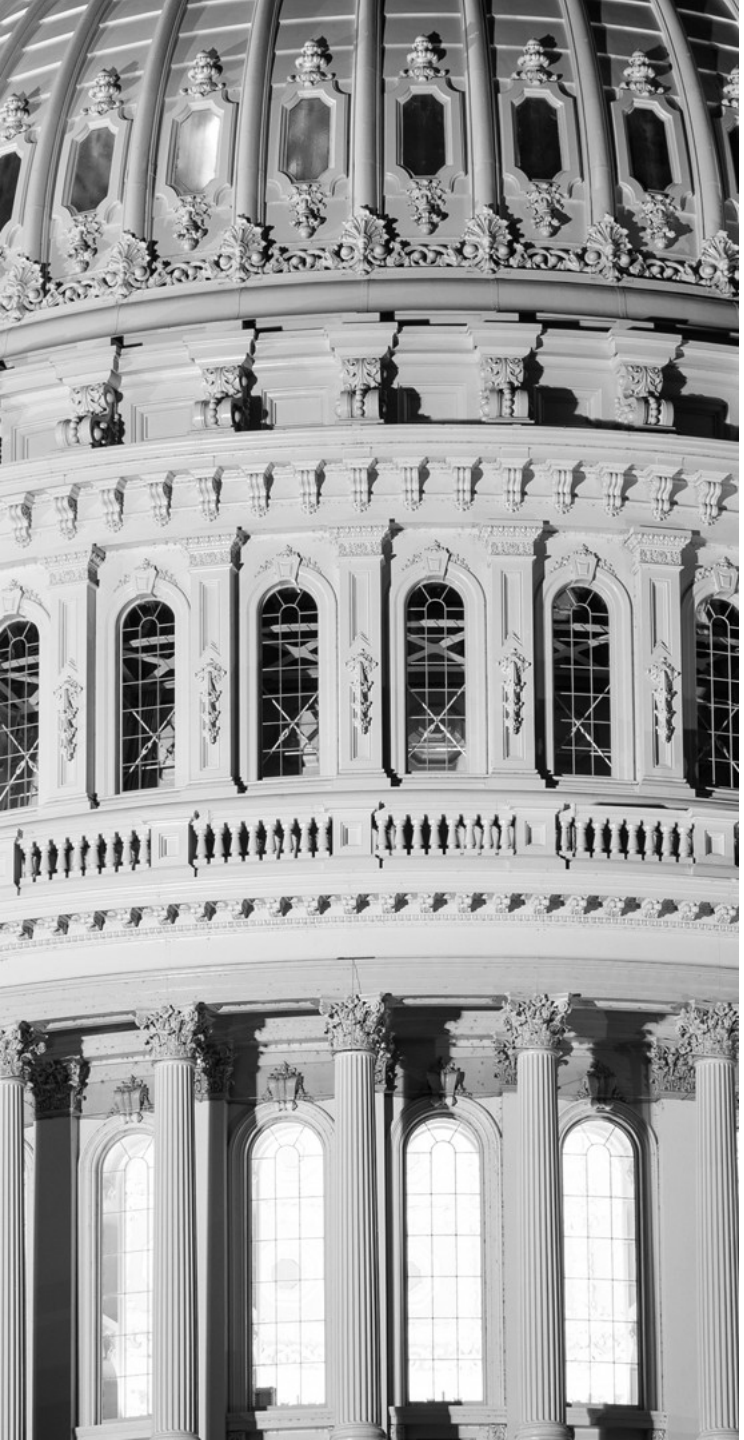


Bipartisan Policy Center

INNOVATIVE FUNDING MODELS

Child Care as Economic Development

A Playbook for Economic Development Organizations

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BPC's Working Families Portfolio

BPC's Working Families team builds durable solutions for child care, paid family leave, and economic supports. Long focused on Capitol Hill, we are now adding state-facing work.

