unlikely to fully address all the challenges facing the child care industry. Addressing the shortage and expense of child care facing families, and the financial and staffing challenges faced by providers and centers will need a multi-pronged approach.

## II. Legislation

Minnesota Session Laws - 2021, 1st Special Session

### CHAPTER 7

#### Sec. 83. DIRECTION TO COMMISSIONER OF HUMAN SERVICES; ALTERNATIVE CHILD CARE LICENSING MODELS.

The commissioner of human services, in consultation with counties, child care providers, and other relevant stakeholders, shall review child care models that are not currently allowed under state statutes, including licensing standards related to age, group size, and capacity. The commissioner must consider whether any models could address the state's child care needs while protecting children's safety, health, and well-being and make recommendations for implementing the models that meet these criteria. No later than January 1, 2023, the commissioner of human services shall report the recommendations to the chairs and ranking minority members of the legislative committees with jurisdiction over child care licensing.

# III. Introduction

## Purpose of report

The Minnesota Legislature initiated the Alternative Child Care Licensing Models project in 2021 to review and make recommendations related to child care models that are not currently allowed under state statutes. This report is submitted by the Commissioner of Human Services pursuant to Minnesota Laws 2021, 1st Special Session, Chapter 7, Art. 1, Sec. 83. The legislature also authorized the Department of Human Services (DHS) to “allocate \$100,000 in fiscal year 2022 from the federal fund for a working group to review alternative child care licensing models.”

In 2019, the Minnesota Legislature created and directed a Family Child Care Task Force to “develop recommendations for alternative child care delivery systems that could be more financially viable in smaller communities with unmet child care capacity needs in greater Minnesota, which could include new licensure models for large group family child care or small capacity child care centers.” The task force’s legislative report, completed in February 2021, included a recommendation to convene a workgroup during 2021-22 to identify these new models not currently allowed under existing statutes. The task force had a specific interest in licensing models for large group family child care or small capacity nonresidential child care centers.

This project seeks to provide a potential solution to Minnesota’s multi-faceted child care crisis. The need for child care far outweighs the current supply. The number of Family Child Care (FCC) providers has been decreasing, as long-time providers retire, and it becomes more and more financially difficult to operate a child care business with a living wage and benefits. The goal is to increase child care capacity by offering alternative licensing models that are financially viable, while ensuring the safety and well-being of children in the care of licensed providers. Child care providers also play a role in the healthy development of children. For holistic development, children need access to safe and age-appropriate materials, facilities, and provider-to-child interactions.

Wilder Research prepared this report in consultation with the Department of Human Services and a workgroup advising the project (see Appendix for workgroup members’ names and affiliations).

## Methods

### Workgroup

The following meetings were held with the workgroup:

- April 4, 2022 – initial meeting to address the legislation, identify the purpose of the workgroup, and provide input on the process for conducting listening sessions
- June 2, 2022 – review and discussion of the types of child care programs that are difficult to license under current statute
- August 1, 2022 – review preliminary findings from listening sessions (described below)



- September 12, October 7, and October 28 – design an alternative license by walking through each component of a license, such as capacity, settings, age groupings, and provider-to-child ratios

## Public feedback

Wilder Research hosted a total of five listening sessions. Two were held with licensors in conjunction with their regularly scheduled monthly meetings. The public listening sessions were advertised via flyers sent to the email addresses of current license holders, workgroup members, and to the Children’s Cabinet child care related listserv. In the flyers, people were asked to register via a link. Registration was capped at 60 people per session. Individuals who were unable to attend a listening session were encouraged to share their input through a feedback form. While each session was geared to a particular group based on their role and location, participants self-selected into the group in which they wanted to participate. Overall, 360 people either participated in a listening session or provided feedback via the form. The vast majority of the feedback came from licensors and child care providers, about evenly split between Greater Minnesota and the Twin Cities.

In both the listening sessions and the feedback form, Wilder Research asked a series of questions about the strengths and challenges of the current models. In the listening sessions, Wilder presented the questions and then divided participants up into small groups to collect responses. The feedback form mirrored this structure and had text boxes for people to enter their responses.

The questions presented during the listening sessions included the following:

- Strengths of the current models: What’s working well about the current child care models? (Consider things like the facilities where child care is provided, capacity and ratio limits, or other aspects of the model that are working well to meet families’ needs and protect the health and safety of children.)
- Challenges of the models: What barriers exist? What are things that you would do differently if the models allowed? What areas of unmet need do you see frequently?

