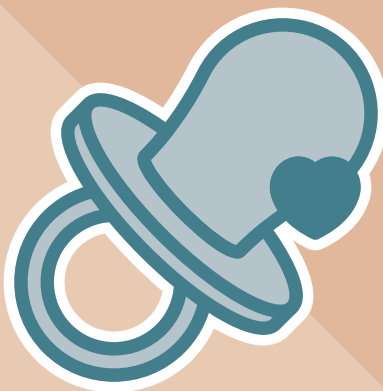


BIG

SKY

CHILDCARE  
REPORT





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# INTRODUCTION

Across the United States, childcare is a pressing issue affecting millions of families. Access to affordable and high-quality childcare remains limited, leaving many parents struggling to find suitable options for their children. Rural communities are particularly affected, exacerbating the imbalances already present in our country. The average annual cost of infant care in Montana is \$9,518, 40.3% more per year than in-state tuition for a four-year public college<sup>1</sup>. In Big Sky, the average annual cost of childcare is \$20,795, over double the state average<sup>2</sup>. This cost demonstrates the necessity for childcare solutions that address affordability and accessibility. The dual emphasis on affordability and accessibility serves the immediate needs of families and plays a pivotal role in sustaining a thriving and productive local workforce.

This study focuses on assessing the childcare industry in Big Sky by addressing the challenges of affordability and accessibility surrounding childcare in Big Sky and neighboring communities. To address these challenges, the Big Sky Childcare Task Force (BSCTF) was established, consisting of members from the Yellowstone Club Community Foundation, Northern Rocky Mountain Economic Development District, Spanish Peaks Community Foundation, Big Sky Chamber of Commerce, childcare providers, and local employers, and other stakeholders. With a data-driven approach, the BSCTF aims to develop solutions that not only cater to the needs of working families but also contribute to the long-term viability and prosperity of local businesses.

Employing an economic framework, this analysis deconstructs the study into two integral facets: Demand and Supply sides. This approach facilitates a comprehensive exploration of the childcare landscape, providing insights into the preferences and requirements of families (Demand) as well as the operational challenges and capacities faced by childcare providers (Supply).

The first step in addressing the challenges of affordability and accessibility lies in acquiring a comprehensive understanding of the current state of childcare in Big Sky. This endeavor involved the collection of data through community and workforce surveys, and the utilization of publicly available information. Furthermore, data from existing childcare businesses was utilized to underscore the financial needs of childcare enterprises and the available resources for fostering the childcare industry's growth.

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<sup>1</sup>Economic Policy Institute (n.d.). Child Care Costs in the United States. <https://www.epi.org/child-care-costs-in-the-united-states/#/MT>

<sup>2</sup>Childcare Community Needs Survey



# SUMMARY

- 244 - Total Survey Respondents
- 56% of survey respondents living in Big Sky prefer a childcare facility near their home, whereas 67% of respondents living in the Gallatin Valley (but working in Big Sky) prefer childcare near their residence.
- 20% of Big Sky families utilize childcare offered by family members, friends, or in-home care.
- 16% of the Big Sky community does not currently utilize formal childcare services.
- 75% of Big Sky's population is of working age, with a median age of 36 years old.
- 84% of Big Sky's population is part of the labor force, compared to Gallatin's 71% and Madison's 53%.
- 176% population increase occurred in Big Sky from 2010 to 2020.
- 79% of two-parent families have both parents in the labor force, compared to Gallatin's 65% and Madison's 57%.
- 96% of women with children that are living in Big Sky participate in the labor force compared to Gallatin's 66% and Madison's 51%
- Primary barriers: Cost, Hours of Operations, Wait Lists, Location, Quality
- Financial and workforce constraints of childcare providers in Big Sky prevent Friday availability of care, and survey respondents express the need for childcare beyond "standard" business hours.
- Childcare providers recognize the need for continuous support and resources to improve the quality of care.
- Financial constraints impede providers' capacity to attract and retain a qualified professional workforce, subsequently impacting the overall quality and availability of care.
- \$1,733 is the average monthly childcare cost for Big Sky families, representing 16.2% of their median income.
- \$700 or 47% is the average childcare cost reduction considered significant by Big Sky respondents from its current price.
- 73% of respondents reported that their ability to work has been affected due to the limited childcare options in the area.
- Over 25% of the respondents indicated that they are either pregnant or planning to have children soon.
- Parental fees alone are insufficient to cover basic operational costs, necessitating the presence of subsidies or offsetting programs.
- 94% of survey respondents living in Big Sky prefer a new childcare location in Big Sky. Whereas, of the survey respondents living in the Gallatin Valley (but working in Big Sky), 36% prefer a new location in Big Sky and 32% prefer a new location in Gallatin Gateway.



# OVERVIEW

## Data Collection Methods

This study presents publicly available data and data collected from community surveys. The Big Sky community is unincorporated, so publicly available data is limited. To account for this, this study employed a collaborative approach involving the active participation of the Big Sky Childcare Task Force and several key community partners to deploy a community survey to collect additional information. By leveraging collective expertise and resources, BSCTF aimed to comprehensively address the childcare needs within Big Sky and surrounding communities.

### Community Survey

The primary data collection method utilized was the Community Childcare Needs Survey to gather comprehensive insights into the childcare requirements and challenges faced by the community. This survey was thoughtfully designed to elicit valuable feedback from parents, guardians, childcare providers, and other relevant stakeholders. The survey covered various topics, including childcare availability, affordability, quality, and preferences. The data obtained from this survey helped form the foundation of the study's analysis and recommendations. This survey was sent throughout the community, by large employers, the Big Sky Chamber of Commerce, and other non-profits. A total of 244 responses were collected.

### Publicly Available Data

In addition to the survey data, publicly available data from various reputable sources were incorporated into the research. This included data from government agencies, educational institutions, and non-profit organizations that provided relevant information on demographic trends, socioeconomic indicators, and existing childcare infrastructure in the community.

## Data Limitations

While this study makes a good faith effort to evaluate the best available data, there are limitations to the data that we must consider. Due to Big Sky being a small, unincorporated community, publicly available data is more limited compared to larger cities and counties. Since Big Sky is unincorporated and has a population of under 5,000, the U.S. Census Bureau draws a designated boundary around the community called a "census-designated place" or CDP. Due to the small population size, this means the publicly available data for Big Sky is subject to higher levels of variability.

### Community Survey Data Limitations

Using surveys for economic analysis comes with several limitations that warrant consideration. Respondent bias and the possibility of misreporting may introduce subjectivity, potentially impacting the accuracy and reliability of the data. Response bias comes in multiple forms; examples include respondents knowingly reporting false information because they are uncomfortable with reporting the honest answers, or the phrasing of the question gets misconstrued. Surveys often involve subjective questions, such as preferences or opinions, so accurately quantifying and analyzing these responses for economic insights can be challenging. Furthermore, non-response bias may emerge, potentially skewing the representation of specific

demographics or viewpoints if certain groups are more or less likely to participate in the survey. A standard critique of using surveys for economic analysis is that certain groups of people are more likely to respond to surveys and vice versa. For example, adults with children who have dropped out of the labor force due to lack of childcare options are challenging to collect data on through traditional channels. However, understanding this population is important when analyzing the childcare industry.

## Publicly Available Data Limitations

Many publicly available data sets that are typically relied on, such as the Bureau of Labor and Statistics, are not available at the community level and only provide county-level data. This study uses the Census Bureau's American Community Survey (ACS) to get localized data. The ACS is an annual, nationwide survey that varies from the decennial census by surveying smaller sample sizes than all housing units and people in the nation. Due to the smaller sample size, there is a degree of sampling error known as the margin of error. To analyze details for smaller unincorporated geographic areas, the Census Bureau creates an informal boundary known as the "census-designated place," or CDP. ACS 5-year estimates are the only option available for the Big Sky CDP and are thus used in this study. ACS 5-year estimates have a smaller margin of error when compared to the ACS 1-year estimates but are less current than the 1-year estimates used for larger population areas.

## Existing Providers in Big Sky

Big Sky has one main childcare provider, Morningstar Learning Center, that operates during regular working hours, along with two afterschool early childcare providers, BASE Camp and United Way. BASE Camp offers afterschool care as well as summer care, while United Way offers only summer care. Additionally, there are two preschools available: one publicly funded and the other a private Montessori school.

### Morningstar Learning Center

Morningstar Learning Center (MLC) is Big Sky's only licensed childcare provider. They operate year-round and specialize in providing care for infants and toddlers. Morningstar operates Monday through Thursday, from 8:30 am to 5:30 pm. Previously, they also offered care on Fridays but discontinued this service due to staffing limitations. One alternative considered was providing shorter hours from Monday to Friday, but families expressed a preference for maintaining full-day care from Monday to Thursday. MLC provides childcare for children aged six months to five years old.

### Big Sky Discovery Academy

Big Sky Discovery Academy (BSDA) is a private Montessori school that service pre-K through 12th grade. BSDA operates from Monday to Friday, 8:30 am to 3:30 pm. Currently, they are not open during summer hours. They offer a pre-K classroom that served 18 children in school year 2022-2023.

Formerly, BSDA operated its own after-school program, but due to staffing limitations discontinued operations. Currently BSDA utilizes BASE Camp's after-school program by allowing staff to escort students who utilize these services to the BASE facility two blocks away. It is important to note that not all students who attend BSDA use BASE for after-school care.

### Ophir Elementary School

The Big Sky community has one public elementary school. They serve children aged three through fifth grade. In 2023-2024, there were 188 students enrolled. Ophir began operating a pre-K classroom (known as 4K) in 2021, which has the capacity to serve 20 three and four year old children. Children aged three must have an individualized education program (IEP) to enroll, but children aged four can enroll with or without an IEP. For school year 2023-2024, Ophir only enrolled 17 children, leaving three slots unfilled. For school-aged children, transportation to access after-school programming is an on-going issue.

All classrooms at Ophir operate from 8:30 am to 3:30 pm, and the facility is not experiencing any space constraints. Currently, Ophir operates two bus lines, down from 4-5 bus routes in previous years. This is due to the lack of workers and applicants for the bus driving position. Students must be registered as an eligible bus rider to be able to utilize this form of transportation to and from school.

### BASE / BASE Camp / Camp Big Sky

Big Sky Community Organization (BSCO) is a community based non-profit that fills several roles within area. BSCO operates BASE; a community facility that provides a range of services, which include a fitness center, a rock climbing wall, and other programs, classes and leagues. The facility operates seven days a week. It's hours are Monday through Friday, 6:00 am to 8:00 pm, and weekends, 9:00 am through 6:00 pm. Children aged 12 and older can be in the facility without a parent or guardian present, although a BASE pass is required for access. For winter 2023, BASE is looking to extend it's operating hours into the evening to support those in need of late-night programming.

BASE Camp is an after-school program operated at the BASE facility by BSCO staff. It follows the Ophir Elementary School calendar, and is open to the public and does not require a BASE facility pass to access. BASE Camp provides a structured environment for children Monday through Friday, from 4:00 pm to 6:00 pm. While BSDA staff walk students over

after school, there is not specific transportation from Ophir Elementary to BASE Camp. If students are assigned a seat on the bus and are part of the after-school program, BASE Camp staff will greet students at the nearby bus stop. There are many families who want to join BASE Camp but do not have any form of transportation to get their children from school to BASE.

Camp Big Sky, operated by BSCO, is a summer program at the Community Park that accommodates children of different age groups. The Pioneers program caters to children in grades one to three and operates from Monday to Friday. The Explorers program serves children in grades four to six and runs from Monday to Thursday. Hours of care are from 8:30 a.m. to 3:30 pm, with an aftercare option that extends until 5:30 p.m.

