



DHS' proposed standards for family childcare will likely lead to shortages and higher prices

Family childcare or home-based childcare provides a crucial lifeline to Minnesota parents, especially those who can't afford center-based care. Unlike daycare centers, family childcare settings are also usually small, have flexible hours, and are more culturally responsive, so they provide much-needed diversity in the childcare industry.

According to [ChildCare Aware](#), it cost 21 percent of the state median household income to send an infant to a licensed daycare center in 2022, making Minnesota the sixth most expensive state in the country for center-based infant care — California not included. For a single parents, infant center-based care took nearly half of median household income.

Family childcare, on the other hand, cost 11 percent of the state median household income for infants in 2022, making Minnesota the seventh most affordable state for home-based infant care — California not included. Single parents also spent only half as much on home-based infant care as they did on center-based infant care — 23 percent of median household income.

Not only are family childcare providers an important source of affordable childcare, but in Greater Minnesota, they are usually the only option. This is mainly because centers need to enroll a lot of children to recoup their investment. Greater Minnesota, however, lacks the density that is necessary for high enrollment. Moreover, parents in Greater Minnesota have lower incomes compared to the Twin Cities Metro, making centers less economically viable.

If enacted, the DHS' new proposed standards will likely raise operating costs for family childcare providers who will either have to raise prices for parents or go out of business. For providers that stay in business, more time will also likely be spent cleaning and filling out paperwork than looking after children. Consequently, new rules could worsen, not improve, childcare safety and quality.

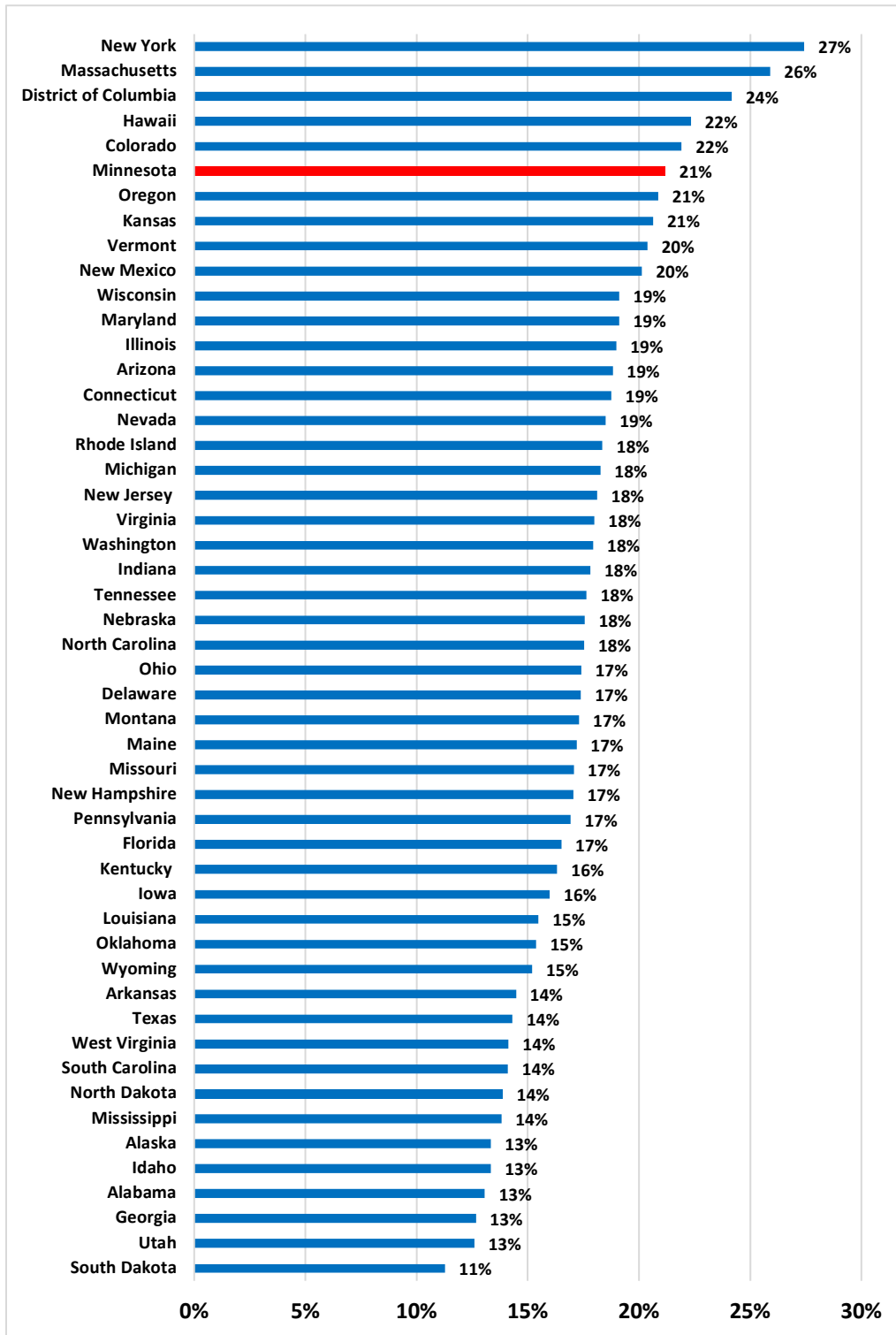
Overall, the number and share of family childcare providers in Minnesota have been [dwindling](#) over the years. Data from the Department of Human Services (DHS) shows, for example, that while Minnesota had nearly 160,000 family childcare slots in 2000, that number was down to 82,000 in 2021. In 2000, family providers made up nearly two-thirds of total childcare capacity in Minnesota, but in 2021, their share was down to about one-third.