Wilder identified in real time the most common challenges that participants communicated, and developed breakout groups based on those challenges. Participants then self-selected into a group based on interest, and discussed root causes and solutions. Breakout groups were prompted to discuss the following questions:

- What events or circumstances come before this challenge?
- What are the broader circumstances that led to this challenge?
- What types of models or changes to the current models would be helpful in your community?
- What type of model would help increase capacity but does not exist in Minnesota?

Date	Group	Number participating	Challenges discussed in part 2 of session
5/19/2022	County licensors (for family child care)	126	Zoning, nature based programming, time off for providers and substitutes, mixed-age childcare

Date	Group	Number participating	Challenges discussed in part 2 of session
5/24/2022	Twin Cities child care providers	51	Capacity limits for FCC providers Unable to earn a living wage Hiring and staffing Capacity ratios Lack of substitutes
5/26/2022	DHS licensors (for centers)	45	Finding qualified staff Age groupings Equipment and facility requirements Licensing unique models
6/1/2022	Greater Minnesota child care providers	34	Credentials/qualifications Licensing outdoor programs Capacity limits Infant/toddler ratios
6/2/2022	Greater Minnesota community members at-large (*Many of these attendees self-identified as providers during the discussion.)	44*	Staffing Ratios Discrepancies with school-based programs
May – July 2022	Open feedback form <ul style="list-style-type: none"> <li>• Providers in the Twin Cities (26)</li> <li>• Providers in Greater Minnesota (25)</li> <li>• Licensors (4)</li> <li>• Child development experts (2)</li> <li>• Other (3)</li> </ul>	60	N/A

## Literature review

Wilder Research conducted a review of relevant literature and other states’ websites by searching the web and academic databases for examples of other child care licensing models. While the National Database of Child Care Licensing Regulations has links to state licensing agency contact information, licensing regulations, and links to other early childhood program standards, much of the work required manual searching individual state websites. Wilder focused on neighboring states and states with similar characteristics to Minnesota with a metropolitan area surrounded by areas that are more rural. In addition, Wilder reviewed reports and documents related to previous work done in Minnesota. There are several elements of a child care model that arose throughout the course of this research. These include settings/facilities, capacity, age groupings, and staff-to-child ratios. Wilder Research explored how other states addressed these components. A bibliography of the articles and reports reviewed is in the Appendix.

# IV. Findings

## A. Literature review and examples from other states

**Minnesota’s current child care licensing structure includes two models, similar to other states.**

Minnesota currently has two types of child care licenses: family child care (FCC) and child care centers. Within family child care licenses, there are seven classes of licenses with various capacity limits by age, with a max of 14 children and two providers for a class C3 group family child care license (Minnesota Rules, part 9502.0367). Maximum capacity for a child care center varies depending on the center’s square footage.

Many other states have similar licensing models that distinguish between small family in-home providers and center-based care. For example, Washington, Iowa, Illinois and Ohio programs have a similar structure, with some small variations in the capacity limits.

State	Family Child Care	Centers
<a href="#">Washington</a>	Family home child care  Up to 12 children in a home	Child care centers  Care provided in a facility
<a href="#">Iowa</a>	Child development home (category A or B)  Up to 14 children in a home	Child care centers  Care provided in a facility
<a href="#">Illinois</a>	Day care homes or group day care homes  Up to 16 children in a home	Day care centers  Care provided in a facility
<a href="#">Ohio</a>	Family child care homes (type A or B)  Up to 12 children in a home	Child care centers  13+ children in a facility

State	Family Child Care	Centers
<a href="#">Minnesota</a>	Family child care home  Up to 14 children with two adult caregivers	Child care centers  Care provided in a facility Maximum capacity varies depending on square footage

### Minnesota’s special family child care license model is unique.

Within the FCC license model, Minnesota offers a special family child care license, in which providers can operate small programs, up to 14 children in a mixed-age setting, in a nonresidential setting, most commonly in a church or school. First Children’s Finance calls this “small group care” and recognizes Minnesota’s special family child care license for nonresidential settings as innovative.