FOUNDATION

Federal Policymakers

Our long-standing Hill focus

- Members of Congress and staff
- Federal agencies
- Child care and paid family leave

CONNECTOR

BPC

Research, data, and convening

- Brings state lessons to Congress
- Connects policymakers to state experts
- Helps states use federal policy
- Convenes across party lines

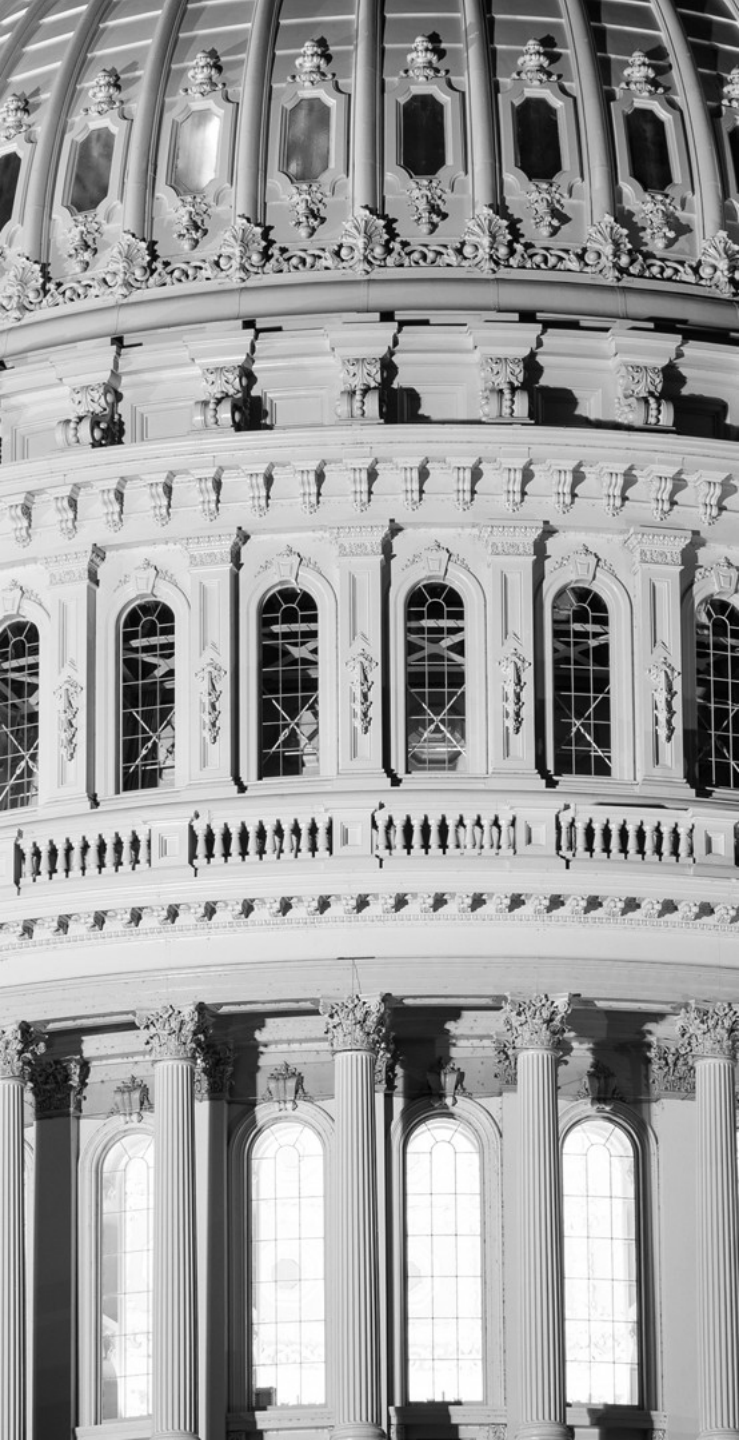
NEW AND GROWING

States and Communities

Where solutions are tested

- Governors, mayors, and legislators
- EDOs, chambers, and employers
- Community Pilots like Iowa's Solution Fund

The goal: close the loop. State results inform federal policy, and federal policy strengthens state action.



