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**Christy Kallevig:** Welcome to Vital Connections on Air, a podcast brought to you by University of Minnesota Extension Center for Community Vitality that explores the trends and topics important to communities and leaders throughout Minnesota. My name is Christy Kallevig, Extension Educator for the Center for Community Vitality. Today we continue exploring Minnesota's workforce challenges as we learn about what is being done in west central Minnesota to address the childcare issues that they are facing. I had the opportunity to visit with Greg Wagner, who is the Business and Economic Development Director for the West Central Initiative. Welcome to the podcast Greg.

**Greg Wagner:** Thanks Christy. Glad to be a part of it.

**Christy Kallevig:** Tell us a little bit about the West Central Initiative Foundation. What communities you serve and what you do within the foundation?

**Greg Wagner:** Sure. Well, West Central Initiative is one of the six Minnesota initiative foundations that have been around for actually 31 years now, and we all have our respective region that we cover in greater Minnesota, and West Central Initiative covers the nine counties in west central Minnesota. So, that's Becker, Clay, Douglas, Grant, Otter Tail, Pope, Stevens, Traverse, and Wilkin counties.

**Christy Kallevig:** And what is the main work that the initiative focuses on?

**Greg Wagner:** Sure, we really have three primary focuses in working with our communities, and that's kind of our tagline is we provide resources for our communities to be successful. Those three focus areas we work in [are] economic development, community development, and philanthropy; and so we have some gap financing programs where we provide business loans to businesses that are located within our region. We have some grant programs for local governments for nonprofits and then we assist communities or individuals in philanthropic pursuits, getting fundraising or setting up donor advice funds or a local community fund for a public philanthropic project.

**Christy Kallevig:** Today, we're talking specifically about childcare. Can you tell me what childcare looks like in your area in the state? Are you seeing a shortage in childcare or are there ample resources for families?

**Greg Wagner:** Sure, so, whenever you mention the word workforce — either before or after that word, comes shortage of childcare. And so it's a very well-known fact on the ground, I would even say it statewide, and down in St. Paul. It's definitely a recognized challenge for Greater Minnesota, and for our region as well. We are seeing a childcare shortage, actually, at crisis proportions and that is definitely having impacts on the workforce. Both having available

workers not being able to take employment on because someone has to stay home and take care of the kids, and even the childcare workforce. Finding people in the childcare field is also another challenge that is impacting the workforce. The Center for Rural Policy and Development has put out a study, I think it was January or early 2017 or late 2016, called *Rural Reality: the Childcare Shortage, the Quiet Crisis*. Specific to West Central Initiative Region, we have a 22 percent shortfall in the number of spaces needed to accommodate the number of children under six with both parents working. So, it's not a looming crisis. It's here and now.

**Christy Kallevig:** And so what are some of the things that are being done in west central Minnesota to address that crisis?

**Greg Wagner:** One of the aspects that all of the Minnesota Initiative Foundations have in common, is we all have early childhood focuses in some of our programming. And with that we have very close relationships with both childcare center directors, with the early childhood communities in our communities, and also with home-based childcare providers, as well through networks that they convene. And over the years, childcare has always been definitely a needed component to having a healthy and viable workforce. And so we've had programs that support childcare both the center-based care and the home based care. We're a non-profit childcare center. West Central Initiative has a grant program that provides a set amount of dollars per license slot that they create to help offset operating costs or pretty much any factor of running the business. It's pretty unregulated with what they can do with the funding. Then most recently for license home base childcare West Central Initiative has always had a loan program where we provided kind of start up financing for childcare in the home. There's always an associated licensing cost, the buying of toys and equipment, higher safety improvements, egress windows, and fencing. So we've always had a loan program that allowed a license provider to borrow up to three thousand five hundred dollars and then that was payable with a small interest rate as well. But last spring we revised the program slightly where we set the interest rate at zero percent and the loan became forgivable as long as they provide licensed care. That forgiveness is based on how much they borrow the money for.

**Christy Kallevig:** So, is that made available through dollars just that your foundation raises or is there some type of match that you get from some other entity?