- *“Licensing mixed-age, small group care in nonresidential spaces is an underrecognized, innovative opportunity to build child care supply that meets the needs of families in rural and urban communities” (First Children’s Finance, 2021, p. 4).*

Other states also have licensing models that allow flexibility in settings for small, mixed-age programs in which “small group care” licenses are available for either in-home or out-of-home settings. These states include Colorado, Nebraska, Idaho, and Kansas.

### Alignment with Minnesota’s licenses

State	Family Child Care	Other Licensed Child Care	Centers
<a href="#">Colorado</a>	Family child care home or large child care home  Up to 12 children in a home	Small child care center  Up to 15 children in a facility	Large child care center  16+ children in a facility
<a href="#">Nebraska</a>	Family child care home I  Up to 10 children in a home	Family child care home II  Up to 12 children in a home or facility	Child care centers  13+ children in a facility
<a href="#">Kansas</a>	<i>Intentionally left blank</i>	Day care home or Group day care home  Up to 12 children in a home or facility	Child care centers  13+ children in a facility

State	Family Child Care	Other Licensed Child Care	Centers
<a href="#">Idaho</a>	<i>Intentionally left blank</i>	Group day care Up to 12 children in a home or facility	<i>Intentionally left blank</i>
<a href="#">Minnesota</a>	Family child care home or special family child care provided in a nonresidential setting  Up to 14 children with two providers	<i>Intentionally left blank</i>	Child care centers  Care provided in a facility  Maximum capacity varies, depending on square footage

Listening session participants identified nomenclature as a challenge to operating small group child care programs. With the name “family child care,” people assume it applies only to in-home settings. The 2019 Family Child Care Task Force recognized a similar challenge and recommended (recommendation 5.3) that non-residential based “special family child care” be classified into a new type of license, rather than embedded in the FCC license (Minnesota Department of Human Services, 2021, p. 7).

**Some states offer a “small center” or “group child care license” for medium-sized programs.**

Currently in Minnesota, child care providers who are interested and able to find space and staffing for over 14 children must obtain a child care center license and group children by age categories. Barriers to becoming a small center can include finding qualified staff for different age groups, complying with fire code, and various commercial kitchen requirements.

Family child care and special family child care programs are limited to a maximum capacity of 14 children. Barriers to becoming a special family child care program in a location other than a home include complying with fire code and various commercial kitchen requirements.

North Dakota offers a model for medium-sized programs that may be worth considering in Minnesota. Under North Dakota’s “[Group License](#),” providers can serve up to 30 children depending on space and staffing. The setting can be either in- or out-of-home, children can be in mixed-age classrooms, and multiple adults care for a group of children. The required ratio is based on a points system (described in the next section). This model was of particular interest to the 2019 Family Child Care Task Force as a way to both grow capacity in rural communities that may not be able to sustain a larger child care center, and support and retain experienced providers “who are more business minded and want a managerial/owner role” (Minnesota Department of Human Services, 2021).

[Wisconsin](#) is unique in that it offers two types of licenses, similar to Minnesota, though these licenses are based only on size and not restricted to either a residential or a noncommercial space. Wisconsin’s Family Child Care Center license is for programs serving up to eight children, and the Group Child Care Center license is for programs serving nine or more. While “family” programs typically operate in the provider’s home and the “group” license is typically offered in a nonresidential space, it is not required. Small “family” programs can legally operate in a nonresidential space, as long as they meet building requirements. Similarly, the larger “group” programs could operate in a residential space.

**Point-based systems to determine ratios allow for greater flexibility.**

Currently in Minnesota, each class of family child care licenses dictates the number of children a provider can have for each age and the number of staff needed. For example, the class A family child care license allows up to 3 infants and toddlers, with no more than 2 infants, and a total of 10 children with 1 provider. Whereas the class C3 group family child care license allows up to 14 children with 2 adult caregivers, with a maximum of 4 infants and toddlers, with no more than 3 infants. There are seven different types of family child care licenses, with different capacity and ratio structures. As an example, the figure below shows the current capacity limits for a class A family child care license (Minnesota Department of Human Services, 2016, p. 2).



