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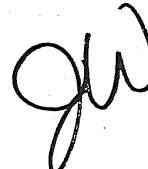
Senate
State of Minnesota

S.F. No. 1792 - Child Care Program Consolidation

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S.F. No. 1792 consolidates the basic sliding fee and MFIP child care programs and establishes a child care provider bonus.

Section 1 (119B.02, subdivision 1) amends the child care services statute by striking language that limits services “within the limits of available appropriations” and strikes language requiring that federal reimbursement be allocated to counties for federally reimbursable child care services. This section also requires the commissioner, instead of the counties, to use the federal money to expand child care services.

Section 2 (119B.02, subdivision 2) strikes references to the basic sliding fee and MFIP child care programs and adds cross- references to the new eligibility requirements in Minnesota Statutes, sections 119B.09 and 119B.10. This section also strikes obsolete funding transfers to tribes pursuant to a statute that is being repealed.

Section 3 (119B.03, subdivision 3) makes technical conforming changes.

Section 4 (119B.03, subdivision 9) amends the statute related to a family’s eligibility for child care assistance when moving from one county to another. The bill requires that child care assistance be provided in the new county, provided the family continues to meet the eligibility guidelines. The bill modifies the responsibilities of the receiving county.

Sections 5 to 9 (119B.03, subdivision 10; 119B.035, subdivision 1; 119B.035, subdivision 2; 119B.035, subdivision 4; 119B.035, subdivision 5) make technical conforming changes.

Section 10 (119B.05, subdivision 5) requires the state to maximize federal reimbursement for money spent for persons eligible under this chapter. Current law only requires the county to maximize federal reimbursement.

Section 11 (119B.08, subdivision 2) strikes language that allowed the commissioner to certify an advance payment to a county of up to 25 percent of the allocation for child care.

Subdivision 3 amends the child care fund plan by requiring the commissioner to withhold payments to the county until the county has an approved child care fund plan. The county is required to maintain services despite any withholding of payments due to plans not being approved.

Subdivision 4 allows the commissioner to withhold or reduce funds intended to reimburse counties for child care costs under the child care fund if the county does not meet the requirements of the program. The withholding or reduction of funds does not relieve county of the requirements under this chapter.

Section 12 (119B.09, subdivision 1) provides the general eligibility requirements for applicants of child care assistance. The child care assistance is for families who need child care to find or keep employment or obtain training and education necessary to find employment as defined in section 119B.10, and who have a household income of less than 250 percent of the federal poverty guidelines.

Section 13 (119B.09, subdivision 4a) strikes obsolete language referring to a basic sliding fee waiting list.

Section 14 (119B.09, subdivision 7) strikes obsolete language referring to specific child care programs, which are consolidated under this bill.

Section 15 (119B.10) defines the child care assistance requirement for persons seeking and retaining employment.

Subdivision 1a is a new subdivision providing the eligibility criteria for persons who have an employment plan under MFIP or the Work First Program.

Subdivisions 3 to 7 provide the eligibility criteria and requirements for person participating in education.

Sections 16 and 17 (119B.11, subdivision 1; 119B.12, subdivision 2) make conforming technical changes related to cross-references.

Section 18 (119B.13, subdivision 7) establishes the qualified early care and learning provider bonus. A child care provider shall be paid a twenty-percent bonus above the maximum child care rate, if the provider is a qualified early care and learning provider, as defined in this section. No less than 60

percent of the bonus paid to the provider must be distributed to staff in the form of increased wages, and the commissioner is required to implement a system to verify compliance with this requirement.

Further, the commissioner is required to create state-specific performance criteria for qualified early care and learning providers and report to the House of Representatives and Senate committees with jurisdiction over child care assistance by February 1, 2006.

Section 19 (119B.13, subdivision 8) modifies the child care rates statute by adding a subdivision allowing the commissioner to establish additional tiers of child care assistance reimbursement based on multiple levels of child care provider quality and licensure.

Section 20 (119B.15) makes conforming changes and provides federal funds for the administrative costs of the delivery of direct services.

Section 21 (119B.24) makes conforming technical changes.

Section 22 directs the Commissioner of Finance to include the state obligation for child care assistance in the February and November forecasts.

Section 23 is the appropriations section.

Section 24 is a technical revisor instruction.

Section 25 repeals obsolete child care statutes consistent with the consolidation of child care programs.

JW:rdr

Senators Hottinger, Lourey and Scheid introduced--
S.F. No. 1792: Referred to the Committee on Finance.

A bill for an act

1
2 relating to human services; consolidating the MFIP and
3 basic sliding fee child care programs; appropriating
4 money; amending Minnesota Statutes 2004, sections
5 119B.02, subdivisions 1, 2; 119B.03, subdivisions 3,
6 9, 10; 119B.035, subdivisions 1, 2, 4, 5; 119B.05,
7 subdivision 5; 119B.08; 119B.09, subdivisions 1, 4a,
8 7; 119B.10; 119B.11, subdivision 1; 119B.12,
9 subdivision 2; 119B.13, by adding subdivisions;
10 119B.15; 119B.24; repealing Minnesota Statutes 2004,
11 sections 119B.011, subdivisions 20, 20a; 119B.03,
12 subdivisions 1, 2, 4, 5, 6, 6a, 6b, 8; 119B.05,
13 subdivision 1; 119B.07; 119B.09, subdivision 3;
14 119B.11, subdivision 4.

15 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

16 Section 1. Minnesota Statutes 2004, section 119B.02,
17 subdivision 1, is amended to read:

18 Subdivision 1. [CHILD CARE SERVICES.] The commissioner
19 shall develop standards for county and human services boards to
20 provide child care services to enable eligible families to
21 participate in employment, training, or education programs.
22 ~~Within the limits of available appropriations,~~ The commissioner
23 shall distribute money to counties to reduce the costs of child
24 care for eligible families. The commissioner shall adopt rules
25 to govern the program in accordance with this section. The
26 rules must establish a sliding schedule of fees for parents
27 receiving child care services. The rules shall provide that
28 funds received as a lump sum payment of child support arrearages
29 shall not be counted as income to a family in the month received
30 but shall be prorated over the 12 months following receipt and

1 added to the family income during those months. The
2 commissioner shall maximize the use of federal money under title
3 I and title IV of Public Law 104-193, the Personal
4 Responsibility and Work Opportunity Reconciliation Act of 1996,
5 and other programs that provide federal or state reimbursement
6 for child care services for low-income families who are in
7 education, training, job search, or other activities allowed
8 under those programs. Money appropriated under this section
9 must be coordinated with the programs that provide federal
10 reimbursement for child care services to accomplish this
11 purpose. ~~Federal reimbursement obtained must be allocated to~~
12 ~~the county that spent money for child care that is federally~~
13 ~~reimbursable under programs that provide federal reimbursement~~
14 ~~for child care services.~~ The counties commissioner shall use
15 the federal money to expand child care services. The
16 commissioner may adopt rules under chapter 14 to implement and
17 coordinate federal program requirements.

18 Sec. 2. Minnesota Statutes 2004, section 119B.02,
19 subdivision 2, is amended to read:

20 Subd. 2. [CONTRACTUAL AGREEMENTS WITH TRIBES.] The
21 commissioner may enter into contractual agreements with a
22 federally recognized Indian tribe with a reservation in
23 Minnesota to carry out the responsibilities of county human
24 service agencies to the extent necessary for the tribe to
25 operate child care assistance programs for families eligible
26 under sections ~~119B.03~~ 119B.09 and ~~119B.05~~ 119B.10. An
27 agreement may allow for the tribe to be reimbursed for child
28 care assistance services provided under ~~section-119B.05~~ this
29 chapter. The commissioner shall consult with the affected
30 county or counties in the contractual agreement negotiations, if
31 the county or counties wish to be included, in order to avoid
32 the duplication of county and tribal child care
33 services. ~~Funding to support services under section-119B.03 may~~
34 ~~be transferred to the federally recognized Indian tribe with a~~
35 ~~reservation in Minnesota from allocations available to counties~~
36 ~~in which reservation boundaries lie.--When funding is~~

1 transferred-under-section-119B.03, the amount shall be
 2 commensurate to estimates of the proportion of reservation
 3 residents with characteristics identified in section 119B.03,
 4 subdivision 6, to the total population of county residents with
 5 those same characteristics.

6 Sec. 3. Minnesota Statutes 2004, section 119B.03,
 7 subdivision 3, is amended to read:

8 Subd. 3. [ELIGIBLE PARTICIPANTS.] Families that meet the
 9 eligibility requirements under sections 119B.07, 119B.09, and
 10 119B.10, except MFIP participants, diversionary work program,
 11 and transition year families are eligible for child care
 12 assistance under the basic-sliding-fee child care assistance
 13 program. Families enrolled in the basic-sliding-fee child care
 14 assistance program shall be continued until they are no longer
 15 eligible. Child care assistance provided through the child care
 16 fund is considered assistance to the parent.

17 Sec. 4. Minnesota Statutes 2004, section 119B.03,
 18 subdivision 9, is amended to read:

19 Subd. 9. [~~PORTABILITY POOL~~ FAMILY MOVE; CONTINUED
 20 PARTICIPATION.] (a) ~~The commissioner shall establish a pool of~~
 21 ~~up to five percent of the annual appropriation for the basic~~
 22 ~~sliding-fee program to provide continuous child care assistance~~
 23 ~~for eligible families who move between Minnesota counties. At~~
 24 ~~the end of each allocation period, any unspent funds in the~~
 25 ~~portability pool must be used for assistance under the basic~~
 26 ~~sliding-fee program. If expenditures from the portability pool~~
 27 ~~exceed the amount of money available, the reallocation pool must~~
 28 ~~be reduced to cover these shortages.~~

29 (b) ~~To be eligible for portable basic-sliding-fee~~
 30 ~~assistance, a family that has moved from a county in which it~~ A
 31 family receiving child care assistance under the child care fund
 32 that has moved from a county in which the family was receiving
 33 basic-sliding-fee child care assistance to a another county
 34 with a waiting list for the basic-sliding-fee program must be
 35 admitted into the receiving county's child care assistance
 36 program if the family:

1 (1) ~~meet~~ meets the income and eligibility guidelines for
2 the ~~basic-sliding-fee~~ child care assistance program; and

3 (2) ~~notify~~ notifies the new county of residence within 60
4 days of moving and ~~submit~~ submits information to the new county
5 of residence to verify eligibility for the ~~basic-sliding-fee~~
6 child care assistance program.

7 ~~(c)~~ (b) The receiving county must:

8 ~~(1)~~ accept administrative responsibility ~~for applicants for~~
9 ~~portable-basic-sliding-fee-assistance~~ at the end of the two
10 months of assistance under the Unitary Residency Act;

11 ~~(2)~~ ~~continue basic-sliding-fee-assistance for the lesser of~~
12 ~~six months or until the family is able to receive assistance~~
13 ~~under the county's regular basic-sliding program; and~~

14 ~~(3)~~ ~~notify the commissioner through the quarterly reporting~~
15 ~~process of any family that meets the criteria of the portable~~
16 ~~basic-sliding-fee-assistance pool.~~

17 Sec. 5. Minnesota Statutes 2004, section 119B.03,
18 subdivision 10, is amended to read:

19 Subd. 10. [APPLICATION; ENTRY POINTS.] Two or more methods
20 of applying for the ~~basic-sliding-fee~~ child care assistance
21 program under this chapter must be available to applicants in
22 each county. To meet the requirements of this subdivision, a
23 county may provide alternative methods of applying for
24 assistance, including, but not limited to, a mail application,
25 or application sites that are located outside of government
26 offices.

27 Sec. 6. Minnesota Statutes 2004, section 119B.035,
28 subdivision 1, is amended to read:

29 Subdivision 1. [ESTABLISHMENT.] A family in which a parent
30 provides care for the family's infant child may receive a
31 subsidy in lieu of assistance if the family is eligible for or
32 is receiving assistance under the ~~basic-sliding-fee~~ child care
33 assistance program. An eligible family must meet the
34 eligibility factors under section 119B.09, except as provided in
35 subdivision 4, and the requirements of this section. Subject to
36 federal match and maintenance of effort requirements for the

1 child care and development fund, the commissioner shall
2 establish a pool of up to three percent of the annual
3 appropriation for the ~~basic-sliding-fee~~ child care assistance
4 program to provide assistance under the at-home infant child
5 care program and for administrative costs associated with the
6 program. At the end of a fiscal year, the commissioner may
7 carry forward any unspent funds under this section to the next
8 fiscal year within the same biennium for assistance under
9 the ~~basic-sliding-fee~~ child care assistance program.

10 Sec. 7. Minnesota Statutes 2004, section 119B.035,
11 subdivision 2, is amended to read:

12 Subd. 2. [ELIGIBLE FAMILIES.] A family with an infant
13 under the age of one year is eligible for assistance if:

14 (1) the family is not receiving MFIP, other cash
15 assistance, or other child care assistance;

16 (2) the family has not previously received a life-long
17 total of 12 months of assistance under this section; and

18 (3) the family is participating in the ~~basic-sliding-fee~~
19 child care assistance program or provides verification of
20 participating in an authorized activity at the time of
21 application and meets the program requirements.

22 Sec. 8. Minnesota Statutes 2004, section 119B.035,
23 subdivision 4, is amended to read:

24 Subd. 4. [ASSISTANCE.] (a) A family is limited to a
25 lifetime total of 12 months of assistance under subdivision 2.
26 The maximum rate of assistance is equal to 90 percent of the
27 rate established under section 119B.13 for care of infants in
28 licensed family child care in the applicant's county of
29 residence.

30 (b) A participating family must report income and other
31 family changes as specified in the county's plan under section
32 119B.08, subdivision 3.

33 (c) Persons who are admitted to the at-home infant child
34 care program retain their position in any ~~basic-sliding-fee~~
35 child care assistance program. Persons leaving the at-home
36 infant child care program reenter the ~~basic-sliding-fee~~ child

1 care assistance program at the position they would have occupied.

2 (d) Assistance under this section does not establish an
3 employer-employee relationship between any member of the
4 assisted family and the county or state.

5 Sec. 9. Minnesota Statutes 2004, section 119B.035,
6 subdivision 5, is amended to read:

7 Subd. 5. [IMPLEMENTATION.] The commissioner shall
8 implement the at-home infant child care program under this
9 section through counties that administer the ~~basic-sliding-fee~~
10 child care assistance program under ~~section-119B-03~~ this chapter.
11 The commissioner must develop and distribute consumer
12 information on the at-home infant child care program to assist
13 parents of infants or expectant parents in making informed child
14 care decisions.

15 Sec. 10. Minnesota Statutes 2004, section 119B.05,
16 subdivision 5, is amended to read:

17 Subd. 5. [FEDERAL REIMBURSEMENT.] Counties and the state
18 shall maximize their federal reimbursement under federal
19 reimbursement programs for money spent for persons eligible
20 under this chapter. The commissioner shall allocate any federal
21 earnings to the county to be used to expand child care services
22 under this chapter.

23 Sec. 11. Minnesota Statutes 2004, section 119B.08, is
24 amended to read:

25 119B.08 [REPORTING AND PAYMENTS.]

26 Subdivision 1. [REPORTS.] The commissioner shall specify
27 requirements for reports under the same authority as provided to
28 the commissioner of human services in section 256.01,
29 subdivision 2, paragraph (17).

30 Subd. 2. [QUARTERLY PAYMENTS.] The commissioner may make
31 payments to each county in quarterly installments. ~~The~~
32 ~~commissioner may certify an advance up to 25 percent of the~~
33 ~~allocation.~~ Subsequent payments shall be made on a
34 reimbursement basis for reported expenditures and may be
35 adjusted for anticipated spending patterns. Payments may be
36 withheld if quarterly reports are incomplete or untimely.

1 Subd. 3. [CHILD CARE FUND PLAN.] The county and designated
2 administering agency shall submit a biennial child care fund
3 plan to the commissioner. The commissioner shall establish the
4 dates by which the county must submit the plans. The plan shall
5 include:

6 (1) a description of strategies to coordinate and maximize
7 public and private community resources, including school
8 districts, health care facilities, government agencies,
9 neighborhood organizations, and other resources knowledgeable in
10 early childhood development, in particular to coordinate child
11 care assistance with existing community-based programs and
12 service providers including child care resource and referral
13 programs, early childhood family education, school readiness,
14 Head Start, local interagency early intervention committees,
15 special education services, early childhood screening, and other
16 early childhood care and education services and programs to the
17 extent possible, to foster collaboration among agencies and
18 other community-based programs that provide flexible,
19 family-focused services to families with young children and to
20 facilitate transition into kindergarten. The county must
21 describe a method by which to share information, responsibility,
22 and accountability among service and program providers;

23 (2) a description of procedures and methods to be used to
24 make copies of the proposed state plan reasonably available to
25 the public, including members of the public particularly
26 interested in child care policies such as parents, child care
27 providers, culturally specific service organizations, child care
28 resource and referral programs, interagency early intervention
29 committees, potential collaborative partners and agencies
30 involved in the provision of care and education to young
31 children, and allowing sufficient time for public review and
32 comment; and

33 (3) information as requested by the department to ensure
34 compliance with the child care fund statutes and rules
35 promulgated by the commissioner.

36 The commissioner shall notify counties within 90 days of

1 the date the plan is submitted whether the plan is approved or
 2 the corrections or information needed to approve the plan. The
 3 commissioner shall withhold ~~a county's allocation until it has~~
 4 ~~an approved plan. Plans not approved by the end of the second~~
 5 ~~quarter after the plan is due may result in a 25 percent~~
 6 ~~reduction in allocation. Plans not approved by the end of the~~
 7 ~~third quarter after the plan is due may result in a 100 percent~~
 8 ~~reduction in the allocation to the county~~ payments to a county
 9 until it has an approved plan. Counties are to maintain
 10 services despite any ~~reduction in their allocation~~ withholding
 11 of payments due to plans not being approved.

12 Subd. 4. [~~TERMINATION OF ALLOCATION~~ WITHHOLDING OR
 13 REDUCTION OF FUNDS.] The commissioner may withhold, or reduce,
 14 ~~or terminate the allocation of any~~ funds intended to reimburse
 15 counties for child care costs under the child care fund if the
 16 ~~county that does not meet the reporting or other requirements of~~
 17 ~~this program. The commissioner shall reallocate to other~~
 18 ~~counties money so reduced or terminated~~ withholding or reduction
 19 of funds under this subdivision does not relieve counties of
 20 their requirements under this chapter.

21 Sec. 12. Minnesota Statutes 2004, section 119B.09,
 22 subdivision 1, is amended to read:

23 Subdivision 1. [~~GENERAL ELIGIBILITY REQUIREMENTS FOR ALL~~
 24 ~~APPLICANTS FOR CHILD CARE ASSISTANCE.~~] (a) Child care services
 25 must be available to families who need child care to find or
 26 keep employment or to obtain the training or education necessary
 27 to find employment as defined in section 119B.10, and who:

28 ~~(1) meet the requirements of section 119B.05, receive MFIP~~
 29 ~~assistance, and are participating in employment and training~~
 30 ~~services under chapter 256J or 256K,~~

31 ~~(2) have household income below the eligibility levels for~~
 32 ~~MFIP, or~~

33 ~~(3) have household income less than or equal to 175 percent~~
 34 ~~of the federal poverty guidelines, adjusted for family size, at~~
 35 ~~program entry and less than 250 percent of the federal poverty~~
 36 ~~guidelines, adjusted for family size, at program exit.~~

1 (b) Child care services must be made available as in-kind
2 services.

3 (c) All applicants for child care assistance and families
4 currently receiving child care assistance must be assisted and
5 required to cooperate in establishment of paternity and
6 enforcement of child support obligations for all children in the
7 family as a condition of program eligibility. For purposes of
8 this section, a family is considered to meet the requirement for
9 cooperation when the family complies with the requirements of
10 section 256.741.

11 Sec. 13. Minnesota Statutes 2004, section 119B.09,
12 subdivision 4a, is amended to read:

13 Subd. 4a. [TEMPORARY INELIGIBILITY OF MILITARY PERSONNEL.]
14 Counties must reserve a family's position under the child care
15 assistance fund if a family has been receiving child care
16 assistance but is temporarily ineligible for assistance due to
17 increased income from active military service. Activated
18 military personnel may be temporarily ineligible until
19 deactivation. ~~A-county-must-reserve-a-military-family's~~
20 ~~position-on-the-basic-sliding-fee-waiting-list-under-the-child~~
21 ~~care-assistance-fund-if-a-family-is-approved-to-receive-child~~
22 ~~care-assistance-and-reaches-the-top-of-the-waiting-list-but-is~~
23 ~~temporarily-ineligible-for-assistance.~~

24 Sec. 14. Minnesota Statutes 2004, section 119B.09,
25 subdivision 7, is amended to read:

26 Subd. 7. [DATE OF ELIGIBILITY FOR ASSISTANCE.] (a) The
27 date of eligibility for child care assistance under this chapter
28 is the later of the date the application was signed; the
29 beginning date of employment, education, or training; or the
30 date the infant is born for applicants to the at-home infant
31 care program; ~~or-the-date-a-determination-has-been-made-that-the~~
32 ~~applicant-is-a-participant-in-employment-and-training-services~~
33 ~~under-Minnesota-Rules, part-3400.0080, subpart-2a, or chapter~~
34 256F.

35 (b) Payment ceases for a family under the at-home infant
36 child care program when a family has used a total of 12 months

1 of assistance as specified under section 119B.035. ~~Payment-of~~
 2 ~~child-care-assistance-for-employed-persons-on-MFIP-is-effective~~
 3 ~~the-date-of-employment-or-the-date-of-MFIP-eligibility,~~
 4 ~~whichever-is-later.~~ Payment of child care assistance for MFIP
 5 or DWP participants in employment and training services is
 6 effective the date of commencement of the services or the date
 7 of MFIP or DWP eligibility, whichever is later. ~~Payment-of~~
 8 ~~child-care-assistance-for-transition-year-child-care-must-be~~
 9 ~~made-retroactive-to-the-date-of-eligibility-for-transition-year~~
 10 ~~child-care.~~

11 Sec. 15. Minnesota Statutes 2004, section 119B.10, is
 12 amended to read:

13 119B.10 [EMPLOYMENT OR TRAINING ELIGIBILITY.]

14 Subdivision 1. [ASSISTANCE FOR PERSONS SEEKING AND
 15 RETAINING EMPLOYMENT.] (a) Persons who are seeking employment
 16 and who are eligible for assistance under this section chapter
 17 are eligible to receive up to 240 hours of child care assistance
 18 per calendar year.

19 (b) Employed persons who work at least an average of 20
 20 hours and full-time students who work at least an average of ten
 21 hours a week and receive at least a minimum wage for all hours
 22 worked are eligible for continued child care assistance for
 23 employment. For purposes of this section, work-study programs
 24 must be counted as employment. Child care assistance during
 25 employment must be authorized as provided in paragraphs (c) and
 26 (d).

27 (c) When the person works for an hourly wage and the hourly
 28 wage is equal to or greater than the applicable minimum wage,
 29 child care assistance shall be provided for the actual hours of
 30 employment, break, and mealtime during the employment and travel
 31 time up to two hours per day.

32 (d) When the person does not work for an hourly wage, child
 33 care assistance must be provided for the lesser of:

34 (1) the amount of child care determined by dividing gross
 35 earned income by the applicable minimum wage, up to one hour
 36 every eight hours for meals and break time, plus up to two hours

1 per day for travel time; or

2 (2) the amount of child care equal to the actual amount of
3 child care used during employment, including break and mealtime
4 during employment, and travel time up to two hours per day.

5 Subd. 1a. [ASSISTANCE FOR PERSONS PARTICIPATING IN
6 EMPLOYMENT PLAN.] The following persons are also eligible for
7 child care assistance:

8 (1) persons who are participating in employment orientation
9 or job search, or other employment or training activities that
10 are included in an approved employability development plan under
11 chapter 256K;

12 (2) persons who are participating in work, job search, job
13 support, employment, or training activities as required in their
14 job search support or employment plan or in appeals, hearings,
15 assessments, or orientations according to chapter 256J;

16 (3) persons who are participating in social services
17 activities under chapter 256J or 256K as required in their
18 employment plan approved according to chapter 256J or 256K; and

19 (4) families who are participating in programs as required
20 in tribal contracts under section 119B.02, subdivision 2, or
21 256.01, subdivision 2.

22 Subd. 2. [FINANCIAL ELIGIBILITY REQUIRED.] Persons
23 participating in employment programs, training programs, or
24 education programs are eligible for continued assistance from
25 the child care fund, if they are financially eligible under the
26 sliding fee scale set by the commissioner in section 119B.12.

27 Subd. 3. [CHILD CARE ASSISTANCE DURING EDUCATION.] (a) The
28 following persons are eligible for child care assistance for
29 education or training:

30 (1) persons who meet the requirements of section 119B.09
31 who are enrolled in remedial or basic education or English as a
32 second language, or persons up to the age of 19 who are enrolled
33 in an educational program to attain a high school diploma or
34 general equivalency diploma;

35 (2) persons who meet the requirements of this section and
36 section 119B.09 who receive child care assistance to reduce the

1 costs of child care for education when employed an average of at
2 least ten hours per week under subdivision 1, and are not
3 receiving MFIP benefits as defined in section 119B.011,
4 subdivision 17; and

5 (3) persons who meet the requirements of this section and
6 section 119B.09 who receive child care assistance to reduce the
7 costs of child care for education when enrolled in a
8 postsecondary educational institution as a full-time
9 undergraduate student, and are not receiving MFIP benefits as
10 defined in section 119B.011, subdivision 17.

11 (b) Notwithstanding subdivisions 5 and 6, assistance for
12 persons under paragraph (a), clause (3), is limited to 48 months
13 or the length of time necessary to complete the degree,
14 whichever is shorter.