### United Way

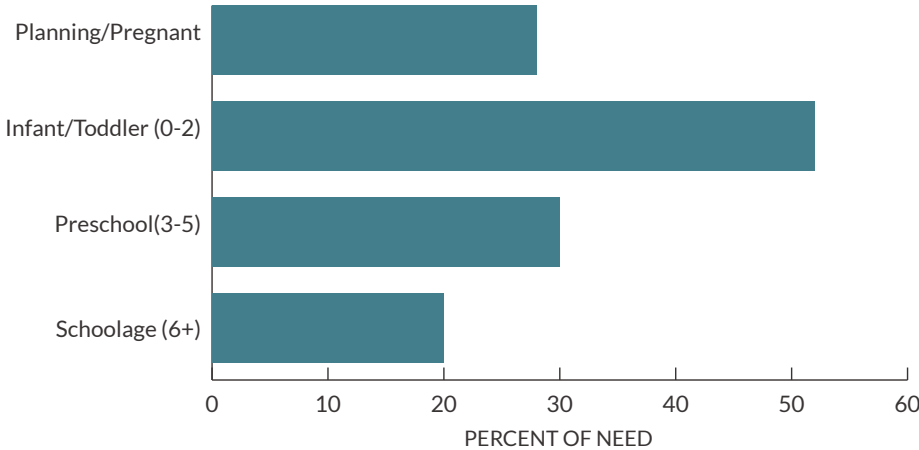
The Greater Gallatin United Way offers a summer program that operates within Ophir Elementary School. Services are offered from 8:30 am to 5:30 pm, Monday through Friday. It caters to children aged four and five, providing pre-K focused programming.

## State of the Industry

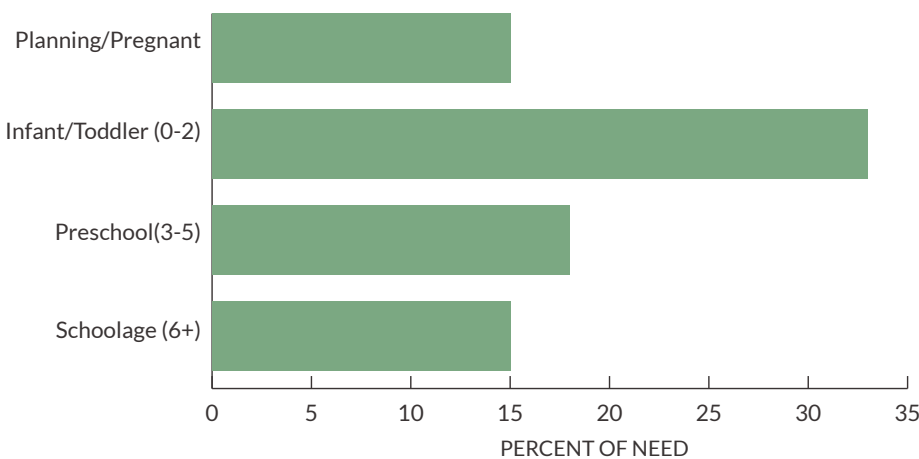
It is crucial to fully understand the current condition of the childcare industry in Big Sky before analyzing the facets of supply and demand. This section relies heavily on results from the Community Childcare Needs survey. Results were segregated based on Big Sky<sup>3</sup> and Gallatin Valley<sup>4</sup> respondents to identify potential preference variations.

Respondents were questioned about their children’s ages and whether they required care, aiming to comprehend the cohort requiring childcare. Figures 1 and 2 present visual representations of this demographic distribution. Initially, this study did not intend to capture narrative from community members who are family planning or currently pregnant, but these figures highlight the significance of this group. Implications of the large representation of family planning will be discussed in Identification of Barriers: Wait Lists section.

**Figure 1: Childcare Need by Age - Big Sky Respondents**



**Figure 2: Childcare Need by Age - Gallatin Valley Respondents**



<sup>3</sup>The “Big Sky” area includes West Yellowstone and Ennis respondents

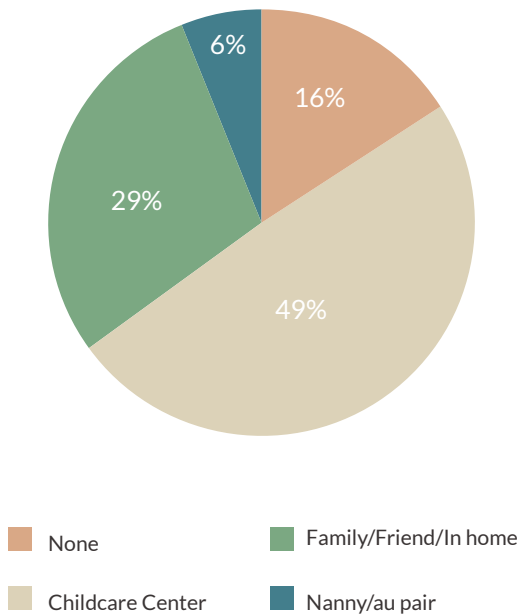
<sup>4</sup>The “Gallatin Valley” area includes respondents from Bozeman, Belgrade, Four Corners, and Gallatin Gateway.

Figure 3 demonstrates the trends of childcare utilization for all community survey respondents with children ages 0 to 5. Among the various care types available, childcare centers emerge as the most commonly chosen option, with 49% of families relying on their services.

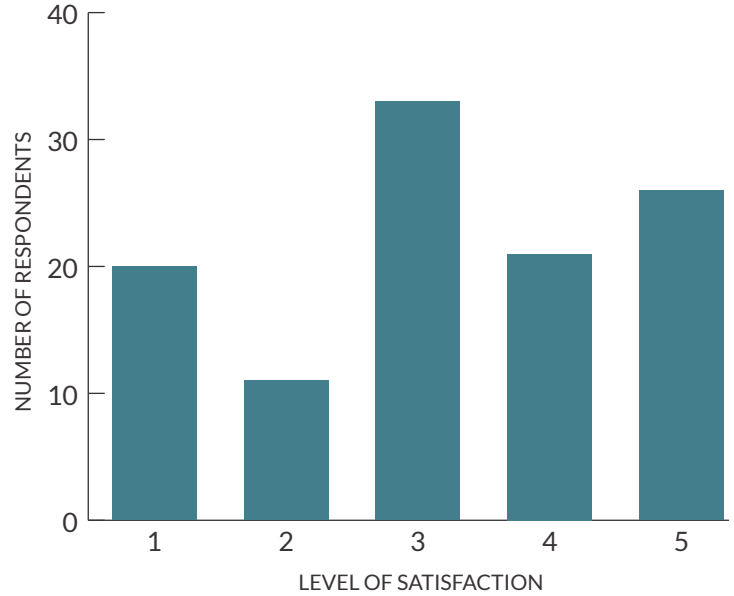
The survey also spotlights the influence of familial and social networks, as 29% of families select care offered by family members, friends, or in-home care. Nanny and au pair services represent an alternative choice for 6% of families. Strikingly, 16% of the community does not currently utilize formal childcare services.

Respondents were asked to rate their satisfaction with their current childcare, using a likert scale from one to five, with one being the least satisfied. Satisfaction levels varied, with no significant trend. Figure 4 shows responses from respondents living in Big Sky, and Figure 5 shows results from respondents living in the Gallatin Valley but working in Big Sky.

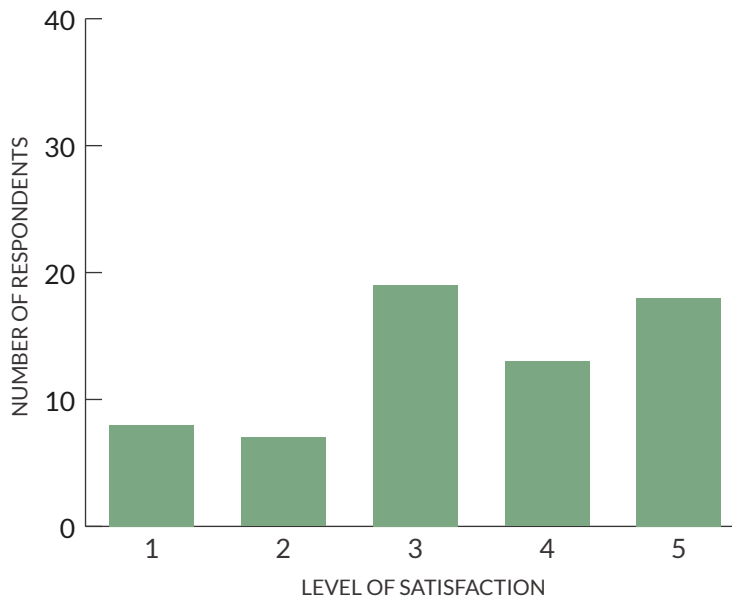
**Figure 3: Childcare Use by Families with Children Aged 0 to 5 - All Respondents**



**Figure 4: Satisfaction with Current Childcare Option - Big Sky Respondents**



**Figure 5: Satisfaction with Current Childcare Option - Gallatin Valley Respondents**







# DEMAND – FAMILIES/ CONSUMERS

This section discusses the multifaceted dimensions of childcare demand, specifically focusing on accessibility and affordability. To provide a comprehensive understanding, the discussion begins by examining general community demographics, offering insight into the contextual factors that influence childcare dynamics within Big Sky. Following this, the investigation explores the challenges and opportunities surrounding childcare accessibility, concentrating on barriers identified by the community and ideal childcare center locations. The analysis extends to affordability, illustrating the financial assistance programs accessible to families and childcare providers.

The predominance of the tourism industry in Big Sky over the last decade has brought increased business demand, along with a growing workforce. In 2020, Big Sky’s year-round population was 3,854 people. Approximately 75% of the population is of working age, and the median age is a youthful 36 years old. Big Sky’s labor force participation rate is 84%, significantly higher than Gallatin (71%) and Madison County (53%). Over the last ten years, Big Sky has experienced rapid growth – from 2010 to 2020, the community’s population has increased by 176% (from 1,398 to 3,854). Table 1 shows a detailed break down of the Big Sky labor force over time.

**Table 1: Big Sky Labor Force**

| Year      | Population 16 and older | In Labor Force | Civilian Labor Force | Employed    | Unemployed | Not in Labor Force | Labor Force Participation Rate | Unemployment Rate |
|-----------|-------------------------|----------------|----------------------|-------------|------------|--------------------|--------------------------------|-------------------|
| US (2020) | 261,649,873             | 165,902,838    | 164,759,496          | 155,888,980 | 8,870,516  | 95,747,035         | 63.0%                          | 5.4%              |
| 2015      | 2,238                   | 1,776          | 1,776                | 1,623       | 153        | 462                | 79.4%                          | 8.6%              |
| 2016      | 2,326                   | 1,965          | 1,965                | 1,851       | 114        | 361                | 84.5%                          | 5.8%              |
| 2017      | 2,373                   | 1,999          | 1,999                | 1,916       | 83         | 374                | 84.2%                          | 4.2%              |
| 2018      | 2,572                   | 2,120          | 2,120                | 2,051       | 69         | 452                | 82.4%                          | 3.3%              |
| 2019      | 2,610                   | 2,171          | 2,171                | 2,120       | 51         | 439                | 83.2%                          | 2.3%              |
| 2020      | 2,641                   | 2,220          | 2,220                | 2,167       | 53         | 421                | 84.1%                          | 2.4%              |
| 2021      | 2,616                   | 2,200          | 2,200                | 2,147       | 53         | 416                | 84.1%                          | 2.4%              |

