

STATE OF MINNESOTA  
DEPARTMENT OF HUMAN SERVICES

In the Matter of Proposed Rules  
of the Department of Human  
Services Relating to Child Care  
Fund; Eligibility and Administration  
Parts 9565.5000 to 9565.5240

STATEMENT OF NEED  
AND REASONABLENESS

Introduction

The proposed rule parts 9565.5000 to 9565.5240 establish procedures that govern the administration of the Child Care Fund and reduce, according to a sliding fee schedule, the cost of child care services for eligible families to enable them to seek or retain employment or to participate in education or training programs to obtain employment. The statutory authority for the establishment of this rule is Minnesota Statutes, sections 256H.01 to 256H.19.

History of the Child Care Sliding Fee Program

The child care sliding fee program, as it is known today, began as an "experimental" program in 1979 under the authority of Laws of Minnesota 1979, Chapter 307. The intent of the legislation was to demonstrate whether a child care sliding fee program could reduce the incidence of low income families remaining on or requiring public assistance; to demonstrate whether the program could provide an incentive for economic independence; and to demonstrate whether the program could provide other benefits. The legislature appropriated to the Commissioner of Public Welfare (now the Commissioner of the Department of Human Services) the sum of \$1,500,000 for the biennium ending June 30, 1981, of which no more than seven percent could be used for administrative expenses. The 1979 legislation authorized the Commissioner of Public Welfare to promulgate temporary rules to govern an experimental program to reduce the cost of child care for eligible families according to a sliding fee schedule. Families eligible for the sliding fee program were limited to those having:

(a) Income above the maximum allowable for Title XX fully subsidized child care, but less than 70 percent of the state median income that appeared in the 1979-1980 Title XX Comprehensive Annual Services Program Plan, and;

(b) Parents determined by the Commissioner to be unable to care for their child because of employment, school attendance, or other circumstances.

Under the experimental program, county participation was optional. Twenty-two counties participated in the original experimental program. The experimental program concluded that a sliding fee subsidy encouraged greater utilization of licensed day care providers; the program demonstrated an ability to reduce dependence on public assistance at a lesser cost than other public assistance programs; and the program prevented dependence on public assistance by helping participants remain employed. The 1979 legislation also provided that the "experimental" program shall expire no later than June 30, 1981. On June 23, 1980, the Department of Public Welfare (DPW) adopted

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

DPW Rule 163 to implement the child care sliding fee program. In 1981, 1982, and 1983 legislation was adopted which continued and modified the child care sliding fee program. On August 31, 1983, the Department of Public Welfare adopted temporary rule DPW Rule 164 which repealed portions of Rule 163. It was the intent of the Department to incorporate the provisions of temporary rule DPW 164 with permanent rules in late 1984 or early 1985.

In 1985, the legislature transferred the administration of the Child Care Fund from the Department of Human Services to the Department of Jobs and Training. On March 17, 1986, the Department of Jobs and Training adopted emergency rules Parts 3301.0480 to 3301.0620 governing the administration of the child care fund (10 S.R. 1911). The sliding fee schedule adopted under the emergency rule was based on 1984 state median income. On the same day, the Department of Jobs and Training published in the State Register a revised fee schedule based on 1986 median income (10 S.R. 1929). The sliding fee schedule based on 1986 median income is the sliding fee schedule that is in effect today.

During the 1987 Session the legislature transferred responsibility for administration of the child care fund from the Department of Jobs and Training back to the Department of Human Services (Minnesota Law 1987, Chapter 403). The 1987 legislation also increased funding and established special set-aside funding categories for AFDC priority groups, AFDC caretakers attending postsecondary educational institutions, and students attending postsecondary educational institutions. For the 1988-1989 biennium period the legislature appropriated \$25.5 million for child care subsidies. The total Child Care Fund appropriation was \$26.6 million.

In June of 1987, the Department of Jobs and Training informed the Department of Human Services that it had been in the process of drafting permanent rules on the child care fund sliding fee program and was considering different proposals to modify the sliding fee schedule. Action on proposing a permanent rule was delayed pending 1987 legislative changes which might impact the proposed rule.

The Department of Jobs and Training also informed the Department that although the emergency rules for the child care sliding fee program expired on March 8, 1987, the emergency rules were still in place as their formal policy on the child care sliding fee program.

On June 22, 1987, the Department of Human Services through Instructional Bulletin 87-68D informed the Boards of County Commissioners, Human Services Boards, and Job Service District Managers that the policy established under the sliding fee program by the Department of Jobs and Training in Minnesota Rules, Parts 3301.0480 to 3301.0620 would govern the child care fund until new rules were promulgated by the Department of Human Services. During the period since the transfer of the Child Care Fund back to the Department of Human Services, the Child Care Fund has been administered through Instructional Bulletins.

Rule Development Procedure

In the development of the proposed rule, the Department used the procedures mandated by the Administrative Procedures Act and internal department policies that insure maximum public input. Public input was sought through a

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

Notice to Solicit Outside Opinion published May 9, 1988 in the State Register (12 S.R. 2428) and establishment of a child care fund advisory committee. The child care fund advisory committee consisted of 23 persons representing county agencies; postsecondary educational institutions; child care advocacy groups that included Child Care Works, Children's Defense Fund, Greater Minneapolis Day Care Association, Child Care Workers Alliance, and Resources for Child Caring; Legal Services Advocates; the Minnesota Indian Women's Resource Center; and the Departments of Finance, Revenue, Education, and Jobs and Training. The Advisory Committee met on July 13, 1988; August 10, 1988; September 14, 1988; October 4, 1988; and on October 25, 1988.

9565.5000 PURPOSE AND APPLICABILITY.

Subpart 1. Purpose. This subpart is necessary to inform persons consulting the rule of the distinctive purpose of the rule. The rule governs the administration of the Child Care Fund (Minnesota Statutes, sections 256H.01 to 256H.19) and establishes a sliding fee schedule for child care based on annual gross income. The rule sets forth standards and administrative requirements that agencies administering the child care fund must comply with to insure all program applicants and participants are treated in a fair and equitable manner. The provision is reasonable because it is consistent with Minnesota Statutes, section 256H.02.

Subp. 2. Applicability. This subpart is necessary to identify those entities that are required to comply with the administrative requirements of the rule. Minnesota Statutes, section 256H.02 provides, in part, "The commissioner shall develop standards for county and human services boards, and postsecondary educational systems, to provide child care services to enable eligible families to participate in employment, training, or education programs." It is necessary to state the rule is applicable "to the extent of available allocations" to make it clear that the county boards and administering agencies are not liable for program costs beyond the funds allocated. The provision that the rule applies only to the extent of available allocations is based on Minnesota Statutes, section 256H.03 which provides that families be placed on a waiting list if funds are not available under the basic sliding fee program; Minnesota Statutes, section 256H.05, subdivision 2, that "as resources permit" fund be guaranteed for AFDC priority groups set-aside; Minnesota Statutes, section 256H.06, subdivision 5, "that child care funds during education be assured, to the extent of available allocations"; and Minnesota Statutes, section 256H.08 that child care assistance for students shall be provided in the following fiscal year "if funds allocated under sections 256H.06 and 256H.07 are available". The provision is reasonable because it is consistent with Minnesota Statutes.

9565.5010 DEFINITIONS.

This part defines words and phrases that have meaning specific to parts 9565.5000 to 9565.5240, that otherwise may have several possible interpretations or that need exact definition to be consistent with statute or other department rules.

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

Subpart 1. Scope. This provision is necessary to clarify that the definitions apply to the entire sequence of parts 9565.5000 to 9565.5240. This subpart and the definitions that follow in subparts 2 to 37 are necessary to inform persons affected by the rule of the meaning of specific words used in this rule.

Subp. 2. Administering agency. This definition is necessary to clarify a term used in these rules. The term "administering agency" is defined solely for identification purposes. It is the agency that administers on a day to day basis the child care funds that are allocated to the counties and postsecondary institutions. Since the administering agency may be a county social services agency, a public or nonprofit agency designated by the county board to administer the child care subsidy program, or a postsecondary educational institution, it is reasonable to use the term "administering agency" as a generic agency identifier to shorten the length of the rule.

Subp. 3. Administrative expenses. This definition is necessary to clarify a term used in this rule and to set a standard. Under Minnesota Statutes, section 256H.18 the legislature permits counties to use a certain percentage of the child care funds for administrative expenses. The legislature did not define the term "administrative expenses". Therefore, it is necessary to identify expenses allowable under the term "administrative expenses" in order to provide accountability and administrative oversight over the use of child care funds. Administrative expenses include all personnel and operating expenses attributable to the child care subsidy program. The definition is reasonable since it includes costs associated with administration of the child care fund but excludes costs unrelated to the program.

Subp. 4. Aid to families with dependent children or AFDC. This definition is necessary to clarify a term and acronym used in this rule. Since the rule provides child care assistance for recipients of aid to families with dependent children (AFDC), it is necessary to define the term AFDC. AFDC is a federal program authorized under Title IV-A of the Social Security Act and is implemented under the statutory authority of Minnesota Statutes, chapter 256. The definition is reasonable because it is consistent with Minnesota Statutes, section 256H.01 subdivision 15. It is also reasonable to use the acronym AFDC to shorten the length of the rule.

Subp. 5. AFDC caretaker. This definition is necessary to clarify a term used in the rule. The term "AFDC caretaker" has a specific meaning under the AFDC program rules. Therefore, it is reasonable to define the term as it is used in the AFDC program rules, Minnesota Rules, part 9500.2440, subpart 7.

Subp. 6. AFDC employment special needs program. This definition is necessary to clarify a term used in the rule. AFDC employment special needs program identifies a category of federal funds that is available to reimburse the county for child care expenditures of certain AFDC recipients who are in education, training, job search or other qualifying activities relating to the preparation for employment. Minnesota Statutes, section 256H.02 directs the commissioner to maximize the use of federal money under the AFDC employment special needs program in Minnesota Statutes, section 256.736, subdivision 8. The definition is reasonable because it is consistent with Minnesota Statutes, section 256.736, subdivision 8.

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

Subp. 7. AFDC priority groups. This definition is necessary to clarify a term used in this rule. AFDC priority groups is a subset of the AFDC population and is a term which identifies certain recipients of AFDC based on age, education, or length of time on AFDC. The definition is necessary to identify individuals who are eligible for funding under the AFDC priority groups set-aside funding category. The definition is reasonable because it is consistent with Minnesota Statutes. It is also reasonable to use the term AFDC priority groups to shorten the length of the rule.

Subp. 8. Allocation. This definition is necessary to clarify a term used in the rule. Funding under the child care fund is a reimbursable expense for counties up to the funding limit set in their allocation. It is necessary to inform counties that funds are not allocated on a "cash" basis since the term "allocation" does not by itself indicate how or when funds will be received. It is also necessary to indicate that a county's allocation may be modified since Minnesota Statutes, sections 256H.03, subdivision 3; 256H.06, subdivision 3; and 256H.07, subdivision 3 allow the commissioner to reallocate unexpended or unencumbered funds. This provision is reasonable because it is consistent with Minnesota Statutes, sections 256H.03, 256H.06, 256H.07, and 256H.09.

Subp. 9. Child. This definition is necessary to clarify a term used in the rule. The term identifies, by maximum age, individuals for whom families may receive subsidized child care. The definition is reasonable because it is consistent with Minnesota Statutes, section 256H.01, subdivision 3.

Subp. 10. Child care. This definition is necessary to clarify a term used in the rule. The statutory definition defines child care as the care of a child by someone other than a parent or legal guardian in or outside of the child's own home for gain or otherwise, on a regular basis, for any part of a 24-hour day. The definition in the rule expands upon the definition found in Minnesota Statutes, 256H.01, subdivision 5 by adding "AFDC caretakers". The expanded definition is necessary to prohibit AFDC caretakers from obtaining child care subsidies when they care for their own children or dependents. The definition is reasonable since it is consistent with the intent of the statutory definition to exclude parents and legal guardians from qualifying for child care payments when they care for their own children or dependents.

Subp. 11. Child care services. This definition is necessary to clarify a term used in the rule. The definition clarifies types of child care that qualify for a child care subsidy. The statutory definition was expanded to include "licensed school age child care programs or extended-day school age programs that meet the standards established by the State Board of Education" to make it clear these programs qualify as child care services for the purpose of the child care subsidy programs. The definition also expanded legal nonlicensed child care to include child care provided "out of the child's home". The expansion of the definition is only "where" the legal nonlicensed care is provided, namely out of the child's home.

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

For purposes of administering the Child Care Fund, it is necessary to define the term "child care services" so that the term is consistent with statutory intent. Although the term is defined in Minnesota Statutes, amendments to the Child Care Fund have been made to the original sliding fee program in a piecemeal fashion so that there are now inconsistencies between statutory definitions used originally for the basic sliding fee program and the more recent set-aside programs. For example, under the original basic sliding fee statute, Minnesota Statutes, section 256H.02, "The commissioner shall develop standards for county and human services boards, and postsecondary educational systems to provide child care services to enable families to participate in employment, training, or education programs." (Emphasis added). Child care services is defined as "child care provided in family day care homes, group day care homes, nursery schools, day nurseries, child day care centers, play groups, head start, and parent cooperatives, or in the child's home." It is clear, as originally drafted, the Legislature specifically intended to use the term "child care services" for the basic sliding fee program. However, the statutory language of later amendments use less restrictive language.

Under the AFDC postsecondary student program, Minnesota Statutes, section 256H.06, subdivision 2, "Money allocated in paragraph (a) must be used for child care expenses of AFDC recipients attending postsecondary educational programs, excluding post-baccalaureate programs, and making satisfactory progress towards completion of the program" (Emphasis added). In establishing the AFDC postsecondary student set-aside program did the Legislature establish a less restrictive standard for child care services to include all child care expenses for AFDC students without regard to the type of provider? Obviously, the legislature could have adopted more specific language to require that the money allocated must be used for child care services since the term is defined in statute. However, it did not.

The legislative language under the public postsecondary program is also less restrictive since it does not use the more specific term "child care services". Under the public postsecondary set-aside program, Minnesota Statutes, section 256H.08, the statute provides, "Money for persons listed in section 256H.04, subdivision 1, clauses (2) and (3), 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. The county may plan for and provided (sic) child care assistance to persons listed in section 256H.04, subdivision 1, clauses (2) and (3), from the regular sliding fee fund to supplement the set-aside funds" (Emphasis added).

In establishing the set-aside programs, the legislature used language less restrictive than the defined term "child care services" for the cost of child care for students under the set-aside programs.

How are the terms "child care expenses" and "costs of child care" reconciled with the more limiting and defined "child care services" language under the original basic sliding fee program when "regular sliding fee funds" can be used to supplement the set-aside funds? Administratively, it would not make sense to provide for a different "provider" standard between the basic sliding fee program and the set-aside programs since program participation is

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

based on "annual income" and not provider choice. To establish provider restrictions based on program category would create unnecessary confusion and could prevent movement between categories since to utilize funds under category "X" may mean the regular child care provider might not meet that program's provider definition or requirements. It seems apparent from the statutory language cited above that the legislature's principle concern was to reduce the cost of child care for eligible families and not to overly restrict the provider choice. However, it would be impossible to provide administrative oversight of the child care funds if the term "child care services" is not defined. Moreover, child care funds should not be used to fund child care in unlicensed programs that statute requires to be licensed. For those reasons, the term "child care services" was defined in a manner more consistent with the general language of the statute and to provide consistency between the terms "child care services" and "providers".

While the preferred option would be to only authorize a child care subsidy to a "licensed provider" or "legal nonlicensed providers providing care in the child's home," child care needs exceed the availability of these types of providers. In the metropolitan counties, there is one licensed child care space for every four children. In greater Minnesota counties, there is one licensed child care space for every six to ten children. To restrict child care to licensed providers or legal nonlicensed providers providing care in a child's home would mean that child care funds in many areas would go unused while child care needs would be critical. Moreover, to be overly restrictive would be contrary to statutes, in that certain set-aside funds shall be used to reduce the costs of child care for students.

Legal nonlicensed child care provided in a provider's home is probably the most common type of child care used by postsecondary students due to the student's variable class schedule and the student's place of residence. Moreover, for students attending evening courses it is nearly impossible to find licensed child care. Therefore, it would be impossible to meet the child care needs of students if child care was only allowed through licensed providers or legal nonlicensed providers providing care "in" the child's home. As a result, the definition of child care services was expanded to include legal nonlicensed providers providing child care "out" of the child's home. From a child care perspective, there does not appear to be a valid reason to exclude legal nonlicensed child care provided "out" of the child's home. Especially since the statutory language in Minnesota Statutes, sections 256H.06 and 256H.08 dealing with child care is extremely broad.

A second type of child care services that the statute does not specifically address is "licensed school age child care programs". Clearly, it would be unreasonable to exclude this category of licensed child care since these programs are licensed; meet the day care requirements of the Department of Human Services; and serve children who are twelve years old and younger. Although this category of licensed care is not specifically mentioned in Minnesota Statutes, section 256H.01, subdivision 2, it would not be reasonable to deny child care assistance to families utilizing this type of licensed care.

An extension of the licensed school age category is the extended-day school age programs that meet the standards established by the state board of education. This is an appropriate standardized alternative child care service that comprises a substantial proportion of the school age care

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

available. Extended day school age child care programs are under the jurisdiction of the State Board of Education and are exempt from licensing under Minnesota Statutes, chapter 245A. It would be unreasonable to exclude payment of child care subsidies to providers licensed under Minnesota Statutes, chapter 245A or specifically exempt from licensing under that chapter. The statutory definition of child extends to age 12 (14 in the case of handicapped children). Therefore, the definition of appropriate provider and child care services must include the same age group to be consistent with statute.

Denying child care assistance to families using these types of child care services would be arbitrary and inconsistent with the legislative purpose of the child care fund. The rule language does not expand the definition of child care services but rather clarifies eligible child care services.

Finally, the definition of child care services in the rule deletes the terms "play groups" and "parent cooperatives" since these are antiquated terms that are not defined in statute or rule. To the extent that these entities exist, they exist as either a licensed program or a legal nonlicensed program. As such, these entities are already included within the child care services definition.

Subp. 12. Child care subsidy program. This definition is necessary to clarify a term used in the rule and to provide a single term for identifying the various child care funding categories without repeating the name of each program in the rule. The child care subsidy program includes the basic sliding fee, AFDC priority groups, AFDC postsecondary student, public postsecondary student, and nonprofit postsecondary student programs authorized under Minnesota Statutes, sections 256H.01 to 256H.19. The definition is reasonable because it differentiates the subsidized child care under the Child Care Fund from other forms of child care that may be funded with alternative child care grants or by the county directly. The definition is also reasonable because it shortens the length of the rule.

Subp. 13. Commissioner. This definition is necessary to clarify a term used in the rule and to identify the official responsible for developing standards and administrative requirements for administering the child care funds. It is necessary to include within the definition persons to whom the commissioner has the authority to delegate the functions described in the rule because it would be physically impossible for the commissioner to perform all the tasks assigned to the commissioner in statute. It is reasonable to allow the delegation to enable the commissioner to delegate his or her responsibilities to qualified staff who can effectively implement the rule. Including this delegation of responsibility in the definition also serves to notify interested parties of the delegation.