15 Subd. 4. [SATISFACTORY PROGRESS.] Students enrolled in an
16 education program under section 119B.011, subdivision 11, must
17 be making satisfactory progress toward completion of the program
18 as stipulated in the school's satisfactory progress policy.

19 Subd. 5. [LIMITING DURATION OF TRAINING.] Counties may not
20 limit the duration of child care subsidies for a person in an
21 employment or educational program except when the person is
22 found to be ineligible under the child care fund eligibility
23 standards. Any limitation must be based on a person's
24 employment plan in the case of an MFIP participant.

25 Subd. 6. [MAXIMUM LENGTH OF TIME FOR TRAINING.] The
26 maximum length of time a participant is eligible for child care
27 assistance under the child care fund for education and training
28 is no more than the maximum time allowed to complete the credit
29 requirements for an associate or baccalaureate degree as
30 stipulated in the school's satisfactory progress policy. This
31 length of time excludes basic or remedial education programs,
32 English as a second language, high school, and general
33 equivalency diploma programs needed to prepare for postsecondary
34 education or employment.

35 Subd. 7. [MFIP STUDENT MOVES TO ANOTHER COUNTY.] If an
36 MFIP participant who is receiving child care assistance under

1 this chapter moves to another county, continues to participate
2 in educational or training programs authorized in the MFIP
3 participant's employment plans, and continues to be eligible for
4 child care assistance under this chapter, the MFIP participant
5 must receive continued child care assistance from the county
6 responsible for the MFIP participant's current employment plan
7 under section 256G.07.

8 Sec. 16. Minnesota Statutes 2004, section 119B.11,
9 subdivision 1, is amended to read:

10 Subdivision 1. [COUNTY CONTRIBUTIONS REQUIRED.] (a) In
11 addition to payments from ~~basic-sliding-fee~~ child care
12 assistance program participants, each county shall contribute
13 from county tax or other sources a fixed local match equal to
14 its calendar year 1996 required county contribution reduced by
15 the administrative funding loss that would have occurred in
16 state fiscal year 1996 under section 119B.15. The commissioner
17 shall recover funds from the county as necessary to bring county
18 expenditures into compliance with this subdivision. The
19 commissioner may accept county contributions, including
20 contributions above the fixed local match, in order to make
21 state payments.

22 (b) The commissioner may accept payments from counties to:

23 (1) fulfill the county contribution as required under
24 subdivision 1;

25 (2) pay for services authorized under this chapter beyond
26 those paid for with federal or state funds or with the required
27 county contributions; or

28 (3) pay for child care services in addition to those
29 authorized under this chapter, as authorized under other
30 federal, state, or local statutes or regulations.

31 (c) The county payments must be deposited in an account in
32 the special revenue fund. Money in this account is appropriated
33 to the commissioner for child care assistance under this chapter
34 and other applicable statutes and regulations and is in addition
35 to other state and federal appropriations.

36 Sec. 17. Minnesota Statutes 2004, section 119B.12,

1 subdivision 2, is amended to read:

2 Subd. 2. [PARENT FEE.] A family must be assessed a parent
3 fee for each service period. A family's parent fee must be a
4 fixed percentage of its annual gross income. Parent fees must
5 apply to families eligible for child care assistance under
6 ~~sections 119B.03 and 119B.05~~ section 119B.09. Income must be as
7 defined in section 119B.011, subdivision 15. The fixed percent
8 is based on the relationship of the family's annual gross income
9 to 100 percent of the annual federal poverty guidelines. Parent
10 fees must begin at 75 percent of the poverty level. The minimum
11 parent fees for families between 75 percent and 100 percent of
12 poverty level must be \$10 per month. Parent fees must provide
13 for graduated movement to full payment.

14 Sec. 18. Minnesota Statutes 2004, section 119B.13, is
15 amended by adding a subdivision to read:

16 Subd. 7. [QUALIFIED EARLY CARE AND LEARNING PROVIDER
17 BONUS.] (a) A family child care provider or child care center
18 shall be paid a 20 percent bonus above the maximum rate
19 established under subdivision 1, if the provider or center
20 provides qualified early care and learning, up to the actual
21 provider or center rate. No less than 60 percent of a bonus
22 paid to a provider or center must be distributed to staff in the
23 form of increased wages. The commissioner shall implement a
24 system to verify that no less than 60 percent of a bonus paid to
25 a provider or center has been used to increase staff wages.

26 (b) For the purposes of this section, "qualified early care
27 and learning provider" means a family child care provider or
28 child care center that:

29 (1) is licensed under section 245A.03;

30 (2) meets state-specific performance criteria above the
31 minimum licensing requirements that include benchmarks for adult
32 and child relationships and interactions, the use of
33 developmentally, culturally, and linguistically appropriate and
34 effective teaching curriculum that enhances each child's
35 learning and development, periodic self-assessment, teaching
36 staff qualifications and professional development, family

1 involvement and parent instruction, staff stability, and proper
2 personnel, fiscal, and program management; and

3 (3) is a center that provides legal child care services as
4 defined under section 245A.03 and is accredited by the National
5 Association for the Education of Young Children, the Council on
6 Accreditation, the National Early Childhood Program
7 Accreditation, the National School-Age Care Association, or the
8 National Head Start Association Program of Excellence; or

9 (4) is an individual who provides legal child care services
10 as defined under section 245A.03 who has earned a child
11 development associate degree, a diploma in child development
12 from a Minnesota state technical college, or a bachelor's degree
13 in early childhood education from an accredited college or
14 university, or who is accredited by the National Association for
15 Family Child Care, or the Competency Based Training and
16 Assessment Program.

17 (c) The commissioner shall create the state-specific
18 performance criteria under paragraph (b), clause (2), and report
19 to the house and senate committees with jurisdiction over child
20 care assistance by February 1, 2006. The curricular standards
21 must be in accordance with any state prekindergarten readiness
22 standards.

23 Sec. 19. Minnesota Statutes 2004, section 119B.13, is
24 amended by adding a subdivision to read:

25 Subd. 8. [TIERED REIMBURSEMENT.] The commissioner may
26 establish additional tiers of child care assistance
27 reimbursement based on multiple levels of quality and licensure.

28 Sec. 20. Minnesota Statutes 2004, section 119B.15, is
29 amended to read:

30 119B.15 [ADMINISTRATIVE EXPENSES.]

31 The commissioner shall use up to 1/21 of the state and
32 federal funds available for the ~~basic-sliding-fee-program-and~~
33 ~~1/21-of-the-state-and-federal-funds-available-for-the-MFIP~~ child
34 care assistance program for ~~payments-to-counties-for~~
35 ~~administrative-expenses~~ the administrative costs of the delivery
36 of direct services.

1 Sec. 21. Minnesota Statutes 2004, section 119B.24, is
2 amended to read:

3 119B.24 [DUTIES OF COMMISSIONER.]

4 In addition to the powers and duties already conferred by
5 law, the commissioner of human services shall:

6 (1) administer the child care fund~~7-including-the-basic~~
7 ~~sliding-fee-program~~ authorized under sections 119B.011 to
8 119B.16;

9 (2) monitor the child care resource and referral programs
10 established under section 119B.19; and

11 (3) encourage child care providers to participate in a
12 nationally recognized accreditation system for early childhood
13 and school-age care programs. Subject to approval by the
14 commissioner, family child care providers and early childhood
15 and school-age care programs shall be reimbursed for one-half of
16 the direct cost of accreditation fees, upon successful
17 completion of accreditation.

18 Sec. 22. [DIRECTION TO COMMISSIONER OF FINANCE.]

19 The state obligation for the child care assistance program
20 under Minnesota Statutes, chapter 119B, must be included in the
21 Department of Finance February and November forecast of state
22 revenues and expenditures under Minnesota Statutes, section
23 16A.103, beginning with the November 2005 forecast.

24 Sec. 23. [APPROPRIATION.]

25 (a) The sums indicated in this section are appropriated
26 from the general fund to the commissioner of human services for
27 the purpose of providing grants to legal, unlicensed child care
28 providers to aid them in becoming licensed under Minnesota
29 Statutes, section 245A.03:

30 \$

31 \$

32 (b) For each year, 85 percent of the appropriation must be
33 distributed to counties to provide grants to legal unlicensed
34 child care providers to aid them in becoming licensed under
35 Minnesota Statutes, section 245A.03. The remaining 15 percent
36 of the appropriation in each year must be distributed to the

1 commissioner to aid legal unlicensed child care providers in
2 geographic areas of the state where insufficient child care
3 resources exist to become licensed under Minnesota Rules,
4 chapter 9502.

5 Sec. 24. [REVISOR INSTRUCTION.]

6 In the next bound edition of Minnesota Statutes and
7 Minnesota Rules, the revisor shall renumber the statutory
8 section in column A with the section in column B, and make
9 necessary cross-reference changes consistent with the
10 renumbering:

	<u>Column A</u>	<u>Column B</u>
11		
12	<u>119B.035</u>	<u>119B.105</u>
13	<u>119B.05, subd. 4</u>	<u>119B.03, subd. 11</u>
14	<u>119B.05, subd. 5</u>	<u>119B.03, subd. 13</u>

15 Sec. 25. [REPEALER.]

16 Minnesota Statutes 2004, sections 119B.011, subdivisions 20
17 and 20a; 119B.03, subdivisions 1, 2, 4, 5, 6, 6a, 6b, and 8;
18 119B.05, subdivision 1; 119B.07; 119B.09, subdivision 3; and
19 119B.11, subdivision 4, are repealed.

APPENDIX
Repealed Minnesota Statutes for 05-2598

119B.011 DEFINITIONS.

Subd. 20. **Transition year families.** "Transition year families" means families who have received MFIP assistance, or who were eligible to receive MFIP assistance after choosing to discontinue receipt of the cash portion of MFIP assistance under section 256J.31, subdivision 12, or families who have received DWP assistance under section 256J.95 for at least three of the last six months before losing eligibility for MFIP or DWP. Transition year child care may be used to support employment or job search. Transition year child care is not available to families who have been disqualified from MFIP or DWP due to fraud.

Subd. 20a. **Transition year extension families.** "Transition year extension families" means families who have completed their transition year of child care assistance under this subdivision and who are eligible for, but on a waiting list for, services under section 119B.03. For purposes of sections 119B.03, subdivision 3, and 119B.05, subdivision 1, clause (2), families participating in extended transition year shall not be considered transition year families. Transition year extension child care may be used to support employment or a job search that meets the requirements of section 119B.10 for the length of time necessary for families to be moved from the basic sliding fee waiting list into the basic sliding fee program.

119B.03 BASIC SLIDING FEE PROGRAM.

Subdivision 1. **Allocation period; notice of allocation.** When the commissioner notifies county and human service boards of the forms and instructions they are to follow in the development of their child care fund plans required under section 119B.08, subdivision 3, the commissioner shall also notify county and human services boards of their estimated child care fund program allocation for the two years covered by the plan. By October 1 of each year, the commissioner shall notify all counties of their final child care fund program allocation.

Subd. 2. **Waiting list.** Each county that receives funds under this section must keep a written record and report to the commissioner the number of eligible families who have applied for a child care subsidy or have requested child care assistance. Counties shall perform a preliminary determination of eligibility when a family requests child care assistance. At a minimum, a county must make a preliminary determination of eligibility based on family size, income, and authorized activity. A family seeking child care assistance must provide the required information to the county. A family that appears to be eligible must be put on a waiting list if funds are not immediately available. The waiting list must identify students in need of child care. Counties must review and update their waiting list at least every six months.

Subd. 4. **Funding priority.** (a) First priority for child care assistance under the basic sliding fee program must be given to eligible non-MFIP families who do not have a high school or general equivalency diploma or who need remedial and basic skill courses in order to pursue employment or to pursue education leading to employment and who need child care assistance to participate in the education program. Within this priority, the following subpriorities must be used:

- (1) child care needs of minor parents;
- (2) child care needs of parents under 21 years of age; and
- (3) child care needs of other parents within the priority

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group described in this paragraph.

(b) Second priority must be given to parents who have completed their MFIP or DWP transition year, or parents who are no longer receiving or eligible for diversionary work program supports.

(c) Third priority must be given to families who are eligible for portable basic sliding fee assistance through the portability pool under subdivision 9.

(d) Families under paragraph (b) must be added to the basic sliding fee waiting list on the date they begin the transition year under section 119B.011, subdivision 20, and must be moved into the basic sliding fee program as soon as possible after they complete their transition year.

Subd. 5. Review of use of funds; reallocation. (a) After each quarter, the commissioner shall review the use of basic sliding fee program allocations by county. The commissioner may reallocate unexpended or unencumbered money among those counties who have expended their full allocation or may allow a county to expend up to ten percent of its allocation in the subsequent allocation period.

(b) Any unexpended state and federal appropriations from the first year of the biennium may be carried forward to the second year of the biennium.

Subd. 6. Allocation formula. The basic sliding fee state and federal funds shall be allocated on a calendar year basis. Funds shall be allocated first in amounts equal to each county's guaranteed floor according to subdivision 8, with any remaining available funds allocated according to the following formula:

(a) One-fourth of the funds shall be allocated in proportion to each county's total expenditures for the basic sliding fee child care program reported during the most recent fiscal year completed at the time of the notice of allocation.

(b) One-fourth of the funds shall be allocated based on the number of families participating in the transition year child care program as reported during the most recent quarter completed at the time of the notice of allocation.

(c) One-fourth of the funds shall be allocated in proportion to each county's most recently reported first, second, and third priority waiting list as defined in subdivision 2.

(d) One-fourth of the funds must be allocated in proportion to each county's most recently reported waiting list as defined in subdivision 2.

Subd. 6a. Allocation due to increased funding. When funding increases are implemented within a calendar year, every county must receive an allocation at least equal to its original allocation for the same time period. The remainder of the allocation must be recalculated to reflect the funding increase, according to formulas identified in subdivision 6.

Subd. 6b. Allocation due to decreased funding. When funding decreases are implemented within a calendar year, county allocations must be reduced in an amount proportionate to the reduction in the total allocation for the same time period. This applies when a funding decrease necessitates the revision of an existing calendar year allocation.

Subd. 8. Guaranteed floor. (a) Beginning January 1, 1996, each county's guaranteed floor shall equal 90 percent of the allocation received in the preceding calendar year. For the

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period January 1, 1999, to December 31, 1999, each county's guaranteed floor must be equal to its original calendar year 1998 allocation or its actual earnings for calendar year 1998, whichever is less.

(b) When the amount of funds available for allocation is less than the amount available in the previous year, each county's previous year allocation shall be reduced in proportion to the reduction in the statewide funding, for the purpose of establishing the guaranteed floor.

119B.05 MFIP CHILD CARE ASSISTANCE PROGRAM.

Subdivision 1. **Eligible participants.** Families eligible for child care assistance under the MFIP child care program are:

(1) MFIP participants who are employed or in job search and meet the requirements of section 119B.10;

(2) persons who are members of transition year families under section 119B.011, subdivision 20, and meet the requirements of section 119B.10;

(3) families who are participating in employment orientation or job search, or other employment or training activities that are included in an approved employability development plan under section 256J.95;

(4) MFIP families who are participating in work job search, job support, employment, or training activities as required in their employment plan, or in appeals, hearings, assessments, or orientations according to chapter 256J;

(5) MFIP families who are participating in social services activities under chapter 256J as required in their employment plan approved according to chapter 256J;

(6) families who are participating in programs as required in tribal contracts under section 119B.02, subdivision 2, or 256.01, subdivision 2; and

(7) families who are participating in the transition year extension under section 119B.011, subdivision 20a.

119B.07 USE OF MONEY.

(a) Money for persons listed in sections 119B.03, subdivision 3, and 119B.05, subdivision 1, shall be used to reduce the costs of child care for students, including the costs of child care for students while employed if enrolled in an eligible education program at the same time and making satisfactory progress towards completion of the program. Counties may not limit the duration of child care subsidies for a person in an employment or educational program, except when the person is found to be ineligible under the child care fund eligibility standards. Any limitation must be based on a person's employment plan in the case of an MFIP participant, and county policies included in the child care fund plan. The maximum length of time a student is eligible for child care assistance under the child care fund for education and training is no more than the time necessary to complete the credit requirements for an associate or baccalaureate degree as determined by the educational institution, excluding basic or remedial education programs needed to prepare for postsecondary education or employment.

(b) To be eligible, the student must be in good standing and be making satisfactory progress toward the degree. Time limitations for child care assistance do not apply to basic or remedial educational programs needed to prepare for postsecondary education or employment. These programs

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include: high school, general equivalency diploma, and English as a second language. Programs exempt from this time limit must not run concurrently with a postsecondary program. If an MFIP participant who is receiving MFIP child care assistance under this chapter moves to another county, continues to participate in educational or training programs authorized in their employment plans, and continues to be eligible for MFIP child care assistance under this chapter, the MFIP participant must receive continued child care assistance from the county responsible for their current employment plan, under section 256G.07.

119B.09 FINANCIAL ELIGIBILITY.

Subd. 3. **Priorities; allocations.** If a county projects that its child care allocation is insufficient to meet the needs of all eligible families, it may prioritize among the families that remain to be served after the county has complied with the priority requirements of section 119B.03. Counties that have established a priority for families who are not MFIP participants beyond those established under section 119B.03 must submit the policy in the annual child care fund plan.

119B.11 COUNTY CONTRIBUTION.

Subd. 4. **Maintenance of funding effort.** To receive money through this program, each county shall certify, in its annual plan to the commissioner, that the county has not reduced allocations from other federal and state sources, which, in the absence of the child care fund, would have been available for child care assistance. However, the county must continue contributions, as necessary, to maintain on the basic sliding fee program, families who are receiving assistance on July 1, 1995, until the family loses eligibility for the program or until a family voluntarily withdraws from the program. This subdivision does not affect the local match required for this program under other sections of the law.

1 Senator moves to amend S.F. No. 1792 as follows:

2 Page 11, line 10, delete everything after "approved" and,
3 insert "employment plan; or persons who are participating in
4 appeals, hearings,"

5 Page 11, delete lines 11 to 14

6 Page 11, line 16, delete "(3)" and insert "(2)"

7 Page 11, line 17, delete everything after "256J"

8 Page 11, line 18, delete everything before the semicolon

9 Page 11, line 19, delete "(4)" and insert "(3)"

10 Page 11, line 27, delete "(a)"

11 Page 12, line 1, after "when" insert "enrolled in a
12 postsecondary educational institution as a part-time
13 undergraduate student, who are"

14 Page 12, line 2, delete "under subdivision 1"

15 Page 12, delete lines 11 to 14

16 Page 12, delete lines 19 to 34 and insert:

17 "Subd. 5. [MAXIMUM LENGTH OF TIME FOR TRAINING.] The
18 maximum length of time a participant is eligible for child care
19 assistance under the child care fund for education and training
20 is limited to 48 months or no more than the maximum time
21 required to complete the credit requirements for an associate or
22 baccalaureate degree as stipulated in the school's satisfactory
23 progress policy, whichever is shorter. This length of time
24 excludes basic or remedial education programs, English as a
25 second language, high school, and general equivalency diploma
26 programs needed to prepare for postsecondary education or
27 employment. Counties may not impose further limits on the
28 duration of child care subsidies for a person in an employment
29 or educational program except when the person is found to be
30 ineligible under the child care fund eligibility standards. In
31 the case of an MFIP participant, any limitation must be based on
32 a person's employment plan."

33 Page 12, line 35, delete "7" and insert "6"

Fiscal Note – 2005-06 Session

Bill #: S1792-0 **Complete Date:** 03/31/05

Chief Author: HOTTINGER, JOHN

Title: MFIP & SLIDING FEE CHILD CARE PRGMS

Fiscal Impact	Yes	No
State	X	
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

Agency Name: Human Services Dept

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
General Fund	0	151,632	300,834	348,489	370,491
Less Agency Can Absorb					
General Fund	0	3	0	0	0
Net Expenditures					
General Fund	0	151,629	300,834	348,489	370,491
Revenues					
General Fund	0	54	27	27	27
Net Cost <Savings>					
General Fund	0	151,575	300,807	348,462	370,464
Total Cost <Savings> to the State	0	151,575	300,807	348,462	370,464

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalent					
General Fund	0.00	1.50	1.00	1.00	1.00
Total FTE	0.00	1.50	1.00	1.00	1.00

NARRATIVE: SF 1792/HF 1235

Bill Description

This bill consolidates the MFIP/TY and Basic Sliding Fee subprograms into one program. The income eligibility level for both program entry and exit would be 250% FPG. There are no changes made in the copayment schedule. Authorized activities would be similar to current law. Education would be allowed for all families who are not on MFIP. This bill changes the limits currently in place for education and expands funds available for the At-Home Infant Care (AHIC) program. The state obligation for the child care assistance program must be included in the state forecast beginning in November 2005.

Section 18 creates a "Qualified Early Care and Learning Bonus of 20 percent above the maximum rate (not to exceed the actual provider or center charge) to family child care providers or child care centers, if the provider or center provides qualified early care and learning. No less than 60 percent of a bonus paid to a provider or center must be distributed to staff in the form of increased wages. It also identifies criteria to be considered a "qualified early care and learning provider," requires DHS to create the state-specific performance criteria for becoming qualified, and provides DHS with the flexibility to establish multiple tiers of reimbursement for providers based on multiple levels of quality and licensure.

Section 23 provides grants to legal, unlicensed child care providers to aid them in becoming licensed.

Assumptions

See attached Sections 1 – 22

Section 18, subd. 7 There would be administrative costs associated with establishing state-specific performance criteria above the minimum licensing standards and to document and monitor whether or not providers qualify for the bonus. This fiscal analysis assumes that the department would not implement multiple levels of reimbursement based on multiple levels of quality. The department is in the process of establishing the types of curriculum and assessment that align with the age 3-5 Early Childhood Indicators of Progress, therefore there would be no additional cost for this provision.

The cost to establish performance criteria and provide ongoing support would require 1 ongoing FTE and 1 temporary FTE, plus \$25,000 for a contractor to facilitate a task force and produce the report for the legislature.

1.5 FTE estimated cost in 2006 would be \$135,600
1 FTE ongoing would be \$68,200 beginning in 2007
Contractor costs to work with task Force and write report: \$25,000

The cost to document and monitor whether or not providers qualify for the bonus would require \$300,000 each year to contract with Child Care Resource & Referral Agencies to perform this function. This estimate assumes that approximately 10% of providers would be eligible for and participate in qualifying for this bonus. Costs to administer this would increase if the percentage of providers is higher than 10%.

Total Administrative costs in 2006: \$460,600
Total Ongoing Administrative Costs beginning in 2007: \$368,200

Section 23 Legal, unlicensed child care providers would be eligible to receive grants to aid them in becoming licensed. 85% of the grant dollars would be distributed to counties to provide the grants. The remaining 15% of the grant dollars would be distributed to the commissioner to aid legal unlicensed child care providers in geographic areas of the state where insufficient child care resources exist.

Funding would be dependent on the amount appropriated for this purpose and would be distributed through the existing regional Child Care Resource and Referral system.

Expenditure and/or Revenue Formula

A change in the current child care assistance computer system would need to be made to implement this bill. The cost would be \$6,000, of which 55% or \$3,300 would be the state share and would be absorbed by the department.

Summary of Administrative Expenditures	SFY 2006	SFY 2007	SFY 2008	SFY 2009
--	----------	----------	----------	----------

1.5 FTEs (eligible for 40% FFP)	\$135,600	68,200	68,200	68,200
Contractor	25,000	0	0	0
CCR&R Contracts	300,000	300,000	300,000	300,000
Total General Fund Expenditures	460,600	368,200	368,200	368,200
Less general fund revenue : non-dedicated federal financial participation (FFP) @ 40% on DHS Admin Costs	54,240	27,280	27,280	27,280
Net General Fund Share	\$406,360	340,920	340,920	340,920

Long-term Fiscal Considerations

Local Government Costs

References/Sources

Shawn Welch,
 Reports & Forecasts Division
 MN Dept of Human Services
 651.282.3932

Barb Yates,
 Community Partnerships
 MN Dept. of Human Services
 651.282.3804

Minnesota
 CHILD CARE ASSISTANCE PROGRAM
 Fiscal Analysis of Senate File 1792

This bill would consolidate the MFIP, Transition Year, and Basic Sliding Fee child care programs to create a forecasted entitlement child care program called the Child Care Assistance Program (CCAP). Under current law, MFIP and Transition Year are forecasted and the Basic Sliding Fee program is a capped appropriation that is allocated to counties.

To estimate the marginal impact of moving from a child care program that does not guarantee subsidies to one that does guarantee subsidies for all eligible applicant families, this fiscal analysis implicitly assumes a demand-side model. Under such a model, a family will take-up child care subsidies if the expected benefit exceeds the expected cost of the subsidies. Expected benefits include the subsidy amount and any non-monetary benefits like perceived improvement in child well-being. Expected costs are also monetary and non-monetary and can include copayments, transaction costs, stigma attached to subsidy receipt, or, for some, a requirement to comply with child support enforcement. A shift to guaranteed subsidies increases the expected benefits for all potentially eligible families by increasing the probability of receipt upon application while simultaneously decreasing the transaction costs by, for example, eliminating expected time on a waiting list. Thus, we project higher enrollment under a consolidated program with guaranteed subsidies relative to the current law child care program. This is true even in income ranges in which potential subsidy recipients are eligible for child care assistance but choose not to apply for the current non-guaranteed program.

