

EMPLOYER-SPONSORED Child Care Grant Program



**FAMILY
Forward**
MONTANA

Solutions for Employers and Families



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Investing in Montana's Future

Working families, businesses, and children are all impacted when access to quality, affordable child care is limited.



When businesses invest in their employees' work-life balance, they foster a happier and more productive workforce. This leads to increased employee retention, heightened job satisfaction, and improved overall company performance.

We are here to help you achieve these outcomes by providing guidance, resources, and a supportive community of like-minded business owners across Montana.

Family Forward, an initiative of Zero to Five Montana, is designed specifically for business owners like you, aiming to empower you to build workplaces that prioritize the well-being of employees and their families, ultimately enhancing your business success.

This guide outlines some strategies you can use to improve your workplace recruitment and retention through the Zero to Five Montana Employer-Sponsored Grant program to create or expand employer subsidized child care benefits for working Montana families.

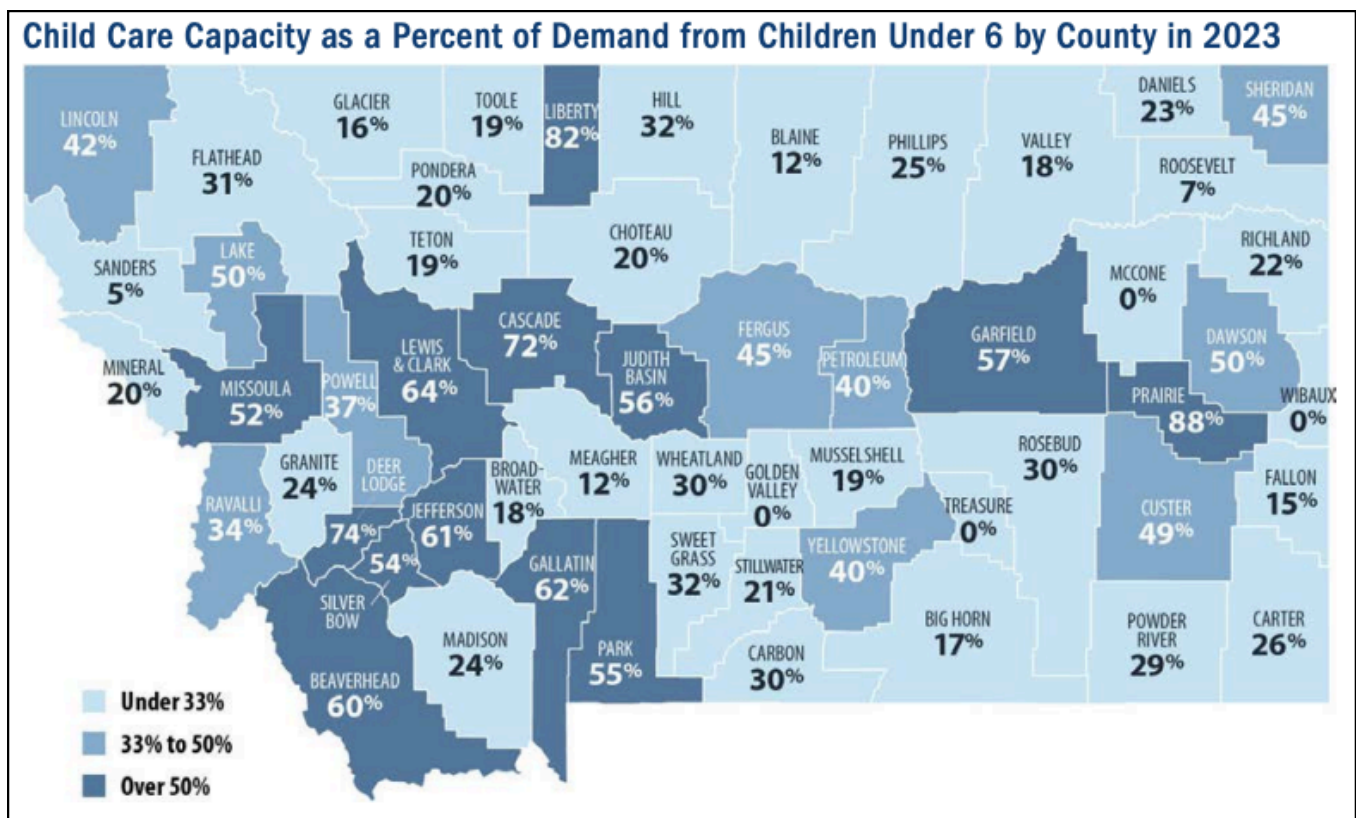
This initiative aims to:

1. **Build** awareness of Montana's growing child care needs and the critical role employers play in helping to address it.
2. **Educate** employers and community organizations on employer-supported child care models, including those that apply to individual employers, groups of employers and/or nonprofit community-based organizations acting on behalf of a group of employers.
3. **Create** and advance locally driven solutions that increase child care access and support working Montana families.

The Child Care Challenges in Montana

Affordable, accessible child care provides vital support for working families, employers and our state and national economies. Zero to Five Montana Employer-Sponsored Grant program will improve community vitality, company productivity and the viability of our present and future labor force.

According to a 2024 report by the Montana Department of Labor & Industry, **40% of Montana businesses say they are unable to find and retain a qualified work force due to a lack of child care**, and 30% of businesses say inadequate child care has prevented their company from growing.



Source: Montana Department of Labor and Industry analysis of child care capacity data provided by the Montana Department of Public Health and Human Services through 12/2023. U.S. Census Bureau 2022 Population Estimates Program and 2018-2022 American Community Survey

How We Can Help

Licensed child care capacity in Montana meets only 44% of the demand. Child care shortages exist in every county, with **59% of counties identified as child care deserts** – where supply meets less than one-third of demand. In 2023, **families were paying an average of 28 percent of their household income on child care** – \$11,700 on average. 62 percent of Montana parents say they missed work due to a child care-related issue.

Employer investments in benefits that support employees with young children has a positive impact on family economic stability, workplace productivity, and employer retention and recruitment.

The **Zero to Five Montana Employer Sponsored Grant program** can help businesses create or expand employer-subsidized child care benefits for working families – boosting children's well being, family financial security, and state and local economies.

Employer-Sponsored Child Care Grant Program

Zero to Five Montana, in partnership with the Montana Department of Public Health and Human Services Bright Futures Birth to Five program, is offering a one-time grant opportunity through the Family Forward Montana initiative for employers to develop and offer child care benefits to their employees. The goal of the program is to implement a child care strategy reflective of the goals of the employer that is sustainable and creates cost sharing between the employee, employer, and the State of Montana.

Grants will range from \$10,000 to \$100,000 depending on the size and scope of the employer's project plan. This program application will be available starting in the winter of 2024.

Grant funding will total \$2 million to be awarded in two cohorts over 2024 and 2025. (Innovation grant participants are not eligible.) Data collected from this pilot will help inform future public private partnerships.

Employers can choose from:

- Sponsoring Dependent Care Assistance Programs (DCAP)
- Providing on-site or near-site child care programs
- Providing backup care options
- Community infrastructure investments
- Offering tuition benefits
- Reserving slots in local child care programs
- Establishing priority waitlist partners
- Or, a strategy proposal not listed above that is directly connected to increasing access to quality early care and education



SPONSORING DEPENDENT CARE ASSISTANCE PROGRAMS

Dependent Care Assistance Programs (DCAPs) are flexible spending accounts, like accounts used for health care costs. Employers and employees can contribute to these accounts, setting aside up to \$5,000 annually in pre-tax household income for child care expenses.

DCAPs are a pre-tax benefit for employees and are better than any other tax savings available. The employer saves as much as 10% in payroll taxes on employees' pre-tax DCAP deposits and can save 7.65% in matching FICA taxes on each \$5,000 deduction. Best practices for employers include matching the employee contribution and tying the use of these funds to a high-quality rated program. DCAP funds from employers offer the possibility for direct payment to child care providers, ensuring they receive tuition payment via direct deposit. Employers interested in adding a DCAP benefit can do so by establishing a written plan document (an IRS requirement) and distributing a benefits summary plan description to every employee.

