MANAGEMENT AND BUDGET

Great Start for All Minnesota Children Task Force

Working Group Meeting #8: Family and Provider Affordability Working Group

Welcome!
Here are our virtual meeting protocols

- **Please be on video** as much as possible to help with overall engagement
- **Mute self** when not speaking
- Use **Chat feature or "raise hand" button** for questions or comments
- Technical issues can happen to anyone – **chat privately to Hannah Quinn for any needs**
- If you are experiencing an unstable connection - **switch to phone call or close other applications**
- Members of the **public can submit written feedback to** greatstart.taskforce.mmb@state.mn.us

Guiding Principles

Guiding Principles reflect the Task Force's values and beliefs, guide how it operates, and lay a foundation for decision-making

Promote Equity	Prioritize Family Perspectives, Needs, and Choices	Support the Power of Local Communities	Build Upon our Solid Foundation	Uplift and Diversify the ECE Workforce	Recognize Implementation Realities	Expect High Quality & Effectiveness	Design for Stability, Sustainability, and Positive Impact
We will prioritize a system that promotes equitable outcomes, with a specific focus on children of color and building cultural competency in ECE classrooms.	We will prioritize families' perspectives, needs, and choices as we make data driven and evidence informed recommendations, recognizing that all provider types and settings provide value to the system.	We will ensure local communities are able to define their own priorities and are supported to build the system that meets their children and families' needs.	We will build upon the successes of Minnesota's past and current system, lessons from other states, and the expertise and research in the field.	We will invest in our dedicated and capable early childhood professionals so that they have the opportunity to thrive and grow, and we will build and support a racially diverse workforce.	We will recognize inherent system constraints while remaining responsive to local, state, and federal landscape changes.	We will endeavor to create a high quality and effective ECE system that meets the needs of all of Minnesota's children and families, regardless of circumstance, knowing that the state's future workforce, economy, and resident welfare is dependent upon it	We will work to support funding stability for providers, educators, and staff across mixed delivery settings to ensure better service for families.

Welcome & Agenda

Family and Program Affordability Working Group

Voting Members	Non-Voting Members
Representative Liz Boldon	Janell Bentz, Minnesota Department of Revenue
Shakira Bradshaw, Parent Children Under 5	Summer Bursch, Minnesota Association of Child Care Professionals (MACCP)
Kath Church, Family Child Care Program	Deb Fitzpatrick, Statewide Advocacy Organization
Brook LaFloe, Tribal Representative	Missy Okeson, Minnesota Initiative Foundations (MIFs)
Jayne Whiteford, Parent Children Under 5	Clare Sanford, Minnesota Child Care Association
	Tonia Villegas, Minnesota Association of County Social Services Administrators
	Cindi Yang, Department of Human Services

Our Working Group Charge

Define what an **affordable ECE system** that *works for families* and that *providers / programs want to be part of* looks like in Minnesota and how it can be achieved.

What We Must Consider

Per the Legislation

- 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

Family Contributions

Family Benefit Mechanisms

Provider /Program Funding

Administration

Types of Questions We Will Explore
(non-exhaustive)

Family Contributions
- What are today’s family co-pay policies for child care financial assistance, and how is it working for families?
- What alternative co-pay policies might we consider and why? What would potential changes mean for affordable access and equity for families within the system?
- What financial impact would a change in family co-pay rates have?

Family Benefit Mechanisms
- How should families access financial assistance in the future system (what are the “benefit mechanisms”)?
- How can we ensure family choice of care setting is maintained and further supported?
- How can we make the system more transparent and accessible to families?

Provider/Program Funding
- What changes are needed in provider/program pay for a stable, sustainable system for all programs types?
- How should provider/program funding be determined and updated?
- How can we ensure provider/program pay is equitable across the mixed delivery system?

Administration
- How should the system of provider pay and family benefits be administered to best meet our goals?
- What roles might exist for state agencies, local agencies, community-based organizations, and other entities in the future plan?
- What infrastructure needs exist to set this future system up for success?