**Greg Wagner:** Yes, so, [with] the pilot year that we ran in 2016, we had a pocket of dollars set aside that was for our loan programs, and we took and set aside 70,000 dollars of our own money to direct to that program. And so through that, we were able to provide 20 forgivable loans. So, that was 20 providers that were able to take advantage of that 70,000 dollars. And so, we evaluated that program impact and that was a very quick and simple way for us to maybe have some impact on both the new start up providers and existing providers because they are both eligible for that in tandem. The State of Minnesota through the Department of Employment Economic Development last year had the Greater Minnesota Childcare Grant Program where entities could apply for some of the funding set aside to help address the childcare shortage in Greater Minnesota. So West Central Initiative applied for 50,000 dollars through that program and matched it with another 51,000 dollars of our own money to basically create another pot of money for the program to continue for one more year. So, we were actually able to provide funding for 31 more licensed home-based childcare, and just kind of wrapping up now quote-

unquote "closing" on those loans where we go and have a little bit of paperwork to sign, and then provide them a check for what they had outlined what they wanted to use the funding for.

**Christy Kallevig:** So what type of impacts have you seen in the communities by being able to offer this to providers? Are you seeing folks come forward that there is maybe a few small cost barriers that you're able to help alleviate that now more spots are opening up in communities for childcare?

**Greg Wagner:** Yeah, especially with new providers, when they find out some of the licensing requirements of having to add some egress windows or fencing, that became kind of restrictive in their ability to pursue that license financially. And so we had some very honest and candid conversations that were good for us to hear, but for this program we probably would not have been able to open up our childcare. Some conversations were really had with the existing providers that receive the funding. Beyond the fact that they could you know kind of replace some of the old worn out toys and equipment and they made some safety improvements with new swing sets are all protection around the swing set area or repairing fences. Now there is also some requirements that they had to meet based on license or inspection. Coincidentally we were able to assist on offsetting some of those costs with that. The other benefit of having these providers recognize that they are valued and they provide an important role in communities. This is just a program that can help go towards recognizing the value and the impact they have by providing a small amount of funding to kind of re-energize their business.

**Christy Kallevig:** Well, I think it's great the way you phrased it that they really are an asset to their community and that they have value in how strong that community is. When you look at the communities that are in your service area, how exactly does childcare either having several childcare options in a community or having none, what do you see in those communities as far as the impact of childcare either existing or not existing on the families that live there?

**Greg Wagner:** I hear a lot of stories that just kind of even extended beyond the confines of our region. But, childcare isn't such a premium that people will drive an hour out of the way. There's probably stories of people driving more than an hour out of the way to get their kids in childcare. You hear stories of the certain provider doesn't have enough openings to take care of both siblings, and so they have to split the kids up into two different child cares. And you know there're impacts to the family work life balance when you're driving an extra two hours to drop your kids off to be cared for that's two hours away from the job. You're getting up earlier. You know there's kind of that whole domino effect of impacts on that extra two hours could have and you know, having siblings separated. Those are just two quick examples. But you know I think it also brings on community stress when small businesses which make up the most of our employers in the region when they can't find employees to work and are covering shifts themselves as owners and extra shifts, and extra hours, and having other employees having to stay longer and work longer hours as well. And the aging of our workforce, wow, and you know when you look at the health care workforce and needing to find childcare for those care providers and the nursing staff. There's impacts everywhere. And so really childcare is a key linchpin in all that is workforce challenges.

**Christy Kallevig:** And you mentioned the aging of workers. What are some other factors in your opinion that play into the shortage of childcare in our communities?

**Greg Wagner:** Some of that is the balance in wages. That it's two-sided with wages. There's a lot of families that look at the cost of care. Is it more beneficial to stay home and take care of the kids or am I just going to go work and essentially pay for the cost of childcare for taking care of my kids? And the wages also play into, you know, what providers and both home-based and center-based can pay their employees or themselves. So that's one thing we definitely want to recognize and be sure to have people fully acknowledge that home-based or center-based care, these are businesses and there is time and effort behind just the need to get paid as well. So, being able to make a livable wage, either center-based care or home-based care is an important factor as well.

**Christy Kallevig:** Right. And it's a livable wage for those that are providing the care and also making sure that the families that are needing the care are able to afford it. And so are you really seeing or hearing conversation about the need for quality childcare as well as affordable childcare or is it you know one or the other in your area?

