



Great Start for All Minnesota Children Task Force

Working Group Meeting #9: 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
<p>We will prioritize a system that promotes equitable outcomes, with a specific focus on children of color and building cultural competency in ECE classrooms.</p>	<p>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.</p>	<p>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.</p>	<p>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.</p>	<p>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.</p>	<p>We will recognize inherent system constraints while remaining responsive to local, state, and federal landscape changes.</p>	<p>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</p>	<p>We will work to support funding stability for providers, educators, and staff across mixed delivery settings to ensure better service for families.</p>

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: <ul style="list-style-type: none"> • Eligibility • Co-payments • Accessing Benefits
June - Aug	Provider/Program Sustainability: <ul style="list-style-type: none"> • Determining pay levels • Pay process challenges
September	Administration <ul style="list-style-type: none"> • 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 program funding mechanism recommendations, for vote this month!



Discuss implementation planning for our family affordability and program funding recommendations



Discuss revenue raising examples



Celebrate our work together!

Working Group Meeting #9 Agenda – 2 hours

1:00 – 1:10 p.m. Goals and reminders

1:10 – 1:40 p.m. Share Task Force feedback on program funding mechanism recommendations and come to conclusion

1:40– 1:55 p.m. Discuss administrative questions and considerations

1:55– 2:25 p.m. Discuss revenue examples

2:25– 2:45 p.m. Next steps and close out

Our Equity Commitments

In all our conversations, we will strive to:

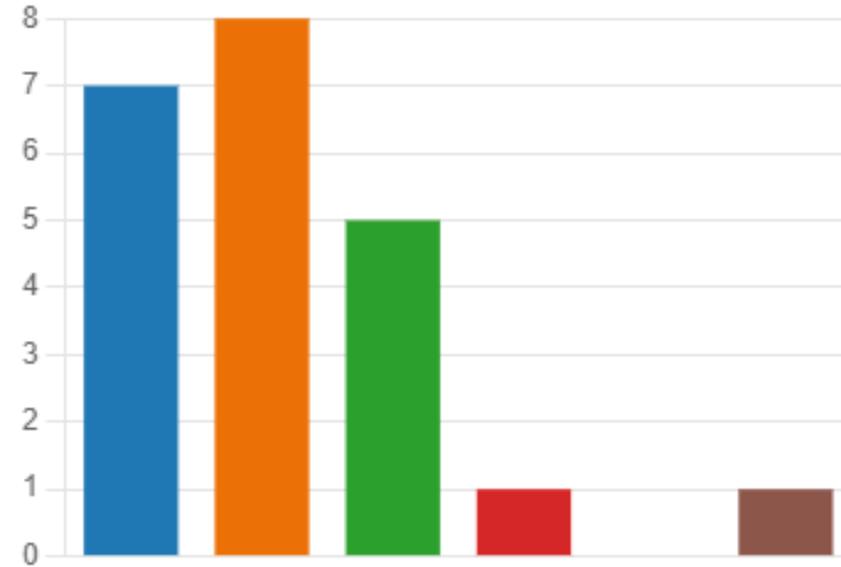
- **Center children and families**
- Pay **particular focus to the needs and priorities** of historically disenfranchised children and families and their communities
- Specifically contemplate **how our decisions may benefit or harm** historically disenfranchised children and families and their communities
- 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

October Voting Items

Feedback: Program Funding Mechanisms

Out of 22 total survey respondents:

- "I really like it - I'm fully convinced": 7
- "I like it/good enough!": 8
- "I will support it until I learn more": 5
- "Mixed feelings": 1
- "I prefer something different": 0
- "I just don't like it": 1



Feedback: Program Funding Mechanisms

- **Need to further recognize differences in provider types:**
 - *"There is inconsistency in what is available to various program types... Innovation and specialization grant should be available to all program types as well."*
 - Regarding having a significant portion of funding follow the child: *"This portion is VERY tough for school programs. You cannot plan, prepare and staff for a school program without knowing what your budget is. For school district programs, the \$\$ cannot follow the child."*
 - *"Certain funding streams come with rules that have federal strings that the state cannot change... to ensure the highest needs children get the services they need - programs need to be funded. Programs that do not go to parents, in the worst neighborhoods or buildings, or that do not go to jails or homeless encampments/shelters, or speak the families native language will not reach a whole group of Minnesotans. Early Head Start and Head Start is grounded in that work in a way that not really anyone else is."*
- **Two members had concerns around basing funding on enrollment rather than attendance:**
 - *"I am not a supporter of the idea that funding should be based on enrollment rather than attendance. This would allow for too many loopholes, and does not encourage consistent attendance in a program. Consistent attendance is critical for classrooms to run smoothly and program outcomes to be met for quality standards."*
- **Remaining questions:**
 - How does 'braiding' work with federal funds?
 - Is there a need to mention an administrative role for keeping rates charged to parents in alignment with our affordability standard?
 - What is meant by the bullet point that says "Funding that is not provided as a per child rate, such as base funding, must be equitable across settings based on their intended purpose"?