Subp. 14. County board. This definition is necessary to clarify a term used in the rule. The definition is reasonable because it is consistent with Minnesota Statutes, section 256H.01, subdivision 6.

Subp. 15. Department. This definition is necessary to clarify a term used in the rule and to identify the state agency which, under the direction of the Commissioner, supervises the Child Care Fund. It is reasonable to shorten "Department of Human Services" to "department" to shorten the length of the rule.



Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

Subp. 16. Documentation. This definition is necessary to clarify a term used in the rule. Since the child care fund provides subsidized child care based on annual gross income, family size, and other eligibility requirements, it is necessary that eligibility information be documented to prevent fraud or error. In order to properly administer the child care funds, documentation must be more than an unsubstantiated statement or assertion. It is reasonable to define the term so it is understood that documentation is a written statement or record which substantiates or validates an assertion.

Subp. 17. Education program. This definition is necessary to clarify a term used in the rule. The term clarifies the definition used in Minnesota Statutes, section 256H.01, subdivision 7 by stating that education programs include continuing education units or certification or course work necessary to up-date credentials to obtain or retain employment. Post-baccalaureate programs are understood to mean educational programs leading to a Master's or Doctorate Degree. It is reasonable to exclude continuing education units or certification necessary to obtain or retain employment from the definition of "post-baccalaureate programs" because they are of a remedial nature and not used to fulfill advanced degree requirements. The funding of child care for parents enrolled in continuing education courses or certification programs necessary to obtain or retain employment is consistent with Minnesota Statutes, section 256H.10 that states child care services must be available to families who need child care to find or keep employment or to obtain the training or education necessary to find employment. The definition also includes "prevocational programs" which are general educational programs of a remedial nature to prepare a student for a vocational educational program. Minnesota Statutes, section 256H.01, subdivision 7 defines educational program to mean "remedial or basic education or English as a second language instruction, high school education, a program leading to a general equivalency diploma, ...". While reference to the prevocational programs would generally fall within one of the preceding categories, a representative for the vocational institutions requested that the term "prevocational program" be included in the definition to make it clear that child care assistance is available to a student enrolled in a prevocational program. This definition is reasonable because it is consistent with Minnesota Statutes, section 256H.01, subdivision 7.

Subp. 18. Employability plan. This definition is necessary to clarify a term used in the rule. The rule provides for child care subsidies to AFDC caretakers in education and training programs under the basic sliding fee program, AFDC priority groups program, AFDC postsecondary student program, and public and private postsecondary student programs. The term is necessary to identify the plan required by AFDC program rules which describes the education, training, and employment services the AFDC recipient needs to achieve his or her employment goal. The employability plan is developed by a employment and training service provider or a person designated by the county to provide employment and training services based on employment and training goals developed in consultation with the AFDC client. The employability plan is required to secure federal reimbursement for child care expenditures as required by state policy. The term is reasonable because it is consistent with AFDC program rules and the requirement of Minnesota Statutes, section 256H.02, as it relates to the AFDC special employment needs programs.

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

Subp. 19. Employment and training service provider. This definition is necessary to clarify a term used in the rule. The term is necessary to identify the person certified by the Department of Jobs and Training to deliver employment and training services and to assist an AFDC recipient in the development of an "employability plan". The definition is reasonable because it is consistent with the definition provided in Minnesota Statutes, section 268.0122, subdivision 3.

Subp. 20. Family. This definition is necessary to clarify a term used in the rules that could be subject to many interpretations based on living arrangements or blood relationships. The definition is reasonable because it is consistent with Minnesota Statutes, section 256H.01, subdivision 9.

Subp. 21. Family copayment fee. This definition is necessary to clarify a term used in the rule. The child care fund provides subsidized child care assistance based on a sliding fee schedule. This term is necessary to define that portion of the provider charge the family must pay for child care. The term is reasonable because it provides a common term for describing the varying dollar amounts different families must pay for child care.

Subp. 22. Full-time child care. This definition is necessary to clarify a term used in the rule and to set a standard. Minnesota Statutes, sections 256H.01 to 256H.19 do not define the term full-time child care. Therefore, it is necessary to set a standard so that the amount of full-time child care assistance authorized for recipients is uniform among the counties. Moreover, since child care assistance is authorized for employed students, it is necessary to establish a maximum amount of assistance one family may receive. This is necessary in order to establish a standard for the recipients and to provide a means of managing the child care fund. Full-time employment is expected to require approximately 50 hours of child care. Full-time education is expected to require approximately 35 hours of child care. The 60 hours per child per week maximum is expected to cover the child care needs of employment, training or a combination of the two for the vast majority of families. If a person is granted 12 hours a day of child care for employment or a combination of education and employment and a reasonable amount of time is given for sleep (7 hours), for preparing meals and doing household chores (2 hours), very few hours are left for developing the parent-child relationship. A program without an upper limit could result in a situation where child care would more closely resemble foster care. Moreover, it is reasonable to set an upper limit on child care to provide proper financial management of the child care fund.

Subp. 23. Greater Minnesota counties. This definition is necessary to clarify a term used in the rule. The term is defined solely for identification purposes. The term defines the Minnesota counties outside the seven county metropolitan area. Since basic sliding fee program funds are distributed between the seven county metropolitan area and the counties outside the seven county metropolitan area, it is reasonable to provide a general term that identifies the counties outside the seven county metropolitan area.

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

Subp. 24. Human services board. This definition is necessary to clarify a term used in the rule. Minnesota Statutes, section 256H.02 provides that the commissioner shall develop standards for county and human services boards and postsecondary educational systems. Therefore, it is necessary to define the term "human services board". The term is reasonable because it is consistent with Minnesota Statutes, section 256H.01, subdivision 10.

Subp. 25. Host county. This definition is necessary to clarify a term used in the rule. The term is reasonable because it provides a means of identifying the county in which a postsecondary educational institution is located in a way that excludes all other counties.

Subp. 26. Income. This definition is necessary to clarify a term used in the rule which may be subject to many interpretations. The definition is reasonable because it is consistent with Minnesota Statutes, section 256H.01, subdivision 11.

Subp. 27. In-kind service. This definition is necessary to clarify a term used in the rule. Although the term is used in Minnesota Statutes, section 256H.10, it is not defined. The legislative intent is clear that the in-kind service is a payment to cover the difference between actual child care costs and the child care cost disregarded under the aid to families with dependent children program. However, a child care disregard is only required for employed AFDC recipients. Unemployed AFDC recipients in education or training programs do not have an income disregard for child care. Therefore, the in-kind service for an unemployed AFDC recipient is the actual child care costs (subject to the maximum provider charge set by the county). The definition is reasonable because it provides a means of quantifying the amount of the child care subsidy payment made to or for an employed AFDC recipient or an unemployed AFDC recipients enrolled in an education or training program.

Subp. 28. Legal nonlicensed caregiver. This definition is necessary to clarify a term used in the rule. The statutory term "provider" includes the term "legal nonlicensed caregiver". Since the child fund statutes do not define legal nonlicensed caregiver, it is necessary to define this term in the rule. Minnesota Statutes, section 245A.03, subdivision 1 requires individuals, corporations, partnerships, voluntary associations, and other organizations to be licensed in order to operate a nonresidential program. This section also provides a number of exclusions from licensure. To eliminate confusion over who is or is not a legal nonlicensed caregiver, it is reasonable to use the standards and exclusions set forth in the Human Services Licensing Act, Minnesota Statutes, chapter 245A. Therefore, a legal nonlicensed caregiver is a child care provider who is exempt from the licensing requirement under Minnesota Statutes, section 245A.03.

Subp. 29. Postsecondary educational systems. This definition is necessary to clarify a term used in the rule. The definition is reasonable because it is consistent with Minnesota Statutes, section 256H.01, subdivision 13.

Subp. 30. Provider. This definition is necessary to clarify a term used in the rule. The statutory definition was expanded to include "licensed school age child care programs and extended-day school age programs that meet the standards established by the State Board of Education" and legal nonlicensed

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

child care provided "out" of the child's home. The definition was modified, consistent with the definition of "child care services" so that the terms "child care services" and "provider" are compatible. It should also be noted that the definition further provides that a legal nonlicensed caregiver be 18 years old. Licensed providers are required to be 18 years old. However, without establishing a minimum age standard for legal nonlicensed providers it would be possible for a 13 year old to qualify as a "legal nonlicensed provider" and be reimbursed for providing child care services. The age limit for legal nonlicensed providers prevents "children" from caring for children. It also uses the age of majority to insure the child care provider may legally enter into contracts or agreements with the parent to provide child care services. Finally, requiring a provider to be of the age of majority prevents a single home from serving multiple families since it would otherwise be possible for different siblings to care for children from different families and circumvent the limitations for unlicensed care under Minnesota Statutes, section 245A.03, subdivision 2. The definition is reasonable because, with the exception noted, it is consistent with Minnesota Statutes, section 256H.01, subdivision 12.

Subp. 31. Provider charge. This definition is necessary to clarify a term used in the rule. The definition is reasonable because it provides a common term for identifying the cost of child care services before the child care subsidy or the family copayment fee is paid.

Subp. 32. Recipient. This definition is necessary to clarify a term used in the rule. The definition is reasonable because it provides a common term for identifying a family receiving a child care subsidy.

Subp. 33. Redetermination. This definition is necessary to clarify a term used in the rule. Counties and postsecondary educational institutions are required to conduct a redetermination of eligibility at least every six months, or earlier if there is a change in income, household status, employment, education or training. Counties are responsible for conducting redeterminations under the Basic sliding fee, AFDC priority groups, and AFDC postsecondary students programs. Postsecondary educational institutions are responsible for conducting redeterminations under the public and nonprofit postsecondary student programs. The definition is reasonable because it identifies the process in which information is periodically collected to determine a family's continued eligibility under the child care subsidy program.

Subp. 34. Seven county metropolitan area. This definition is necessary to clarify a term used in the rule. The definition lists the seven counties that are part of the Minneapolis and St. Paul metropolitan area. The term is reasonable because it is consistent with Minnesota Statutes, section 256H.03, subdivision 2. The term is used for identification purposes and to shorten the length of the rule.

Subp. 35. State median income. This definition is necessary to clarify a term used in the rule. The legislature has directed the commissioner to establish an upper income limit for child care subsidies between 70 and 90 percent of the state median income for a family of four, adjusted for family size. Since state median income for a family of four, adjusted for family size, is determined by the Bureau of Census and published by the Department of Health and Human Services, it is necessary to identify the source of the income information. It is reasonable to identify the source of the income data in the definition to prevent confusion should other data sources provide median income data.

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

Subp. 36. Student. This definition is necessary to clarify a term used in the rule. The term student means an individual in one of the following types of programs: remedial or basic education or English as a second language instruction; a program leading to a general equivalency diploma or high school education; prevocational programs; and postsecondary education excluding post-baccalaureate programs. The definition also distinguishes the number of credits or hours of education necessary to be classified as a full-time or part-time student. It is necessary to classify a student as full-time or part-time in order to establish child care assistance standards. The standard that 20 hours per week equals full-time is the minimum requirement for educational programs as specified in the AFDC manual. The limit of 12 credit hours for full-time and 6 credit hours for part-time are the minimum requirements for educational programs as specified by the Higher Education Coordinating Board. It is also the standard used by the federal government for students to be eligible for financial aid. The part-time standard for non-AFDC students is one-half the full time standard. Since an AFDC student is governed by an "employability plan" developed by an employment and training service provider, no minimum limit was set for part-time status for an AFDC student other than compliance with the education or training requirements in his or her employability plan. This exception to definition of part-time student is necessary so that child care assistance is not denied to an AFDC student who may be taking less than 6 credit hours but who is in full compliance with his or her employability plan.

Subp. 37. Vendor payment. This definition is necessary to clarify a term used in the rule. The definition is reasonable because it provides a common term to identify payment made to a provider of child care services by the county or administering agency. Under the child care fund, there are two types of child care payment. The most common type of payment is payment directly to the provider (vendor payment). The second type of payment is payment to the family to reimburse the family for child care expenses paid by the family.

9565.5020 NOTICE OF CHILD FUND ALLOCATIONS

The child care fund includes the basic sliding fee program, the AFDC priority groups program, the AFDC postsecondary student program, and the public and nonprofit postsecondary student programs. A notice of child care fund allocations is necessary so counties and postsecondary educational systems can properly plan for the expenditure of child care funds. It is reasonable to clarify the statutory requirement for the notice of child fund allocations since the first and second sentence under Minnesota Statutes, section 256H.03, subdivision 1 can not be reconciled. This subdivision is the subdivision for the basic sliding fee allocation. Postsecondary educational institutions are not allocated basic sliding fee funds. Secondly, as noted in the discussion in part 9565.5030, subpart 2, child care funds are not allocated on the basis of need but rather by the formula in Minnesota Statutes, section 256H.03, subdivision 2. Therefore, it is necessary to simply inform county and postsecondary institutions that they will be informed of their allocation under the Child Care Fund without reference to "needs" or the "basic sliding fee program". This part is reasonable because it clarifies Minnesota Statutes, section 256H.03.

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

9565.5025 GENERAL ELIGIBILITY REQUIREMENTS AND ASSISTANCE STANDARDS FOR ALL APPLICANTS

This part is necessary to identify eligibility requirements and assistance standards common to all applicants regardless of the child care funding category the applicant qualifies for. Although each of the child care programs have specific eligibility requirements and assistance standards, the programs also have general requirements and standards common to all the programs. Instead of repeating the general requirements numerous times in the rules, a single part is use to describe general program requirements.

Subpart 1. Applicant requirements and standards. This subpart is necessary to inform applicants that in addition to the general eligibility requirements and assistance standards under this part, the applicant must meet eligibility requirements under the basic sliding fee program or a set-aside program. It is reasonable to group general eligibility requirements and assistance standards together in a single part to eliminate the need to repeat these requirements in each of the five child care funding assistance categories in order to shorten the rule.

Subp. 2. Documentation of eligibility information. This subpart is necessary to inform applicants requesting a child care subsidy that they must provide documentation of income eligibility and work, training or educational status. Minnesota Statutes, section 256H.02 states the commissioner shall develop standards to provide child care services to enable eligible families to participate in employment, training, or education programs. Furthermore, Minnesota Statutes, section 256H.10 establishes certain income standards. Counties and postsecondary educational institutions must verify a family's eligibility to participate in the appropriate child care fund program at the time of application and during subsequent redeterminations. This subpart also requires counties and postsecondary educational institutions to comply with Minnesota Government Data Practices Act when contacting third parties to confirm eligibility information. This subpart is reasonable because it is consistent with Minnesota Statutes, sections 256H.01 to 256H.19.

Subp. 3. Recipient reporting responsibilities. This subpart is necessary to inform recipients of their reporting responsibilities and the maximum time limit for reporting changes to counties and postsecondary educational institutions under the child care fund. Since program participation is based on certain eligibility criteria, it is important that recipients report changes in income and household status which may affect eligibility. Failure to report changes is just cause to terminate assistance. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.10, subdivision 4.

Subp. 4. Resident requirement. This subpart is necessary to inform potential applicants that program participation is restricted to Minnesota residents. During discussions with the advisory committee members, it was pointed out that the administering agencies receive a number of requests for child care assistance from nonresident students. Students who live in a neighboring state and commute to a postsecondary educational institution near their home. Since these students are not Minnesota residents and do not pay Minnesota taxes, it appears inappropriate to use Minnesota tax dollars to

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

fund their child care needs when the child care needs of Minnesota residents are unmet due to limited resources. Minnesota Statutes, section 256H.07 governing the set-aside money for postsecondary students identifies "students with dependent children" as the sum of all Minnesota residents enrolled in public postsecondary institutions who report dependents on their applications to the state scholarship and grant program". (Emphasis added). In addition, Minnesota Statutes, section 256H.17 provides that the county board shall insure that child care services available to county residents are well advertised. Therefore, it is reasonable to establish a state resident requirement in the rules.

Subp. 5. Eligible applicants in two-parent families. This subpart is necessary to address issues dealing with two-parent families and to provide a means for determining when child care assistance is needed. The issue involves parents who are or may be available to provide child care. A number of examples were given where a parent may be available but it is inconvenient for the parent to care for his or her child or children. For example, it is possible that two-parent families could have different work or education schedules so that one parent may be in school during the day while the other sleeps due to an evening work schedule. Even though this family has a difficult situation, the child care fund was not established to provide child care when it is inconvenient for a family to provide child care. It is an inappropriate use of child care funds to pay a family's child care costs so a second parent can sleep or study undisturbed. It would be impossible to establish a single uniform standard of what constitutes inconvenience versus what is a bona fide need. As a general standard, if a parent or legal guardian is available and capable of providing child care, the parent or legal guardian is expected to provide that care. Therefore, both parents must be employed or in an education or training program which prevents either parent from providing child care. If a second parent is unable to care for a child, as determined by a medical doctor, the family would be eligible for child care assistance. In all other situations, both parents must meet the child care fund eligibility requirements, i.e., employed or in an education or training program. Since an applicant or recipient has the right to appeal a denial or termination of assistance, an applicant or recipient may appeal a determination of availability when special circumstances may dictate the need for child care assistance.

Subp. 6. Maximum weekly child care assistance. This subpart is necessary to set a standard for the maximum child care assistance a family may receive under any of the child care fund programs. It is possible that a single parent could be a full time student and employed. An upper limit of 60 hours per week per child has been placed on subsidized child care to provide adequate flexibility for working parents going to school. If a person is allowed 12 hours for employment or a combination of education and employment and a reasonable amount of time is given for sleep (7 hours), for preparing meals and doing household chores (2 hours), very few hours are left for developing the parent child relationship. A program without an upper limit could result in a situation where child care would more closely resemble foster care. Moreover, it is reasonable to set an upper limit on child care to provide proper financial management of the child care fund.

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

Subp. 7. Child care assistance during employment. This subpart is necessary to provide a standard for determining the number of hours of child care authorized for employed recipients. A person who works an eight hour day needs more than 40 hours of child care per week. In addition to the actual hours worked, time must be granted for time at the work station that is not included in actual work hours e.g., lunch time. Time must also be granted for travel to and from work. This subpart established standards for determining the number of child care hours allowed for employment. In addition, since there may be special circumstances that would require additional hours of child care, the counties are authorized to approve additional child care subject to the maximum limit of 60 hours per child per week. This subpart is reasonable because it applies a standard for determining child care hours for employment that allows time for travel and meal time. It also permits the county discretion to increase the allowable number of child care hours granted if special circumstances should warrant additional time.

Subp. 8. Child care during education or training. This subpart is necessary to provide a standard for determining the number of hours of child care authorized for persons in education or training programs. The standard allows full time students to receive the equivalent of full time child care on classroom days. Part-time students shall receive child care for actual class time for travel and time for academic appointments if no open periods exist between classes. In addition, there may be special circumstances that would require additional time for child care, for example additional travel time. The counties are authorized to approve additional child care to meet the unique circumstances of the part-time student.