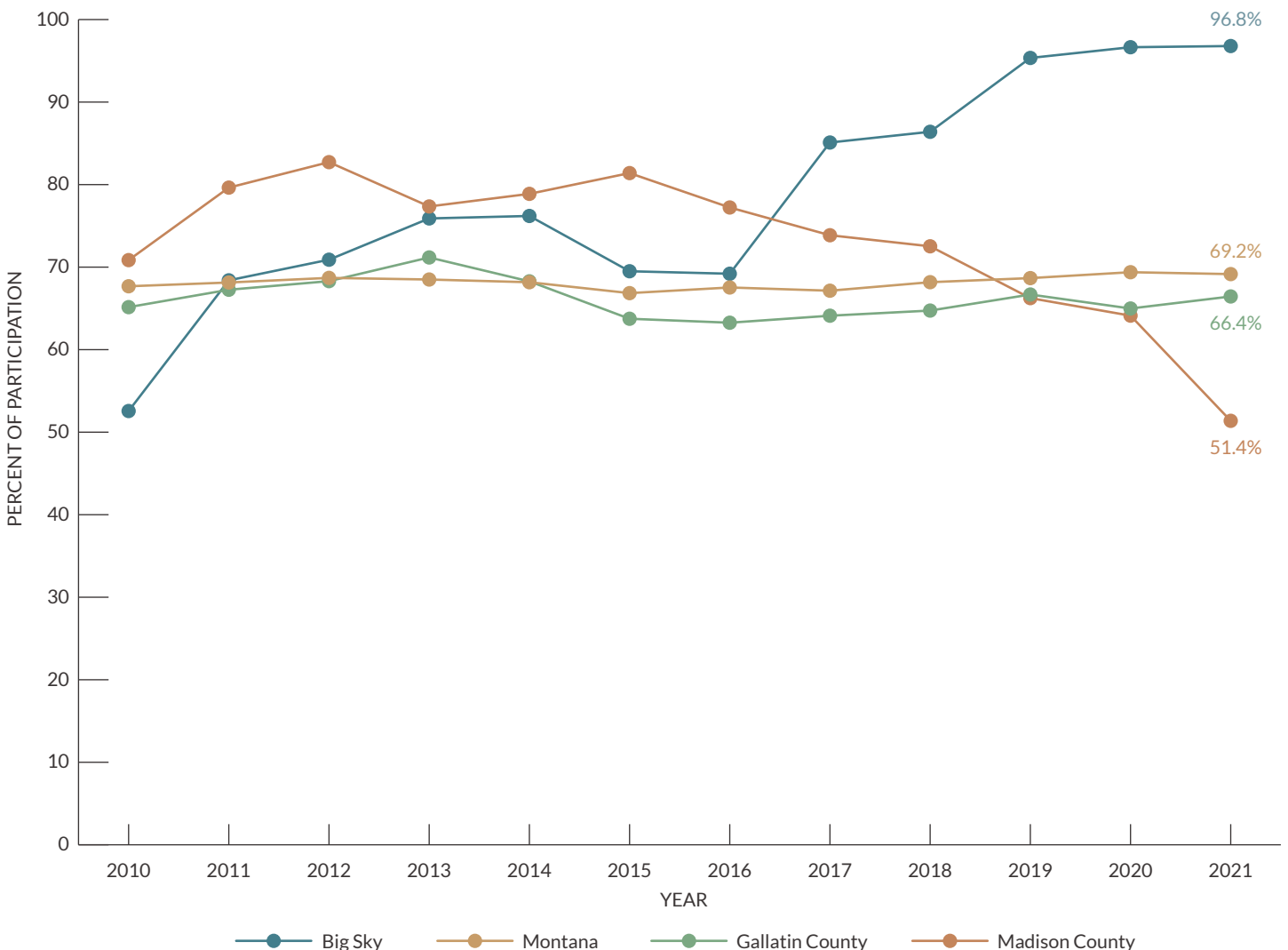
Source: ACS DP03 5-Year Estimates

<sup>5</sup> U.S. Census Bureau, American Community Survey 5-year Estimates, Table B23008

A median age of 36 means the community has a young population focused on working, building a family, raising children, and not near retirement. Due to population growth and the youthful median age, managing the working class's rapid growth requires childcare investment. High living costs and the necessity for dual-income households in the area mean that many families rely on both parents' incomes to maintain a livable wage. With 79% of two-parent families having both parents in the labor force and single parents also showing a 100% labor force participation rate<sup>5</sup>, access to quality childcare is paramount. Parent labor force participation is significantly higher in Big Sky than in neighboring communities. Gallatin County's labor force participation rate for both parents in the labor force is 65%, and Madison County's is 57%. If the demand for childcare continually goes unmet, young families wishing to start a family will likely relocate, hindering and shrinking the community's labor force.

With many residents in their prime working and child-rearing years, it becomes crucial to address the needs of the labor force, particularly the mothers of Big Sky. Women's participation in the workforce is a vital component of the community's economic growth and development. Figure 6 demonstrates that in Big Sky, the labor force participation rate for women with children is 96%, demonstrating a significant presence of mothers actively contributing to the local economy. We can safely assume that the high labor force participation rate of mothers translates to high demand for childcare services and available hours. We suspect the high female labor force participation rates are attributed to the high local cost of living, and thus the need for dual-income households. Without sufficient childcare options, working mothers may face challenges maintaining their careers and achieving work-life balance. Ensuring affordable and accessible childcare services is beneficial to families and vital for retaining the current workforce in the community.

**Figure 6: Labor Force Participation of Women With Children in Household**



# Accessibility

## Identification of Barriers

The Big Sky Community Childcare Needs survey analysis identified the six barriers that parents face when seeking childcare services. Cost, days and hours of operation, and wait lists ranked as the top three issues. Figure 7 details survey responses regarding barriers to accessing childcare.

### Cost

The survey results underscored the significance of financial constraints as a primary barrier for families seeking childcare services. The implications and struggles of high childcare costs faced by Big Sky residents will be expanded on further in the Affordability section. In short, many respondents expressed their concerns about the high costs of childcare, stating how difficult it is becoming to afford childcare on top of an inflated housing market.

### Operating Hours/Days

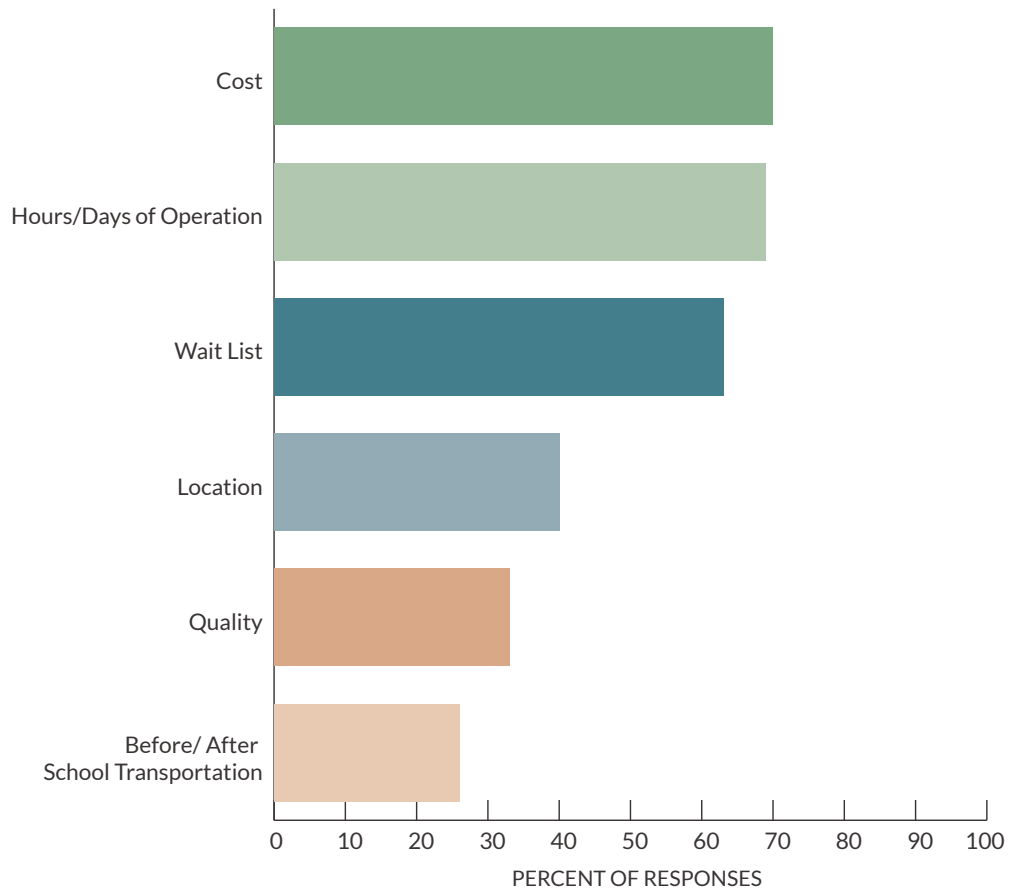
Another major challenge reported by community members was the limited operating hours and days of childcare facilities. A specific issue brought to light by the survey is the main care provider in the community does not operate on Fridays.

While traditional 9-5 schedules may be common, it's crucial to recognize that many individuals work non-standard hours, including nights, weekends, and irregular shifts. To ensure that childcare services cater to the needs of all community members, regardless of their work schedules, flexibility in hours becomes essential.

In Big Sky, the service and hospitality sector plays a significant role in the local economy, employing a substantial portion of the workforce. However, these industries often operate beyond standard business hours, with employees working during evenings, weekends, and holidays. Overlooking the childcare needs of the workforce in this essential industry can have significant consequences. It impacts the well-being of working parents within these sectors and presents challenges for employers as they struggle to retain a stable and productive workforce.

The construction industry is another significant sector in Big Sky's economy. For parents in construction, the need for reliable and flexible childcare solutions cannot be understated. Their work often starts early in the morning and may extend into the late afternoon or early evening, making it challenging to align their schedules with traditional childcare center hours.

**Figure 7: Barriers Faced When Accessing Childcare - All Respondents**



Source: Community Childcare Needs Survey

Figure 8 shows that although 59% of Big Sky’s residents expressed that childcare during standard work hours (Monday through Friday, 9-5) would be sufficient, a significant population expressed the need for additional care hours outside of that timeframe. When considering hours of operation, it is also important to account for commute time. For example, the Big Sky workforce that lives in Gallatin Valley expressed a need to drop their children off at childcare by 7:00 am to arrive to work in Big Sky on-time by 8:00 am.

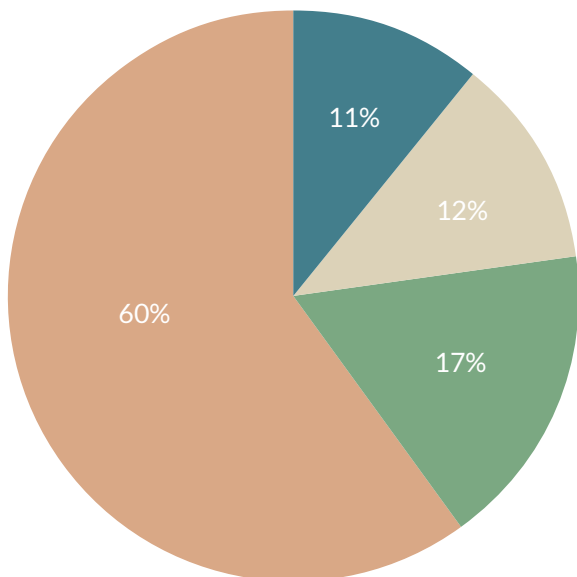
### Wait List

The survey illustrated the prevalent issue of long wait lists for childcare services in Big Sky. The insights from interviews with various childcare providers echoed this sentiment, with providers unanimously acknowledging the extensive wait times experienced by families. Sometimes, families wait multiple years to secure a spot for their children in a childcare program. A detailed discussion on wait lists can be found in the Availability section of this report.

### Quality

The Big Sky Community Childcare Needs survey included an option for respondents to select “quality” of childcare. This did not emerge spontaneously as a theme, and there is not substantial evidence indicating inadequate quality of childcare in Big Sky.

**Figure 8: Requested Care Hours - All Respondents**



- Weekend
- Flexible/Varying
- Extended
- Standard Business Hours

Source: Community Childcare Needs Survey

Survey respondents indicated that parents and caregivers desire childcare services that offer a safe and nurturing environment and facilitate their children’s holistic development. Interviews with childcare providers highlighted the commitment of many providers in striving to meet the standards of excellence. However, they also acknowledged the need for ongoing support and resources to enhance the quality of care they can offer.

Conversations with childcare providers shed light on the challenge posed by candidates rejecting job offers within the childcare sector. This issue is often attributed to the prevailing conditions of low wages and the burden of high housing costs. While providers are devoted to their roles, these financial limitations hinder their ability to attract and retain qualified professionals, ultimately affecting the overall quality of care.

When evaluating factors that play a role in determining quality childcare, Big Sky residents and surrounding community members shared insights into the elements shaping their decisions. According to the Childcare Survey, employee background checks emerged as the top priority, closely followed by providers being licensed and employee education/training. Figure 9 shows the various factors that survey respondents take into account when selecting a childcare provider.

