

# **WHEN BUSINESS GETS INVOLVED**

## **A CASE STUDY OF BUSINESS COMMUNITY INVOLVEMENT IN MINNESOTA'S EARLY CHILDHOOD EDUCATION POLICY**

**Study author:**

**Melissa Kovach, M.P.P., Researcher**

**January 2009**



## Introduction

Minnesota experienced significant advancement of early childhood education (ECE) issues in the past five years, integrating contributions from researchers, corporations, advocates, foundations, education, public officials and government entities. It appears that this high level of corporate engagement in what is usually termed a “social” issue is unprecedented for Minnesota.

The description below details Minnesota’s ECE activities from 2003 to the present, with a particular focus on the business community’s role in ECE. The timeline illustrates how fact-based information, mixed with passionate and well-connected people and organized task forces, creates change. That being said, components of Minnesota’s ECE reform plans that some thought would be statewide by now, like scholarships for low-income children to attend high-quality child care, remain in pilot phases.

## 2003 to 2004

In March 2003, the **Federal Reserve Bank of Minneapolis** issued a research report<sup>1</sup> that would become a persuasive component of early childhood education (ECE) reform efforts in many states. The report by Arthur Rolnik and Rob Grunewald, “Early Childhood Development: Economic Development with a High Public Return,” made the economic development case for investing in ECE. Chuck Slocum, a CEO active in ECE advocacy, described Rolnik’s impact for a reporter in 2005:

Slocum says some of the economist’s ideas germinated in discussions among business executives who realize that without a fundamental change in the structure of education, the state will cease to compete. But it took Rolnik, an economist who speaks their language, to bring it all together, he says.<sup>2</sup>

Rolnik advises legislators who wish to advance early childhood initiatives to “make it as bipartisan as possible. Talk about why Republicans should be on there. For every Democrat you have, you should have a Republican. And have some men, so it doesn’t look like it’s just a Democrat/woman issue.”<sup>3</sup>

Around the same time in 2003 that Rolnik and Grunewald’s groundbreaking paper hit the scene, the Wilder Research Center developed a report<sup>4</sup> on Minnesota’s ECE system for the advocacy group “Ready 4K” describing the current status of the Minnesota system and summarizing the available published information.

In mid-2003, the business community responded to the Federal Reserve Bank’s research by forming **Minnesota Business for Early Learning**. The state-wide group, led by the CEO of the H.B. Fuller corporation grew to a 200-member organization of executives and agencies with the goal of recruiting business support and leveraging corporate resources for early learning. The group included the Federal

---

<sup>1</sup> Rolnik, Arthur and Rob Grunewald. “Early Childhood Development: Economic Development with a High Public Return,” *Fedgazette*. Federal Reserve Bank of Minneapolis. March 2003.

<sup>2</sup> Featherly, Kevin. “Of Human Capital: 2005 Minnesotan of the Year,” *Minnesota Monthly*. January 2006.

<sup>3</sup> Ibid.

<sup>4</sup> Wilder Research Center. *Early Childhood Care and Education in Minnesota: A Status Report*. March 2003.

Reserve Bank Researcher Arthur Rolnik, as well as the Minnesota Business Partnership, a group representing 110 chief executives in the state.

Soon after this group was created, the state entered a budget crisis and the 2003 legislative session cut \$100 million from child care assistance and early childhood programs, amounting to a funding reduction of nearly 50%. A January 2004 report from the Minnesota Children's Defense Fund explored the impact.<sup>5</sup> These funding cuts did not, however, dissuade area businesses and advocates from continuing to spotlight early childhood education.

The **Itasca Project** was founded in January 2004. It grew out of three years of informal meetings and interviews with business leaders convened by the McKnight Foundation. This employer-led group consisted of more than 40 local CEOs of major Twin Cities corporations, as well as a small number of public and nonprofit heads such as the governor, mayors of Minneapolis and St. Paul, and a university president. The Itasca Project set out to take a regional approach to examining ways to keep the Twin Cities economy and quality of life competitive with other regions. In addition to regional transportation and strategies for closing socioeconomic disparity gaps, among other emphases, the group made early childhood education a priority.

Itasca operated as a "virtual" organization, with no physical presence or staff. Consultants from McKinsey & Co. were used to provide operational and research support as needed. Participants agreed on priority issues, and then individual CEOs took leadership on each issue and assembled task forces to address it.<sup>6</sup> The chair of the early childhood education task force was the president of the University of Minnesota.