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Child Care Is Economic Development

America's Child Care Data

The child care gap is a workforce supply problem, and it shows up first in the communities you are trying to grow.

4.2M

children lack access to formal child care

28%

national child care gap by supply

$329B

10-year economic loss to the U.S.

Rural areas face a 32% gap. Five states exceed 50%: AK, HI, NV, NC, RI.

Source: BPC, Buffett Early Childhood Institute, and Child Care Aware of America—ChildCareGap.org (2025)

The Real Cost of the Child Care Gap

$13,128

average annual child care cost per child

= 35% of a single parent's median income (7% is recommended)

42%

of women who left the workforce cited caregiving costs as a primary reason

BPC / Morning Consult, 2025

For every child care slot families need but cannot access:

$52K—$79K

economic loss per year

- Reduced workforce participation
- Lower household earnings
- Decreased business productivity
- Federal and state tax losses

Sources: BPC, Buffett Early Childhood Institute—ChildCareGap.org (2025); BPC/Morning Consult Poll (2025)

Child Care as a Recruitment and Retention Tool

Employers rarely lead with child care in a site visit—until offers start getting declined and shifts go uncovered. For an economic development organization, child care capacity is workforce infrastructure: it determines who can take a job, who can take a shift, and who can move to your community at all.

1 Recruit

Child care availability decides whether a relocating worker says yes. Communities with visible capacity compete for talent; communities without it lose candidates before the offer stage.

2 Retain

Replacing a departing employee costs roughly 60% of that person's annual salary, and 85% of employees say they would leave for more family-friendly benefits. Retention is cheaper than recruitment.

3 Grow

Every slot families need but cannot access costs $52,000 to $79,000 a year in lost earnings, productivity, and tax revenue. That is your tax base.

The Funding Menu

Five approaches communities and states use to pay for child care, each answering sustainability, scalability, and flexibility differently:

01 Cost-Share

Michigan's Tri-Share splits child care costs three ways among the employer, the employee, and a state or philanthropic funder. Family costs fell from 15% to 5% of income. Now in MO, KY, NC, ND, IN, OH, WV, TN, and Dallas County, TX.

02 Innovation Fund

Employers, residents, and local government pool dollars into a locally held fund, matched by state or municipal dollars and administered by a chamber or EDO. Iowa's model—and today's focus.

