Child Care Assistance Programs

Presented By:

Minnesota Department of Human Services

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MINNESOTA'S CHILD CARE ASSISTANCE PROGRAM (CCAP)

PROVIDING CHILD CARE ASSISTANCE FOR FAMILIES SO:

- ⌘Child care is affordable,
- ⌘Children are well cared for and ready to learn,
- ⌘Parents can work and/or attend school.

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WHAT IS THE CCAP DEFINITION OF FAMILY?

Family means parents, stepparents, guardians and their spouses, or other eligible relative caregivers and their spouses, and their blood related dependent children and adoptive siblings under the age of 18 years, living in the same home including children and parents, stepparents, guardians and their spouses or other eligible relative caregivers and their spouses temporarily absent from the home.

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ELIGIBILITY CRITERIA THAT APPLY TO ALL CCAP FAMILIES

Families must be income eligible.

⌘ At program entry, the family must have household income less than or equal to 175% of the federal poverty guidelines. For a family of three this is $27,423/year

⌘ The family is income eligible up to 250% of the federal poverty guidelines. For a family of three this is $39,175/year.

⌘ FPG is adjusted for family size.

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CHILD CARE ASSISTANCE ELIGIBILITY CRITERIA, CONT.

- ⌘ Parents must use a legal provider;
- ⌘ cooperate with child support enforcement for all children in the household with an absent parent; and
- ⌘ be in an authorized activity, such as work, job search, education, or social service activities identified in the MFIP approved employment plan.
- ⌘ All families must pay a family copayment fee based on gross income and household size.
- ⌘ Eligible children must be 12 years old or younger (or under 14 and have a handicap, as identified in 125A.02).

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CHILD CARE ASSISTANCE CONSISTS OF 4 SUBPROGRAMS

- ⌘ MFIP Child Care is for families who receive assistance from the Minnesota Family Investment Program or Diversionary Work Program.
- ⌘ Transition Year Child Care is available to eligible families for a full year after their MFIP/DWP case closes.
- ⌘ Basic Sliding Fee Child Care is for other income eligible families.

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DIFFERENT FUNDING STRUCTURES

CCAP subprograms are funded 2 ways:

⌘The appropriation for MFIP and TY Child Care is forecast to meet demand and funded at that level. These programs are fully funded.

⌘The BSF appropriation is not forecast. This is a capped allocation.

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MFIP/TY CHILD CARE

MFIP Child Care

⌘Must have an open MFIP/DWP case.

⌘Child care for activities in an approved employment plan, (including employment, job search, education/training, orientations and appeals).

TY Child Care

⌘Former MFIP/DWP participants who received MFIP/DWP at least 3 of the past 6 months.

⌘Available for up to 12 consecutive months for employment and job search only.

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BASIC SLIDING FEE CHILD CARE

Employment

⌘ Employed at least an average of 20 hours per week, and earn at least minimum wage.

⌘ Job search is available for up to 240 hours per calendar year.

Education

⌘ Education limited to amount of time necessary to complete Associate or Baccalaureate Degree per educational institution. No limit on remedial education.

⌘ Full-time students that work and request child care during their work hours must work an average of 10 hours per week and earn at least minimum wage.

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BASIC SLIDING FEE CHILD CARE, CONTINUED

Priorities are:

1. Parents without a GED or HS diploma or who need remedial or basic skills courses to pursue employment or education leading to employment and participate in the educational program; youngest first.
2. Families completing Transition Year Child Care.
3. Portability Pool recipients (families who move between counties).
4. All other families in income range.

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HOW CCAP WORKS

- ⌘An application must be completed with the child care program.
- ⌘The CCAP worker determines the family's eligibility and identifies the family's copayment fee.
- ⌘Parent selects one or more providers. If parent chooses a legal non-licensed provider, the county must authorize the provider.

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HOW IT WORKS, CONTINUED.

- ⌘Counties may charge a fee to legal non-licensed child care providers to cover the costs of background studies.
- ⌘Continuing eligibility is reviewed every 6 months or sooner if changes happen in a client's situation which affect their eligibility or their parent fees.

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HOW CCAP DETERMINES FAMILY COPAYMENT FEES

- ⌘Parent fees apply to all families with incomes above 75% of the poverty level.
- ⌘The parent fee is based on income and family size.
- ⌘Fees are the same under all subprograms.
- ⌘Families with income between 75% and 100% of poverty level have a monthly fee of $10.00.
- ⌘When income is above poverty level the fee is a fixed percentage of the family's income.

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PAYMENT RATES

- ⌘The rates of all licensed providers are surveyed at least once every two years. Currently, they are surveyed annually.
- ⌘Rates are surveyed based on age of child, provider type, county and provider's method of charging.
- ⌘Child care payments may not exceed the maximum rated identified in the current child care fund bulletin.

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PAYMENT RATES, CONTINUED.

- ⌘If a provider charges more than the CCAP maximum, the parent must pay the difference.
- ⌘A parent or a provider may request a special needs rate for an individual child with disabilities that exceeds the county maximum rate, the rate is subject to the commissioners approval as provided in law.
- ⌘Current maximum rates were surveyed in 2001, implemented in 2002, and are maintained at this level through June 2005.

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CHILD CARE FUND RESOURCES

- ⌘Minnesota Statutes 119B
- ⌘Minnesota Rules 3400

  both at: www.leg.state.mn.us
- ⌘All recent child care assistance bulletins can be found at: www.dhs.state.mn.us

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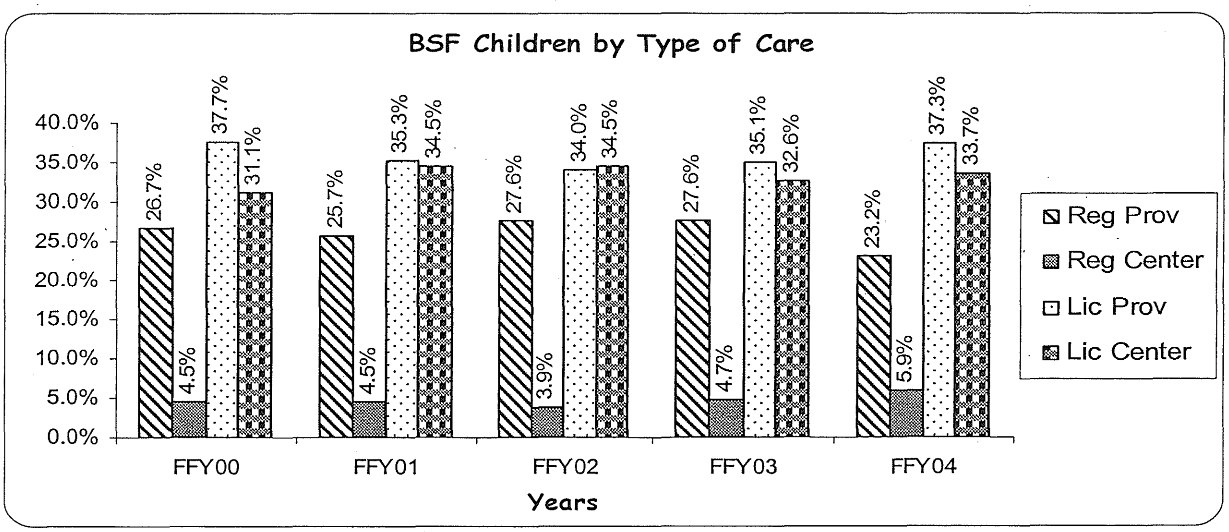
DEPARTMENT OF HUMAN SERVICES
TRANSITION TO ECONOMIC STABILITY
CHILD CARE ASSISTANCE PROGRAM FAMILY PROFILE
2004

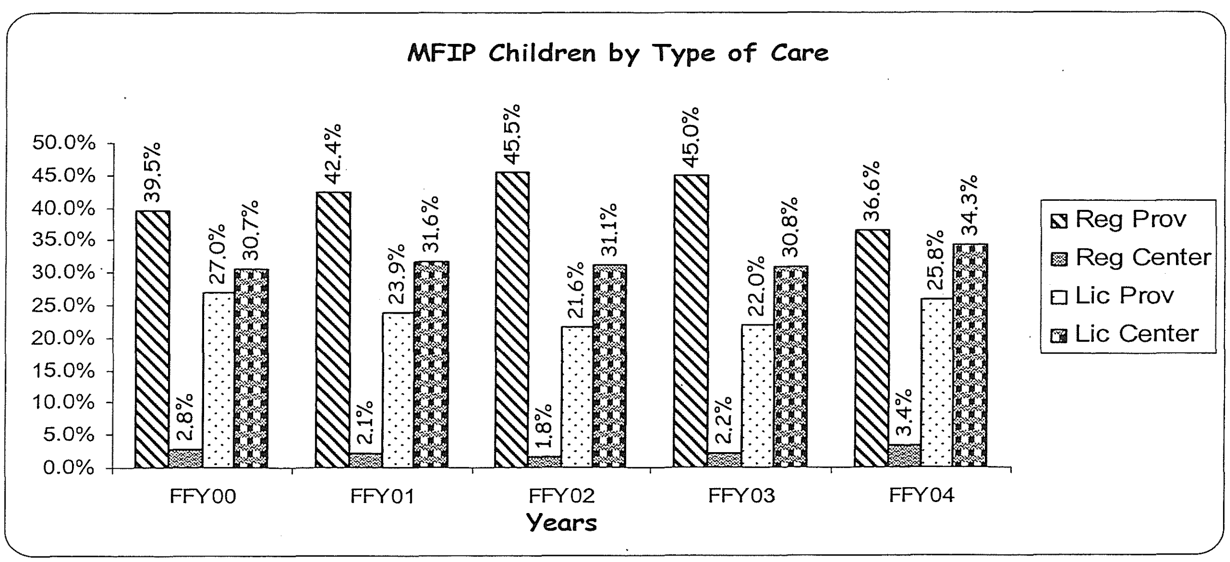
TYPES OF CARE TO CHILDREN IN THE CHILD CARE ASSISTANCE PROGRAM

(Based on type of provider used most frequently)

TYPE OF CARE	% OF CHILDREN
Registered (not licensed) provider	30.4%
Registered center (Primarily school age care in school districts.)	4.6%
Licensed provider in provider's home (Family & Group Family Child Care)	31.0%
Licensed child care center	34.0%

Source: Annual report, FFY04.