In the community’s discussions about providing quality childcare, it’s important to recognize the role of state laws. These laws require childcare employees and providers to undergo proper training and background checks, all to ensure the safety and well-being of the children they care for. Following these laws helps childcare centers maintain higher standards of professionalism and competence, building trust and confidence among parents and caregivers. These laws will be discussed further in the Laws and Regulations section.

### Definition Of Variables

|                         |                                      |
|-------------------------|--------------------------------------|
| STANDARD BUSINESS HOURS | MON-FRI 9AM-5PM                      |
| WEEKEND                 | ANY REQUEST MENTIONING WEEKEND HOURS |
| FLEXIBLE/VARYING        | DROP-IN/PART TIME                    |
| EXTENDED                | BEFORE/AFTER STANDARD HOURS          |

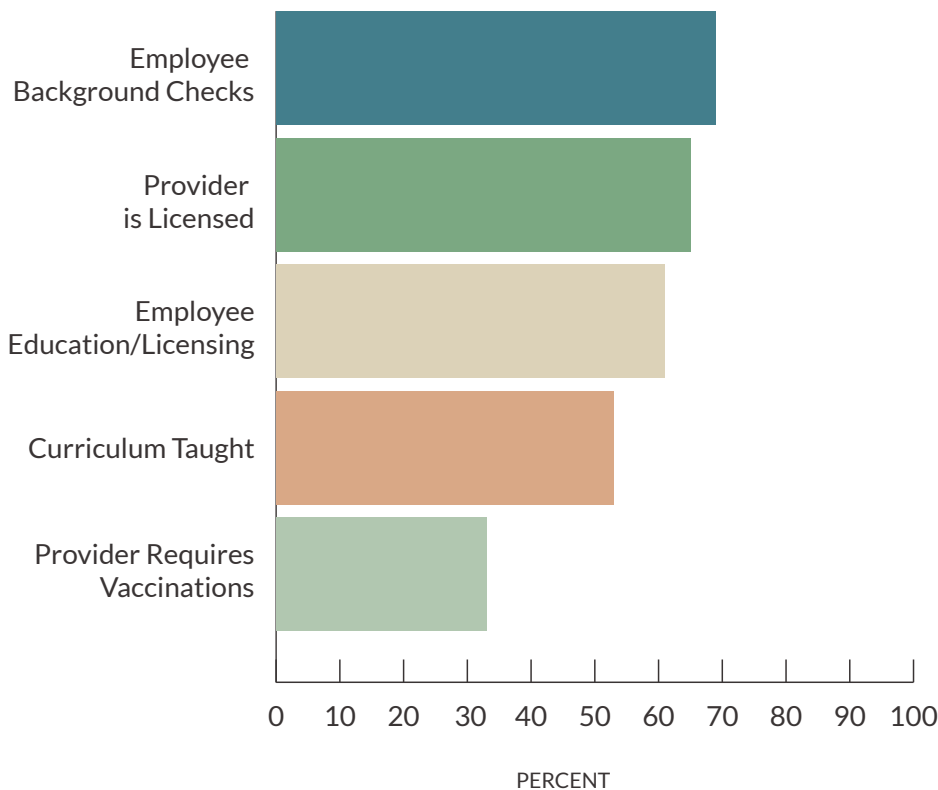
## Childcare Center Location

The Big Sky Community Childcare Needs survey asked questions regarding parents' desired location of childcare services. The results provide valuable guidance in understanding the community's preferences and priorities regarding the respondent's desired childcare location. Results were segregated based on Big Sky and Gallatin Valley<sup>4</sup> respondents to identify potential preference variations. First, the survey explored the preferences of the Big Sky workforce regarding childcare proximity to their residence. Specifically, the survey inquired about workers' preference for childcare services to be located near their place of residence or their workplace. Figures 10, 11, and 12 detail responses by group.

Responses were segregated into two groups: those living and working in Big Sky, and those working in Big Sky and living in the Gallatin Valley. Interestingly, both groups of respondents preferred childcare services near their residence. It was anticipated that the geographic barrier of the Gallatin Canyon might lead to considerable disparities in parental decisions regarding childcare location. However, the survey results revealed that no matter where the worker lives, parents prefer childcare near their home.

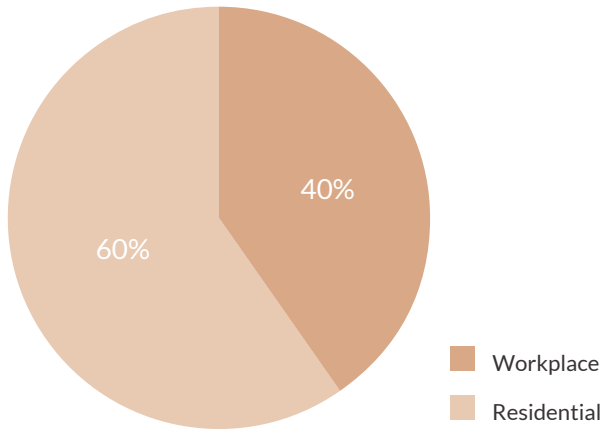
Second, the survey gathered respondents' perspectives on the most suitable location for a new childcare facility. Among Big Sky respondents, there was a distinct preference (94%) for another childcare facility within the Big Sky area. However, among the respondents living in Gallatin Valley, only 36% prefer a new facility in Big Sky, while 32% prefer Gallatin Gateway, followed by another 16% preferring a Four Corners location. Figures 13, 14, and 15 illustrate these responses.

**Figure 9: Dimensions of Quality Considered When Choosing Childcare - All Respondents**



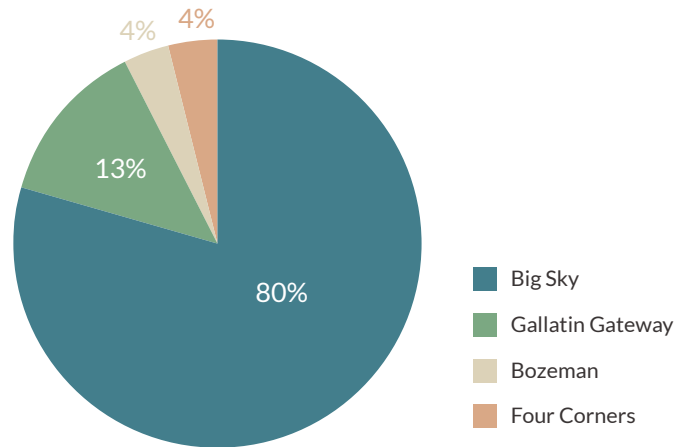
Source: Community Childcare Needs Survey

**Figure 10: Proximity to Workplace - All Respondents**



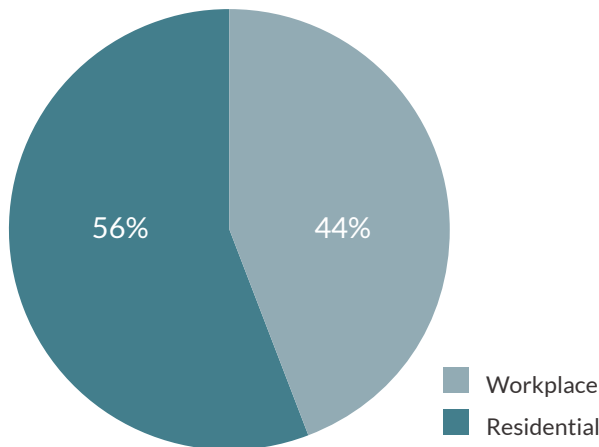
Source: Big Sky Community Childcare Needs Survey

**Figure 13: Ideal Childcare Location - All Respondents**



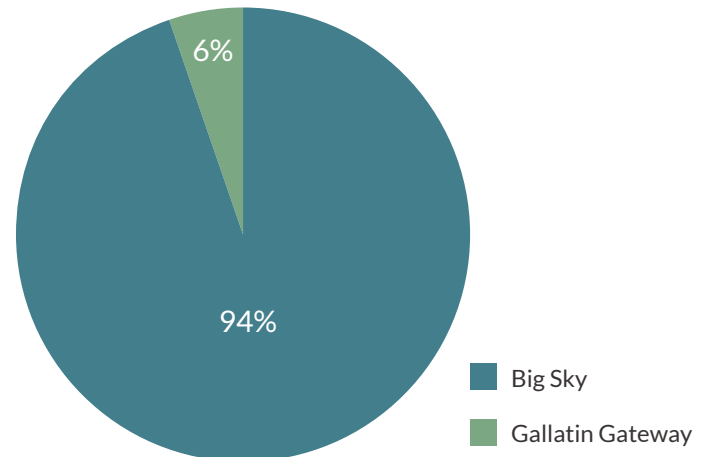
Source: Big Sky Community Childcare Needs Survey

**Figure 11: Proximity to Workplace - Big Sky Respondents**



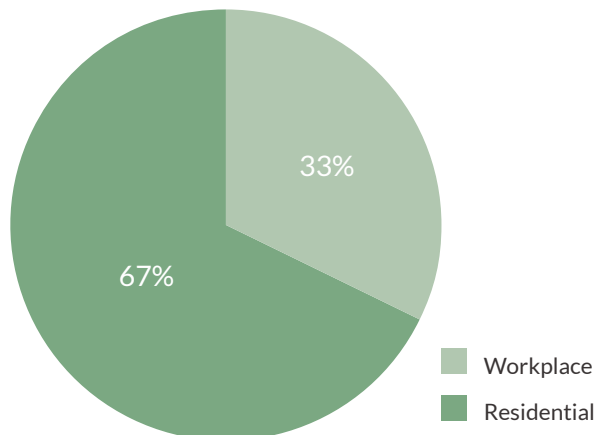
Source: Big Sky Community Childcare Needs Survey

**Figure 14: Ideal Childcare Location - Big Sky Respondents**



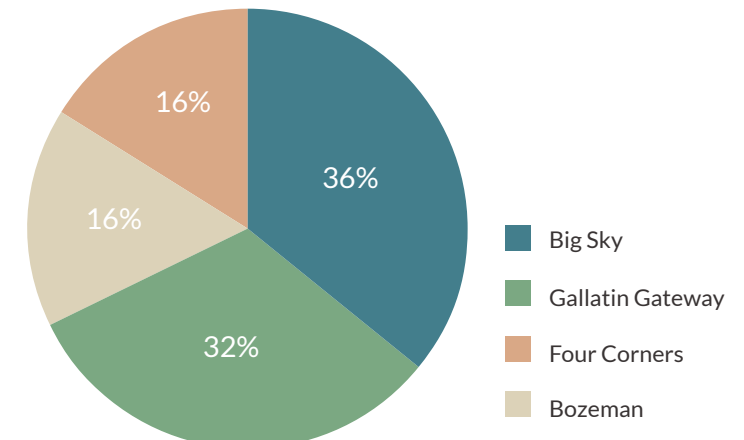
Source: Big Sky Community Childcare Needs Survey

