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Testimony Before Interim Committee on Economic Impact
Kelvin L. Hullet, President, Bismarck-Mandan Chamber
November 18, 2013

Mr. Chairman and Members of the Committee:

Good Afternoon. I am Kelvin Hullet, President of the Bismarck-Mandan Chamber. I come before you today to provide some insight and discussion on the pressing issue of childcare in our community. As we all know, it is a dynamic time of growth and development in our state. In the Capitol City Metro, the impacts of this growth are very prevalent in so many ways. Today, I want to briefly take you through the growth in our economy and then discuss the impact of childcare and the challenge it is in our community.

First, I want to walk you briefly through what is occurring in our community. Our economy is driven by some main industries to include: energy; healthcare; agriculture; manufacturing; technical services and small business. Today, the unemployment rate in our community is right at 2.5%. Which means that about every able body that is working is employed.

Today, our population in the Capitol City Metro stands at 115,000 and our expectation is to see that population at 150,000 by 2025. This closely mirrors the changes predicted in North Dakota's population of 672,000 today and 750,000 by 2020. With this dynamic growth comes great opportunities; challenges and uncertainty.

As we talk to our local business community, they are very optimistic about the future. As you can see if a recent survey, almost 80% of our members anticipated the economy to be better in 2013 than in 2012. In their individual businesses, almost 75% anticipate it will do better in 2013. 22% anticipate it to remain steady and only 5% expect it to do worse in 2013. This is a stark contrast to their opinion on the national economy where only 35% felt the national economy would do better in 2013; 34% thought it would do worse and 31% said it would remain the same. These numbers closely mirror other surveys conducted with our members over the last few years.

I want to take a moment and show you the dynamic growth occurring in our economy in just a couple of statistics. Sales tax collections in Bismarck and Mandan continue to increase. The number of permits issued for single family housing continues to increase with over 1,000 new units slated to be completed this year. One issue of concern is the increasing cost of housing. From September of 2012 to September of 2013, the average sale price increased from \$208,000 to over \$233,000.

When surveyed, our members identify five key challenges to the community. These include workforce housing, childcare demand, qualified workforce recruitment, infrastructure and additional entertainment and cultural offerings.

When we ask our members about the factors that will adversely impact their business over the next 12 months, the leading response was the difficulty in attracting and retaining qualified employees. When asked to provide insight into what that means, there are several impacting factors including: the low unemployment rate; the increased competition for employees; lack of workforce housing; access to employee childcare and increasing pay scales.

Now, let's talk specifically about childcare. According to the North Dakota Childcare Resource & Referral Agency, statewide, there is a large unmet need impacting children and families anxiously sitting on waiting lists. We are only meeting 30-40% of the Childcare need, locally, in Morton and Burleigh Counties. The demand for licensed child care will only continue to grow over the next few years and the expectation is that our ability to meet the demand will decrease.

As we all know, the challenges for child care are very intertwined and it is difficult to just pick an issue and solve it without considering it in a global way.

Cost (cost of building new or renovating to increase capacity) is big as those costs continue to increase all across the state as do the availability of contractors – affects overhead for a program, thus affects cash flow of the business plan

Cost (cost of staff wages) continues to rise in order to be competitive and retain qualified staff (again, affects cash flow)

Cost (to parents) programs will have to pass their costs on to parents as the main source of income for the business. There has not been a huge increase in the number of parents/guardians utilizing CCAP.

Of course, in the end, a major consideration is the cost to parents. If the cost of childcare increases dramatically, it becomes a question of a spouse not working. That again, plays into our need for employees.

To prepare for today's testimony, I did a quick survey of some of our childcare providers to get a sense of the demand. Every provider we called did not have an opening for any children from infant through 5 years old. The waiting lists at these providers ranges from 25 to 30 families to 300 at the local YMCA. Each of these entities do not expect to have any openings until next August when school starts. Recruiting employees with families is very difficult when there are no slots open for childcare.

