



Great Start for All Minnesota Children Task Force

Working Group Meeting #7: Family and Provider Affordability Working Group

August 11, 2022

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 long-term family benefits plan, including our affordability standard, and method to calculate per child rates



Develop goals for program funding process improvements (“funding mechanisms”)



Ideate options to improve funding mechanisms



UP NEXT: Discuss ideas on how to best implement our long-term affordability and program funding plans

Working Group Meeting #7 Agenda – 2 hours

1:00 – 1:10 p.m. Goals and reminders

1:10 – 1:40 p.m. Share Task Force feedback on voting items and come to conclusion

1:40 – 2:55 p.m. Shift from provider pay challenges to goals and solutions

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

August Voting Items

Feedback: Setting Provider Pay Determination

Out of 14 total survey respondents:

- "I really like it - I'm fully convinced": 7
- "I like it/good enough!": 6
- "I will support it until I learn more": 0
- "Mixed feelings": 0
- "I prefer something different": 1
- "I just don't like it": 0
- Important ties to workforce compensation:
 - *"As long as this can intersect with the wage ladder... cost modeling is the better way to go."*
 - *"Quality care is first based on continuity of care, meaning the care provider."*
- Regular updates:
 - *"Updating the study every 2 years... would provide families and providers stability (far more than they have now)."*



DRAFT Recommendation for Provider Pay Determination

Per legislation, we must consider: How provider payment rates for childcare will be determined and updated

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.

Feedback: Long-term Affordability Recommendations

- Out of 14 total survey respondents:
 - "I really like it - I'm fully convinced": 4
 - "I like it/good enough!": 5
 - "I will support it until I learn more": 2
 - "Mixed feelings": 2
 - "I prefer something different": 1
 - "I just don't like it": 0
- Support for developing a new program (Great Start MN Program):
 - *"I hope it will be a great step towards ALL children and families getting the quality care they deserve."*
 - *"I love the way broader thinking is reflected here - moving beyond the turf wars and funding streams of today to a single, streamlined approach for the future."*
- Importance of system administration improvements:
 - *"I want to make sure this program is laid out as inclusively and easily as possible."*

Feedback: Affordability Standard

- Out of 14 total survey respondents, preference for SMI eligibility level:
 - 250%: 3
 - 200%: 3
 - 150%: 4
 - Other:
 - 125%: 1
 - None (all families should qualify): 3
- Out of 14 total survey respondents, preference for maximum percent of income contribution:
 - 7%: 9
 - 10%: 3

Feedback: Affordability Standard

- Eligibility:

- *"I think there are families who make above 150% of SMI who need assistance to be able to afford child care and cutting off eligibility at this level would mean there is a large cliff effect... if true cost of care studies indicate that the payment rates should be higher, I think the 150% of SMI cut off may leave more families with a substantially higher burden than the affordability contribution level of 7%."*
- *"The current estimations we use for family affordability are based on market rates, which we know are a flawed model of estimating and are actually depressed because they are created around our current system of incredibly low compensation and the reality of providers charging what area families can afford... so choosing a lower eligibility standard for families based on percentages of income at current rates that we know are flawed seems shortsighted."*
- *"Our public school system does not have an eligibility standard... access to child care should be universal and this program and recommendations should reflect that. The more families that participate, the greater the support for the program."*

- Income percentage cap:

- *"I am comfortable staying at 7% for families at 150% SMI but moving up to 10% for families higher on the income scale."*
- *"Families needing childcare have significant expenses in all other areas of life and can only afford 7% of the budget on childcare."*

