

**Great Start for All Minnesota Children Task Force  
Family and Provider Affordability Working Group Meeting**

Thursday, July 14, 2022

1:00 p.m. to 3:00 p.m.

Virtual Meeting: Microsoft Teams

**Working Group Members Present:** Janell Bentz, Shakira Bradshaw, Summer Bursch, Deb Fitzpatrick, Brook LaFloe, Missy Okeson, Cindi Yang

**Working Group Members Absent:** Representative Liz Boldon, Kathleen Church, Clare Sanford, Tonia Villegas, Jayne Whiteford

**Task Force Consultants Present:** Katie Reed, Afton Partners, Gerald Liu, 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 exploring updates to the draft long-term family benefits recommendations as well as a discussion on determining and updating provider pay rates.

**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: <ul style="list-style-type: none"> <li>• Eligibility</li> <li>• Co-payments</li> <li>• Accessing Benefits</li> </ul>
June - August	Provider Sustainability: <ul style="list-style-type: none"> <li>• Determining provider pay levels</li> <li>• Provider pay process challenges</li> </ul>

September	Administration <ul style="list-style-type: none"> <li>• Streamlining funding and reducing complexity</li> <li>• Roles in plan administration</li> </ul>
October	Finalize Recommendations

### Long-term Family Benefits Recommendations Package

Following the June working group meeting, a small group met to discuss how to revise long-term affordability recommendations based on Task Force feedback and discussions. Slides 14 and 15 include questions from that feedback and a reminder of the May draft version of the recommendations. The small group that met focused on reframing the long-term proposal in terms of attributes of the future system, instead of keeping recommendations within the frame of existing benefits systems. These desired attributes from Task Force members are:

- Is built to center the child and brain development
- Makes early care and education affordable for families, especially lower- and middle- class families (“Affordability Standard”)
- Promotes access to quality
- Promotes family choice among provider and program types that best meet family needs
- Encourages family participation
- Maximizes federal investments to minimize costs to the State

Slides 17-27 have information about how this working group and the full Task Force have discussed these attributes in the context of family affordability, as well as national context around the affordability standard.

Slides 28 and 29 include a draft proposal of what a new program built around these attributes could look like.

Discussion themes included:

- While maximizing federal funding and matching federal eligibility rates, do we still want to say we think Minnesota should push to something higher? There are considerations around feasibility and consensus across Minnesotans. It is good to be aggressive in looking at affordability while aligning with realities.
  - The implementation timeline creation process gives an opportunity to think about what is feasible, satisfactory in near term while pushing for bigger goals in the long-term.
- There are two places to consider adjusting the proposal – family income eligibility levels and family contribution levels.
  - Families earning 250% of SMI are earning a lot of money – do they need financial support to pay for ECE services? For a family of four, that income amount is \$282,358.
  - A maximum of 150% of SMI that would replicate what is currently introduced in congress by Sen. Tim Scott (R-SC).
- After discussion, a new proposal from this group was developed in line with the goals to maximize federal resources, provide affordability for families, and recognize implementation realities.
  - DRAFT Affordability Standard for a family of three:
    - Families earning less than 75% of SMI (\$71K) should pay no contribution.
    - Families earning between 75-100% of SMI (\$71K-\$95K) should pay a contribution between 0-2% of income.

- Families earning between 100-125% of SMI (\$95K-\$119K) should pay a contribution between 2-4% of income.
- Families earning between 125- 150% of SMI (\$119K-\$142K) should pay a contribution between 4-7% of income.
- Following further investment from the federal government, including an expansion of eligibility for CCDBG dollars:
  - Families earning between 150%-250% of SMI (\$142K-\$247K) should pay between 7%-10% of income.
  - Families earning more than 250% of SMI (\$247K+) should pay for the full price of ECE, which, on average, costs 7% of income for a 3-person family at 250% of SMI.
- The proposed fiscal impact study will be an important part of this work.
- Building the system around the child and brain development is a good focus. This proposal would also lead to more economic self-sufficiency for families.
- Family choice and quality will be important priorities.
- An updated version of these slides will be brought forward for discussion at the July full Task Force meeting.

### **Determining Provider Pay Rates**

Members reviewed slides 31-35, which include a reminder of what program funding is, a recap of previous discussions and ideas shared around program funding, the difference between market price and true cost of care, and information about ongoing cost modeling efforts in Minnesota. Based on those previous discussions, slide 36 contains a draft recommendation for provider pay determination (something the Task Force is required to address per establishing legislation).

**Draft Recommendation:** Minnesota should establish early care and education funding amounts based on cost modeling, rather than market rates (as is current practice). Cost modeling will estimate the actual cost of providing care, reflective of all costs associated with running a program. This should be done across provider types, quality levels, and regions of the state.

This should begin with modeling current costs of care and be updated every two years to take into account changes in cost elements including phase-in of Task Force recommendations (including compensation), new mandates, other recommendations or requirements including requirements to meet quality standards, and for changes in cost of living and inflation.

This Task Force's recommendations (including compensation) should be included in the ongoing work to create an updated Cost Modeling Report, carried out by First Children's Finance, with planned delivery in Fall 2024.

Discussion themes included:

- There is a connection to payment mechanism structure, and a desire among members to think outside the box in that area. Could it be structured to be paid as a dollar amount per child, throughout the mixed delivery system? What would it look like to have a funding structure that is a paid dollar amount per child for licensed providers?
  - That would be a system that pays for capacity, and there would be a need for accountability for enrolling children – the focus would be on capacity with a funding amount that allows for quality.
  - This relates to the upcoming discussion on provider pay mechanism, exploring the idea of providing an amount per person through a voucher or a contract.

- There are also connections to the emergency response to the COVID-19 pandemic and the Child Care Stabilization Base Grants funded through federal dollars. This is also tied to the work of the workforce working group.
- Where we go next – how do we pay providers in this future system in a way that achieves what we want?
- Another point to discuss is how we can increase the number of providers, scaling up capacity while increasing affordability? A step beyond retaining current staff – starting new FCCs, FFNs, and other providers.
- A current market rate survey is underway to determine updated rates. The state is looking into what other states are working towards implementing around provider pay.
- What data system improvements would be needed to move towards a cost modeling structure? What might be necessary to enable these changes to happen? This group will be discussing implementation and administration in September and October.
- The group should keep in mind assumptions made while discussing moving from the current provider pay structure to a system that reflects quality. Parent choice and support for the mixed delivery system is important.
- The cost increases based on true cost of care will also need to take into account the cost of higher wages (*connection to Workforce Compensation and Supports Working Group*).

#### **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, August 11
- Thursday, September 8
- Thursday, October 13

**Next Working Group Meeting: August 11, 2022, 1:00 p.m. – 3:00 p.m.**