Subp. 9. Maximum education and training under child care fund. This subpart is necessary to establish a standard for maximum child care assistance for students enrolled in education or training programs. During committee discussions concerns were expressed over the possibility of funding child care for "professional" students. Students who, if allowed, would attempt to obtain multiple degrees or who would take an inordinate amount of time to complete a program. To address these valid concerns, the rule provides for an upper eligibility limit for child care assistance for students enrolled in education and training programs. The upper limit is 48 months of full time child care. With respect to the 48 month maximum, most students can obtain a 4 year degree in 36 academic months. However, some students using the child care fund may have educational deficiencies which could require additional time for remedial education courses or who may need to take less than a full time load. Recognizing the special needs of students with children, a reasonable maximum standard appears to be 48 months which is a full calendar year beyond the 36 academic months needed for most students.

In addition to a time restriction, a restriction is also placed on the number of degrees a student may receive while receiving child care assistance under the child care fund. A student is restricted to eligibility for one four year degree. The reason for this is a student with a four year degree should be able to obtain employment in his or her chosen field or a related field. A student with a degree from an education or training program that lasts less than two years may obtain child care assistance for additional training, up to a maximum of 48 months, if the student is unable to find employment and at least one year has passed since completion of the program. The one year requirement is to insure all employment opportunities were fully explored.



Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

Finally, child care assistance will be granted for continuing education units or certification or course work necessary to update credentials to obtain or retain employment since this type of education will return the individual back into the labor market in a more timely manner than pursuing a different educational program.

9565.5030 BASIC SLIDING FEE PROGRAM

This part is necessary to establish standards and requirements governing the administration of the basic sliding fee program under the child care fund. It is necessary to separate the basic sliding fee program and the set-aside programs because eligibility and program requirements differ by program category. This part is reasonable because it is consistent with Minnesota Statutes, section 256H.03.

Subpart 1. Basic sliding fee allocation. This subpart is necessary to indicate the portion of the child care fund that is available for the basic sliding fee program. Within statutory limits, the Commissioner has the authority to establish the amount of child care funding that will be allocated to the basic sliding fee program and to the set-aside programs. The legislature established the maximum funding amount that the Commissioner may set for the set-aside programs as 52 percent of the Child Care Fund. Conversely, the minimum amount of funds available for the basic sliding fee program is 48 percent of the total. The current distribution of child care funds is 48 percent of the funds to the basic sliding fee program and 52 percent of the funds to the set aside programs. In order to grant the Commissioner flexibility to use child care funds where they are needed most, no fixed percentage has been dictated in rule. It should be noted that the basic sliding fee program is the least restrictive of the child care funds categories. Recipients eligible for child care assistance under the set-aside programs are also eligible for child care assistance under the basic program. However, recipients eligible under the basic sliding fee program may not be eligible under a specific set-aside program. For example, a non-AFDC family eligible under the basic sliding fee program would not be eligible under the AFDC set-aside programs. In order to maximize fund use while complying with the legislative intent of the set-aside programs, it is important to retain program funding flexibility to insure that funds are not placed in the set-aside category and unused while child care needs are unmet under the basic sliding fee program. The set-aside programs have not been in place long enough to acquired adequate data on whether the current allocation should be modified to any great degree. While initial review of the set-aside accounts indicate that there is excess funding available under the set-aside programs and insufficient funding in the basic sliding fee program, this may be due in part to a lag in start up of the special set-aside programs. However, if set-aside funds are consistently underutilized than a greater percent of the total funds should be allocated to the basic sliding fee program. Therefore, no set percentage of the total child care fund has been earmarked for either the basic or set-aside programs.

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

Subp. 2. County allocation. This subpart is necessary to indicate how child care funds will be allocated to the individual counties under the basic sliding fee program. The allocation between counties is based on the formula provided in Minnesota Statutes, section 256H.03, subdivision 2. Although the allocation formula is straight forward, the statutory language is confusing since subdivisions 1 and 2 are contradictory. Subdivision 1 indicates that on June 1 of each odd-numbered year, the commissioner shall notify all counties of their allocations and if the allocations are insufficient to meet the needs in all counties, the amount must be prorated among the counties. However, subdivision 2 is specific in that it provides a clear formula and a means to insure that the seven county metropolitan area or the greater Minnesota counties do not receive more than 55 percent of the available basic sliding fee program allocation. The rule describes the specific procedure the department will use to allocate basic sliding fee program funds to the counties. First, the money will be tentatively allocated on the basis of poverty and AFDC caseload. If after utilizing this formula the metropolitan area or the greater Minnesota counties would receive more than 55 percent of the total, then the funding will be proportionally reduced for each county in the overfunded area until the total funds to be allocated to the area is no more than 55 percent. The funds proportionally reduced from the overfunded area will be used to proportionally increase basic sliding fee funds in those counties that would have received less than 45 percent of the basic sliding fee funds strictly by formula.

With respect to subdivision 1, the legislative intent of this subdivision is unclear. If the basic sliding fee funds are to be allocated based on "need," there is no reason to provide the specific formula under subdivision 2. Moreover, notwithstanding the requirement of a waiting list, there is no direct way of measuring need. Some families may only need child care assistance on a temporary basis while the child care needs of others may be more long term. Some families may require infant care which is more expensive than care for preschoolers or school age children. Some families may be required to pay a family copayment fee while others will receive a full child care subsidy. Simply stated, there is no reasonable basis for defining "needs" on a formula basis. If the term simply means funding needs in excess of a county's allocation, the means to address that "needs" issue is during the reallocation process. Funds in excess of a county's needs (allocation) may be reallocated from counties that did not expend their full child care allocation to those counties that spent funds in excess of their child care allocation as part of the reallocation process. Since specific statutory language supersedes general language, subdivision 2 supersedes subdivision 1. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.03, subdivision 2.

Subp. 3. County administrative expenses. This subpart is necessary to inform the counties of the maximum amount of basic sliding fee program funds they may use for administrative expenses. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.18.

Subp. 4. AFDC federal program reimbursement. This subpart is necessary to inform the counties that they must claim federal reimbursement under the AFDC employment special needs program or other federal reimbursement programs for

- all eligible AFDC recipients and that the federal earnings shall be used to expand child care services under the basic sliding fee program. It is possible that with the new federal welfare reform legislation that other federal programs may allow child care reimbursement. To insure that counties claim federal reimbursement for child care expenditures, the phrase "and other federal reimbursement programs" was added to the AFDC employment special needs reimbursement provision to inform counties that if federal reimbursement is available in another federal program they must claim federal reimbursement under that program. Since the counties shall claim reimbursement, on forms prescribed by the commissioner, sufficient guidance will be provided to the counties on how to claim child care reimbursements from "other federal programs". This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.02 and Minnesota Statutes, section 256.736, subdivision 8.

Subp. 5. Reallocation of unexpended or unencumbered funds. This subpart is necessary to inform the counties of the procedure that the Commissioner will use to reallocate unexpended or unencumbered basic sliding fee funds. Following each quarter for the first three quarters, the Commissioner will review county expenditures under the basic sliding fee program and may reallocate unexpended or unencumbered funds from those counties with excess allocations to those counties that have used their full allocations. This reallocation process will allow counties that are using all their basic sliding fee allocation to receive additional allocations from those counties that are not using their full allocations.

Following the fourth quarter of each year, the reallocation of funds will be based on a county's earnings. The reallocation following the fourth quarter is based on actual spending since it is impossible to grant additional spending authority after the fiscal year has ended. If a county spends more for child care assistance than its state allocation (earnings in excess of its allocation) the county will qualify for additional funding when unused funds are reallocated. The reallocation process following the fourth quarter provides that unused basic sliding fee funds will be reallocated to those counties which have expended funds in excess of their allocation. If the excess county earnings are greater than the funds available for reallocation, the funds will be prorated to the qualifying counties based on the ratio that their excess earnings are to all excess earnings. No county will receive an allocation in excess of its earnings. For example, if county A's allocation was \$100 and it spent \$150, it would not qualify for more than \$50 when funds are reallocated.

If the basic sliding fee funds available for reallocation exceed the excess earnings in all counties, the funds remaining after the initial reallocation will be used to fund excess earnings under the AFDC priority groups program. Any funds remaining after the second reallocation will be used to fund excess earnings under the AFDC postsecondary student program. As a practical matter, the reallocation steps in items D and E will not be used since counties are expending funds in excess of their allocation to such a degree that any unused basic sliding fee funds would be less than excess earnings. For example, Hennepin County alone supplements the basic sliding fee program by \$2 million per year. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.03, subdivision 3.

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

Subp. 6. Families eligible for subsidies under the basic sliding fee program. This subpart and part 9565.5025 are necessary to indicate eligibility standards a family must meet to be eligible for a child care subsidy under the basic sliding fee program. Minnesota Statutes, section 256H.10, subdivision 1 restrict child care assistance to those families that qualify under certain income standards. The Commissioner is authorized to establish an upper income eligibility range for families that is between 70 and 90 percent of the state median income for a family of four, adjusted for family size. Currently, eligibility under the basic sliding fee program is restricted to families who earn 75 percent or less of the state median income for a family of four, adjusted for family size. This subpart continues the income eligibility standard to those families who earn 75 percent or less of the state median income for a family of four, adjusted for family size.

With respect to the income eligibility limit of 75 percent of state median income, current funding levels are not sufficient to fund all the child care needs of families with incomes at or below 75 percent of state median income. At the present time, there are approximately 4,000 families on a waiting list for child care assistance. It should be noted that the present sliding fee schedule is based on 1986 state median income levels. Seventy-five percent of the 1986 state median income for most families is equivalent to approximately 67 percent of the 1988 state median income. Therefore, by simply updating the sliding fee scale additional families will be eligible for a child care subsidy (families with incomes between 67 and 75 percent of the 1988 state median income). It is unreasonable to expand the child care subsidy program to families with incomes greater than 75 percent of state median income until the child care needs of the lower income groups are met.

During the 1988 presidential campaign child care issues received considerable attention by both major parties, therefore, it is possible that the federal government may take a more active role in child care funding. This subpart provides that, if adequate funds become available, the child care sliding fee program may be expanded to families with incomes greater than 75 percent of state median income. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.02 and section 256H.10, subdivision 1.

In addition to the income standard under this subpart, reference is made to the eligibility requirements all applicants must meet under part 9565.5025. A discussion of each of the specific requirements under part 9565.5025 was given under that rule part.

Subp. 7. Basic sliding fee program waiting lists. This subpart is necessary to inform the counties that they must maintain a written record of the number of families who seek child care assistance under the basic sliding fee program. Due to the administrative requirements for processing applications for social services programs, the legislature specifically provided for " cursory determination of eligibility " so that a formal application need not be taken unless child care funds are available. In order to determine the true demand for child care subsidies, it is necessary to know the number of families on a child care subsidy waiting list. A waiting list also provides a chronological means for prioritizing child care assistance. Also, since students may qualify for child care assistance under more than one program, it is important that there is a means of identifying students should funding

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

be available in other programs to meet their needs. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.03, subdivision 1.

Subp. 8. Prioritizing child care assistance. This subpart is necessary to authorize counties to prioritize child care subsidies when funds are insufficient to meet the needs of all eligible groups. It is reasonable to require counties to include their procedures for prioritizing basic sliding fee funds in their annual allocation plan to insure that funds are not administered in an arbitrary or capricious manner. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.03, subdivision 1 and section 256H.10, subdivision 3.

Subp. 9. County documentation required if group disproportionately funded. This subpart is necessary to insure that the counties do not arbitrarily distribute basic sliding fee program funds in such a manner as to exclude otherwise eligible families. Subpart 8 permits counties to establish funding priorities when funds are insufficient to meet the needs of all eligible groups. Under Minnesota Statutes, section 256H.10, subdivision 3 the legislature requires that if disproportionate funding for eligible groups occurs that counties document to the commissioner the reason for the disproportionate funding. The legislature did not define the term "disproportionate" therefore it is necessary to establish a standard by which funding can be determined to be disproportionate. Although there are three major groups eligible under the basic sliding fee program, AFDC recipients, families eligible for AFDC but not receiving it, and families with incomes greater than 185 percent of the family allowance for AFDC but less than 75 percent of the state median income, the two largest groups are non-AFDC families earning a median income between the upper eligibility limit for AFDC and 75 percent of the state median income for a family of four, adjusted for family size, and AFDC families. In some counties AFDC families may be adequately addressed under the set-aside programs. In such a case, it would be reasonable to use most of the basic sliding fee program for non-AFDC families. Within the non-AFDC families, it may be appropriate to prioritize the lowest incomes first such as single head of households and two-parent families with incomes less than 60 percent of state median income. It would not be appropriate to only fund single head of household families in such a manner as to discriminate against two-parent families or to prematurely terminate assistance for families within the upper income eligibility limits. A county which had disproportionate funding that was consistent with its annual allocation plan would not be required to provide additional documentation. A county which is providing 60 percent or more of its basic sliding fee funds to a single eligible group or subgroup should establish funding priorities to insure that child care funding is not done in an arbitrary or capricious manner and this policy must be approved by the commissioner. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.10, subdivision 3.

Subp. 10. Application for child care assistance. This subpart is necessary to inform potentially eligible families that they must apply for the child care subsidy under the basic sliding fee program in their county of residence. It is possible that a family could be a resident of one county

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

and employed in another or a resident in one county and attending an education or training program in another county. To eliminate dual applications and to provide administrative oversight and proper program accountability, it is reasonable under the basic sliding fee program to require families to apply for assistance in their county of residence. This subpart also prevents the counties of residence from imposing financial burdens on neighboring counties by sending potential recipients to other counties. This subpart is reasonable because it is consistent with the intent of Minnesota Statutes, section 256H.17 that child care services be made available to county residents.

9565.5040. JOB SEARCH, EMPLOYMENT AND EDUCATION OR TRAINING ELIGIBILITY UNDER THE BASIC SLIDING FEE PROGRAM

Subpart 1. Child care subsidy during job search. This subpart is necessary to enable persons seeking employment to obtain subsidized child care so they can initiate and pursue employment opportunities. Minnesota Statutes, section 256H.11 authorizes eligible persons to receive the equivalent of one month of child care. Since the job search may extend over a single month, it is reasonable to grant a family the option of using the child care subsidy at a rate of less than full time over a greater period of time. This subpart authorizes, at the option of the applicant and with prior county approval, child care subsidies at a rate of less than full time for a period of up to four consecutive months. The statute does not define "the equivalent of one month of child care". In order to provide uniformity between the counties in implementing this subpart, it is necessary to set a standard for the equivalent of one month of child care. The standard for full-time child care is defined in the definition section of this rule under part 9565.5010, subpart 22. It is also necessary to define job search to provide a uniform standard for county administration so all participants are treated in a fair and equitable manner. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.11.

Subp. 2. Child care subsidy during employment. This subpart is necessary to indicate the minimum number of hours which must be worked each week and the minimum wage to qualify for a child care subsidy under the basic sliding fee program. The minimum standards are statutory standards. However, statute did not state which minimum wage standard it was referring to. There is both a state and a federal minimum wage standard. It is reasonable to use the state standard for a state funded program. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.11, subdivision 1.

Subp. 3. Child care subsidy during education or training programs. This subpart is necessary to establish standards governing child care assistance for students enrolled in education or training programs. It is necessary to state in rule that an employed student is eligible for child care during the hours of employment and training in order to insure uniform treatment of employed students. Minnesota Statutes, section 256H.06 provides that set-aside funds shall be used to reduce the costs of child care for students, including the cost of child care for students while employed. In order to insure consistency between programs since students may qualify under a number

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

of programs, this language is used in all the funding sections dealing with students. A standard is also necessary for what constitutes part-time and full time student status. Both terms are defined in the definition section dealing with student. The minimum part-time standard was established to insure that the educational program will be completed in a reasonable period of time. While the department does not have statistics on the number of students who eventually graduate when pursuing an education or training program less than part-time, we suspect the success ratio has a direct relationship to the length of the program. The success ratio of students pursuing education programs that stretch over a period of 8 to 10 years (less than part time) would not be very high. Furthermore, since the child care fund has been established to help obtain or retain employment, emphasis must be given to completing an educational program within a reasonable period of time.

It is also necessary to establish what constitutes acceptable training programs. The topic of acceptable education and training was a topic that generated considerable discussion during the advisory committee meetings. The question that was raised is should child care assistance be given to parents pursuing educational or training programs that once completed would not lead to self-sufficiency and who should determine what is and what is not an acceptable education or training program. A concern was raised that institutions had a self-serving interest to promote their education and training programs even if the graduate placement or success records were less than satisfactory. Furthermore, there is no statutory authority given under the basic sliding fee program for educational institutions to determine or approve "acceptable" educational or training programs. To give the education institutions the authority to determine appropriate educational programs would appear to be contrary to statute and would also create a dual system where county funds are used to supplement the child care fund. Certainly, a county would not transfer fiscal accountability to an educational institution for 100 percent county funded child care. Since the county has no vested interest in a student's educational choice other than to insure proper expenditure of public funds, it is appropriate that the county determine what is or is not an acceptable course of study. Moreover, a county has first hand experience with programs that have failed to lead to self-sufficiency. It would be unreasonable to fund an education or training program for a new student when former students were unable to obtain employment after completing that program. To do so would be unfair to the student and an improper use of the child care fund. If an educational program fails to provide for employment opportunities, the county should have the right to disapprove the program. The applicant or recipient will have the right to appeal the county's action if he or she believes the county actions are arbitrary or capricious.

This subpart also requires the counties to set-aside child care funds from the current allocation to fund a student's child care needs for the remainder of the year. With respect to satisfactory progress, since funding is contingent on "satisfactory progress", the county is required to determine if the student is making satisfactory progress based on policies developed by the county and approved by the commissioner. The procedures for discontinuing child care assistance is consistent with the procedures for terminating other types of social services and clearly provides for a recipient's right to appeal. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.02.

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

Subp. 4. Changes in education or training programs; approvals required.

This subpart is necessary to inform counties, educational institutions, and students of the standards governing changes in education or training programs. When a student's change requires additional child care subsidies in excess to the amount reserved for the student, it is reasonable that the county approve the change in order to retain program accountability since funds must be set-aside to fund the additional child care. It is also reasonable to require the county to have an approved policy for extending a student's education or training program to insure the fair and equitable treatment of all families. In addition, changes in an AFDC recipient's education or training program must be included in the student's employability plan since the employability plan is the basis for obtaining federal reimbursement under the AFDC special needs program.

9565.5050 CONTINUED ELIGIBILITY UNDER THE BASIC SLIDING FEE PROGRAM

This part is necessary to insure that a family receiving a child care subsidy under the basic sliding fee program is not denied continued eligibility when the family's income or household status changes provided the family's income does not exceed 75 percent of the state median income for a family of four, adjusted for family size and the family meets all other eligibility requirements. Except for the limits on education programs set forth in part 9565.5025, subpart 9, there is no time limit for program participation.