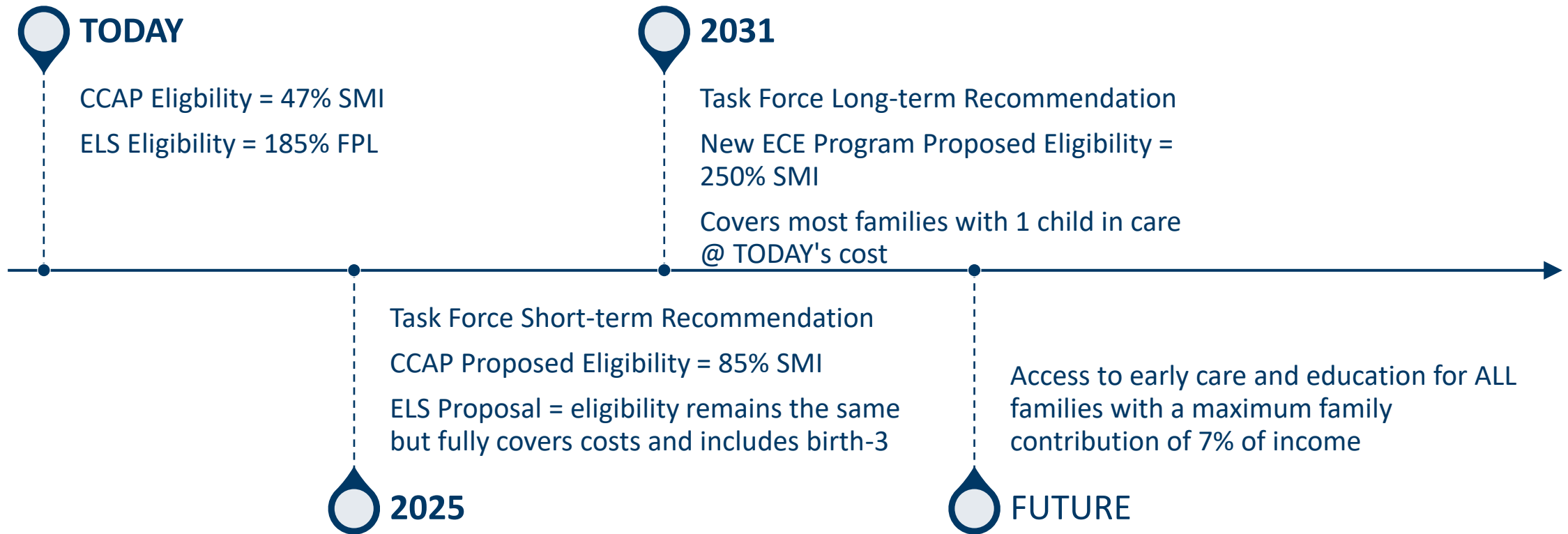
- Phasing in:

- *"We need to take care of our most vulnerable first."*

What does this mean? Where does this leave us?

- We have a **vision for all families** to have access to early care and education with a **maximum family contribution of 7%** of their income.
- Our time horizon (6 years) is limited, but **significant progress** toward this vision is achievable.
- We have voted to recommend increasing eligibility for current benefits programs in the near-term (2025) to those earning **85% of SMI**. This is very meaningful, immediate progress.
- By the end of the implementation timeline (2031), we recommend a **new benefits system** be implemented, including eligibility for families earning up to **250% of SMI**
 - *250% was selected because it minimizes parent contribution “funding cliffs” for most families, albeit based on today’s cost of care*
- Further future expansion in income eligibility may be necessary based on increasing costs of care, which is why we recommend **re-evaluations of eligibility and family contribution** schedules every two years, including over the course of our implementation timeline
- Future expansion in eligibility should be done with strong consideration to **ability to increase the workforce and provider base**.
- The State should use the implementation timeframe from 2025-2031 as a **benchmark** with the intention to work toward a system of full access by **evaluating progress**, including an evaluation of family demand, ability to increase the provider and workforce base, impact of scale on quality, impact on businesses and workforce availability, and costs to the state and taxpayers.

DRAFT Eligibility Timeline





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. As a significant step towards achieving that vision, recognizing implementation realities and our timeline through July 2031, we propose the following long-term affordability framework.
- **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, ~~assuming provider capacity exists,~~ 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 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** up to 250% SMI (\$237K for a family of three) 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 earning 75% of SMI to the income eligibility limit should contribute an increasing amount of income, but no more than 7% ~~for lower- and middle- class families~~



DRAFT: Long-term Family Affordability Plan Recommendation (Slide 1 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.

8/24/2022

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.

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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 **for the end of the Implementation Timeline:**
 - 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.
 - ~~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 (\$237K+) **should** pay for the full price of ECE, which, on average, **currently** costs 7% of income for a 3-person family at 250% of SMI.
- 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).
 - ~~This Task Force's short-term recommendations (approved in our June Task Force meeting) include increasing to the federal limitation of 85% SMI at the start of the implementation timeframe (2025).~~
 - ~~Using phased increases, the state should reach 150% SMI eligibility by the end of the implementation timeline (by July 2031).~~
 - ~~If action from the federal government increases the maximum percent of SMI eligibility for CCDBG-funded programs, Minnesota should adopt the greatest standards funded by law and invest adequate funding to meet demand up to this income level, up to 250% of SMI.~~



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

The affordability standard and maximum eligibility 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

The maximum eligibility should continue to increase as cost of care rises to minimize family contribution “cliffs” for most 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, in order to thoughtfully inform future program expansion toward a system of full access.