03 Endowment

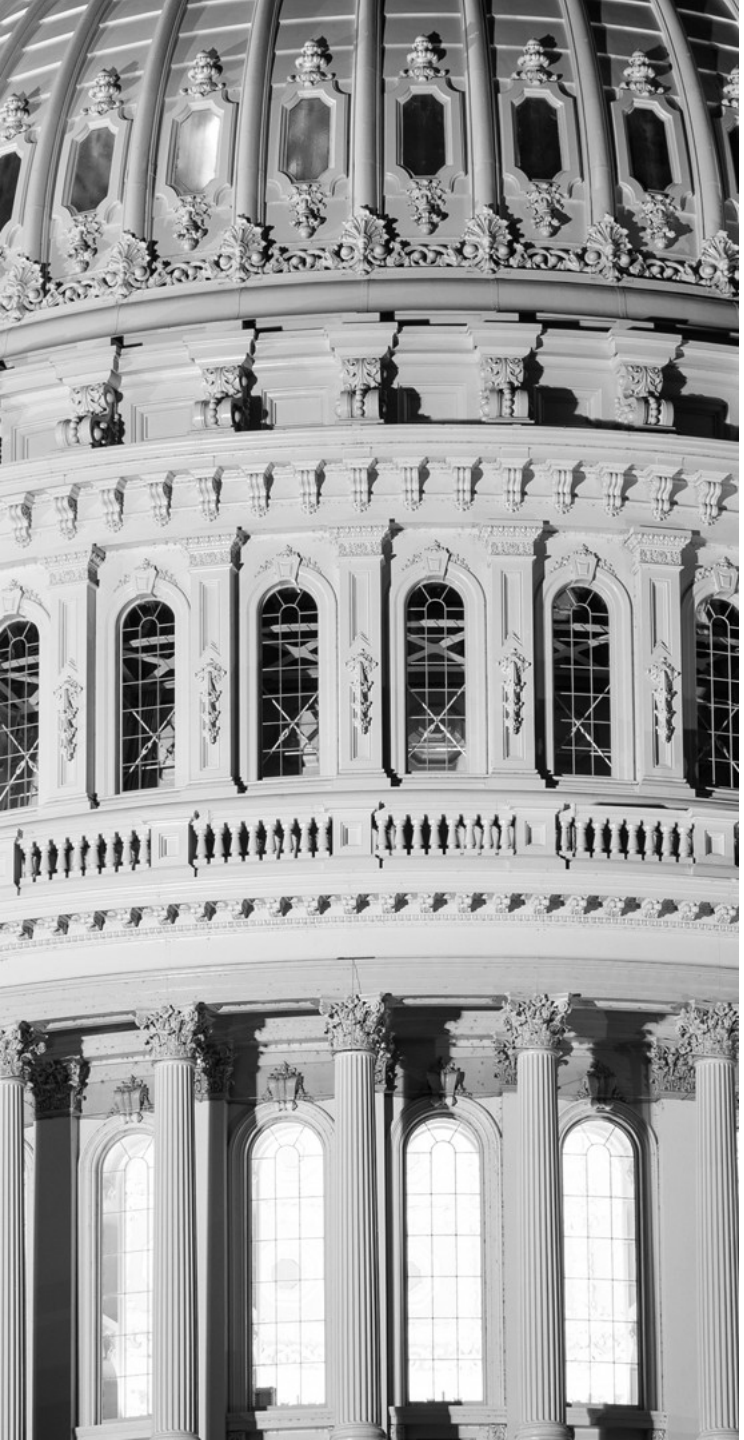
A capitalized fund that spends only its returns. Connecticut seeded roughly $700 million from budget surplus. New Mexico draws on land grant and oil and gas revenue to fund universal, no-cost care.

04 Dedicated Tax

A recurring, protected stream. Vermont's 0.44% payroll tax, Maryland's gaming revenue, Kentucky's tobacco settlement funds, and Louisiana's Act 353 local match.

05 Tax Credits

Credits for employers that build, buy, or contribute to child care. Alaska SB 189, Colorado's 50% contribution credit, Nebraska LB 754, and the federal 45F credit.



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Iowa's Public-Private Innovation Funds

Iowa's Child Care Landscape

60,793

Potential Iowa children without a child care slot

138,197

children ages 0—5
with potential need

77,404

available child care
slots in Iowa based on 67% work status
and personal choice

15%

of median family income
spent on child care in a licensed center
(vs. 7% recommended)

Source: Iowa Child Care Connect and Iowa Child Care Resource and Referral

Iowa's Child Care Supply is Declining

Iowa has lost nearly 1 in 5 child care businesses in the past 5 years—with worse projected ahead if nothing changes.

23%

of Iowa's child care businesses have closed in the past 5 years

(Iowa CCR&R)

61%

of remaining businesses projected to close in the next 10 years without action

$935M annual economic cost to Iowa | 76% of Iowa children have both parents working | 8.7% shortage decline since 2018

Sources: Iowa Women's Foundation Wage Enhancement Initiative; Common Sense Institute Iowa (2024); Iowa CCR&R

Iowa's Innovative Child Care Solutions

Onsite Child Care

A company builds a child care center on-site or nearby, operated by the business or a contracted third party.

Iowa examples: Vermeer Yellow Iron Academy (Pella) · Frontier Co-op (Norway)

Businesses Purchasing Slots

A company contracts with a local child care center to pay for slots employees can use at subsidized or no cost.

Iowa examples: Country Maid (West Bend) · JBS USA (Ottumwa) · Wells Enterprises (Sioux City)

School District & College Partnership

Schools and colleges leverage specific funding sources to operate child care centers and share staff, meals, and professional development with providers.