In many cases, counties will have families on a waiting list to receive subsidized child care. The existence of a waiting list may create a situation where the county may wish to terminate assistance to those families in higher income ranges in order to fund the child care needs of poorer families. However, the child care subsidy program is not a "poorest family first program". The program has been established to transition families from assistance to self-sufficiency. To base the program on a poorest first basis would undermine the effectiveness of the program and would not provide for program continuity since a recipient would never know when assistance would be terminated for a poorer family. In addition, since the family copayment fee schedule for the poorer families is much less than the fee for higher income families, a larger number of middle income families would have to be terminated from the program to enable funding for the poorest. Such a policy would undermine the stability of the program and would make it impossible to plan for expenditures. Furthermore, it is reasonable to insure continued eligibility with changes in income otherwise a disincentive is built into the program for accepting promotions or striving for self-sufficiency.

9565.5060 SET-ASIDE PROGRAM ALLOCATIONS

This part is necessary to allocate child care funds for the set-aside programs. The set-aside programs were established by the legislature in 1987. Minnesota Statutes, section 256H.04, subdivision 2 states the set-aside amount must be determined by the commissioner and may not exceed 52 percent of the total funds appropriated. By the very nature of the set-aside program categories, the legislature has established certain child care assistance priorities since all the set-aside program participants could have been funded out of the basic sliding fee program. Although the basic sliding



Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

fee program and the various set-aside programs are not mutually exclusive, use of set-aside funds is more restrictive. For example, non-AFDC families qualifying under the basic sliding fee program do not qualify under either AFDC program. And, while an AFDC family may be funded out of the basic sliding fee program, AFDC priority groups program, or AFDC postsecondary student program, an AFDC recipient who qualifies for assistance under the AFDC postsecondary student program may not necessarily qualify under the AFDC priority groups program unless that recipient meets the eligibility requirements of the AFDC priority groups. Due to the restrictive nature of the various set-aside categories, it is imperative that the categories are not over funded since the only remedy available to redistribute unused funds is the reallocation process. Meanwhile, child care needs may go unmet in other programs.

The legislature has mandated that for each dollar allocated to the set-aside account certain amounts would go to each of the various set-aside programs. For example, out of the funds allocated to the set-aside programs, 44 percent is allocated to the AFDC priority groups; 40 percent to AFDC postsecondary students; and 16 percent to public postsecondary students (10 percent of the public postsecondary student funds is allocated for nonprofit postsecondary students). Currently, 52 percent of the child care funds are allocated to the set-aside programs and 48 percent of the child care funds are allocated to the basic sliding fee program. As indicated under the section dealing with the basic sliding fee program, it is important to provide the Commissioner maximum flexibility to allocate child care funds in order to insure that the funds do not go unused. From year-to-year it may be necessary to modify the set-aside allocations depending on specific funding needs. Therefore, no fixed percentage of the total child care fund has been set in rule for the set-aside programs. As more data become available on the amount of set-aside funds used and reallocated, it may be necessary to modify the split between the basic sliding fee program and the set-aside programs. In a start-up year, it is difficult to assess the accuracy of the current allocation. To date, there seems to be more than adequate funds for the set-aside populations. However, this may change as Priority Access to Human Services (PATHS) develops and the new welfare reform initiative progresses. Due to the mandated distribution in statute of set-aside funds to specific programs, any change in distribution between set-aside categories will require legislative action. For example, perhaps 44 percent of each set-aside dollar is too much for the AFDC priority groups program but 40 percent of each set-aside dollar is not enough for the AFDC postsecondary student program. It should be noted that the reallocation process will correct minor funding disparities. This part is reasonable because it is consistent with Minnesota Statutes, section 256H.04.

9565.5070 SET-ASIDE FOR AFDC PRIORITY GROUPS

Subpart 1. County allocation. This subpart is necessary to inform the counties that the county allocation under the AFDC priority groups program is based on the allocation formula in Minnesota Statutes, section 256H.05, subdivision 1 and that the county may not use any of the allocation for administrative expenses. This subpart is reasonable because it is consistent with Minnesota Statutes, sections 256H.05 and 256H.18.

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

Subp. 2. Families eligible under the AFDC priority groups program. This subpart is necessary to identify families that are eligible for child care assistance under the AFDC priority groups program. The term AFDC priority groups is defined under part 9565.5010, subpart 7, to mean AFDC caretakers who are under the age of 21; who have not received a high school diploma or general equivalency diploma; or, who have received 24 months or more of AFDC over the last 36 months. In addition, AFDC families must meet the general eligibility requirements for all applicants under part 9565.5025. Finally, Minnesota Statutes, section 256H.05, subdivision 1 provides that former AFDC priority groups recipients who are on a waiting list for child care under the basic sliding fee program who continue to require child care to remain employed qualify for assistance under the AFDC priority group set-aside. This subpart is reasonable because it is consistent with Minnesota Statutes, sections 256H.01, subdivision 14, 256.736, subdivision 2a, and 256H.05, subdivision 1.

Subp. 3. Agreements with employment and training service providers. This subpart is necessary to inform the counties that they shall develop cooperative agreements with employment and training providers for coordination of child care funding with employment, training, and education programs for AFDC priority groups including AFDC recipients in the Priority Access to Human Services (PATHS) program. The cooperative agreements are necessary to insure that child care services are coordinated between the county and the employment and training provider. Since the goal of both entities is to assist AFDC recipients in their efforts to achieve self-sufficiency and since the availability of child care assistance during employment or during education and training may be the single most important determinant of the employment plan's success, it is necessary that counties and employment and training providers develop cooperative agreements for addressing child care needs. The cooperative agreement provides an established means of communication between the county and the employment and training service provider to insure limited resources are used to their greatest potential. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.05, subdivision 3.

Subp. 4. Child care subsidy during education or training programs under AFDC priority groups. This subpart is necessary to establish standards governing education and training programs under the AFDC priority groups funding category. The standards for the education and training programs under the basic sliding fee, the AFDC priority groups, the AFDC postsecondary and the public and nonprofit programs are basically similar. However, there are some differences in the various programs therefore, it is necessary to address each separately within the rules. With respect to determining satisfactory student progress, the county is responsible for determining whether a student is making satisfactory progress under the basic sliding fee program and the AFDC programs. Postsecondary institutions are responsible for determining whether a student is making satisfactory progress under the public and nonprofit postsecondary student programs. It is also necessary to establish in the rule standards for determining what are and are not acceptable education and training programs. In order to grant AFDC recipients flexibility to pursue educational and training goals of interest to them, an acceptable course of study is a training or employment program contained in an employability plan developed by the recipient and the employment and training service provider or the person designated by the county to provide

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

employment and training services. No restrictions have been placed on part-time versus full-time status since the education or training program for an AFDC recipient is set forth in the recipient's employability plan. The procedure for discontinuing child care assistance is consistent with the procedures for terminating or denying other types of social services and clearly provides for the applicant or recipient's right to appeal. It is also necessary to inform the counties that they must set aside allocations to cover the recipient's period of eligibility during the current program year. This subpart is consistent with Minnesota Statutes, section 256H.02 which states the commissioner shall develop standards for county and human services boards, and postsecondary educational systems, to provide child care services to enable eligible families to participate in employment, training, or education programs.

Subp. 5. Changes in education or training programs; approvals required. This subpart is necessary to inform the county, educational institutions, and students of the standards governing changes in education or training programs. If a change will require a change in an employability plan or additional child care assistance, the change must receive county approval in order to retain program accountability since funds must be set-aside to fund the additional child care. In addition, to qualify for federal reimbursement under the AFDC special needs program, the change must be approved by the county and included in the employability plan.

Subp. 6. Set-aside fund use after second quarter. This subpart is necessary to inform counties that following the second quarter, if the commissioner finds that set-aside funds for AFDC priority groups are not being fully utilized, that the counties may use the funds for other child care fund programs provided priority for use of the funds is given to AFDC priority groups. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.05, subdivision 4.

Subp. 7. Reallocation of unearned AFDC priority groups funds. This subpart is necessary to inform the counties that following the fourth quarter, the Commissioner shall reallocate unexpended or unencumbered AFDC priority groups funds to those counties that have AFDC priority group earnings in excess of their allocation. However, as a practical matter, it is unlikely funds would be available for reallocation since subpart 6 authorizes excess AFDC priority groups funds to be used in other child care fund programs. Nevertheless, this subpart provides a mechanism for reallocating unused AFDC priority groups funds. If funding remains after the initial reallocation, the excess funds will be use for AFDC postsecondary students. If funding remains after funding the excess earning under both the AFDC priority groups and AFDC postsecondary programs, the remaining funds will be used for excess earnings under the basic sliding fee program. This subpart is reasonable because it is provides a means for reallocating unused AFDC priority groups funds.

Subp. 8. AFDC federal program reimbursement. This subpart is necessary to inform the counties that they must claim federal reimbursement under the AFDC employment special needs program and other appropriate federal programs for qualified AFDC recipients and that the federal earnings shall be used to

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

expand child care services under the AFDC priority groups program. This subpart is reasonable because it is consistent with Minnesota Statutes, sections 256H.02, 256H.05, subdivision 5 and 256.736, subdivision 8.

9565.5080 SET-ASIDE FOR AFDC POSTSECONDARY STUDENTS

Subpart 1. County allocation. This subpart is necessary to inform the counties of the formula for allocating AFDC postsecondary student funds and to inform them that none of the allocation under this subpart may be used for administrative expenses. The allocation formula is based on the ratio a county's AFDC caseload is to all AFDC caseloads. This formula provides AFDC postsecondary student funds to counties without a postsecondary institution. However, the county of responsibility for the AFDC student is not necessarily the county in which a postsecondary institution is located. Counties without postsecondary institutions are directed to cover child care costs for postsecondary education when a county approved employment and training plan moves an AFDC recipient to another county. This requirement insures all AFDC students access to child care subsidies for postsecondary education regardless of their county of origin. As required by statute, the Department has discussed developing an alternate formula based on the number of AFDC caretakers in each county who are enrolled at postsecondary institutions. At this time, the Higher Education Coordinating Board can not provide this information because it does not maintain data in a form which enables it to distinguish AFDC students from non-AFDC students. HECB has indicated that it does not have any definite plans to modify their application forms to distinguish AFDC students. Therefore, the department will attempt to have legislation introduced to amend this requirement and the formula for allocating AFDC postsecondary student set-aside funds. This subpart is reasonable because it is consistent with Minnesota Statutes, sections 256H.06, subdivision 1 and 256H.18.

Subp. 2. Families eligible under the AFDC postsecondary student program. This subpart is necessary to identify families that are eligible for a child care subsidy under the AFDC postsecondary student program. Families eligible under this set-aside category are families that meet the general eligibility requirements under part 9565.5025 and are receiving AFDC with a caretaker enrolled in a postsecondary educational institution. In addition, pursuant to the statutory restriction on education program provided in Minnesota Statutes, section 256H.01, subdivision 7, a postsecondary education program may not include programs directed towards a post-baccalaureate degree. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.06, subdivision 2.

Subp. 3. Fund uses and continued assistance. This subpart is necessary to restrict the use of AFDC postsecondary student set-aside funds to AFDC postsecondary students and to inform counties, educational institutions, and program participants that continuation in the AFDC postsecondary student set-aside program is contingent upon making satisfactory progress towards completion of the education or training program. The county is responsible

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

for determining "satisfactory" progress since it is responsible for administering the AFDC grants and for claiming federal reimbursement for AFDC employment special needs. The counties' proposed policies describing "satisfactory progress" must meet AFDC manual requirements and be submitted for approval in the counties' CSSA and Child Care Fund plans. The commissioner has the authority to disapprove any inappropriate, inconsistent, or unreasonable policy. The procedure for discontinuing child care assistance is consistent with the procedures for terminating other types of social services and provides for the recipient's right to appeal. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.06, subdivision 2.

Subp. 4. Child care subsidy during education or training programs under the AFDC postsecondary student program. This subpart is necessary to establish standards governing education and training programs under the AFDC postsecondary student funding category. The standards for the education and training programs under the AFDC priority groups and the AFDC postsecondary student programs are the same. With respect to determining satisfactory student progress, the county is responsible for determining whether a student is making satisfactory progress under the basic sliding fee program and the AFDC programs. It is necessary to establish in the rule standards for determining what are and are not acceptable education and training programs. In order to grant AFDC recipients flexibility to pursue educational and training goals of interest to them, an acceptable course of study is a training or employment program contained in an employability plan. It is also necessary to inform the counties that they must set aside allocations in subsequent years to cover the recipient's period of eligibility and to cover the hours of employment as well as eligible hours of education. This subpart is reasonable because it is consistent with Minnesota Statutes, sections 256H.02 and 256H.08.

Subp. 5. Changes in education or training programs; approvals required. This subpart is necessary to inform the counties, educational institutions, and students of the standards governing changes in education or training programs. If a change requires additional child care subsidies beyond the original program or if it requires a change in the employability plan, the change must be approved by the county and included in the employability plan. The change must receive county approval in order to qualify for federal reimbursement under the AFDC special needs program and in order to insure program accountability since funds must be set-aside to fund the additional child care.

Subp. 6. AFDC federal program reimbursement. This subpart is necessary to inform the counties that they must claim federal reimbursement under the AFDC employment special needs program and other appropriate federal programs for all qualified AFDC recipients and that the federal earnings shall be used to expand child care services under the AFDC postsecondary student program. This subpart is reasonable because it is consistent with Minnesota Statutes, sections 256H.06, subdivision 4 and 256.736, subdivision 8.

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

Subp. 7. Reallocation of unexpended or unencumbered funds. This subpart is necessary to inform counties that following the first, second, and third quarters, the Commissioner shall review the use of AFDC postsecondary student funds and may reallocate unexpended or unencumbered funds among those counties who have expended their full allocation. Following the fourth quarter, the Commissioner shall reallocate unexpended or unencumbered AFDC postsecondary student funds to those counties which have AFDC postsecondary student earnings in excess of their allocation. Minnesota Statutes, section 256H.06, subdivision 3 provides that "The commissioner may reallocate unexpended or unencumbered money among those counties that have expended their full portion for the purpose of this subdivision". Statutes does not provide for subsequent reallocation to other programs. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.06, subdivision 3.

9565.5090 SET-ASIDE FOR PUBLIC POSTSECONDARY STUDENTS

Subpart 1. Postsecondary educational system allocation. This subpart is necessary to inform the postsecondary educational systems of the formula used to allocate child care funds to the public postsecondary institutions. Child care funds will be allocated to public postsecondary institutions based on the formula provided in Minnesota Statutes, section 256H.07, subdivision 1. The postsecondary education system may allow pooling of individual institution allocations within a host county at their option. The pooling of funds may provide a more efficient use of the child care funds. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.07.

Subp. 2. Families eligible under the public postsecondary student program. This subpart is necessary to identify families that are eligible for a care subsidy under the public postsecondary student program. A family is eligible for child care assistance under the public postsecondary student program if the family meets the general eligibility requirements under part 9565.5025; the family's annual gross income is less than 75 percent of the state median income for a family of four; and, a parent or legal guardian is attending a public postsecondary educational institution. Although there is a funding set-aside under part 9565.5080 specifically for AFDC postsecondary students, there is no restriction in statute to exclude AFDC postsecondary students from eligibility under the public postsecondary student program. All students attending a public postsecondary institution may be eligible for child care assistance under this subpart. In practice, the institutions are likely to fund non-AFDC student child care first since they are aware of the separate funding set-aside available for AFDC students. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.07, subdivision 2.

Subp. 3. Public postsecondary educational institution account. This subpart is necessary to inform counties and public postsecondary educational institutions of the manner in which individual institution accounts will be set up to fund public postsecondary student child care. Since the county is responsible for making the child care subsidy payment, it is important that counties and postsecondary institutions have agreements of understanding on each agency's responsibilities. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.07, subdivision 1.

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

Subp. 4. County administrative expenses. This subpart is necessary to inform counties of the maximum amount of public postsecondary student set-aside funds that they may use for administrative expenses. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.18.

Subp. 5. Child care subsidy during education or training programs under the postsecondary student program. This subpart is necessary to restrict the use of public postsecondary student set-aside funds to public postsecondary students and to inform counties, educational institutions, and program participants that continuation in the public postsecondary student set-aside program is contingent upon making satisfactory progress towards completion of the education or training program. The educational institution is responsible for determining "satisfactory" progress under the postsecondary student program. With the exception of AFDC students, the educational institution shall determine what is or is not an acceptable educational or training program. An acceptable course of study for an AFDC student is described in the student's employability plan. This subpart is also necessary to inform the educational institutions that a student which receives child care assistance for one academic year shall receive child care assistance in the following academic year. The education institution must set aside allocations to cover the student's period of eligibility under subsequent allocations as provided in Minnesota Statutes, section 256H.08. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.07, subdivision 2.

Subp. 6. Changes in education or training programs; approvals required. This subpart is necessary to inform counties, educational institutions, and students of approval requirements for changes in education or training programs under the postsecondary student program. An educational institution may approve a non-AFDC student's academic change and shall inform the county of the change. A change for an AFDC student must be approved by the county and included in the student's employability plan. The county's approval of an AFDC student's program change is necessary to obtain federal reimbursement under the AFDC employment special needs program. Finally, it is necessary to inform the educational institutions that they are responsible for assuring that allocations are available to cover child care costs for the student's academic change which will require additional child care. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.07.

Subp. 7. Institution processing of student eligibility. This subpart is necessary to clearly define the institution's responsibilities under the postsecondary student set-aside program. The educational institutions may negotiate an agreement with the host county for the county to administer the program. Regardless of the agency which processes the student's application, the county is responsible for making vendor payments to the student's child care provider from the institution's account. If the institution processes a student's application for child care assistance, it must determine that the family is eligible for assistance based on the eligibility requirements under part 9565.5025 and part 9565.5030, subpart 6. An institution's approval of child care assistance is limited to the institution's allocation. Approval of child care assistance must include hours of employment as well as hours of education. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.07, subdivision 2.

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

Subp. 8. Postsecondary educational systems policies. This subpart is necessary to require postsecondary education systems to establish written policies for determining and prioritizing child care assistance between eligible students in order to prevent arbitrary and capricious delivery of child care assistance. The institution's policies must be in writing and submitted with the county allocation plan in order to act as documentation in the fair hearing process. This subpart is reasonable because it provides for uniform treatment of student's and provides a mechanism for administrative oversight.

Subp. 9. Institution maintenance of funding effort. This subpart is necessary to insure that educational institutions maximize the use of child care funds by utilizing all funding resources available to the institution. Minnesota Statutes, section 256H.13 requires educational institutions to maintain their child care funding efforts previous to the child care fund allocation. This subpart establishes state fiscal year 1987 as the base year for determining maintenance of effort since this is the most recent year with final expenditure data. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.13.