Program funding mechanisms: Draft Recommendations

To make funding stable:

- Public funding should be based on enrollment rather than attendance (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.
- Once eligibility is established, it should remain in place for at least one year under most circumstances, resulting in continuity of state funding for enrolled children.
- 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

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.



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 state 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.
- Require that administrative entities offer electronic processing of state program billing and payment for providers

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 **operational** funding, must be equitable across settings based on their intended purpose.
- Additional program funding (such as VPK, start up and incubation funding, etc.) 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-early care and education** 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).



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~~ creating opportunity for families ~~are the~~ and an ultimate accountability lever for funding through the new family benefits program.
 - Publicly funded programs that already exist, such as Early Head Start, Head Start, and school-based programs could maintain current funding structures under this system.
- The state has clear, publicly-available expectations for use of public funding.

- 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?



Administration

Roles & Administration Considerations

- Legislation asks us to *“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 opined within our recommendations, to some extent (including long-term family benefits recommendation for one state agency to administer)
- **During the creation of our deliverables, we will consider roles of the legislature, 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 discuss ideas to inform implementation planning over the next month*

DRAFT format for our Implementation Timeline

PlanYear	Plan Element	Leg. Action	State Roles	Local Roles	Cmnty. Roles
2025	Short-term affordability recommendations (improvements in CCAP and ELS) <ul style="list-style-type: none"> • Co-pay reductions and scholarship increases • Expand eligible activities • Improve administrative systems Launch affordability studies <ul style="list-style-type: none"> • Cost modeling study • Plan implementation evaluation study • Affordability standard Continuation of base operational funding Clear and consistent program policies				
2026					
2027	Change in Approach to Provider Funding (Base Operational Funding + Cost Modeling + pay in advance) within existing program funding streams				
2028	Great Start MN Program begins (replacing CCAP and ELS) New family contribution schedule begins to phase in Program funding changes in line with start of Great Start MN Program (including one funding system, one administrative state agency)				
2029					
2030					
2031	Great Start MN Program is fully implemented				22

Timeline to Final Deliverables

Week beginning	Task Force	Deliverable Review Sub-Group	Facilitation Team
September 26 th	Task Force Meeting - Request for Volunteers (Sept 27 th)		
October 10 th		Sub-Group Finalized	
October 24 th	Task Force Meeting (Oct 25 th)	Deliverable available for sub-group review (10/28)	
November 7 th		Volunteers Submit Feedback	
November 14 th		Tentative: Deliverable Review Sub-Group Meeting Discuss Feedback Tentative: Send Draft Plan & Implementation Timeline to full Task Force for review	Revise Plan & Implementation Timeline - Based on Feedback
November 28 th	Task Force Meeting Discussing Draft Plan & Implementation Timeline (Nov 29 th)		Revise Plan & Implementation Timeline - Based on Feedback
December 12 th	Task Force Meeting Finalize Draft Plan & Implementation Timeline (NOTE: New Meeting Date - Dec 13th)		
	Submit Draft Plan & Implementation Timeline (Dec 15 th)		Revise Plan & Implementation Timeline - Based on Feedback
January 30 th	Task Force Meeting Review Final Plan & Implementation Timeline (Jan 31 st)		
	Submit Final Plan & Implementation Timeline (February 1st)		

Revenue Examples

Reminder: Fiscal Impact Recommendations

Though the Task Force establishing legislation does not address the fiscal impact of our charge, we recognize that our recommendations would have significant financial implications. To fully understand these implications, we recommend the following:

The legislature should support and make funding available for **1) a fiscal study of each budget-related recommendation** included in the plan and implementation timeline, and **2) a comprehensive economic impact assessment of the long-term recommendations**, which should consider child and family outcomes, economic impacts including potential savings, and cost to taxpayers.

In addition, the legislature should support and make funding available for **3) a strategic financing study** to identify and assess the impact of revenue options available to cover the costs of the long-term plan.

The fiscal study of each budget-related recommendation should follow normal legislative procedure, and the comprehensive economic impact assessment and strategic financing study for long-term recommendations should be completed by July 2026.