**Figure 12: Proximity to Workplace - Gallatin Valley Respondents**



Source: Big Sky Community Childcare Needs Survey

**Figure 15: Ideal Childcare Location - Gallatin Valley Respondents**



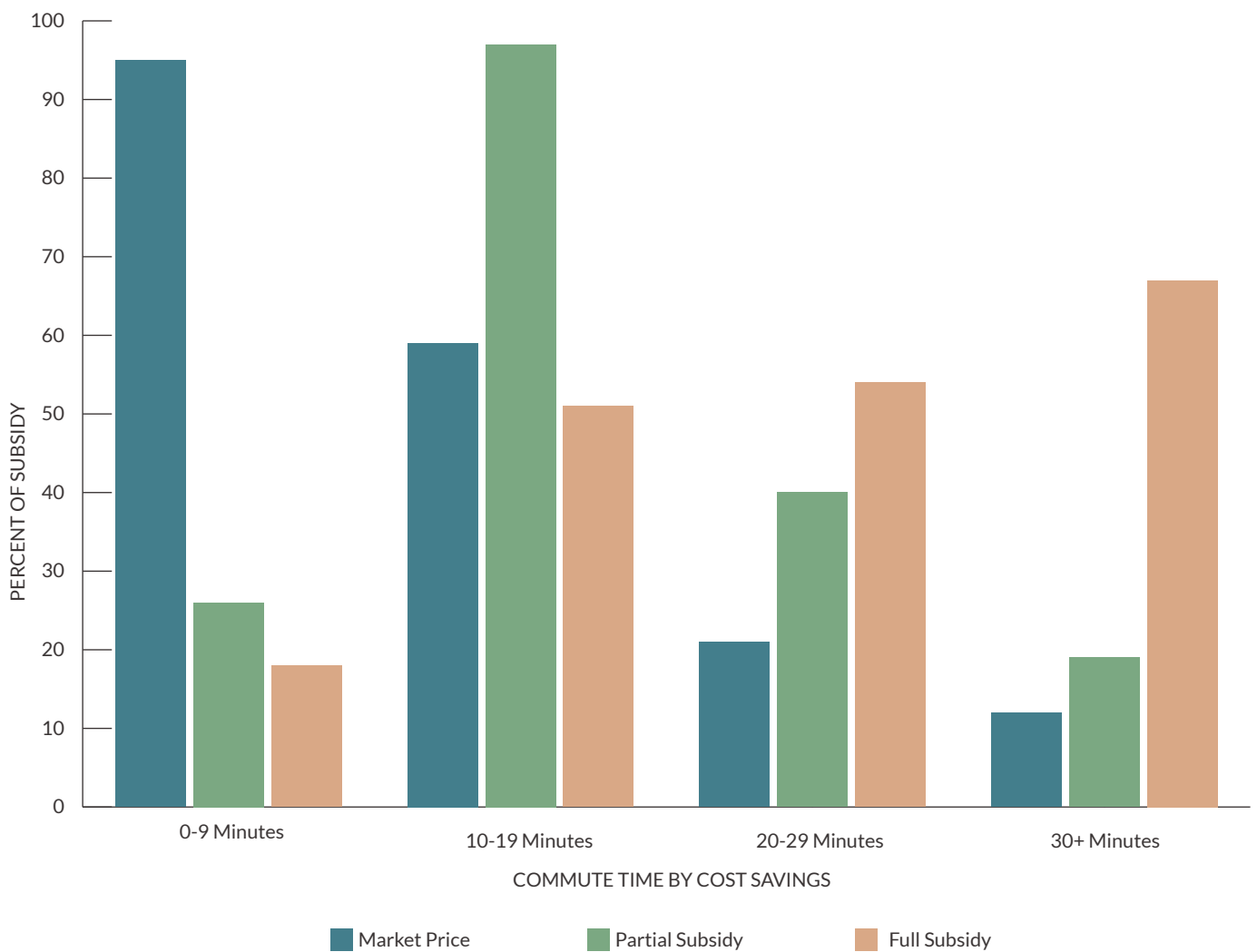
Source: Big Sky Community Childcare Needs Survey

## Drive Time

Figure 16 provides insights into how the Big Sky workforce is willing to adjust their commute time in response to varying childcare cost reductions. These statistics, specifically related to childcare cost reductions for Big Sky residents, will be

discussed later in the Affordability section. As expected, when childcare costs decrease or are offset by supportive programs, Big Sky workers become more willing to extend their commute times.

**Figure 16: Adjusted Commute Time Based on Childcare Cost Savings - All Respondents**



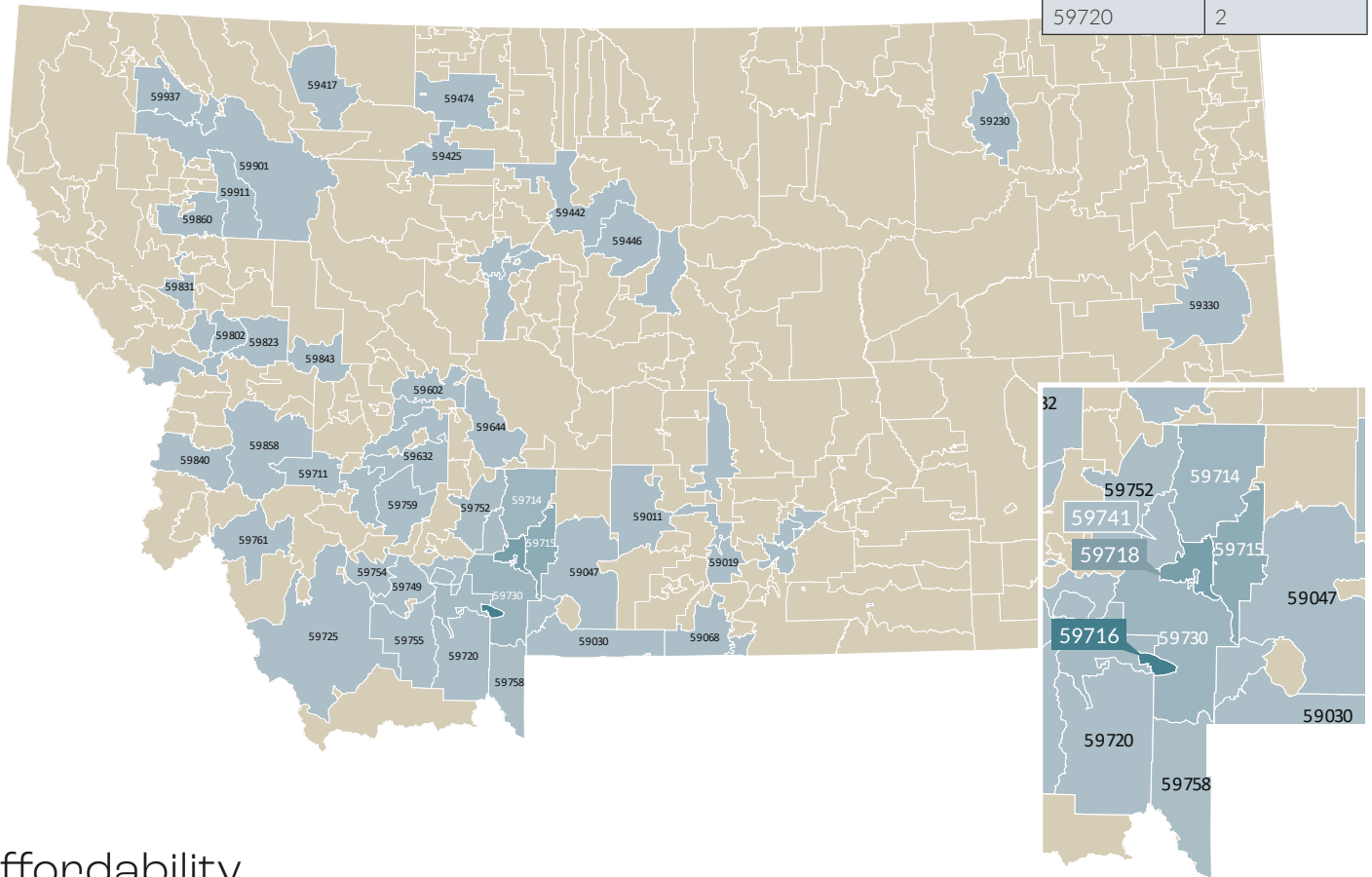
Source: Big Sky Community Childcare Needs Survey

## Geographical Distribution of Workforce

Figure 17 is a heat map of the location of Big Sky employees, generated using zip code data from several large employers within Big Sky. This information was derived from the permanent addresses of employees, offering insights into the origins of Big Sky’s workforce across Montana. When used in conjunction with the survey results regarding childcare placement, this visualization aids in identifying the most strategic locations for childcare services that would effectively cater to the needs of Big Sky workers.

| Zip Code | # of Employees |
|----------|----------------|
| 59716    | 912            |
| 59718    | 465            |
| 59715    | 272            |
| 59730    | 134            |
| 59714    | 123            |
| 59729    | 64             |
| 59741    | 17             |
| 59758    | 16             |
| 59752    | 14             |
| 59740    | 6              |
| 59720    | 2              |

**Figure 17: Big Sky Employee Residence by Zip Code**



## Affordability

According to the U.S. Department of Health and Human Services, childcare is affordable if it costs no more than 7% of a family’s income<sup>1</sup>. Survey respondents reported an average of \$1,733 per month in childcare costs, making up 16.2% of a family’s median income in Big Sky<sup>2,6</sup>. This highlights a concerning disparity between the recommended affordability threshold for childcare costs, and those faced by families in the local and surrounding regions of Big Sky. The average childcare cost reduction that Big Sky survey respondents deemed significant is \$700, or 47% of its current price<sup>2</sup>. A reduction of this amount would lower costs to 7% of median family income, in alignment with the U.S. Department of Health and Human Services affordability factor.

As revealed through open-ended survey responses, several respondents articulated that the high costs have influenced their decision to start a family, stating that they cannot afford to have children if they want to continue living in Big Sky. This insight holds particular significance when considering strategies for retaining and expanding the local workforce. This is expanded on in further detail at the end of this report under the “Other Solutions for Considerations” section.

<sup>6</sup>U.S. Census Bureau, American Community Survey 5-year Estimates, Table S1901



# SUPPLY - PROVIDERS

Transitioning from the examination of the community's demand for childcare services, the focus now shifts to the supply side of the equation. The conversation surrounding dimensions of childcare supply begins by exploring childcare costs and financial assistance programs. Then, the discussion shifts to examine availability, specifically the operational aspects of childcare services in Big Sky, including their capacity to accommodate children. Following that, we depict the financial challenges that childcare providers struggle with done by evaluating the financial models of existing providers. Additionally, a thorough exploration of laws and regulations specific to health and safety will provide insight into regulatory environment in which providers operate. Moving beyond this, we discuss the intricate web of funding sources available to the childcare industry. This encompasses funding from federal, state, private, and local entities, with allocations aimed either directly at families or benefiting childcare providers. This analysis is concluded with suggestions for non-monetary support and community solutions for consideration.

## Financial Assistance Programs

### Best Beginnings Childcare Scholarships

The Early Childhood Services Bureau (ECSB) is a state program that provides Best Beginnings childcare scholarships (BBCCS) to eligible low-income families. The program was established to provide scholarships to qualified low-income families whose children receive care from a licensed childcare provider or daycare facility. These scholarships use a sliding fee scale<sup>7</sup>, ensuring that each family contributes to the cost of care based on their financial capacity. Qualified families with incomes at or below 200% of the Federal Poverty Guidelines<sup>8</sup> are eligible for the Best Beginnings Scholarship. Recipient families are required to make a copayment towards the cost of childcare. The copayment amounts are established based on the family's income level as follows: (1) Families with qualifying incomes less than 100% of the federal poverty level must pay \$10 monthly, (2) Families with qualifying incomes between 100% and 200% of the federal poverty level will have their copayment calculated using a sliding fee scale, with the maximum limit set at 7% of their monthly income. The state pays the scholarship directly to the childcare provider, with the copayment coming from families to the provider.

The Best Beginnings Scholarship, while suitable for some communities in Montana, falls short of meeting the needs of

Big Sky residents. The income eligibility criteria, limited to 200% or below the federal poverty guidelines, exclude many Big Sky residents facing childcare cost challenges. Due to high costs of living translating to higher wages, Big Sky's median annual family income is \$128,506, equivalent to approximately \$10,708 monthly<sup>5</sup>. This is well above the federal poverty level – for a family of three, 200% of the Federal Poverty Guidelines calculates to an annual income of \$46,060 or a monthly income of \$3,838<sup>8</sup>.

The Best Beginnings Scholarship's eligibility criteria do not allow for families to access this resource to help offset the childcare cost challenges many Big Sky residents face. A notable gap exists in meeting the needs of working families seeking affordable childcare options.