Iowa examples: Hawkeye CC & EPI (Waterloo) · Riceville CSD · Postville CSD

TODAY'S FOCUS

Community Solution Fund

Employers, municipalities, and community members invest in a shared fund to sustain child care wages and capacity—without raising costs for families.

10+ Iowa counties and cities participating · Hamilton County pilot launched in 2021

What is a Child Care Solution Fund?

A Child Care Solution Fund is a community-driven, public-private partnership that raises and deploys capital to increase or stabilize child care supply, improve provider wages, and build a sustainable local child care ecosystem. Local data determines the fund appropriations.

1 Increase Supply

Fund capital improvements, startup costs, and capacity expansion for licensed child care providers in under-served communities.

2 Enhance Provider Wages

Supplement salaries for child care workers to reduce turnover, attract qualified caregivers, and stabilize the provider network.

3 Build Sustainability

Anchor the fund through a Chamber, EDO, or Community Foundation with matching public investment—turning a one-time gift into a lasting infrastructure.

The Iowa Story: From Pilot to State Program

2021

Pilot Launch

Hamilton County Early Childhood Initiative launches wage enhancement model in Hamilton County. First local Child Care Solution Fund in the state. Launced with a $45k investment by two small business owners during the pandemic.

2023

Validation

$710K raised locally. 150% capacity increase and 36% wage gains prove the model works before scaling.

2024

State Action

Iowa HHS creates 2:1 state matching fund using ARPA. $2.9M deployed across 10 communities in the first year.

2025+

Scale & Evidence

Statewide CSF piloted. CSI REMI model projects $13B economic impact. Campaign launched for permanent legislative appropriation.

The Iowa Pilot by the Numbers

Results from Iowa's Pilot Child Care Solution Fund communities in 9 months

10

pilot communities participated

275

new child care slots created

1,202

child care personnel reached and supported

373

private entities co-invested in child care

Funded through $2.9M in Iowa HHS ARPA dollars via a 2:1 state match | 105 providers engaged | $1.5M raised in six weeks

Scaling the Pilot to a Statewide Program

The Common Sense Institute used the REMI economic model to project the statewide impact of a fully funded Iowa Child Care Solution Fund:

11,000

new child care slots statewide

~5,000

women enabled to enter the workforce

~8,000

total new jobs created

$13B

GDP growth over 10 years

$45

GDP return per $1 private investment

Source: Common Sense Institute Iowa—Child Care Solutions Fund Impact Report, November 2024 (REMI model)

Lessons Learned from Iowa

Iowa's CSF experience offers critical insights for communities and states considering replication:

✓

Local Business Buy-In

ACHIEVED

Iowa’s local businesses embraced the CSF model—contributing funds, promoting to employees, and championing child care as a workforce strategy. State investment built economic credibility and demonstrated ROI.