These rules are in place to help create a safe provider-to-child ratio. A few other states use a point-based system for determining provider-to-child ratios. Under North Dakota’s Group License, providers can serve up to 30 children under age 12 depending on square footage and the number of adults required is dependent on a number of points; the youngest children have the highest point level (i.e., from 0.25 points for infants and 0.05 points for elementary age; Child Care Aware of North Dakota, 2022). North Dakota’s Group License does limit the number of infants (children under age 18 months) to 4 at any given time. Idaho uses a similar system with a maximum of 12 points per staff member. Infants and toddlers are 2 points and elementary-age children equal ½ a point (Idaho Public Health, 2022). In Wisconsin, Group Child Care Centers (serving nine or more children) can operate mixed-age programs using a points system (Wisconsin Department of Children and Families, 2019).

## Child care networks and pods may be more feasible under a different model.

Child care networks and pods are program models that allow providers to share resources.

- Under the **network model**, individual providers in different locations are supported by an umbrella organization that provides administrative support. For example, the [Chambliss Center for Children](#) in Chattanooga, Tennessee manages a child care network of individual child care providers who provide care to the children of staff in 12 elementary schools. The Chambliss Center provides overall administrative support. Under Tennessee’s licensing requirements, each provider has their own Group Child Care Home license.
- Under the **pod model**, individual providers operate in the same building, sharing some resources. MAHUBE-OTWA Community Action Partnership operates a child care pod at the Detroit Lakes Community and Cultural Center, where individually licensed FCC providers rent out spaces, each with an individual address, within the building to provide care. Each provider cares for and manages payment for the children in their program (MAHUBE-OTWA Community Action Partnership, n.d.).

In 2021, the Minnesota Legislature modified Minnesota Statutes § 245A.14 to allow organizations to hold up to four special family child care licenses, wherein one organization operates four programs either within the same location or at separate locations. However, each licensed program must still operate as a distinct and separate program, making it difficult for providers in a pod to share space, staff, or other resources.

## Outdoor or nature-based programs are of interest to parents and providers.

Outdoor preschools are increasingly popular. So much so that the University of Minnesota Duluth recently started a Bachelor of Applied Science in Childhood Nature Studies (Kraker, 2022). Outdoor programs are different from traditional preschools in that they spend most, if not all, of their time outdoors, and are guided by nature-based curricula. These programs currently may operate within the existing licensing models; however, licensing requires a physical address, an indoor facility, and square footage requirements. Some outdoor programs may meet one of the exclusions from licensure in Minnesota Statutes § 245A.03, Subdivision 2 (2021). License-exempt programs, however, are not able to receive Child Care Assistance Program funding.

After piloting outdoor preschools in 2017, Washington state passed a law to license full-day outdoor preschools in 2021. Washington’s Outdoor Nature-Based (ONB) Child Care license is for providers who serve children age 3-12 outside at least half the day using nature-based educational programming or curricula on an ongoing basis (Washington State Department of Children, Youth and Families, 2021). The licensing standards require bathrooms be available either indoors in a nearby facility, or portable toilets, and sleep accommodations must be provided that are not on the ground. Staff are required to have training or experience in ONB programs, and other requirements are documented in this guide: [Outdoor Nature-Based \(ONB\) Child Care Touchstone Standards](#).

## B. Public feedback

### Strengths and weaknesses of Minnesota's current licensing models

As previously noted, the listening sessions and feedback form invited people to discuss and share their thoughts on the strengths and weaknesses of Minnesota's current licensing models. This step was taken to ensure that alternative licensing models would address the challenges and build on the strengths.

The feedback<sup>1</sup> fell into four main categories:

- Staffing and staff qualifications
- Ratios, capacity, and age categories
- Flexibility within the existing system
- Alternative settings and program models

#### Staffing and staff qualifications

Safe, high quality early childhood care and education comes from having educated and experienced individuals in lead positions.

Participants spoke at length about the difficulties child care programs, especially centers, experience in finding and hiring qualified staff. The lack of staff is contributing to the child care shortage; without staff, programs cannot operate at their full licensed capacity. Temporary staffing modifications allowed during the COVID-19 peacetime emergency were greatly appreciated by center providers.

Participants also reported that the differing qualifications required for center-based staff and FCC providers create confusion and the perception of inequality. Having separate rules about qualifications means that a provider who has spent their career in family child care may not be qualified to work as a lead teacher in a center. Child care workers, regardless of which model they work in, are providing the same service within the same industry.

Finally, it is difficult to earn a living wage as a child care provider, and FCC providers, in particular, often lack access to benefits unless they have a spouse who has benefits through another employer (Casale et al., 2020).

