

One Minnesota Budget



GREAT START COMPENSATION SUPPORT PROGRAM

The 2023 Health and Human Services budget bill includes the creation of a new, ongoing child care retention program called the Great Start Compensation Support Payments Program. The program has \$316 million in funding in FY24-25 and \$260 million per biennium ongoing. Recommended by the Governor and Lieutenant Governor, the nation-leading program is one of the first state-funded direct compensation support programs for the child care workforce. Its goal is to address the extremely low wages for early educators and high costs for families. The pandemic shined light on these long-standing broken economics making it clearer that child care is a critical part of Minnesota's economic infrastructure. The program will help recruit and retain child care workers, improve child care access for families across the state and support the broader workforce and economy.

HOW WILL THE PROGRAM WORK?

Building off the Child Care Stabilization Grant Program, this program will issue monthly payments to eligible child care providers to fund increases in compensation and benefits for early educators, moving this workforce closer to a livable wage. Licensed and certified child care centers will be required to use payments only to increase compensation and benefits. Family child care providers will have flexibility in use of the funds, recognizing their unique business models.

WHY FOCUS ON COMPENSATION?

There is an inadequate supply of child care to support Minnesota's workforce. Data suggests 26% of Minnesota's young children lived in areas severely lacking child care¹. A failure to pay a livable wage leads to staff turnover, which is a driving factor of instability in the child care industry. Wages for staff in most early childhood programs are lower than the cost of living making it difficult to recruit and retain qualified people. The median hourly wage for an early educator working in a private child care program is \$13.96 per hour², on par with careers that require much less formal training and vastly below careers with similar educational requirements.

Based on data from the Department of Employment and Economic Development (DEED), the child care industry has a 10% vacancy rate, greater than vacancies in other caring professions (i.e., home health care, PCAs, nursing assistants) and worse than teachers in public school prekindergarten and elementary schools. Significant research points to the need to increase compensation as a strategy to reduce staff turnover and stabilize the industry³.

IMPACTS

Minnesota Management and Budget (MMB) conducted a descriptive analysis (Jan. 2023) of the Child Care Stabilization Grants piloted in the previous two years. This analysis found that for the Child Care Stabilization base grant, at least 70% of which was required to be spent on increased compensation, recipients:

- Experienced 5.5% increase in cumulative monthly compensation per child care provider hour worked,
- Were less likely to close than those who did not receive base grants, and
- Reported the grants helping prevent staff turnover.

¹ Center for American Progress. "Early Learning Factsheet: Minnesota." 2019. https://americanprogress.org/wp-content/uploads/sites/2/2019/09/Minnesota.pdf?_ga=2.213699795.670399378.1680643340-1317865759.1669833836.

² DEED, Occupational Employment Statistics, October 2022

³ Grunewald, R.; Nunn, R; Palmer, V. *Examining Teacher Turnover in Early Care and Education*. Federal Reserve Bank of Minneapolis, April 2022.