Planned Sequencing of Discussions

Month	Anticipated Topics
February	Introductions & Overview
March - May	Family Affordability: • Eligibility • Co-payments • Accessing Benefits
June - Aug	Provider/Program Sustainability: • Determining pay levels • Pay process challenges
September	Administration • Streamlining funding and reducing complexity • Roles in plan administration
October	Finalize Recommendations

Definitions:

- **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

TODAY'S GOALS

- Finalize our long-term family benefits plan, including our affordability standard, for vote this month!
- Develop recommendations for program funding improvements
- Discuss ideas on how to best implement our long-term affordability and program funding plans

Working Group Meeting #8 Agenda – 2 hours

1:00 – 1:10 p.m. Goals and reminders

1:10 – 1:30 p.m. Share Task Force feedback on long-term affordability plan and affordability standard and come to conclusion

1:30 – 2:45 p.m. React to a draft of program funding improvement recommendations

2:45– 2:55 p.m. Discuss administrative questions and considerations

2:55 – 3:00 p.m. Next steps and close out

Our Equity Commitments

In all our conversations, we will strive to:

- **Center children and families**
- Pay **particular focus to the needs and priorities** of historically disenfranchised children and families and their communities
- Specifically contemplate **how our decisions may benefit or harm** historically disenfranchised children and families and their communities
- Seek the **expertise and input from stakeholders** already doing the work in historically disenfranchised communities
- Where possible, consider **data that provides insight** into the relative impact on historically disenfranchised children and families and their communities

September Voting Items

Reminder: Reframing from existing systems to "attributes of the future system"

Per our charge "It is the goal of the State for all families to have access to affordable, high-quality early care and education….The goal will be achieved by…creating a system in which family costs for early care and education are affordable…"

Attributes: "a quality or feature regarded as a characteristic or inherent part of someone or something"

We want a system that:

- 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
- Easily Accessible by Families
- Maximizes federal investments to minimize costs to the State

Reminder: Deep dive into our "Affordability Standard": *How much can families contribute to costs of care?*

- In 1998, the United States Department of Health and Human Services created a benchmark of **10%** of family income as an affordable copayment.
- The national benchmark was revised following the 2014 bipartisan reauthorization of the CCDBG. The current benchmark is **7% of income** for low to moderate income families.
  - "HHS chose the 7% benchmark to reflect U.S. Census Bureau data that showed the average percent of monthly income spent by all families on child care stayed consistent at about 7% from 1997 to 2011. Because low-income families disproportionately spend more of their income on child care compared to higher income families, HHS recommended the 7% benchmark in order to achieve parity in child care cost burden." - from the Bipartisan Policy Center
- The Child Care and Development Block Grant Reauthorization Act of 2022, introduced by Senator Tim Scott (R-SC), would establish 7% of income as a cap for family copayments (replacing the current "benchmark", which is not a required cap).
  - The bill would establish a sliding scale for copayments:
    - Families earning less than 75% of SMI would pay no copayment
    - Families earning between 75-100% of SMI would have a copayment between 0-2% of income
    - Families earning between 100-125% of SMI would have a copayment between 2-4% of income
    - Families earning between 125- 150% of SMI would have a copayment between 4-7% of income

Feedback: Long-term Affordability Recommendations and Affordability Standard

Long-term Affordability Plan

- Out of 9 total survey respondents:
  - "I really like it - I'm fully convinced": 7
  - "I like it/good enough!": 2
  - "I will support it until I learn more": 0
  - "Mixed feelings": 0
  - "I prefer something different": 0
  - "I just don't like it": 0

Affordability Standard

- Out of 9 total survey respondents:
  - "I really like it - I'm fully convinced": 6
  - "I like it/good enough!": 3
  - "I will support it until I learn more": 0
  - "Mixed feelings": 0
  - "I prefer something different": 0
  - "I just don't like it": 0

Feedback: Affordability

- **Support for the revised framework:**
  - *"This is great and really creates an affordability standard that will invite all Minnesotans to participate and have fair buy-in and participation in a system that works for everyone. The phase in of the 7% standard is really well-thought out as is the supporting studies and periodic review of the various factors influencing the affordability standard. All kids and families need access to childcare and this standard reflects those values."*
  - *"I really like the 7% decision (versus the SMI cap)."*
- **Connection to Program Funding:**
  - *"I'm a little bit confused about where the funding will come in order to allow families to pay only 7% and yet programs/providers get the compensation they deserve."*
- **Reflection questions:**
  - *"Have we taken time to ask ourselves - who benefits? Who does not? Are there any unintended consequences that we can foresee?"*

Next Meeting

DRAFT: Long-term Family Affordability Plan Recommendation (Slide 1 of 2)