Yearly Family Contributions based on our affordability standard

SMI Level	Income (family of 3)	Max % of Income	Family Contribution (\$)	Median Market Price of 1 infant in care - Center	Median Market Price of 1 infant in care - FCC
75%	\$71,153	0%	\$0	Jackson County: \$9,100 Crow Wing County: \$10,816 Isanti County: \$12,220 Ramsey County: \$19,864	Jackson County: \$6,500 Crow Wing County: \$7,280 Isanti County: \$8,840 Ramsey County: \$10,400
100%	\$94,871	2%	\$1,897		
125%	\$118,588	4%	\$4,744		
150%	\$142,306	7%	\$9,961		
250%	\$237,176	7%	Total price of care in most cases (7% of income is \$16,602)		

SMI Level	Income (family of 4)	Max % of Income	Family Contribution (\$)	Median Market Price for 2 children (infant + preschooler) - Center	Median Market Price for 2 children (infant + preschooler) - FCC
75%	\$84,707	0%	\$0	Jackson County: \$16,796 Crow Wing County: \$20,176 Isanti County: \$22,516 Ramsey County: \$35,464	Jackson County: \$13,000 Crow Wing County: \$14,040 Isanti County: \$16,640 Ramsey County: \$19,760
100%	\$112,942	2%	\$2,259		
125%	\$141,178	4%	\$5,647		
150%	\$169,414	7%	\$11,859		
250%	\$282,356	7%	\$19,765		

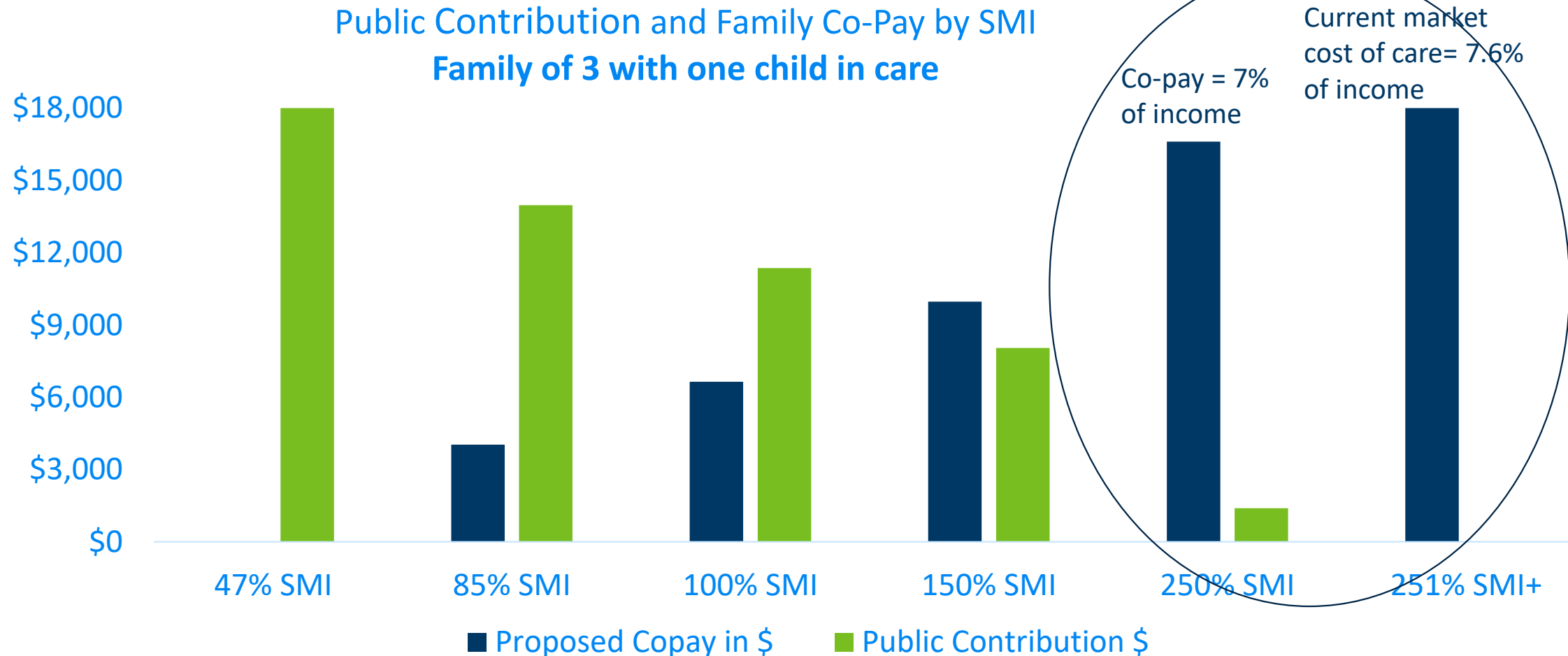
What does a system of 250% SMI eligibility and max 7% co-payments mean to families?