While centers have replaced lost family childcare capacity in the Twin Cities Metro, that hasn't happened in Greater Minnesota. Ergo, total childcare capacity has been on a downward trend since 2000. Per a [Star Tribune](#) analysis, this year Minnesota reported over 20,000 fewer childcare slots than it did in 2000.

Certainly, demographics are partly to blame for this trend. However, providers have also cited an unfriendly regulatory environment as a contributing factor. It should be concerning, therefore, that instead of addressing the crisis, the DHS is proposing to add new rules. Given the numerous regulations that providers follow, more burdensome rules will likely push the few remaining family childcare providers out of the industry, worsening shortages and raising prices. The effects of these new rules will be especially acute in Greater Minnesota where family childcare providers are often the only source of childcare for parents.

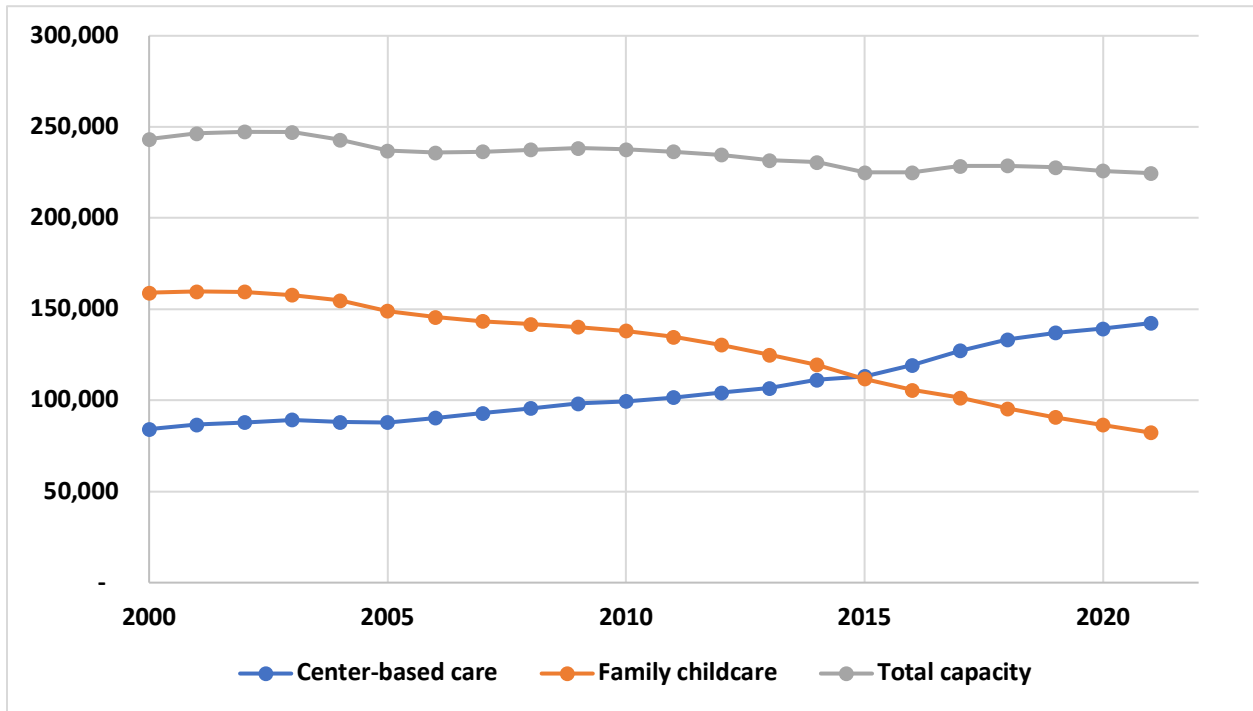


Figure 1: Annual cost of center-based infant care as a percent of state median household income, 2022



Source: ChildCare Aware; US Census Bureau

Figure 2: Childcare capacity in Minnesota by type of care, 2000-2021



Source: Minnesota Department of Human Services (DHS)