Subp. 10. County payment responsibility. This subpart is necessary to inform the counties that they shall process the child care subsidy application and they shall pay the family's child care provider at least once a month. Since vendor payments are third party payments, it is important that the county inform the family and the provider of the payment procedures and the amount of payment to avoid any misunderstandings. Further, the county is required to inform the institution of the status of its child care account at least once each quarter so that the education institution will not over spend its child care fund allocation. This subpart is necessary to insure program accountability for both the county and the educational institution. This subpart is reasonable because it defines a county's payment responsibilities under the postsecondary student program.

Subp. 11. Reallocation of unexpended or unencumbered postsecondary education funds. This subpart is necessary to inform the educational systems when unexpended or unencumbered allocations will be redistributed. The postsecondary educational systems may reallocate unexpended or unencumbered funds among institutions under their authority at any time up to May 15 of any year. Since it is unlikely that a reallocation of a postsecondary institution's spending authority could be spent after May 15, funds unexpended or unencumbered on this date will be reallocated to the counties. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.07, subdivision 3.

9565.5100 SET-ASIDE FOR NONPROFIT POSTSECONDARY STUDENTS

This part is necessary to inform counties and nonprofit postsecondary educational systems of the requirements for administering the nonprofit postsecondary educational systems set-aside funds.

Subpart 1. Nonprofit educational institution participation. This subpart is necessary to inform the nonprofit education institutions that want to participate in the nonprofit postsecondary student set-aside program that they must submit a written request to the Commissioner. At the time of the



Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

institution's request, it must also include documentation of its nonprofit status. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.07, subdivision 4.

Subp. 2. Funding allocation and system accounts. This subpart is necessary to inform nonprofit postsecondary institutions of their funding allocation. Child care funds will be allocated based on the ratio that an institution's number of students that apply for financial aid and report dependents is to the total number of all students enrolled in nonprofit educational institutions who apply for financial aid and report dependents. If the institution's allocation would be insufficient to fund a student's child care needs for an academic year, that institution's funds would be reallocated to institutions that qualify for funding. The purpose of this requirement is to insure that child care funds are expended during the state fiscal year. This subpart is also necessary to inform the nonprofit postsecondary educational systems how the child care funding allocations will be made. Although the statutes directs the commissioner to hold the funds for nonprofit postsecondary educational systems, this requirement is accomplished by establishing separate accounts in the host counties. By establishing separate accounts for nonprofit postsecondary educational systems in each county, program accountability can be maintained with more efficiency. The county can administer the nonprofit postsecondary education set-aside funds in the same manner as the public postsecondary education set-aside funds. Establishing a single standard is more efficient than separate standards and will provide for greater uniformity in program administration. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.07, subdivision 4 with the exception that the counties must establish an account for the institution rather than the commissioner.

Subp. 3. Program requirements under the nonprofit postsecondary student program. This subpart is necessary to establish standards and eligibility requirements under the nonprofit postsecondary student program. The program requirements are the same as the requirements under the public postsecondary student program under subparts 2 to 11. It is reasonable that the public postsecondary and nonprofit postsecondary student programs have the same general overall requirements to insure uniform standards for both groups.

9565.5110 FAMILY COPAYMENT FEE SCHEDULE

This part is necessary to establish a standard for determining the portion of the child care provider cost the family must pay for child care. The family's copayment fee is based on the family's income and ability to pay.

Subpart 1. Non-AFDC family copayment fees. This subpart is necessary to establish a standard for determining the family copayment fee for non-AFDC families. Non-AFDC families and AFDC families are treated separately in these rules since the legislature has established different copayment requirements for AFDC families and non-AFDC families. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.10.

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

Subp. 2. AFDC family copayment fees. This subpart is necessary to be necessary to establish a standard for determining the family copayment fee for AFDC families. Child care payments for AFDC families are determined by AFDC program rules. There are special requirements for AFDC families that have been established to administer the AFDC program consistent with federal regulations. In order to prevent conflict with federal or state program rules, AFDC program standards will be used for AFDC recipients. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.10 which states child care services for families receiving aid to families with dependent children must be made available as in-kind services, to cover any differences between actual cost and the amount disregarded under the aid to families with dependent children program.

Subp. 3. Calculation of Non-AFDC family copayment fee. This subpart is necessary to describe the method used to calculate a non-AFDC family's copayment fee. A family's copayment fee is a fixed percent of the family's annual gross income. The fixed percent is based on the relationship that a family's annual gross income is to 100 percent of the state median income for a family of four, adjusted for family size.

Families eligible for AFDC but not receiving AFDC (families with incomes less than 185 percent of the family allowance for the assistance unit as set forth in Minnesota Rules, part 9500.2440) receive child care assistance at no cost subject to the maximum rate set by the county. If the family elects to use a child care provider that charges more than the maximum state rate allowed by statute, the family would be required to pay the difference between the maximum rate allowed for state participation and the provider rate. Minnesota Statutes, sections 256H.15 and 256H.16 set a maximum amount the state shall pay for child care at 125 percent of the median provider charge.

For families with incomes greater than 185 percent of the AFDC family allowance but less than 42.01 percent of state median income, the family's copayment fee is \$20 per month. Since the 185 percent allowance for AFDC families varies by family size, there is not a common starting point along the state median income scale for beginning the family copayment fee for different size families. For example, 185 percent of the AFDC family allowance for families of size two, three, four, and five begin at the following percentages of state median income, 41.50 percent for a family of two; 40.90 percent for a family of three; 40.10 percent for a family of four; and, 38.80 percent for a family of five. To provide a standard table and to set a minimum payment amount, families with incomes between 185 percent of the AFDC family allowance and 42.01 percent of state median income are required to pay \$20 per month for child care.

Families with incomes between 42.01 and 75.00 percent of state median income for a family of four, adjusted for family size, pay a child care copayment fee that varies by income. The formula is set forth in item C. The formula has been established to encourage movement through the scale. Although child care costs increase as income increases, at each step families have more disposable income after taxes and child care than they had in the previous step. If the provider charge is greater than the maximum rate allowed by statute, the family must pay, in addition to its copayment fee, the difference between the maximum provider rate set by the county and the provider charge. For example, if the family copayment fee is \$100 and the

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

maximum rate set by the county is \$150 and the provider charges \$175, the family must pay \$100 plus the difference between the provider rate (\$175) and the maximum county rate (\$150) which is \$25. The family's total child care fee in this example is \$125.

Families with incomes between 42.01 and 75.00 percent of state median income pay a fixed percent of their annual gross income based on the formula in item C. The department will publish a family copayment fee schedule based on the formula in the rule. However, it is important for the public to understand how the family copayment fee is derived. For example, a single head of household with one child earning \$12,000 a year would pay a family copayment fee of \$46 per month. A single head of household earning \$12,000 earns 51.33 percent of the state median income for a family of two (\$12,000 divided by \$23,376). The fixed percent of gross income for child care at 51.33 percent of state median income is 4.60 percent. The monthly copayment fee is determined by multiplying \$12,039 (highest income in the range) times 4.6 percent and dividing that figure by 12 (12 months in a year).

This subpart also establishes a minimum standard for determining the amount of the child care subsidy. The standard recognizes the administrative cost involved for the counties to administer the program and to provide payment to families or child care provider. It is reasonable to assume that when a family is within \$20 dollars per month of assuming full child care costs or when the child care costs are less than \$20 per month that assistance under the child care program is not necessary. The standard is reasonable because it recognizes the costs involved in administering the program and sets a clear standard for the counties with regard to minimum payments.

During the start-up month, the county may not establish a family copayment fee that is greater than the monthly copayment fee for families that begin receiving child care assistance before the fifteenth of any month, and may not establish a family copayment fee greater than 50 percent of the monthly fee for families that begin receiving child care assistance after the fifteenth of the month. This requirement is necessary to establish a standard for the start-up month. The requirement recognizes the different accounting procedures and deadlines the counties have while ensuring families that they will not need to paid the full copayment fee when the assistance begins at or near the end of the month.

Although the procedure is straight forward, Minnesota Statutes, section 256H.14 requires that the parent fee be based on the ability to pay. In order to determine the reasonableness of the family copayment fee, it is necessary to provide a detailed explanation of how the family's copayment fee schedule was developed.

#### SLIDING FEE SCHEDULE CONSIDERATIONS

The sliding fee schedule is the most important component of the Child Care Fund rule since it determines a family's monthly copayment fee. A sliding fee schedule set too high could exclude participants who would otherwise be eligible if they could not afford to pay the monthly copayment fee. A sliding fee schedule set too low would limit the number of families the program could serve since the per family child care costs would increase and program funds would be exhausted sooner.

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

The Legislature addressed the sliding fee issue by instructing the Commissioner of Human Services to base the parent fee on the ability of the family to pay for child care, Minnesota Statutes, section 256H.14. This section also directed the Commissioner to exclude from the amount of income used to determine eligibility an amount for federal and state income and social security taxes attributable to that income level according to federal and state standardized tax tables. The Legislature also set parameters for the lower and upper limits of income eligibility under the Child Care Fund.

The lower limit of the sliding fee schedule is set by statute as the eligibility limit for Aid to Families with Dependent Children (AFDC). Child care services for families receiving AFDC must be made available as in-kind services, to cover the difference between actual cost and the amount disregarded under the AFDC program. Child care services to families whose incomes are below the threshold of eligibility for AFDC, but are not receiving AFDC, must be made available without costs to the families.

The Legislature delegated to the Commissioner the authority to establish the upper income limit for child care services at no less than 70 percent nor more than 90 percent of the state median income for a family of four, adjusted for family size.

As the Department reviewed the current sliding fee schedule, it was evident that no procedure was built into the schedule to adjust it for changes in state median income. In fact, there was no clear indication on how the sliding fee schedule was determined. In revising the fee schedule, attention had to be given to developing a simple formula that could easily be revised for increases or decreases in annual state median income. The Department also believed that it must address a shortcoming in the current fee schedule in that current fees do not approach actual child care costs at the upper end of the fee scale. As a result, there is a disincentive to leave the program. For example, under the current fee schedule a family of two at 74 percent of the annual 1986 state median income (\$15,492-\$15,700) pays a monthly copayment fee of \$155 for child care costs. As soon as the family's annual income exceeds \$15,700, the family is dropped from the program and assessed full child care costs estimated to be \$240 per month (actual child care costs vary by age of the child, type of provider, and geographical area of the state). In real terms, the family's financial status would actually decrease with a small increase in income. While this situation exists in high child care cost areas and with larger families due to the number of children in care, the extent of the disincentive can be mitigated to some degree by a more graduated sliding fee schedule.

As part of the process for developing a sliding fee schedule, the Department set up a number of conditions that an "ideal" sliding fee schedule would meet. An "ideal" sliding fee schedule would:

1. be based on the ability to pay (Legislative mandate);
2. exclude from the amount of income used to determine eligibility an amount for federal and state income and social security taxes attributable to that income level (Legislative mandate);
3. be easy for program participants to understand and for the counties to administer;
4. be easy to revise from year to year based on a simple mathematical formula;

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

5. provide a smooth transition between income levels without disincentives to accept pay raises;
6. minimize, to the extent possible, the phenomenon of "bump and dump" which occurs at the upper end of income eligibility where a family due to an increase in income would be dropped from the program and be forced to assume full child care costs even though the increase in income may be less than additional child care costs;
7. recognize the diversity of child care costs throughout Minnesota;
8. take advantage of available federal and state child care tax credits, to the maximum extent possible;
9. maximize program participation by setting fees that are not too high for the lowest income families nor inappropriately low for higher income families; and
10. to the extent possible, minimize disruptions to clients currently in the program i.e., any adjustments in the monthly family copayment fee should be justifiable and should not impose an undue economic hardship on current program participants.

Various proposals were considered and examined for their ability to meet the ten conditions imposed above. The major proposals considered were variations of the four categories listed below.

A. Category 1 -- sliding fee schedules based on income times a percentage of "actual" child care costs.

B. Category 2 -- sliding fee schedules based on income times a percentage of a predetermined "average" child care cost.

C. Category 3 -- sliding fee schedules based on a percent of "net" income.

D. Category 4 -- sliding fee schedules based on a percent of "gross" income.

Each of the categories were carefully considered and evaluated for their ability to meet the conditions set above.

Under category 1, a program participant would pay a percentage of his or her actual child care costs indexed to the family's income. It was felt that a fee based on a percentage of "actual" cost would take into account the diversity in costs between rural and urban areas, the difference between full and part time care, and the number of children in child care. However, since the fee schedule was based on a percentage of actual costs, it would assess a much higher fee for low income families in high child care cost areas than families with similar incomes in lower child care cost areas. While the Department felt this proposal met some of the conditions for a good sliding fee proposal, it failed to meet the legislative mandate to base the sliding fee on ability to pay.

Under category 2, a sliding fee schedule would be based on average child care costs times family income. While these proposals served to smooth out the wide variations in child care costs, they relied on a number of assumptions which were not necessarily supportable. The "average" child care cost scale, as was the case with proposals under category 1, did not address the legislative mandate to base the fee schedule on the ability to pay.

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

Under category 3, preliminary work was done on developing a sliding fee based on a net income standard. However, the complexity of such a fee schedule would require considerable expertise in federal and state tax law. The concept of developing a fee schedule based on net income was dismissed because the schedule would be extremely difficult for program participants to understand and for the counties to administer. While the amount of tax withheld from taxpayers within the same income range is similar, actual tax liabilities differ considerably. A distinction is made here between taxes withheld and "net" income since the resulting tax liability is very different. Addressing taxes withheld from a person's income can be addressed under gross income by factoring out taxes.

After looking at a number of proposals and their advantages and disadvantages, it appeared that the most reasonable basis for establishing a new sliding fee was to base it on a percent of gross income. The Legislature had already established the upper income range on the basis of gross income expressed as a percent of state median income (SMI).

Under category 4, a sliding fee was developed based on state median income. Since state median income is a gross dollar amount adjusted for family size, a family's ability to pay its child care costs can be determined based on its income expressed as a percent of state median income. A family at 60 percent of state median income should shoulder a greater share of its child care costs than a family at 45 percent of state median income. State median income allows a comparison of families within the same size family unit and establishes a basis for determining "ability to pay". Since state median income is adjusted for family size, it also lets us compare different size families. For example, a family of two at 50 percent of the state median income is in the same relative position as a family of four at 50 percent of the state median income even though they are at different income levels, \$11,688 and \$17,188 respectively under the 1988 Minnesota State Median Income for a family of four, adjusted for family size.

A family's "ability to pay" for child care can be established as a certain percent of gross income derived from a family's rank within a particular state median income scale. Moreover, taxes attributable to federal and state income tax schedules and social security taxes for certain income levels can be factored out by varying the percentage of gross income charged for child care expenses. As income rises, program participants are expected to contribute a greater percent of their gross income to pay child care costs. This is the basis on which the proposed sliding fee schedule is structured.

#### PROPOSED SLIDING FEE STRUCTURE

A family's annual copayment fee is determined by the relationship the family's annual gross income is to 100 percent of the state median income for a family of four, adjusted for family size. Depending on the family's income, the family may be assessed from zero to 17.2 percent of its annual gross income for child care. When a family's income exceeds 75 percent of the state median income for a family of four, adjusted for family size, the family is no longer eligible for child care assistance. The family may also elect to leave the program at any time. This will occur when the family's copayment fee approaches actual child care costs.

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

A family's annual copayment fee is a fixed percentage of its annual gross income as set forth in the following table. With the exception of the start-up month, the family's monthly copayment fee is one-twelfth of the annual copayment fee. During the start-up month the county may establish the child care costs but the cost may not exceed 100 percent of the sliding fee schedule when the family begins to receive a subsidy on or before the 15th of the month. The sliding fee can not be more than 50 percent of the sliding fee schedule when the family begins to receive a subsidy on or after the 16th of the month.

To determine the family's annual copayment fee, complete the following steps for families with an annual gross income greater than 185 percent of the AFDC family allowance for the assistance unit as set forth under Minnesota Rules, part 9500.2440.

1. Convert the family's annual gross income into a percentage of state median income by dividing the family's annual gross income by 100 percent of the state median income for a family of four, adjusted for family size. The percentage the family's annual gross income is to 100 percent of state median income for a family of four, adjusted for family size, must be carried out to the nearest one-hundredth of a percent.

2. Utilizing the table below, locate the percentage range that the family's annual gross income is to 100 percent of state median income for a family of four, adjusted for family size. To determine the family's annual copayment fee, multiply the fixed percentage under that range times the highest income under that range and round to the nearest whole dollar. The family's monthly copayment fee is the annual fee divided by twelve rounded to the nearest whole dollar.