Family of 3 Co-payment Chart with 1 child in care (directional estimate):

% SMI	47%	85%	100%	150%	250%	251%+
Income (family of 3 with 1 child)	\$44,490	\$80,640	\$94,870	\$142,305	\$237,175	\$237,176+
Current Copay Rate	5%	11%	N/A	N/A	N/A	N/A
Current Copay in \$	\$2,225	\$8,892	N/A	N/A	N/A	N/A
Proposed Copay Rate	0%	5%	7%	7%	7%	7.6%
Proposed Copay in \$	\$0	\$4,032	\$6,641	\$9,961	\$16,602	\$18,000
Public Contribution (based on today's avg costs)	\$18,000	\$13,968	\$11,359	\$8,039	\$1,398	\$0

A family would need to make \$257,143 for the price of care for one child to be 7% of their income (\$18,000)

What does a system of 250% SMI eligibility and max 7% co-payments mean to families?



What does a system of 250% SMI eligibility and max 7% co-payments mean to families?

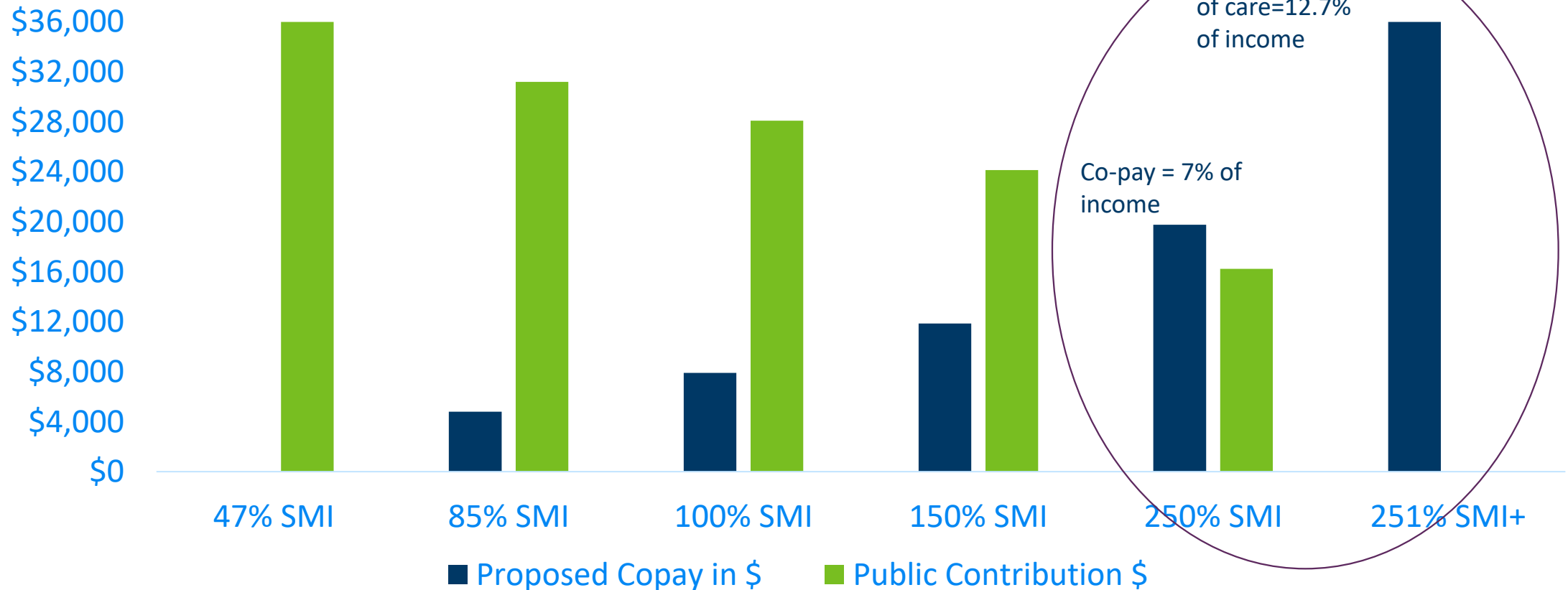
Family of 4 Co-payment Chart with 2 children in care (directional estimate):