**Greg Wagner:** I think it definitely has to be both in the conversation. It has to be quality and safe but it also has to be affordable. So I think that equation makes this to be such a challenge. It's because kids need to be safe and they need to have this structure. But it also needs to be affordable. But the providers also need to be able to charge enough to make money as well. So it's a very fine balance of being able to accommodate both of those factors.

**Christy Kallevig:** And so with the loan program that you have is that something that the foundation will be able to continue or expand in the near future?

**Greg Wagner:** We hope so. So when we ran it in 2016, it took a couple months for us to provide those 20 loans. That was, reflecting back, or at that time that seemed like that was quite a high demand. The money went rapidly. When we launched the 2017 program in April, it took about two weeks for 31 applications to come in. And so the demand was even greater. I think part of it is it got out a little bit more and people were ready for it. But that said we are definitely evaluating how we can continue the program. I have a contact list—we're not calling it a waiting list, but a contact list—if we're able to get some more funding identified. And there's already another 20 people on the list of providers looking to take advantage of the funding programs. So there is definitely the demand and the need. It's kind of for the funding right now. Trying to identify some other resources to help capitalize this program again.

**Christy Kallevig:** Having a contact list that long definitely shows how much a program like this is needed and the value in it. Have you had any businesses or communities come to you and say we recognize that there is this need? What else can we do or is it kind of one group doing something here and another group tackling the issue and another way over here? Are you coming together regionally with folks?

**Greg Wagner:** We are definitely coming together regionally. The conversations are being driven regionally. Each community is different, but really it's across the board. It's a challenge in every

community and we had recently conducted a study to look at what was available out there in the region and actually all the Minnesota Initiative Foundations have done this study to looking at childcare centers. What's out there? What they offer? What are their rates? What [does] their employment look like? What's [the] turnover? So it's being evaluated at both the regional and Greater Minnesota level. And as we talk to businesses and those stakeholders and communities everyone recognizes that it is a statewide issue. So it's becoming more of a regional conversation than ever before. And I think as it gets to be more and more of a need because it will probably become a greater need before it starts to get better. It's going to be more of a regional conversation because no one community can handle this solo, I don't think. I think we need to look at examples of successes, then you can implement those in other communities. But it is definitely a community conversation.

**Christy Kallevig:** And so now that there's kind of been this light shed on the topic or at least the conversations are happening more often. Do you think that this issue will become better or perhaps even worse in the short term?

**Greg Wagner:** That's a very good question. If I only had that crystal ball right. As I think it's going to become more of a challenge so it's going to get harder because I think there are several factors playing into that is there's a lot of providers out there that are approaching retirement age. And so we're not getting the new startups quote-on-quote you know the new providers starting up to equal the ones that are retiring. And you know we haven't even touched on the regulations and the rules revolving around that. You know I think it's hard to argue when you've seen increased safety and decrease injuries and impact to the kids based on some of the new rules that have been implemented. But the more regulations and the more training that's required it's going to probably turn some people away from the industry as well. There are benefits in the rules and regulations, but there's also the impacts of that being entirely too much of a load for providers to take on in addition to caring for the kids. The recording and all the extra education are ways into that already 10 hour day that they're putting in.

Christy Kallevig: What do you think are some long term solutions to the issue?

**Greg Wagner:** I think one of the solutions that's going to start having more buy-in is looking at how to subsidize childcare through the employers. If it's having the community's employers throw money to offset some of the costs to providers or retain them by having the employer buy a slot. So they can market to prospective employees and say "Hey, you don't have to wait two years for a childcare slot, we're holding x amount of slots at this childcare" might be an approach that I've heard discussed out there. But I think there's going to be more private sector involvement to help address some of this, but that also needs to be coupled with programs like DEED ran last year through the state—the Greater Minnesota childcare grant program where they provided some funding for innovative approaches to providing quality care. So I think you know we're going to see some maybe good case studies on pilot projects similar to what we did with different approaches. There was, I believe, six or eight organizations across Greater Minnesota, and so all of them are six or eight that got that funding. So there might be some learning from their results as well.