Last session, we did make steps forward. There was legislation supported by the Chamber to allow for local businesses to create on-site childcare for up to 10 kids. The increase in income levels to qualify for childcare assistance was a step forward and increasing the capacity at childcare centers is helpful. However, as we all know, more must be done.

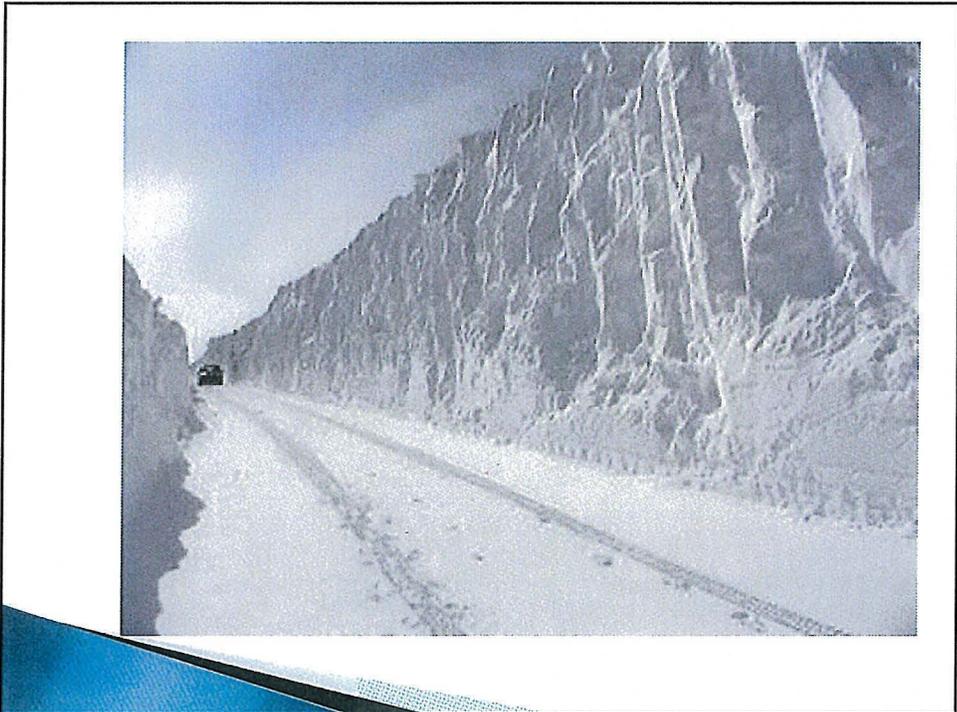
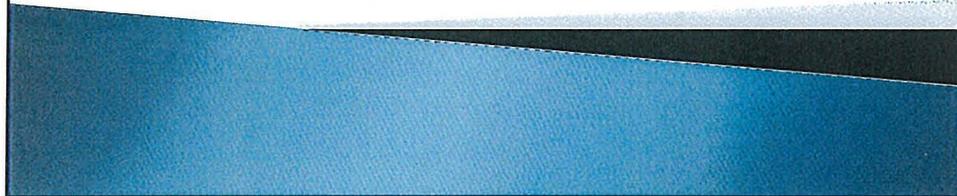
Today, I have no great answers for you on this issue. We have a task force that continues to work and seek innovating ways to address this problem. In moving forward, they suggest the following ideas.