BASIC SLIDING FEE FAMILY PROFILE
SFY04

Information gathered by the Department provides profile information on Basic Sliding Fee (BSF) Child Care families. During state fiscal year 2004, there were an average of 9,132 families and 17,365 children per month receiving assistance through the BSF program. This is an average of 1.90 children per family. As of November 30, 2004, the BSF program served 8,520 families and 15,084 children.

ESTIMATED PERCENTAGE OF FAMILIES AND CHILDREN RECEIVING BSF BY ACTIVITY **

	% of Families	% of Children
Students	5.2%	4.2%
Employed Families	85.8%	87.5%
Employment & Training	9.0%	8.3%

Source: Percentages calculated from the November monthly county reports. Represents approximately 69% of total families served in November.

ESTIMATED PERCENTAGE OF FAMILIES IN BSF BY INCOME IN RELATION TO POVERTY LEVEL**

< PL	=> PL and <=149% of PL	=> 150% and <=199% of PL	=> 200% and <=249% of PL	=> 250% of PL
18.6%	27.1%	34.0%	16.3%	4.0%

Source: Annual survey, SFY04 data excluding Rice and Stearns Counties.

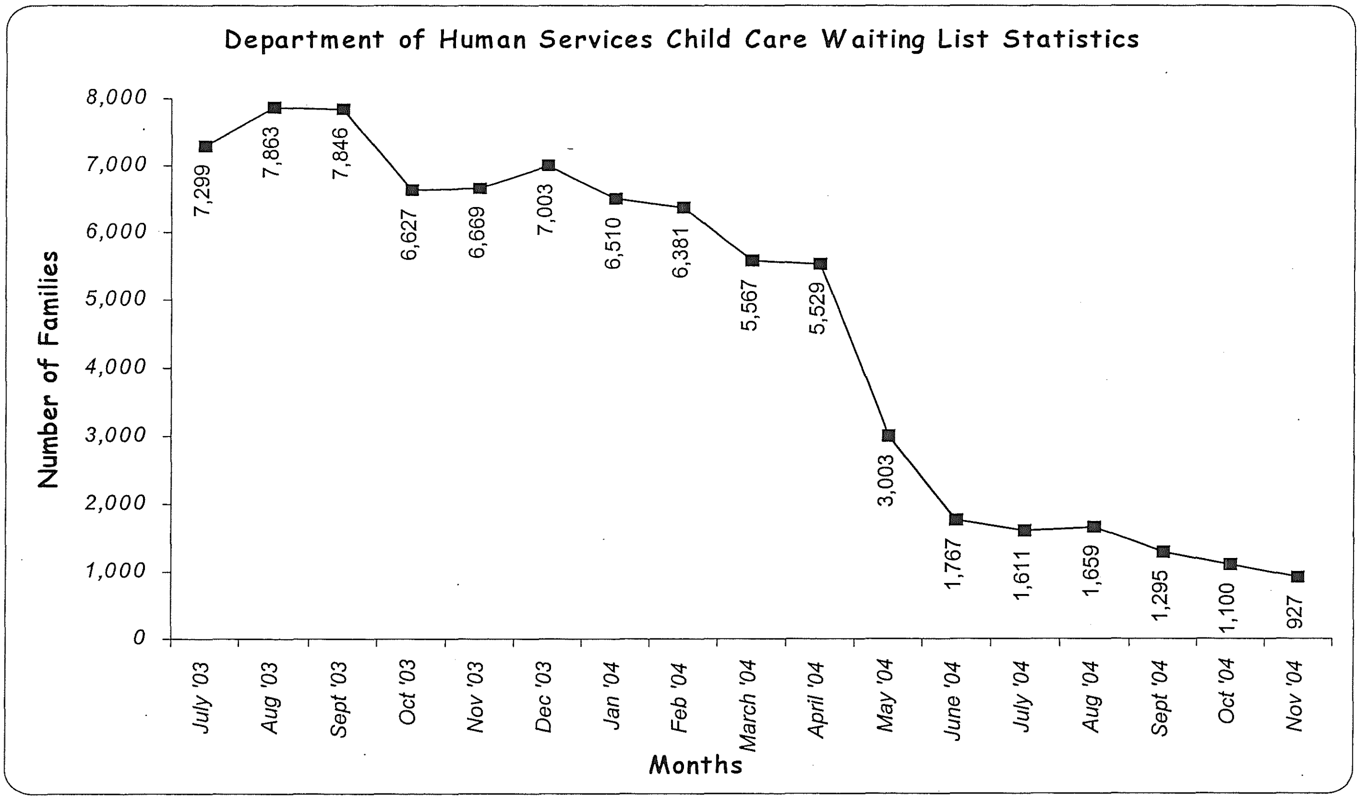
AVERAGE ANNUAL DIRECT SERVICE COST PER FAMILY (SFY04) = $7,610

** Percentages exclude data for payments processed through MEC^2. Counties using MEC^2 during 2004 include: Aitkin, Anoka, Beltrami, Brown, Carlton, Carver, Cass, Chisago, Clay, Cottonwood, Fairbault, Fillmore, Goodhue, Houston, Itasca, Jackson, Kanabec, Koochiching, Lake, Lake of the Woods, LeSueur, Lincoln, Lyon, McLeod, Mahnomen, Martin, Meeker, Mille Lacs, Mower, Murray Nicollet, Olmsted, Pipestone, Redwood, Renville, Rice, Rock, St. Louis, Scott, Sibley, Steele, Waseca, Washington, Watonwan, Winona and Wright.

NUMBER OF FAMILIES ON BSF WAITING LIST BY PRIORITY

	Total	Currently not receiving service
First Priority – Students	3	3
Second Priority – Completed Transition Year	14	0
Third Priority – Portability Pool	27	0
Fourth Priority – All Other Eligible Applicants	883	883
TOTAL	927	886

Source: November 2004 monthly report.



NOTE: Monthly waiting list totals may differ from waiting list distributed earlier due to revisions from counties.

MFIP CHILD CARE FAMILY PROFILE
(Includes Transition Year)
SFY04

Information gathered by the Department provides profile information on MFIP Child Care families. During state fiscal year 2004, there were an average of 9,193 families and 16,695 children per month receiving assistance through the MFIP program. This is an average of 1.81 children per family. As of November 30, 2004, the MFIP Child Care Assistance Program served 8,216 families and 14,950 children.

ESTIMATED PERCENTAGE OF FAMILIES AND CHILDREN RECEIVING MFIP CC BY ACTIVITY **

	% of Families	% of Children
Employment Plan		
Employment only or Employment and Social Service	44.6%	46.7%
Education/Training only or Education/Training and Social Service	9.2%	7.2%
Employment & Education/Training or Employment & Education/Training and Social Service	10.2%	10.3%
No Employment Plan		
Employment only	8.2%	7.8%
Transition Year	26.3%	26.5%
Other MFIP Child Care (orientations and appeals)	.6%	.6%
Transition Year Extension	.1%	.1%
Social Service Only Child Care	.8%	.8%

Source: Percentages calculated from the November monthly county reports. Represents approximately 72% of total families served in November.

AVERAGE ANNUAL DIRECT SERVICE COST PER FAMILY-MFIP (SFY 04) = $10,750

AVERAGE ANNUAL DIRECT SERVICE COST PER FAMILY-TY (SFY 04) = $9,491

** Percentages exclude data for payments processed through MEC[2]. Counties using MEC[2] during 2004 include: Aitkin, Anoka, Beltrami, Brown, Carlton, Carver, Cass, Chisago, Clay, Cottonwood, Fairbault, Fillmore, Goodhue, Houston, Itasca, Jackson, Kanabec, Koochiching, Lake, Lake of the Woods, LeSueur, Lincoln, Lyon, McLeod, Mahnomen, Martin, Meeker, Mille Lacs, Mower, Murray Nicollet, Olmsted, Pipestone, Redwood, Renville, Rice, Rock, St. Louis, Scott, Sibley, Steele, Waseca, Washington, Watonwan, Winona and Wright.