SLIDING FEE TABLE

Annual gross income as a percent of state median income for a family of four, adjusted for family size	The annual copayment fee is a fixed percent times the maximum income in that range
42.01-43.00 percent of SMI	The fee is 2.60% times 43.00% of SMI;
43.01-44.00 percent of SMI	The fee is 2.80% times 44.00% of SMI;
44.01-45.00 percent of SMI	The fee is 3.00% times 45.00% of SMI;
45.01-46.00 percent of SMI	The fee is 3.20% times 46.00% of SMI;
46.01-47.00 percent of SMI	The fee is 3.40% times 47.00% of SMI;
47.01-48.00 percent of SMI	The fee is 3.60% times 48.00% of SMI;
48.01-49.00 percent of SMI	The fee is 3.80% times 49.00% of SMI;
49.01-50.00 percent of SMI	The fee is 4.00% times 50.00% of SMI;
50.01-50.50 percent of SMI	The fee is 4.20% times 50.50% of SMI;
50.51-51.00 percent of SMI	The fee is 4.40% times 51.00% of SMI;
51.01-51.50 percent of SMI	The fee is 4.60% times 51.50% of SMI;
51.51-52.00 percent of SMI	The fee is 4.80% times 52.00% of SMI;
52.01-52.50 percent of SMI	The fee is 5.00% times 52.50% of SMI;
52.51-53.00 percent of SMI	The fee is 5.20% times 53.00% of SMI;

Statement of Need and Reasonableness  
 Child Care Fund -- Rule 72

53.01-53.50 percent of SMI	The fee is 5.40% times 53.50% of SMI;
53.51-54.00 percent of SMI	The fee is 5.60% times 54.00% of SMI;
54.01-54.50 percent of SMI	The fee is 5.80% times 54.50% of SMI;
54.51-55.00 percent of SMI	The fee is 6.00% times 55.00% of SMI;
55.01-55.50 percent of SMI	The fee is 6.25% times 55.50% of SMI;
55.51-56.00 percent of SMI	The fee is 6.50% times 56.00% of SMI;
56.01-56.50 percent of SMI	The fee is 6.75% times 56.50% of SMI;
56.51-57.00 percent of SMI	The fee is 7.00% times 57.00% of SMI;
57.01-57.50 percent of SMI	The fee is 7.25% times 57.50% of SMI;
57.51-58.00 percent of SMI	The fee is 7.50% times 58.00% of SMI;
58.01-58.50 percent of SMI	The fee is 7.75% times 58.50% of SMI;
58.51-59.00 percent of SMI	The fee is 8.00% times 59.00% of SMI;
59.01-59.50 percent of SMI	The fee is 8.25% times 59.50% of SMI;
59.51-60.00 percent of SMI	The fee is 8.50% times 60.00% of SMI;
60.01-60.50 percent of SMI	The fee is 8.75% times 60.50% of SMI;
60.51-61.00 percent of SMI	The fee is 9.00% times 61.00% of SMI;
61.01-61.50 percent of SMI	The fee is 9.25% times 61.50% of SMI;
61.51-62.00 percent of SMI	The fee is 9.50% times 62.00% of SMI;
62.01-62.50 percent of SMI	The fee is 9.75% times 62.50% of SMI;
62.51-63.00 percent of SMI	The fee is 10.00% times 63.00% of SMI;
63.01-63.50 percent of SMI	The fee is 10.30% times 63.50% of SMI;
63.51-64.00 percent of SMI	The fee is 10.60% times 64.00% of SMI;
64.01-64.50 percent of SMI	The fee is 10.90% times 64.50% of SMI;
64.51-65.00 percent of SMI	The fee is 11.20% times 65.00% of SMI;
65.01-65.50 percent of SMI	The fee is 11.50% times 65.50% of SMI;
65.51-66.00 percent of SMI	The fee is 11.80% times 66.00% of SMI;
66.01-66.50 percent of SMI	The fee is 12.10% times 66.50% of SMI;
66.51-67.00 percent of SMI	The fee is 12.40% times 67.00% of SMI;
67.01-67.50 percent of SMI	The fee is 12.70% times 67.50% of SMI;
67.51-68.00 percent of SMI	The fee is 13.00% times 68.00% of SMI;
68.01-68.50 percent of SMI	The fee is 13.30% times 68.50% of SMI;
68.51-69.00 percent of SMI	The fee is 13.60% times 69.00% of SMI;
69.01-69.50 percent of SMI	The fee is 13.90% times 69.50% of SMI;
69.51-70.00 percent of SMI	The fee is 14.20% times 70.00% of SMI;
70.01-70.50 percent of SMI	The fee is 14.50% times 70.50% of SMI;
70.51-71.00 percent of SMI	The fee is 14.80% times 71.00% of SMI;
71.01-71.50 percent of SMI	The fee is 15.10% times 71.50% of SMI;
71.51-72.00 percent of SMI	The fee is 15.40% times 72.00% of SMI;
72.01-72.50 percent of SMI	The fee is 15.70% times 72.50% of SMI;
72.51-73.00 percent of SMI	The fee is 16.00% times 73.00% of SMI;
73.01-73.50 percent of SMI	The fee is 16.30% times 73.50% of SMI;
73.51-74.00 percent of SMI	The fee is 16.60% times 74.00% of SMI;
74.01-74.50 percent of SMI	The fee is 16.90% times 74.50% of SMI;
74.51-75.00 percent of SMI	The fee is 17.20% times 75.00% of SMI.

The rule provides that the minimum county child care subsidy payment is \$20 per month. If a family is within \$20 dollars of paying full child care costs, it is required to pay the full cost of child care. It should also be noted that the sliding fee schedule is not prorated (except for the start-up month). The sliding fee schedule is based on annual gross income regardless if that income is earned through full or part-time labor. If a person works part-time at "X" income, he or she does not pay a proportional part of the fee. There is only one fee. Child care costs that are less than the sliding fee schedule shall be paid by the parent.



Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

Since state median income is adjusted for family size, the only information needed to determine a family's copayment fee is the family's gross income; the state median income for a family of four, adjusted for family size; and the set percentage of gross income a family at "XX.XX" percent of state median income is assessed as its child care copayment fee.

In 1988, the state median income for family sizes two through ten were as follows:

Family of two = \$23,376

Family of three = \$28,876

Family of four = \$34,376

Family of five = \$39,876

Family of six = \$45,376

Family of seven = \$46,408

Family of eight = \$47,439

Family of nine = \$48,470

Family of ten = \$49,501

Table one illustrates the monthly family copayment fees for family sizes two through ten with incomes between 42.01 and 75.00 percent of the state median income for a family of four, adjusted for family size.

TABLE ONE MONTHLY CO-PAYMENT FEES FOR FAMILY SIZES 2 TO 10

MONTHLY FAMILY CO-PAYMENT UNDER PROPOSED SLIDING FEE SCHEDULE BASED ON FY 1988 SMI

STEP	GROSS INCOME AS A PERCENT OF STATE MEDIAN INCOME	PERCENT OF GROSS INCOME AS ANNUAL FEE	FAMILY OF TWO \$23,376	FAMILY OF THREE \$28,876	FAMILY OF FOUR \$34,376	FAMILY OF FIVE \$39,876	FAMILY OF SIX \$45,376	FAMILY OF SEVEN \$46,408	FAMILY OF EIGHT \$47,439	FAMILY OF NINE \$48,470	FAMILY OF TEN \$49,501
1	42.01 - 43.00	2.600	\$22	\$27	\$32	\$37	\$42	\$43	\$44	\$45	\$46
2	43.01 - 44.00	2.800	\$24	\$30	\$35	\$41	\$47	\$48	\$49	\$50	\$51
3	44.01 - 45.00	3.000	\$26	\$32	\$39	\$45	\$51	\$52	\$53	\$55	\$56
4	45.01 - 46.00	3.200	\$29	\$35	\$42	\$49	\$56	\$57	\$58	\$59	\$61
5	46.01 - 47.00	3.400	\$31	\$38	\$46	\$53	\$60	\$62	\$63	\$65	\$66
6	47.01 - 48.00	3.600	\$34	\$42	\$50	\$57	\$65	\$67	\$68	\$70	\$71
7	48.01 - 49.00	3.800	\$36	\$45	\$53	\$62	\$70	\$72	\$74	\$75	\$77
8	49.01 - 50.00	4.000	\$39	\$48	\$57	\$66	\$76	\$77	\$79	\$81	\$83
9	50.01 - 50.50	4.200	\$41	\$51	\$61	\$70	\$80	\$82	\$84	\$86	\$87
10	50.51 - 51.00	4.400	\$44	\$54	\$64	\$75	\$85	\$87	\$89	\$91	\$93
11	51.01 - 51.50	4.600	\$46	\$57	\$68	\$79	\$90	\$92	\$94	\$96	\$98
12	51.51 - 52.00	4.800	\$49	\$60	\$72	\$83	\$94	\$97	\$99	\$101	\$103
13	52.01 - 52.50	5.000	\$51	\$63	\$75	\$87	\$99	\$102	\$104	\$106	\$108
14	52.51 - 53.00	5.200	\$54	\$66	\$79	\$92	\$104	\$107	\$109	\$111	\$114
15	53.01 - 53.50	5.400	\$56	\$70	\$83	\$96	\$109	\$112	\$114	\$117	\$119
16	53.51 - 54.00	5.600	\$59	\$73	\$87	\$100	\$114	\$117	\$120	\$122	\$125
17	54.01 - 54.50	5.800	\$62	\$76	\$91	\$105	\$120	\$122	\$125	\$128	\$130
18	54.51 - 55.00	6.000	\$64	\$79	\$95	\$110	\$125	\$128	\$130	\$133	\$136
19	55.01 - 55.50	6.250	\$68	\$83	\$99	\$115	\$131	\$134	\$137	\$140	\$143
20	55.51 - 56.00	6.500	\$71	\$88	\$104	\$121	\$138	\$141	\$144	\$147	\$150
21	56.01 - 56.50	6.750	\$74	\$92	\$109	\$127	\$144	\$147	\$151	\$154	\$157
22	56.51 - 57.00	7.000	\$78	\$96	\$114	\$133	\$151	\$154	\$158	\$161	\$165
23	57.01 - 57.50	7.250	\$81	\$100	\$119	\$139	\$158	\$161	\$165	\$168	\$172
24	57.51 - 58.00	7.500	\$85	\$105	\$125	\$145	\$164	\$168	\$172	\$176	\$179
25	58.01 - 58.50	7.750	\$88	\$109	\$130	\$151	\$171	\$175	\$179	\$183	\$187
26	58.51 - 59.00	8.000	\$92	\$114	\$135	\$157	\$178	\$183	\$187	\$191	\$195
27	59.01 - 59.50	8.250	\$96	\$118	\$141	\$163	\$186	\$190	\$194	\$198	\$202
28	59.51 - 60.00	8.500	\$99	\$123	\$146	\$169	\$193	\$197	\$202	\$206	\$210
29	60.01 - 60.50	8.750	\$103	\$127	\$152	\$176	\$200	\$205	\$209	\$214	\$218
30	60.51 - 61.00	9.000	\$107	\$132	\$157	\$182	\$208	\$212	\$217	\$222	\$226
31	61.01 - 61.50	9.250	\$111	\$137	\$163	\$189	\$215	\$220	\$225	\$230	\$235
32	61.51 - 62.00	9.500	\$115	\$142	\$169	\$196	\$223	\$228	\$233	\$238	\$243
33	62.01 - 62.50	9.750	\$119	\$147	\$175	\$202	\$230	\$236	\$241	\$246	\$251
34	62.51 - 63.00	10.000	\$123	\$152	\$180	\$209	\$238	\$244	\$249	\$254	\$260
35	63.01 - 63.50	10.300	\$127	\$157	\$187	\$217	\$247	\$253	\$259	\$264	\$270
36	63.51 - 64.00	10.600	\$132	\$163	\$194	\$225	\$257	\$262	\$268	\$274	\$280
37	64.01 - 64.50	10.900	\$137	\$169	\$201	\$234	\$266	\$272	\$278	\$284	\$290
38	64.51 - 65.00	11.200	\$142	\$175	\$209	\$242	\$275	\$282	\$288	\$294	\$300
39	65.01 - 65.50	11.500	\$147	\$181	\$216	\$250	\$285	\$291	\$298	\$304	\$311
40	65.51 - 66.00	11.800	\$152	\$187	\$223	\$259	\$294	\$301	\$308	\$315	\$321
41	66.01 - 66.50	12.100	\$157	\$194	\$231	\$267	\$304	\$311	\$318	\$325	\$332
42	66.51 - 67.00	12.400	\$162	\$200	\$238	\$276	\$314	\$321	\$328	\$336	\$343
43	67.01 - 67.50	12.700	\$167	\$206	\$246	\$285	\$324	\$332	\$339	\$346	\$354
44	67.51 - 68.00	13.000	\$172	\$213	\$253	\$294	\$334	\$342	\$349	\$357	\$365
45	68.01 - 68.50	13.300	\$177	\$219	\$261	\$303	\$344	\$352	\$360	\$368	\$376
46	68.51 - 69.00	13.600	\$183	\$226	\$269	\$312	\$355	\$363	\$371	\$379	\$387
47	69.01 - 69.50	13.900	\$188	\$232	\$277	\$321	\$365	\$374	\$382	\$390	\$399
48	69.51 - 70.00	14.200	\$194	\$239	\$285	\$330	\$376	\$384	\$393	\$401	\$410
49	70.01 - 70.50	14.500	\$199	\$246	\$293	\$340	\$387	\$395	\$404	\$413	\$422
50	70.51 - 71.00	14.800	\$205	\$253	\$301	\$349	\$397	\$406	\$415	\$424	\$433
51	71.01 - 71.50	15.100	\$210	\$260	\$309	\$359	\$408	\$418	\$427	\$436	\$445
52	71.51 - 72.00	15.400	\$216	\$267	\$318	\$368	\$419	\$429	\$438	\$448	\$457
53	72.01 - 72.50	15.700	\$222	\$274	\$326	\$378	\$430	\$440	\$450	\$460	\$470
54	72.51 - 73.00	16.000	\$228	\$281	\$335	\$388	\$442	\$452	\$462	\$472	\$482
55	73.01 - 73.50	16.300	\$233	\$288	\$343	\$398	\$453	\$463	\$474	\$484	\$494
56	73.51 - 74.00	16.600	\$239	\$296	\$352	\$408	\$464	\$475	\$486	\$496	\$507
57	74.01 - 74.50	16.900	\$245	\$303	\$361	\$418	\$476	\$487	\$498	\$509	\$519
58	74.51 - 75.00	17.200	\$251	\$310	\$370	\$429	\$488	\$499	\$510	\$521	\$532

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

Although the concept of a sliding fee based on a percent of state median income may meet the legislative mandates in principle, the validity of the concept depends on whether the actual percent of gross income assessed and the progressive nature of the fee schedule meets the ability to pay requirement. Obviously, income is not the only factor in determining ability to pay. How that income is spent and the costs necessary to maintain an acceptable standard of living must also be considered. What costs are incurred by a family to maintain an acceptable standard of living? This question is central to the child care sliding fee schedule and the Legislature's mandate to base the schedule on the ability to pay.

In order to determine what a family can afford to pay for child care and still meet its basic needs, it is necessary to know how much income a family has and how that income is or can be spent. Poor and rich are relative terms. How poor is poor? One standard for determining a family's relative standing is to look at the Federal poverty guidelines. The "Annual Update of the Poverty Income Guidelines" published in the Federal Register on February 12, 1988 (Vol. 53, No. 29, page 4213) indicates poverty income guidelines as follows:

1. A family of two --\$7,730
2. A family of three -- \$9,960
3. A family of four --\$11,650
4. A family of five -- \$13,610
5. A family of six --\$15,570
6. A family of seven -- \$17,530
7. A family of eight -- \$19,490

For family units with more than eight family members, \$1,960 is added for each additional member.

Since the starting point for the sliding fee schedule is the upper eligibility limit for AFDC, what relationship does Minnesota's aid to families with dependent children have to the federal poverty guidelines? Families size two through ten at 185 percent of the maximum AFDC grant all have incomes over the federal poverty guidelines.

Although the family copayment fees at the lower income levels do not appear excessive compared to actual child care costs which can exceed \$2,880 per child per year, can families with incomes between the upper eligibility limit for AFDC and 75 percent of state median income afford to pay between 2.6 and 17.2 percent of their annual gross income for child care under the proposed sliding fee schedule? Families with annual gross incomes between the upper limit of AFDC and 42.01 percent of state median income are assessed a flat \$20 per month for child care.

In order to appreciate the subjective nature of family budgeting, a starting point for any family budget discussion is the federal poverty guidelines and the problems associated with establishing any "need" standards.

A discussion on poverty, and indirectly federal poverty guidelines, was prepared by the Congressional Research Service and the Congressional Budget Office for use by the United States House of Representative, Ways and Means

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

Committee. The following information was provided as Appendix J. "Measuring Poverty" in a May 22, 1985, U.S. House of Representatives, Committee on Ways and Means Report on "Children In Poverty".

"Since the early 1960's, the official definition of poverty has been one developed by Mollie Orshansky for the Social Security Administration. That definition compares the total cash income of an individual's family with a poverty threshold based on a multiple of the cost of a nutritionally adequate diet for a family of that size and composition: if the family income is below the threshold, each member of the family is officially classified as poor. The official poverty definition has been criticized on a variety of grounds, among them that income received in the form of goods and services--generally called in-kind income-- is not counted, that the thresholds are set improperly, that taxes should be treated consistently in income measures and the thresholds, and that the basic concept of poverty rate cannot measure the degree of poverty. These problems were clearly recognized by Orshansky and others when the poverty definition was established, but the need for a workable definition meant that compromises had to be made. Further, most of the issues that pose problems today were substantially less important 20 years ago.

What constitutes poverty is inherently a subjective judgment, depending in part on the views of the observer and in part on the use to which a poverty measure is to be put. Any assessment of poverty compares resources available to a family against a standard of need: if the resources are less than the standard, the family is labeled "poor." At issue are two basic questions: what resources should be considered to be available to meet need standards, and at what level should the standards be set?

It is generally agreed that available resources should include all cash income, but questions are raised about non-cash income and assets. Because in-kind income--that is, income received as goods or services--cannot be used to satisfy general needs, it is unclear how such income should be counted; in essence, the issue is one of valuation. Whether assets should be counted beyond the income they produce is also debated, especially in the case of assets that do not generate cash income, such as owner-occupied homes.

Need standards are necessarily arbitrary and are defined relative to societal norms. What one person views as inadequate can be seen by another as being fully satisfactory, and what would be considered poverty in a wealthy country like the United States could be an extremely high living standard in a developing country where average incomes are low. At the same time, the choice of poverty thresholds should be determined, at least in part, by the purpose behind the poverty measure. If the measure is to be used primarily as an indicator of what is happening to the number of poor people over time, assessed in terms of an absolute standard of what constitutes poverty, thresholds should be fixed in real terms even though the levels are arbitrary. If, instead, the measure is to be used as an eligibility criterion for assistance programs, thresholds should indicate levels of well-being of those who are worse off in relation to the rest of the population, thresholds should be set and varied over time to equal some fraction of average living standards.

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

Measuring poverty is complicated, partly because it is difficult to define need standards and thus required resources, and partly because required and available resources may not be measured in comparable units. If need standards could be defined as minimum amounts of each consumption good or service, available resources would be adequate if they made it possible to obtain the needed amount of each item--that is, if cash resources were sufficient to purchase necessary items not available in kind. Setting standards in terms of how much of each good a family must have to escape poverty, however, is difficult--if not impossible. Resources requirements have therefore been defined in aggregate dollar terms--the poverty threshold.

The problem would end here if available resources were also only in dollars: a family with cash income at or above the thresholds would be able to meet the need standards and thus not be poor. But resources are not all monetary; families can get food stamps, subsidized housing, subsidized health insurance, and other goods and services in kind rather than in cash. Because need standards are defined in monetary terms and not on the basis of how much of each consumption item is required to avoid poverty, it is difficult to determine what amounts of in-kind resources would satisfy those needs.

Measuring poverty thus requires two things: a definition of what constitutes the standard and the resources required to satisfy those needs; and an assessment of whether individual families have the necessary resources.

There is no objective method of defining need standards and resource requirements. In principle, standards should represent the minimum amount of each category of goods and services that is necessary for a socially acceptable, minimum standard of living, while resource requirements should be what is necessary to attain those standards. Because there are official nutritional standards, a minimum food bundle that satisfies those standards can be used to define the basic need for food. Such standards do not exist, however, for housing, medical care, clothing and other requirements, and there is wide disagreement about what standards should be. Moreover, standards set, even for food, necessarily are subjective, reflecting the prevailing living conditions for the nation as a whole and the perceptions of the people defining the standards.

Perhaps the most frequently mentioned criticism of the official poverty measure is that it ignores non-cash income. A family receiving \$200 worth of food stamps each month, living in public housing, and getting subsidized health insurance is considered to be no better off than an otherwise identical family getting none of those benefits. This almost certainly misstates the relative well-being of the two families. Since accepting such income is voluntary, the recipient family is almost certain to be helped and cannot be made worse off. At the same time, any amount of a given good in excess of the minimum requirement has no value in terms of meeting other needs. A family is still poor if it cannot afford all basic needs, regardless of how much food or housing or any other single good it has. Consequently, receipt of non-cash income reduces poverty with respect to other goods only to the extent that it frees cash income to buy those other goods.

