

Stabilizing child care providers while making child care more accessible for Minnesota families and children

Minnesota's child care shortage worsened during the COVID-19 pandemic as child care providers faced higher costs, lost revenue and staffing shortfalls. While the state took positive steps to bolster the child care sector in 2021, more remains to be done to stabilize and improve access to child care for Minnesota families. Significant investments in the Governor's budget will ensure long-term stability for providers, families and children.

Each month, the Child Care Assistance Program serves about 15,000 families, including 30,000 children. Raising the program's payment rates will build on an increase enacted by the 2021 Legislature. Eliminating waiting lists for the Basic Sliding Fee program will eventually enable 16,000 families to access child care without delays. Extending financial hardship grants will make it possible for more child care providers to keep operating through the difficulties of the pandemic. Under an expanded definition of family in the Child Care Assistance Program, assistance will become available to foster care families, relatives and others who are raising children.

Proposals

Governor Walz's budget includes the following proposals:

- Raising payment rates for the Child Care Assistance Program:** This proposal will increase maximum rates for the Child Care Assistance Program in October 2022 to bring them closer to market rates. The new rates will match the 75th percentile of the most recent market rate survey, done in 2021. Maximum rates will then update automatically every three years, starting in January 2025. Higher rates will improve financial stability for child care providers, while benefiting the families and children who rely on child care assistance every month. *FY 2023: \$51,000; FY 2024: \$121.7 million; FY 2025: \$145.6 million**
- Eliminating waiting lists for Basic Sliding Fee child care assistance:** Starting in July 2023, all families and children who qualify for Minnesota's Basic Sliding Fee Child Care Assistance Program will be able to enroll without delay. When forecasting for this program is fully implemented, the Basic Sliding Fee program will serve approximately 16,000 more families. *FY 2023: \$81,000; FY 2024: \$161.9 million; FY 2025: \$352.7 million**
- Addressing financial hardships experienced by child care providers in the pandemic:** Grants will help stabilize child care providers who are facing financial burdens in the COVID-19 pandemic. This proposal will keep these grants available after federal funding from the American Rescue Plan ends. Support services for providers, including technical assistance and training, will also continue. *FY 2023: \$31.7 million; FY 2024: \$67.5 million; FY 2025: \$3.9 million*
- Expanding the definition of family for child care assistance:** The Child Care Assistance Program will expand the definition of "family" to include foster care families, relatives and others who are raising children, allowing them to access financial support for child care. This change will make about 2,000

more Minnesota families eligible for the Basic Sliding Fee Program. FY 2023: \$56,000; FY 2024: \$9.3 million; FY 2025: \$28.2 million*

** If passed, the proposals to eliminate waiting lists for Basic Sliding Fee child care assistance and expand the definition of family for child care assistance will result in a cost savings of \$689,000 in FY 2023 and require additional investments in CCAP rates of \$47.9 million in FY 2024; and \$126.3 million in FY 2025.*

Related information

Governor's 2022 Revised Supplemental Budget Recommendations:

- [Child Care Assistance Program Maximum Rate Update](#)
- [Forecast the Child Care Assistance Program Basic Sliding Fee](#)
- [Child Care Stabilization and Support](#)
- [Change in Child Care Assistance Program Definition of Family](#)

Additional background:

- [Child care assistance: Facts and figures for State Fiscal Year 2021](#)
- [Basic Sliding Fee child care program](#)
- [Child Care Assistance Program](#)
- [Financial hardship grants](#)
- [Child Care Stabilization Grants](#)