CHILD CARE FUND FISCAL AND STATISTICAL REPORT
Month Ending November 30, 2004

02/03/2005

	FIRST PRIORITY STUDENTS	SECOND PRIORITY COMP TY	THIRD PRIORITY PORT POOL	FOURTH PRIORITY OTHER	TOTAL WAITING LIST
AITKIN	1	0	0	2	3
ANOKA	0	0	0	0	0
BECKER	0	0	0	12	12
BELTRAMI	0	0	0	0	0
BENTON	0	0	0	0	0
BIG STONE	0	0	0	0	0
BLUE EARTH	1	2	2	77	82
BROWN	0	0	0	0	0
CARLTON	0	0	0	0	0
CARVER	0	0	0	24	24
CASS	0	0	0	45	45
CHIPPEWA	0	0	0	0	0
CHISAGO	0	0	0	0	0
CLAY	0	0	0	0	0
CLEARWATER	0	1	0	7	8
COOK	1	0	0	1	2
COTTONWOOD	0	0	0	0	0
CROW WING	0	0	0	0	0
DAKOTA	0	0	0	0	0
DODGE	0	0	0	0	0
DOUGLAS	0	0	0	0	0
(FAIRIBAULT)					
FILLMORE	0	0	0	1	1
FREEBORN	0	0	0	0	0
GOODHUE	0	0	0	0	0
GRANT	0	0	0	0	0
HENNEPIN	0	0	0	0	0
HOUSTON	0	0	0	0	0
HUBBARD	0	0	0	0	0
ISANTI	0	0	0	0	0
ITASCA	0	0	0	0	0
JACKSON	0	0	0	9	9
KANABEC	0	0	0	0	0
KANDIYOHI	0	0	0	0	0
KITTSON	0	0	0	0	0
KOOCHICHING	0	0	0	12	12
LAC QUI PARLE	0	0	0	0	0
LAKE	0	0	0	0	0
LAKE OF THE WOODS	0	0	0	0	0
LE SUEUR	0	0	0	61	61
(LINCOLN)					
LINCOLN, LYON, AND MURRAY	0	0	0	0	0
MCLEOD	0	0	0	0	0
MAHNOMEN	0	0	0	0	0
MARSHALL	0	0	0	0	0
FARIBAULT-MARTIN	0	11	3	57	71
MEEKER	0	0	0	0	0
MILLE LACS	0	0	0	0	0
MORRISON	0	0	0	0	0
MOWER	0	0	0	0	0
(MURRAY)					
NICOLLET	0	0	0	0	0
NOBLES	0	0	0	0	0
NORMAN	0	0	0	0	0
OLMSTED	0	0	0	0	0
OTTER TAIL	0	0	0	0	0
PENNINGTON	0	0	0	0	0
PINE	0	0	0	14	14
PIPESTONE	0	0	0	13	13
POLK	0	0	0	0	0
POPE	0	0	0	0	0
RAMSEY	0	0	0	230	230
RED LAKE	0	0	0	10	10
REDWOOD	0	0	0	0	0
RENVILLE	0	0	0	0	0
RICE	0	0	0	46	46
ROCK	0	0	0	0	0
ROSEAU	0	0	0	0	0
ST. LOUIS	0	0	0	146	146
SCOTT	0	0	22	44	66
SHERBURNE	0	0	0	0	0
SIBLEY	0	0	0	15	15
STEARNS	0	0	0	30	30
STEELE	0	0	0	13	13
STEVENS	0	0	0	7	7
SWIFT	0	0	0	0	0
TODD	0	0	0	0	0
TRAVERSE	0	0	0	2	2
WABASHA	0	0	0	5	5
WADENA	0	0	0	0	0
WASECA	0	0	0	0	0
WASHINGTON	0	0	0	0	0
WATONWAN	0	0	0	0	0
WILKIN	0	0	0	0	0
WINONA	0	0	0	0	0
WRIGHT	0	0	0	0	0
YELLOW MEDICINE	0	0	0	0	0
STATEWIDE TOTALS	3	14	27	883	927

Total number of counties reporting a waiting list [illegible] the [illegible]nth. 25

CHILD CARE WORKS

Testimony to the Senate Early Childhood Policy & Budget Division
Thursday, February 3, 2005
Ann Kaner-Roth, Executive Director
Child Care WORKS

I. Introduction

Mr. Chair and Members of the Committee - For the record, my name is Ann Kaner-Roth and I am the Executive Director of the Child Care WORKS Coalition. We are a statewide coalition of child care advocates. Our coalition includes parents, child care providers, child care resource & referral agencies, faith community folks, early childhood education folks, anti-poverty groups, and a variety of other child advocates. Our mission is to work towards high quality, accessible and affordable child care for families in Minnesota.

I appreciate the opportunity to respond to the Governor's child care proposal this afternoon.

II. Child Care Overview

Since there are several new members to this committee, I wanted to provide a brief overview of the issue of child care to give you a framework for your discussions regarding the Governor's proposal. Child care, for families, is both early childhood education and work support. I'd like to talk with you a bit about each of these aspects of child care.

III. Child Care as a "School Readiness" Strategy

First, I'd like to talk briefly about child care as a school readiness strategy.

As the members of this committee certainly know, child care can no longer be seen as "just babysitting." In fact, good quality child care can provide the kind of developmentally appropriate early education that gets kids ready for kindergarten and puts them on the right track to succeed in life.

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A national survey of kindergarten teachers recently talked about what that readiness would look like. Teachers stated that some of the important features of "school readiness" would include knowing how to follow directions, pay attention, and get along with other children. Much lower down on the priority list were skills such as counting to 20 and knowing the ABCs. These are not "advanced academic" skills, but rather social skills that enable a 5 year old to be ready to learn. These are the kinds of skills children learn in good quality child care settings.

Another national research report showed the long-term effects of high-quality early care and education with low-income three- and four year olds. At age 40, participants of the study had higher earnings, were more likely to hold a job, had committed fewer crimes, and were more likely to have graduated from high school. Certainly a benefit for those individuals, but for our community as a whole as well.

I know you'll be hearing more from Todd Otis about the connection between quality child care and school readiness, but suffice to say that given that the majority of young children in the state – 670,000 at the last count – spend some of their time in non-parental care, there can no longer be a separation in our minds between "child care" and "early education." It is simply one and the same.

IV. Child Care as Work Support

I'll talk next a bit about child care as a work support for families.

A few quick statistics that you may have heard before, but are worth repeating, about Minnesota's workforce:

- Almost one-third of Minnesota's workers have children under age 18.

- Minnesota has the highest percentage nationally of mothers in the workforce. 72% of mothers with children under age 6, and 85% of mothers with children between ages 6 and 18, work in Minnesota.

- Parents in the workforce need child care in order to stay in the workforce. Sometimes neighbors and grandparents can take care of children while their parents work. However, many grandparents – and neighbors – are in the workforce themselves and are not available as caregivers on the kind of consistent basis that working parents require.

The cost of child care can keep parents from being in the workforce. A November survey of people applying for MFIP – Minnesota's welfare-to-work program – showed that for families with a child under age 6, child care-related reasons were the number one issue cited when asked why they were applying for MFIP.

A new study by DHS shows that the median annual cost of care for a toddler ranges between $5,000 and $10,000 per year, depending upon the setting and the geographic location. Infant care is even more costly. Costs decrease for children in pre-school and school-age care.

V. The Child Care Assistance Programs

The state has several programs that help low-income working families pay for child care. We could spend the entire afternoon discussing the specifics, but I'll just talk briefly about them, again, to provide context for you.

Minnesota has two basic child care assistance programs, the MFIP and Transition Year Child Care program and the Basic Sliding Fee Program.

The goal of these programs is to provide financial subsidies to help low-income families pay for child care so that parents can pursue employment or education leading to employment. Child care assistance also helps to ensure that children from low-income families are well cared for and are prepared to enter school ready to learn.

The MFIP and Transition Year Child Care program is a forecasted program while the Basic Sliding Fee program has a capped appropriation.

Families earning 175% of the poverty guidelines (about $27,000 for a family of 3) are eligible to enter the Basic Sliding Fee program. Once accepted into the program, families continue to receive assistance until their income rises to 250% of poverty (about $39,000 for a family of 3). Keep in mind that the cost of child care for one child can run from $5,000-10,000 per year.

As I've mentioned, both programs have a family co-payment which increases as the family's income increases.

A major component of the Child Care Assistance Programs is parent choice. A CCAP parent can choose any provider they want, from an unlicensed relative or neighbor, to a family child care home or child care center, as long as that provider accepts Child Care Assistance families.

VI. The Governor's Proposal

I've provided a lot of context for you before talking directly about the Governor's proposal because child care is a complicated issue, and the State's interaction between families and the private market is difficult to quantify. In fact, DHS' *Cost of Care* report states: "Child care is a system. It's made up of different parts that function interdependently and dependently. Changing the way any system component interacts with another component has an impact on the lives of children and their parents."

The Governor is proposing a $70 million cut to child care funds. This is on top of the $86 million cut to child care funds in 2003. Just to remind you, some of the policy changes in 2003 were:

- **Lowering program eligibility** to a point below the average among states. Minnesota's entrance eligibility for CCAP, based on state median income which is more comparable among states, has dropped from 75% to 44% of Minnesota's state median income. Nationwide the average income eligibility is 59% of a given state's median income.

- **Increasing family co-payments** by, on average, about 56% across the board. This is a level that is unaffordable for many families receiving Child Care Assistance. Evidence of this is seen anecdotally with child care subsidy workers, who since 2003 have seen many families suspend their CCAP cases – even though they were still eligible – because they can't afford the co-payment.

- **Freezing the provider reimbursement rates.** The reimbursement rate was frozen at the rate which was surveyed in 2001 and implemented in 2002. Right now, the State is reimbursing child care providers at a rate which was the norm four years ago.

- The Child Care Assistance Program is already a program struggling to serve the families it is meant to help. There are already signs that it is not achieving its goals.

In a nutshell, the newest proposed cut will directly impact low-income working families' ability to access child care for their children. In fact, DHS spells this out specifically in their *Cost of Care* report. On page 51, **DHS says: *"...a rate freeze is the strategy most likely to restrict access to both licensed family child care and center-based care."***

The inability of low-income families to access child care will come in a variety of forms.

- The DHS *Cost of Care* study shows that the average child care center sees a profit of about 3 cents per child hour – or about 1%, which statistically is practically breaking even. Child care programs typically operate on the smallest of margins.