% SMI	47%	85%	100%	150%	250%	251%+
Income (family of 4 with 2 children)	\$53,083	\$96,001	\$112,943	\$169,415	\$282,358	\$282,359+
Current Copay Rate	5%	11%	N/A	N/A	N/A	N/A
Current Copay in \$	\$2,704	\$10,608	N/A	N/A	N/A	N/A
Proposed Copay Rate	0%	5%	7%	7%	7%	12.7%
Proposed Copay in \$	\$0	\$4,800	\$7,906	\$11,859	\$19,765	\$36,000
Public Contribution (based on today's avg costs)	\$36,000	\$31,200	\$28,094	\$24,141	\$16,235	\$0

A family would need to make \$514,286 for the price of care for two children to be 7% of their income (\$36,000)

What does a system of 250% SMI eligibility and max 7% co-payments mean to families?

Public Contribution and Family Co-Pay by SMI
Family of 4 with two children in care



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 funding mechanism (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

Other Task Force recommendations that may impact provider pay processes

- Near-term Child Care Assistance recommendations
- Near-term Early Learning Scholarships recommendations
- Access and Workforce recommendation to continue Child Care Stabilization Base Grants



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.

What can we learn from Child Care Stabilization Base Grants?

- The department's Child Care Stabilization Base Grants are available to all eligible providers for monthly grant awards. Child care programs eligible to apply include:
 - Licensed Family Child Care
 - Licensed child care centers, certified license-exempt child care centers, and Tribally licensed child care programs
 - Legal non-licensed providers who are authorized by the Child Care Assistance Program and serving eligible families
- Base Grant amounts are determined based on the number of full-time equivalent (FTE) staff who regularly care for children in the program, including sole proprietors (i.e. family child care providers) or independent contractors.
 - Current amount (June – September 2022) is \$425/eligible FTE. State statute also requires the per FTE award amount end at no more than \$215 in the June 2023 Base Grant round, the final round.
 - Providers who have recently received payments through the Child Care Assistance Program, Early Learning Scholarships, or both will be eligible for a 10% increase to their Base Grant award per funding period.
- 70% of funds must be used to increase compensation for staff regularly caring for children.
- Program runs from September 2021 through June 2023 (after June/July 2021 one-time grants)

Reminder: this Task Force has recommended continuation of stabilizing funds via our Access Factor and Financial Relief Strategies recommendations

Reminder: Access Factor: Availability (**schedule & hours**) and accessibility (**geography, location**) of early care and education that meets the diversity of families' needs

IMPROVEMENT RECOMMENDATIONS

1. Incentivize non-traditional care hours by offering higher CCAP reimbursement rates for licensed and legally non-licensed care.
2. Understand and systemically support parent choice patterns (e.g.-preference for FFN care over licensed programs for night and weekend coverage) including more systemically supporting FFN providers in understanding and meeting requirements to receive CCAP, and supporting FFN providers in offering non-traditional care hours.
3. Invest ongoing resources, prioritized in areas of largest access gaps, to support new early care and education programs to startup, and existing child care programs to expand. Identify and consider incubation funding opportunities.
4. Invest ongoing funding to recruit, train and support new, qualified early educators to join the field, working in partnership with a statewide resource and referral network, training partners, community colleges and higher education institutions, with prioritization for areas of largest access gaps. **connection to workforce compensation working group*
5. Invest ongoing resources to support early care and education programs to improve and expand their facilities. Support local communities to identify infrastructure opportunities through local collaborations.
6. Establish a regional child care facility fund that could receive requests and award funds to eligible, shovel-ready projects in focus communities where need for more child care capacity is most acute.
7. **Extend funding for business supports for child care programs to stabilize the sector (currently funded through federal CRRSA and ARPA resources).**

Reminder: Financial Relief Strategies Recommendations

Short term financial relief strategies must be adopted alongside longer-term compensation reform as the recommendations of the Task Force are phased in.

To support recruitment of new talent to the ECE field:

1. A one-time incentive/bonus to individuals who enter the field, with awards provided after the first 6 months of employment.
 - Building on the lessons learned from the Workforce Development Grants project, a bonus (starting at \$500, evaluated yearly to account for inflation) for new staff who complete training or CDA credential and start a job in a child care and early education program
 - A bonus (starting at \$1,000, evaluated yearly to account for inflation) for new staff who have earned an AA, BS, and/or BA degree in early care and education, complete initial training and orientation, and start a job in an early care and education program.