Rip Rapson, the former president of the McKnight Foundation, which helped launch the Itasca Project, has described the work of creating a collective civic agenda with the CEOs as difficult: "We shouldn't ignore how hard some of the politics of these coalitions are" (p. 15).<sup>7</sup> According to Rapson, what finally moved the group forward to pursue early childhood education work was the personal passion of the

---

### **Early Childhood Education (ECE) Groups and Initiatives in Minnesota**

Child Care Works

Invest Early Initiative (Blandin Foundation)

Minnesota Business for Early Learning

Minnesota Child Care Policy Research Partnership

Minnesota Child Care Resource and Referral Network (MCCRRN)

Minnesota Early Childhood and Family Education Program (ECFE)

Minnesota Early Childhood Funder's Network

Minnesota Early Childhood Initiative

Minnesota Early Learning Fund

Ready 4K

University of Minnesota Center for Early Education and Development

---

<sup>5</sup> Children's Defense Fund – Minnesota. *Feeling the Pain: The Emerging Impact of Minnesota's \$86 Million Cut to Child Care*. January 2004.

<sup>6</sup> <http://www.greaterlouisville.com/content/events/glide/files/Brainerd.pdf>

<sup>7</sup> "When Corporations and Communities Connect." Independent Sector Annual Conference, Minneapolis/St. Paul. October 24, 2006.

[http://www.independentsector.org/AnnualConference/2006/transcripts/Corporations\\_Communities.pdf](http://www.independentsector.org/AnnualConference/2006/transcripts/Corporations_Communities.pdf)

CEOs of Carlson Companies and Best Buy: “Some of the real leaders in this community said this is what I stand for, I really want to move the community with me on these questions. So peer pressure I think was also helpful” (p. 16).

As the Itasca Project was still gearing up in 2004, the Minnesota Business for Early Learning group was ready for action. The group convened its first annual conference, the **Minnesota Business Forum on School Readiness**, and also introduced a “Child-Friendly Employer of the Year” recognition program to promote best practices in the workplace for supporting quality early learning. Additional conferences would be held in 2005 and 2006.

An important report was created by the policy component of the Minnesota Business for Early Learning group, the **Minnesota School Readiness Business Advisory Council**, called **“Winning Start: A Plan for Investing Wisely in Early Childhood Development.”**<sup>8</sup> The document is sometimes referred to as “the pumpkin report” because its cover features one pumpkin picture colored in rather precisely and another pumpkin outline just scribbled over. The first page asks, “Which pumpkin was colored by a child who was socially and intellectually ready to succeed in school?” The report recommended that business and other community leaders “rally around a market-based, incentive-oriented strategy for delivering high quality early childhood development experiences, especially to kids at risk of being unready for school” (p. iii).

The group recommended that the first step should be establishing the **Minnesota Early Learning Fund (MELF)**, a 501(c)3 nonprofit foundation open to contributions from individuals, businesses, foundations, and the government, with a goal of raising \$30 million. The mission of MELF would be to recommend to policymakers cost-effective strategies for preparing at-risk children to succeed in school.<sup>9</sup> The organization would support initiatives aimed at uncovering the best system, targeting both system-wide investments in educating parents and providers, as well as focused investments for “at risk” children. MELF’s first two years would serve as a sort of demonstration project, with lessons that would lay the groundwork for a broader, reliably funded, permanent, statewide initiative. The group’s governing board would include business leaders, early childhood development experts and representatives from the public health, foundation, and general communities.

<sup>8</sup> Minnesota School Readiness Business Advisory Council Policy Task Force. *Winning Start: A Plan for Investing Wisely in Early Childhood Development*. December 2004.

<sup>9</sup> Maas, Erica. “Getting kids kindergarten-ready: A profile of the Minnesota Early Learning Foundation.” *Community Dividend*. Federal Reserve Bank of Minneapolis. November 2007.

---

#### **Minnesota groups working on ECE but not solely devoted to that issue**

Blandin Foundation  
Bush Foundation  
Greater Twin Cities United Way  
Itasca Project  
McKnight Foundation  
Minnesota Business Partnership  
Minnesota Children’s Defense Fund  
Minnesota Department of Education  
Minnesota Department of Human Services  
Minnesota Hospital Association  
Northland Foundation  
St. Paul Foundation  
University of Minnesota  
Wilder Research Center

---

## 2005 - 2006

In 2005, the Itasca Project provided the governor with pro-bono consulting services to study early childhood education in Minnesota. Their findings, summarized in the report “The Economics of Early Childhood Care and Education in Minnesota,”<sup>10</sup> influenced the governor’s legislative agenda.