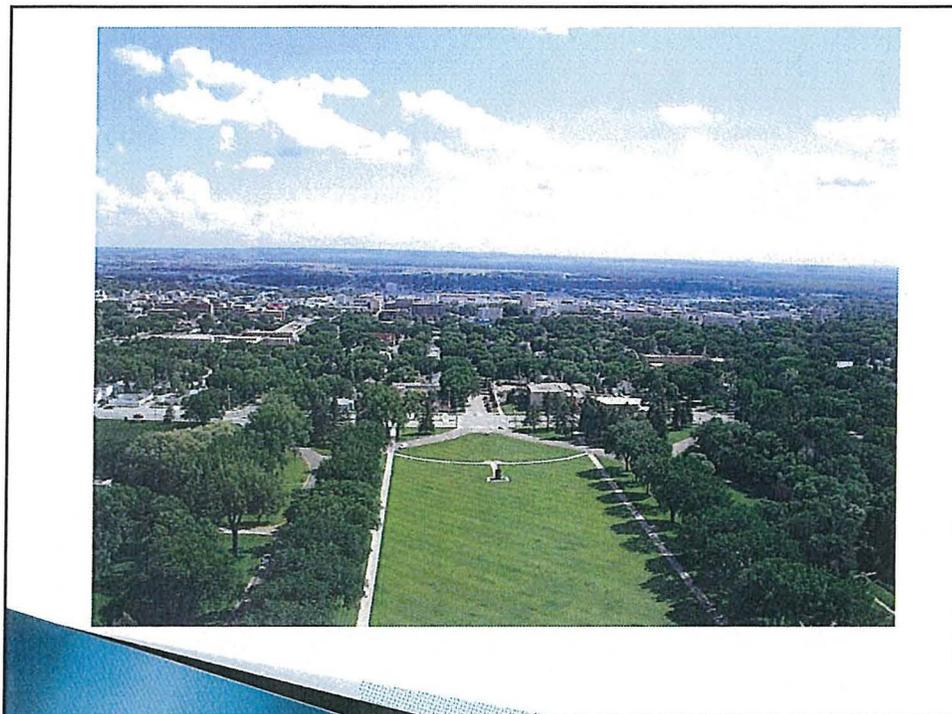
1. How do we assist childcare centers in expanding?
2. How do we incentivize startups?
3. How do we ensure child care remains affordable for parents?
4. How to incentivize private-public partnerships?

Thank you for your time and attention to this important issue. Our organization looks forward to more discussion and development of solutions.

What's Up in North Dakota?

How Bismarck-Mandan is Being Impacted





New Era For Community-ND

Growth Sectors

- Energy Sector
- Healthcare
- Agriculture
- Manufacturing
- Technical Services
- Small Business