To support retention of talent in the ECE field:

1. Pending further study, tax benefits should be put in place to ensure ECE educators across the mixed delivery system are not unfairly penalized by earning increased wages that would disqualify them from government benefits OR a separate eligibility category should be created for the ECE workforce.
2. Expand REETAIN awards so that ECE workforce members from *all* early care and education settings are eligible to receive one. Revise the application process for REETAIN bonuses to make it easier for eligible staff to take advantage of the opportunity (for example, by increasing the amount of time the application window is open, accepting rolling applications, increasing communications to all members of the workforce, etc.)
3. Based on successes of and lessons learned from the Childcare Stabilization Base Grant program, plan for on-going funding to programs for the stabilization of their ECE workforce. Ensure there is a mechanism in place to enforce the continued requirement that 70% of grant awards be used for increased compensation and/or benefits. **connection to access factor 1 – stabilization grants support supply of services*

Goals: Brainstorm Activity

What attributes do we want to see in our future program funding system?

Examples:

- Funding is stable
- Funding is equitably accessible across all settings
- The funding process is transparent
- Administration is simple
- Administration is consistent
- There is accountability for use of funding

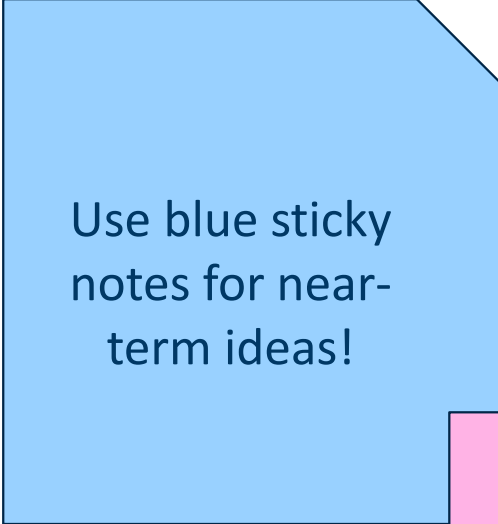


Use yellow sticky notes for goals/attributes!

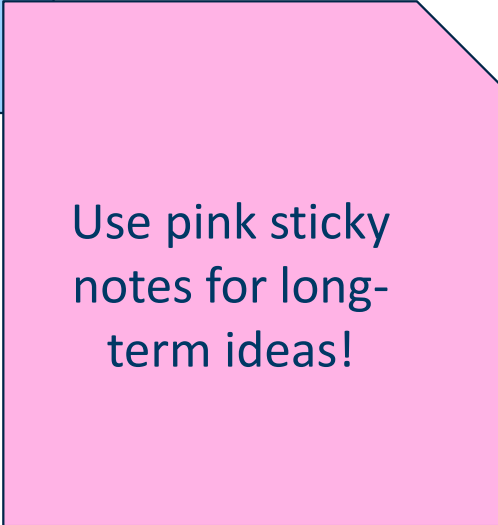
Improvement Ideas: Brainstorm Activity

What ideas might we consider to achieve these goals?

- Short-term – within today’s system of CCAP and ELS and Base Grants funding
- Long-term – clean slate, in the “Great Start Minnesota Program”
 - If we could start from scratch, how would we pay providers?



Use blue sticky notes for near-term ideas!



Use pink sticky notes for long-term ideas!

Long-term provider pay considerations

What have we discussed? What are other states considering?

1. How can we make sure increases in funding go for intended purposes (such as workforce compensation increases)?
2. Should our program funding be administered through per-child rates, base grants, or something different? Why?
3. Should payment amounts consider other funding streams received by programs/providers (ex: Head Start)?
4. What impact might our plan have on private pay families? How can we prevent private pay families from being priced out of the market?

What other long-term considerations come to mind?

Contracts/Base Grants

Base Grants - share of subsidies paid directly to providers, sometimes for specific purposes (for which providers are sometimes required to demonstrate compliance through contractual agreements), and can provide more stability to providers.

Examples:

- South Carolina Voucher Program
 - South Carolina has a limited number of contracted slots with providers. South Carolina expanded access to center providers on the highest end of QRIS to improve high quality access for children from underserved areas, infants and toddlers, children with disabilities and children needing care in nontraditional hours.
- Georgia's Quality Rated Subsidy Grant Program
 - Goal: increase access to high quality care for infants and toddlers. The program consists of contracts awarded through a competitive application process to child care centers in high-need counties. Centers receive reimbursement that is 50% higher than the base subsidy rate. No family copayment requirement through this program. Through this funding mechanism, Georgia providers were able to increase staff wages, provide staff training and support the cost of high quality care.
- Colorado PDG B-5 Child Care Start-Up & Expansion Micro Grants
 - Grants are available to existing licensed and new child care programs pursuing a child care license. Family child care homes and centers are eligible for this funding. Programs that are in child care deserts are prioritized for funding.

