Increasing access to child care, improving health and safety

**Issues:**

- For many families, current maximum rates in the Child Care Assistance Program fail to fully cover the costs of child care.
  - Current maximum rates fully cover about 16 percent of licensed family child care provider prices and 23 percent of licensed child care center prices statewide, based on the 2018 market rate survey.
  - Some maximum rates were last increased in 2014, when they fully covered about 30 percent of provider prices statewide. Now the rates fully cover only about 20 percent of prices statewide.
  - Costs may be passed along to families, who already have copayment fees.
  - Child care becomes less accessible for low-income families, even those who receive subsidies.
- The Child Care Development Block Grant is the primary source of federal funding for child care subsidies and quality supports. It requires the state to update maximum rates after completing a market rate survey. The Department of Human Services recently completed a 2018 survey.
- Minnesota needs to make other changes to comply with federal requirements, such as increasing access for families experiencing homelessness; ensuring that families receive benefits throughout 12 months of eligibility; and ensuring that out-of-state providers meet federal health and safety requirements.
- The Child Care Development Block Grant also requires Minnesota to expand due process rights for child care providers.
- Unless Minnesota comes into full compliance with the federal law soon, the state may face penalties, including a reduction of Child Care Development Block Grant funds.

**Proposal:**

- Governor Tim Walz’s budget would raise maximum rates for the Child Care Assistance Program.
  - They would be set at the 25th percentile of the 2018 market rate survey, or the rates already in effect when the update occurs, whichever is greater.
- Maximum registration fees covered by the program on behalf of families would be increased.
  - They would be set at the 25th percentile of the 2018 survey or the fees in effect at the time of the update, whichever is greater.
- The frequency of the market rate survey would change from every two years to every three years.
- Families would keep child care assistance for 12 months of eligibility, even if they move from one county to another.
• An expedited application process for homeless families would make child care available and accessible to more children experiencing homelessness. Families experiencing homelessness would be exempt from activity requirements for three months after they apply.

• Out-of-state providers would have to meet federal health and safety requirements to receive payments from Minnesota’s Child Care Assistance Program.

• Child care providers will have additional due process rights for all adverse actions the program takes. Appeal rights for adverse actions would be transferred from families to providers, who have the knowledge to argue on their own behalf.

Benefits:

• These investments will increase access to quality child care, support family stability and improve safety and school readiness for children served in child care settings statewide.

• These changes bring Minnesota into compliance with the federal Child Care Development Block Grant until the next market rate survey is completed.

• Access to child care, specifically high-quality care, may improve disparities in school readiness among people of color.

Fiscal impact:

• $10.8 million in FY 2020-21 and $51.0 million in FY 2022-23 to update maximum rates paid to child care providers under the Child Care Assistance Program.

• $8.19 million in FY 2020-21 and $21.1 million in FY 2022-23 to improve the Child Care Assistance Program and comply with federal requirements.

Related information:


• Child care assistance facts and figures: https://edocs.dhs.state.mn.us/lfsserver/Public/DHS-4745-ENG

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