✓

Municipal Government Support

ACHIEVED

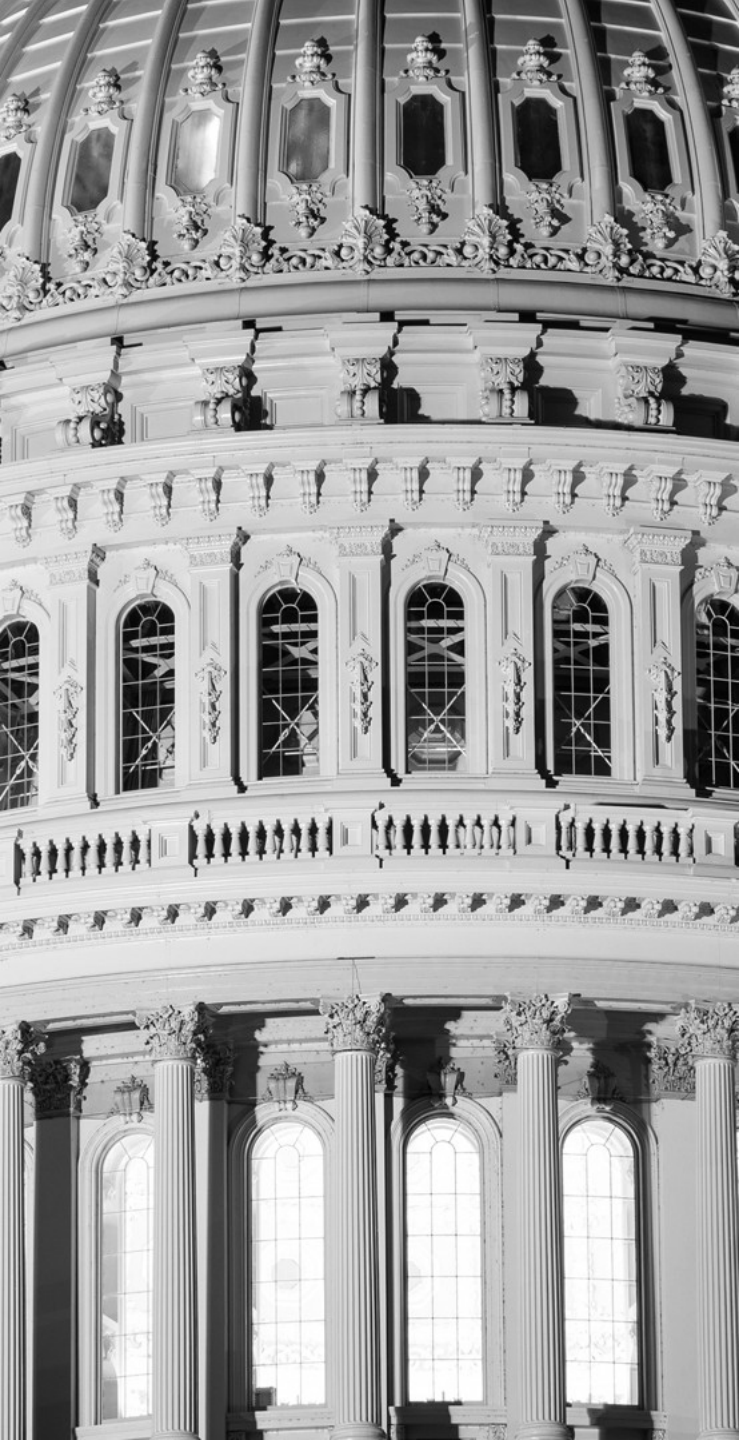
Local city and county governments participated as coalition members and co-investors, recognizing child care as essential community infrastructure and a driver of local economic development. Local government matched business investments for year two.

!

State Legislative Appropriation

MISSING—CRITICAL GAP

Despite strong local investment and compelling economic evidence, Iowa has not secured permanent state legislative appropriations. This is the missing piece required to unlock the CSF's full projected economic potential.



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Building a Fund in Your Community

Key Roles: EDOs Convene, the Community Invests

1 Economic Development Organization, Chamber, or Community Foundation

Convenes the coalition, makes the business case to employers, and serves as fiscal agent under a 501(c)(3). The EDO organizes and stewards the fund. It does not finance the gap on its own.

2 Child Care Resource and Referral Agency

Handles the provider-facing work: technical assistance, business planning, and application support so providers can access the fund, plus outcome tracking. This is not the EDOs job.

3 Employers, Residents, and Local Government

Fund the work and hold a seat on the coalition. Iowa's ask: $150 per employee per year, matched dollar-for-dollar by local government. Residents gave at employer-level rates too.

4 Child Care Providers

Direct recipients of fund support. Uses gap funding to increase wages, expand capacity, and/or improve facilities. Report outcomes back to the coalition and CCR&R for impact tracking.