Workforce Impact

- 2.5% Unemployment Rate

Population Changes

Bismarck-Mandan MSA

- 115,000 Today
- 150,000 by 2025

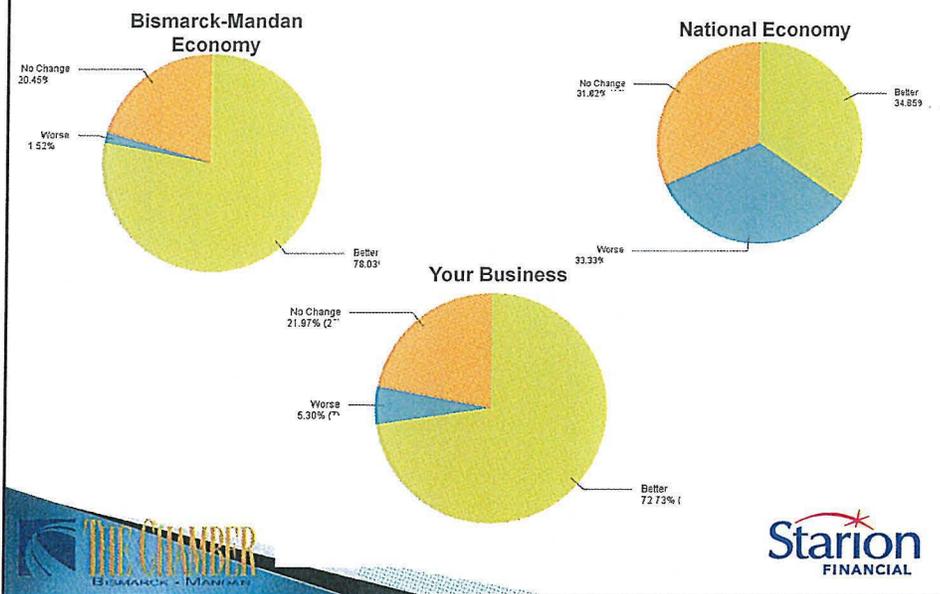
North Dakota

- 672,000 today
- 750,000 by 2020

Dynamic Change =

Uncertainty

Expectations for 2013 Performance



Expected Changes for 2013

	Decrease	No Change	Increase
Sales Revenue	3%	14.3%	82.7%
Prices Received for Products/Services	1.5%	28%	70.5%
Prices Paid for Raw Materials	.8%	41.1%	58.1%
Operating Costs as a % of Revenue	8.4%	19.1%	72.5%
Employee Compensation	0%	21.1%	78.9%
Capital Expenditures	3.8%	35.6%	60.6%
Profitability	3.8%	20%	76.2%
Number of Employees	.8%	52.3%	42.1%

Bismarck–Mandan Economy

Sales Tax Collections

	<u>YTD Sept-13</u>	<u>YTD Sept-12</u>
Bismarck	\$12,622,457	\$11,685,479
Mandan	\$1,672,136	\$1,440,238

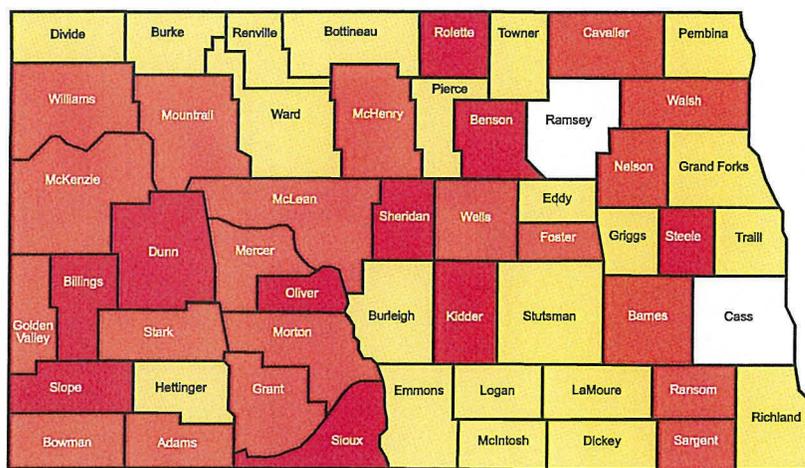
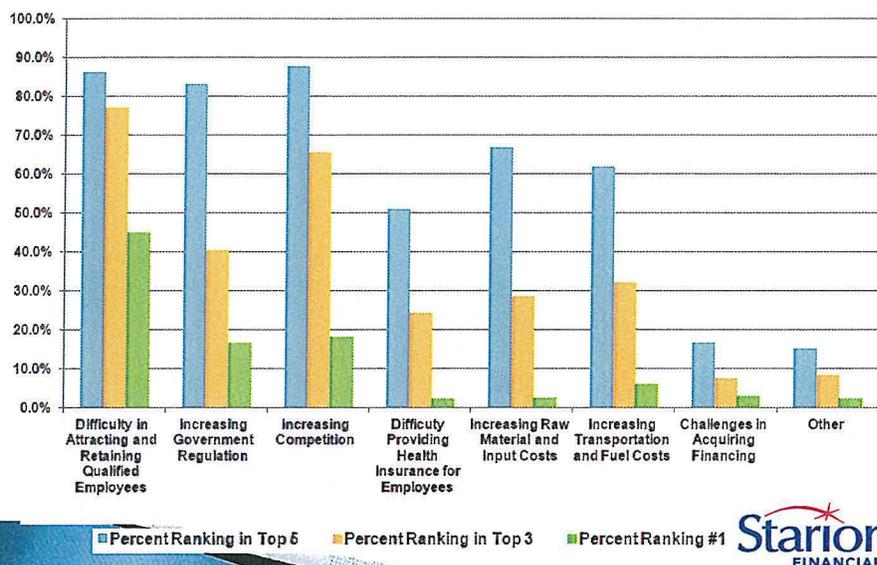
Housing