- **All Minnesota families should have affordable access to high-quality early care and education (ECE) services.** Our vision is that the state moves toward a system where no family is paying more than 7% of their yearly income on ECE. We propose the following long-term affordability framework to achieve that vision by July 2031.
- **A new family benefits system (for example, "Great Start MN Program") is built to center the child and brain development.** Existing state and federal resources and necessary new contributions are combined to form the new program, which is fully funded to cover the full cost of quality care for the true demand in the system. This means there should be enough money in the system to provide coverage based on eligibility guidelines and established family contribution schedules. With this level of funding, there would be no systemic waitlists (though program-specific waitlists may still exist) and all eligible families would have access to benefits.
- **Federal investments are maximized to minimize costs to the state.** This means if federal limitations on eligibility increase, the state increases its eligibility accordingly over the phase-in timeline and maintains its investment efforts as federal appropriations increase. Upon commencement, eligibility immediately increases to the federal level in place.
- **Early care and education is affordable for lower- and middle- class families in the new system ("affordability standard")**. This is done in four ways:
    - Expanding income eligibility levels for existing programs at the beginning of the implementation timeline for program participation to percentage of state median income (SMI) allowed under federal law *(in alignment with short-term recommendations, as of today this is 85% SMI)*
    - Expanding income eligibility for the new program to all families by the end of the implementation timeline, in accordance with the state's clear goal to make early care and education affordable to families.
    - Eliminating contributions for lower-income families – families below 75% SMI ($71K for a family of three) should not be required to pay a family contribution
    - Reducing family contributions for middle class families – families should contribute an increasing amount of income, but no more than 7%

DRAFT: Long-term Family Affordability Plan Recommendation (Slide 2 of 2)

- **The system is structured to promote access to quality.** Families must understand what quality means, looks like, and how it benefits children's brain development. Families must have support in finding a quality program that meets their needs. The benefit program must cover the cost of quality programs and give families no financial (or other) disincentive to choose quality care.

- **The new system is structured to promote family choice among provider and program types that best meet family needs.** Families have the information necessary to make informed decisions about program/provider types, and can easily find the choices available to them that meet their needs and preferences. The benefit amount covers the cost of each provider/program type, and there must be no financial (or other) disincentive to attend the program type of family choice.

- **The program is easily accessible for families, given the opportunity for positive impact on child development**. It does this by making participation affordable, but also by removing barriers to participation, including: reduce administrative complexity, increase access points, streamlined communications, create clear connections to other social programs, and minimize stigma. Benefits of increased family participation are the positive impact on economic self-sufficiency for families and healthy child development.

Next Meeting

VOTE

DRAFT recommended **affordability standard**, and its ramifications (slide 1 of 2)

From establishing legislation: "The plan must include an affordability standard that clearly identifies the maximum
percentage of income that a family must pay for early care and education. "

- DRAFT Affordability Standard:
    - Families earning less than 75% of SMI ($71K for a family of three) 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- 250% of SMI ($119K-$237K) should pay a contribution between 4-7% of income.
    - Families earning more than 250% of SMI ($237K+) should pay a contribution of 7% of income.
    - If the price of their chosen ECE program amounts to less than 7% of a family's income, they will be responsible for paying for the full amount.

- Eligibility for the future state benefits program should be in line with this affordability standard by the end of the implementation timeline for our plan (July 2031).

Next Meeting

VOTE

DRAFT recommended <u>**affordability standard**</u>, and its ramifications (slide 2 of 2)

The affordability standard must be re-evaluated periodically (every two years) to assess the impact of changes in:

- **Family Incomes**, including understanding family income in comparison to inflation and cost of living
- **Costs of care**, including levels of quality and increasing compensation, which may make the full cost of care more challenging for even higher income families to cover
- **Federal landscape** – including both federal funding changes and changing requirements – which could dramatically alter costs to the State and families

A cost study must be done alongside the periodic re-evaluation of the affordability standard to understand 1) true cost of care including varying levels of quality across provider types, 2) geographic differences in costs of care, and 3) total costs to the state. This study must also include an assessment of full system take rates and demand, in order to understand total costs to the state.

The state should conduct an evaluation of progress of plan implementation from 2025-2031, including family demand, ability to build up the provider and workforce base, and impact of scale on quality.