- ➔ Based on this feedback, alternative licensing models should take into account the necessary qualifications that ensure a child care setting is both high quality and physically safe, in that it supports the development of children. Alignment with other efforts to professionalize the child care workforce,

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<sup>1</sup> Many people shared feedback on how they thought the statutes or rules governing the current FCC and center licenses should be changed. We share that feedback here in order to honor what participants shared with us. However, that work falls outside the scope of this Alternative Child Care Licensing Models project and more closely aligns with the work of the Child Care Regulation Modernization Projects.



such as the Great Start Task Force and Transforming the Early Childhood Workforce Committee, will be important.

### **Ratios, maximum capacity, and age categories**

Participants noted that the different types of licenses allow providers flexibility in the type of program they offer. For example, FCC providers with the appropriate space could offer care to a group of up to 14 children of mixed ages, or can choose to provide care that is more specialized for younger children. Families and providers often like the mixed-age environment so that siblings can be together.

Child care centers typically serve larger numbers of children, divided into classrooms by age. This structure allows providers to serve larger numbers of children across age groups while still providing care tailored to a child’s developmental stage.

The two types of licenses have different ways of defining age groups. For example, a 14-month old is considered an infant in a center environment and a toddler in a family child care setting. Participants reported that having different age categories across the two types of licenses could be difficult to understand and navigate for providers and parents.

Many FCC providers also expressed interest in growing their programs. They cannot serve more than 12 children without an assistant. With that additional provider, they are able to add two children; but many providers reported that hiring someone to serve just two additional children is not financially viable even with community demand and the space or facilities available. Many expressed interest in a model for mixed-age programs (like FCC programs) that would allow more than 14 children.

- ➔ Based on this feedback, alternative licensing models should consider a medium-sized program that is bigger than the current FCC max (14 children) but does not have to follow all of the current child care center regulations.

Finally, providers reported feeling “in competition” with school-based programs for preschoolers and school-aged children. School-based preschool programs are governed by the Minnesota Department of Education and are not required to be licensed by DHS. These programs serve similar age children as those governed by DHS, yet have different rules and regulations. In addition, FCC providers may receive pressure from families to serve and hold space for school-age children. Within each FCC license class, providers can serve a mix of infants, toddlers, preschoolers, and school-aged children. Providers have expressed interest in more flexibility in allowing additional children in other age categories in place of school-age children. Participants expressed frustration that those spots couldn’t be taken by younger children whose parents can’t find spots anywhere else. In addition,

*I would like to see the option as a family child care provider to grow my business with other locations, and still remain in family child care. The option to be the director of family child care homes vs a center. More and more families are looking into alternative options outside of child care centers. – Family child care provider*

*Find safe ways to allow for more infant and toddler spaces, without needing to apply for variances (many counties never ever allow them so it’s an unfair system across the state). Parents need safe and affordable care for the children under age 3 within their communities. More options exist for preschool and older programming, but as new parents, with vulnerable infants, they struggle to secure ANY kind of care, let alone what they feel safe with. – Family child care provider*

with the increase of school-based programs for both preschool age and school-age children, providers report there is more demand for care for infants and toddlers.

- ➔ Based on this feedback, alternative licensing models may address this with more flexibility to serve infants and toddlers, which is in high demand, but children in these age groups also require a higher level of supervision and care.

### **Flexibility within the existing system**

FCC providers shared that there is currently some flexibility within the current license types. For example, some providers choose to serve only infants and toddlers, while some choose to serve only preschool children. Another benefit of family child care is that it allows children from the same family to be together during the day and includes a family home atmosphere.

Both state and county licensors can grant variances to rules that do not affect the health and safety of children in care. They cannot grant variances for statute unless specifically stated in statute. For centers, variances are short-term, temporary, and typically related to age categories and staff qualifications.

For FCC providers, counties have discretion over what variances they will issue and if they will issue variances at all. All counties are required to post their variance policies on their website. FCC providers greatly appreciate the flexibility of a county-administered system, and the support and flexibility their county provides through temporary variances (to rules, not statute). However, some listening session participants noted that not all counties allow variances, and what variances are allowed varies from county to county, which providers find confusing and inequitable.

- ➔ Based on this feedback, alternative licensing models should consider what variances are most commonly requested and/or granted and determine if any of those variances can be codified in an alternative licensing model without putting either the safety or healthy development of children at risk.