Based on 2000 Census data, it is estimated that approximately 152,000 families in Minnesota would be potentially eligible for the consolidated child care program (i.e. they have income under 250% FPG, have at least one child under 13 years old, and all adults are working at least 20 hours per week). The estimates of take-up rates for child care subsidies are based on the actual experience of two states with guaranteed subsidy programs, Rhode Island and Wisconsin. Estimates of potential take-up rates for Minnesota relative to these comparison states are based on two primary factors: 1) the difference in monthly out-of-pocket expenses for families (i.e. copays and any amount charged by providers above the maximum CCAP reimbursement rate), and 2) differing requirements regarding compliance with child support enforcement. For comparison purposes, Rhode Island requires lower out-of-pocket expenses relative to Minnesota and does not require cooperation with child support (while Minnesota does require such cooperation). On the other hand, Wisconsin requires higher out-of-pocket expenses relative to Minnesota and does require cooperation with child support. Thus, it is expected that Minnesota's subsidy take-up rate would lie somewhere between the take-up rates of Rhode Island and Wisconsin. Using estimated take-up rates for Rhode Island and Wisconsin based on National Bureau of Economic Research and Urban Institute data, an income distribution of current child care caseload based on DHS sample data, and a comparison of the copay schedules for the three states, it is estimated that the average take-up rate for guaranteed child care subsidies in Minnesota would be

about 29% of the potential eligible population. This implies about 45,000 average monthly child care assistance families under a consolidated program with guaranteed subsidies. Average monthly payments are estimated to be similar to current law projections in the February 2005 forecast.

Note that this fiscal analysis assumes current law with respect to maximum reimbursement rates and average monthly child care payments. Specifically, it assumes the maximum rate freeze sunsets June 30, 2005. This fiscal analysis also does not make any adjustments for families who are not currently working (and are therefore not included in our Census data), who may choose to add work or education if guaranteed child care subsidies became available. This fiscal analysis also makes no adjustment for additional families who may choose to stay home if At Home Infant Care availability were expanded.

Finally, this fiscal note adjusts the marginal cost of consolidation by the amount of additional child support collections used to offset program expenditures. These additional child support collections are estimated to be around \$6.4 million per year.

The effective date is assumed to be July 1, 2005. A full year phase-in for new consolidated child care families is assumed in FY2006 that also affects payments in FY2007 due to billing lags.

	FY2006	FY2007	FY2008	FY2009
Avg monthly families in consolidated program	44,675	44,797	44,732	44,716
Average monthly consolidated payment	\$962	\$1,009	\$1,060	\$1,110
Phase-in	70%	95%	100%	100%
Total annual cost of consolidated program	\$360,886,511	\$514,883,850	\$569,243,749	\$595,594,560
Base February 2005 child care forecast	\$206,190,207	\$213,512,843	\$220,757,748	\$225,382,097
Marginal cost of consolidation	\$154,696,304	\$301,371,008	\$348,486,001	\$370,212,463
Additional child support offset	(\$6,417,710)	(\$6,401,451)	(\$6,412,109)	(\$6,414,637)
Net cost of consolidation	\$148,278,593	\$294,969,557	\$342,073,892	\$363,797,826

Section 18. Qualified Early Care and Learning Provider.

This section provides a rate differential up to 20% above the maximum rate, not to exceed the provider's charge, for any provider that meets the definition of a "qualified early care and learning provider". This would allow higher CCAP payments for certain child care providers.

Based on Minnesota specific data in a study by the National Association of Child Care Referral and Resource Agencies, it is assumed that approximately 10% of children in the child care assistance program are using providers that would be eligible for this rate differential. It is also assumed that 50% of accredited providers charge above the maximum CCAP reimbursement rate and would therefore be eligible for this differential. This represents twice the expected rate of all providers given that maximum reimbursement rates are set at the 75th percentile under current law. For FY2006, a 20% differential above the maximum rate is estimated to be about \$100 per month.

This fiscal note adjusts the average monthly number of families in the consolidated program during FYs2006-07 based on the phase-in of the consolidated program.

The effective date is assumed to be July 1, 2005. This rate change will impact individual providers at redetermination, leading to a 6-month phase-in.

	FY2006	FY2007	FY2008	FY2009
Avg monthly families in consolidated program	31,271	42,534	44,732	44,716
Average children per family	1.86	1.86	1.86	1.86
Avg monthly children in consolidated program	58,039	78,944	83,023	82,994
Percent using accredited child care providers	10%	10%	10%	10%
Avg monthly children with accredited providers	6,045	8,223	8,648	8,645
Percent above maximum rate	50%	50%	50%	50%
Avg monthly children at higher rate	3,023	4,111	4,324	4,322
Monthly rate differential	\$101	\$106	\$111	\$116
Phase-in	75%	100%	100%	100%
Total direct service cost	\$2,752,266	\$5,235,012	\$5,758,934	\$6,023,720
County administrative allowance	\$137,613	\$261,751	\$287,947	\$301,186
Total cost for rate differential	\$2,889,879	\$5,496,763	\$6,046,881	\$6,324,906

Fiscal Summary	FY2006	FY2007	FY2008	FY2009

(in thousands)

Consolidation	\$148,279	\$294,970	\$342,074	\$363,798
Rate differential	\$2,890	\$5,497	\$6,047	\$6,325
	-----	-----	-----	-----
Total Cost	\$151,169	\$300,466	\$348,121	\$370,123

Agency Contact Name: Jenny Ehrnst 282-2595
 FN Coord Signature: STEVE BARTA
 Date: 03/31/05 Phone: 296-5685

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: KATIE BURNS
 Date: 03/31/05 Phone: 296-7289

**Senate Counsel, Research,
and Fiscal Analysis**

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Senate

State of Minnesota

**S.F. No. 2026 - Child Care Providers Reimbursement
Decreases Restoration**

Author: Senator Gary Kubly

Prepared by: Joan White, Senate Counsel (651/296-3814)

Date: April 4, 2005



S.F. No. 2026 provides retroactive relief to child care providers who experienced a decrease in rates when the rates were frozen in 2003. This bill requires counties or the state to reimburse providers who received a decreased reimbursement rate beginning July 1, 2005, for the difference in rates.

JW:rdr

Senators Kubly and Koering introduced--

S.F. No. 2026: Referred to the Committee on Finance.

1 A bill for an act

2 relating to human services; modifying child care
3 provider rates; amending Laws 2003, First Special
4 Session chapter 14, article 9, section 34.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

6 Section 1. Laws 2003, First Special Session chapter 14,
7 article 9, section 34, is amended to read:

8 Sec. 34. [DIRECTION TO COMMISSIONER; PROVIDER RATES.]

9 (a) The provider rates determined under Minnesota Statutes,
10 section 119B.13, for fiscal year 2003 and implemented on July 1,
11 2002, are to be continued in effect through June 30, 2005.

12 Retroactive to July 1, 2003, no provider shall be reimbursed at
13 a rate less than the rate in effect on June 30, 2003. Counties
14 or the state shall reimburse providers who received a decreased
15 reimbursement rate beginning July 1, 2003, for the difference in
16 rates.

*out of the
\$ for this
purpose,*

17 (b) The commissioner of human services is directed to
18 evaluate the costs of child care in Minnesota, to examine the
19 differences in the cost of child care in rural and metropolitan
20 areas, and to make recommendations to the legislature for
21 containing future cost increases in the child care program under
22 Minnesota Statutes, chapter 119B, in a manner that complies with
23 federal child care and development block grant requirements for
24 promoting parental choice and permits the department to track
25 the effect of rate changes on child care assistance program

1 costs, the availability of different types of care throughout
2 the state, the length of waiting lists, and the care options
3 available to program participants. The commissioner shall also
4 examine the allocation formula under Minnesota Statutes, section
5 119B.03, and make recommendations to the legislature in order to
6 create a more equitable formula. The commissioner shall
7 consider the impact any recommendations might have on work
8 incentives for low and middle income families and possible
9 changes to MFIP child care, basic sliding fee child care, and
10 the dependent care tax credit. The commissioner shall make
11 recommendations to the legislature by January 15, 2005.

12 The commissioner shall also study the relationship between
13 child care assistance subsidies and tax credits or tax
14 incentives related to child care expenses, and include this
15 information in the January 15, 2005, report to the legislature
16 under this section.

Fiscal Note – 2005-06 Session

Bill #: S2026-0 **Complete Date:** 03/08/05

Chief Author: KUBLY, GARY

Title: CHILD CARE PROVIDER RATES MODIFIED

Fiscal Impact	Yes	No
State	X	
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

Agency Name: Human Services Dept

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
General Fund	0	466	0	0	0
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
General Fund	0	466	0	0	0
Revenues					
-- No Impact --					
Net Cost <Savings>					
General Fund	0	466	0	0	0
Total Cost <Savings> to the State	0	466	0	0	0

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

NARRATIVE: HF 1195

Bill Description

Under this bill, any child care providers who received a decreased reimbursement rate due to the creation of regional or statewide maximum reimbursement rates (as determined by the departments methodology used to implement the provider rate freeze under laws 2003, First special Session chapter 14, article 9, section 34) must have their rate restored to the level at which it was set on June 30, 2003. Retroactive and ongoing payments at the higher rate must be made for services provided since the beginning of the freeze and until the maximum rates established for all counties in the state exceeds the individual provider rate paid on June 30, 2003.

Assumptions

See attached

Expenditure and/or Revenue Formula

See attached

Long-term Fiscal Considerations

Local Government Costs

There is currently no comprehensive automated system to determine the specific providers who had a reimbursement rate reduction beginning July 1, 2003. Staff in affected counties may need to review paper files unless they have other systems in place to help narrow their review. The level of administrative difficulty will vary by county based on their administrative processes and caseload size. It may be possible that counties will need to request that providers resubmit their 2003 rates information.

References/Sources

Shawn Welch,
Reports & Forecasts Division
MN Dept of Human Services
651.282.3932

Minnesota
CHILD CARE ASSISTANCE PROGRAM
Fiscal Analysis of House File 1195

This bill would provide retroactive payments for some licensed child care centers in certain rural counties. To be eligible for retroactive payments, a licensed center must have had a reimbursement rate reduction beginning July 1, 2003, when the current law maximum rate tables (based on the 2001 market rate survey) were frozen. This applies to a portion of the licensed centers in 68 rural counties who went from a Pay Provider Rate (PPR) cell to a regionalized or statewide maximum rate on July 1, 2003. Finally, since the language governing these retroactive payments is placed in the paragraph that freezes the current law maximum rates until June 30, 2005, the retroactive payments are assumed to cover provider charges incurred for services provided between July 1, 2003, through June 30, 2005.

Based on the provider rates survey data and the department's rates consultant, it is estimated that approximately 95 average monthly MFIP/TY children and 155 average monthly BSF children were served by a provider that would be eligible for a retroactive payment during FYs 2004-05. Average monthly retroactive payments for these children are estimated to be about \$83 per infant, \$53 per toddler, \$71 per preschool child, and \$84 per school age child.

Under state law, providers may collect charges above the maximum reimbursement rate from the subsidized child's family. This fiscal note makes no adjustment for payments that may have been collected by the provider from the family over this time period. The provider would be responsible for reimbursing the family if the family has already paid the provider.

This fiscal note assumes all retroactive payments will be made during FY2006.

MFIP/TY Child Care: Licensed Centers

Infants	FY2006	FY2007	FY2008	FY2009
Average monthly MFIP/TY children in FY04/05	16,104	16,104	16,104	16,104
Percent in infant care	10%	10%	10%	10%

Avg monthly MFIP/TY infants	1,673	1,673	1,673	1,673
Percent in licensed center settings	49%	49%	49%	49%

Avg monthly MFIP/TY infants in licensed setting	819	819	819	819
Percent in counties with regional maximum rates	8%	8%	8%	8%

Avg monthly MFIP/TY infants in licensed settings in counties with regional maximum rates	69	69	69	69
Percent with licensed center rate change	14%	14%	14%	14%

Avg monthly infants affected by rate change	10	10	10	10
Change in average monthly childcare payment	\$83	\$83	\$83	\$83
Number of retroactive payment months paid	24	0	0	0

Total MFIP/TY direct service cost for infants	\$19,290	\$0	\$0	\$0
County administrative allowance	\$964	\$0	\$0	\$0

Total MFIP/TY cost for infants	\$20,254	\$0	\$0	\$0

Toddlers	FY2006	FY2007	FY2008	FY2009

Average monthly MFIP/TY children in FY04/05	16,104	16,104	16,104	16,104
Percent in toddler care	17%	17%	17%	17%

Average monthly MFIP/TY toddlers	2,789	2,789	2,789	2,789
Percent in licensed center settings	50%	50%	50%	50%

Avg monthly MFIP/TY toddlers in licensed settin	1,397	1,397	1,397	1,397
Percent in counties with regional maximum rates	10%	10%	10%	10%

Avg monthly MFIP/TY toddlers in licensed settings in counties with regional maximum rates	139	139	139	139
Percent with licensed center rate change	19%	19%	19%	19%

Avg monthly toddlers affected by rate change	26	26	26	26
Change in average monthly childcare payment	\$53	\$53	\$53	\$53
Number of retroactive payment months paid	24	0	0	0

Total MFIP/TY direct service cost for toddlers	\$33,301	\$0	\$0	\$0
County administrative allowance	\$1,665	\$0	\$0	\$0

Total MFIP/TY cost for toddlers	\$34,966	\$0	\$0	\$0

Preschool	FY2006	FY2007	FY2008	FY2009

Average monthly MFIP/TY children in FY04/05	16,104	16,104	16,104	16,104
Percent in preschool care	38%	38%	38%	38%

Average monthly MFIP/TY preschool kids	6,159	6,159	6,159	6,159
Percent in licensed center settings	39%	39%	39%	39%

Avg monthly MFIP/TY preschool kids in licensed	2,412	2,412	2,412	2,412
Percent in counties with regional maximum rates	8%	8%	8%	8%

Avg monthly MFIP/TY preschool kids in licensed settings in counties with regional maximum rates	183	183	183	183
Percent with licensed center rate change	13%	13%	13%	13%

Avg monthly preschool kids affected by rate cha	23	23	23	23
Change in average monthly childcare payment	\$71	\$71	\$71	\$71
Number of retroactive payment months paid	24	0	0	0

Total MFIP/TY direct service cost for preschool	\$39,453	\$0	\$0	\$0
County administrative allowance	\$1,973	\$0	\$0	\$0

Total MFIP/TY cost for preschool	\$41,426	\$0	\$0	\$0

School Age	FY2006	FY2007	FY2008	FY2009

Average monthly MFIP/TY children in FY04/05	16,104	16,104	16,104	16,104
Percent in school age care	34%	34%	34%	34%

Average monthly MFIP/TY school age kids	5,483	5,483	5,483	5,483

Percent in licensed center settings	26%	26%	26%	26%
Avg monthly MFIP/TY school age kids in licensed	1,443	1,443	1,443	1,443
Percent in counties with regional maximum rates	11%	11%	11%	11%
Avg monthly MFIP/TY school age kids in licensed settings in counties with regional maximum rates	166	166	166	166
Percent with licensed center rate change	21%	21%	21%	21%
Avg monthly school age kids affected by rate ch	35	35	35	35
Change in average monthly childcare payment	\$84	\$84	\$84	\$84
Number of retroactive payment months paid	24	0	0	0
Total MFIP/TY direct service cost for school ag	\$70,030	\$0	\$0	\$0
County administrative allowance	\$3,502	\$0	\$0	\$0
Total MFIP/TY cost for school age	\$73,532	\$0	\$0	\$0
Total MFIP/TY cost	\$170,178	\$0	\$0	\$0

BSF Child Care: Licensed Centers

Infants	FY2006	FY2007	FY2008	FY2009
Average monthly BSF children in FY04/05	17,351	17,351	17,351	17,351
Percent in infant care	6%	6%	6%	6%
Average monthly BSF infants	983	983	983	983
Percent in licensed center settings	42%	42%	42%	42%
Avg monthly BSF infants in licensed settings	412	412	412	412
Percent in counties with regional maximum rates	13%	13%	13%	13%
Avg monthly BSF infants in licensed settings in counties with regional maximum rates	52	52	52	52
Percent with licensed center rate change	14%	14%	14%	14%
Avg monthly infants affected by rate change	7	7	7	7
Change in average monthly childcare payment	\$83	\$83	\$83	\$83
Number of retroactive payment months paid	24	0	0	0
Total BSF direct service cost for infants	\$14,470	\$0	\$0	\$0
County administrative allowance	\$724	\$0	\$0	\$0
Total BSF cost for infants	\$15,194	\$0	\$0	\$0

Toddlers	FY2006	FY2007	FY2008	FY2009
Average monthly BSF children in FY04/05	17,351	17,351	17,351	17,351
Percent in toddler care	11%	11%	11%	11%
Average monthly BSF toddlers	1,877	1,877	1,877	1,877
Percent in licensed center settings	42%	42%	42%	42%
Avg monthly BSF toddlers in licensed settings	780	780	780	780
Percent in counties with regional maximum rates	16%	16%	16%	16%
Avg monthly BSF toddlers in licensed settings in counties with regional maximum rates	128	128	128	128
Percent with licensed center rate change	19%	19%	19%	19%
Avg monthly toddlers affected by rate change	24	24	24	24
Change in average monthly childcare payment	\$53	\$53	\$53	\$53
Number of retroactive payment months paid	24	0	0	0
Total BSF direct service cost for toddlers	\$30,689	\$0	\$0	\$0
County administrative allowance	\$1,534	\$0	\$0	\$0
Total BSF cost for toddlers	\$32,223	\$0	\$0	\$0

Preschool	FY2006	FY2007	FY2008	FY2009
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Average monthly BSF children in FY04/05	17,351	17,351	17,351	17,351
Percent in preschool care	36%	36%	36%	36%
Average monthly BSF preschool kids	6,241	6,241	6,241	6,241
Percent in licensed center settings	34%	34%	34%	34%
Avg monthly BSF preschool kids in licensed sett	2,106	2,106	2,106	2,106
Percent in counties with regional maximum rates	15%	15%	15%	15%
Avg monthly BSF preschool kids in licensed settings in counties with regional maximum rates	323	323	323	323
Percent with licensed center rate change	13%	13%	13%	13%
Avg monthly preschool kids affected by rate cha	41	41	41	41
Change in average monthly childcare payment	\$71	\$71	\$71	\$71
Number of retroactive payment months paid	24	0	0	0
Total BSF direct service cost for preschool	\$69,601	\$0	\$0	\$0
County administrative allowance	\$3,480	\$0	\$0	\$0
Total BSF cost for preschool	\$73,081	\$0	\$0	\$0

School Age	FY2006	FY2007	FY2008	FY2009
Average monthly BSF children in FY04/05	17,351	17,351	17,351	17,351
Percent in school age care	48%	48%	48%	48%
Average monthly BSF school age kids	8,250	8,250	8,250	8,250
Percent in licensed center settings	30%	30%	30%	30%
Avg monthly BSF school age kids in licensed set in counties with regional maximum rates	2,434	2,434	2,434	2,434
Percent with licensed center rate change	16%	16%	16%	16%
Avg monthly BSF school age kids in licensed settings in affected counties	395	395	395	395
Percent with licensed center rate change	21%	21%	21%	21%
Avg monthly school age kids affected by rate ch	83	83	83	83
Change in average monthly childcare payment	\$84	\$84	\$84	\$84
Number of retroactive payment months paid	24	0	0	0
Total BSF direct service cost for school age	\$167,110	\$0	\$0	\$0
County administrative allowance	\$8,356	\$0	\$0	\$0
Total BSF cost for school age	\$175,466	\$0	\$0	\$0
Total BSF cost	\$295,964	\$0	\$0	\$0

Fiscal Summary	FY2006	FY2007	FY2008	FY2009
	(in thousands)			
MFIP/TY total cost	\$170	\$0	\$0	\$0
BSF total cost	\$296	\$0	\$0	\$0
Total Cost	\$466	\$0	\$0	\$0

Agency Contact Name: Jenny Ehrnst 282-2595
 FN Coord Signature: STEVE BARTA
 Date: 03/08/05 Phone: 296-5685

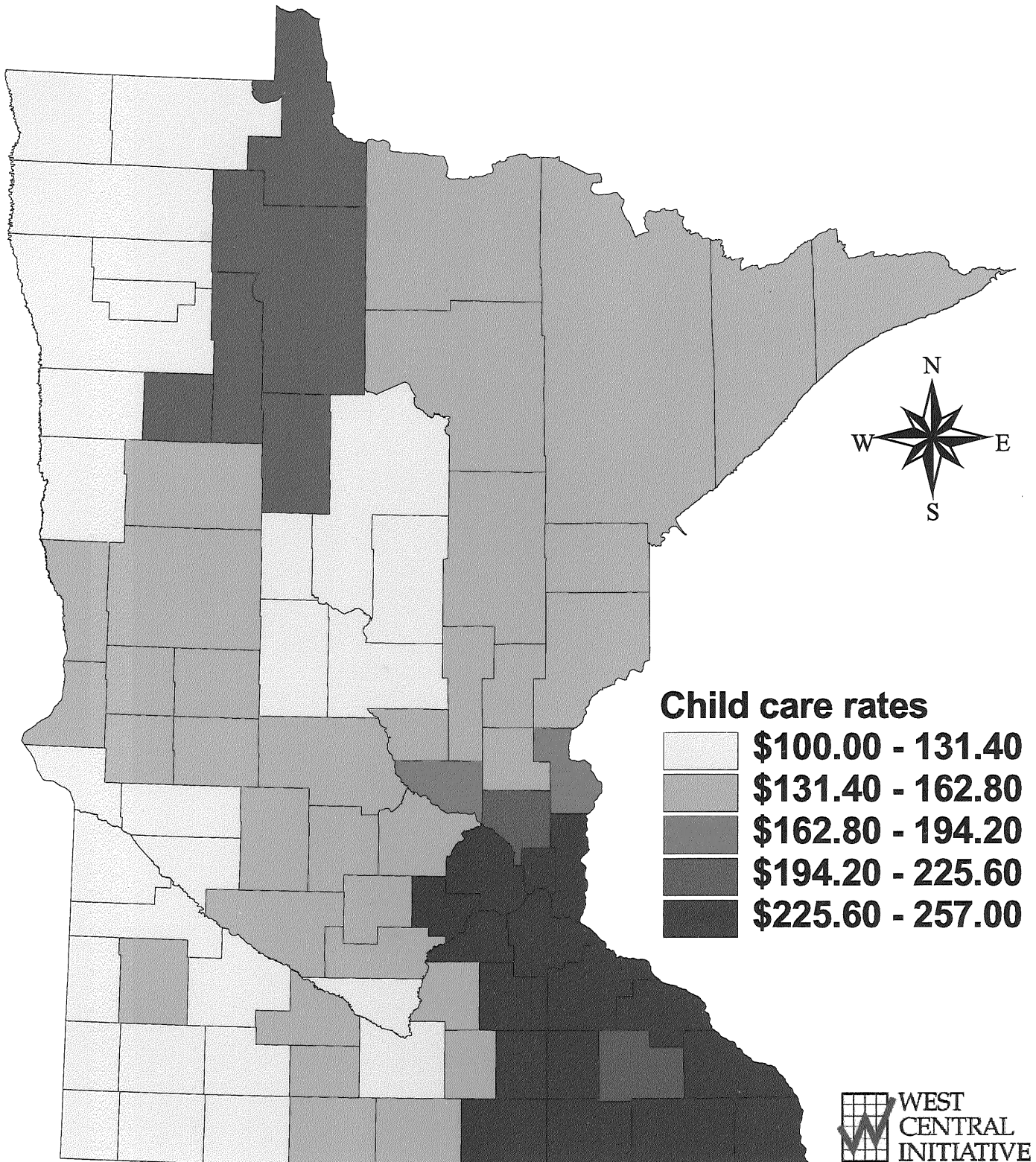
EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: DOUG GREEN
 Date: 03/08/05 Phone: 286-5618

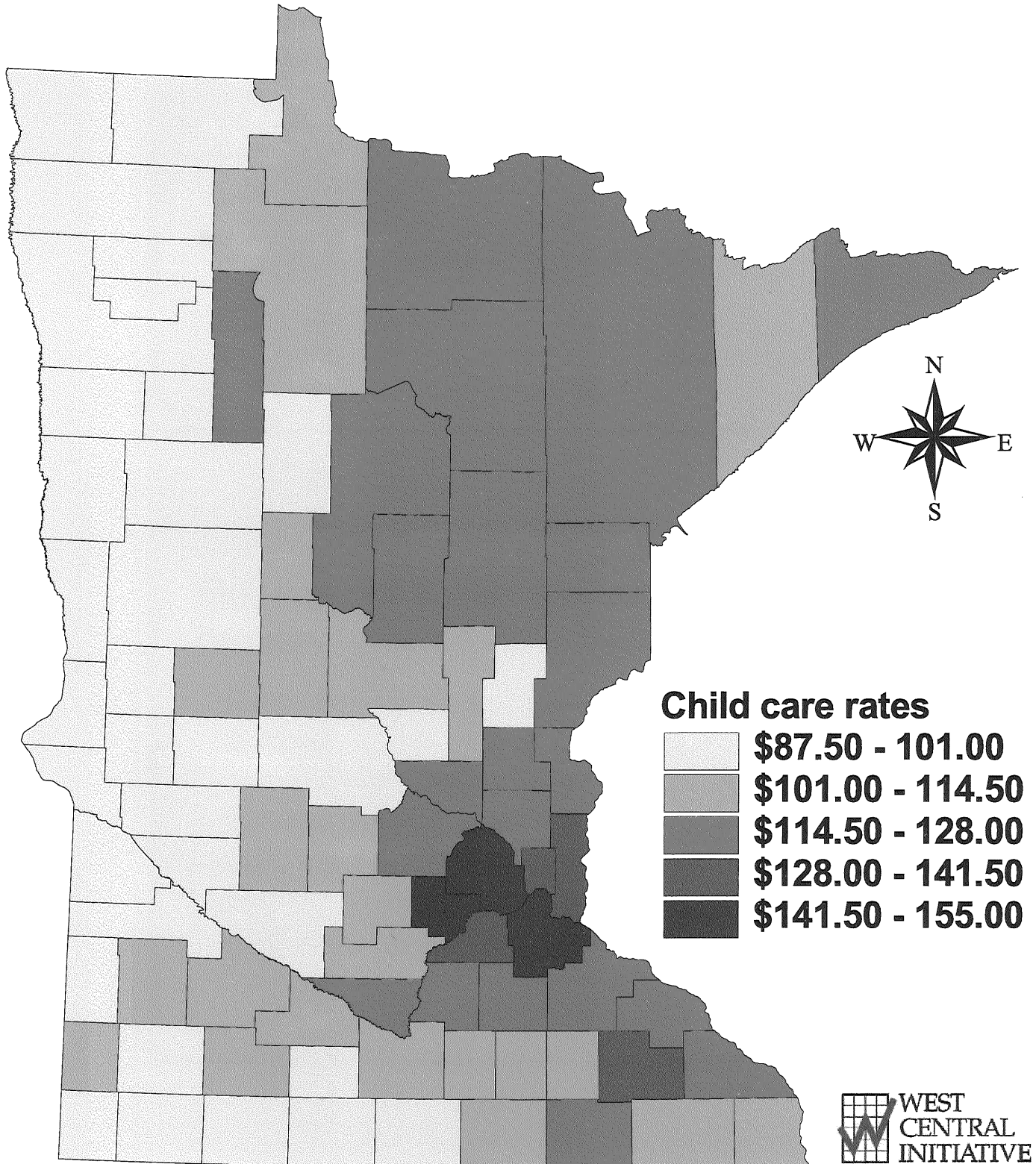
Child Care Rates

Maximum Weekly Child Care Rates
for Infants in Child Care Centers



Child Care Rates

Maximum Weekly Child Care Rates
for Infants in Family Child Care





Childcare in Rural Minnesota

A system on the verge of collapse.