### Wellness In Action

Wellness In Action (WIA) is a non-profit organization within the Big Sky community that facilitates access to a scholarship resource network. With 18 years of dedicated service, WIA strives to empower children with transformative experiences through its scholarship offerings. During the Summer of 2023, WIA granted 31 camp scholarships totaling \$31,617. Similarly, in Winter 2022/2023, WIA awarded 31 scholarships for winter camp programs, including ski and hockey lessons, totaling \$16,930. WIA operates on a sliding scale based on federal poverty levels to address families' financial challenges. They have designed a sliding scale calibrated at 500% of poverty levels, which accommodates a family of three, comprising two parents and one child, with an income of up to \$124,300<sup>8</sup>. This approach makes the assistance program much more applicable to the specific needs of Big Sky. However, despite its relevance, the program faces limitations due to resource constraints. While WIA exceeded its budgeted scholarship awards this year, the program typically operates with a limited grant budget of \$25,000. Considering the average cost of childcare in Big Sky, this amount is not enough to cover even four children on half scholarship.

### Big Sky Discovery Academy

Big Sky Discovery Academy (BSDA) is a Montessori school and early childhood care provider. Discovery Academy does not receive state funding, relying instead on community support. In the coming year, the academy plans to allocate scholarships to enhance accessibility for students. BSDA raises funds from various sources, including resort tax contributions and community foundations. BSDA conducts three significant fundraisers yearly to support its scholarship initiatives. Through these fundraising efforts, Big Sky Discovery Academy aims to foster an inclusive educational environment by providing essential scholarship support to its students and educators.

<sup>7</sup><https://dphhs.mt.gov>

<sup>8</sup>Federal Poverty Guidelines can be found here: <https://www.projusticemn.org/fedpovertyguidelines/>

Despite these impressive fundraising efforts, it's important to note that the scholarship funds raised apply only to enrolled or prospective students and staff of Discovery Academy, making the effectiveness of these scholarships very localized.

## Morning Star Learning Center

Morningstar Learning Center (MLC) is a year-round early childhood education program. MLC is not state-funded and relies on community support, including Resort Tax, community foundations, and individual fundraisers. Even with the substantial backing from these entities, MLC's tuition rates are too high for most families to consider affordable.

To keep high-quality early education accessible, MLC raises funds annually for its need-based Tuition Assistance Program. All MLC families can apply annually through a third-party platform, ensuring that decisions are based solely on objective financial information. Upon introducing this program, MLC observed a 25% increase in days enrolled among recipients, demonstrating the impact of need-based financial aid in Big Sky. Throughout the 2022-2023 school year, MLC discounted tuition for 67% of enrolled families and awarded over \$300,000 in tuition assistance.

## Availability

General childcare availability is pivotal in supporting parents' ability to maintain employment while fostering a nurturing environment for children to learn and grow. Without worrying about childcare, parents can confidently focus on their professional responsibilities, leading to increased job satisfaction and productivity. Beyond the workforce advantages, the availability of nurturing and stimulating childcare environments positively impacts children's early development. Early childhood is a crucial period for cognitive, social, and emotional growth, and quality childcare programs can provide a supportive setting for children to explore, learn, and build essential skills.

According to the findings from the Community Needs Survey, it becomes evident that childcare availability constraints have a notable impact on employees in Big Sky. A significant 73% of respondents reported that their ability to work has been affected due to the limited childcare options in the area. The survey also unveiled future implications, as over a quarter of the respondents disclosed that they are either pregnant or planning to have children soon. The data highlights the necessity for comprehensive and accessible childcare solutions in Big Sky, supporting the working population and anticipating the needs of families in the coming years.

# Available Slots and Waitlists

## Summary of Available Slots

| Child Age     | Provider                           | Slots |
|---------------|------------------------------------|-------|
| 0-2 Year Olds | MLC                                | 24    |
| 3-4 Year Olds | MLC, Ophir, Discovery              | 68    |
| 5+ Year Olds  | MLC (5 y.o. only) Ophir, Discovery | 58    |

## Ophir Elementary School

Two years ago, Ophir Elementary School began to offer a pre-K classroom, also called 4K. In school year 2022-2023, Ophir had full enrollment of 20 children. However, for the 2023-2024 school year, Ophir only had 17 children enroll in the program, leaving 3 available slots for children aged 3-4 years old.

## Morning Star Learning Center

When families inquire, they can pay a \$75 application fee to be entered into the care center's system and added to the waitlist. The waitlist operates using a priority-based procedure. The priority order for enrollment is as follows:

- 1) Morningstar Learning Center Staffs Children
- 2) Siblings of Currently Enrolled Children
- 3) Children of Locally Employed Families
- 4) Children of Full-Time Residents Who Are Not Locally Employed
- 5) Not-Full-Time Residents Who Are Not Locally Employed

Morning Star Learning Center has 54 available slots when fully staffed and currently operates on a waitlist.

## Big Sky Discovery Academy

This waitlist also operates using a priority-based procedure. Parents can submit an intent to return in January of each year, and any open spots are filled from the current waitlist. The priority order for enrollment is as follows:

- 1) Siblings of current students
- 2) Legacy (if the first child in a family has enrolled and finished, the next child receives priority)
- 3) Year-Round Big Sky Resident
- 4) Big Sky Business Owner
- 5) Big Sky / Town Center Employee
- 6) Referral

Parents turned down in one year and placed on the waitlist retain their priority status for the following year, alongside siblings. Staff reports indicate that typically, by the time they reach the priority listing for Big Sky residents, all spots are already filled.

The school has allocated 36 slots for children aged 3 to 5, 17 for students in grades 1 to 3, 15 for those in grades 4 to 6, and 30 for grades 7-12. However, these slots' availability depends on having a fully staffed facility.

### BASE / BASE Camp / Camp Big Sky

The BASE Community Center is accessible to the public, although a BASE pass is necessary for entry. Children who are 12 years and older can use the Community Center without supervision. It is important to clarify that while a pass is necessary to access BASE's fitness center and participate in its various programs, classes, and leagues, BASE Camp and Camp Big Sky are exceptions. Their afterschool service is open to the entire community without a pass requirement. Enrollment for BASE Camp is limited to 20 children, a restriction attributed to spatial constraints. For Camp Big Sky, 50 positions are open for students in grades 1-3, and an additional 30 spots are available for those in grades 4-6.

### United Way

With a fully staffed team, United Way can serve up to 30 children. On average, across eight weeks, 17 families are participating each week. However, it is essential to note that the total number of families involved in the program is 25, as some families may not utilize it for its entire duration. On a weekly basis, the program has an average of 13 students in attendance.

## Financial Model

In order to illustrate the intricate financial challenges that childcare providers grapple with, this study examined the financial statements of 14 providers, located throughout the region, for the year 2022. The goal is to offer a concise analysis of their income and expenditures, aiming to simplify the intricate financial structures that childcare providers navigate. It is important to note that this financial modeling is not meant to be complex or account for details that providers consider when making financial decisions. This analysis is intentionally overly simplistic in order to understand the challenges of the business model that childcare providers face, and present a starting place for deeper discussion to begin.

This analysis is crucial given that childcare providers frequently operate with minimal or no profit margins. It aims to emphasize the importance of public support and investment for these providers. Lacking such backing could make it challenging to cover operational expenses and offer competitive wages—essential for attracting a skilled workforce—without resorting to significant fee increases for parents. Across all the examined businesses, it becomes evident that parental fees alone are inadequate to cover basic operational expenditures without the presence of subsidies or

programs to offset expenses. The following section will analyze childcare providers' costs averaged over those using the same operating model, followed by a cost comparison of survey respondents and publicly available data.

### Regional Financial Comparison

This section examines 14 childcare providers' financial reports across three different types of service provider models. The three service provider models examined are a center model, a group model, and a family model.<sup>9</sup> The financial statements from providers in each service delivery model are averaged together. This allows for average revenue per child and

**Table 2: Average Financial Model By Service Delivery Type**

|                     | Family         | Group          | Center         |
|---------------------|----------------|----------------|----------------|
| Revenue Per Child   | \$977.33       | \$891.75       | \$1,217.00     |
| Average Parent Pay  | \$748.00       | \$492.00       | \$1,189.00     |
| Average Subsidy     | \$229.33       | \$399.75       | \$28.00        |
| Cost Per Child      | \$993.00       | \$890.25       | \$1,252.50     |
| Margin              | \$(15.67)      | \$1.50         | \$(35.50)      |
| <b>Average Wage</b> | <b>\$16.79</b> | <b>\$16.57</b> | <b>\$20.45</b> |

Source: Cost of Care Financial Models

**Table 3: Average Annual Cost by Age**

|                                  | Gallatin County | Madison County |
|----------------------------------|-----------------|----------------|
| <b>Center-Based Childcare</b>    |                 |                |
| Infant                           | \$13,087        | \$10,004       |
| Toddler                          | \$11,451        | \$8,753        |
| Preschool                        | \$11,451        | \$8,753        |
| School-Age                       | \$11,451        | \$8,753        |
| <b>Average Center Based Cost</b> | <b>\$11,860</b> | <b>\$9,066</b> |
| <b>Home-Based Childcare</b>      |                 |                |
| Infant                           | \$10,081        | \$7,503        |
| Toddler                          | \$9,409         | \$7,003        |
| Preschool                        | \$9,409         | \$7,003        |
| School-Age                       | \$9,409         | \$7,003        |
| <b>Average Home Based Costs</b>  | <b>\$9,577</b>  | <b>\$7,128</b> |

Source: Department of Labor, Women's Bureau, National Database of Childcare Prices

<sup>9</sup>A center model serves 13+ children and the number of staff are dependent upon the ratios of children, the group model serves 2-15 children, typically in a home-based setting and staff are dependent upon the ratios of children, and the family model serves up to 8 children with one caregiver, typically in a home.

average cost per child to be compared. We also calculate the average hourly employee wage within each service delivery model, shown by Table 2. It is important to note that the Childcare Center service delivery model has more staff, and typically a center director will have a higher wage than an assistant teacher or other less experienced staff.

Table 2 demonstrates the results of the averaged financial reports within each service delivery model. In this calculation, revenues include tuition, fees, and costs that parents pay for their child, along with any subsidies, incentives, or grants that the provider receives. Costs include all operating costs the provider pays, such as rent, utilities, transportation, supplies, food, wages and fringe, insurance, and training costs. The margin per child shows the difference between average revenue per child minus the average cost per child. As illustrated, the family and center childcare models have negative profit margins, while the group service delivery model has a narrow positive margin of \$1.50 per child. To visualize revenues and expenses, Figure 18 demonstrates the composition of revenues or expenses for each childcare model. In each of the models, personnel expenses represent a large majority of the expenses providers face. We can see from Table 2 that despite personnel being the bulk of expenses, employees are not being paid high wages in comparison with other industries. In both the family and group models, the average hourly wage of employees hovers around \$16.00 per hour, with the center model having a slightly higher average hourly wage at \$20.45 per hour. These wages are modest and as mentioned several times in this report, are not high enough to competitively recruit new staff to fill labor shortages faced by providers. When examining average revenues per service delivery type, parent pay (including tuition, fees, etc.) constitute the bulk of revenues. Additional revenues for each model include STAR incentives<sup>10</sup>, CACFP payments<sup>11</sup>, and other subsidies. These additional revenue sources, while small, are crucial to closing the gap between revenues and costs that providers face. Without these programs, the negative profit

**Table 4: Regional Childcare Annual Cost Comparison**

| Cost Comparison                         | Annual Cost |
|---|-------------|
| Big Sky Community Survey Average Cost   | \$20,796    |
| Avg. Center Based Cost (DOL) - Gallatin | \$11,860    |
| Avg. Center Based Cost (DOL) - Madison  | \$9,066     |
| Avg. Center Based Cost (Local)          | \$15,030    |
| Avg. Home Based Cost (DOL) - Gallatin   | \$9,577     |
| Avg. Home Based Cost (DOL) - Madison    | \$7,128     |
| Avg. Family/Home Based Cost (Local)     | \$11,916    |

margin increases, further forcing providers to either increase the cost to parents or cease operations.

For each model, we calculate the average parent pay per month and the average subsidies received by providers per month. Please note that this is the average across all age groups, but typically rates for infants and toddlers are higher due to a lower staff to child ratio required by the providers, and rates tend to decrease as the child gets older because staff to child ratios increase, thus making it a bit more economical to provide care for older children.