Minnesota's State Budget

Source: <https://mn.gov/mmb/budget/state-budget-overview/>

- Minnesota enacts budgets for a two-year cycle (a biennium), beginning on July 1 of each odd-numbered year.
 - Example: in the 2023 legislative session, the legislature will pass a budget for July 1, 2023-June 30, 2025.
 - Once enacted by the legislature, the budget can be modified in the "off-year" legislative session. These revisions are referred to as "supplemental budgets".
- The **General Fund** is the state's largest fund. State collections of individual income taxes, retail sales taxes, business, and other taxes are deposited into this fund. Expenditures from the state General Fund can be made for any authorized state activity subject to legislative appropriation limits.
- Certain revenues such as motor vehicle fuel taxes or hunting license fees are deposited into funds that can only be spent for the specific purposes established in the state constitution or in state statutes. In budget terms, these are referred to as **dedicated funds**.
 - Programs funded solely by dedicated funds rely on the input to those funds. For example, if a program was funded by a tax on cigarettes, there would need to be enough taxes generated through cigarette sales to support the program. If cigarette sales slowed, the program's budget would shrink.

Federal Funding Examples

- Child Care and Development Fund (CCDF): The CCDF is a federal funding source for child care subsidies and child care quality supports, authorized by the Child Care and Development Block Grant. The CCDF program provides financial assistance to low-income families for accessing child care, and in Minnesota, the program is administered by DHS. Every three years, each state must submit a CCDF Plan for approval to the US Department of Health and Human Services in order to continue to receive funds.
 - Child Care Assistance Program (CCAP): Funding for CCAP comes from the CCDF, contributions for the state general fund, county contributions, and Federal Temporary Assistance for Needy Families (TANF).
- Head Start and Early Head Start
 - Though there is variation between grantees in MN, they receive about 75% of their funding from the federal government. About 20% of funding comes from the state, and about 5% of funding comes from other sources.
- You can find fiscal information on state programs that serve children at the state's Children's Fiscal Map: <https://mn.gov/mmb/childrens-cabinet/childrens-fiscal-map/>

Select a Revenue-Generating Mechanism

Common Tax Mechanisms



Personal Income Taxes



Sales Taxes



Estate and Inheritance Taxes



Property Taxes



Corporate and Business Taxes



Sin Taxes



Special District Government Taxes

Other Taxes and Strategies

- Review tax credits and other potential tax reforms and how they could benefit families in need
- Dedicate tobacco and opioid settlement dollars to children
- Close nicotine/tobacco tax vaping loopholes
- Tax tech (ex. digital advertising tax)

For greater detail on these mechanisms, read [Funding Our Future: Generating State and Local Tax Revenue for Quality Early Care and Education](#)

Select a Revenue-Generating Mechanism



GUIDING QUESTION 1
What jurisdiction will levy the tax?



GUIDING QUESTION 2
Is the tax legally feasible?



GUIDING QUESTION 3
Can the tax be dedicated to early care and education?



GUIDING QUESTION 4
Is the tax politically feasible?



GUIDING QUESTION 5
Is the tax progressive or regressive?



GUIDING QUESTION 6
Does the tax have communication power related to early care and education?



GUIDING QUESTION 7
Who pays for the tax? Who benefits from the tax?



GUIDING QUESTION 8
Is the tax timely?



GUIDING QUESTION 9
How does the projected generated revenue fit into the near- and long-term strategy for meeting the need for quality early care and education?

FUNDING OUR FUTURE:
Generating State and Local Tax Revenue
for Quality Early Care and Education



States Dedicating New Revenue to Kids:

- MD digital ad tax
- MT, CT, CA marijuana
- LA and MA sports betting
- CO tobacco tax and closing vaping loophole
- NM Constitutional Amendment
- Washington DC high income earner tax
- Others?



State Examples:

MARYLAND - A digital advertising tax went into effect in Maryland this year. The tax applies to revenue collected from digital advertisements displayed within the state and could raise an estimated \$250 million in its first full year for the state's education system.

COLORADO - Passed a ballot measure in 2020 to expand tobacco tax and close vaping tax loophole to fund universal, free preschool for all Colorado children. It is projected generate \$2 billion for universal pre-K over ten years.

NEW MEXICO - A constitutional amendment to dedicate part of their Land Grant Permanent Fund to make early childhood education a public good like K12 education.

Washington, D.C. - D.C. raised taxes for residents that make more than \$250,000 annually. It is projected this tax will reach \$175 million in 2025 By 2025, this tax will allocate approximately \$75 million for Birth-to-Three.

LOUISIANA - The Louisiana legislature approved sports betting in 2021. 25% of the funds, up to \$20 million, received by the state will be allocated to an Early Learning Incentive Fund



Next Steps

- **Connection to Task Force work:** In the Task Force plan, we can include a list of revenue options other states are considering or have implemented.
- **Connection to ongoing work:** Through work as a TA provider for the Alliance for Early Success, Children's Funding Project is working with Children's Defense Fund Minnesota to develop a menu of Minnesota-specific revenue options.
 - Report is expected by the end of March 2023

Close Out

Strong work! THANK YOU!



Something you are proud of



Something you learned



Something you will do



Next Steps

- Who can volunteer to present an update for our group at the next taskforce meeting on October 25?
- Share your reflections at GreatStart.TaskForce.MMB@state.mn.us