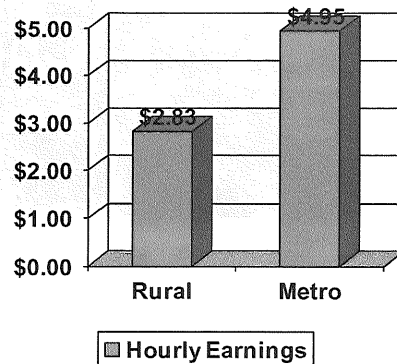
Our rural childcare system is badly broken.

- Lack of childcare is driving working families out of some of our rural communities, and driving low income families out of the workforce.
- Very low rural rates make childcare a very unattractive field. State policy significantly contributes to this problem.



Family childcare providers in rural areas earn far less than minimum wage.

- In 2003 licensed rural family providers earned just 58% of state minimum wage (\$4.90/hr) for their work – far less than in the metro.
- The typical family childcare provider works 60 hours per week and receives no overtime compensation.

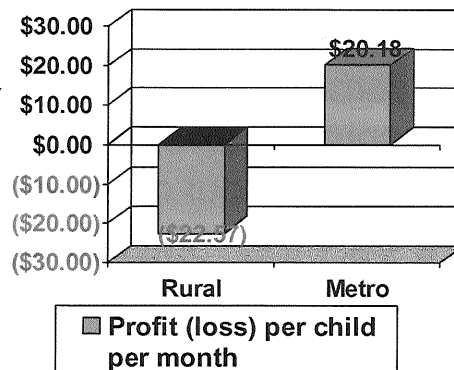


Source: DHS Cost Containment Study



Childcare centers are a losing proposition in rural areas.

- In 2003 childcare centers in 22 near metro rural counties lost money on every child they served. Metro centers were profitable.
- Since rates are lower in unstudied rural counties, losses for them were almost certainly larger.



Source: DHS Cost Containment Study

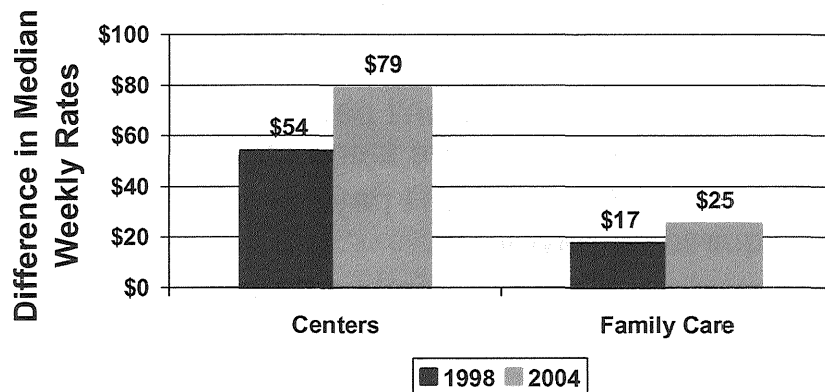


The Gap Between Metro and Rural Reimbursement Rates is Huge

- Centers (Infant Rates)
 - High (Metro) rate: \$257 per week (Ave. \$239)
 - Low (Rural) rate: \$100 per week
- Family Childcare (Infant Rates)
 - High (Metro) rate: \$155.00 per week (Ave \$143)
 - Low (Rural) rate: \$87.50 per week
- The farther you are from the metro, the lower your allowable rates.



The gap between metro and rural rates is growing



Why do these rural/metro differences exist?

- State reimbursement mechanisms are built on the assumption childcare use will be stratified by income, with higher cost private pay settings pulling up the allowable rates for state supported care.
- This assumption works in the metro area but breaks down in greater Minnesota.



In rural areas the system for setting rates breaks down.

- Rural childcare isn't income stratified. High and low wage families use the same providers.
- High wage families won't pay more than low wage families using the same care.
- Low wage families can't pay much more than the required co-payments.
- Therefore allowable reimbursement rates set a *de facto* ceiling on rural rates, preventing rates from rising.



Conclusions:

- State reimbursement rates rather than market forces are the primary force determining rural childcare rates.
- The rate-setting mechanism locks in rates too low to sustain rural childcare providers.
- There is no longer any economic incentive for either childcare centers or families to provide care in greater Minnesota. Both are losing propositions.



Implications

- At least 15% of rural licensed capacity is currently at risk of being lost.
- This situation threatens to:
 - Reduce the size of the available workforce.
 - Increase worker absenteeism.
 - Negatively impact families' transition from welfare to work.
 - Push families out of rural communities.



**Senate Counsel, Research,
and Fiscal Analysis**

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State of Minnesota

**S.F. No. 2027 - Establishing the Child Care Assistance
Provider Reimbursement Rate Grant Program**

Author: Senator Gary Kubly

Prepared by: Joan White, Senate Counsel (651/296-3814)

Date: April 4, 2005



Section 1, subdivision 1 establishes the child care assistance provider reimbursement rate grant program, and states the program's purpose. The purpose is to reimburse nonmetropolitan child care providers at rates above the 75th percentile of the market rate, a rate more closely aligned with the actual cost of care, in order to maintain child care capacity in nonmetropolitan counties.

Subdivision 2 provides the provider eligibility for the program, which is (a) a child care center or facility that receives a reimbursement at or less than \$160 per week for any age category, or (b) a licensed family child care home providing legal child care if the provider is limited to reimbursement at or less than \$115 per week for any age category.

Subdivision 3 establishes the application procedure for the program, which allows a child care provider to apply for the child care assistance provider reimbursement rate program on forms and according to the timelines established by the commissioner. The commissioner has 30 calendar days from the date or receipt of the application to notify the applicant of the eligibility determination.

Subdivision 4 provides the provider reimbursement rates, which requires the commissioner of Human Services or the counties, to the extent funds are available, to reimburse providers at a rate that is the lesser of (1) the rate charged to private pay families, or (2) the 100th percentile of the most current market rate survey. Providers may not be reimbursed on a half-day basis. Reimbursements may be made retroactive to the day following final enactment.

Subdivision 5 provides blank appropriations for the program.

Subdivision 6 sunsets the program on June 20, 2007.

This bill is effective the day following final enactment.

JW:rdr

Senators Kubly and Koering introduced--

S.F. No. 2027: Referred to the Committee on Finance.

1 A bill for an act

2 relating to human services; creating a child care
3 assistance provider reimbursement rate grant program;
4 appropriating money.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

6 Section 1. [CHILD CARE ASSISTANCE PROVIDER REIMBURSEMENT
7 RATE GRANT PROGRAM.]

8 Subdivision 1. [PURPOSE AND ESTABLISHMENT.] The
9 commissioner of human services shall establish a child care
10 assistance provider reimbursement rate grant program for the
11 purpose of allowing certain providers to be reimbursed at rates
12 above the 75th percentile of the market rate as established by
13 the most current market rate survey under Minnesota Statutes,
14 section 119B.13, and published by the Department of Human
15 Services. These providers must be reimbursed at a rate more
16 closely aligned with the actual cost of care in order to
17 maintain child care capacity in nonmetropolitan areas of
18 Minnesota. For purposes of this section, "nonmetropolitan"
19 means all Minnesota counties with the exceptions of Anoka,
20 Carver, Dakota, Hennepin, Olmsted, Ramsey, St. Louis, Scott,
21 Stearns, and Washington Counties.

22 Subd. 2. [PROVIDER ELIGIBILITY.] (a) A child care center
23 or facility providing legal child care services as defined under
24 Minnesota Statutes, section 245A.03, is eligible for the grant
25 program established under this section if the center or facility

1 is limited to reimbursement at or less than \$160 per week for
2 any age category, as published by the Department of Human
3 Services, for services provided to families receiving child care
4 assistance under Minnesota Statutes, chapter 119B.

5 (b) A licensed family child care home providing legal child
6 care services as defined under Minnesota Statutes, section
7 245A.03, is eligible for the grant program established under
8 this section if the individual is limited to reimbursement at or
9 less than \$115 per week for any age category, as published by
10 the Department of Human Services, for services provided to
11 families receiving child care assistance under Minnesota
12 Statutes, chapter 119B.

13 Subd. 3. [APPLICATION PROCEDURE.] Child care providers may
14 apply to the commissioner of human services, or the
15 commissioner's designee, for the child care assistance provider
16 reimbursement rate grant program on the forms and according to
17 the timelines established by the commissioner. The
18 commissioner, or the commissioner's designee, has 30 calendar
19 days from the date of receipt of an application to notify the
20 applicant of the eligibility determination.

21 Subd. 4. [PROVIDER REIMBURSEMENT RATES.] Notwithstanding
22 Minnesota Statutes, section 119B.13, subdivision 1, and Laws
23 2003, First Special Session chapter 14, article 9, section 34,
24 and to the extent funds are available, the commissioner of human
25 services or the counties shall reimburse child care providers
26 who the commissioner or the commissioner's designee has
27 determined eligible under subdivision 2, for care provided to
28 families receiving child care assistance under Minnesota
29 Statutes, chapter 119B, at a rate that is the lesser of (1) the
30 rate charged to private pay families, or (2) the 100th
31 percentile of the most current market rate survey.
32 Notwithstanding any law or rule to the contrary, providers under
33 this section may be reimbursed on a half-day basis. Grant
34 program reimbursements to providers under this section may be
35 made retroactive to the day following final enactment.

36 Subd. 5. [APPROPRIATIONS.] The sums indicated in this

1 subdivision are appropriated from the general fund to the
 2 commissioner of human services for the fiscal years designated
 3 for the child care assistance provider reimbursement rate grant
 4 program:

5 \$..... 2005
 6 \$..... 2006
 7 \$..... 2007

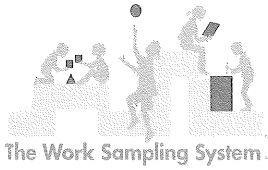
8 Any balance the first year does not cancel but is available
 9 in the second year.

10 Subd. 6. [SUNSET DATE.] The grant program under this
 11 section sunsets on June 30, 2007.

12 [EFFECTIVE DATE.] This section is effective the day
 13 following final enactment.

- 1 Senator moves to amend S.F. No. 2027 as follows:
- 2 Page 1, line 22, after "A" insert "nonmetropolitan"
- 3 Page 1, lines 23 and 25, delete "or facility"
- 4 Page 2, line 5, after "A" insert "nonmetropolitan"

FOR TEACHER COMPLETION ONLY



The Minnesota Work Sampling System® Kindergarten Entry Developmental Checklist

INSTRUCTIONS

CORRECT: ●

INCORRECT: ✓ ✗ ○

USE A NO. 2 PENCIL ONLY



Choose One

FEMALE MALE

Does this student have an IEP or IIP? yes no

BLDG CODE	MARSS CODE										
0	0	0	0	0	0	0	0	0	0	0	0
1	1	1	1	1	1	1	1	1	1	1	1
2	2	2	2	2	2	2	2	2	2	2	2
3	3	3	3	3	3	3	3	3	3	3	3
4	4	4	4	4	4	4	4	4	4	4	4
5	5	5	5	5	5	5	5	5	5	5	5
6	6	6	6	6	6	6	6	6	6	6	6
7	7	7	7	7	7	7	7	7	7	7	7
8	8	8	8	8	8	8	8	8	8	8	8
9	9	9	9	9	9	9	9	9	9	9	9

DATE OF BIRTH	
Month	Year
19	
0	0
1	1
2	2
3	3
4	4
5	5
6	6
7	7
8	8
9	9

LEGEND

- (N) Not Yet—child cannot demonstrate indicator
- (I) In Process—child demonstrates indicator intermittently
- (P) Proficient—child can reliably demonstrate indicator

The Work Sampling System *Preschool-4 Developmental Guidelines* (4th edition) contains full descriptions of each performance indicator. (Number in parentheses indicates the page in the Guidelines where the indicator is described.)

I Personal and Social Development

A Self concept Fall

- 1 Shows some self-direction. (p. 1) (N) (I) (P)

B Self control Fall

- 1 Follows simple classroom rules and routines. (p. 1) (N) (I) (P)
 2 Manages transitions. (p. 2) (N) (I) (P)

C Approaches to learning Fall

- 1 Shows eagerness and curiosity as a learner. (p. 2) (N) (I) (P)
 2 Attends to tasks and seeks help when encountering a problem. (p. 2) (N) (I) (P)
 3 Approaches tasks with flexibility and inventiveness. (p. 3) (N) (I) (P)

D Interaction with others Fall

- 1 Interacts easily with one or more children. (p. 3) (N) (I) (P)
 2 Interacts easily with familiar adults. (p. 3) (N) (I) (P)
 3 Shows empathy and caring for others. (p. 4) (N) (I) (P)

E Social problem-solving Fall

- 1 Seeks adult help when needed to resolve conflicts. (p. 4) (N) (I) (P)

III Language and Literacy

A Listening Fall

- 1 Gains meaning by listening. (p. 5) (N) (I) (P)
 2 Follows two- or three-step directions. (p. 5) (N) (I) (P)
 3 Demonstrates phonological awareness. (p. 5) (N) (I) (P)

B Speaking Fall

- 1 Speaks clearly enough to be understood without contextual clues. (p. 6) (N) (I) (P)
 2 Uses expanded vocabulary and language for a variety of purposes. (p. 6) (N) (I) (P)

C Reading Fall

- 1 Shows appreciation for books and reading. (p. 6) (N) (I) (P)
 2 Shows beginning understanding of concepts about print. (p. 7) (N) (I) (P)
 3 Begins to develop knowledge about letters. (p. 7) (N) (I) (P)
 4 Comprehends and responds to stories read aloud. (p. 7) (N) (I) (P)

D Writing Fall

- 1 Represents ideas and stories through pictures, dictation, and play. (p. 8) (N) (I) (P)
 2 Uses letter-like shapes, symbols, and letters to convey meaning. (p. 8) (N) (I) (P)

III Mathematical Thinking

A Mathematical processes Fall

- 1 Begins to use simple strategies to solve mathematical problems. (p. 11) (N) (I) (P)

B Number and operations Fall

- 1 Shows beginning understanding of number and quantity. (p. 11) (N) (I) (P)

C Geometry and spatial relations Fall

- 1 Begins to recognize and describe the attributes of shapes. (p. 12) (N) (I) (P)
 2 Shows understanding of and uses several positional words. (p. 12) (N) (I) (P)

IV The Arts

A Expression and representation Fall

- 1 Participates in group music experiences. (p. 21) (N) (I) (P)
 2 Participates in creative movement, dance, and drama. (p. 21) (N) (I) (P)
 3 Uses a variety of art materials for tactile experience and exploration. (p. 21) (N) (I) (P)

B Understanding and appreciation Fall

- 1 Responds to artistic creations or events. (p. 22) (N) (I) (P)

V Physical Development and Health

A Gross motor development Fall

- 1 Coordinates movements to perform simple tasks. (p. 23) (N) (I) (P)

B Fine motor development Fall

- 1 Uses eye-hand coordination to perform tasks. (p. 24) (N) (I) (P)

C Personal health and safety Fall

- 1 Performs some self-care tasks independently. (p. 24) (N) (I) (P)

For teacher use only



Parent Survey

Minnesota School Readiness Initiative

Dear Kindergarten Parent,

Please help us learn about your kindergarten child and your family as part of a school readiness study. Neither you nor your child will be identified in the published study report.

If you choose to answer the questions, summary information only, not individual family information, will be used by the Minnesota Department of Education for this study.

Thank you for your help!

USE A NO. 2 PENCIL ONLY



Family Information

1 Please indicate whether you are:

- Mother Father Other

2 Your highest level of school completed? Mark only one.

- Less than high school
 High school diploma/GED
 Trade school or some college
beyond high school
 Associate degree
 Bachelor's degree
 Graduate or professional school degree

3 Your household's total yearly income before taxes?
Mark only one.

- \$0 - \$35,000
 \$35,001 to \$55,000
 \$55,001 to \$75,000
 \$75,001 or more

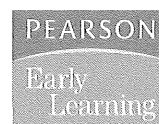
4 Race/ethnicity of your kindergarten child?
Mark all that apply.

- Black/African/African American
 American Indian/Alaskan Native
 Asian/Native Hawaiian or other
Pacific Islander
 Hispanic or Latino
 White/Caucasian
 Other


5 What language does your family
speak most at home?
Mark only one.

- English
 Spanish
 Hmong
 Somali
 Vietnamese
 Russian
 Other

Stop here. Thank you. Teacher completes other side.



Minnesota
School Readiness
Year Three Study:



Developmental Assessment at Kindergarten
Entrance

Promoting School Readiness in
Local Communities With A Strategic
Sample of School Districts

Minnesota Department of Education March 2005

School Readiness


- Year Three Study Purpose:
 - To strategically select entire school districts and assess all kindergartners on their school readiness from those districts.
 - To engage the communities in these selected school districts in creating a plan to increase the percentage of children in their districts ready for school.

Minnesota Department of Education March 2005

School Readiness

Minnesota's Definition of School Readiness

- The skills, knowledge, behaviors and accomplishments that children know and can do as they enter school.
 - Physical well-being and motor development
 - Social and emotional development
 - Approaches to learning
 - Language development
 - Cognition and general knowledge
 - Creativity and the arts



Minnesota Department of Education March 2005

School Readiness

Year Two Developmental Assessment Results

Readiness Levels by Domain

Domain	Readiness Levels by Domain		
	Not Yet	In Process	Proficient
Physical Development	2%	41%	57%
Personal & Social Development	9%	44%	47%
The Arts	6%	48%	47%
Language and Literacy	12%	46%	43%
Mathematical Thinking	11%	50%	40%

Minnesota Department of Education March 2005

School Readiness

- Comparison of Year One to Year Two Results
 - The order of proficient ratings by domain was the same in 2003 as it was in 2002, and the percentages in each domain were similar.
 - The ranking of indicators by kindergarten teachers from least to most proficient in each domain was consistent from Year One to Year Two.
 - Overall, the results from the two years were consistent with one another.

Minnesota Department of Education March 2005

School Readiness

- Selection of Work Sampling System of Child Assessment
 - MDE training provided since 1994 - it is used in School Readiness and other early childhood programs.
 - Approved for Title I children in kindergarten.
 - Most Minnesota kindergarten teachers are trained to use it.
 - Work Sampling meets all the NAEYC criteria of fair, authentic assessment - assessment based on everyday learning experiences of children over time.

Minnesota Department of Education March 2005

School Readiness

- Each kindergartner's performance rated for each indicator as
 - **Not Yet**
 - Not yet acquired
 - **In Process**
 - Intermittent or emergent, not reliable or consistent
 - **Proficient**
 - Reliably demonstrates on a consistent basis

Minnesota Department of Education March 2005

School Readiness

- Study Design and Strategic Sample Selection for Year Three
 - Based on suggestions from the Minnesota Early Childhood Initiative Leadership Team, 17 geographically distributed rural Minnesota school districts were selected to be in the sample
 - In addition, schools from one urban school district and two suburban school districts were selected in order to represent these areas of the state

Minnesota Department of Education March 2005

School Readiness

- Study Preparation and Data Collection and Dissemination
 - Eight workshops were held to prepare principals and kindergarten teachers for conducting the study
 - School district summary data were sent to participating school superintendents and principals
 - Regional workshops are being held to discuss and plan uses of school district study results

Minnesota Department of Education March 2005

School Readiness

- All kindergarten classrooms in a strategic sample of 49 elementary schools
- Minnesota Work Sampling System Kindergarten Entry Developmental Checklist
- 3,423 kindergartners
- 125 teachers
- Parent Surveys from 81% of parents



Minnesota Department of Education

March 2005

School Readiness

Year Three study results are based on a strategic sample of Minnesota kindergartners.

Domain	Readiness Levels by Domain – Year Three Strategic Sample (Average Number and Percent) N=3,423					
	Year 3	Year 2	Year 3	Year 2	Year 3	Year 2
	Not Yet		In Process		Proficient	
Physical Develop.	N=120 4%	N=76 2%	N=1022 30%	N=1,207 41%	N=2271 67%	N=1,702 50%
The Arts	N=247 7%	N=170 6%	N=1368 40%	N=1,413 48%	N=1796 53%	N=1,385 40%
Personal & Social	N=323 9%	N=266 9%	N=1331 39%	N=1,317 44%	N=1756 51%	N=1,306 38%
Language & Literacy	N=458 13%	N=345 12%	N=1352 40%	N=1,363 46%	N=1599 47%	N=1,186 35%
Math Thinking	N=418 12%	N=318 11%	N=1436 42%	N=1,489 50%	N=1562 46%	N=1,186 35%

Minnesota Department of Education

March 2005

School Readiness

Child and Family Data

- Year Three Strategic Sample
 - Average age on 9-1-04 was 5.2 years old
 - 9% of children had an IEP or IIIP
 - More than 31% of parents had a high school diploma/GED or less
 - More than 35% of families made \$35K or less
 - 31% of children were of color
 - Almost 14% spoke a language other than English most often at home

Minnesota Department of Education

March 2005

School Readiness

Developmental Assessment Results by Gender

- Females in the study were rated as more proficient than the males.
- In all five domains the males showed a higher percent in the "not yet" category of readiness than the females, ranging from a 3-5% difference depending upon the domain.

Minnesota Department of EducationMarch 2005

School Readiness

Developmental Assessment Results by Parent Education Level

- *In all five domains the students in this sample of parents with the least amount of education (less than high school) were two to eight times more likely to have a "not yet" average rating than the students of parents with the most education (Bachelor's degree or more).*

Minnesota Department of EducationMarch 2005

School Readiness

Developmental Assessment Results by Household Income

- *In all domains, the percentage of kindergartners with "not yet" average ratings was two to four times higher in the lowest income category (\$0-\$35,000) as compared to the highest of the four income categories (\$75,000 or more).*

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School Readiness

Developmental Assessment Results by Race/Ethnicity

- Average "not yet" ratings were higher in all five domains for children of color, especially in the domains of mathematical thinking, language and literacy, and the arts where the average "not yet" ratings were twice as high for children of color as they were for white/Caucasian children

Minnesota Department of Education

March 2005

School Readiness

Developmental Assessment Results by
Language Spoken Most Often at Home

- Average "not yet" ratings in language and literacy and mathematical thinking were high for children whose home language was other than English.

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March 2005

School Readiness

- Using Study Results to Promote School Readiness in Local Communities

- Engage parents in their children's learning and education
- Enhance early childhood education and care in the community
- Promote meaningful transition to kindergarten activities
- Improve schools' ability to address needs of children and their parents as they enter kindergarten

Minnesota Department of Education

March 2005

School Readiness
Conclusion

- About the Child Assessment
- As in the fall of 2002 and 2003, children in this sample in the fall of 2004 again entered kindergarten with a range of skills, knowledge, behaviors, and accomplishments.

Minnesota Department of Education *March 2005*

School Readiness
Conclusion

- About the Child Assessment
- In this sample, parent education level, family income, race/ethnicity, and language spoken most often at home appeared to be related to readiness level.

Minnesota Department of Education *March 2005*

School Readiness
Conclusion

- About the Child Assessment
- Female kindergartners in this study had fewer "not yet" readiness ratings in all domains than males.

Minnesota Department of Education *March 2005*


School Readiness
Conclusion

- About the Study Process
- Using performance-based assessment, such as the Work Sampling System is appropriate when working with elementary school principals and kindergarten teachers to assess children's readiness as they enter kindergarten.

Minnesota Department of Education *March 2005*

School Readiness
Recommendation

- Child Assessment Results
- Continue to support parents in their role as children's first teachers.



Minnesota Department of Education *March 2005*

School Readiness
Recommendation

- Child Assessment Results
- Continue to increase schools' ability to respond to the varying needs of children as they enter kindergarten.

Minnesota Department of Education *March 2005*

**School Readiness
Recommendation**

- Child Assessment Results
- Enhance school and community supports for improving the school readiness and success of children in specific communities.

Minnesota Department of Education *March 2005*

**School Readiness
Recommendation**

- Child Assessment Results
- Continue focus on improving children's early language and literacy and mathematical skills at the same time increasing their personal and social skills and development in all areas.