- For family child care providers statewide, net income is also very low. Annual taxable income for family child care providers in Greater Minnesota is about $8,500 and in the metro area, just under $15,500.

- Because the profit margin is so slight in the child care business, there is no margin for child care businesses to fall back on to make their bottom line work except to charge parents more. The only other way to flex a budget is to either cut staff or lower staff wages. And, recent occupation data shows that the wages of child care workers are just slightly more than dishwashers. These low wages do little to attract and retain well-qualified staff. Turnover rates for child care workers hover around 30% annually.

- Most businesses will have no choice but to charge their CCAP families the same rate as their private-pay families – meaning that low-income families need to come up with the money to pay not only their state co-payment – and remember that co-payments rose dramatically in 2003 – but the difference in the rate as well. One center director in Fergus Falls Child Care WORKS spoke with recently mentioned that a CCAP parent in her program was being charged an extra $100 per month for one child. This is a typical scenario for parents paying the difference between the reimbursement rate and the actual market rate. That director commented, "A hundred dollars a month is a lot for a single mom working at Taco Bell."

- Many families will simply opt out of the Child Care Assistance Program because they know they can't pay both the co-payment and the difference in the rate. In fact, DHS is banking on about a 15% drop in MFIP child care usage in the forecasting of MFIP child care expenditures. To me, this highlights the impact clearly – the Child Care Assistance Program will grow more and more restrictive, and be less and less accessible to those families the program is meant to help. This is not a strategy that targets resources to the lowest income families. It is, however, a strategy that may increase the number of children who are either left home alone or are in care that may not have been a parent's first choice. Already we are seeing a drop in MFIP child care usage, while MFIP parents continue to show work hours. **We have no idea where those children are spending their days while their parents are at work.**

- Many child care providers will likely opt out of serving Child Care Assistance children as well. When the rates were frozen in 2003, it was understood that this was to be a two-year freeze. Many providers continued to care for CCAP children, knowing that the freeze would lift in July. Going forward, there is little incentive for providers to care for these children, given that the State's reimbursement rate will continue to be so far below the market rate.

- A center director Child Care WORKS spoke to in Austin shared that after the 2003 cuts she lost a number of children in her program. She expects that the rest of the subsidy children in her program would leave if the reimbursement rate continued to be frozen.

- **Only 6-10% of child care slots are paid for by the State.** By freezing the reimbursement rate, the State is certainly containing the State's costs, but it cannot contain the costs associated with running a child care business, including rent, utilities, and other business expenses. Child care businesses have little choice but to increase rates in response to their increased costs. Again, these programs have almost no profit margin – they are increasing rates simply to make ends meet. Those increased costs are passed on to the families.

VII. Closing

In closing, we believe that this $70 million cut will directly and severely impact low-income working parents' ability to access child care for their children.

I ask that you oppose the Governor's proposal. We believe this is a bad proposal for children and families in Minnesota, and will continue to destroy the integrity of the Child Care Assistance Program.

I'd be glad to answer any questions.

CHILD CARE WORKS
Working Together For Child Care That Works

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Child Care Cuts in the Governor's Proposal
$70 Million Cut From Child Care Reimbursement Rates

Governor Pawlenty's Budget Proposal

The Governor's budget proposes to freeze child care provider reimbursement rates until July 2007 at rates that were set in 2001. As of July 2007, the State would lift the freeze, and begin increasing the rate annually by a slim 1-2% using 2001 rates as the base. With this plan, the reimbursement rates paid to child care providers would never even come close to the market rates.

Why is This a Bad Idea?

Because of the dramatic cuts the Child Care Assistance Program (CCAP) sustained in 2003, CCAP is already a struggling program. The families CCAP is meant to serve are not accessing the program. **This means fewer children ready for kindergarten, fewer families achieving economic stability, and fewer businesses with reliable employees.** A combination of low eligibility and high co-payments have created the lowest CCAP demand in years, including no waiting lists in Hennepin, Anoka and Washington counties. Frozen reimbursement rates over the past two years have exacerbated the problems. Low-income working families cannot pay the difference between the private market rate and the State's reimbursement rate, on top of their co-payment. These families are either dropping out of CCAP or not requesting assistance at all. **This includes MFIP families – families for whom Child Care Assistance is guaranteed.** 2004 saw a 20% drop in MFIP Child Care usage, even though the drop in MFIP participation was only 8%. **The child care infrastructure is crumbling. It cannot sustain further retreat from the State and still be available to serve CCAP and private-pay families.**

Child Care Cuts in the 2003 Legislative Session

In 2003, Child Care Assistance was cut by $86 million over 2004-05. Entrance eligibility was dropped to 33rd in the nation. Family co-payments were increased. Child care provider reimbursement rates were frozen for two years at the rate surveyed in 2001 and licensing fees for child care providers were increased. Between July 2003 and today, while the child care "free market" rates have increased (along with child care facilities' rents, utilities, and other business costs which cannot be frozen), the reimbursement rates the State pays have remained flat. By the fall of 2004, **the percentage of programs in the State with rates at or below the reimbursement rate had shrunk by 30% for child care centers and 14% for family child care homes. In July of 2005, the reimbursement rate freeze is scheduled to end, and reimbursement rates are scheduled to be increasing to reflect current market rates.**

Background on the Child Care Assistance Program

Minnesota's Child Care Assistance Program (CCAP) helps low-income working parents pay for child care. The program serves two purposes: (1) **keeping low-income parents in the workforce and moving towards self-sufficiency**; and (2) providing a safe, nurturing **environment that promotes "school readiness"** for young children.

Families are eligible to receive Child Care Assistance if they participate in MFIP (Minnesota's welfare-to-work program) or are earning less than 175% of the poverty guideline ($27,000 for a family of three; that family is then eligible for assistance until their income reaches $39,000). An important part of the program is **parent choice** - families may choose any child care provider that accepts CCAP families.

Families pay a co-payment towards the cost of care, dependent upon their income. Co-pays range from 3-22% of a family's gross income. The State will pay the chosen provider up to the 75th percentile of the designated market rate (currently the 2001 market rate), minus the family's co-payment. If the family chooses a provider who charges more than the 75th percentile of the 2001 market rate, **the family may also be required to pay the difference in the fee, in addition to their co-payment.**

SEE OTHER SIDE FOR ANSWERS TO FREQUENTLY ASKED QUESTIONS

FAQS ABOUT FREEZING THE CHILD CARE RATES

This Isn't Really a Cut – We're Just Slowing the Growth, Right?

Wrong. The 2003 Legislature projected 2006-07 CCAP spending of $407 million. The Governor's budget projects a decrease in expenditures of $70 million. This proposal will result in **less child care programs accepting CCAP children and less low-income children receiving quality child care.** The child care reimbursement rates were to be frozen only from July 2003 until July 2005 – as a temporary fix to the State's deficit – with a promise that the freeze would be lifted in July 2005. **Many providers are depending on the freeze lifting to be able to survive and continue serving CCAP families.**

Aren't We Still Targeting Our Resources to the Lowest Income Families?

No. The Governor is banking on a 15% drop in MFIP Child Care participation between 2004 and 2009 – even though Child Care Assistance for MFIP families is guaranteed. Neither MFIP participation nor MFIP work hours are expected to drop by this amount. DHS assumes that a driving factor will be that MFIP families cannot find child care that they can afford to pay both the co-payment as well as the difference between the reimbursement rate and the actual rate. **Where these children spend their days while their parents are working is completely unknown.**

Wouldn't Child Care Programs Still Accept CCAP Kids? Won't They Take What They Can Get – Just Like Health Care Plans and Nursing Homes?

Not likely. Only 6-10% of child care slots statewide are paid for by the State. While CCAP rates have more impact on private market rates charged in programs made up largely of CCAP children, in other communities, **providers are more likely to simply opt-out of serving CCAP families.** There is **no incentive for a program to accept CCAP families when the rate paid by the State is so much lower than the rate paid by private-pay families.** Low-income families do not have the means to make up the difference in the rate by paying an extra $100-200 per month – on top of their family co-payment.

Won't Parents Still Have Plenty of Choices for Child Care?

Maybe not. The number of child care centers and family child care homes with rates low enough to be paid by the State will continue to shrink, greatly diminishing parent choice, particularly in rural areas with less child care available overall. By 2007, it is possible that **only a limited number of child care programs** would be accessible for parents to choose without paying the difference between the rates.

This Won't Affect Private-Pay Families, Right?

Yes, it will. As reimbursement rates for child care programs shrink, even a program with a small number of CCAP children will have to make changes to balance their budget. These changes will be visible to ALL parents using child care. **Changes may include: fewer choices for ALL parents via program closures; lower or frozen staff wages (already only slightly higher than dishwashers' wages), which will increase already high turnover and decrease quality; and cutting staff entirely.** A Hennepin County study, *Centers in Change*, stated that in 2004 26% of a sample group of child care centers reduced staff benefits and salaries, and 45% cut staff entirely. 30% of the sample cited the market rate freeze as a primary reason for making reductions. **This significantly lowers access to quality care for all families.**

Isn't This Really Just a Metro Issue?

No. The DHS *Cost of Care* report states: **"Since rural centers are operating at a loss, they are less likely to be able to absorb costs without increasing rates. This is particularly problematic because center care is limited in rural areas."** (page 51)

Is This a Good Strategy?