For the family model, the average parent pay per month is \$748 and the average subsidies received are \$229 per month. If family providers did not receive subsidy programs, parent pay would have to cover this gap, increasing to \$977.33 per month. For the group model, the average parent pay is \$492 per month, with average subsidies received equating to \$399.75 per month. As in the family model, if the average subsidies went away, parents would have to bear the increase of monthly costs up to \$891.75. The Center model receives the highest average of parent pay, equating to \$1,189 per month, and the lowest of the available subsidies, totaling to an average of only \$28 per month. Without subsidies, parent pay would increase to \$1,217 per month.

This modeling demonstrates: 1.) most childcare providers do not face large profit margins, if any profit margin at all, and operate on minimal net profits. 2.) while a majority of expenses are comprised of personnel costs, hourly staff wages are not at the top end of competitive wages. 3.) Despite the high costs that parents face, without additional support in the form of grants, subsidies, or other public programs, parent pay would increase or childcare operators would be forced to close their doors.

## Regional Cost Comparison

To perform the cost comparison analysis, several sources of data were used to compare the estimated annual costs of childcare. First, the U.S. Department of Labor Women’s Bureau provides costs estimates by childcare type for 2023. Table 3 shows these estimates for Gallatin and Madison Counties. These numbers are broken out by a center model versus a home-based model. Home-based providers tend to have lower costs because of the need for less staffing, and space costs are significantly less than centers. To simplify for comparison, the averages across the county were also provided. This data shows that infant care is more expensive than older children, however it does not convey the subtleties of price changes as children get older. It is clear from this data that annual costs of childcare are higher in Gallatin County than in Madison County in both home-based and center care models.

<sup>10</sup>STAR incentives are the voluntary quality program described in the funding section of this report.

<sup>11</sup>CACFP payments are the Child and Adult Care Food Program, a reimbursement program described in the funding section of this report.

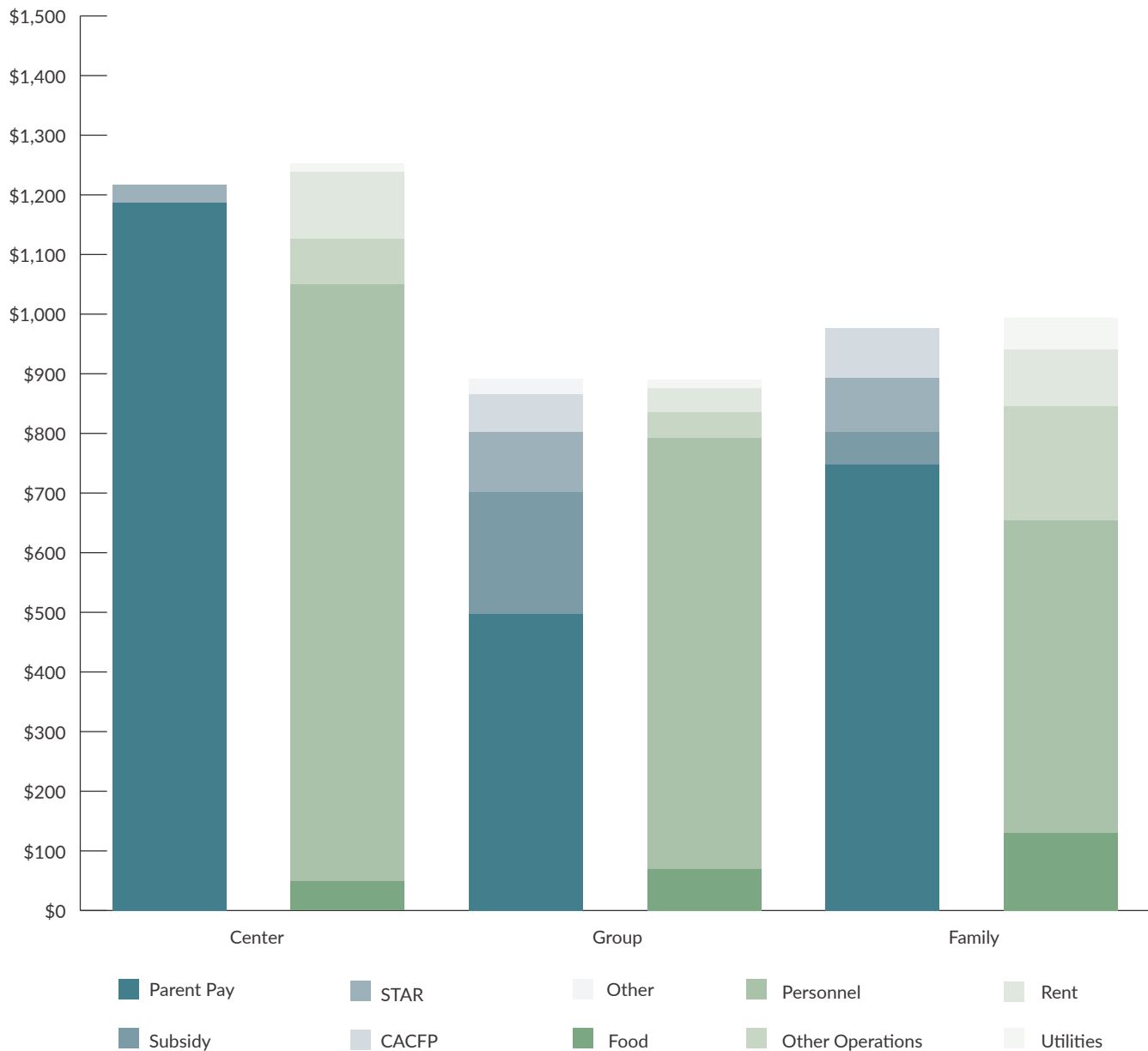
When comparing costs, it is important to remember that these cost estimates are averaged across the entire county – where personnel and space costs are radically different in a town such as Three Forks, MT when compared to Big Sky, MT. It is also important to keep in mind that publicly available data for rural areas such as Montana can have large margins of error. These numbers should only serve as a baseline in establishing a cost comparison.

Table 4 shows the annual cost comparisons across the region and to Big Sky. First, the average cost of childcare that survey respondents gave is provided. This cost averaged to be \$1,733 monthly or \$20,796 annually. Then, data from the center and

family providers in Table 2 were annualized and provided in Table 4 as “Average Center Based Cost (Local)” and “Average Family/Home Based Cost (Local).”

From this comparison, we can see that annual childcare costs in Big Sky are significantly more than across the region. This is likely due to higher wages and personnel costs that providers in Big Sky face, along with higher facility costs. This cost comparison demonstrates a need for additional technical financial analysis that examines costs versus revenues for providers that investigates how the financial model varies based on the age of the child, and their attendance.

**Figure 18: Snapshot of Average Monthly Financial Model by Service Delivery Type**





# LAWS AND REGULATIONS

Previously, this report mentioned different quality factors families consider when choosing a childcare program. The top responses to the question regarding quality dimensions said employee background checks and education, facility/center licensing, curriculum taught, and vaccination requirements.

Montana has established a comprehensive framework of laws and regulations governing various childcare operations. Encompassing a broad spectrum, from in-home facilities to childcare centers, these regulations are pivotal in ensuring the safety, well-being, and quality of childcare services. This section is dedicated to shedding light on the latest amendments to childcare laws resulting from the most recent state legislative session. Moreover, it will provide a concise overview of significant elements within the existing legal framework, focusing specifically on health and safety regulations.

## Recent Law Changes

The Montana state legislative session of 2023 made multiple significant changes in childcare law. House Bill 422<sup>12</sup> aims to revise childcare ratios within childcare centers for enhanced operational efficiency. The modifications entail larger ratios for younger children, specifically three to five years olds. This bill balances childcare quality and capacity, reflecting age-appropriate supervision ratios and group sizes in childcare settings.

Another essential change is introduced by House Bill 187<sup>13</sup>, designating home-based child care as a residential property use. This is significant for communities like Big Sky, grappling with spatial constraints and high building costs. This designation might encourage innovative land use practices and solutions to optimize available spaces. However, effective implementation hinges on proactive communication with local Homeowners' Association (HOA) boards to align in-home child care with existing regulations.

## Important Regulation - Health & Safety

Childcare facilities in Montana are subject to specific licensing and registration requirements. Family or group childcare facilities must be registered, while childcare centers must be licensed<sup>14</sup>. These regular certificates and licenses, issued by the department, are valid for up to three years. However, under House Bill 556<sup>15</sup>, facilities with fewer than six children are exempt from licensing.

Montana's Childcare facilities must adhere to specific personnel and training standards<sup>16</sup>. A comprehensive background check by the Montana Department of Justice and the Federal Bureau of Investigation is mandatory for all individuals seeking employment in a childcare facility. This check must be conducted before employment commencement and repeated every five years thereafter. Childcare facilities must also ensure their staff meets stringent

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<sup>12</sup><https://leg.mt.gov/bills/2023/billhtml/HB0422.htm>

<sup>13</sup><https://leg.mt.gov/bills/2023/billhtml/HB0187.htm>

<sup>14</sup>MCA: 37.95.108

<sup>15</sup>MCA: 52-2-721, Amended <https://leg.mt.gov/bills/2023/billhtml/HB0556.htm>

<sup>16</sup>MCA: 37.95.622

educational and training benchmarks. Directors, early childhood teachers, and assistant teachers must complete annual training to maintain a current status on the Early Childhood Practitioner (ECP) registry.

By law, childcare facilities must meticulously craft and implement a program that aligns with each child's distinctive journey of growth and well-being. This program must encompass a balanced mix of active and passive learning experiences, all executed under the direct supervision of qualified adult staff<sup>17</sup>.

It's important to acknowledge the complexity surrounding childcare licensing. Many childcare providers may not have a full grasp of the entirety of licensing rules and regulations. This complexity could inadvertently result in gaps in compliance or a lack of awareness about specific requirements.

The role of organizations like Community Childcare Connections (CCC) within our community is significant. Through its guidance, CCC plays a crucial role in assisting providers in meeting the required legal standards, thereby enhancing the quality and safety of childcare services for children in our community.



## FUNDING

Despite research overwhelmingly demonstrating that investment in childcare has multiple and layered positive economic impacts, the United States invests fewer public dollars in early childhood education (relative to gross domestic product) than other developed countries. The U.S. ranks 35th out of 37th in countries tracked by the Organization for Economic Co-Operation and Development (OECD)<sup>18</sup>. The average country in the EU spends \$4,700 per infant aged 0 to 5, and the U.S. only invests \$2,400. Discussing available funding for programming is complex and layered. Below, we attempt to provide a structured approach to outline available funding to support childcare, from both a family perspective and a childcare provider perspective. Access to funding occurs through three channels: at the federal level, state level (which may vary by state), and within the local private community. To wrap up this section, we present non-monetary recommendations for employers to support their workforce in managing childcare responsibilities.

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<sup>17</sup>MCA: 37.95.602

<sup>18</sup> <https://www.oecd.org/els/family/database.htm>

# Federal

## Providers

Programs provide direct and indirect support. Federally, there are four main sources of funding that support childcare - The Child Care and Development Fund (CCDF), Headstart, the Social Services Block Grant (SSBG), and Temporary Assistance for Needy Families (TANF). The CCDF is distributed directly to states, territories and tribes. In Montana, CCDF funds go to the Montana Department of Public Health and Human Services (DPHHS)<sup>19</sup>.

Direct programs offered by the federal government to support childcare providers are few and far between. One program is the Child and Adult Care Food Program (CACFP), which provides reimbursements for nutritious meals and snacks to eligible children enrolled at participating childcare centers and daycare homes. To receive this funding, for-profit childcare centers must have at least 25% of their enrollment or licensed capacity, whichever is less, at the free or reduced reimbursement rate, and parents must fill out income eligibility forms. Nonprofit child care centers can pursue an online application through the Montana CACFP website.