Minnesota Department of Education *March 2005*


**School Readiness
Recommendation**

- Child Assessment Results
- Within the context of potential universal pre-kindergarten services for all Minnesota four-year-olds, target specific resources and more comprehensive, intensive education and services to those children (and their families) most likely to not yet show the skills, knowledge, behaviors, and accomplishments expected of children as they enter kindergarten.

Minnesota Department of Education *March 2005*

School Readiness
Recommendation

- Child Assessment Results
- Continue to work toward improving the quality of early childhood education and care programs in Minnesota.



Minnesota Department of Education *March 2005*

School Readiness
Recommendation

- Child Assessment Results
- Consider implications for adult education, family literacy programs and programs geared toward increasing job skills and consequent family income level.

Minnesota Department of Education *March 2005*

School Readiness

- Future Directions
- Consider alternatives for continuing the Minnesota School Readiness Studies: Developmental Assessment at Kindergarten Entrance.

Minnesota Department of Education *March 2005*

School Readiness

- Future Directions
- Provide ongoing training to kindergarten teachers in use of the Work Sampling System of child assessment.

Minnesota Department of Education *March 2005*

School Readiness

- Future Directions
- Study the relationship of early childhood education and care experiences to school readiness.


Minnesota Department of Education *March 2005*

**School Readiness
Questions & Responses**

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Minnesota Department of Education *March 2005*

March 2005
STUDY SUMMARY

**Minnesota School Readiness Year Three Study:
Developmental Assessment at Kindergarten Entrance
Fall 2004**

***PROMOTING SCHOOL READINESS IN LOCAL COMMUNITIES WITH A
STRATEGIC SAMPLE OF SCHOOL DISTRICTS***

Background

Minnesota School Readiness Studies: Developmental Assessment at Kindergarten Entrance

A large and growing body of research supports the critical relationship between early childhood experiences, school success, and successful life-long outcomes. In recognition of this, in 2002 the former Minnesota Department of Children, Families and Learning (CFL) included within their goal of "High Achievement for All Students" the indicator: Increase the percentage of young children who are ready for school. Assessing the readiness of children as they enter school is currently a hot topic in many states "in large part because of increased accountability pressures in both the public schools and early care and education settings" (Maxwell, Clifford, & Horm, 2004, p. 42). With no systematic process in place to assess increases in school readiness in Minnesota, the department began what is now a series of three yearly studies focused on obtaining a picture of the school readiness of a sample of Minnesota kindergartners as they enter school in the fall.

The first year study done by CFL, *Minnesota School Readiness Initiative: Developmental Assessment at Kindergarten Entrance Fall 2002 Pilot Study* (2003), had as its objectives to pilot a system for assessing the school readiness of a sample of Minnesota kindergarten children and to obtain a picture of the readiness of a random sample of Minnesota kindergartners entering Minnesota elementary schools in the fall of 2002 through this piloted system. In 2003 the Minnesota Department of Education (MDE), in partnership with the Minnesota Department of Human Services (DHS), continued emphasis on accountability as part of the theme of academic excellence with the *Minnesota School Readiness Year Two Study: Developmental Assessment at Kindergarten Entrance Fall 2003* (2004). The purposes of the Year Two study were to provide a second year of a statewide profile of children's school readiness with a larger random sample of kindergarten children and to pilot a parent survey requesting early childhood care and education and family background information based on recommendations in the first year study.

The emphasis in the Year Three study shifted to a strategically selected versus randomly selected sample of school districts, with the purposes of (1) strategically selecting entire school districts across the state and assessing all kindergarten children on their school readiness from the chosen districts and (2) engaging communities in planning to increase the percentage of children ready for school success.

Definition of School Readiness

For all three studies, school readiness has been defined as the skills, knowledge, behaviors, and accomplishments that children know and can do as they enter kindergarten in the following areas of child development:

- Physical well being and motor development
- Social and emotional development
- Approaches to learning

- Language development
- Cognition and general knowledge
- Creativity and the arts

Year One Pilot Study and Year Two Study Results

Results of the Year One and Year Two kindergarten entrance developmental assessment are presented along the five domains assessed – personal and social development, language and literacy, mathematical thinking, the arts, and physical development – and the five levels of readiness – proficient, in process, and not yet (See Table 1). *Because children develop and grow along a continuum with great variability, the goal of these studies was to assess children’s proficiency within and across these developmental domains and not establish whether or not children are ready for school with the use of a “ready” or “not ready” score.* Young children develop rapidly and at varying rates across the domains, and an early, definitive determination of readiness can have unintended negative consequences. Consequently, the three readiness levels are used – not yet, in process, and proficient – for each domain to provide an overview of children’s readiness that does not label or stigmatize young children and recognizes variation across many indicators of development within and across domains.

Table 1 provides a comparison of Year One and Year Two developmental assessment results. *The order of average “proficient” ratings by domain was the same in 2003 as it was in 2002, and the percentages for each were similar,* with a five percent decrease in average “proficiency” ratings in 2003 in physical development as the largest change and all others with only a one or two percent decrease (physical development – 62% in 2002, 57% in 2003; personal and social development – 49% in 2002, 47% in 2003; the arts – 48% in 2002, 47% in 2003; language and literacy – 44% in 2002, 43% in 2003; mathematical thinking – 42% in 2002, 40% in 2003) (See Table 1). The average “in process” ratings increased in each domain by six to eight percent per domain (physical development – 34%, 41%; personal and social development – 38%, 44%; the arts – 42%, 48%; language and literacy – 38%, 46%; mathematical thinking – 44%, 50%). There was a decrease in the average percent of “not yet” ratings in each of the five domains ranging from two to six percent (physical development – 4%, 2%; personal and social development – 13%, 9%; the arts – 10%, 6%; language and literacy – 18%, 12%; mathematical thinking – 13%, 11%). *“In process” ratings increased as “proficient” and “not yet” ratings each decreased.*

Domain	Table 1. Comparison of Year One and Year Two Developmental Assessment Results (Year One N=1,852, Year Two N = 3,002)											
	Not Yet				In Process				Proficient			
	2002		2003		2002		2003		2002		2003	
	N	%	N	%	N	%	N	%	N	%	N	%
Physical Development	77	4%	76	2%	629	34%	1,207	41%	1,143	62%	1,702	57%
Personal and Social Development	238	13%	266	9%	708	38%	1,317	44%	899	49%	1,407	47%
The Arts	181	10%	170	6%	779	42%	1,413	48%	885	48%	1,391	47%
Language and Literacy	289	18%	345	12%	704	38%	1,363	46%	819	44%	1,283	43%
Mathematical Thinking	247	13%	318	11%	816	44%	1,489	50%	785	42%	1,186	40%

Table 2. Comparison of Year One and Year Two Proficient Readiness Level by Domain Indicators Ranked by Proficiency Rating

	<i>2003 Proficient Readiness Level</i>		<i>N=3,002</i>	<i>N=1,851</i>
	<i>Percent</i>	<i>N</i>	<i>Ranking 2003</i>	<i>Ranking 2002</i>
Physical Development				
Performs some self-care tasks independently.	62%	1,841	1	1
Coordinates movements to perform simple tasks.	56%	1,677	2	2
Uses eye-hand coordination to perform tasks.	53%	1,589	3	3
<i>Physical Development Domain Average Score Summary</i>	<i>57%</i>	<i>1,702</i>		
Personal and Social Development				
Interacts easily with one or more children.	54%	1,625	1	3
Interacts easily with familiar adults.	54%	1,612	2	1
Shows eagerness and curiosity as a learner.	53%	1,587	3	2
Shows empathy and caring for others.	48%	1,445	4	NI
Follows simple classroom rules and routines.	48%	1,427	5	5
Manages transitions.	47%	1,393	6	6
Shows some self-direction.	46%	1,370	7	4
Attends to tasks and seeks help when encountering a problem.	42%	1,258	8	7
Seeks adult help when needed to resolve conflicts.	42%	1,253	9	8
Approaches tasks with flexibility and inventiveness.	37%	1,096	10	9
<i>Personal and Social Development Domain Average Score Summary</i>	<i>47%</i>	<i>1,407</i>		
The Arts				
Participates in group music experiences.	52%	1,546	1	1
Participates in creative movement, dance, and drama.	47%	1,416	2	2
Uses a variety of art materials for tactile experience and exploration.	46%	1,361	3	3
Responds to artistic creations or events.	43%	1,239	4	4
<i>The Arts Domain Average Score Summary</i>	<i>47%</i>	<i>1,391</i>		
Language and Literacy				
Speaks clearly enough to be understood without contextual clues.	59%	1,758	1	1
Shows appreciation for books and reading.	56%	1,661	2	2
Gains meaning by listening.	48%	1,442	3	4
Comprehends and responds to stories read aloud.	48%	1,442	4	3
Follows two- or three-step directions.	44%	1,319	5	5
Uses expanded vocabulary and language for a variety of purposes.	43%	1,279	6	7
Represents ideas and stories through pictures, dictation, and play.	39%	1,157	7	6
Shows beginning understanding of concepts about print.	39%	1,154	8	8
Begins to develop knowledge about letters.	38%	1,140	9	NI
Demonstrates phonological awareness.	30%	881	10	10
Uses letter-like shapes, symbols, and letters to convey meaning.	29%	877	11	9
<i>Language and Literacy Domain Average Score Summary</i>	<i>43%</i>	<i>1,283</i>		
Mathematical Thinking				
Begins to recognize and describe the attributes of shapes.	44%	1,305	1	2
Shows understanding of and uses of several positional words.	44%	1,303	2	1
Shows beginning understanding of number and quantity.	39%	1,175	3	3
Begins to recognize simple strategies to solve mathematical problems.	32%	959	4	4
<i>Mathematical Thinking Domain Average Score Summary</i>	<i>40%</i>	<i>1,186</i>		

NI = new indicator added in 2003

Table 2 compares the Year One and Year Two proficient readiness level by domain indicator ranked within each domain by proficiency rating. *The ranking numbers illustrate the consistency with which teachers rated kindergartners as proficient by indicator in each domain between Year One and Year Two.* With a Year Two sample of different elementary schools, different kindergarten teachers, and different children, the results are similar. For example, the order of most to least proficiency by indicator is the same in physical development and the arts and varies by only the reversal of the top two indicators in mathematical thinking. In the other domains of personal and social development and language and literacy, the top and bottom group of indicator rankings follow a similar pattern. *Overall, the results from the two years were consistent with one another.*

Year Three Study Implementation

Continued Use of Work Sampling System[®] of Child Assessment Developmental Checklist

The Minnesota School Readiness Year Three Study again involved use of a customized Minnesota Work Sampling System[®] (WSS) Kindergarten Entry Developmental Checklist with a sample of Minnesota kindergartners in a strategically selected sample of entire school districts in the fall of 2004. The Work Sampling System, a standards-based observational assessment system designed to provide information about individual student's achievement and progress over time (Dichtelmiller, Jablon, Dorfman, Marsden, & Meisels, 2001), was used again for Year Three of the assessment for the following reasons:

- (1) MDE has provided training in and encouraged use of the WSS in Minnesota public school School Readiness programs and other early childhood programs since 1994.
- (2) The WSS is an approved assessment for all Title I children in kindergarten, and, consequently, Minnesota kindergarten teachers are already trained in use of it.
- (3) The WSS meets the criteria of authentic assessment:
 - Fair to all children regardless of culture, language background, developmental level, family background, learning style, etc.;
 - Uses familiar tasks and everyday classroom activities;
 - Conducted in familiar settings with familiar people;
 - Based on multiple sources of information; and
 - Continuous and ongoing to show progress and growth over time (Dichtelmiller & Jablon, 1993; Hill, 1992; Scott-Little & Niemeyer, 2001).

The customized Minnesota WSS developmental checklist includes ten indicators in the personal and social development domain (approaches to learning is included in this domain), eleven indicators in language and literacy, four in mathematical thinking, four in the arts, and three in physical development. These indicators were selected because they represent what children should know and be able to do at the end of the year before they enter kindergarten based on widely held developmental expectations for four-year-olds.

Kindergarten teachers observed and documented students' responses to everyday classroom activities that are already part of the ongoing curriculum and instruction process to rate children's performance. Each domain and developmental indicator within the WSS developmental checklist includes expected behaviors for children at that age or grade level. For each indicator, teachers use guidelines to rate the child's performance as:

Not Yet – indicating that the child cannot perform the indicator, i.e., that the performance indicator represents a skill, an area of knowledge, or a specific set of behaviors or accomplishments that the child has not acquired.

In Process – implying that the skills, knowledge, behaviors, or accomplishments represented by this indicator are intermittent or emergent, and are not demonstrated reliably or consistently.

Proficient – meaning that the child can reliably demonstrate the skills, knowledge, behaviors, or accomplishments represented by this performance indicator.

Teachers use the *Work Sampling System Development Guidelines* books for the age group with whom they work to rate children based on their observations and documentation and the correspondence between these observations and documentations and the rationales and examples for each indicator as described in the *Guidelines*. The *WSS Developmental Guidelines* are designed to enhance the process of observation and to ensure the reliability and consistency of teachers' observations (Dichtelmiller, Jablon, Marsden, & Meisels, 2001).

Study Design and Strategic Sample Selection

Upon completion of the Year Two study, careful consideration was given by MDE study staff to a number of strategies for conducting the Year Three School Readiness study based on potential purposes and resources available. It was decided that, because results from Year One and Year Two were similar and no new significant, intentional intervention focused on the school readiness of Minnesota four-year-olds was being implemented, the purposes of the study would shift to working with a strategic versus random sample of school districts to assess all kindergartners in all of their elementary school buildings and encourage the use of study results in guiding community school readiness efforts.

Minnesota has Minnesota Initiative Foundations (MIFs) created by The McKnight Foundation in six rural regions of the state focused on making these six regions outside the metropolitan area stronger and more prosperous. In 2001, the six MIFS began to collaborate on a joint public policy initiative focused on early childhood. Recognizing that strengthening early care and education for young children and their families is the most important investment communities can make for the future, the Minnesota Early Childhood Initiative was developed. Over the course of three years, the MIFS are establishing 36 Early Childhood Initiative Coalitions in greater Minnesota (six in each of the six regions) and developing a Statewide Early Childhood Initiative Coalition Network to link all the early childhood coalitions. This network serves as a vehicle to advance public policy, exchange ideas, share promising practices, and create a statewide groundswell of support for young children. Each community has a coordinator and has established an Early Childhood Initiative Coalition that has set goals and identified projects focused on early childhood issues.

In recognition of these statewide geographically representative groups with an emphasis on promoting school readiness, MDE study staff requested that the Minnesota Early Childhood Initiative leadership team representing the six Minnesota Initiative Foundations suggest school districts in their regions already involved in local school readiness efforts to be a part of the Year Three strategic sample. Consistent with the Year Three study goal to engage communities in planning to increase the percentage of children ready for school success, it was expected that the communities recommended, based on their already active involvement in local Minnesota Early Childhood Initiative Coalitions, would be most interested in using study results to plan and implement activities focused on improving the school readiness of children in the school districts in their communities.

Based on the suggestions from the Minnesota Early Childhood Initiative leadership team, 17 geographically distributed Minnesota school districts in six rural regions of the state were selected to be in the study sample. They included Brandon, Butterfield, Cambridge-Isanti, Cloquet, Hermantown, Hill City, Madelia, Marshall, Minnewaska, Murray County Central, Northfield, Park Rapids, Perham, Princeton, Proctor, St. James, and Thief River Falls. In order to also have representation in the study sample from the metropolitan area of Minnesota, one of the two urban school districts, St. Paul, and two suburban school districts, Columbia Heights and Richfield, were added to the study's strategic sample to total 20 school districts in the Year Three study. Because of the size of the St. Paul kindergarten population, a random sample of 17 elementary school buildings within the district was selected to be in the sample that comprised about 25 percent of the St. Paul kindergarten population and was representative of the demographics of the district and all kindergarten children in the district.

Study Preparation and Data Collection and Dissemination

In August, MDE study staff and Work Sampling System child assessment trainers conducted eight three-hour workshops throughout the state for the elementary school principals and kindergarten teachers from the 49 elementary schools represented to distribute study materials, review study data collection details, review Work Sampling System assessment procedures, and discuss cultural and linguistic issues in assessment. Kindergarten teachers were paid a \$200 honorarium for attending the workshop. Teachers also received a stipend or release time for conducting the assessment with their kindergarten children during the first six weeks of school in the fall. Study materials distributed at the workshops included copies of the Minnesota Work Sampling System (WSS)® Kindergarten Entry Developmental Checklist for each child in each kindergarten classroom, kindergarten teacher instructions and a timeline for the process, a *Work Sampling System Preschool-4 Guidelines 4th Edition* booklet for each teacher, and a chart listing the 32 preschool-4 school readiness indicators being assessed alongside a list of the corresponding 32 kindergarten indicators with the rationale and examples for each from the *Work Sampling System Preschool-4* and *Kindergarten Guidelines 4th Edition* booklets. ***It should be emphasized that the kindergarten teachers rated the children entering kindergarten on the WSS Preschool-4 Developmental Guidelines because these are what children should be expected to know and do when they turn five years old at the end of their fourth year of life at approximately the time they enter kindergarten.***

The final study strategic sample included 3,423 kindergartners in 49 elementary schools and involved 125 kindergarten teachers. More than 81 percent of the parents of the kindergartners responded to the parent survey. Elementary school building and school district summary data were sent to participating school superintendents and elementary school principals in February. In March and April regional workshops for further distribution, discussion, and planning for use of school district study results were planned for the same six regions of the state used for selection of the study sample and in Columbia Heights, Richfield, and St. Paul. The six rural regional workshops were planned and will be implemented in partnership with the Minnesota Early Childhood Initiative leadership team.

Year Three Study Results

Year Three Study Summary of Results Across Districts

Study results will be reported on the MDE Web site for the 20 school districts in the study in May along with the full report. As with the aggregated results in Years One and Two, physical development was the developmental domain where most of the school districts (18/20) reported highest average proficiency ratings. In the arts, eleven of the school districts showed it to be the developmental domain with the first or second highest average proficiency rating. However, seven districts reported it as the domain with the least or next to least highest average proficiency rating. Also, an indicator in the arts was occasionally one where proficiency ratings were low and average “not yet” ratings were as high as those in other domains. Average proficiency ratings in the personal and social development domain were most frequently in the middle of the ratings of proficiency across the five domains. ***The domains of mathematical thinking (least or next to least average “proficiency” rating in 13/20 districts) and language and literacy (least or next to least average “proficiency” rating in 15/20 districts) were consistently the domains with the lowest levels of average “proficiency” ratings across the five domains.***

When examining the “not yet” readiness level average ratings across the domains, the results were consistently the reverse of the average “proficiency” ratings, with the domain of physical development having the least of the “not yet” ratings among the school districts in the study (19/20), the arts with the next least average “not yet” ratings, followed by personal and social development, mathematical thinking, and language and literacy. However, in all domains there were exceptions, and

in some school districts the highest average “not yet” rating was in either the arts or personal and social development.

When examining the percent of the average “proficiency” ratings across the school districts, nine of the districts reported average “proficiency” ratings above 50 percent in all five domains, one district showed ratings above 50 percent in four of the five domains, three districts reported three domains where average “proficiency” ratings were over 50 percent, three were under 50 percent average proficiency in four of the five domains, and four districts reported average “proficiency” ratings below 50 percent in all five domains.

The percent of average “not yet” ratings across the domains were what would be expected given the “proficiency” ratings just described. Eight districts had less than ten percent average “not yet” ratings in all five domains, two districts had only one domain with a ten percent or higher average “not yet” rating, six districts had two or three domains with ten percent or more average “not yet” ratings, and four districts had average “not yet” ratings of ten percent or higher in four or all five domains.

Consistency was high among the individual indicator ratings for each district. Districts that had the highest “proficiency” and the highest “not yet” ratings were consistent across the districts.

Year Three Strategic Sample Aggregated Data

Study results were aggregated statewide in Year One and Year Two because a random sample of elementary school buildings was systematically selected that matched state K-12 demographics. This allowed generalizing the results to the entire Minnesota kindergarten population. As previously indicated, *the Year Three sample was a strategically selected sample of entire school districts not representative of Minnesota elementary school buildings and school districts. Aggregation of the results for generalizability was not the intent of the Year Three study. Aggregated data is reported only to provide a picture of the overall results of this particular strategically selected sample of Minnesota’s 57,822 kindergartners in public schools during the 2004-2005 school year* (does not include kindergartners in charter and private schools).

Table 3 provides an average score summary of how the 3,423 kindergarten children in the Year Three strategic sample were rated by their kindergarten teachers across the five domains according to the three readiness levels. Table 4 provides the same five domain totals along with the aggregation of teacher ratings by indicator ranked according to indicators within each domain in relation to “proficiency” rates from highest to lowest.

Table 3 shows that in this sample over half of the school district kindergartners were proficient, on average, in three of the five domains, with most average proficiency in physical development (67%) followed by the arts (53%) and personal and social development (51%). Less than half of the kindergartners in this sample were proficient, on average, in language and literacy (47%) and mathematical thinking (46%). In all five domains, the kindergartners in this sample showed higher average “proficiency” ratings than the statewide averages from the Year Two study, ranging from four to ten percent higher across the five domains. The average “in process” ratings for this sample of kindergartners ranged from 30-42 percent across the five domains, which was five to eleven percent less than the average “in process” ratings across the domains in the statewide Year Two study.

The average “not yet” ratings for this sample were very similar to the average “not yet” ratings in the Year Two study sample, with physical development two percent higher; the arts, language and literacy, and mathematical thinking one percent higher; and personal and social development the same.

Table 3: Readiness Levels by Domain – Year Three Strategic Sample (Average Number and Percent) <i>N</i> =3,423*						
Domain	Year 3	Year 2 Statewide SRS	Year 3	Year 2 Statewide SRS	Year 3	Year 2 Statewide SRS
	<i>Not Yet</i>		<i>In Process</i>		<i>Proficient</i>	
<i>Physical Development</i>	<i>N</i> =120 4%	<i>N</i> =76 2%	<i>N</i> =1,022 30%	<i>N</i> =1,207 41%	<i>N</i> =2,271 67%	<i>N</i> =1,702 57%
<i>The Arts</i>	<i>N</i> =247 7%	<i>N</i> =170 6%	<i>N</i> =1,368 40%	<i>N</i> =1,413 48%	<i>N</i> =1,796 53%	<i>N</i> =1,391 47%
<i>Personal and Social Development</i>	<i>N</i> =323 9%	<i>N</i> =266 9%	<i>N</i> =1,331 39%	<i>N</i> =1,317 44%	<i>N</i> =1,756 51%	<i>N</i> =1,407 47%
<i>Language and Literacy</i>	<i>N</i> =458 13%	<i>N</i> =345 12%	<i>N</i> =1,352 40%	<i>N</i> =1,363 46%	<i>N</i> =1,599 47%	<i>N</i> =1,283 43%
<i>Mathematical Thinking</i>	<i>N</i> =418 12%	<i>N</i> =318 11%	<i>N</i> =1,436 42%	<i>N</i> =1,489 50%	<i>N</i> =1,562 46%	<i>N</i> =1,186 40%

*Year Three study results are based on a strategic sample of Minnesota kindergartners.

When examining the individual indicators in Table 4, four indicators in language and literacy stood out as having higher “not yet” ratings than the others in this domain – “demonstrates phonological awareness” (25%), “uses letter-like shapes, symbols, and letters to convey meaning” (20%), and “begins to develop knowledge about letters” and “uses expanded vocabulary and language for a variety of purposes” (16% each). One indicator in mathematical thinking had higher “not yet” ratings than the others – “begins to recognize simple strategies to solve mathematical problems” (16%), and one indicator in personal and social development had higher “not yet” ratings than the others – “approaches tasks with flexibility and inventiveness” (15%).