No. DHS reports that although this strategy has significant cost savings, the *Cost of Child Care* study comments that, **"Because no rate increases would be allowed, a rate freeze is the strategy most likely to restrict access [for CCAP children] to both licensed family child care and center-based care,"** (page 51). Limiting access to quality child care settings for low-income, at-risk children will negatively affect children's school readiness and families' progress toward economic stability.

care providers and 67 percent of licensed child care centers would have rates beneath the blended maximum. This level of access for centers deteriorates when older rates are used to set the maximum. When 2002 rates are used to set the maximum, 92 percent of family child care providers and 46 percent of child care centers would have rates beneath the maximum. When 2001 rates are blended and compared to the 2004 market, 90 percent of family child care providers and 36 percent of licensed child care centers would have rates beneath the maximum. For purposes of this analysis, family child care providers were assigned slots to allow for comparability to centers. The average number of children by age group in family child care homes was used.

Advantages: This strategy contains costs to a limited extent. It increases price sensitivity for parent purchasing care from licensed child care centers.

Disadvantages: The direct savings are not large because family child care maximum rates increase. There is no clear benefit to paying higher maximum rates for family child care in terms of access or school readiness. Depending on how current the rates used are, this strategy might limit access, which might negatively impact economic stability and school readiness. To the extent that this reduces or eliminates access to a category of care that is available to the private pay market, the state risks non-compliance with federal regulations.

Continue the rate freeze into 2006 and 2007: Continue the rate freeze implemented in 2003. Some states update their maximum rates infrequently in order to contain costs. See Appendix G for a summary of state reimbursement maximums and the year the percentile was established.

Analysis of 2004 rate data identifies that the current maximums are at a statewide average 56th percentile for licensed family child care homes and 47.9th percentile of licensed child care centers. Note there is a difference between percentiles and percent of providers covered. In 2004, 68.4 percent of family child care providers and 56.8 percent of child care centers were covered by these effective percentiles. In urban areas in 2004, 64.4 percent of family child care providers and 55.6 percent of centers were covered by these effective percentiles. In rural areas in 2004, 71.5 percent of family child care providers and 59.7 percent of centers were covered.

Advantages: This strategy would have the most significant cost savings.

Disadvantages: Because no rate increases would be allowed, a rate freeze is the strategy most likely to restrict access to both licensed family child care and center-based care. This might negatively affect children's school readiness and families' progress toward economic stability. Since rural centers are operating at a loss, they are less likely to be able to absorb costs without increasing rates. This is particularly problematic because center care is limited in rural areas.

3. Systemic changes are those that would fundamentally change the nature of the program. Proposals in this area include: share costs, establish contracts or service agreements, and consolidate subprograms.

Share costs: Cost sharing is one option to contain costs and maintain access to programming. In this model, if a family selects care that costs more than other options, the family would share responsibility for the choice by paying

Figure 8 – Costs and revenues per child hour

Cost Item	Costs Per Child Hour
Wages	$1.673
Non-wage staff benefits	$0.281
Contract Labor Costs	$0.009
In-kind Classroom Labor	$0.001
Professional Development	$0.021
Administration/Program Support	$0.137
Transportation	$0.034
Supplies	$0.230
Insurance (not including staff benefits)	$0.045
Advertising/Marketing/PR	$0.040
In-kind Program Support	$0.087
Food	$0.163
In-kind Food	$0.003
Facility (excludes one-time costs)	$0.644
In-kind Facility	$0.066
Lost Revenue	$0.040
Total Expended Costs (exclude in-kind)	**$3.317**
Total In-kind	**$0.158**
Full Cost Per Child Hour	**$3.475**
Revenue Item	**Statewide Revenue per Child Hour**
Tuition and Fees paid by Parents	$2.398
Child Care Assistance	$0.787
Other Government Revenue	$0.000
USDA Food Program Revenue	$0.067
Tuition paid by Private Organizations	$0.005
Donations	$0.082
Investment Income	$0.001
Other	$0.011
Total Revenue Per Child Hour	**$3.350**

The statewide average cost per child hour is $3.317 and revenue per child hour is $3.350 for a profit of three cents per child hour – or almost one percent. This average profit is not statistically different than the point at which cost and revenue is equal. In other words, the average center is operating on the edge.

The statewide average cost per child hour is $3.317 and revenue per child hour is $3.350 for a profit of three cents per child hour – or almost one percent. This average profit is not statistically different than the point at which cost and revenue is equal. In other words, the average center is operating on the edge. When in-kind services[11] are included in the calculation there is a loss per child hour of 12.5 cents. This average loss is also not statistically different than the point at which cost and revenue is equal. In other words, the average center is operating on the edge. While some sites may elect to not pay for all in-kind services if payment was required, this protocol follows the process of past research in this area.

In the metropolitan area, the average profit is 2.7 percent. In the rural areas in the study, the average loss is 5.1 percent. These are not statistically different than the point at which cost and revenue is equal. In other words, the average center is operating on the edge.[14]

The sample[12] consisted of child care centers randomly selected in the seven county metropolitan area and the twenty-two surrounding counties.[13] Rural centers were over sampled to allow for comparability between areas of the state. Resources did not allow for all 80 rural counties to be included in the survey. Rural findings may or may not be representative of counties outside of the twenty-two surveyed. The final response rate for the two sub-samples were 80 percent (n=45 out of 56 contacted) in rural and 57 percent (n=43 out of 75 contacted) in the metropolitan area. Findings are based on 87 child care centers. After review, researchers determined that one metropolitan area response could not be used. These response rates are similar to other studies.

In the metropolitan area, the average profit is 2.7 percent. In the rural areas in the study, the average loss is 5.1 percent. The average metropolitan profit and average rural loss are not statistically different than the point at which cost and revenue is equal. In other words, the average center is operating on the edge.[14] The department is in the process of exploring options to follow up with sites showing losses while maintaining their confidentiality. Neither figure includes in-kind services, which would decrease the profit or increase the size of the loss. Calculations are based on child full time equivalents (FTEs). See Figure 9.

Figure 9 – Mean monthly budget per child by location

Budget Item	Statewide* (n=86) Dollars	Rural (n=45) Dollars	Metropolitan (n=41) Dollars
Expenses			
Labor Costs	$383.61	$309.33	$418.56
Program Costs	$99.09	$59.84	$117.56
Food Service Costs	$31.96	$25.66	$34.92
Facility Costs	$125.88	$63.99	$155.00
Lost Revenue	$7.87	$8.38	$7.63
Total Cost	$648.40	$467.19	$733.68
Revenues			
Tuition paid by Parents	$460.54	$327.82	$523.00
Parent Fees	$8.19	$4.21	$10.06
Child Care Assistance	$153.81	$62.64	$196.72
Other Government Revenue	$0.05	$-	$0.08
USDA Food Program Revenue	$13.16	$10.14	$14.58
Tuition paid by Private Organizations	$1.01	$1.85	$0.62
Donations	$15.96	$37.19	$5.97
Investment Income	$0.10	$0.06	$0.11
Other	$2.08	$0.71	$2.72
Total Revenue	**$654.90**	**$444.62**	**$753.86**
Profit/(Loss) per Child	**$6.50**	**$(22.57)**	**$20.18**

Note: 22 counties are represented in the rural category due to resource constraints. This may or may not be representative of the remaining rural counties. Metropolitan and rural profit/ (loss) levels are not statistically different than the point at which cost and revenue is equal.
**** Statewide figures are weighted for the distribution of centers across the sampled counties.***

Income and expenses in the report are based on the 4.7 child FTEs. Costs may be more or less, depending on the number of children enrolled. The average Minnesota licensed family child care home has 8.5 children enrolled[17] as of December 2004. See Appendix F for a description of the methodology used to develop the family child care budget. Note that if a family child care provider does not have employees, those funds could be reallocated to another line item, including net income. Also, the average Minnesota family child care provider works eleven hour days, five days per week, fifty weeks a year – with an additional eleven hours per week after the children leave for shopping, cleaning and doing laundry. (Chase, April 2001)

Figure 11 – Family child care provider median budgets, updated to December 2003

Budget Line	Percent of Income	Statewide	Rural	Metropolitan
	%	$	$	$
Revenue				
Parent Fees and Reimbursements	91.00%	$23,806.14	$17,892.73	$29,538.03
Child and Adult Food Program	9.00%	$2,362.56	$1,826.26	$2,851.60
Total	**100.00%**	**$26,168.70**	**$19,718.99**	**$32,389.63**
Expense				
Food for children	12.50%	$3,276.93	$2,532.85	$3,954.92
Employees (Asst. & Substitutes)	9.80%	$2,572.44	$1,986.15	$3,101.27
Household Supplies	2.50%	$661.79	$511.89	$799.30
Toys, materials, equipment & equipment repairs	3.40%	$885.96	$683.89	$1,067.86
Repairs, remodel, furniture and interest	4.70%	$1,238.19	$956.22	$1,493.09
Transportation/Mileage	1.40%	$352.24	$272.33	$425.23
Miscellaneous Business Expenses	6.40%	$1,686.50	$1,304.31	$2,036.61
Total	**40.70%**	**$10,674.05**	**$8,247.64**	**$12,878.28**
Net Income	**59.30%**	**$15,494.65**	**$11,471.35**	**$19,511.35**
Indirect Expenses				
Prorated Rent/Mortgage, Utilities	12.10%	$3,176.65	$2,457.09	$3,836.62
Social Security Employer Share	2.50%	$661.74	$511.89	$799.30
Total Indirect Expenses	**14.60%**	**$3,838.39**	**$2,968.98**	**$4,635.92**
IRS Taxable Income	44.70%	$11,656.26	$8,502.37	$14,875.43

Source: 1993 Economics of Family Child Care Study with additional analysis by DHS

The income figures above in Figure 11 are based on annual income. This data is disaggregated to hourly information with calculations noted to allow for comparable information to the center study discussed above and below. Dividing IRS taxable income by 3,000 hours of work per year calculates an average hourly provider wage of $4.95 in the metropolitan area and $2.83 in rural Minnesota. This is based on an average of 60 hours per week (Helburne et. al., 2002) for 50 weeks per year
(Chase, 2001).