### **Alternative settings and other types of programs**

Under the current licenses, child care centers typically operate in nonresidential settings, and family child care providers operate in the home where the provider lives. The special family child care license, under the FCC rules, allows providers to provide care in settings other than their home. Participants in the listening sessions expressed interest in expanding child care in the following settings:

- Commercial buildings, such as office buildings or malls
- Outdoors, in parks, or pavilions
- Rental units, rental homes, or apartments

*In family child care you can choose which license class you would like to hold, which allows you to create the program you want. – Family child care provider*

*A strength we appreciate of group family child care is the flexibility in caring for children across ages in a smaller setting, with basic and necessary standards for safety and supervision. – Family child care provider*

*Families able to find care in their communities, children from the same family together in a FCC setting. Providers able to run a small business out of their homes. – Family child care licensor*

- Churches or other nonprofits

While operating in these settings is not explicitly prohibited under the existing licensing models, barriers exist. Licenses are attached to a physical address and need an indoor space for shelter and appropriate bathroom facilities, which can be a barrier to outdoor programs. In some cases, such as in rental units or churches, stakeholders expressed concern that the ownership structure and liability can be a barrier to operating child care programs in rental units, or churches and nonprofits that are governed by boards of directors.

- ➔ Based on this feedback, alternative licensing models should consider whether barriers could be removed to expand child care in spaces and buildings that are available and safe for children.

## C. Workgroup feedback

### Workgroup's interest and process

Wilder Research conducted a series of workgroup meetings with participants identified by DHS (See Appendix A for a list of workgroup members). During the initial workgroup meetings, Wilder reviewed and discussed the findings from previous stages of the projects, including the licensing models used in other states, and the data gathered from the listening sessions and the feedback form. During initial conversations, the workgroup discussed the following broad issues facing child care, which guided conversations throughout the course of the project:

- **Creating capacity**, especially in rural Minnesota. As noted frequently in the news, Minnesota and the nation is facing a child care shortage. The Greater Minnesota community is especially interested in leveraging existing buildings and vacant spaces for child care.
- **Financially sustainable child care**. The current models of FCC and center-based care are very difficult to make financially viable without charging parents extremely high rates.
- **Integrating with other efforts**. Other efforts are underway to address the challenges faced by Minnesota's child care industry including the Child Care Regulation Modernization project and the Transforming the Early Childhood Workforce workgroup. Some of the challenges brought up by listening session participants may be better addressed as part of these efforts than through the development of a new licensing model.
- **Promoting the healthy development of children**. While the spaces where care is provided must have child-to-staff ratios that are physically safe for children, programs also need to be staffed to ensure children develop appropriately. As Child Trends has reported,

“...children who are cared for in ECE settings with lower child-to-staff ratios receive more stimulating and responsive care, and engage in more verbal interactions with their caregivers. Such interactions can foster the secure attachments that are critical for children's socioemotional well-being and lay the foundation for children's ability to build healthy relationships in the future. Lower child-to-staff ratios and smaller group sizes have also been

associated with children’s positive development, including higher social competence, communication and language skills, and cognitive development” (Miranda, 2017).

- **Supporting existing FCC providers and centers:** The child care industry as a whole should be supported, with considerations to how existing FCC providers and centers may be uniquely impacted by changes.

Following these initial conversations, Wilder Research then pivoted the meetings to the development of alternative licensing models. Wilder facilitated the conversation around the components of licensing models, including the logistical, financial, and child well-being considerations that are important for child care facilities to effectively serve children, families, and the community. Components include:

- **Setting and structure.** This includes the physical location and facilities, and whether child care programs have the opportunity to share space with other care facilities (for example, nursing homes and other child care facilities).
- **Capacity and age ratios.** This includes the number of children served and the number of staff at a child care program. Child safety and well-being needs to be a priority, including meeting children’s needs for physical safety and healthy development.

Throughout these conversations, two models continued to come up—the umbrella model and the mid-sized model—which are discussed in detail below.