Table 4: Readiness Levels by Domain Indicator Ranked by Proficiency Rating - Year 3		Readiness Levels, N=3,423					
		Not Yet		In Process		Proficient	
		Percent	N	Percent	N	Percent	N
Physical Development							
Physical Development Domain Average Score Summary		4%	120	30%	1022	67%	2271
Performs some self-care tasks independently.		3%	87	24%	801	74%	2,517
Coordinates movements to perform simple tasks.		3%	99	31%	1,045	67%	2,272
Uses eye-hand coordination to perform tasks.		5%	173	36%	1,219	59%	2,024
Personal and Social Development							
Personal and Social Development Domain Average Score Summary		9%	323	39%	1331	51%	1756
Interacts easily with familiar adults.		7%	229	36%	1,222	58%	1,966
Shows eagerness and curiosity as a learner.		7%	245	36%	1,224	57%	1,946
Interacts easily with one or more children.		7%	250	37%	1,266	56%	1,902
Follows simple classroom rules and routines.		7%	255	39%	1,326	54%	1,831
Manages transitions.		9%	323	37%	1,274	53%	1,808
Shows empathy and caring for others.		9%	299	39%	1,316	53%	1,790
Shows some self-direction.		9%	323	39%	1,318	52%	1,773
Attends to tasks and seeks help when encountering a problem.		12%	421	41%	1,395	47%	1,599
Seeks adult help when needed to resolve conflicts.		11%	367	45%	1,518	44%	1,511
Approaches tasks with flexibility and inventiveness.		15%	518	43%	1,455	42%	1,430
The Arts							
The Arts Domain Average Score Summary		7%	249	40%	1368	53%	1796
Participates in group music experiences.		6%	205	37%	1,279	57%	1,932
Uses a variety of art materials for tactile experience and exploration.		7%	235	39%	1,330	54%	1,847
Participates in creative movement, dance, and drama.		8%	268	40%	1,353	53%	1,796
Responds to artistic creations or events.		8%	289	44%	1,508	47%	1,607
Language and Literacy							
Language and Literacy Domain Average Score Summary		13%	458	40%	1352	47%	1599
Speaks clearly enough to be understood without contextual clues.		9%	320	31%	1,042	60%	2,054
Shows appreciation for books and reading.		5%	170	37%	1,275	58%	1,960
Comprehends and responds to stories read aloud.		8%	263	40%	1,379	52%	1,763
Gains meaning by listening.		9%	297	41%	1,398	50%	1,719
Follows two- or three-step directions.		14%	464	38%	1,291	49%	1,654
Uses expanded vocabulary and language for a variety of purposes.		16%	557	37%	1,265	47%	1,590
Represents ideas and stories through pictures, dictation, and play.		12%	395	43%	1,469	45%	1,534
Begins to develop knowledge about letters.		16%	535	41%	1,399	43%	1,478
Shows beginning understanding of concepts about print.		15%	497	44%	1,493	42%	1,423
Uses letter-like shapes, symbols, and letters to convey meaning.		20%	698	42%	1,449	37%	1,268
Demonstrates phonological awareness.		25%	841	42%	1,416	34%	1,148
Mathematical Thinking							
Mathematical Thinking Domain Average Score Summary		12%	418	42%	1436	46%	1562
Shows understanding of and uses of several positional words.		11%	385	40%	1,353	49%	1,674
Begins to recognize and describe the attributes of shapes.		10%	332	41%	1,405	49%	1,681
Shows beginning understanding of number and quantity.		12%	423	42%	1,429	46%	1,566
Begins to recognize simple strategies to solve mathematical problems.		16%	533	46%	1,556	39%	1,325

Table 5: Child and Family Data – Year Three Strategic Sample (N=3,423)

<i>Age of Child on 9-1-04 (average 5.2 years)</i>	<i>N</i>	<i>Percent</i>
4	22	.7%
5	2,678	81.4%
6	590	17.9%
Total	3,290	100%
Gender		
<i>Male</i>	1,707	51.5%
<i>Female</i>	1,608	48.5%
Total	3,315	100%
IEP or IIP		
<i>Yes</i>	279	8.8%
<i>No</i>	2,886	91.2%
Total	3,165	100%
Relationship of Respondent to Kindergartner		
<i>Mother</i>	2,135	79.3%
<i>Father</i>	472	17.5%
<i>Other</i>	85	3.2%
Total	2,692	100%
Parent Education Level		
<i>Less than high school</i>	182	6.8%
<i>High school diploma/GED</i>	647	24.3%
<i>Trade school or some college beyond high school</i>	844	31.7%
<i>Associate degree</i>	291	10.9%
<i>Bachelor's degree</i>	443	16.7%
<i>Graduate or professional school degree</i>	253	9.5%
Total	2,660	100%
Household Total Yearly Income Before Taxes		
<i>\$0 - \$35,000</i>	905	35.2%
<i>\$35,001 - \$55,000</i>	686	26.7%
<i>\$55,001 - \$75,000</i>	527	20.5%
<i>\$75,001 or more</i>	454	17.7%
Total	2,572	100%
Race/Ethnicity of Child (Duplicated)		
<i>Black/African/African American</i>	292	8.5%
<i>American Indian/Alaskan Native</i>	66	1.9%
<i>Asian/Native Hawaiian or Pacific Islander</i>	214	6.3%
<i>Hispanic or Latino</i>	292	8.5%
<i>White/Caucasian</i>	2,066	60.4%
<i>Other</i>	33	1.0%
Total	2,963	86.6%*
Race/Ethnicity (White and Children of Color**)		
<i>White</i>	1,920	69.0%
<i>Children of Color**</i>	864	31.0%
Total	2,784	100%
Language spoken most often at home		
<i>English</i>	2,404	86.4%
<i>Spanish</i>	188	6.8%
<i>Hmong</i>	100	3.6%
<i>Somali</i>	30	1.1%
<i>Vietnamese</i>	12	.4%
<i>Russian</i>	2	.1%
<i>Other</i>	46	1.7%
Total	2,782	100%

* In districts where not all parents responded to the question on race/ethnicity, the total percent may be less than 100.

** May represent more than one race/ethnicity.

Table 5 provides a summary of the data from the three questions the kindergarten teachers answered on the developmental checklist regarding child gender, date of birth, and children having an IEP or IIP and the five questions on the parent survey. This table shows that the average age of kindergartners in this sample was 5.2 years on September 1, 2004. Almost 18 percent of these children were six years old on this date. The gender of the sample was fairly balanced with 51.5 percent boys and 48.5 percent girls. In this sample about nine percent of the kindergartners had and IEP or IIP.

Of the 81 percent of the parents in this sample of kindergartners who responded to the parent survey, more than 31 percent (31.1%) reported having a high school diploma/GED or less; more than 42 percent (42.6%) reported having trade school or some college beyond high school or an Associate degree; and more than 26 percent (26.2%) reported having Bachelor's, graduate, or professional school degrees. More than one-third (35.2%) of the parents reported having household incomes in the lowest category of \$35,000 or less; about 27 percent (26.7%) reported incomes at the next level of \$35,001-\$55,000; over 20 percent (20.5%) reported household incomes of \$55,001-\$75,000; and almost 18 percent (17.7%) reported incomes of \$75,001 or more. About 62 percent were in the lower two income categories, and 38 percent were in the two higher income categories. Parents reported that 31 percent of this sample of kindergartners was children of color, and 60 percent was white/Caucasian. About nine percent each were reported as black/African/African American and Hispanic or Latino; over six percent were Asian/Native Hawaiian, or Pacific Islander; two percent were American Indian/Alaskan Native; and one percent was reported as other. More than 86 percent of the parents reported English as the language spoken most often at home followed by Spanish at about seven percent, Hmong about four percent, and other languages totaling a little over three percent.

Tables 6, 7, 8, and 9 and Charts 1, 2, 3 and 4 give the developmental data results in the "not yet" category of readiness levels in the five developmental domains studied in relation to parent education level, household income, race/ethnicity, and language spoken most often at home.

Chart 1. Domain Averages for Children Rated Not Yet by Parent Education Level

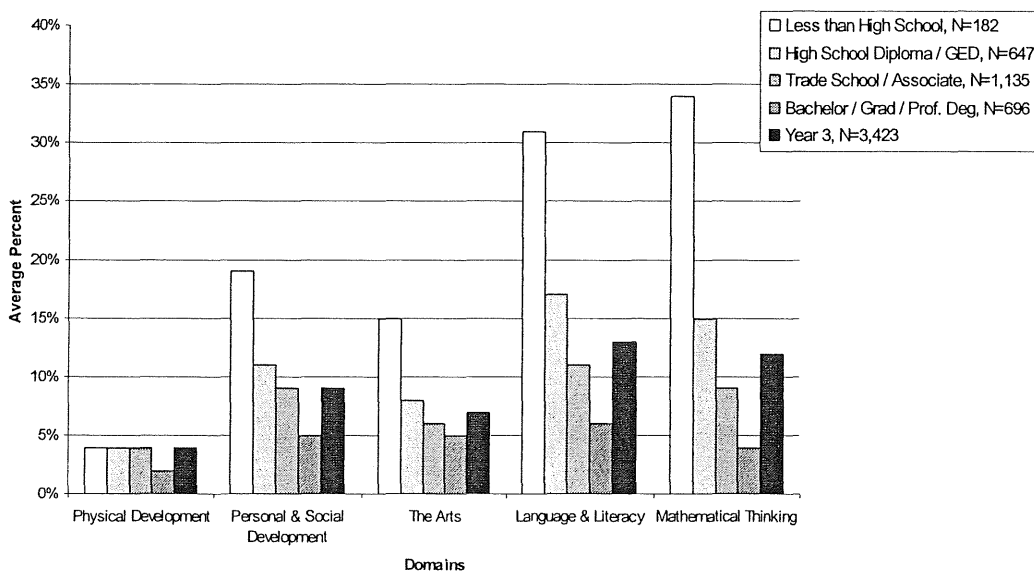


Table 6: Domain Averages for Children Rated Not Yet by Parent Education Level

	Total N for sub- group	Physical Development		Personal & Social Development		The Arts		Language & Literacy		Mathematical Thinking	
		N	%	N	%	N	%	N	%	N	%
Less than HS	182	8	4%	34	19%	27	15%	56	31%	61	34%
High School/GED	647	25	4%	73	11%	51	8%	107	17%	99	15%
Trade School/Associate Degree	1,135	44	4%	101	9%	63	6%	129	11%	104	9%
Bachelor/Graduate/ Professional Degree	696	16	2%	35	5%	32	5%	40	6%	27	4%
<i>Children with no parent education information</i>	763										
Year 3 Strategic Sample	3,423	120	4%	323	9%	249	7%	458	13%	418	12%

Chart 1 and Table 6 show that in all five domains the students in this sample of parents with the least amount of education (less than high school) were two to eight times as likely to have a “not yet” rating, on average, than the students of parents with the most education (Bachelor’s, graduate, or professional school degree).

Chart 2. Domain Averages for Children Rated Not Yet by Household Income

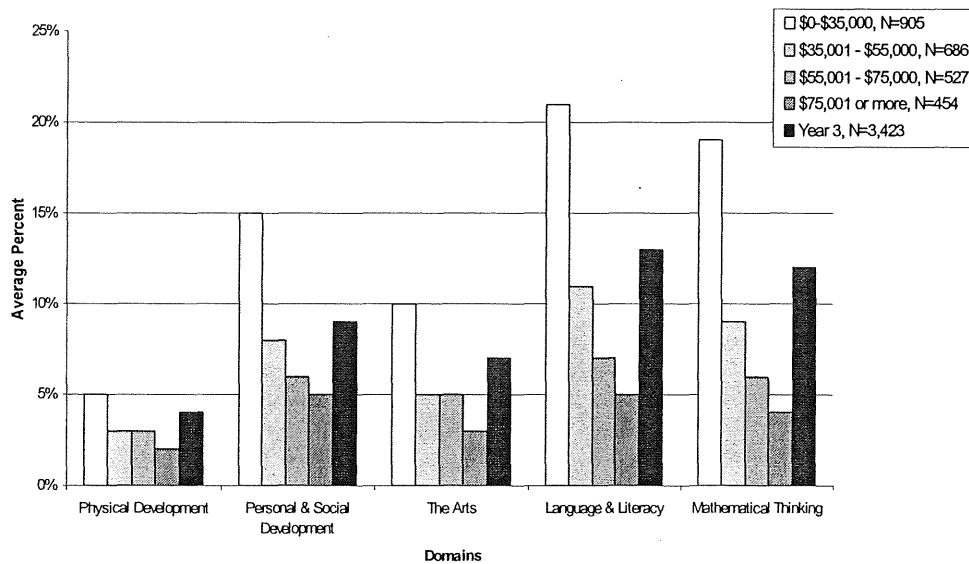


Table 7: Domain Averages for Children Rated Not Yet by Household Income

	Total N for sub- group	Physical Development		Personal & Social Development		The Arts		Language & Literacy		Mathematical Thinking	
		N	%	N	%	N	%	N	%	N	%
\$0 - \$35,000	905	45	5%	132	15%	92	10%	187	21%	175	19%
\$35,001 - \$55,000	686	22	3%	52	8%	35	5%	77	11%	62	9%
\$55,001 - \$75,000	527	15	3%	32	6%	26	5%	36	7%	31	6%
\$75,001 or more	454	11	2%	21	5%	15	3%	24	5%	18	4%
<i>Children with no parent education information</i>	851										
Year 3 Strategic Sample	3,423	120	4%	323	9%	249	7%	458	13%	418	12%

Chart 2 and Table 7 show the same pattern regarding household income; in the five domains the percentage of kindergartners “not yet” showing the skills, areas of knowledge, or specific sets of behaviors or accomplishments is two – four times higher, on average, in the lowest income category (\$0 - \$35,000) as compared to the highest income category (\$75,001 or more).

Chart 3. Domain Averages for Children Rated Not Yet by Race / Ethnicity

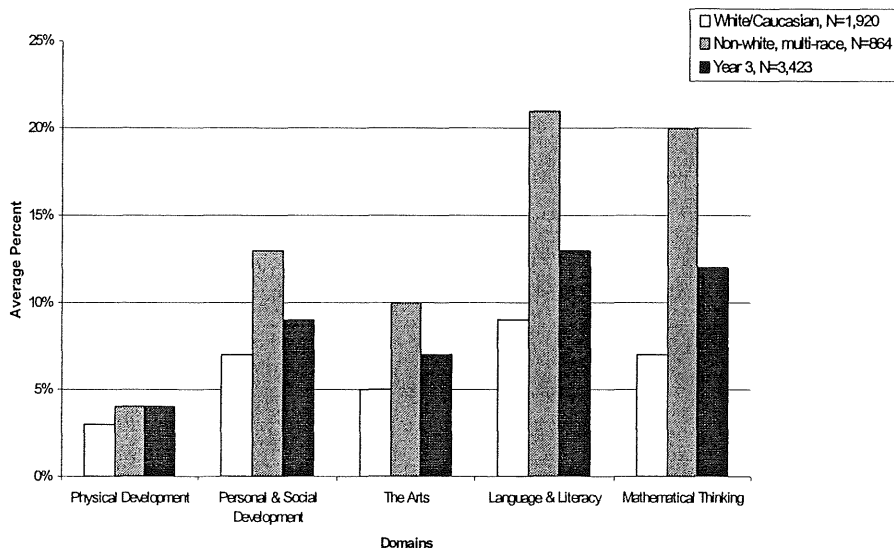


Table 8: Domain Averages for Children Rated Not Yet by Race/Ethnicity

	Total N for sub-group	Physical Development		Personal & Social Development		The Arts		Language & Literacy		Mathematical Thinking	
		N	%	N	%	N	%	N	%	N	%
White / Caucasian	1,920	61	3%	141	7%	97	5%	175	9%	141	7%
Non-white, multi-race	864	34	4%	112	13%	87	10%	181	21%	171	20%
<i>Children with no parent education information</i>	639										
Year 3 Strategic Sample	3,423	120	4%	323	9%	249	7%	458	13%	418	12%

Chart 3 and Table 8 and show differences in average “not yet” ratings in regard to race/ethnicity between children of color and White/Caucasian kindergartners. *Average “not yet” ratings were higher, on average, in all five domains for children of color, especially in the domains of mathematical thinking, language and literacy, and the arts where the average “not yet” ratings were twice as high for children of color as they were for white/Caucasian children.*

Chart 4. Domain Averages for Children Rated Not Yet by Home Language

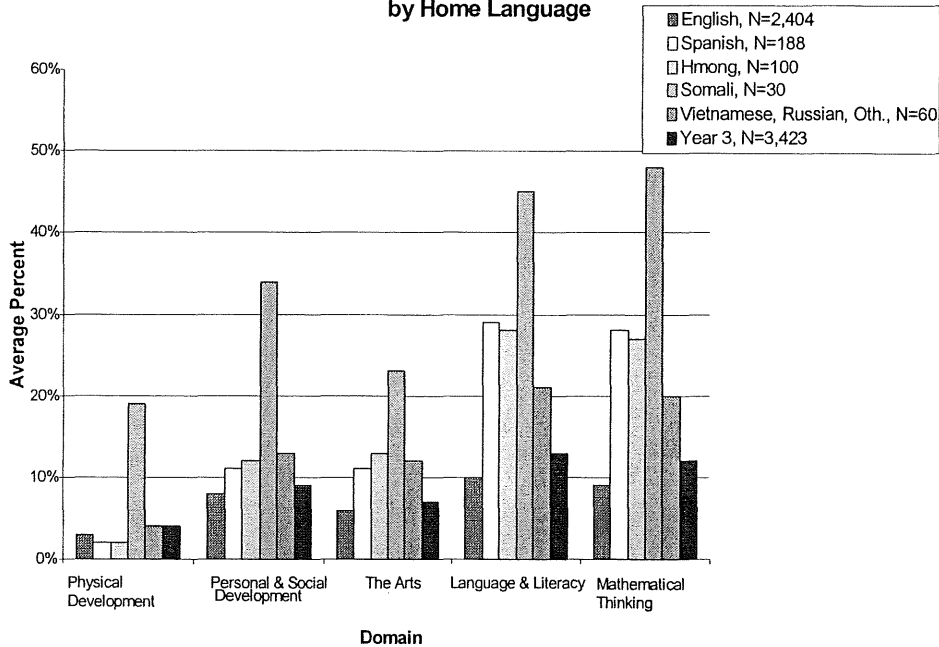


Table 9: Domain Averages for Children Rated Not Yet by Home Language

	Total N for sub-group	Physical Development		Personal & Social Development		The Arts		Language & Literacy		Mathematical Thinking	
		N	%	N	%	N	%	N	%	N	%
English	2,404	81	3%	201	8%	136	6%	248	10%	206	9%
Spanish	188	4	2%	21	11%	21	11%	54	29%	52	28%
Hmong	100	2	2%	12	12%	13	13%	28	28%	27	27%
Somali	30	6	19%	10	34%	7	23%	14	45%	14	48%
Vietnamese, Russian & Other	60	2	4%	8	13%	7	12%	13	21%	12	20%
<i>Children with no home language information</i>	<i>641</i>										
Year 3	3,423	120	4%	323	9%	249	7%	458	13%	418	12%

Chart 4 and Table 9 show differences in average “not yet” ratings in regard to language spoken most often at home for English; Spanish; Hmong, Somali; and Vietnamese, Russian, and other languages. *In all domains the percent of children rated as not yet showing the skills, knowledge, behaviors, or accomplishments, on average, was highest for children in families where Somali was the language spoken most often at home, ranging from 19-48 percent across the five domains. For the other languages there was little difference in the domain of physical development and small differences in the domains of personal and social development and the arts, ranging from 1-6 percent higher or lower than the total sample average. In language and literacy and mathematical thinking the average percent of “not yet” ratings were also high for children in families where Spanish; Hmong; and Vietnamese, Russian, and other languages were the languages spoken most often at home, ranging from 21-29 percent in language and literacy and 20-28 percent in mathematical thinking.*

Use of Year Three Study Results: Promoting School Readiness in Local Communities With A Strategic Sample of School Districts

Minnesota Department of Education (MDE) staff worked with Minnesota Early Childhood Initiative (MECI) coalition leaders to convene and host workshops in their regions in March and April 2005 for the school districts in their regions involved in the study, other community partners already involved in their work and potential new partners interested in community school readiness issues. A MDE early childhood education specialist was present at each of these sessions to report study results and facilitate discussion of strategies that can be implemented in communities to promote school readiness. The goal of the workshops was to use study results to consider strategies for improving the school readiness of children as they enter kindergarten through:

- Involving parents in their children's learning and education,
- Enhancing early childhood education and care in the community,
- Promoting meaningful transition to kindergarten activities for children and their parents, and
- Improving schools' ability to address the needs of children and parents as they enter kindergarten.

MDE staff provided an overview of the results of the Year Three Minnesota School Readiness Study and related materials for workshop participants. Materials included local school district results from the region of each session, a study summary, *Early Childhood Indicators of Progress: Minnesota's Early Learning Standards* (ECIP), the alignment of the Minnesota K-12 Kindergarten Academic Standards with the ECIP, and the document, *Using Minnesota School Readiness Study Information in Your School District and Community*. Participants used these and other resources to brainstorm and select three top strategic priorities for promoting school readiness in their school district and community.

Examples of strategies for improving the school readiness of children in their school district and community included:

- Developing or identifying and using curriculum materials that foster learning opportunities in language and literacy development,
- Providing professional development for teachers and caregivers, and
- Helping family members understand what is appropriate to expect of children entering kindergarten.

The new or existing community coalitions represented at the workshops were expected to act upon the strategies selected. Similar plans were made for dissemination of study results and creating or building upon community school readiness efforts with Columbia Heights, Richfield, and St. Paul School Districts.

Conclusions

The Minnesota School Readiness Year Three Study of children's developmental assessment at kindergarten entrance in the fall of 2004 gives a picture of the development of the kindergartners in a strategic sample of Minnesota school districts during the first weeks of school. The data for each district yield information on 32 indicators in five domains of development – personal and social, language and literacy, mathematical thinking, the arts, and physical development – that can be compared to the baseline data on the same 32 indicators obtained in the Year Two study. The Year Three data also provide information reported by parents on parents' highest level of school completed, household total yearly income before taxes, race/ethnicity of the kindergartner, and language spoken most often at home. These results will be useful to public school administrators and teachers and early childhood education and care teachers, providers, and administrators as well as parents, policymakers,

and community members in local communities as they work to improve children's school readiness and school success.

About Child Assessment Results

1. As in the fall of 2002 and 2003, children in this sample in the fall of 2004 again entered kindergarten with a range of skills, knowledge, behaviors, and accomplishments.

Study results reflect the great variability in young children's knowledge and skills as evident in observing any group of young children and borne out by research. In all developmental domains assessed in the study, a certain percentage of children entering kindergarten in most schools did not yet show the indicators of focus. Based on findings from similar studies in other states and national studies, these children with "not yet" average ratings are more likely than children who can perform the indicators to live in poverty or experience other risk factors making them vulnerable for school failure. Early childhood teachers, providers, and administrators; schools; policymakers; and community members have a particular responsibility to focus special attention and resources on these children if they are to catch up to their peers and achieve in school.

In some districts and schools where a higher percentage of children, on average, enter school not yet showing the expected knowledge, skills, behaviors, and accomplishments, careful review of the results is needed, and extensive and intensive school readiness preparation activities may be warranted for children, with more information and education also made available to parents and early childhood education and care teachers and providers. In school districts where many or most children show proficiency, on average, on the assessed knowledge, skills, behaviors, and accomplishments and fewer of the children are inconsistent in or not yet demonstrating these skills and abilities, careful examination is needed of teaching practices used in early childhood education and care prior to kindergarten and supports available to young children and their parents in schools and communities that support this higher level of proficiency as children enter kindergarten. This information would be particularly useful in planning staff development activities in these and other districts, programs, and communities.

2. In this sample, parent education level, family income, race/ethnicity, and language spoken most often at home appear to be related to readiness level.

In all five developmental domains assessed – language and literacy, mathematical thinking, personal and social development, the arts, and physical development – the average percentage of kindergartners "not yet" showing the skills, areas of knowledge, or specific sets of behaviors or accomplishments is highest for the children of parents with the least education and in the lower income levels. Children of color showed higher average "not yet" ratings in the five domains than white/Caucasian children, but the differences were not as great as they were in regard to parent education level and household income. Children who spoke a language other than English most often at home showed high average "not yet" ratings in language and literacy (ranging from 21-45%) and mathematical thinking (ranging from 20-48%), but average "not yet" ratings were not as different from the sample average in the other three domains except for those for whom the Somali language was the language spoken most often at home where average "not yet" ratings were high in all domains (ranging from 19-48%).

3. Female kindergartners in this study showed fewer "not yet" readiness ratings in all domains than males.

In all five domains the males showed a higher average percent in the

“not yet” category of readiness than the females, ranging from a 3-5 percent different depending upon the domain.

About the Study Process

Using performance-based assessment such as the Work Sampling System is appropriate when working with elementary school principals and kindergarten teachers to assess children’s readiness as they enter kindergarten. These teacher ratings can be aggregated and analyzed to provide a meaningful developmental picture of the school readiness of a sample of Minnesota kindergarten children. Based on three years of experience implementing the study, the process can continue to be improved, particularly in ongoing training in use of the Work Sampling System with accompanying studies of reliability.

Recommendations

The developmental assessment findings from the *Minnesota School Readiness Year Three Study: Developmental Assessment at Kindergarten Entrance Fall 2004 –PROMOTING SCHOOL READINESS IN LOCAL COMMUNITIES WITH A STRATEGIC SAMPLE OF SCHOOL DISTRICTS* adds to the pool of information we have for better understanding and responding to the school readiness needs of Minnesota children both before they begin school and once they enter kindergarten. The individual school district reports and plans for their use in local communities provide information that can be used to enhance and create activities that promote school readiness and increase the proficiency of young children as they enter kindergarten. The information obtained on a strategic sample of children entering kindergarten provides further evidence of what needs to be done to ensure that each Minnesota child enters school ready for success and is greeted by an environment that has the capacity to address the diverse needs of every child. The following are recommendations for action with regard to study findings.

About Child Assessment Results

1. **Continue to support parents in their role as children’s first teachers.** Parents are children’s first and most important teachers and are critical to their children’s success in school. Because of this they should have access to the information and support they need regarding parenting. Providing information to parents about age and developmentally appropriate ways in which they can extend their children’s learning through everyday activities and routines is one way this can be done. Providing group and individual parent education choices to parents to inform and enhance their parenting skills is another important way information and support regarding parenting can be provided to parents. This is particularly important for parents with lower household incomes and those with lower education levels as well as those from communities of color and in homes where English is not the language spoken most often.
2. **Continue to increase schools’ ability to respond to the varying needs of children as they enter kindergarten.** The results of all three Minnesota School Readiness Studies confirm that children come to kindergarten with variability in their skills, knowledge, behaviors, and accomplishments. Although much can be done during the child’s early years to enhance these skills, knowledge, behaviors, and accomplishments, variability is normal for children entering kindergarten. Schools need to be prepared to address this variability, including both the children inconsistently demonstrating skills, knowledge, behaviors, and accomplishments and the children who enter school with low skills and are not yet able to

perform many of the indicators studied. School district and community leaders including superintendents, principals, kindergarten teachers, the business and faith communities, local policymakers, early childhood education teachers and caregivers, and parents can use results from the three years of study as they work together to identify best practices for supporting children's and their parents' transition into and success in the K-12 school system.