**Christy Kallevig:** And trying to figure out how one project maybe worked well over there and how to implement that in your area of the state. Knowing the differences or challenges that exist in one place versus another.

**Greg Wagner:** Yeah, we can all learn from each other and that's where the regional approach benefits, because instead of getting started in finding out that someone else had done it maybe a little smoother and better. You have those conversations at the forefront and learn from those. You can connect with those parties and learn from what they did. The onset to save a lot of time, energy, and effort.

**Christy Kallevig:** It's easy to move forward if you don't have to reinvent the wheel every time. So you share that you did a study looking at daycare centers in your area. Were you surprised by what you saw in that study or were you expecting the numbers that came in?

**Greg Wagner:** I don't think we were surprised. No. We used a couple times in this conversation that the fine line and really what it quantified was the fine line between charging enough to pay your employees a livable wage, but not charging too much so you drive parents away to somewhere else. So it's that balancing act. You know again it's a business—even if it's a nonprofit, they have to pay their employees. If you can't pay them, you know what the competitors are going to do, or another industry. You're not going to have people in the childcare industry to take care of the kids. It quantified a lot of what we had suspected was the case.

**Christy Kallevig:** And so do you take information like that back to legislators, or how do you use this information to kind of leverage the work that you're already doing to either bring in more dollars, to open up more slots for the loan program, or start bigger initiatives?

**Greg Wagner:** We use that information to educate all of our stakeholders and partners and that includes are legislative partners. Here's a resource with some pretty concrete numbers that can help inform decisions because definitely the decisions at the legislative level have impacts and so as long as they have that information. It can make the right decisions based on all the factors. We hope that it's going to be used to help move that needle to solving this challenge and we can move on to the next workforce challenge.

**Christy Kallevig:** Well, and what would be the next workforce challenge?

**Greg Wagner:** So, it's almost hand in hand with when you talk about workforce, and initially mentioned the aging of the workforce. We talked quite a bit here about childcare, obviously, as the topic. Housing is another huge factor that's affecting Greater Minnesota communities. It's that available affordable housing you know workforce housing that can be a lucrative way to keep your employees in the community and of the further they have to drive. You know we talked about that to with the childcare. The impacts of commuting we typically associate with metro areas. That's become a reality in Greater Minnesota as well. So in some communities, it's the exact opposite. They have a surplus of housing — some of it's getting blighted and rundown. There're different approaches you have to take in those communities to revitalize and hopefully be able to redevelop some of those. So it's a balance you know some communities it's the solution is to construct more housing. And I think that is definitely part of the solution, but I

think that a big focus also needs to be on redevelopment of existing housing stock that's already there and maybe underutilized.

**Christy Kallevig:** Thank you so much for taking some time out of your day, Greg, to visit with us about what the West Central Initiative Foundation is doing for childcare. Good luck as you continue your work and hopefully you'll be able to open the program up to even more daycare owners in the future.

**Greg Wagner:** Thanks, Christy.

**Christy Kallevig:** To learn more about the West Central Initiative visit their website at [WCIF.org](http://WCIF.org). There you'll be able to find more information about the initiatives great work. As well as the loan program that Greg discussed during our conversation. Learn more about University of Minnesota Extension Center For Community Vitality at [extension.umn.edu/community](http://extension.umn.edu/community), and find more about today's topic on our leadership and civic engagement alumni blog. Make sure to follow us on Facebook and Twitter to stay up to date on new research and resources for communities and those who lead them. Join us for our next episode where we will explore another important workforce issue, housing. I would also like to take a minute to thank the great team of people who helped to make this podcast possible. Thank you to Merritt Bussierre for the music, Elise Hawkins for website development, Elyse Paxton and Joyce Hoelting for editorial and social media support, as well as my great team of peer reviewers that include Holli Arp, Michael Darger, Brian Fredrickson, Beth Kallestad, Neil Linscheid, Ryan Pesch, Brigid Tuck, and Ben Winchester, as well as all the wonderful guests we have had in our first six months. We all hope that you are enjoying this podcast as much as we are making it and hope that you will share comments on her website and social media pages to let us know what you would like to hear about next. Thank you again for joining us for this episode of Vital Connections On Air.