Source: Iowa Women's Foundation; Community Foundation of Northeast Iowa

How a Local Solution Fund Works

A 10-Step Process

1. Form a multi-sector coalition steered by a Chamber or EDO
   Include: employers, parents, locally elected officials, CCR&R
2. Identify a fiscal administrator
   A Chamber, Community Foundation, or Economic Development Org is a great option. House it under a 501c3
3. Conduct child care needs assessment through surveys or an outside organization. Include provider and employer needs
4. Analyze the data as a coalition. Set the Fund goals and objectives
5. Design the fund structure based on the needs assessment (wages, infrastructure, capacity grants)
6. Launch a business engagement and municipal pledge campaign, with an annual employer ask matched by local government (e.g., Iowa: $150/employee/year)
7. Collect and deploy funds to child care providers for operational gap funding based on your coalition's intended priorities (wages, infrastructure, benefits, etc.)
8. Providers expand capacity by retention and improve wages —build the supply
9. Track outcomes to justify continued investment: wait lists reduced, slots added, providers retained, and open positions filled.
10. Evaluate results and plan for sustainability by increasing investments and asking for a state match

Source: Iowa Women's Foundation Local CSF Process Guide; Community Foundation of Northeast Iowa

Engaging Employers to Invest in Child Care

How to Engage Employers

1. Form a plan
2. Set the employer ask using your data ($150/employee/year)
3. Breakfast or lunch-and-learn with pledge forms
4. Follow up with participating employers
5. Grow the fund and employer base over time

Make the case for Child Care Investment using data

- Reduced employee absenteeism and turnover
- Small investment relative to the cost of losing a skilled worker
- Charitable contribution and available tax credit benefits
- Stronger recruitment and retention in tight labor markets

60%

of annual salary to replace a departing employee (SHRM)

85%

of employees would leave for more family-friendly benefits

Source: SHRM Employee Benefits Survey

Five Phases to Launch Your Fund

How to move from interest to a funded program in your community:

01 Assess

Assess the data you already have and decide what data you need to obtain.

If needed survey providers to understand the local child care gap. Use BPC's ChildCareGap.org for national and local context. Build the data case.

02 Convene

Build a multi-sector coalition led by the Chamber, Community Foundation, or EDO. Include business leaders, local government officials, philanthropy, advocates, and CCR&R or regional TA support. Engage the EDO or Chamber as fiscal agent.

03 Design

Structure the fund for your community's needs —Operational gap funding is a safe approach. Pilot in one county or region first to prove the model. Establish a private match to the employer contributions if applicable.

04 Launch

Run a business engagement campaign. Set a fundraising goal. Launch publicly with employer commitments and a matching challenge to build momentum.

05 Scale

Use pilot data and economic ROI to advocate for continued investment and replicate the model across neighboring communities.

Resources to Build Your Case

Free, public, and built for the case you need to make:

ChildCareGap.org

Bipartisan Policy Center + Buffett Early Childhood Institute + Child Care Aware of America

Interactive map showing child care supply gaps by state, county, and congressional district. Uses distance-based methodology for the most accurate picture available.

Bipartisan Policy Center

Child Care 101 Series and TA support

Detailed explainers to educate leaders on child care regulations and policies. These explainers provide information on CCDBG, CCDF, 45F, CCDTC, and much more.

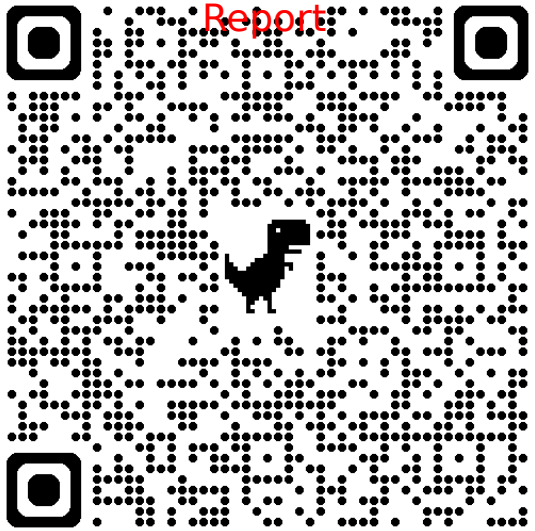
BPC Financing Workbook & Solution Fund Workbook

Two workbooks that allow state and local leaders to assess their child care data and implement a sustainable solution. TA support also included

"Child care is not a family problem. It is an economic infrastructure problem—and a solvable one."

Questions?

Iowa Economic Impact Report:



Thank you!

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