Median Rates for Toddlers by Region

	Average Number of Providers Reporting	Median Rate		Change in Median Rate ($)	Total Percentage Change in Median Rate	Average Annual Percentage Change in Median Rate
Center Weekly Rates		1998	2004	1998-2004	1998-2001	1998-2004
Region 1 & 2	7	$82	$115	$33	40.40%	7.20%
Region 3*	8	$119	*$133	*$14	*11.60%	*3.6%
Region 4 & 5	9	$90	$118	$28	30.60%	5.60%
Region 6E	6	$103	$116	$13	12.70%	4.50%
Region 6W & 8 & 9	14	$90	$115	$25	27.80%	5.30%
Region 7E	9	$101	$153	$52	51.50%	10.10%
Region 7W	33	$110	$140	$30	27.30%	4.30%
Region 10	26	$110	$135	$25	22.70%	6.00%
Region 11	348	$155	$204	$49	31.60%	5.70%
*Because of an insufficient number of providers reporting rates in 2004, for Region 3 we report the 2002 median rate and the change between 1998 and 2002. Note: Regions with fewer than 6 providers reporting are combined with neighboring regions.						
Family Weekly Rates		1998	2004	1998-2004	1998-2001	1998-2004
Region 1	33	$75	$90	$15	20.00%	3.80%
Region 2	76	$79	$100	$21	27.00%	5.10%
Region 3	33	$95	$113	$18	18.40%	3.60%
Region 4	138	$80	$95	$15	18.80%	3.50%
Region 5	95	$80	$113	$33	40.60%	7.20%
Region 6E	30	$83	$100	$17	20.10%	4.30%
Region 6W, 8, & 9	208	$79	$100	$21	27.00%	5.00%
Region 7E	108	$85	$110	$25	29.40%	5.40%
Region 7W	723	$85	$105	$20	23.50%	4.40%
Region 10	438	$90	$115	$25	27.80%	5.10%
Region 11	3,556	$100	$130	$30	30.00%	5.50%
Family Hourly Rate		1998	2004	1998-2004	1998-2001	1998-2004
Region 1	284	$1.75	$2.00	$0.25	14.30%	2.70%
Region 2	109	$1.82	$2.00	$0.18	9.90%	1.90%
Region 3	552	$2.00	$2.25	$0.25	12.50%	2.50%
Region 4	493	$1.75	$2.00	$0.25	14.30%	2.80%
Region 5	349	$1.90	$2.00	$0.10	5.30%	1.10%
Region 6E	347	$1.80	$2.00	$0.20	11.10%	2.20%
Region 6W	185	$1.70	$2.00	$0.30	17.60%	3.40%
Region 7E	169	$2.00	$2.50	$0.50	25.00%	5.20%
Region 7W	582	$2.00	$2.17	$0.17	8.50%	1.70%
Region 8	434	$1.75	$2.00	$0.25	14.30%	2.90%
Region 9	613	$1.85	$2.00	$0.15	8.10%	1.60%
Region 10	971	$2.00	$2.35	$0.35	17.50%	3.40%
Region 11	1,818	$3.00	$5.00	$2.00	66.70%	11.10%

Child Care Bureau

Child Care Assistance Income Eligibility Thresholds and State Median Income (SMI), Family of Three, 2001-2003

A CHILD CARE AND DEVELOPMENT FUND (CCDF) DATA SUMMARY

State/Territory	2001			2003			
	85% of Monthly State Median Income (SMI)[1]	Monthly Income Eligibility Level Lower Than 85% of SMI *if* Used to Limit Eligibility	Monthly Income Eligibility Level as a Percentage of SMI	85% of Monthly State Median Income (SMI)[1]	Monthly Income Eligibility Level Lower Than 85% of SMI *if* Used to Limit Eligibility	Monthly Income Eligibility Level as a Percentage of SMI	SMI Year
Alabama	$3,118.00	$1,585.00	43%	$3,248.00	$1,653.00	43%	2004
Alaska	$4,481.00	NA	85%	$4,263.00	$3,853.00[2]	77%	2002
American Samoa	NK	NK	NK	$925.00	NA	85%	1995
Arizona	$3,156.00	$2,013.00	54%	$3,336.00	$2,099.00	53%	2004
Arkansas	$2,776.92	$1,960.21	60%	$2,846.43	$2,009.25	60%	2003
California	$3,315.00	$2,925.00	75%	$3,315.00	$2,925.00	75%	1998
Colorado[3]	$3,774.00	$2,743.00	62%	$3,964.00	$2,862.00	61%	2003
Commonwealth of the Northern Mariana Islands	NK	NK	NK	$1,533.00	NA	85%	NR
Connecticut	$4,495.00	$3,966.00	75%	$4,910.00	$2,889.00	50%	2004
District of Columbia	$3,706.00	$3,470.00	80%	$3,773.00	$3,470.00	78%	2003
Delaware	$3,902.00	$2,440.00	53%	$4,127.00	$2,544.00	52%	2003
Florida	NK	NK	NK	$3,293.00	$2,543.00[4]	66%	2003
Georgia	$3,569.00	NA	85%	$3,792.00	$2,035.00	46%	2003
Guam	NK	NK	NK	$1,908.00	NA	85%	NA[5]

Compiled from State Child Care and Development Fund Plans, FFY 2002-2003 and FFY 2004-2005, effective October 1, 2001 and October 1, 2003 respectively.
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State/Territory	2001: 85% of Monthly State Median Income (SMI)[1]	2001: Monthly Income Eligibility Level Lower Than 85% of SMI *if* Used to Limit Eligibility	2001: Monthly Income Eligibility Level as a Percentage of SMI	2003: 85% of Monthly State Median Income (SMI)[1]	2003: Monthly Income Eligibility Level Lower Than 85% of SMI *if* Used to Limit Eligibility	2003: Monthly Income Eligibility Level as a Percentage of SMI	2003: SMI Year
Hawaii	$3,479.00	$3,274.00	80%	$3,678.00	NA	85%	2001
Idaho	$2,838.00	$1,706.00	51%	$3,197.00	$1,706.00	45%	2003
Illinois	$3,948.00	$1,818.00	39%	$3,958.00	$2,328.00	50%	2004
Indiana	$3,289.40	$2,207.00	57%	$3,694.00	$1,615.00	37%	2003
Iowa	$3,455.00	$1,890.00	47%	$3,669.00	$1,780.00	41%	2004
Kansas	$3,874.00	$2,255.00	49%	$3,379.00	$2,353.00	59%	2003
Kentucky	$3,105.00	$2,012.00	55%	$3,232.00	$1,908.00[6]	50%	2004
Louisiana	$2,942.00	$2,077.00	60%	$2,942.00	$2,596.00	75%[7]	2002
Maine	$3,038.01	NA	85%	$3,343.08[8]	NA	85%	2003
Maryland	$4,451.00	$2,095.00	40%	$4,249.00	$2,499.00	50%	2002
Massachusetts	$4,104.00	NA	50%	$4,104.00	$2,414.00[6]	50%	2000
Michigan	NK	NK	NK	$4,090.00	$1,990.00	41%	2003
Minnesota	$3,967.00	$3,501.00	75%	$4,322.00	$2,225.00[9]	44%	2004
Mississippi	$2,513.00	NA	85%	$2,513.00	NA	85%	2000
Missouri	$3,010.00	$1,482.00	42%	$3,631.00	$1,482.00	35%	2001
Montana	$3,032.00	$1,829.00	51%	$2,861.00	$1,878.00[4]	56%	2004
Nebraska	$3,373.00	$2,104.99	53%	$3,394.00	$1,463.00	37%	2003
Nevada	$3,539.00	$3,123.00	75%	$3,527.00	$3,112.00	75%	2004

Compiled from State Child Care and Development Fund Plans, FFY 2002-2003 and FFY 2004-2005, effective October 1, 2001 and October 1, 2003 respectively.
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State/Territory	2001			2003			
	85% of Monthly State Median Income (SMI)[1]	Monthly Income Eligibility Level Lower Than 85% of SMI *if* Used to Limit Eligibility	Monthly Income Eligibility Level as a Percentage of SMI	85% of Monthly State Median Income (SMI)[1]	Monthly Income Eligibility Level Lower Than 85% of SMI *if* Used to Limit Eligibility	Monthly Income Eligibility Level as a Percentage of SMI	SMI Year
New Hampshire	$3,630.00	$2,648.00	62%	$4,264.00	$2,407.00	48%[7]	2000
New Jersey	$4,223.50	$3,047.92	61%	$4,674.00	$3,179.00	58%	2003
New Mexico	$2,658.00	$2,438.00	78%	$3,016.27	$2,543.33	72%	2002
New York	$3,400.00	$2,438.00	61%	$3,839.00	$2,543.00	56%	2003
North Carolina	$3,232.00	$2,852.00	75%	$3,339.00	$2,946.00	75%	2002
North Dakota	$3,035.00	$2,463.00	69%	$3,281.00	$2,463.00	64%	2004
Ohio	$3,346.00	$2,255.00	57%	$3,825.00	$1,272.00	28%	2003
Oklahoma	$3,110.00	$1,936.00	53%	$2,883.00	$2,825.00[9]	83%	2003
Oregon	$3,208.00	$2,255.00	60%	$3,495.00	$1,908.00	46%	2003
Pennsylvania	$3,543.00	$2,438.00	58%	$3,934.74	$2,543.33	55%	2004
Puerto Rico	$1,279.00	NA	85%	$1,279.00	NA	85%	1994
Rhode Island	$3,844.50	$2,743.17	61%	$4,192.00	$2,861.00	58%	2003
South Carolina	$3,330.00	$1,829.00	47%	$3,349.00	$1,908.00	48%	2003
South Dakota	$3,504.00	$1,829.00	44%	$3,553.00	$2,544.00	61%	2003
Tennessee	$3,093.00	$2,027.00	56%	$3,336.00	$2,355.00	60%	2004
Texas[3, 10]	$3,171.00	NA	85%	$3,368.00	NA	85%	2003
Utah	$3,406.00	$2,244.00	56%	$3,406.00	$2,244.00	56%	2002
Vermont	$2,867.33	$2,586.00	77%	$2,664.00	$2,586.00	83%	1999

Compiled from State Child Care and Development Fund Plans, FFY 2002-2003 and FFY 2004-2005, effective October 1, 2001 and October 1, 2003 respectively.
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Phone: (800) 616-2242; Fax: (800) 716-2242; TTY: (800) 516-2242; E-mail: info@nccic.org; Web site: http://nccic.org.