What are the pros and cons of contracts/base grants, as it pertains to our goals?

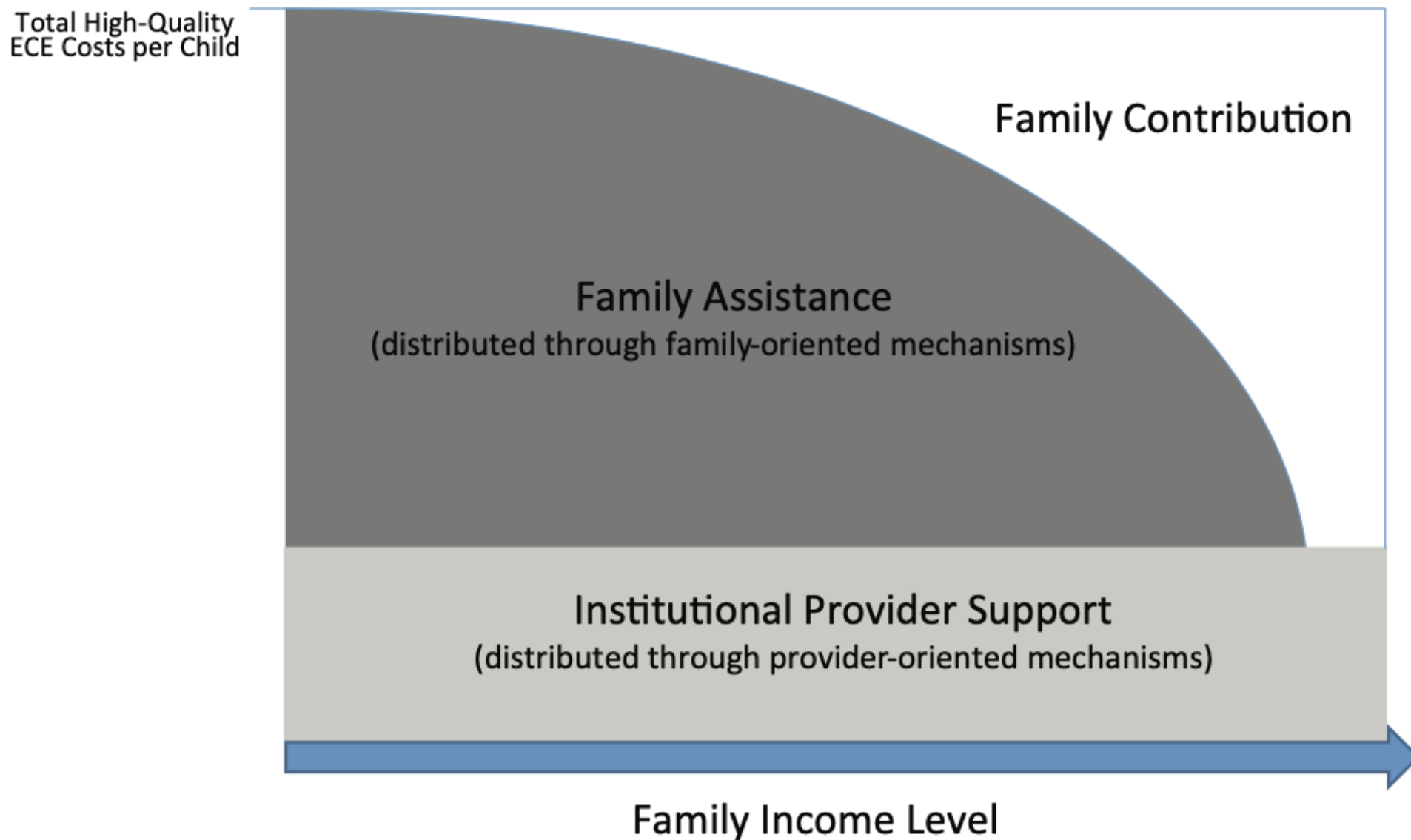
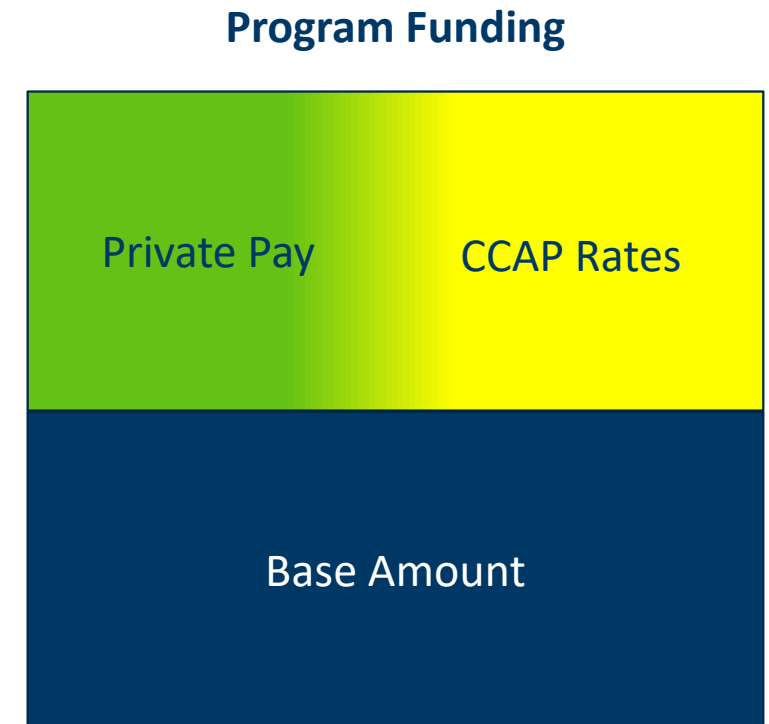