Reflection

- How might this plan benefit or harm historically disenfranchised children and families and their communities?
- How might this proposal negatively impact other stakeholders in the system?
- Could there be unintended consequences we have not addressed? Notes:
  - Avoiding ballooning costs to the state with capped family contributions: Providers will receive full funding through a combination of public funding and family contributions – but, this is based on cost modeling for *expected* costs, not individually program costs. Priority investments may be covered through supplemental funding (see Provider Funding recommendations)
  - Reminder that we do not need to address total cost and how to pay for this – but we are recommending a fiscal impact study and strategic financing study
  - Noted that we must ensure appropriate phase in to serve lowest income families first, and this should be part of our implementation timeline

Program Funding Mechanisms

Reminder: What do we mean by "Program Funding"?

- The funding that flows from the state to programs/providers across the mixed delivery system in order to fund them for the services they provide for children and families.

- There are two key questions to address in program funding:

  - ✓ **Is the funding level (how much money flows to providers) appropriate?** If not, what should it be and how do we get there?
  - **Is the <u>funding mechanism</u> (how money flows to providers) appropriate?** If not, what should it be and how do we get there?

Challenges we have identified with existing program funding

Funding Level

✓Not enough funding

✓Inequitable funding (particularly across geographies)

✓Inability of families to afford co-pays

Funding Mechanisms

- Cash flow challenges from reimbursements-based funding
- Instability and unpredictability in revenues from family mobility, enrollment challenges
- Complicated and inconsistent billing and payment policies and practices across counties and administrators

Program funding mechanisms: Attributes for the future system

Funding is <u>stable</u>

The funding process is <u>transparent</u>

Administration is <u>simple</u> and <u>consistent</u>

Funding is equitably <u>accessible</u> across settings

There is <u>accountability</u> for use of funding

Program funding mechanisms: *Draft Recommendations*

To make funding stable:

- Public funding should be based on **enrollment rather than attendance (ie. Pay for absent days)**
  - This covers sick days, vacation days, and professional development days
- Public funding should be paid **in advance of services, rather than reimbursed**
  - Ideally this is for a full month to allow for planning and preparing their services over a longer time horizon.
- Public funding should be provided through both per child rates and **base operational funding amounts** that provide stable funding for fixed cost structures essential to effective services
  - Providers need a base funding level that allows them to plan long-term
  - Base operational funding minimizes revenue loss/provider risk caused by enrollment & eligibility changes, allowing programs to cover fixed operational costs.
  - This also supports the State's goals for increasing stability as we build toward a system of increased access and quality

QUESTIONS:

- **What would you change about these recommendations?**
- **Is anything missing?**

Program funding mechanisms: *Draft Recommendations*

To make the funding process transparent:

- The state's calculation methods for public funding (i.e.. cost model inputs) must be **clearly communicated to the public and the field**; Any changes to public funding mechanisms and/or amounts are done with ample, appropriate notice by the state
- The state must have **publicly-available, clear policies and procedures** in place for how funding is to be determined

QUESTIONS:

- **What would you change about these recommendations?**
- **Is anything missing?**

Program funding mechanisms: *Draft Recommendations*

To make program administration simple and consistent:

- The state should blend and braid funding to ensure providers participating in the Great Start MN Program are effectively funded.
- The state should have **one payment system rather than multiple**, and **one administrative agency** for the program.
- Local administrative entities **apply policies and procedures clearly and consistently.**
- **Simplify paperwork for families and providers** to reduce payment errors and deliver funding more effectively.

QUESTIONS:

- **What would you change about these recommendations?**
- **Is anything missing?**

Program funding mechanisms: *Draft Recommendations*

To make funding equitably accessible across programs

- The differences between schools, Head Start, centers (non-profit and for-profit), licensed family child care, and family friend and neighbor care are recognized, and funding is distributed to best support programs in their settings
- Funding that is not provided as a per child rate, such as base funding, must be equitable across settings based on their intended purpose
- Additional program funding (such as VPK) should be equitably accessible to all settings who qualify to provide services
- Offer flexible provider grants that allow for innovation and specialization in child care services
  - For providers offering reasonable & valuable services that exceed quality components included in the cost model, offer provider grants to cover those additional costs, rather than passing on the cost to families (ex. Infant mental health services in an area with high rates of child trauma).