The report identified four factors in the early childhood development “market” that combine to limit the overall quality of the system: weak buyers, weak suppliers, lack of good information, and minimal standards and accountability. The report used corporate and economic language to get its point across. For instance, “Purchasing power in the early childhood market is highly dispersed. . . . This fragmentation puts buyers in a weak bargaining position” (p. 11). The report was highly supportive of the idea to create a Minnesota Early Learning Fund, as well as a quality rating system for providers.

Though the 2005 legislative session cut child care subsidies for low-income children, the legislature did approve creation of the Minnesota Early Learning Fund (MELF), recommended previously by the “Winning Start” report. MELF is neither a service provider nor an advocacy organization. Rather, it compiles information on “what exists, what works best, what is needed and how to create a cost-effective early childhood system.”<sup>11</sup> The organization funds demonstration projects, and at the end of a five-year period (2007-2011), it plans to issue a set of recommendations on how to craft a better system to prepare children for kindergarten. MELF Executive Director Duane Benson, a former Republican

legislator, described the group as “an R&D engine for early learning in Minnesota.”<sup>12</sup>

---

*“Some of the real leaders in this community said this is what I stand for, I really want to move the community with me on these questions.”*

— Rip Rapson, former president,  
McKnight Foundation

---

According to Benson, “More and more [employers] are looking for people who can just learn, and they will do the training. But they have to have that better fundamental raw product—for want of better words—come in the door.”<sup>13</sup> Quality early childhood education, Benson and others believe, is the key to getting a better “raw product.”

The initial \$1 million state allocation to create MELF was later refused and returned after MELF’s CEOs decided it came with too much red tape, such as mandating that its board include government appointees and be subject to state open meeting laws and budget overview by the state auditor, as well as government-set salary limits.<sup>14</sup> Instead, MELF was funded through corporate and foundation contributions.

---

<sup>10</sup> Itasca Project Task Force on Early Childhood Development. *The Economics of Early Childhood Care and Education in Minnesota*. 2005.

<sup>11</sup> Minnesota Early Learning Foundation, 2007 Annual Report. [www.melf.us](http://www.melf.us)

<sup>12</sup> Maas, Erica. “Getting kids kindergarten-ready: A profile of the Minnesota Early Learning Foundation.” *Community Dividend*. Federal Reserve Bank of Minneapolis. November 2007.

<sup>13</sup> Harholdt, Katie. “Saving the Future.” *Twin Cities Business*. January 2008.

<sup>14</sup> Black, Sam. “Pro-preschool CEOs may refuse \$1M.” *Minneapolis St. Paul Business Journal*. June 2, 2006.

In 2006, the Minnesota legislature approved a \$1 million expenditure for a new Northstar Quality Rating System. This was vetoed by Governor Pawlenty on June 2, 2006, out of concern that Northstar was not sufficiently outcomes-based.

---

*“There’s got to be a partnership between federal, state and business” funding streams, says Rolnik.*

---

With quality rating systems (QRS) for child care facilities stalled for the moment with the governor’s veto, efforts to promote QRS continued through MELF. In 2006, MELF developed and began piloting four QRS initiatives in three Minnesota counties. The Minnesota Child Care Resource and Referral Network implemented the pilot in partnership with the Minnesota Department of Health and Human Services. Quality rating systems help inform parents about which early childhood education or child care programs are high quality and provide incentive for providers to improve quality and earn a higher rating.

MELF’s other main initiative in 2006 was the piloting of early childhood development scholarships in St. Paul, a program model first proposed by Rolnik and Grunewald of the Federal Reserve Bank of Minneapolis. The MELF funding, guaranteed through 2011 because of the time-limited design of the fund, builds on the state’s early education allowances, which are funded until mid-2009.<sup>15</sup> Mentors help low-income parents become informed about selecting high-quality ECE programs, and scholarships of up to \$13,000 per year enable children to attend such high-quality programs. MELF also funded Comprehensive Scalable Community Projects as well as various carefully selected “Innovation Projects” such as an intervention for families with children who have autism spectrum disorders, a project assisting child care providers with accreditation, a project seeking to improve services for English Language Learners, and an exploration of Family Literacy programming.