3. **Enhance school and community supports for improving the school readiness and success of children in specific communities.** One of the objectives of the Year Three study was to engage communities in planning to increase the percentage of children ready for school success. The regional workshops for dissemination and discussion of study results are intended to promote creation of or building upon local school readiness efforts and encourage use of the results of the three years of the Minnesota School Readiness studies to involve parents in their children's learning and education, enhance early childhood education and care in the community, promote meaningful transition to kindergarten activities for children and their parents, and improve schools' ability to address the needs of children and parents as they enter kindergarten. Through this work, needed school and community supports can be identified and initiated or enhanced.
4. **Continue focus on improving children's early language and literacy and mathematical skills at the same time increasing their personal and social skills and development in all areas.** The developmental data from all three years of the study show that these samples of Minnesota kindergartners are less proficient in the domains of language and literacy and mathematical thinking when they enter kindergarten than they are in the other three domains studied – physical development, the arts, and personal and social development. Early language and literacy and math experiences that are age and developmentally appropriate should be included within the everyday activities of all children by parents, teachers, and caregivers. *In doing so, care should be taken to avoid pushing academic activities for school-age children down to lower age levels inappropriately. In addition, personal and social development and all other areas of development should be emphasized because of their recognized importance to school readiness and school success.* As part of this, teachers and providers can examine indicators within the developmental domains studied where children are more and less proficient and target teaching strategies accordingly.
5. **Within the context of potential universal pre-kindergarten services for all Minnesota four-year-olds, target specific resources and more comprehensive, intensive education and services to those children (and their families) most likely to not yet show the skills, knowledge, behaviors, and accomplishments expected of children as they enter kindergarten.** Programs that are more comprehensive and offer intensive education provide opportunities to children who are considered at-risk or with special needs who are likely to struggle when they begin kindergarten and fall further behind as they continue in school. Based on study findings, paying particular attention to children in lower income categories and whose parents have the least amount of education is especially important.
6. **Continue to work toward improving the quality of early childhood education and care programs in Minnesota.** Research tells us that children's development and learning is positively affected if early childhood education and care programs are of high quality. Quality early childhood education and care programming is of particular importance in helping to reduce the number of children who have inconsistently or not yet acquired the

skills, knowledge, behaviors, and accomplishments expected as they enter kindergarten. The high number of Minnesota young children cared for on a regular basis by someone other than a parent or attending a child care or early childhood program outside the home (Legislative Commission on the Economic Status of Women, 2004) heightens the importance of this recommendation.

7. **Consider implications for adult education and family literacy programs and programs geared toward increasing job skills and consequent family income level.** Study results over the past three years have consistently shown that levels of readiness appear to be related to a parent's education level and household income. These findings point to the value of adult education and family literacy programs that have as their focus increasing the literacy of parents as well as children, thereby improving the ability of parents to secure better employment at the same time they work to support their children's development in language and literacy and other areas of development. Other types of efforts focused on increasing job skills and consequent family income seem of equal importance to long-term changes in the literacy and school readiness and success of young children.

Future Directions

1. **Consider alternatives for continuing the Minnesota School Readiness Studies: Developmental Assessment at Kindergarten Entrance.** In addition to interest in expanding the study to more school districts and kindergartners, there is interest in continuing to assess all or a sample of the children assessed in the Year Three study in first grade and beyond, possibly through third grade, in order to observe child progress and determine the link between indicators of school readiness at kindergarten entrance and performance on third grade Minnesota Comprehensive Assessment tests.
2. **Provide ongoing training to kindergarten teachers in use of the Work Sampling System of child assessment.** In order for teachers to do performance assessment accurately, in-depth initial training in the process is required before beginning use of the assessment. As new kindergarten teachers enter districts involved in the study, they need to receive this training. Also, ongoing training of teachers and monitoring of the quality of the data collected are essential to accurate measurement. In addition, reliability studies need to be done regarding the accuracy of the data collected to assure that results are consistently accurate and reliable.
3. **Study the relationship of early childhood education and care experiences to school readiness.** Questions continue to be raised about the relationship of early childhood education and care experiences to school readiness, especially in a state where approximately 77 percent of mothers of preschoolers work outside the home (Legislative Commission on the Economic Status of Women, 2004). As indicated previously, Year Two study results supported the assumption that there are likely inaccuracies in the early childhood education and care experiences recorded by parents on a survey. At a minimum, telephone interviews are recommended to be done with parents to secure accurate information regarding prior early childhood education and care experiences.

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Community Workshops
on
**Minnesota School Readiness Year Three Study:
Developmental Assessment at Kindergarten Entrance Fall 2004**

***PROMOTING SCHOOL READINESS IN LOCAL COMMUNITIES
WITH A STRATEGIC SAMPLE OF SCHOOL DISTRICTS***

The Minnesota Department of Education (MDE) and the Minnesota Early Childhood Initiative (MECI) are jointly sponsoring the following half-day regional workshops for the school districts in the MECI regions involved in the study, other community partners already involved in their work, and potential new partners interested in community school readiness issues.

WORKSHOP AUDIENCE:

- School district superintendents, elementary school principals, kindergarten teachers, and other interested school personnel
- Parents
- Early childhood education and care teachers, providers, and administrators
- Others interested in young children in local communities
- MEIC coalition members

WORKSHOP GOAL:

To use study results to consider strategies for improving the school readiness of children as they enter kindergarten through:

- Involving parents in their children's learning and education
- Enhancing early childhood education and care in the community
- Promoting meaningful transition to kindergarten activities for children and their parents
- Improving schools' ability to address the needs of children and parents as they enter kindergarten

MDE staff will provide an overview of the results of the Year Three Minnesota School Readiness Study and related materials including the *Early Childhood Indicators of Progress: Minnesota's Early Learning Standards* and the draft alignment of the Minnesota Kindergarten K-12 Academic Standards with the Early Learning Standards. Participants will use these and other resources to brainstorm and prioritize strategies for promoting school readiness in their school district and community.

Examples of strategies for improving the school readiness of children might include:

- Developing or identifying and using curriculum materials that foster learning opportunities in language and literacy development
- Providing professional development for teachers and caregivers
- Helping family members understand what is appropriate to expect of children entering kindergarten

REGISTRATION FORM

Community Workshops

on

Minnesota School Readiness Year Three Study:
Developmental Assessment at Kindergarten Entrance Fall 2004

*PROMOTING SCHOOL READINESS IN LOCAL COMMUNITIES WITH A
STRATEGIC SAMPLE OF SCHOOL DISTRICTS*

NO COST FOR ATTENDING

Please attend the session listed for your school district.

Thursday March 3, 2005 – BUTTERFIELD, MADELIA, ST. JAMES

12:00 Noon – 3:00 p.m.

AmericInn Madelia

Conference Room

620 Haynes Avenue NE

Madelia, MN 56062

Contact: Sue Harris at sharris@stjames.k12.mn.us

Monday, March 7, 2005 – NORTHFIELD

1:00-4:00 p.m.

Bridgewater Elementary School

Conference Room

401 Jefferson Parkway

Northfield, MN 55057

Contacts:

Supt. Chris Richardson at chris.richardson@nfld.k12.mn.us

Katie Purdes at katie.purdes@nfld.k12.mn.us

Tuesday, March 29, 2005 – CAMBRIDGE-ISANTI, PRINCETON

4:00-7:00 p.m.

The Media Center

Princeton Middle School

1100 4th Avenue North

Princeton, MN 55371

Contacts:

Princeton – Sue Hix at shix@sherbtel.net

Cambridge/Isanti – Dawn van Hees at dvrn14@yahoo.com

Wednesday, March 30, 2005 – CLOQUET, HERMANTOWN, HILL CITY,
PROCTOR

1:00-4:00 p.m.

Proctor Area Community Center

100 Pionk Drive

Proctor, MN 55779

Contact: Claudia Otis at Odoco@cs.com

Monday, April 4, 2005 – MARSHALL, MURRAY COUNTY

12:30-3:30 p.m.

Pizza Ranch

2306 Broadway Ave.

Slayton, MN 56172

Contact: Dodi Haugen at dodi_haugen@mcc.mntm.org

Tuesday, April 5, 2005 – BRANDON, MINNEWASKA, PERHAM

12:00 Noon – 3:00 p.m.

Douglas County Public Library

720 Fillmore Street

Alexandria, MN 56308

Contact: Nancy Jost at njost@wcif.org

Wednesday, April 6, 2005 – PARK RAPIDS, THIEF RIVER FALLS

9:00 a.m. – 12:00 Noon

Holiday Inn Express

2422 Ridgeway Avenue NW

Bemidji, MN 56601

Contact: Lin Wahlberg at linw@nwmf.org

***PLEASE REGISTER BY E-MAIL WITH ONE OF THE
CONTACT PERSONS
LISTED FOR THE SESSION IN YOUR REGION.***

For questions contact:

Betty Cooke at 651.582.8329 or betty.cooke@state.mn.us

or

Barbara O'Sullivan at 651.582.8422 or barbara.osullivan@state.mn.us

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By Children's Defense Fund Minnesota
and Child Care WORKS

April 2005



Missed Opportunities Produce Costly Outcomes

**“Environmental changes, educational shortcomings, economic benefits and ethical imperatives
all underline the value of preparing kids better for success in school, work, and life.”**

—Minnesota School Readiness Business Advisory Council

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Members include Children's Defense Fund Minnesota,
JOBS NOW Coalition, Legal Services Advocacy Project,
Minnesota Budget Project, and
Minnesota Community Action Association.*

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Childcare in Minnesota

Successful children become successful adults, so investing in Minnesota’s children is good for all of Minnesota. Experts in many different fields—including primary school teachers, police officers, economists, and early brain development researchers—agree that investing in quality early care and education produces good outcomes for children and significant benefits to the broader community. Yet, public resources that support working Minnesota families’ access to quality early care and education for their children continue to diminish.

This report focuses on Minnesota’s Child Care Assistance Program (CCAP), which provides low-income working families with financial assistance to access early care and education for their children. The most dramatic policy and funding shifts in early care and education in recent years have been to CCAP. The report analyzes the impact of the changes and makes recommendations for future policy-making. The report uses the terms “early care and education” and “child care” interchangeably—because, in fact, they are one and the same.

Stakeholders of Child Care: Everyone Shares the Outcomes

Affordable and accessible quality child care helps parents to work while providing early education opportunities for Minnesota’s youngest citizens. Using public resources to support these families reflects Minnesota’s



Courtney Cushing Kiernat

community values—work and education. Rather than fund and administer a bureaucratic child care “system,” public resources in Minnesota help parents access the private early care and education market. Consequently, child care has many stakeholders:

- Children
- Parents
- Child Care Providers
- Businesses
- Communities

These interconnected stakeholders are each affected by changes in the system. And each bears a cost if children are left in low quality or unstable child care arrangements.

The Public’s Role in Early Childhood Care and Education

Federal, state and local governments have an important role in ensuring the

stability and accessibility of the early care and education infrastructure—much in the same way government supports other community infrastructures, like roads and public safety.

In Minnesota, less than one percent of the entire state budget is spent on early care and education programs. The Minnesota Child Care Assistance Program (CCAP) is only one of these programs.

Using public funds to pay for child care assistance is highly effective at helping low-income families work and succeed. A study found that former welfare-to-work recipients with young children are 60 percent more likely to still be working after two years if they receive child care assistance. As welfare reform progresses and fewer public funds are spent on providing cash assistance to families moving from Minnesota’s welfare-to-

work program (the Minnesota Family Investment Program, or MFIP), there is an increased demand for child care assistance (see Figure 1). But estimates suggest that only 16 percent of eligible Minnesota families used child care assistance in 2000. At the same time, 7,300 families on average were on a waiting list for the assistance.

Child Care Policy & Funding in Minnesota

In Minnesota, a combination of federal, state and county resources help all working families pay for child care. Income tax breaks for a limited portion of parents' child care costs are available under both state and federal tax codes. In addition, Minnesota uses the federal Child Care Development Block Grant (CCDBG) and Temporary Assistance to Needy Families (TANF) funds, state general funds and special revenue funds to fund Minnesota's Child Care Assistance Program (CCAP).



Courtesy Cushing Kiernat

Federal CCDBG and TANF funding for child care remains stagnant. Consequently, because actual child care costs continue to rise, the federal funding for assistance shrinks over time. For fiscal year 2006, President Bush recommends cuts that will result in a loss of assistance for 300,000 children nationwide—5,000 in Minnesota. This is of great concern, as CCAP relies heavily on

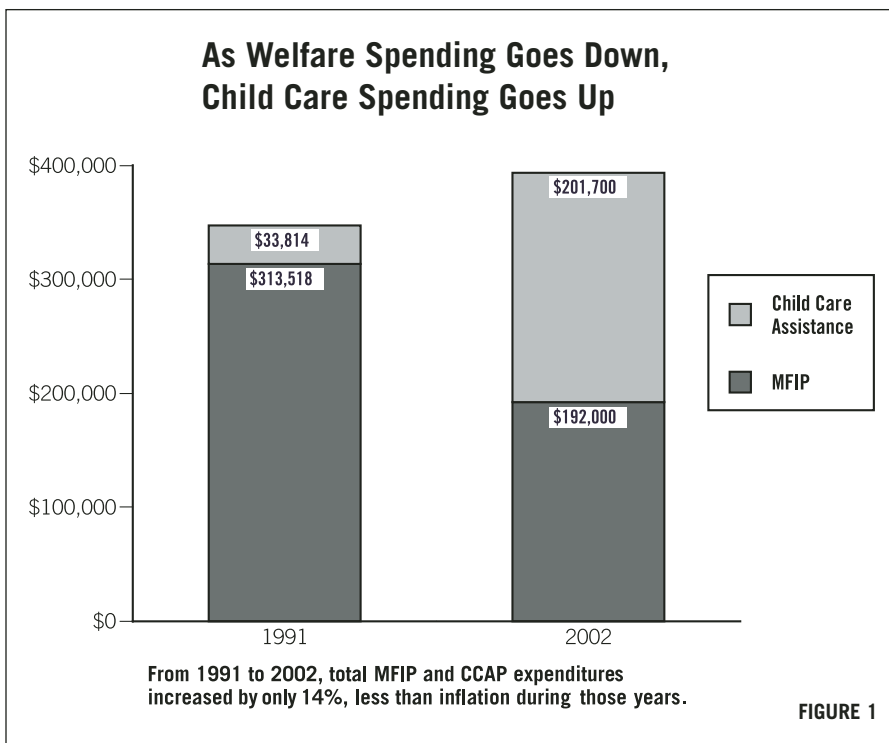
federal funding. It accounted for almost 45 percent of CCAP funds in the 2004–2005 state biennium.

Child Care Policy Changes in Minnesota

Despite the emerging evidence-based arguments for investing more public resources into early childhood programs, Minnesota significantly decreased its commitment to helping working families access quality early care and education in recent years.

Reduced State Funding for Child Care by \$86 Million in 2004-2005 Biennium

In 2003, the state legislature cut funding for CCAP by \$86 million, or about one third, for the 2004-2005 biennium. This included a 48 percent decrease of state funds for BSF (see box "Overview of Key CCAP Components" on next page). The policy changes lowered the program eligibility level, increased family co-payments and temporarily froze provider reimbursement rates. (For a detailed explanation of 2003 legislative changes, see Appendix A.) Many providers had to pass more costs onto



families in order to stay afloat. The changes have made stable, quality care unavailable or unaffordable for thousands of families in need of assistance. **An estimated 10,000 children are no longer accessing child care assistance as a result of these changes, although their parents are still working and need assistance.**

Many of the 2003 policy changes in CCAP were permanent. Therefore, projected CCAP funds for the 2006-07 biennium also were reduced by \$51 million, or almost 20 percent. However, the freeze on the maximum reimbursement rates paid to child care providers was supposed to be a temporary cost-savings measure, not a permanent policy change. The freeze was scheduled to be lifted in July 2005.

Governor Pawlenty Proposes Cutting Additional \$70 Million—Total \$121 Million Reduction for 2006-2007 Biennium

A new proposal in the governor's budget would reduce the state's commitment by an additional \$70 million for the 2006-2007 biennium by maintaining the temporary freeze for three more years. **Under this proposal, reimbursement rates for private providers would be based on 2001 private market rates until July 2007.**

Costly Outcome

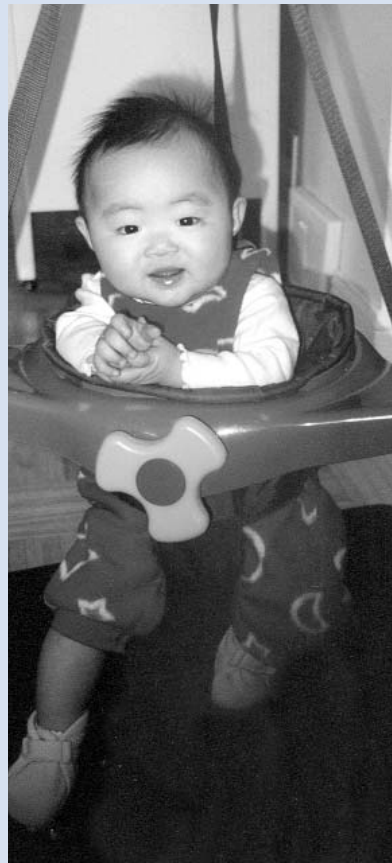
Cutting public investment in child care does not contain the cost of providing care; it only hurts families and businesses and shifts costs to local Minnesota communities. Access and quality were greatly compromised by the 2003 changes; neither working Minnesota families nor private providers can financially afford more cuts. The governor's proposal

Overview of Key CCAP Components

Resources: The state allocates CCAP funds to counties; counties add their own funds for program administration—including determining family eligibility, and registering and reimbursing providers.

Families: CCAP helps Minnesota families that participate in the state's welfare-to-work program—the Minnesota Family Investment Program (MFIP), those who have left MFIP within the past year and are part of Minnesota's Transition Year (TY) program, and families with incomes under 175 percent of the poverty guidelines (about \$27,000 for a family of three) through the Basic Sliding Fee (BSF) program. BSF families receive assistance until their income rises to 250 percent of poverty (about \$39,000 for a family of three). Child care for MFIP and TY families is forecasted so every eligible family who applies is guaranteed assistance. BSF is funded with a capped appropriation, so a limited number of eligible families receive assistance. Others who are eligible and apply are put onto a waiting list.

Parent Choice: Under federal law, CCAP parents must be able choose any provider who is willing to be reimbursed by CCAP up to a maximum reimbursement rate set by the state. Families choose from both



informal care (families, friends or neighbors) and licensed options (center- or family-based).

Parent Responsibility: Families are responsible for a monthly co-payment that increases as the family's income increases. Families who earn less than 75 percent of the poverty guidelines are exempt from the monthly parent co-payment. In addition, families may be required by their provider to pay the difference between the state reimbursement rate and the provider's actual rate, as well as any special fees charged by the provider.



Family Faced 500% Increase in Child Care Costs

Mary,* a single mother of twin toddlers who worked full-time as a hotel clerk in Greater Minnesota, earned just over \$2,000 per month. Prior to the 2003 cuts, she paid a \$58 co-payment for child care utilizing CCAP.

In 2003, her monthly co-payment doubled to \$119. In addition, the rate at which her child care center was reimbursed for her children was frozen. The center started charging her an additional \$240 per month to make up the difference. Paying \$359 per month for child care—a 500 percent increase—was more than Mary could handle. She pulled her children from the center.

**name has been changed*



Courtney Cushing Kremat

will make their situations worse. Private providers, many of whom (according to the Department of Human Services) are operating with no profit margin, confirm that the continued reimbursement freeze will force them to:

- Pass the rate difference on to CCAP families;
- Stop taking CCAP families; or
- Lower quality by reducing staff.

The Departments of Finance and Human Services estimate that a continued rate freeze will prevent thousands of the lowest-income working families from accessing help to pay for child care.

What Cost Does Each Stakeholder Bear?

Each stakeholder in the child care system will experience costly outcomes if Minnesota does not strengthen its commitment to early childhood and increase investments in the child care infrastructure. Ultimately, taxpayers and lawmakers need to decide if the *cost of not investing* in quality child care is too great, creating life-long impacts on future generations.

Children: Missed Opportunity to Get Ready for Learning and Success

To thrive and succeed, children need nurturing opportunities to develop—cognitively, physically, spiritually, socially and emotionally. Families are the primary influence on their children’s development, but most Minnesota parents work outside the home. As a result, two-thirds of young Minnesota children spend time in early care and education settings.

Child care is more than “babysitting”; it establishes the foundation for children’s development. Brain research studies consistently find that the first five years of a child’s life are the most critical for development. Physical, emotional, social and cognitive growth is occurring rapidly. During this critical time, young brains are shaped by the quality of their interactions with adults. High quality interactions can enhance healthy development; poor ones can impede it.

Good quality child care includes:

- Parent involvement;
- Qualified, responsive, nurturing, and reliable caregivers; and
- A stimulating, age-appropriate, safe learning environment.

Every Minnesota child deserves the highest quality early childhood experiences, but research shows that high quality early care and education programs have the greatest impact on children from low-income families. Investing in these



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children’s early education and helping their parents give them the right start can make an enormous difference in getting them ready to learn in Minnesota’s schools.

Impact on Minnesota’s Youngest Learners

Approximately 670,000 Minnesota children ages 12 and under spend some of their time in non-parental care during a typical week. In 2004, the state provided financial assistance for child care to about 56,000 children through Minnesota’s Child Care Assistance Program (CCAP).

After the 2003 budget cuts, many Minnesota children lost assistance to access child care. Between July 2003 and November 2004, more than 10,000 Minnesota children dropped out of CCAP. More than 40 percent of these children live in families accessing CCAP through the state’s

welfare-to-work program, the Minnesota Family Investment Program (MFIP). Department of Human Services data suggests the vast majority of these families are still working, and thus, their children still need care. However, **where the children now spend their days, and the quality of those settings, is mostly unknown.**

Where young children, particularly low-income, at-risk children, spend their days while their parents work is important. The Department of Education reports that less than 50 percent of Minnesota kindergarteners are fully prepared for kindergarten. But, a Department of Human Services study of children in accredited, or higher quality, child care centers illustrates how quality care can make a difference. Although the study has some limitations, the results are profound. Over 80 percent

Where Are the Children?

“Out of the 15 CCAP families we had, 10 families dropped out of care because of changes to the CCAP program—eligibility or co-pays.

I don’t know where most of those children spend their days. Three of the families have relatives or friends watching the children. One family used a teenage cousin to watch the children, and suffered a fire. Two of the families were single mothers who no longer are at their place of employment.”

—Child Care Center Director
Austin, Minnesota

of the children in the sample from accredited centers were assessed as “fully proficient,” or ready for kindergarten.

Results from low-income children matched those of their fellow students from higher income, more educated households. In addition, there were no differences based on race. This is in stark contrast to the racial disparities for Minnesota children that exist in most other domains, including primary and secondary education, health, child welfare, and criminal justice.

The findings are bittersweet, since the 2003 Legislature eliminated incentives for accredited child care providers to care for CCAP children. Over the past two years, fewer low-income children had access to child care that would make the difference for them as they start school. Quality early education can even the playing field for low-income children, giving them a fair start.

Fewer CCAP Resources Affects ALL Minnesota Children

There are fewer licensed child care providers statewide from which all Minnesota working families can choose. From December 2003 to

December 2004, the number of licensed providers statewide decreased by 550.

The impact is particularly acute in Greater Minnesota where families in higher income brackets use the same providers as CCAP families and providers are operating at a zero percent profit margin or at a loss. When a child care provider shuts down, every child in that program, not just the low-income children, experiences a disruption.

Access to quality care has suffered.

Providers across the state report being in financial crisis and having to take sharp measures to contain costs. For example, 26 percent of a sample of Hennepin County centers reduced staff benefits and salaries and 45 percent laid off staff. **These actions increase staff turnover and student-teacher ratios, which negatively impacts the quality of care for all children in these programs.**

Finally, when children reach elementary school, students who are not able to follow directions and pay attention divert resources from their classmates. In a national poll, 86 percent of kindergarten teachers said poorly prepared students in the classroom negatively affect the progress of all children, even the best prepared.

What Does “School Readiness” Look Like in Young Children?

A recent national survey of kindergarten teachers found that school readiness has less to do with mastering the ABCs and counting to 20, and much more to do with being emotionally and socially ready to learn academic material.

Kindergarten teachers want five- and six-year-olds who enter school to be able to:

- Follow directions;
- Pay attention; and
- Get along well with others.

Quality early care and education settings reinforce families’ efforts to teach young children these skills.

Parents: Missed Opportunity to Support Working Parents

For most parents, working outside the home is not a choice. In Minnesota today, 21 percent of children live with only one parent. Many two-parent households must have both parents in the workforce to make ends meet. Working parents want the best for their children—nurturing, safe environments in which the children can grow and learn. Sometimes neighbors and grandparents can help out, but many grandparents do not live close by or are in the workforce themselves and not available as consistently as working parents' schedules require. Consequently, many Minnesota families rely on early care and education programs.

But, child care is expensive—both for the providers who run programs and the parents who pay for them. In October 2004, the average annual cost of care ranged from \$5,000 and \$12,000, depending upon the child's age, type of care, and geographic location.

Working Minnesota families struggle with the costs. A May 2004 survey of people applying for Minnesota's welfare-to-work program showed that **child care was the number one reason parents with young children were applying for cash assistance.**



Figure 2 (see next page) illustrates the financial dilemma many parents face. The chart details a “no frills” monthly budget of a single parent with two young children needing full-time care. **Even at two and a half times the federal poverty line, this family cannot afford child care and all of their other basic needs in the metro area. They are doing slightly better than breaking even in Greater Minnesota.** Although they also would be eligible for limited assistance with health care, they would not be eligible for other forms of assistance, like housing or food support.

Impact on Minnesota's Working Parents

The 2003 budget cuts to CCAP shifted significant child care costs to working parents.