FIGURE 7-4 ECE financing structure with harmonized financing mechanisms.

Considerations for contracts/base grants

- If costs of quality (increased compensation) are embedded into capitated rates, there must be a *very intentional sequencing of increases in eligibility with increases in rates*. If not, there are three likely outcomes:
 - Private pay rates rise, and parents are priced out of the care system
 - Providers can't raise private pay rates, and opt out of the public system
 - We allow providers to charge the State more than the private pay rate, limiting ability to fully fund compensation increases
- A fully rates-based system still leaves providers open to a significant funding fluctuations based on attendance and family mobility
 - Much of the program cost structure is fixed, while provider revenues are variable
 - Base funding can incentivize capacity for a future system of increased access
- However, rates-based systems are more in-line with a market-based system of family choice



Private Pay Families

Consideration: As per child rates increase to cover increasing costs (including compensation and costs of quality), non-subsidized private pay families risk being unable to afford care

Examples:

- Illinois

- Expanded child care assistance income eligibility to 225% FPL (approx. 60% SMI) and increased CCAP reimbursement rates for all providers by 8%.

- New Mexico

- Expanded child care assistance income eligibility to 350% FPL (approx. 143% SMI) through June 2023 to support middle class families who previously did not qualify for assistance but were not able to comfortably afford care.

- Increased payments to providers by implementing a subsidy formula based on the true cost of care rather than the market rate.

What challenges or opportunities do you see?

Blending & Braiding

Blending – wrapping funds from two or more funding sources to fund a specific program or initiative.

Braiding - coordinating two or more funding sources to support the total cost of a service.

Examples:

- Kansas
 - Blends Early Childhood Block Grant funding with Kansas Preschool Pilot funding for high-quality education for children from birth to kindergarten entry. In addition to early childhood education, this program provides prenatal and family support services.
- Illinois
 - Blends state Early Childhood Block Grant funding with Head Start, Early Head Start and child care funding. Children enrolled in high-quality, full-day, full-year, blended programs received a full-time child care subsidy for the year.
- Pennsylvania
 - Braids Head Start, Early Head Start, and state pre-k funds with child care assistance funds to provide full-day, full-year, high-quality services to low income families using a cost allocation model. When braiding funds, Pennsylvania requires a cost allocation model so each program is charged appropriately.

Our long-term plan inherently braids funding what would otherwise fund CCAP and ELS.

What else might be considered here?

Anticipated Timeline



Monthly meetings through September 2022

- TODAY: August 11 | 1:00 - 3:00 PM
- September 15 | 1:00 - 3:00 PM
 - Program funding goals & recommendations
 - Administration
- 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 August 30?
- Our next meeting will take place on Thursday, September 15 from 1:00-3:00pm
- Share your reflections at GreatStart.TaskForce.MMB@state.mn.us

