Great Start for All Minnesota Children Task Force
Family and Provider Affordability Working Group Meeting
Thursday, April 14, 2022
1:00 p.m. to 3:00 p.m.
Virtual Meeting: Microsoft Teams

Working Group Members Present: Kathleen Church, Deb Fitzpatrick, Missy Okeson, Clare Sanford, Tonia Villegas, Jayne Whiteford, Cindi Yang

Working Group Members Absent: Representative Liz Boldon, Shakira Bradshaw, Janell Bentz, Summer Bursch, Brook LaFloe

Task Force Consultants Present: Katie Reed, Afton Partners; Kate Ritter, Children's Funding Project, Ashley Brooks, Children's Funding Project

Children's Cabinet Staff Present: Hannah Quinn

Welcome and Agenda
Working Group members reviewed virtual meeting protocols, Task Force Guiding Principles, and went over the agenda for the meeting. The agenda included a discussion of the outcomes of the group's last meeting, and contemplating recommendations through a 'system of abundance' lens. The agenda also included a discussion of the process for families to access benefits, but the group did not get to that item in the time allowed, so it will be addressed at the next meeting.

Review
Members reviewed the Working Group Charge:
> Define what an affordable ECE system that *works for families* and that *providers want to be part of* looks like in Minnesota and how it can be achieved.

Legislation determines that the Task Force must consider:
* The maximum percentage of income that families must pay for ECE
* The process through which families will access financial assistance for ECE (infrastructure, benefit mechanisms, and financing mechanisms)
* How provider payment rates for childcare will be determined and updated
* How to streamline funding and reduce complexity in plan administration
* Roles in administering the plan (including state agencies, local agencies, and community-based organizations)
* How to maintain and encourage the further development of Minnesota's mixed-delivery system in the plan

Planned sequencing of discussions:

February	Introductions & Overview
March - May	Family Affordability: • Eligibility • Co-payments • Accessing Benefits
June - July	Provider Sustainability: • Determining provider pay levels

	• Provider pay process challenges	2
August	Administration • Streamlining funding and reducing complexity • Roles in plan administration	
September – October (TBD)	Finalize Recommendations	

Members reviewed the following definitions to ensure a shared understanding of language during discussions:

- **Eligibility** – The criteria needed for a family to be designated as eligible to receive payment assistance for care and/or services.
- **Co-payments** – Payments required from families to pay for services.
- **Family Benefits** – Resources or in-kind services families receive from the state.
- **Programs/Providers**: The entities where services are being provided (businesses, family child care homes, school districts, etc.).
- **Workforce**: The people who provide early care and education, including licensed family child care providers, teachers, paraprofessionals, and assistants.
- **Administration** – Government management and oversight of benefits, services, and resources.

    *Family Child Care owners are both providers and workforce

There was a request to add legally non-licensed FFN providers to the workforce definition.

Review of March 10 Meeting & Continued Discussion
The Working Group meeting on March 10 focused on understanding current benefit programs for families, including the Child Care Assistance Program (CCAP) and Early Learning Scholarships

Broad discussion themes included:
- Pros and cons of aspects of current programs
- How to make subsidies available for more families
- How to support middle-income families
- Avoiding benefit cliffs

Working Group members reviewed these DRAFT recommendations to improve CCAP that arose during the March 10 meeting:

Expand eligibility by adjusting income requirements
- Determine eligibility based on net rather than gross income; or consider calculating eligibility based on cost of living.
- Update income eligibility guidelines annually for inflation.
- Increase to the federal allowed eligibility. MN does not go up to the federally allowed entrance level of 85% of State Median Income.

Expand eligibility by increasing eligible activities
- Families in need of protective services or vulnerable populations should be considered eligible for CCAP. This includes families in a substance use treatment program, families receiving domestic violence supports, families in a mental health treatment program, and teen parents
- Children who are in foster care or CPS supervision should get automatic access to CCAP.
- Increase hours covered to ensure families do not lose a slot if they are unable to pay the differential to a full time slot.

Reduce co-payments to improve affordability
- Reduce co-pays to improve affordability for middle class families - There is support for capping family contributions at a max of 7% of income. This would require an increase of eligibility for subsidy and adjustments to provider pay.
- Providers may need to charge more than what CCAP can cover. This sometimes means that the parents pay more than CCAP co-pay to meet cost of tuition.

Other recommendations
- Though program is statewide, there is variation in administration across counties. Workers may interpret things differently, and families and providers are treated differently. This should be addressed through clear policy, process, and training.
- CCAP waitlist needs permanent reprioritization, currently it is done only temporarily.
- To make payment simpler, one idea could be creating a debit card analogous to an EBT card – linking CCAP to an individual provider ID with a preloaded benefit amount. This could be a way to pay providers upfront, would be trackable, and would provide accountability and responsibility.

Members also reviewed slides 19-21, which provide an overview of current legislative proposals in this area, a table of data that shows what a 7% co-pay would look like for families, and a table that shows what increasing eligibility for assistance to 250% of State Median Income (SMI) would look like.