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

By this argument, a particular form of non-cash income should be considered in assessing poverty status only up to a value representing that part of the poverty threshold that would be expected to be allocated to that good. For example, if the poverty threshold for a family were \$800 per month and the family was expected to spend 30 percent on housing, the value of housing assistance provided to the family each month should not exceed \$240 (30 percent of \$800) less the family's own cash expenditures on housing when determining whether or not the family is poor. Any additional non-cash income given in the form of housing does not help the family meet its need for \$560 per month (70 percent of \$800) for non-housing expenditures.

While the current poverty thresholds do not indicate basic needs for individual consumption items, it can be inferred that the thresholds represent income needed to satisfy specific needs.

While the preceding discussion addressed the income needs of the very poor, it did not answer the question whether the proposed sliding fee schedule meets the Legislative requirement for ability to pay. However, the same questions that plague the poverty guideline standards are common to all family budgeting questions.

There is no single direct way of answering the question of whether the fees are set at the optimum level for a family's ability to pay. Each family is unique. However, indirect comparisons can be made to determine whether the fees appear reasonable.

It should be noted that the purpose of setting the fees at an optimal level is to meet the legislative mandate to base the fee on the family's ability to pay. This standard also enables more families to participate in the program since to set the fee at a lesser rate would require larger per family subsidies. Currently, over 4,000 families are on waiting lists for child care assistance. Therefore, it is necessary to set the subsidy at the level which will serve the most families without imposing a severe financial burden on the family. Furthermore, the subsidy level should be set at a rate which prepares the program participants to assume full child care costs as they reach the upper end of the income eligibility scale.

With respect to the lowest end of the sliding fee scale, up to the maximum provider charge allowed by statute, families with income less than the eligibility limit for AFDC pay no sliding fee. A family of two is eligible for AFDC with an income up to \$809 per month (185% of the maximum grant) which translates into an annual gross income of \$9,708 which is 41.53 percent of the state median income for a family of two. Therefore, a family of two with an annual gross income less than \$9,708 does not have a family copayment fee. This income is nearly \$2,000 more the federal poverty guideline for a family of two (\$7,730).

Does the revised schedule require families between 42 and 75 percent of the state median income to pay too much of their gross income on child care? There is no direct way to answer the question of whether the child care fee is excessive. Obviously, a comparison of the proposed sliding fee schedule and the current schedule shows a significant difference in fees (not so much in dollars as in the percent increase). However, it should be noted that the

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

current schedule has not been updated for either the 1987 or the 1988 state median incomes. Moreover, there is no clear basis for determining how the current schedule was devised. To simply accept the current schedule as the standard for all future schedules is not reasonable. Nevertheless, any "new" schedule should be fully supportable on the basis of a family's ability to pay.

While the proposed sliding fee schedule does not appear to be unreasonable, what should a family pay for child care? Worded in another way, to what degree should the child care fund subsidize child care? The Legislature clearly states that the sliding fee should be based on the ability to pay. This does not mean that child care costs should be paid after all other expenses. Rather, child care costs must be included in a family budget just as other costs such as food, housing, transportation, etc. Raising children is expensive. The May 1988 issue of Family Economics Review published by the Department of Agriculture estimated the annual average cost of raising an urban child to the age of 18 in the Midwest in a husband-wife family with no more than five children is \$95,933.

It should also be noted that the child care assistance program is not a government entitlement program. It is a child care assistance program. Not all lower income families are served by the program nor is it a poorest family comes first program. A family earning 70 percent of the state median income and participating in the program will not be bumped from the program for a non-participating family that applies for assistance and only earns 45 percent of the state median income. A family retains its eligibility for a child care subsidy until its income reaches 75 percent of state median income in order to assist them to reach a greater degree of self-sufficiency and to better prepare them to assume full child care costs.

The purpose of the program is to assist low income families with the cost of child care to enable the families to seek or retain employment or to participate in education or training program needed to obtain employment. The best way of optimizing participation is to set the fees at a level that allows the greatest number of families to participate. The only way to do that is to set the copayment fee at a level that is not inappropriately high which would limit the number of families who can participate or inappropriately low which would increase the subsidy to a level that would fund fewer families.

One way of assessing the impact of the family copayment fee is to determine how many hours per week an individual must work to pay the family copayment fee versus how many hours per week a family earning 100 percent of the state median income must work to pay actual child care costs.

Table two illustrates the number of hours per week a family of two, three, and four must work to pay their child care costs under the proposed sliding fee schedule. With respect to a family of two, the first column, "percent SMI," indicates the percent the family's state median income is to 100 percent of the state median income for a family of two (\$23,376). The second column, "gross income," indicates the actual family income. For example 40 percent of \$23,376 is \$9,350. The third column, "hourly wage," is based on gross income divided by 2080 hours. The fourth column, "child care costs,"

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

are annual child care costs based on the proposed sliding fee schedule for that family's income level. Actual child care costs are estimated to be \$240 per month per child. The fifth column, "child care cost per week," is the annual child care cost divided by 52. The sixth column, "hours of labor per week for child care" is the weekly child care costs divided by the hourly wage.

A single head of household earning \$12,857 per year (\$6.18 per hour) will have to work 2.4 hours per week to pay the family copayment fee. A single head of household earning 100 percent of the state median income for a family of two, \$23,376 per year or \$11.24 per hour, will have to work 4.93 hours per week to pay weekly child care costs of \$55.38 (Estimated child care costs for purposes of discussion are \$2,880 per year per child). Even with the much higher per hour income, the family earning 100 percent of the state median income must work twice as many hours each week to pay its child care costs. Not until families reach the upper ends of the sliding fee scale do the hours of labor required per week to pay child care costs exceed the hours per week non participating families devote to the cost of child care.



TABLE TWO CHILD CARE COSTS VS HOURS OF WORK PER WEEK

BASED ON FY 1988 STATE MEDIAN INCOME

FAMILY OF TWO

PERCENT SMI	GROSS INCOME	HOURLY WAGE	CHILD CARE COSTS*	CHILD CARE COST PER WEEK	HOURS OF LABOR PER WEEK FOR CHILD CARE
40.00%	\$9,350	\$4.50	\$0	\$0.00	0.00
45.00%	\$10,519	\$5.06	\$316	\$6.08	1.20
50.00%	\$11,688	\$5.62	\$468	\$9.00	1.60
55.00%	\$12,857	\$6.18	\$771	\$14.83	2.40
60.00%	\$14,026	\$6.74	\$1,192	\$22.92	3.40
65.00%	\$15,194	\$7.31	\$1,702	\$32.73	4.48
70.00%	\$16,363	\$7.87	\$2,324	\$44.69	5.68
75.00%	\$17,532	\$8.43	\$2,880	\$55.38	6.57
100.00%	\$23,376	\$11.24	\$2,880	\$55.38	4.93

FAMILY OF THREE

PERCENT SMI	GROSS INCOME	HOURLY WAGE	CHILD CARE COSTS*	CHILD CARE COST PER WEEK	HOURS OF LABOR PER WEEK FOR CHILD CARE
40.00%	\$11,550	\$5.55	\$0	\$0.00	0.00
45.00%	\$12,994	\$6.25	\$390	\$7.50	1.20
50.00%	\$14,438	\$6.94	\$578	\$11.12	1.60
55.00%	\$15,882	\$7.64	\$953	\$18.33	2.40
60.00%	\$17,326	\$8.33	\$1,473	\$28.33	3.40
65.00%	\$18,769	\$9.02	\$2,102	\$40.42	4.48
70.00%	\$20,213	\$9.72	\$2,870	\$55.19	5.68
75.00%	\$21,657	\$10.41	\$3,725	\$71.63	6.88
100.00%	\$28,876	\$13.88	\$5,760	\$110.77	7.98

FAMILY OF FOUR

PERCENT SMI	GROSS INCOME	HOURLY WAGE	CHILD CARE COSTS*	CHILD CARE COST PER WEEK	HOURS OF LABOR PER WEEK FOR CHILD CARE
40.00%	\$13,750	\$6.61	\$0	\$0.00	0.00
45.00%	\$15,469	\$7.44	\$464	\$8.92	1.20
50.00%	\$17,188	\$8.26	\$688	\$13.23	1.60
55.00%	\$18,907	\$9.09	\$1,134	\$21.81	2.40
60.00%	\$20,626	\$9.92	\$1,753	\$33.71	3.40
65.00%	\$22,344	\$10.74	\$2,503	\$48.13	4.48
70.00%	\$24,063	\$11.57	\$3,417	\$65.71	5.68
75.00%	\$25,782	\$12.40	\$4,435	\$85.29	6.88
100.00%	\$34,376	\$16.53	\$8,640	\$166.15	10.05

\* CHILD CARE COSTS ARE DETERMINED BY FAMILY SIZE AND INCOME  
CHILD CARE COSTS ARE ESTIMATED TO BE \$240 PER CHILD/MONTH

Statement of Need and Reasonableness  
 Child Care Fund -- Rule 72

Obviously, using indirect comparisons is not as good as using direct budget comparisons. However, determining how income should be spent by selected segments of the population requires a value judgment. In an article on "Family Budget Guidelines" written by Colien Hefferan in the October 1987 issue of Family Economics Review published by the Family Economics Research Group, Agricultural Research Service, United States Department of Agriculture, the author states "developing accurate descriptions and profiles of family spending patterns has been the focus of family economics research for more than 200 years, yet consistent, reliable, and useful estimates continue to elude researchers and practitioners".

As recently as 1981, the Department of Labor, Bureau of Labor Statistics, developed a set of budgets representing the costs of three hypothetical lists of goods and services specified to portray three relative standards of consumption--lower, intermediate, and higher. The budgets were designed for a precisely defined urban family and a retired couple. The family comprised a 38 year old husband employed full time, a nonworking wife, a boy of 13, and a girl of 8. The family was assumed to have been established for 15 years; be settled in the community; and hold an average inventory of clothing, household furnishings, major durables, and equipment. Similar limiting assumptions were made about the retired couple.

The budgets were not intended to represent how families of this type actually spent or should have spent their money. Rather, they reflected assumptions and analysis about the manner of living at each consumption level. Some components, such as food at home, were based on scientific standards. Other components, such as shelter, reflected prevailing social standards. The budget allocations for a 4-person family at 3 levels of living in urban United States in autumn 1981 calculated as percentages from expenditures levels reported by the U.S. Department of Labor, Bureau of Labor Statistics is recreated below:

BUDGET ALLOCATION FAMILY OF FOUR, AUTUMN 1981

COMPONENT	LOWER	INTERMEDIATE	HIGHER
Total Family Consumption	79	72	65
Food	30	23	19
Housing	18	22	22
Transportation	9	9	8
Clothing	6	5	5
Personal Care	2	2	2
Medical Care	10	6	4
Other family consumption	4	5	5
Total Nonconsumption	21	28	35
Other items	4	4	5
Social Security and disability	7	7	5
Personal Income Taxes	10	17	25

Statement of Need and Reasonableness  
 Child Care Fund -- Rule 72

The author states that since the Bureau of Labor Statistics discontinued releasing family budget data in 1981, those providing financial advice to families and economic guidance to decision makers have been without an ongoing statistical series specifically designed to describe the spending patterns of American families.

The Bureau of Labor Statistics discontinued the family budget series in 1981 because the expenditure data on which it was based were 20 years old, the family type represented was atypical of American households, the methods for assigning quantities of goods and services at each of the three levels were controversial, and the updating procedure reflected changes in prices faced by all urban consumers not just those covered in the family budgets. Despite these concerns, many continue to use these budgets because the estimates appear reasonable and no series has been developed to replace it. By repricing individual components of the last published budgets, using the Consumer Price Index, an approximate update of the budgets can be effected. This procedure is applicable only to the consumption portion of the budgets, however. Updating the taxes and other nonconsumption components requires complicated estimates based on changing family income, Social Security earnings caps and contribution rates, and income tax liabilities.

Since the more common families under the child care assistance program are comprised of a single head of household with one and two children, a more appropriate budget is necessary. The June 1986 issue of Monthly Labor Review published by the United States Department of Labor, Bureau of Labor Statistics, contained an article on Consumer Expenditures (pages 14-18). The article included a table developed from interview survey data for 1982-1983 which classified expenditures and income of consumer units classified by five household characteristics--income quintile, age of reference person, region of residence, size of consumer unit and number of earners. The following information was extracted from that table but the expenditure figures were converted from dollars to percentages.

Income Quintile	Lowest 20%	Second 20%	Third 20%
Total Expenditure	\$8,324	\$12,155	\$16,733
Consumer Unit Size	1.8	2.3	2.6
Food and Alcoholic Beverages	22.7	20.8	18.8
Housing	35.8	32.9	30.1
Apparel & Services	5.2	5.0	5.2
Transportation	14.8	18.6	20.6
Health Care	6.2	6.6	4.9
Entertainment	3.4	3.5	4.2
Personal Insurance and Pensions	2.3	4.7	7.8
Other	9.7	7.8	8.3

Do individuals in the lower income levels have sufficient disposable income to pay child care costs? In comparing the 1982-1983 expenditure percentages above and assuming a similar relationship exists today, it appears the lower income families can meet the child care costs imposed under the sliding fee scale.

Statement of Need and Reasonableness  
 Child Care Fund -- Rule 72

For example, under the proposed sliding fee schedule a family of two earning an annual gross income of \$15,194 would have a net income after taxes of \$12,385. A gross income of \$15,194 is equal to 65 percent of the state median income for a family of two and the family's copayment fee is 11.2 percent of the family's gross income. The family's child care costs would be \$1,702 with a combined federal and state child care tax credit of \$920. After applying for the federal and state child care tax credit the net child care costs would be 6.3 percent of the family's annual net income. Certainly, families in the second and third 20 percentile can manage their budgets to handle this cost. This is not to say that certain aspects of the budget will not be affected. For example, under the second 20 percentile budget scenario, instead of expending 32.9 percent for housing, the family may have to lower this expenditure to 32 percent with similar modifications in entertainment and other major expenditure categories. However, there is sufficient latitude in the family budget to meet child care expenses. Below is an example of a revised budget for a family of two (one child) earning \$15,194. This budget assumes there is sufficient cash flow to fund child care costs with the expectation of full federal and state child care tax credits refunds.

FAMILY OF TWO	Original	Revised (\$15,194 Gross)	
Total Expenditure	\$12,155	\$12,385	
Food and Alcoholic Beverages	20.8	20.0	\$2,477
Housing	32.9	32.0	\$3,963
Apparel & Services	5.0	4.8	\$ 594
Transportation	18.6	18.0	\$2,229
Health Care	6.6	4.9	\$ 607
Entertainment	3.5	3.5	\$ 433
Personal Insurance and Pensions	4.7	5.5	\$ 681
Other	7.8	5.0	\$ 619
CHILD CARE	0.0	<u>6.3</u>	<u>\$ 780</u>
		100.0	\$12,383

With respect to a family of three (two children), a review of the third 20 percentile indicates similar latitude to meet child care expenses. A family of three earning a gross income of \$20,213 would have a net income after taxes of \$16,313. A gross income of \$20,213 is 70 percent of the state median income for a family of three and the family's copayment fee is 14.2 percent of the family's annual gross income. The family's child care costs would be \$2,870 with a combined state and federal child care tax credit of \$809. After applying for the federal and state child care tax credit the net child care costs would be 12.6 percent of the family's annual net income. Again, with modification of the family's budget, child care costs can be managed. The revised budget which follows is only a budget proposal. A family's actual budget may differ significantly from the example given. However, the example indicates that there is sufficient latitude to meet child care costs. While child care is expensive, it must be an integral part

Statement of Need and Reasonableness  
 Child Care Fund -- Rule 72

of the family budget as important as food, housing and other necessities. It can not be budgeted after "other" expenses.

FAMILY OF THREE		Income Quintile	Third 20%	
	Original		Revised	(\$20,313 Gross)
Total Expenditure	\$16,733		\$16,313	
Food and Alcoholic Beverages	18.8	17.4	\$2,838	
Housing	30.1	29.0	\$4,731	
Apparel & Services	5.2	4.7	\$ 767	
Transportation	20.6	18.0	\$2,936	
Health Care	4.9	4.7	\$ 767	
Entertainment	4.2	3.0	\$ 489	
Personal Insurance and Pensions	7.8	5.6	\$ 914	
Other	8.3	5.0	\$ 816	
CHILD CARE COSTS	0.0	<u>12.6</u>	<u>\$2055</u>	
		100.0	\$16,313	

As noted earlier, there are two principle reasons for establishing a sliding fee schedule at a level which meets a family's ability to pay. First, the higher the family copayment fee the greater the number of families served because less subsidy per family is required. Second, the higher the family copayment fee the greater the federal and state child care tax credit.

Two concerns which have been expressed over the proposed sliding fee schedule are:

1. While the goal of utilizing available tax credit is laudable, if a family has no tax liability the federal child care tax credits are useless; and,
2. Regardless of the availability of child care tax credits, a family must be able to pay for the child care to qualify for the tax credits. If a family does not have sufficient income after taxes to pay for child care then it is inappropriate to assess it a higher sliding fee.

The first concern is easy to address. The child care sliding fee begins at approximately 42 percent of the 1988 state median income. There is sufficient federal tax liability at this income level to fully utilize the child care tax credits at this income range. Table three illustrates tax liabilities for certain size families at certain income levels. For example, the federal income tax liability for a head of household with one child (family of two) earning \$10,519 (45 percent of 1988 SMI for a family of two) is \$526 while the child care cost is \$316. Since the total child care cost is less than the tax liability, the family will be able to fully utilize the federal child care tax credit. The actual child care tax credit at an income of \$10,519 is 29 percent of the total costs or \$92. There is no point in the proposed sliding fee schedule where the child care credits cannot be used due to zero tax liability.

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

The second concern is a valid concern. The previous budgeting examples indicated that child care costs could be managed provided there was sufficient cash flow available to pay the family copayment fee. The total costs would be offset somewhat by utilizing the available federal and state child care tax credits. Requiring up front child care expenditures with the knowledge of a later refund could be considered a type of mandatory savings plan. However, where would the up front money come from?

When the earlier versions of the proposed sliding fee were prepared they were prepared based on available income after social security taxes and other taxes were withheld. In preparing these tables it was obvious that for all income groups more taxes were withheld than what would eventually be the taxpayer's liability. The question for the lower income groups was how could the amount of withholdings be reduced to provide them with more disposal income? Obviously, lower income families could improve their standards of living and more fully utilize child care tax credits if they could spread out their lump sum tax refunds over the course of the year. Instead of receiving a \$500 tax return as a lump sum payment, if \$40 were available per month the family could afford to pay more each month for child care. If the family pays more in child care, it can benefit more from the federal and state child care tax credit. One of the criticisms of the federal child care tax credit is that it is not a refundable credit. In order to qualify for the credit, there has to be actual child care expenses. However, the poor do not have sufficient income to fully utilize the available credits which creates a "Catch 22" situation.