State/Territory	2001			2003			
	85% of Monthly State Median Income (SMI)[1]	Monthly Income Eligibility Level Lower Than 85% of SMI *if* Used to Limit Eligibility	Monthly Income Eligibility Level as a Percentage of SMI	85% of Monthly State Median Income (SMI)[1]	Monthly Income Eligibility Level Lower Than 85% of SMI *if* Used to Limit Eligibility	Monthly Income Eligibility Level as a Percentage of SMI	SMI Year
Virginia[11]	$3,829.00	$1,950.00	43%	$4,141.00	$1,908.00	39%	2004
Virgin Islands	NK	NK	NK	$2,022.50	NA	85%	2000
Washington	$3,670.00	$2,743.00	64%	$3,821.00	$2,544.00	57%	2003
West Virginia	$2,689.00	$2,358.00	75%	$2,943.00	$1,769.00[6]	51%	2004
Wisconsin	$3,774.00	$2,255.00	51%	$3,894.00	$2,353.00[6]	51%	2004
Wyoming	$3,310.00	$2,255.00	58%	$3,324.00	$2,544.00	65%	2003

Sources: Information compiled from State CCDF Plans, FFY 2002-2003 and FFY 2004-2005, effective October 1, 2001 and October 1, 2003 respectively. Approved Plans for Florida, Michigan, American Samoa, Commonwealth of the Northern Mariana Islands, Guam, and the Virgin Islands were not included in the FFY 2002-2003 summary.

Key: NA – Not Applicable; NK – Not Known; NR – Not Reported

Notes:

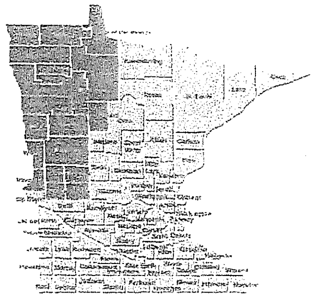
[1] Monthly State Median Income is derived based on information provided in the State Plans, which does not necessarily coincide with most recent year SMI. SMI used by each State is indicated. In 2003, the Federal Poverty Level (FPL) for a family of three for the 48 contiguous States and the District of Columbia was $15,260. The FPL for Alaska was $19,070 and the FPL for Hawaii was $17,550. See *Federal Register*, Vol. 68, No. 26, February 7, 2003, pp. 6456–6458.

[2] The adjusted gross income levels that Alaska reported are equal to 85% SMI less an estimated amount of the 2002 Alaska Permanent Fund Dividend, which is not used in calculating the adjusted gross income amount.

[3] Colorado and Texas permit sub-State jurisdictions to set different income eligibility limits. In Texas, local Workforce Boards set their own income eligibility limits to meet local needs, within the State-imposed cap of 85% of SMI; the State reported that most Boards have established limits that are below 85% of SMI.

[4] Florida and Montana each have a two-tiered eligibility threshold and reported the upper limit, which is applied to families already receiving child care assistance.

Compiled from State Child Care and Development Fund Plans, FFY 2002-2003 and FFY 2004-2005, effective October 1, 2001 and October 1, 2003 respectively.
Many CCDF State Plans are available online and can be accessed from http://nccic.org/pubs/stateplan/app-urls.html.
For more information please contact NCCIC, 243 Church Street NW, 2nd Floor, Vienna, VA 22180
Phone: (800) 616-2242; Fax: (800) 716-2242; TTY: (800) 516-2242; E-mail: info@nccic.org; Web site: http://nccic.org.



Child Care in Northwest Minnesota

Capacity of Child Care

Type Of Care	Count	% of Records	Licensed Capacity
(CCC) Head Start/Early HS	72	4.77	2120
Child Care Center	36	2.38	1864
Family Child Care	1330	88.08	15434
Preschool Program	33	2.19	695
School Age Program	39	2.58	1850
TOTAL	1,510	100%	21,963

Demand for Child Care

Total Children under age 12	61,959
% of children with employed parents	83%
Total children potentially needing care	51,426

Average Cost of Care

Monthly, FT Rates				
Age Group	Total	Min $	Max $	Avg $
0 - 11 Months	5	$ 400.00	$ 495.00	$ 434.00
1 - 2 Years	6	$ 360.00	$ 510.00	$ 420.83
2 - 5 Years	11	$ 75.00	$ 495.00	$ 297.73
5 - 10 Years	7	$ 230.00	$ 490.00	$ 356.43

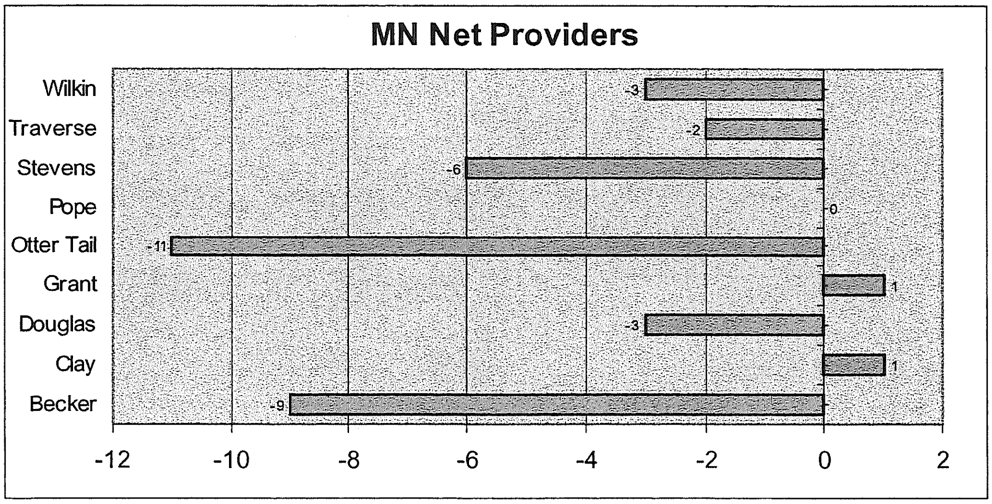
Hourly, FT Rates				
Age Group	Total	Min $	Max $	Avg $
0 - 11 Months	750	$ 1.50	$ 4.00	$ 2.06
1 - 2 Years	760	$ 1.50	$ 4.00	$ 2.01
2 - 5 Years	769	$ 1.50	$ 4.00	$ 1.99
5 - 10 Years	737	$ 1.50	$ 4.00	$ 2.00

Weekly, FT Rates				
Age Group	Total	Min $	Max $	Avg $
0 - 11 Months	272	$ 60.00	$ 200.00	$ 101.41
1 - 2 Years	278	$ 60.00	$ 200.00	$ 96.86
2 - 5 Years	280	$ 55.00	$ 125.00	$ 93.38
5 - 10 Years	252	$ 20.00	$ 125.00	$ 89.39

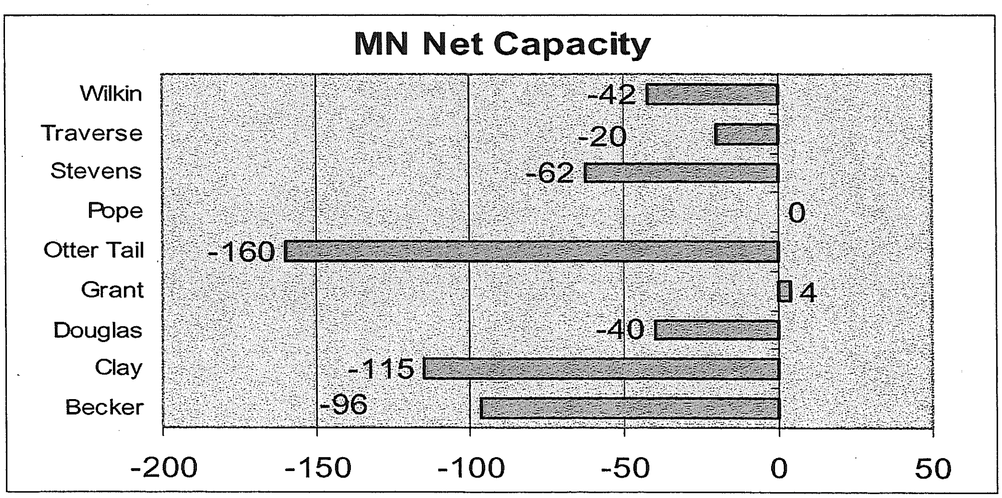
January, 2005

child care
resource referral

Region 4 Child Care Supply
Net Gain or Loss
7/1/03 to 6/30/04



Net loss of 32 child care programs 4%
Provider turnover = 14.9%



Net loss of 531 child care slots 4%

lakes and prairies child care resource & referral

DHS-4350-ENG 1-05

Cost of Child Care

Legislative Report on Cost Containment Options in the Child Care Assistance Program

Minnesota Department of **Human Services**
January 2005

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V. Cost Containment, A. Analysis, 3. Other programs within DHS

...The child care market is significantly larger than the nursing home market...In child care, there were 14,795 licensed providers as of October 7, 2004; CCAP also pays for care in legal non-licensed homes...Most nursing homes cannot afford to turn away MA clients, because MA policy pays for 63 percent of the nursing home market. Child care providers can choose not to accept families on child care assistance, and it is likely that in areas with a significant number on non-subsidized families, rate policy that is considered overly restrictive might increase the number of providers who do not accept subsidy families, thereby reducing access. CCDF requires CCAP to pay rates that are based on the private market..."