See the IRS website for more information at bit.ly/IRS-Child-Dependent-Care.

WHAT ARE THE BENEFITS?

Employers providing access to a DCAP show interest in employees' well-being and their families, with a pre-tax benefit better than any other tax savings available, including the federal dependent care tax credit. Best of all, the employer is spared as much as 10% in payroll taxes on employees' pre-tax DCAP deposits estimated at \$1,050.

Employers who sponsor the DCAP can save 7.65% in matching FICA taxes on each \$5,000 deduction, which is approximately \$382 per employee.

TYPE OF BENEFIT	EMPLOYEE TAKE-HOME PAY	EMPLOYER EXPENSES
NONE	Salary \$45,000 -taxes \$9,072 -care for 1 child \$8,818 + dep. care tax credit \$600 = Total \$27,710	Salary \$45,000 + FICA \$3,443 = Total \$48,443
DCAP	Salary \$45,000 -DCAP \$5,000 -taxes \$7,878 - care for 1 child \$3,818 = Total \$28,304	Salary \$45,000 + FICA \$3,060 = Total \$48,060

Table courtesy of Indiana Family & Social Services Administration

PROVIDING ON-SITE OR NEAR-SITE CHILD CARE PROGRAMS

Companies may choose to offer custom on-site or near-site child care programs for individuals or groups of employers. Companies provide space and contract with a child care provider to operate the program. Employers often choose to subsidize tuition costs for priority employee groups and may decide to make a portion of seats available to the broader community.

These programs allow employers to address child care accessibility and affordability issues by creating opportunity within or near the workplace – supporting the needs of working families, enhancing productivity, and boosting retention rates.

The convenience of on-site or near-site care minimizes disruptions and eases parent concerns. Addressing child care challenges fosters workforce growth.

WHAT ARE THE BENEFITS?

Affordable child care is a top incentive for young families. According to Next100, an independent think tank for a new generation of policy leaders, 81% of Millennials and Gen Zers identified access to affordable, high quality child care as an important issue when working toward achieving their professional goals. Addressing child care challenges fosters workforce growth.

Businesses that implement an on-site or near-site child care program enjoy advantages that include an increased talent pool, a competitive edge, retaining future leaders and enhanced employee engagement.

Child care programs that partner with other employers to provide on-site child care reap benefits such as:

- Stable enrollment
- Increased program sustainability
- Capital investments
- Enhanced marketing
- Modified program schedule

PROVIDING BACKUP CARE OPTIONS

Child care is essential to working parents. Families need child care to make it to work and they need to work to maintain financial security. But even with the best child care plans, backup child care fills the gaps when the predetermined child care plan falls through.

Sick days, holidays and school breaks create challenges for parents trying to balance home and work demands. Some employers provide backup care services for employees through partnerships with local child care and out-of-school time partners. Typically, employees receive a certain number of days (or credits) for use in approved partner programs in the case of emergency or short-term coverage needs.

Employers that offer backup care programs typically have a lower turnover rate, higher retention, and stronger employee loyalty. When employees are productive, engaged and less stressed about their children employers reap the benefits, too,

WHAT ARE THE BENEFITS?

Businesses that provide backup care options appreciate advantages that include:



INCREASED EMPLOYEE COMMITMENT

BUSINESS CONTINUITY

INCREASED TALENT POOL

COMPETITIVE EDGE

ENHANCED ENGAGEMENT

COMMUNITY INFRASTRUCTURE INVESTMENTS

Employers invest in a shared fund (generally operated by a local nonprofit organization) to support child care infrastructure costs such as increasing community-wide child care capacity (i.e., creation of a new child care program), expanding shared services that increase provider sustainability, and investing in early care and education workforce programs/services, etc.