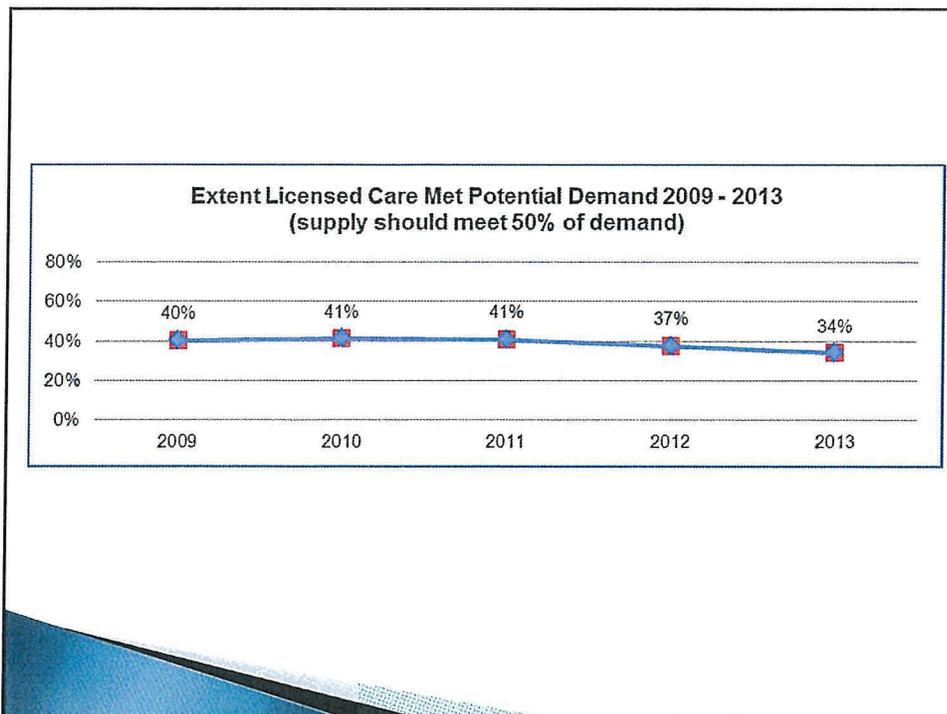
	<u>YTD Sept-13</u>	<u>YTD Sept-12</u>
Single Family	931	822
Total Residential	1,065	949
Sale Price	\$233,669	\$208,030

What's Next / Key Challenges

1. Affordable Housing / Workforce Housing
2. Child Care Demand
3. Qualified Workforce Recruitment
3. Infrastructure / Services
5. Entertainment / Cultural

Factors Expected to Adversely Impact Business in Next 12 Months





Child Care / Challenges

1. Access to Quality Childcare / Centers
Home Day Care is filling some of gap
2. Challenge in Keeping Employees—Pay
3. Cost of Construction / Remodeling
4. Cost To Parents

Real World Examples

ABC First Steps

Infants on Waiting List	30 Families
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Age 3 to 5 Waiting List	18 Families
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Super Kids Jr. Academy

Infants on Waiting List	22 Families
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Age 3 to 5 Waiting List	19 Families
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Real World Examples

Discovery Childcare Center

Infants on Waiting List	25 Families
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Age 3 to 5 Waiting List	30 Families
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Note....Looking at Reducing Capacity

YMCA

Waiting List	300
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Last Session...Steps Forward

1. Legislation Allowing On-Site Childcare at a business—10 Kids or Less
2. Increasing Income Level to Qualify for Assistance
3. Increasing Capacity at Childcare Centers

How Do We Move Forward

1. How do we assist centers in expanding?
2. How do we incentivize start-ups?
3. How do we make it affordable for parents?
4. How do we incentivize Private-Public Partnerships?