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V. Cost Containment, A. Analysis, 4. Market changes in service-based industries

...This implies child care rates in Minnesota are following national trends (27.3 percent across the years or an average of 4.6 percent annually)...

...The overall percentage of earnings that goes to child care in Minnesota was slightly under the national average (8.5 percent vs. 9 percent)...

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V. Cost Containment, A. Analysis, 5. Literature review on the links between job and child care stability

...Maume found that each $10 increase in weekly child care expenditures is correlated with a 1.6 percent increase in the probability of a mother leaving her job one year later, regardless of income status...

...The impact on leaving work begins at 9.1 percent of actual wages for mothers with moderate incomes. As previously stated, the Urban Institute found that Minnesota's average ratio of child care expenses to earnings was 8.5 percent...

...For example, a family with an income of 200 percent of the federal poverty level would have a co-payment equal to 12.25 percent of income. A family with an income of 249 percent of the federal poverty level would have a co-payment equal to 22 percent of income...

...Single mothers who received help with child care expenses for several years after receiving welfare were still employed two years later (52.5) at a higher level than single mothers who did not receive help with child care expenses (37.7 percent)...

...Also, the child care reforms in combination with welfare reforms, "almost tripled the probability that a typical head of household currently or formerly receiving welfare would work 20 or more hours per week" – from 7 percent in 1996 to 22 percent in 2000...

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V. Cost Containment, A. Analysis, 6. Literature review on child development and school readiness

...Landmark research experiments such as the High/Scope Perry Preschool Study, the Abecedarian Program, and the Chicago Child Parent Center study have demonstrated better school readiness outcomes for low-income children receiving high quality early learning services than for those who did not. While these projects were all center-based, quality early learning can happen in a number of different environments…

…In child care centers, these markers of quality are required in programs that receive accreditation from national bodies such as the National Association for the Education of Young Children…

A recent study by the Minnesota Department of Human Services examined the school readiness of preschoolers approaching kindergarten in 22 accredited child care centers in Minnesota. Children from low-income households ($0-$35,000 annual earnings) and those with parents who had lower educational levels (a high school degree or less) had school readiness ratings of "in process" or "proficient" at the same levels as children from households with higher incomes or more highly educated parents. While the study centers were not randomly selected, these findings are consistent with more rigorous research in this area that show a relationship between high quality early learning settings and school readiness.

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V. Cost Containment, C. Cost containment options for the Child Care Assistance Program
Continue the rate freeze into 2006 and 2007: Continue the rate freeze implemented in 2003…Analysis of 2004 rate data identifies that the current maximums are at a statewide average 56th percentile for licensed family child care homes and 47.9th percentile of licensed child care centers…

Advantages: This strategy would have the most significant cost savings.

Disadvantages: Because no rate increase would be allowed, a rate freeze is the strategy most likely to restrict access to both licensed family child care and center-based care. This might negatively affect children's school readiness and families' progress toward economic stability. Since rural centers are operating at a loss, they are less likely to be able to absorb costs without increasing rates. This is particularly problematic because center care is limited in rural areas.

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IV. Cost of Care, B. The cost of providing child care
The statewide average cost per child hour is $3.317 and revenue per child hour is $3.350 for a profit of three cents per child hour – or almost one percent. This average profit is not statistically different than the point at which cost and revenue is equal. In other words, the average center is operating on the edge.

OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

EVALUATION REPORT

Child Care Reimbursement Rates

JANUARY 2005

Report No. 05-01

PROGRAM EVALUATION DIVISION
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Maximum Reimbursement Rates

Under federal laws and rules, each state is required to submit a plan to the federal government that shows its payment rates "...are sufficient to ensure equal access, for eligible families...to child care services comparable to those provided to families not eligible to receive CCDF assistance..." In particular, a state must show that its maximum rates provide the required "equal access." To demonstrate that equal access is provided, a state must show: 1) how a choice of the full range of providers is made available; 2) that payment rates are adequate in the comparison to a survey of market rates conducted no earlier than two years prior to the effective date of the plan; 3) and that co-payments are affordable.

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Minnesota's maximum rates for child care centers may be high compared with other states because market rates are higher in Minnesota.

Table 2.12: State Methods for Calculating Maximum Reimbursement Rates, 2004

	Number of States	Percentage of States
Calculation of Maximum Rates		
Above the 75th Percentile	1	2%
At or Above the 75th Percentile	1	2
At the 75th Percentile[a]	24	48
At or Below the 75th Percentile	4	8
Below the 75th Percentile	20	40
Totals	50	100%
Year of Rate Survey Used in Calculation		
2003	21	42%
2002	11	22
2001[a]	7	14
2000	7	14
Earlier than 2000	4	8
Totals	50	100%

[a]This category includes Minnesota.

SOURCE: Office of the Legislative Auditor analysis of information from Karen Schulman and Helen Blank for the National Women's Law Center, *Child Care Assistance Policies 2001-2004: Families Struggling to Move Forward, States Going Backward* (Washington, D.C.: September 2004), 15.

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Program participants in Minnesota are much less likely to use child care centers than subsidized families in other states.

Table 3.4: Type of Subsidized Child Care Used in Minnesota and Other States, Federal FY 2001

Type of Care	Minnesota	National Average
Licensed Center	33%	56%
Unlicensed Center	3	2
Subtotal: All Centers	36%	58%
Licensed Family Home	29%	14%
Licensed Group Home	0	4
Subtotal: Licensed Home	29%	18%
Unlicensed Care by Relative	12%	13%
Unlicensed Care by Non-Relative	22	12
Subtotal: Unlicensed Care	34%	25%
Totals	100%	100%

SOURCE: United States Department of Health and Human Services, Administration for Children and Families, *FFY 2001 CCDF Data Tables and Charts*; http://www.acf.hhs.gov/programs/ccb/research/01acf800/setdet6.htm; accessed August 5, 2004.

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Table 3.5: Trends in Access to Child Care Providers by Region, 2002-04

The freeze on maximum rates has reduced affordable access to child care providers, particularly child care centers.

	Percentage of Providers With Rates Equal to or Less Than Maximum Rate		
	Fall 2001 (Maximums Based on 2001 Survey Not Yet in Effect)	Fall 2002[a] (First Effective Year For Maximums Based on 2001 Survey)	Early 2004 (19 to 22 Months After Maximums Were First Placed Into Effect)
Child Care Centers			
Twin Cities Metropolitan Area	80%	69%	49%
Outstate Minnesota	86	73	60
State Total	82%	70%	51%
Licensed Family Homes			
Twin Cities Metropolitan Area	81%	72%	63%
Outstate Minnesota	84	79	71
State Total	83%	77%	69%

NOTES: The percentage figures for survey rate data are averages across four child age categories and three types of units (hours, days, and weeks). We determined averages across child age categories by weighting each child care center rate by the center's licensed capacity for the applicable age group. If a center reported a rate for a particular age category but did not report the corresponding licensed capacity, we used the average licensed capacity for that age category among providers in the same region. For licensed family home providers, we used unweighted averages because we lacked data on licensed capacity for these providers.

For both types of providers, we averaged across unit types based on the estimated share of service hours billed under each unit type. We assumed days included 10 hours of service and weeks included 50 hours. To estimate the share of hours billed, we used payment data for Hennepin County and the 38 MEC[2] counties and recipient data from the Minnesota Department of Human Services.

[a]The figures for 2002 represent what the access would have been under the current policy for setting maximum rates. In 2002, the actual access for child care centers would have been about one percentage point higher than shown because 68 counties did not have child care center maximum rates for at least some age categories. These counties did not have enough child care centers responding to the survey to set a maximum rate.

SOURCE: Office of the Legislative Auditor analysis of data from the Minnesota Department of Human Services.

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Program Participation

...40 percent of the children receiving subsidized care were school-age children between 6 and 12 years of age. About 47 percent of the children in the program were between 2 and 5 years old, while 11 percent were younger than 2 years old.

...The Twin Cities area had about 51 percent of the program participants while 49 percent were from out-state Minnesota. For the MFIP and Transition Year portion of the program, the Twin Cities area accounted for 58 percent of the participants compared with 42 percent out-state. But, participation in the basic sliding fee participants while 56 percent were from other parts of the state.

Per capita use of the Child Care Assistance Program in federal fiscal year 2003 was about 20 percent higher out-state than in the seven-county Twin Cities metropolitan area. The highest per capita usage was in north central and northeastern Minnesota, although per capita participation appeared to vary significantly among counties in those areas...