The U.S. Department of Health and Human Services also provides grants to local public and private nonprofit and for-profit agencies through the Head Start and Early Head Start programs that provide early learning services to children in low-income families. Locally, the Human Resource Development Council of District IX (HRDC) provides Head Start and Early Head Start programming to Gallatin and Park Counties. They are funded to provide services to 152 children, and they served 113 during the 2021–2022 school year. Eligibility is based on family income at or below the Federal Poverty Guidelines (FPL). Children in foster care, homeless children, and children from families receiving public assistance (TANF or SSI) are eligible regardless of income. They may enroll up to 35% of families who are between 100% – 130% of FPL. Unfortunately, as discussed earlier, most Big Sky families do not qualify for this programming. However, there might be opportunities to collaborate with HRDC’s Head Start program to offer the quality programming that has been proven successful in raising children’s school readiness outcomes.

## Families

There is only one federal program that provides direct support to families seeking relief from the high costs of childcare. The Internal Revenue Services offers a Child and Dependent Care Credit that parents can claim on their annual federal tax filing. Individuals with children are eligible to claim the tax credit if

they have earned income and paid for expenses for the care of a qualifying child, which is a child under the age of 13 or a dependent of any age who is incapable of self-care. It is a nonrefundable tax credit on qualifying expenses up to \$3,000 for one child or up to \$6,000 for two or more qualifying children. The maximum credit is 35% of related costs if an individual’s adjusted gross income is below \$43,000. Above \$43,000, the maximum credit is 20% of related expenses. For more information, please see IRS Publication 503<sup>20</sup>.

# State

Resources at the state level to support childcare are largely provided through Montana DPHHS. The child and family services that DPHHS oversees are child support, childcare, early childhood, adult protective services, and child protective services. The Office of Public Instruction oversees schooling and education for children in Montana, with some resources allocated to afterschool programs.

## Providers

The Early Childhood Services Division (ECSD) of DPHHS oversees various programs, giving services to providers and families. These programs include the Best Beginnings Childcare Scholarship, the STARS to Quality program, childcare licensing, childcare referral agencies, Headstart, and the Montana Milestones program. These programs primarily offer financial support and resources to childcare providers. The first option is the Best Beginnings Scholarship, which has been detailed earlier in this study.

The second resource available to childcare providers is the STARS to Quality Program. It is a voluntary quality rating program and improvement system that aligns quality indicators with support and incentives for early childhood programs and professionals. Five levels (STARS) evaluate and promote education, qualifications, training, leadership, program management, quality supportive environments, and family and community partnerships. Participating childcare providers receive a financial incentive that increases at each level and is larger depending on the size of the provider. STARS incentives can be used for continuous quality improvement, staff support, salaries, professional development, equipment, etc. STARS incentives may not be used for construction. For more information, please visit the ECSB website <sup>21</sup>.

Another resource available to certain childcare providers is the 21st Century Community Learning Center grant through the Montana Office of Public Instruction (OPI). This grant provides funds to local education agencies and community-based organizations. Grants amount to a minimum

<sup>19</sup> <https://dphhs.mt.gov/ecfsd/childcare/Index>

<sup>20</sup> <https://www.irs.gov/publications/p503>

<sup>21</sup> <https://dphhs.mt.gov/ecfsd/ChildCare/stars/index>



of \$50,000 for five years, aimed at providing academic enrichment during out-of-school hours and fostering literacy and educational development for students and families. There are several levels of eligibility criteria to qualify to receive this funding. To learn more, please visit the Montana OPI website<sup>22</sup>.

## Families

There are very few state programs offered directly to families to support the reduction of childcare costs. Many states around the U.S. provide specific state-wide childcare tax credits, similar to the federal credit. Interested parents could talk to their state representatives to advocate for the creation of a tax credit accessible to Montana families.

## Private and Local

Private and local resources largely bear the brunt of helping offset the high childcare costs. Especially in the Big Sky community, where residents rarely qualify for public funding support, local nonprofits, community foundations, and other resources shoulder the burden of supporting families and providers.

## Providers

Locally, Child Care Connections (CCC)<sup>23</sup> is one of seven Child Care Resource and Referral Agencies (CCR&R) in Montana. Together, they provide support to early childhood professionals and families across Montana. CCC is a nonprofit that serves Gallatin, Park, Meagher, Lewis & Clark, Jefferson, and Broadwater counties by providing critical support to families and childcare professions to improve the quality of and access to childcare.

The Big Sky Resort Tax District (BSRAD) has significantly invested in local childcare providers over the past several years. BSRAD was established as a resort tax district in 1992, and since then, approximately \$80 million has been reinvested back into the community. The collections are 4% of sales on eligible “luxury” industries, primarily focused on tourism. Of the 4% tax collected, 1% must be invested in infrastructure. The remaining 3% of tax collections are reinvested back into the community. The BSRAD collects and manages these funds. In fiscal year 2024, BSRAD committed over \$21 million to over 30 organizations, investing in health and safety, public works, recreation and conservation, arts and education, economic development, and housing. BSRAD has offered consistent and increasing support in the way of funding to both Discovery Academy and Morningstar Learning Center. In fiscal year 2022, BSRAD reinvested \$320,000 in these two childcare programs. This funding increased in fiscal year 2023 up to \$549,000. Currently, in fiscal year 2024 BSRAD

invested \$725,000 in childcare in Big Sky. This demonstrates the ongoing community need for childcare while also demonstrating the important funding gap that is filled by the local community.

## Families

One program that employers could consider offering to their employees is a dependent care flexible savings account (FSA). Employees should consider advocating for this program, further details are discussed below.

## Other Solutions for Consideration

Aside from nonprofit grants and donations, community members seeking to support childcare can explore additional options for their workforce. These options are presented from two distinct angles: first, from a community perspective, highlighting strategies that community collaborations could address collectively, and second, from an employer perspective, focusing on ways businesses can support the parents within their workforce.

## Community Collaborations

Currently, there are a few options that community collaborations can tackle that might help to ease the strain that the expense of childcare puts on the community.

## HOAs

The first option to examine is a discussion with various homeowner’s associations (HOAs) in the market. Home-based childcare is the most affordable option to provide childcare to a local community. However, a large majority of HOA’s restrict business activity within a neighborhood. One way to solve this issue is to work with HOAs to allow for exceptions for home-based childcare operations, as mentioned before by the passage of House Bill 187.

## Cooperatives

Another option for communities to consider is a co-op model of childcare. This allows for sharing costs and management across all members within a co-op. Employers, childcare providers, or even parents can establish a co-op childcare. In Montana, the Montana Cooperative Development Center has expertise and resources to help communities develop co-ops that help to advance economic vitality<sup>24</sup>.

<sup>22</sup> <https://opi.mt.gov/Leadership/Academic-Success/After-School-Programs#10699812176-resources>

<sup>23</sup> <https://cccmontana.org/>

<sup>24</sup> <https://mcdc.coop/>

# Employers

Employers have many reasons to consider increasing support to employees with children. Research shows that access to childcare is a significant determinant of whether parents remain in the labor force, especially when considering female labor force participation<sup>25</sup>. Employers also face the repercussions of childcare accessibility challenges, including increased employee turnover, staffing shortages, and the associated expenses of training and retraining. The U.S. Chamber of Commerce Foundation estimates costs to employers ranging from \$375 to \$500 per working age adult due to childcare-related absences and turnover<sup>26</sup>. Nationally, from 2018 to 2019, over two million parents under the age of five had to quit a job, not take a job, or change their job because of problems with childcare<sup>27</sup>.

## Benefits and Dependent Care Account

One easy way employers can support employees in covering childcare costs is to establish a dependent care account for employees and allow them to elect this option as a part of their benefits package. A dependent care account must be set up through an employer where employees can withhold agreed amounts from their paychecks to fund the account. These contributions allow individuals to reduce their taxable income by up to \$5,000 or \$2,500 if married filing separately. Eligible expenses cover a range of childcare options, including in-home care such as a nanny or babysitter, as well as institutional care like childcare services, summer camps, before- and after-school care, and caregiver-provided transportation, among others. This allows families to save pre-tax dollars to cover the expenses related to childcare.

## Stable Schedules

Research finds that, increasingly, many workers are subject to unpredictable scheduling practices due to the implementation of scheduling software that creates employee schedules based on projected consumer demand<sup>28</sup>. Most often, these unpredictable schedules are found in retail and service industries. The ability for workers to have regular and predictable schedule allows them to enroll children in routine care and plan adequately for care needs to be covered. Additionally, irregular schedules can indirectly impact families' ability to receive childcare subsidies. Employers could consider easing the burden of childcare on parents by providing their employees with regular, predictable scheduling so those with children can plan for their childcare needs ahead of time.

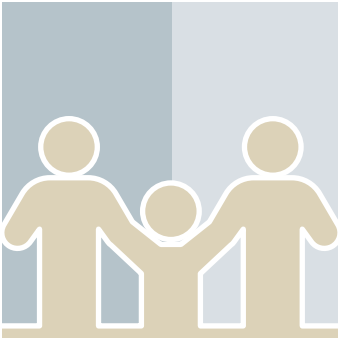
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<sup>25</sup> <https://home.treasury.gov/system/files/136/The-Economics-of-Childcare-Supply-09-14-final.pdf>

<sup>26</sup> Four states were studied, Iowa, Idaho, Mississippi, and Pennsylvania. Source: U.S. Chamber of Commerce Foundation. 2020. "Untapped Potential: Economic Impact of Childcare Breakdowns on U.S. States." <https://www.uschamberfoundation.org/reports/untapped-potential-economic-impact-childcare-break-downs-us-states>

<sup>27</sup> Child and Adolescent Health measurement Initiative, Data Resource Center for Child and Adolescent Health. "2018-2019 National Survey of Children's Health data query." <https://www.childhealthdata.org>

<sup>28</sup> From Washington Center for Equitable Growth. "Working by the Hour: The Economic Consequences of Unpredictable Scheduling Practices." by Heather Boushey and Bridget Ansel, September 2016. And "Extensive Nonstandard Work Hours Among U.S. Low-Income Mothers Hinder Their Kids' Enrollment in Center-Based Childcare." by Cesar Perez, August 2019.



## CONCLUSION

This study has thoroughly examined the childcare landscape in Big Sky, informed by publicly available data and insights gathered through our Childcare Needs Survey. We began by reviewing the primary hurdles faced by parents, notably the challenges related to costs, limited operating hours, and waitlists. Moving beyond these barriers, we explored the preferences of Big Sky's employees, revealing a solid desire for childcare facilities near their residences and a notable demand for extended service hours, including weekends. Many preferred operating hours from 7 a.m. to 6 p.m. Monday through Friday, with significant requests for weekend care.

Our cost analysis finds that most families currently pay an average of \$1,773 monthly in childcare costs, equating to 16.2% of the average family's income. Survey results find a significant reduction in costs to the average family would be \$700 per month, reducing monthly expenses to about \$1,000. When asked if parents would be willing to extend their commute time to access childcare if a subsidy was available, respondents indicated they would be ready to drive up to 30 minutes extra if they could receive full assistance on their childcare costs.

Next, our analysis of childcare provider financial statements highlights the critical need for subsidies and community support. These support programs help narrow the profit margin gap that providers face. Without such assistance, childcare costs for parents would significantly increase. Although some financial assistance programs exist, they are not accessible to most Big Sky families. Fortunately, the extensive community support provided by nonprofits, BSRAD, and local residents enables existing providers to sustain their operations. However, it's important to note that these operations still operate with slim profit margins and face additional challenges in recruiting and retaining a qualified workforce. This analysis provides a beginning step for future in-depth financial analysis to occur, with the aim being to provide further understanding into the complex business model that providers face when delivering childcare services.

In looking toward the future, several promising developments are on the horizon. The Yellowstone Club has hired a director of childcare with plans to expand childcare services in the community. The YC is also taking steps toward developing a new care center. Additionally, this study is a foundational step towards a more comprehensive childcare best practices study already in motion. This report provides valuable insights that can guide future childcare initiatives for other resort towns. However, it's crucial to acknowledge that predicting childcare demand remains challenging, especially without access to fertility or birth rate data. To address this issue and more, one potential avenue for further research involves implementing an annual needs survey encompassing a broader range of community needs beyond childcare. Such a survey could provide a holistic understanding of the evolving needs of Big Sky residents, assisting community leaders in making well-informed investment decisions to support the thriving future of this unique community.