This helps to support funding efforts to sustain child care, provide support for employees to use local child care options, and recognizes the value of currently unpaid family caregivers.

WHAT ARE THE BENEFITS?

Parents and families rely on child care to work or attend school each day, and businesses rely on those employees to stay open and operational. Parents expect their children to receive education and care in a safe and healthy environment that provides socialization and promotes development. Quality centers include a safe space adequate for providing services well-trained staff and effective programming for learning.

Caregiving, including providing care for children, makes the economy work. Having adequate child care available in communities supports workforce supply and well-being, promotes economic growth and increases the future economic productivity of children who receive adequate child care.

Ways employers in collaboration with community leaders can support infrastructure includes: supporting funding efforts to sustain child care; recognizing the value of currently unpaid family caregivers; and providing support for employees to use local child care options

AS A RESULT:

Employers will see the benefit of increased child care options or employees contributing to the overall strength of the workforce, and well-being of employees.

Employees will have increased child care availability and increased high quality programs.

Child care programs will have improved compensation and education opportunities for the existing workforce, and increased advocacy on the importance of child care.

OFFERING TUITION BENEFITS

Employers may also offer child care tuition benefits to employees, sharing the cost of care with employees, often using a sliding scale model. In this model, employers set the parameters for how and where employees can use tuition benefits (e.g., childcare tuition discounts offered for families enrolling in licensed, high-quality care programs) while still providing families with a broad range of choices to decide the programs best for them.

By offering tuition benefits, employers can provide child care providers with clients in exchange for a tax credit of up to \$150,000. Child care providers would provide high-quality services in exchange for their full tuition amount (the employer will pay the difference between the employee's discounted rate and the full tuition.)

WHAT ARE THE BENEFITS?

Employers can benefit from a federal tax credit equal to 25% of the total child care expenditures made by the employer, with the credit being limited to \$150,000. Additionally, this benefit can be an important factor in recruiting and retaining their employees. Six in 10 parents would stay at their job if it offered a convenient child care benefit, according to KinderCare.com. Offering a discount for high-quality child care is a convenient way to support employees.

Financial assistance for employees is crucial in providing high quality child care to their children. Parents of young children may choose to start and remain at a company that offers tuition assistance when their family needs it most. Additionally, employees do not have to take the time to research their own programs, their employer will already have that partnership in place.

RESERVING SLOTS IN LOCAL CHILD CARE PROGRAMS

Employers may partner with local programs to reserve seats for exclusive access by priority employee groups. Priority groups can be defined based on specific community need. In this model, the company pays enrollment costs for vacant seats to ensure their availability when needed. This benefit is common in companies facing high turnover in specific roles.

This benefit can help alleviate the hassle of researching early child care programs, applying and possibly being stuck on a waitlist. Employees are more likely to be recruited and stay at a company that streamlines this process for them.

WHAT ARE THE BENEFITS?

This benefit is a strong recruiting tool, especially for young families and individuals. Employers can partner with multiple early child care providers if there are not enough spots available at one location.

Employees will have a streamlined admissions process with reserved spots for their children due to the partnership their employer has established.



ESTABLISHING PRIORITY WAITLIST PARTNERS

As an alternative to on-site child care, employers may partner with local child care programs to establish priority access for employees at specified programs. In this model, child care programs offer waitlist and placement services to employers.

A priority waitlist partnership between an employer and a child care provider can be mutually beneficial – the employer provides the child care provider with clients at a set price per month in exchange for a set number of priority spots on the waitlist.

WHAT ARE THE BENEFITS?

Employees and parents can quickly apply and secure a spot on a waitlist with a high-quality child care provider, providing a greater sense of security knowing they have priority on the list. Employees will feel supported in knowing their employer has already done the legwork of researching quality programs.

Employers will attract and retain employees with young children with priority waitlist sponsorships. Specifically, employers will retain working mothers. According to Slate magazine's "The Corporate Case for Child Care," 74% of high-potential moms who drop out of the workforce yearly cite lack of child care as the main reason. By supporting working parents, especially mothers, employers will see more effective and connected employees.

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