Many parents are no longer eligible for CCAP

The Department of Human Services estimates that 800 working Minnesota families were immediately cut off from child care assistance in July 2003 due to the CCAP eligibility changes. There is no way to estimate how many more families who would have been eligible for CCAP prior to the 2003 changes currently need financial assistance for child care.

“Our neighborhood child care program, operated out of a church in Richfield, has been an asset and a support for working families across all income levels in our community for over 30 years.

About one-third of the children served in our center receive Child Care Assistance payments.

Since 2003, the center lost its accreditation bonus, has struggled to retain and recruit enough families who can afford their co-pays, slashed staff, gave those remaining only a one percent pay raise (which was more than offset by the increase in health care premiums that was passed on to them), and cut the program’s budget to the core.

Tuition went up almost ten percent and still the program is operating at a significant deficit.

Even now, I don’t know how families are able to afford it—people are just barely hanging on. I am worried that the center will just go out of business. Then where will all the families go?”

—Non-CCAP Working Parent of Five- and Three-Year-Old Children

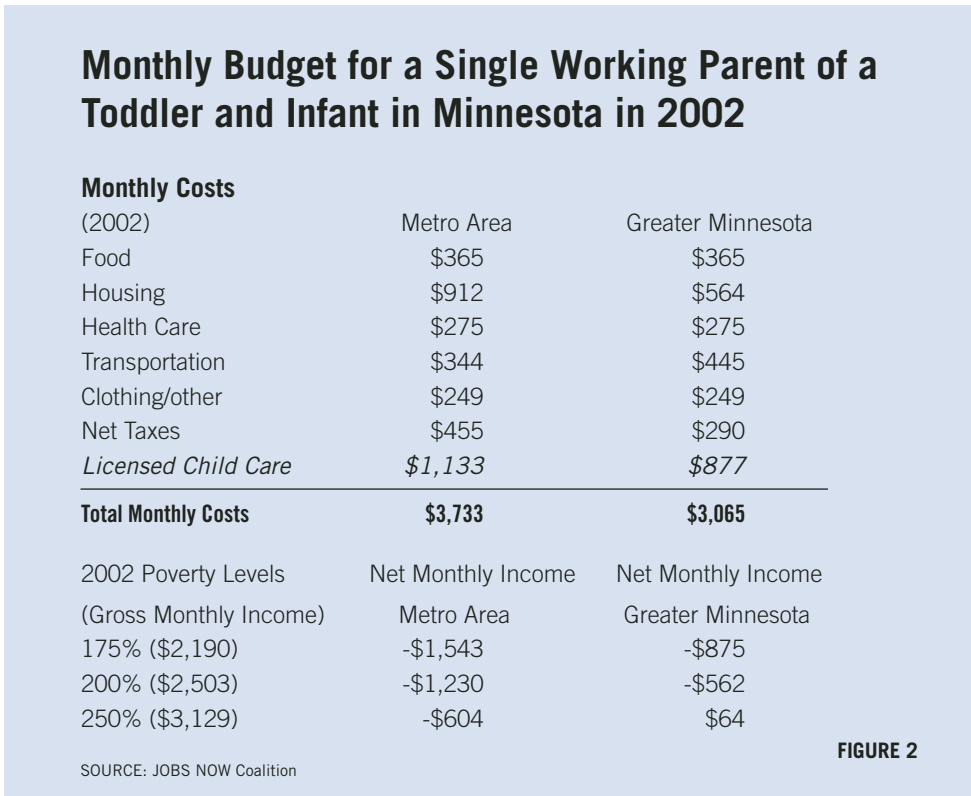
Many eligible CCAP parents can no longer afford to access the assistance

In 2003, the monthly amount parents pay in co-payments increased by as much as 100 percent for some families. Many CCAP families can no longer afford the co-payments. Child care subsidy workers across the state have seen many families suspend their CCAP cases since 2003—even though the families were still eligible—because they cannot afford the co-payment.

In addition, many CCAP parents are now required by their providers to pay a monthly “differential”—the difference in the rate between what the provider charges private pay families and what the state will pay for CCAP children. A recent survey of Minnesota child care providers indicated that a typical differential is \$100-\$200 per month. As one center director in Fergus Falls commented, “A hundred dollars a month is a lot for a single mom working at Taco Bell.”

Higher costs for parents mean less access to the provider of their choice

According to federal regulations for CCAP, parents must be able to choose from the same options of child care settings that are available to other families, from informal care by relatives or neighbors, to family child care homes, to child care centers, as long as those providers accept CCAP families. Parents who cannot afford the co-payment plus the differential must find a cheaper alternative. But there are fewer and fewer alternatives available. According to Department of Human Services’ estimates, if the state used *current* market rates to set reimbursement rates, CCAP families could choose from 82 percent of the providers statewide, as their rates would be at or below the rate the state will pay. **Instead, only 68 percent of the family child care market and 56 percent of the center-based providers are in this category and thus available to CCAP families who cannot afford more than their monthly**





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“...A rate freeze is the strategy most likely to restrict access to both licensed family child care and center-based care.”

—Minnesota Department of Human Services

co-payments. Figure 3 (see next page) illustrates the loss across Minnesota between 2001 and 2004 of affordable child care for families of toddlers. A similar pattern exists across age groups and types of care.

Working CCAP parents have difficult budget choices

Child care costs have increased substantially over the past two years for CCAP families, but so have other necessities. Rising health care costs, fuel prices, and housing costs have also squeezed their budgets. Child care choices can be more flexible than other line items. Unfortunately, quality can be sacrificed for affordability.

Governor Pawlenty's 2005 Proposal

Governor Pawlenty's proposal to cut an additional \$70 million over the next two years by continuing the rate freeze will directly impact the ability of Minnesota parents with the least resources to access

child care for their children. The Minnesota Department of Human Services was asked to evaluate the impact of various ways to contain the state's child care expenditures. They concluded, *“...a rate freeze is the strategy most likely to restrict access to both licensed family child care and center-based care.”*

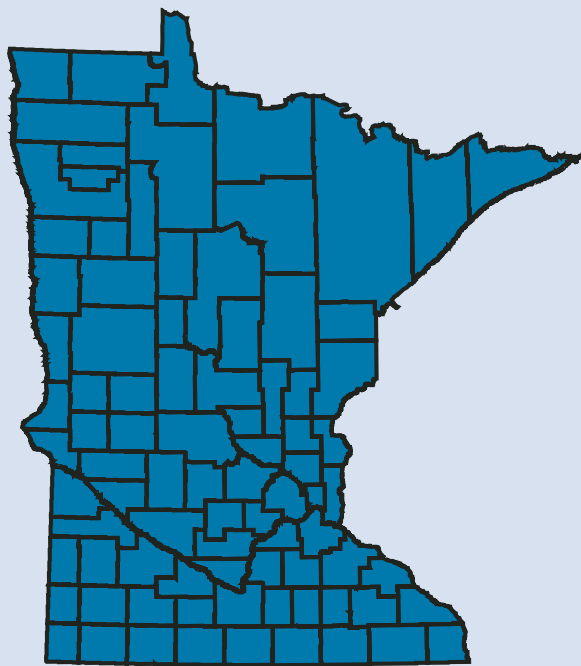
The state will realize savings because CCAP families will have less “purchase power” in the private market, and because fewer families will participate in CCAP as it will be out of reach financially for them. In fact, CCAP is now so restrictive that the program cannot find enough families who are eligible or who can afford to use the program, which has resulted in unused funds that are double the amount that is typical. The Governor's proposal relies on approximately 1,200 children from eligible MFIP families not accessing CCAP funds every month due to the freeze.

Accessibility Decreases

In **2001**, in every county in Minnesota, 75–100 percent of family care providers were affordable to CCAP families with toddlers, i.e. the cost of this care did not exceed the monthly co-payment plus the state reimbursement. By **2004**, that was true in only 13 counties.

Figure 3

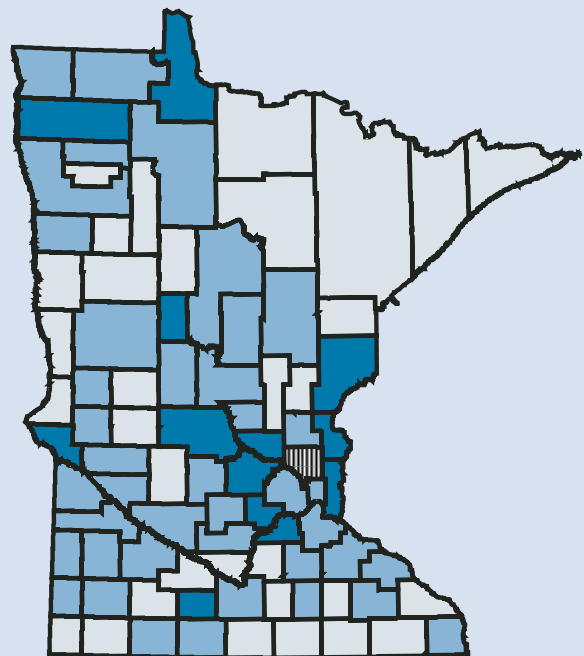
Percent of Family Care Providers Whose Rates Are Below the Maximum State Reimbursement Level for Toddlers



2001

Percent of Family Care Providers (for toddlers)

75–100%



2004

Percent of Family Care Providers (for toddlers)

75–100%

50–75%

less than 50%

no data

Data source: Department of Human Services. Map and analysis by CDF Minnesota

Providers: Missed Opportunity to Support Small Businesses

Licensed child care providers are small private business owners that employ more than 28,000 full-time equivalents and have gross receipts totaling \$962 million annually in Minnesota. They set their own rates and find their own clients. Some choose to accept children whose families receive financial assistance from CCAP. Of the licensed slots available for Minnesota children, only 10 percent of those in center care and 6 percent of those in family care are filled by CCAP children.

If providers accept CCAP children, they are reimbursed for the costs of those children's care up to a maximum set by the state. This maximum is determined as the 75th percentile of the private market rate in that provider's geographic region. Providers of most CCAP children receive a portion of their reimbursement directly from family's co-payments and the rest from their county of residence. Unlicensed providers are paid 80 percent of the licensed family child care rate.

Current reimbursement rates for CCAP children have no relation to rates in the current private market. Due to a freeze on reimbursement rates imposed by the 2003 Minnesota legislature, the current reimbursement rates are based on the private market rates from 2001. On



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average statewide, current maximum reimbursement rates are at the 56th percentile for licensed family care and 48th percentile for centers.

If a provider's rate is greater than the maximum reimbursement rate, the provider has several choices—all of them detrimental to the provider's current clients and thus the business. They can:

- Stop caring for CCAP children;
- Charge CCAP families the difference in the rate, which these families can ill afford; or
- Lower the quality of care to contain costs and meet their monthly budgets.

Impact on Minnesota's Child Care Providers

“The average center is [financially] operating on the edge.”

—DHS *Cost of Child Care* report

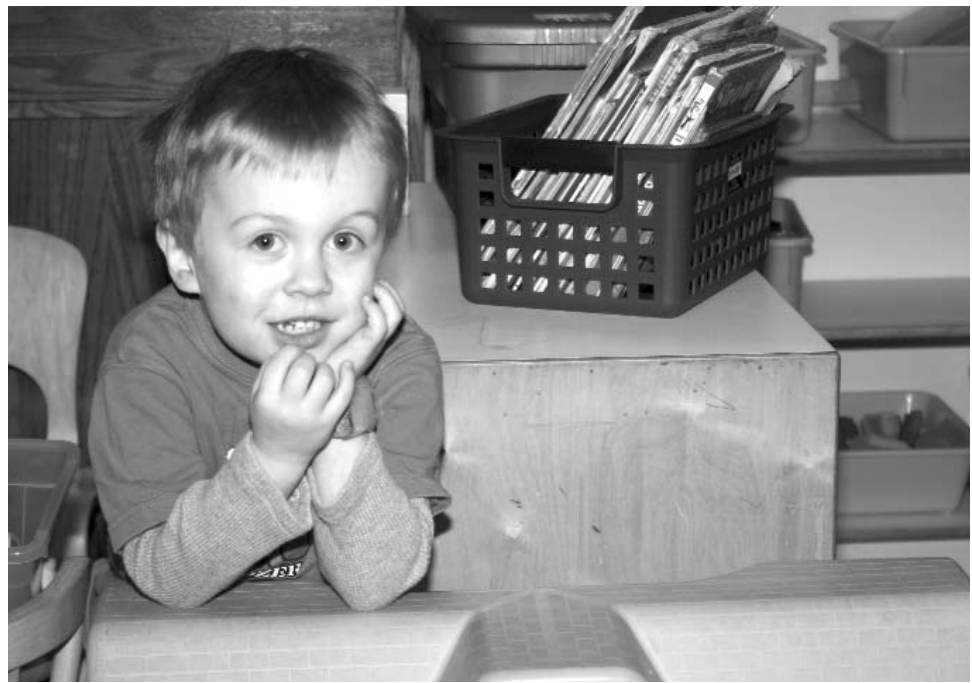
According to a recent report by the Minnesota Department of Human Services, the statewide average profit for child care centers is 3 cents per child per hour—less than 1 percent. When in-kind services are taken into account, child care centers are losing 12 cents per child per hour, on average.

Between July 2003 and January 2005, the number of providers Ramsey County reimburses for CCAP children decreased by 55 percent.

The sharpest decline was in the unlicensed providers who are often referred to as “family, friends, or neighbors.”

These providers are not licensed, but are able to be reimbursed for CCAP families so the CCAP parents can afford to work.

The current reimbursement rate for these providers in Ramsey County is about \$2 per hour. In July 2003, Ramsey County reimbursed more than 730 of them; by January 2005 that had shrunk to approximately 210.



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Family child care providers are not doing much better

DHS estimates that the annual taxable income for a family provider working more than full-time is \$8,500 in Greater Minnesota and \$15,500 in the metro area.

Providers were also hit by the 2003 Minnesota legislature with high fee changes

Licensing fees for child care centers were increased as much as 300 percent, on average, and licensing fees of \$150 were imposed on family child care providers for the first time. In addition, many providers are now being charged up to \$100 annually by their county for performing criminal background checks. While fees, and even increased fees, may be reasonable, the timing of so many changes at one time was a disaster for child care providers.

Providers cannot contain costs any further

The primary costs for child care centers are labor, facility costs, and food. Reducing any of these costs puts children’s safety and care at risk. The average

child care center worker earns just \$16,410. These are some of the lowest wages in the state—just slightly above the wages of dishwashers.

Because of the 2003 freeze, the difference between what providers are being paid and what their actual costs are has grown. Child care businesses have no ability to absorb more financial loss.

Child care providers have gone out of business. Licensed family providers were already suffering in 2003, and Minnesota saw an increased trend in family provider closings following the 2003 budget cuts. From December 2003 to December 2004, the number of providers statewide decreased by 550. **The impact is particularly acute in Greater Minnesota.** For example, the southwestern part of Minnesota saw a seven percent decline in the availability of licensed family providers in that one year.

Businesses and Communities: Missed Opportunity to Improve Minnesota's Prosperity

Whether considering the stability, reliability, and quality of either the current or future workforce, competitive businesses and Minnesota communities must focus on the role of quality early care and education.

A strong child care infrastructure benefits businesses—large and small—as well as Minnesota's economy. The infrastructure enables employers to:

- Recruit employees;
- Reduce turnover and absenteeism; and
- Increase productivity.

Working parents are a critical sector of Minnesota's labor force, but their dual roles as workers and parents require them to constantly juggle schedules and obligations.

- Almost 25 percent Minnesota's working parents with young children report that child care problems have prevented them from taking or keeping a job.
- About 22 percent of Minnesota's working parents say they have been late for work, left early, or missed work in the past six months due to child care problems.

The costs of unstable child care to Minnesota's businesses are real. Employers bear costs when parents' child care arrangements are not accessible and reliable. According to a



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national survey of human resource executives, unscheduled absenteeism cost small businesses an average of \$60,000 and large companies an average of \$3.6 million per year. Employee turnover is estimated to cost U.S. businesses 1.5 times the annual salary of a salaried employee and .75 times the annual wage of an hourly employee.

Certain sectors of Minnesota's economy rely heavily on working CCAP parents for their labor force. Specifically, health care and social assistance, retail trade, accommodation and food services, and the administrative and support services industries are more likely to employ parents who access CCAP funds.

Quality early care and education for the lowest income children improves the quality of the future workforce and is consequently one of the most efficient uses of today's tax dollars.

Economists Art Rolnick and Rob Grunewald of the Minneapolis Federal Reserve Bank assert that putting public resources into high quality early childhood programs for the lowest income children is one of the best returns on public investment—an overall 18 percent rate of return on investment, 17 percent of which is a public rate of return. They rely on two scientific findings:

- The development of young children's brains is shaped by the quality of their interactions with adults. While it is possible to

“Whether it is a lack of transportation, *reliable child care*, or recurring personal problems, ‘we are not seeing the same number of good, solid candidates in our worker pool.’”

—Branch manager from temporary employment services agency

As cited in article on labor shortage in the Federal Reserve Bank of Minneapolis’ January 2005 *fedgazette*, emphasis added.

“The early care and education structure currently in place is not up to the task, either in physical capacity or educational quality.”

—Minnesota School Readiness Business Advisory Council

have a positive influence on a child’s development later in life, it is much less difficult and costly to create a healthy foundation early on.

- At-risk children who were in high quality early childhood programs have significantly better behavioral, social, and cognitive outcomes throughout their lives than their peers who were not in such programs.

The economic analyses show that public investments produce public cost savings because of reduced incidence of:

- Grade repetition and special education;
- Criminal behavior and punishment;
- Welfare and related poverty costs.

Recognizing the public good that can result, the Minnesota School Readiness Business Advisory Council (MSRBAC), a group of executives from more than 100 of Minnesota’s leading companies, advocates for more investments in early childhood. Their 2004 task force report concludes that as the trend toward global competition increases, lagging early childhood preparation threatens the continued competitiveness of Minnesota businesses as well as Minnesota’s quality of life.

Impact on Minnesota

It is difficult to assess how the 2003 changes to CCAP have affected Minnesota’s businesses and communities. What we do know is that the current child care infrastructure is precarious, providers are operating on the edge, and many parents can no longer access affordable care. As the Department of Human Services notes in their recent report, “... we don’t know at what point this [loss of access to child care] will have an effect on job stability for families or school readiness for children.”



Analyses of demographic and employment trends suggest Minnesota’s workforce will have an increased need over time for a strong early care and education infrastructure. Two trends are particularly relevant:

- The working parent workforce is expected to continue growing.
- Significant job growth will occur in the sectors that currently employ the majority of CCAP families.

The increasingly competitive knowledge-based global economy will demand more of tomorrow’s workforce. Economists and businesses have made it clear: To invest public funds efficiently and wisely and get Minnesota’s future workforce ready to compete, Minnesota needs a strong early childhood infrastructure *now*. The state must help sustain that infrastructure.

Conclusion: Opportunities for ALL Minnesotans

Children, parents, child care providers, businesses, and the broader community—all Minnesotans are impacted when the infrastructure that supports our youngest children is dismantled. Minnesotans must take action to stop the erosion of that infrastructure. We propose the following actions during the 2005 legislative session.

Allow More Low-Income Working Families Access to Child Care Assistance

1. Eligibility and Parent Co-Payment

Increase family income eligibility to allow families earning up to 250 percent of the federal poverty guidelines to enter CCAP. Make low-income working parents' contributions (including the CCAP co-payments as well as any differential rate costs providers need to require) affordable.

2. Provider Reimbursement

Thaw the freeze and reimburse child care providers at a rate at or below the 75th percentile of *current* private market rates. The rate freeze imposed in 2003 has wreaked havoc for child care businesses and weakened the quality and viability of the child care industry.

Increase Access to Quality

3. Accreditation Incentive

Research shows that providers are more likely to seek accreditation when they are able to realize a rate



increase of 15 percent or more, based on obtaining that accreditation. Reimburse accredited child care programs at a rate that is at least 15 percent higher than the maximum child care assistance reimbursement rate. This supports quality programs and, in turn, improves the school readiness of all of the children served by those programs.

4. Minnesota Early Learning Fund

Research shows that at-risk children who attend high quality early childhood programs are better prepared for school and life. The State should match private funds to create the Minnesota Early Learning Fund to implement a voluntary quality rating system for early childhood programs and demonstrate successful approaches for serving low-income

children and increasing quality of programs for all children.

Provide Relief to Struggling Small Businesses

5. Provider Fees

During the past two years, child care reimbursement rates have been frozen, while fees have increased exponentially. This has added to the financial strain felt by child care businesses, further limiting families' access to quality child care options. Suspend child care license and background study fees for the next biennium and take responsibility for defraying the cost of any licensing revenue lost by counties.

Appendix A: 2003 CCAP Budget Cuts and Program Changes

The 2003 Minnesota Legislature made the following policy changes to the Child Care Assistance Program (CCAP). These changes resulted in the elimination of \$86 million in resources for child care assistance in the 2004-2005 biennium and the elimination of \$51 million in resources in the 2006-2007 biennium.

Entrance income eligibility lowered from approximately 290 percent of the poverty guidelines to 175 percent

In other words, eligibility went from 75 percent to 44 percent of Minnesota's median income. The nationwide average income eligibility is 59 percent of a state's median income. Prior to 2003, Minnesota ranked 4th amongst states for income eligibility for child care assistance. **Minnesota now ranks 33rd for entrance levels, below Mississippi. Mississippi is the lowest-ranking state for overall child well-being.** Family income eligibility to exit CCAP was also reduced to 250 percent of the poverty guidelines; Minnesota ranks 7th in the nation for exit levels.

Family co-payments increased

Families experienced a steep increase in co-payments—by as much as 100 percent for some. Current co-payments for all other families range from 3-22 percent of the family's gross income. Families who earn less than 75 percent of the poverty line have no monthly co-payment.

Reimbursement rates to providers were temporarily frozen at 2001 rates

Current reimbursement rates for private providers of CCAP children are not related to current private market rates. In fact, the state freeze did nothing to contain child care providers' costs—child care business costs grow as their rents increase and their employees need cost-of-living increases. The freeze only reduced the state's commitment to helping Minnesota children access care.

Provider fees increased

Licensing fees for child care centers were increased as much as 300 percent, on average, and licensing fees of \$150 were imposed on family child care providers for the first time. At the same time, counties may now charge up to \$100 annually for performing criminal background checks for providers.

Quality incentives eliminated

A key indicator of quality is “accreditation” by the National Association for the Education of Young Children and other accrediting bodies. Prior to 2003, state policy encouraged child care providers to attain this level of quality and serve CCAP children by giving accredited providers a slightly higher reimbursement rate. This increased quality for all Minnesota children in accredited care since accredited programs serve non-CCAP children as well. But in 2003, Minnesota withdrew its commitment to encouraging high quality care—the accreditation incentive was eliminated.

Key Findings

1) The 2003 legislative changes put Minnesota in the bottom third nationwide in terms of child care assistance eligibility. This, combined with dramatic increases in out-of-pocket costs for families and frozen payments for providers, has made the program so restrictive that working families are finding it extremely difficult to access child care assistance.

- 10,000 fewer Minnesota children accessed child care assistance between 2003 and 2004; data indicate that their parents are still working and financially in need of assistance.
- From December 2003 to December 2004, the number of licensed providers statewide showed a net decrease of 550.
- In 2001, more than 75 percent of child care programs in all 87 Minnesota counties charged rates at or below the maximum rate paid by the state—in other words, child care assistance families had access to more than 75 percent of all child care programs without paying an additional fee on top of their co-payment. This met the guidelines suggested by the federal government. In 2004, only 13 counties were left with more than 75 percent of child care providers in that county charging rates financially accessible to child care assistance families.
- Child care assistance has become so restrictive that the unused funds are double the amount that is typical.

2) Governor Pawlenty proposes \$70 million in child care cuts for the 2006-07 biennium. This is on top of \$51 million in child care cuts for 2006–2007 biennium as a result of the 2003 changes.

The governor's proposal highlights yet a further retreat from Minnesota's commitment to young children and takes the most harmful path for families in terms of spending reduction options.

- The Department of Human Service's recent "Cost of Care" report states that "*...a rate freeze is the strategy most likely to restrict access to both licensed family child care and center-based care.*"

3) Economists at the Federal Reserve Bank of Minneapolis view investment in high quality early care and education programs for low-income children as one of the most efficient uses of tax dollars, citing a 17 percent public return. A consortium of 100 leading Minnesota businesses (the Minnesota School Readiness Business Advisory Council) agree, highlighting the close correlation between quality early childhood programs and the future of Minnesota's workforce, economy and quality of life.

4) Quality child care reinforces families' efforts to provide the foundation for children's development, prepares children for kindergarten, and can level the playing field for low-income children.

- A recent study by the Department of Human Services that evaluated the school readiness of children who attended 22 accredited child care centers in Minnesota found that more than 80 percent of children in the sample were "fully ready for kindergarten"—compared to less than 50 percent in the general Minnesota population.

- Brain research studies consistently find that the first five years of life are some of the most critical for development. During this time, high quality interactions with adults enhance healthy development; poor ones impede it.

5) Parents need affordable, quality child care to work.

- Recent studies found that child care was the number one reason Minnesota families with children under the age of six applied for MFIP.
- Child care problems have prevented 25 percent of Minnesota's working parents from taking or keeping a job.

6) Investing in child care assistance positively correlates with reducing the need for cash assistance.

- One of the goals of welfare reform was to move families from welfare to work. As families make this transition, MFIP expenditures decrease, while child care expenditures naturally increase. Child care is a key component to keeping parents in the work force.

7) Licensed child care providers—a private industry comprised mostly of small businesses—are barely staying afloat.

- The average child care center in Minnesota is operating at a zero percent profit margin or at a loss, while the average family provider is making less than \$15,500 in the metro and \$8,500 in Greater Minnesota.

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Notes



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