



October 5, 2021

Minnesota Senate Human Services Reform Finance and Policy Committee  
3215 Minnesota Senate Bldg.  
St. Paul, MN 55155

RE: Child Care Stabilization Grants for Centers

Dear Sen. Abeler and Members of the Committee,

I write to you today as Chief Financial Officer of New Horizon Academy, a family-owned Minnesota company operating 75 child care centers around the state. I am alarmed by the possibility that the Child Care Stabilization Grant formula may change, as we used the information provided (and were told was stable through June 2022) to announce compensation increases to our over 1600 Minnesota early educators. Changes to the formula creating any reduction in grant funding to centers would be a disastrous blow to both finances and employee morale.

When the Legislature decided to add a 70% increased compensation mandate to these grants we realized we would have less flexibility than with previous Public Health Support grants, but were pleased that the thrust of the Stabilization Grants would be on increased compensation. Our early educators play the most important roles in our company, and have served on the frontline since day one of the pandemic. While some providers closed altogether for a time period or closed certain locations, our early educators have been in-person with children this entire time. Aside from required classroom quarantine closures (and a single employer-sponsored location closure ordered by that corporate partner), New Horizon Academy has never closed during the pandemic. *Not a single day.* All of our schools were kept open, even in the early days when very few children were coming, because we knew essential worker families needed us, and we knew their children needed safety and stability. Even when vaccines were not available, even when we knew little about how COVID spread, our early educators showed up to care for and educate children each day, now with the added stress of new and everchanging health and safety procedures.

We are happy that the Legislature chose to use full-time equivalent (FTE) numbers to award Stabilization Grants. If the grants are not scaled to provider size and setting there would be inequitable distribution of compensation to early educators. Our main concern with the Public Health Support grants was that they were not scaled as such. Had the same plan been followed for Stabilization Grants our educators at small locations would have been eligible for larger compensation increases than those doing the same job at New Horizon Academy's larger locations, which would have been unfair. It seems just that all across the state, no matter what type or size of child care setting they work in, all educators are eligible for the same amount in recognition of what all of them have done and continues to do during the pandemic.

The child care staffing crisis is the worst we have ever experienced, just as families are looking to return to work. Our most recent payroll had more overtime than any other period in New Horizon Academy's

50-year history, the result of so many open positions and educators working increased hours to maintain service to families. In all 51.2% of our educators worked more than 32 hours/week, the FTE standard in the Stabilization Grant application. In addition our company's financial position is at its most precarious since March of 2020. Earlier in the pandemic Minnesota provided additional child care supports, such as Child Care Assistance payments that continued when children were out on quarantine, and monthly operating grants that were more flexible in covering general expenses. Those supports were critical, and ended along with the Peacetime Emergency. The Delta variant is hitting children harder, and we continue to experience consistent classroom quarantines. We do not ask families to pay tuition while children are unable to attend due to COVID-related reasons. Together these things create significant decreases in revenue in the current operating environment.

Thank goodness for the Stabilization Grants arriving when they did. We are very concerned about our current early educators experiencing burnout, and the grants provide morale and financial boosts. We have educators who gratefully announced that they could quit second jobs once they learned about the additional pay coming from Stabilization Grants through June 2022. We hope these increases will also help us attract additional candidates, both to serve desperate families and to ease the burden on our overworked educators.

Please do not change the rules of the game now. There is too much riding on the compensation increases already announced to our employees given the Stabilization Grant information that we were told was stable through June of 2022.

Sincerely,

A handwritten signature in black ink, appearing to read "Penny", with a long, sweeping horizontal line extending to the right.

Penny Allen  
Chief Financial Officer  
New Horizon Academy