## The umbrella model

The umbrella model would allow one individual license holder or owner to oversee or manage multiple family child care programs (current rules allow an organization to oversee up to four individual FCC programs in the same building). Under this model, FCC programs could share the time and resource burden of licensing and operations, as well as facility space, when appropriate. This model may be particularly attractive to FCC providers who would like to combine with other providers to share the business costs, while retaining separate spaces and relationships with the families and children they serve. Listening session participants, particularly those from family child care settings, reported that there are two sides of their job—providing child care and running a small business. While they have spent their careers becoming experts at keeping children safe, happy, and well cared for, running a family child care requires them to also be business savvy with expertise in accounting and organizational management. Listening session participants often noted that to make a family child care program financially viable they wanted to serve additional children. If these family child care programs were allowed to share the business overhead costs, their financial viability would improve without adding additional children beyond a point that is safe or healthy. In addition, the umbrella model may encourage individuals who have a background in child care to enter the field, who may otherwise be deterred by the financial or organizational knowledge required to be a FCC provider. It may also provide an alternative to current providers who are considering leaving the profession because they are overwhelmed by running a small business.

- **Setting and structure.** Workgroup members believe this model could be used in residential or commercial spaces. The umbrella model should allow family child care providers to share business and licensing tasks, but not to operate as one program in the way they serve children. If all children are

considered part of the same program, rather than different programs under the same umbrella, then the program is a center. The model may allow for shared space, such as shared playgrounds, shared food preparation facilities, etc. If sharing a building is possible there should still be clear distinctions between programs, i.e., children or staff cannot move between programs/rooms throughout the day.

Since there are multiple programs operating independently but under the same umbrella, unique issues arise in incidents where there is an investigation or a licensing sanction. The workgroup recommended that these investigations or sanctions be focused on the single program with the licensing action rather than all programs under the umbrella.

Since this model would allow for programs operating in different places, it might be the case that settings will be in different counties. Since the counties are responsible for licensing and license infractions, issues may arise. The workgroup advised DHS to explore rules about franchises in food service, since similar issues will arise there.

- **Capacity and age ratios.** Size and age grouping rules should be drawn from the family child care model. This means the capacity should be 10-14 children per program under the umbrella, depending on the age of the children and number of adults.

## The mid-sized model

The workgroup noted that smaller, rural communities simply cannot support a larger child care center, yet it can be financially and logistically difficult for child care centers to serve a smaller number of children. This is because current child care center rules require that children of similar age are grouped together with at least one adult according to ratios. For example, a center serving 30 infant, toddler, and preschool children would require the children to be separated into three groups and staffed according to ratios for each group.

The mid-sized model would be particularly beneficial to providers serving Greater Minnesota, where participants reported that there is more demand than the current FCC providers can handle, but population density cannot support a child care center. One group member pointed out that “A smaller number of kiddos with more flexibility with staffing and ratios would make a big difference for opening a center in a smaller, rural community of only 3,000 people.”

- **Setting and structure.** Similar to the umbrella model, the mid-sized model could be implemented in either commercial or residential spaces. While the umbrella model will likely draw heavily from the FCC rules, this model should draw from both FCC and center rules, depending on how many children are being served, how different age groups are served, and how many children will operate the same space at the same time.
- **Capacity and age ratios.** This model is designed to serve over 12 children. The workgroup discussed whether to cap this model at 50 or 75, and recommended that DHS draw on data about child development and current financial performance of smaller child care centers to determine such a cap. Mixed-age groups are allowed within this model. The Group Child Care License in North Dakota also serves as an example for possible rules about adult-to-child ratios.

## New model implementation

Overall, the workgroup wants to support people to provide care in the most flexible way that still keeps children safe and supports their development. The following considerations will need to be made to move either (or both) models toward implementation.

- How to integrate new models into existing support services and programs, such as the stabilization grants. For example, would programs with these new models be eligible? Would a licensee under the umbrella model be eligible for one grant or one per program?
- Whether the new licensing models should be licensed by counties (like current FCC license) or the state (like current center license).
- If these new licensing models are allowed to operate in residential space, does that mean the home needs to be the primary residence of the provider or not?
- Consider the Child Care Regulation Modernization Project, and that rules may change in the future. These new licensing models may no longer add value or be needed after undergoing this process.
- Greater Minnesota has different child care needs than the Twin Cities Metro does, and these models may operate differently depending on geography. In order to meet these differing needs, DHS might consider requiring applicants to justify a community or business need when applying for a license under one of these alternative licensing models.
- In general, providers need resources, technical assistance, and license training, particularly for any new licensing models. DHS needs resources to build the infrastructure around processing and supporting these new models.
- The qualifications for staff in either model needs to be determined and aligned with other changes to staff qualifications that are currently underway. Specifically with respect to the umbrella model, the qualifications of the license holder (the person operating the business and overseeing providers) needs to be created, as that role is different than a typical FCC provider.
- Consider the unintended consequences on programs that are licensed under one of the current models and whether and how they might transition to one of the new licensing models, if applicable.