Discussion themes included:
- Regarding the proposal to permanently reprioritize the CCAP waitlist, it makes sense in the short term. In the long term, if the program is fully funding, there will not be a need for a waitlist. The long-term goal should be forecasting the program so all eligible families who want to take part in the program are able to.
- Could the state utilize the Preschool Development Grant (PDG) regional hubs or the Early Learning Scholarship area administrators to administer CCAP? Is there a regional administration model that could work in conjunction with county administration? The goal could be to create multiple points of entry for families seeking assistance.
- With the current structure based on the market rate survey, some families may be enrolled in CCAP but not receive any benefits – a family may have a co-pay that is higher than the tuition their provider charges, so they are responsible for the full cost of care. Outside of an overhaul of the current system, that could be addressed by raising CCAP rates and lowering co-pays.
- This group is thinking of solutions that could provide immediate, incremental change, as well as longer-term ideas that would change things drastically.
- Discussing the data on slides 20 and 21:
  - The table that illustrates what a 250% SMI eligibility level is taken from the Build Back Better framework. It is meant to address the need to support middle class families with ECE costs.
  - The 7% co-pay cap idea comes from research on family budgets, including percent of income spent on housing, food, and medical expenses. Lower-income families pay a much higher percentage of their income for ECE than higher-income families.
  - Both of these policy proposals would capture more families that need support, and address the current issue of benefits cliffs.
  - Another idea is setting one entry/exit level for the CCAP program at 85% of SMI, and ensure that rates keep up with the cost of care. All families making 85% of SMI or less would qualify for the program.

Working Group members reviewed these DRAFT recommendations to improve the Early Learning Scholarships program that arose during the March 10 meeting:

Increase scholarship funding to cover the full cost of care
- Scholarships can be used in conjunction with CCAP, which can provide extra support. But outside of scholarship and CCAP dollars, parents pay the difference.
- There has been minimal progress in increasing caps in the last few years but even the highest ones for 4-star programs and children with priority status do not cover full-time care.
- Cap is too low to cover many providers, especially for infants.
- Provide enough funding through scholarships to cover the full cost of Parent Aware rated programs so families do not need to make these choices.

In the absence of increased funding to cover the full cost of care, promote stability and continuity of care
- Families can choose how much of their scholarship is used each week. They can use the entire amount right away, which may last a few months, or can use it to pay a smaller amount throughout the year. While family needs are unique, we should promote a system that encourages continuity of care.
- Providers should be encouraged and supported to meet with families they serve to discuss financing and budgeting for care. It can be complicated to navigate cost of services and how benefits are applied, and hard to tell bills and payment responsibilities apart. Families must be supported in this process. *Note: there is already a required document that must be completed, signed by the program and family, and submitted to the Area Administrator.

Expand age eligibility to include birth-3
- Scholarships are currently focused on 3- and 4-year-olds (and children with priority status aged 0-4, along with younger siblings of scholarship recipients). Given what we know about brain development, scholarships should be eligible for children aged birth to five, because the earliest years are so developmentally important.

Simplify the administrative system and reduce burden
- Scholarships and CCAP have completely different billing and tracking systems, which causes undue burden on families and providers. Having them be in the same system would go a long way. Administrative agencies must determine the appropriate management and oversight structures to allow for this. *Note: this problem is being explored in the work being done through the Preschool Development Grant.

Members also reviewed slide 23, which provide an overview of current legislative proposals in this area.

Discussion themes included:
- There should be uniform internal business controls and payment timeline for area administrators.
- Comparing CCAP and scholarships:
    - Two parallel systems that serve overlapping populations, but have different administration and eligibility requirements.
    - If CCAP were fully forecasted, scholarships may not be as needed. An exception is that Early Learning Scholarships can serve families who cannot meet the activity requirements of CCAP (working, looking for work, or schooling).
    - If CCAP were fully funded, how can we re-work the early learning scholarships program to serve those who aren't eligible for CCAP? Can we think of creative and flexible solutions to get support to the most families?
- There was a recent proposal to combine Pathway II, voluntary pre-k and School Readiness Plus funding into one mixed delivery program.

Contemplating a System of Abundance

Working group members responded to these discussion questions:

- Would our draft package of improvements to CCAP and Scholarships change through the lens of a system of abundance, and if so, how?
- How would we design the system of family benefits if we were starting from scratch?

Discussion themes included:

- Would a new department of early childhood help with administration? There are pros and cons of a governance change from the current system. The recent MAD governance report was not conclusive, but options include coordination and consolidation. Any changes will need to be carefully planned to not disrupt services.
- How can we braid funding sources in a way that serves more families? Can we shift that burden to the state, away from individual families who are working to apply to multiple programs and parse different eligibility requirements?
- Figuring out how to raise rates and lower co-pays in all areas of the state is important. This could be through a whole-system change, or incrementally. There is currently a differential for programs with certain credentials and parent-aware ratings, but since the base rates are county by county, the money programs can receive varies too.
  - The differentials were developed as an incentive for programs to become Parent Aware rated.
  - Moving to a true cost of quality care study to set payment rates, rather than market rate study, could make sense.
- Simplifying the benefits system is also a workforce recruitment and retention issue. It is challenging for providers and families alike, which does not invite new people to the field.

Next Steps and Close Out

The group will identify someone to report out from this meeting at the next full Task Force meeting. Future meetings will occur on the second Thursday of each month (listed below), from 1pm-3pm.

- Thursday, May 12
- Thursday, June 9
- Thursday, July 14
- Thursday, August 11
- Thursday, September 8
- *October TBD*

Next Working Group Meeting: May 12, 2022, 1:00 p.m. – 3:00 p.m.