QUESTIONS:

- **What would you change about these recommendations?**
- **Is anything missing?**

Program funding mechanisms: *Draft Recommendations*

To have accountability for use of funding:

- This system **maintains family choice** as a priority, where a significant portion of funding follows the child, ensuring that families are the ultimate accountability lever for funding.
- The state has **clear, publicly-available expectations for use of any non per-child rate funding.**

QUESTIONS:

- **What would you change about these recommendations?**
- **Is anything missing?**

Administration

Roles & Administration Considerations

- Legislation asks us to opine on "*describe how the plan will be administered, including the roles for state agencies, local agencies, and community-based organizations and how that plan will streamline funding and reduce complexity and fragmentation in the administration of early childhood programs*"
- We have already informally opined in other recommendations, to some extent
- **What else should we consider as we define roles of state agencies, local agencies, and community-based organizations as it pertains to our work:**
  - **Short-term Family Benefits improvements**
  - **Long-term Family Affordability Plan**
  - **Program Funding recommendations**
- *Note: We will not make formal recommendations for defining these roles out of this Working Group – rather, we will inform implementation planning*

Short-Term Recommendations for Family Affordability: Child Care Assistance

- **Expand eligibility by adjusting income requirements, including by updating** income eligibility guidelines annually for inflation and increasing to the federally allowed eligibility of 85% of State Median Income (SMI).
- **Expand eligibility by increasing eligible activities***
  - Families with a caregiver in a substance use treatment program, families experiencing domestic violence, families with an incarcerated caregiver, and families with a caregiver in a mental health treatment program should be eligible for child care assistance.
  - Children who are in foster care or who are under CPS supervision should have automatic access to child care assistance programs.
  - Increase hours covered to ensure continuity of care.
  - **Authorized activities currently include working, looking for work, or education. In order to qualify for the program, a family must meet income guidelines and authorized activity requirements.*
- **Reduce co-payments to improve affordability for lower- and middle-class families**
- **Other recommendations:**
  - System Improvements
    - Clear policy, process, and training to create even administration of the program across counties.
    - Consider multiple entry points to meet families' needs. This could include PDG Community Hubs or Early Learning Scholarship Area Administrators.
  - Legislative Program Changes
    - Permanent reprioritization of the Basic Sliding Fee waitlist.
    - Remove the eligibility requirement to cooperate with child support requirements, replace the eligibility requirement with education about child support enforcement and information about opting-in.
  - For Further Study
    - Make payments simpler for families: one idea could be creating a debit card linked to a provider ID with a preloaded benefit amount. This would have to be done in a non-stigmatizing way.

Short-Term Recommendations for Family Affordability: Early Learning Scholarships

- **Increase scholarship funding to cover the full cost of care, while increasing funds appropriated for scholarships**
  - There has been some progress in raising 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. The scholarship cap is too low to cover many providers, especially for infants.
  - Once a child receives a scholarship, they receive it annually until they enter kindergarten. By increasing the scholarship cap, we do not mean to limit the number of children receiving scholarships. Any increase in the scholarship cap should take that into consideration by also increasing total funds allocated.
- **Expand age eligibility to include birth-3**
  - Scholarships are currently focused on 3- and 4-year-olds (and children with priority status aged birth-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.
  - Once a child receives a scholarship, they receive it annually until they enter kindergarten. By increasing eligibility to children aged birth-3, we do not mean to limit the number of children receiving scholarships. Any increase in the age eligibility should be met with corresponding increases in total funds allocated.
- **Expand the categories included in priority populations**
  - Families with a caregiver in a substance use treatment program, families experiencing domestic violence, families with an incarcerated caregiver, and families with a caregiver in a mental health treatment program should be eligible for priority status.
- **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.
  - Income eligibility for scholarships is based on percentage of Federal Poverty Level (FPL), and CCAP income eligibility is based on percentage of State Median Income (SMI). To reduce confusion between eligibility guidelines, income eligibility for scholarships should be translated to be based on percentage of SMI.
  - Effective electronic systems that can be updated to meet the changing needs of families and administrators are needed.

Anticipated Timeline

Monthly meetings through September 2022

- TODAY: September 15| 1:00 - 3:00 PM
  - Program funding goals & recommendations
  - Administration considerations
- October 13 | 1:00 – 3:00 PM
  - Administration and wrap up

Next Steps

- Who can volunteer to present an update for our group at the next taskforce meeting on September 27?
- Our next meeting will take place on Thursday, October 13 from 1:00-3:00pm
- Share your reflections at GreatStart.TaskForce.MMB@state.mn.us