## Conclusion

During both the listening session and workgroup meetings, what is possible under the existing FCC and center licensing rules was discussed at length. People were not always aware of the breadth of possibilities. For example, a church can have four separate FCC providers operating in four rooms under existing licenses, and the special family child care license allows FCC providers to operate in commercial spaces.

Education and messaging, both about underutilized opportunities under the current rules, and new opportunities as these rules change in the coming years and legislative sessions, could encourage providers to adapt the child care they offer in ways that better serve the needs of the community.

Finally, these alternative license models may increase capacity and the financial sustainability of child care throughout the state; however, child care will still be expensive to provide. A new model or models may address these concerns, in part: however, they are unlikely to fully address all the challenges facing the child care industry. Addressing the shortage and expense of child care facing families, and the financial and staffing challenges faced by providers and centers will need a multi-pronged approach.

## VI. Report recommendations

The commissioner appreciates the workgroup's feedback and time dedicated to developing the framework for the umbrella model and the mid-size model. These models have a potential to offer additional options for licensed child care in Minnesota which should be explored further. The department is committed to continued engagement with relevant stakeholders about these models. It is important that the department consider these models in the context of the larger child care industry, including the geography, density, and impact to existing child care providers. Additionally, consideration should be given to how development of any new models fits with other ongoing projects, including the child care regulation modernization project.

### Umbrella model

The commissioner supports exploring the development of an umbrella child care model as a way to grow family child care capacity under the county-delegated licensing system. This model merits further consideration, including in the following areas.

- License structure: The license structure will require significant discussion and planning.
  - What are the expectations for the license holder? What are the expectations for the owner? There must be clarity on who is responsible for the operation at the program ownership level vs. the individual provider level.
  - How is the program licensed vs. individual locations?
  - What is the interplay of licensing actions and how they affect owners, license holders, multiple locations, etc.?
- Shared space or equipment: Who is held accountable when multiple license holders share space or equipment? What parameters are needed to ensure programs can share space or equipment but still operate independently?
- Commercial space: What additional supervision or safety considerations are needed for programs operating in a commercial space with access to the public?

### Mid-sized model

The commissioner supports exploring the development of a mid-sized model as a way to increase the number of smaller child care centers licensed and monitored through DHS. Development of this model will require further conversations and research. The commissioner recommends giving the following topics and questions further consideration.

- Capacity: What is an appropriate capacity for a mid-sized model? How would creation of this new model impact existing child care centers of this size? When is it appropriate to mix age groups, and when does

that put children at risk? The commissioner recognizes the need to balance financial viability with maintaining the health and safety of a large group of children.

- Staffing: What should staffing considerations be for this model?
- Staff-to-child ratios: What staff-to-child ratios are needed to protect children and promote healthy child development?
- Setting: How could larger numbers be served in a residential setting? What fire code or zoning issues might be a barrier in this model?
- Meal requirements: What are the meal requirements? Will programs need a commercial kitchen? Will programs need a food service license from the Department of Health? What are the considerations to be eligible to participate in the Child and Adult Care Food Program (CACFP)?
- Infant or toddler care: How could this model support targeted age groups?

## Other models

The commissioner also recommends looking at whether additional child care models are needed to cover programs such as day camps or sport programs that provide full-day child care but do not fit in the traditional child care center model. While not mentioned by the workgroup, the department has seen a significant increase in programs like these and frequently receives questions about how they fit within the current regulatory framework. These programs often do not clearly meet a current exclusion from licensure but also do not operate like a child care center. The commissioner recommends research into how other states address these types of programs and further engagement with stakeholders on this topic.

## Conclusion

Minnesota is currently experiencing a child care shortage, workforce challenges, and high costs of child care. New models of licensed child care, such as the umbrella model and the mid-sized model, could help address these challenges. The department is committed to continuing to explore development of these models to better serve children and families in Minnesota. If the legislature is interested in pursuing these models, the department will need sufficient tools and time to devote to addressing the questions, issues, and nuance identified in this report.



# VII. Appendix

## A. Workgroup members and affiliations

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