The president of the Minnesota Child Care Association commented about MELF’s business leader participation, “Legislators have a lot of challenges, and they think in the short term. Business leaders, the best ones, have to be forward thinkers, and they know that human capital is the best way to grow the economy.”<sup>16</sup>

On July 13, 2006, the governor convened a Summit on School Readiness. Representatives from the government, the child care industry, school districts and the nonprofit sector participated in working groups aimed at advising the governor about potential 2007-08 policy proposals.

## **2007 to present**

MELF’s 2007 annual report showed a robust \$7 million operating budget, which grew to \$8.5 million in 2008. In 2007, MELF’s quality rating system evolved into Parent Aware, an online system parents can access to choose a provider based on objective ratings.<sup>17</sup> By the end of 2007, 180 early childhood

---

<sup>15</sup> “Early ed pilots off to encouraging start.” *Star Tribune*. August 10, 2008.

<sup>16</sup> Niemela, Jennifer. “Area companies boost early-education push with scholarships.” *Minneapolis St. Paul Business Journal*. September 19, 2008.

<sup>17</sup> [www.parentawareratings.org](http://www.parentawareratings.org)

providers had signed up to participate in Parent Aware. The St. Paul Early Childhood Scholarship Program and other pilot projects continued. MELF worked with the University of Minnesota's Center for Early Education and Development to create evaluation plans for all MELF activities, with plans to be able to answer key research questions between 2009 and 2011. The evaluation data will lead to the release of a detailed strategic framework in late 2011 to guide future policy and investment decisions in Minnesota's early childhood education system.

Early childhood advocates set ambitious goals prior to the 2007 legislative session. While these goals were not met, some progress was achieved. The education bill that passed restored funding for three preschool programs that were cut during 2003's tough budget times, and the bill included nearly \$33 million to expand full-day kindergarten (a fraction of the \$320 million statewide full-day kindergarten would cost).<sup>18</sup> Six million dollars went to MELF's program providing scholarships to high-quality ECE programs (the governor had initially wanted the legislature to approve \$29 million for these scholarships).<sup>19</sup> No money was included to reduce a waiting list of 2,300 qualified families wanting child care subsidies.

In 2008, for the first time in nearly two decades, one of Minnesota's highest-quality providers opened a center in an inner-city neighborhood. The operating officer explained that enough parents in that neighborhood "had been armed with state allowances and MELF scholarships to create a

market for the expensive but high-quality care the firm provides."<sup>20</sup> Full-time infant care in Minnesota averages \$12,168; full-time preschool care averages \$9,204 annually—the third-highest preschool rates and the fifth-highest infant care rates in the nation.<sup>21</sup>

---

*"Business leaders know that ...  
human capital is the best way  
to grow the economy."  
—Chad Dunkley, president,  
Minnesota Child Care Association*

---

## Looking to the future

Arthur Rolnik, co-author of the Federal Reserve Bank report that spurred so much action in Minnesota, hopes the scholarship program helping low-income St. Paul children in two neighborhoods attend high-quality ECE programs will be able to expand statewide. He says "there's got to be a partnership between federal, state and business" funding streams, and he envisions such entities helping to create an endowment fund of \$1.5 to \$2 billion. He says, "We're pretty sure that if a third of it comes from the state and a third comes from private donations, we can get the federal government to match a third."<sup>22</sup> However, the Minnesota legislature and some others do not believe there is money available for such an endowment. Rolnik expects the trend of high-quality care being offered to scholarship-armed families to continue: "When there's all these consumers out there with money, the market will find a way to get this done and get it done well."<sup>23</sup>

---

<sup>18</sup> McCallum, Laura. "Modest gains for early childhood this session." Minnesota Public Radio. May 31, 2007.

<sup>19</sup> McCallum, Laura. "Is early childhood education still a top priority at the Capitol?" Minnesota Public Radio. March 25, 2007.

<sup>20</sup> "Early ed pilots off to encouraging start." *Star Tribune*. August 10, 2008.

<sup>21</sup> Harholdt, Katie. "Saving the Future." *Twin Cities Business*. January 2008.

<sup>22</sup> Ibid.

<sup>23</sup> Ibid.

---

## **Lessons Learned from Minnesota**

1. Research reports can be a catalyst for change.
  2. The business community can be engaged by efforts that use their language and underscore the economic/workforce development and “market failure” sides of the issue.
  3. Successful coalitions are bipartisan and gender-balanced.
  4. Public funds can come with red tape and may be rejected in favor of expediency.
  5. Pilot projects may be more realistic than widespread policy implementation.
-