Lower income families have a mechanism available to them to lower their tax burden. This mechanism is the federal earned income tax credit (EITC). The earned income tax credit was added to the Internal Revenue Code in 1975. The earned income credit is a special credit to help individuals who have a child and incomes under \$15,432 (1987 tax year). The credit can be as much as \$851. For purposes of the federal earned income tax credit, income includes wages, salaries, tips, etc. It does not include interest and dividends, social security and railroad retirement benefits, welfare benefits, nondisability pensions, veteran's benefits, workers' compensation, and unemployment compensation. Basically, two reasons were advanced for enacting the EITC. First, the most significant objective was to assist in encouraging people to obtain employment, reducing the unemployment rate and reducing the welfare rolls. Second, it was thought that the regressive nature of the social security payroll tax should be counterbalanced. It is the only tax credit that is "refundable" which means that a person does not need to owe any income tax to receive the credit. For those whose income is too low to owe income taxes, or whose tax liability is smaller than the credit, the Internal Revenue Service makes a direct payment of the credit.

If cash flow is a problem, one solution is to encourage greater utilization of the advance payment provision of the federal earned income credit. From information compiled as Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means (March 24, 1988) it was reported that in calendar year 1986, 6.3 million families received an earned income tax credit which averaged \$321 per family. Only 10,000 families received advanced payments in 1986 which equaled \$2.2 million. The advance payment provision included less than 2 tenths of one percent of the total refunds.

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

Lower income families are not taking advantage of the advance payment provision of the federal earned income credit. The earned income tax credits are available in decreasing amounts up to an income of \$15,432 (1987 Federal Tax Table). The proposed sliding fee rules will require the administering agency to inform child care fund applicants of the availability of the federal earned income credit and the federal and state child care tax credits.

Table A illustrates how the federal earned income credit may be used to offset the impact of the increase in the sliding fee schedule for a family of two. It should be noted that utilizing the earned income credit will enable better utilization of the federal and state child care tax credits since the lower income families will have more income available to contribute to child care.

Federal earned income tax credits are not considered income for the purpose of the child care fund. Earned income tax credits are considered tax refunds. Therefore, the amount of the tax credit is not included as part of the individuals annual gross income.

Column one, "Percent of SMI before EITC," is simply a family's annual gross income as a percent of state median income.

Column two, "Annual income prior to EITC," is a conversion of the percent of state median income to a dollar amount. The state median income for this column is the 1988 state median income for a family of two.

Column three, "Annual EITC," states the federal earned income tax credit for the income listed in column two based on 1987 federal tax tables.

Column four, "Monthly EITC," is column three divided by twelve.

Column five, "Proposed monthly copayment fee" is the proposed monthly copayment fee for a family of two at each of the income points.

Column six, "Copayment minus EITC," is column five minus column four. A number in parenthesis means the monthly federal earned income tax credit is greater than the family copayment fee.

Column seven, "Current sliding fee schedule," indicates the family copayment fee adopted by the Department of Jobs and Training in 1986.

If one compares the copayment fee minus EITC column (Column 6) with the current sliding fee schedule (Column 7), the maximum net dollar difference in all income ranges between the proposed fee minus EITC and the current sliding fee is \$13 per month for families that take advantage of the Federal Earned Income Tax Credit.

TABLE A EFFECT OF EITC ON CHILD CARE FEE FOR A FAMILY OF TWO

BASED ON PROPOSED CO-PAYMENT FEE, FY1988 SMI, AND 1987 FEDERAL EITC

PERCENT SMI	ANNUAL INCOME BEFORE EITC	ANNUAL EITC	MONTHLY EITC	PROPOSED MONTHLY CO-PAYMENT FEE	CO-PAYMENT FEE MINUS EITC	CURRENT MONTHLY SLIDING FEE
42.00	\$9,818	\$562	\$47	\$20	(\$27)	\$10
43.00	\$10,052	\$537	\$45	\$22	(\$23)	\$11
44.00	\$10,285	\$514	\$43	\$24	(\$19)	\$11
45.00	\$10,519	\$492	\$41	\$26	(\$15)	\$15
46.00	\$10,753	\$467	\$39	\$29	(\$10)	\$15
47.00	\$10,987	\$444	\$37	\$31	(\$6)	\$15
48.00	\$11,220	\$422	\$35	\$34	(\$1)	\$16
49.00	\$11,454	\$397	\$33	\$36	\$3	\$16
50.00	\$11,688	\$374	\$31	\$39	\$8	\$17
51.00	\$11,922	\$352	\$29	\$44	\$15	\$17
52.00	\$12,156	\$327	\$27	\$49	\$22	\$18
53.00	\$12,389	\$304	\$25	\$54	\$29	\$18
54.00	\$12,623	\$282	\$24	\$59	\$36	\$23
55.00	\$12,857	\$257	\$21	\$64	\$43	\$31
56.00	\$13,091	\$234	\$20	\$71	\$52	\$39
57.00	\$13,324	\$212	\$18	\$78	\$60	\$47
58.00	\$13,558	\$187	\$16	\$85	\$69	\$56
59.00	\$13,792	\$164	\$14	\$92	\$78	\$65
60.00	\$14,026	\$139	\$12	\$99	\$87	\$74
61.00	\$14,259	\$117	\$10	\$107	\$97	\$93
62.00	\$14,493	\$94	\$8	\$115	\$107	\$102
63.00	\$14,727	\$69	\$6	\$123	\$117	\$112
64.00	\$14,961	\$47	\$4	\$132	\$128	\$123
65.00	\$15,194	\$24	\$2	\$142	\$140	\$133
66.00	\$15,428	\$1	\$0	\$152	\$152	\$144
67.00	\$15,662			\$162	\$162	\$155
68.00	\$15,896			\$172	\$172	N/A
69.00	\$16,129			\$183	\$183	N/A
70.00	\$16,363			\$194	\$194	N/A
71.00	\$16,597			\$205	\$205	N/A
72.00	\$16,831			\$216	\$216	N/A
73.00	\$17,064			\$228	\$228	N/A
74.00	\$17,298			\$239	\$239	N/A
75.00	\$17,532			\$251	\$251	N/A

N/A -- MEANS NOT APPLICABLE -- UPPER INCOME LIMIT IN 1986 WAS \$15,700  
 EITC -- MEANS EARNED INCOME TAX CREDIT



Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

An issue which has not been addressed is what impacts do taxes and the proposed sliding fee have on incentives to work. Table three illustrates selected income tax data for a family of two, three, and four. The table compares "net" income based on 1987 federal and state tax tables for families with incomes at 40, 45, 50, 55, 60, 65, 70, and 75 percent of state median income for each family. In reviewing this table, there is no disincentive for accepting pay increases. While the tax liability and child care costs increase with income, families still have more disposable income as they move through an income range.

With respect to a family of two, the first column, "percent of SMI," is income at eight convenient points along the income scale. The points are income at 40, 45, 50, 55, 60, 65, 70, and 75 percent of state median income.

Column two, "gross income," is the annual gross income for a family of two at each of the specified percentages. Gross income is determined by multiplying the percent of SMI times \$23,376 (\$23,376 is 100 percent of SMI for a family of two).

Column three, "social security tax," is the annual gross income times 7.51 which is the current social security tax rate.

Column four, "earned income tax credit," is the tax credit available to a family based on the family's income and the 1987 federal tax table. The maximum income that a family could earn in 1987 and qualify for the earned income tax credit was \$15,432.

Column five, "taxable income," is the amount of income that is taxable after taking the 1987 standard deductions of \$2,540 for a head of household and \$1,900 for each dependent including the head of household. For example, the taxable income of a family of two with an annual gross income of \$9,350 is \$3,010 (\$9,350 minus \$2,540 minus \$3,800).

Column six, "federal income tax," is the amount of tax due based on taxable income and the 1987 federal tax table.

Column seven, "state income tax," is the amount of tax due based on taxable income and the 1987 state tax table.

Column eight, "net tax," is the sum of columns three, six and seven minus the earned income tax credit.

Column nine, "child care costs," is the child care cost under the proposed sliding fee schedule based on gross income.

Column ten, "federal child care credit," is the federal child care tax credit based on income and the family's child care expense as provided in Form 2441.

Column eleven, "state child care credit," is the state child care tax credit based on income (income includes the portion of the subsidized child care paid under the sliding fee) and the 1987 state child care schedule found in schedule M-1CD.

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

Column twelve, "net child care costs," is annual child care costs after the federal and state child care tax credits.

Column thirteen, "income after taxes & child care," is a family's income after paying social security taxes, state and federal income taxes, and the child care costs remaining after tax credits.

Identical tables are used for a family of three and a family of four.

TABLE THREE SELECTED NET INCOME AFTER TAXES AND CHILD CARE

BASED ON FY 1988 INCOME AND ON 1987 TAX TABLES

FAMILY OF TWO

PERCENT OF SMI	GROSS INCOME	SOCIAL SECURITY TAX	EARNED INCOME TAX CREDIT	TAXABLE INCOME	FEDERAL INCOME TAX	STATE INCOME TAX	NET TAX	CHILD CARE COSTS	FEDERAL CHILD CARE CREDIT	STATE CHILD CARE CREDIT	NET CHILD CARE COSTS	INCOME AFTER TAXES & CHILD CARE COSTS
40.00%	\$9,350	\$702	\$609	\$3,010	\$354	\$122	\$569	\$0	\$0	\$0	\$0	\$8,781
45.00%	\$10,519	\$790	\$492	\$4,179	\$526	\$179	\$1,003	\$316	\$92	\$92	\$132	\$9,384
50.00%	\$11,688	\$878	\$374	\$5,348	\$699	\$251	\$1,454	\$468	\$136	\$136	\$196	\$10,038
55.00%	\$12,857	\$966	\$257	\$6,517	\$879	\$323	\$1,911	\$771	\$216	\$216	\$339	\$10,607
60.00%	\$14,026	\$1,053	\$139	\$7,686	\$1,051	\$389	\$2,354	\$1,192	\$322	\$322	\$548	\$11,123
65.00%	\$15,194	\$1,141	\$24	\$8,854	\$1,231	\$461	\$2,809	\$1,702	\$460	\$460	\$782	\$11,603
70.00%	\$16,363	\$1,229	\$0	\$10,023	\$1,404	\$534	\$3,167	\$2,324	\$604	\$432	\$1,288	\$11,908
75.00%	\$17,532	\$1,317	\$0	\$11,192	\$1,576	\$622	\$3,515	\$3,016	\$624	\$396	\$1,996	\$12,021

FAMILY OF THREE

PERCENT OF SMI	GROSS INCOME	SOCIAL SECURITY TAX	EARNED INCOME TAX CREDIT	TAXABLE INCOME	FEDERAL INCOME TAX	STATE INCOME TAX	NET TAX	CHILD CARE COSTS	FEDERAL CHILD CARE CREDIT	STATE CHILD CARE CREDIT	NET CHILD CARE COSTS	INCOME AFTER TAXES & CHILD CARE COSTS
40.00%	\$11,550	\$867	\$389	\$3,310	\$399	\$134	\$1,011	\$0	\$0	\$0	\$0	\$10,539
45.00%	\$12,994	\$976	\$244	\$4,754	\$616	\$215	\$1,563	\$390	\$109	\$109	\$172	\$11,259
50.00%	\$14,438	\$1,084	\$99	\$6,198	\$826	\$299	\$2,110	\$578	\$156	\$156	\$266	\$12,062
55.00%	\$15,882	\$1,193	\$0	\$7,642	\$1,044	\$389	\$2,626	\$953	\$257	\$257	\$439	\$12,817
60.00%	\$17,326	\$1,301	\$0	\$9,086	\$1,261	\$473	\$3,035	\$1,473	\$383	\$168	\$922	\$13,368
65.00%	\$18,769	\$1,410	\$0	\$10,529	\$1,479	\$574	\$3,463	\$2,102	\$526	\$192	\$1,384	\$13,923
70.00%	\$20,213	\$1,518	\$0	\$11,973	\$1,696	\$686	\$3,900	\$2,870	\$689	\$120	\$2,061	\$14,252
75.00%	\$21,657	\$1,626	\$0	\$13,417	\$1,914	\$806	\$4,346	\$3,725	\$894	\$48	\$2,783	\$14,528

FAMILY OF FOUR

PERCENT OF SMI	GROSS INCOME	SOCIAL SECURITY TAX	EARNED INCOME TAX CREDIT	TAXABLE INCOME	FEDERAL INCOME TAX	STATE INCOME TAX	NET TAX	CHILD CARE COSTS	FEDERAL CHILD CARE CREDIT	STATE CHILD CARE CREDIT	NET CHILD CARE COSTS	INCOME AFTER TAXES & CHILD CARE COSTS
40.00%	\$13,750	\$1,033	\$169	\$3,610	\$444	\$149	\$1,457	\$275	\$77	\$77	\$121	\$12,173
45.00%	\$15,469	\$1,162	\$0	\$5,329	\$699	\$251	\$2,112	\$464	\$125	\$48	\$291	\$13,066
50.00%	\$17,188	\$1,291	\$0	\$7,048	\$954	\$353	\$2,598	\$688	\$179	\$0	\$509	\$14,081
55.00%	\$18,907	\$1,420	\$0	\$8,767	\$1,216	\$455	\$3,091	\$1,134	\$284	\$0	\$850	\$14,966
60.00%	\$20,626	\$1,549	\$0	\$10,486	\$1,471	\$566	\$3,586	\$1,753	\$421	\$0	\$1,332	\$15,708
65.00%	\$22,344	\$1,678	\$0	\$12,204	\$1,734	\$710	\$4,122	\$2,503	\$576	\$0	\$1,927	\$16,295
70.00%	\$24,063	\$1,807	\$0	\$13,923	\$1,989	\$846	\$4,642	\$3,417	\$752	\$0	\$2,665	\$16,756
75.00%	\$25,782	\$1,936	\$0	\$15,642	\$2,244	\$982	\$5,162	\$4,435	\$976	\$0	\$3,459	\$17,161

1. CHILD CARE COSTS ARE DETERMINED BY FAMILY SIZE AND INCOME--ESTIMATED TO BE \$240 PER CHILD PER MONTH.
2. STATE CHILD CARE TAX CREDITS -- SUBSIDIES RECEIVED UNDER THE SLIDING FEE SCHEDULE ARE TREATED AS INCOME.  
 CHILD CARE COSTS FOR A FAMILY OF TWO \$2,880  
 CHILD CARE COSTS FOR A FAMILY OF THREE \$5,760  
 CHILD CARE COSTS FOR A FAMILY OF FOUR \$8,640

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

It should also be noted, that the proposed sliding fee does not treat two wage earner families and single head of households differently. The family copayment fee schedule is a set percent of gross income based on family size. A family of three may include a single head of household and two children or a two-parent family and one child. It is not unreasonable to treat both families as a family of three for purposes of the child care subsidy. In the vast majority of cases, a two wage earner family will earn much more than a single head of household and will be able to contribute more of its financial resources for child care. For example, a family of three with a single head of household earning \$12,705 would pay a family copayment fee of \$30 per month for two children. A family of three with two wage earners earning a combined income of \$16,026 (\$3.85 per hour) would pay \$83 per month even though the family only had one child in child care. It is possible that a family of three with two low income wage earners and one child could earn the same as a single head of household with two children. Using the previous income example, a family of three with a combined income of \$16,026 (\$3.85 per hour) would pay \$83 per month for child care. A single head of household earning \$16,026 (\$7.70 per hour) would pay \$83 per month for two children. There is no way to adjust this inequity unless we discard the concept of state median income, adjusted for family size, since both families are a family of three. However, this cannot be done since Minnesota Statutes, section 256H.10 requires that the upper limit of the sliding fee must be neither less than 70 percent nor more than 90 percent of the state median income for a family of four, adjusted for family size. In justification of the proposed sliding fee scale, it should be pointed out that in the example given, the family copayment fee for one child is approximately one-third actual child care costs.

If one considers an example where a single head of household with one child (family of two) earns the same income as a family of three with one child, the difference in family copayment fees are more dramatic. For example, both families earn \$17,000 and each has one child in child care. The single head of household pays \$227 per month while the two wage earner family pays \$113 per month for child care. It must be remembered that each family is at a different location on their respective state median income scales (72.72 percent for the family of two versus 58.87 percent for a family of three).

Although one could argue that the copayment fees should be the same, such a schedule would not acknowledge the greater employment costs for two wage earner families, i.e., transportation, clothing, etc.; such a schedule would not recognize the greater instability of lower paying jobs; and the schedule would not recognize the greater costs for two adult households. The proposed sliding fee schedule encourages employment by not penalizing two wage earner families. In lower income families both parent work not as a matter of choice but rather out of necessity. The sliding fee schedule does not penalize a two-parent family for working.

With respect to direct comparisons between the current fee schedule and the proposed fee schedule, the proposed fee schedule begins the fee at a higher income range (at the upper eligibility limit of AFDC which is 185 percent of the family allowance for a similar size family) than does the current fee schedule (the dollar amount for the maximum AFDC grant for a family of two) but it increases the child care copayments at a faster rate at the lower income ranges in order to approach full child care costs at the upper ends of

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

the scale. Table four compares the percent of gross income assessed as the family copayment between the current fee schedule and the proposed fee schedule for select percentages of state median income. The table uses percent of gross income in order to compare 1986 and 1988 data. The table clearly illustrates that under the 1986 schedule there is very little change in child care costs, expressed as a percent of gross income, between 25 and 60 percent of SMI. The current schedule simply does not accelerate fees fast enough to approach actual costs. The table also illustrates that under the 1986 schedule the percent of gross income assessed as a family's copayment fee decreases as a family's size increases even though the family's income and actual child care costs increase significantly.

TABLE FOUR FAMILY CO-PAYMENT FEE AS A PERCENT OF GROSS INCOME

CURRENT MONTHLY FEE AS A PERCENT OF GROSS INCOME (ADOPTED 1986)

PERCENT OF SMI	FAMILY OF TWO	FAMILY OF THREE	FAMILY OF FOUR	FAMILY OF FIVE	FAMILY OF SIX
25.00	0.00%	0.00%	0.00%	0.00%	0.00%
30.00	0.57%	0.46%	0.52%	0.56%	0.49%
35.00	0.66%	0.53%	0.56%	0.58%	0.51%
40.00	1.15%	0.70%	0.97%	0.84%	0.74%
45.00	1.15%	0.82%	0.95%	0.90%	0.79%
50.00	1.26%	0.93%	1.01%	0.94%	0.83%
55.00	1.67%	1.18%	1.20%	1.10%	1.02%
60.00	1.72%	1.47%	1.30%	1.12%	1.18%
65.00	4.94%	4.78%	3.96%	3.52%	3.27%
70.00	8.35%	8.09%	6.79%	6.82%	6.03%
75.00	11.85%	11.45%	10.19%	10.17%	9.37%

PROPOSED MONTHLY FEE AS A PERCENT OF GROSS INCOME

PERCENT OF SMI	FAMILY OF TWO	FAMILY OF THREE	FAMILY OF FOUR	FAMILY OF FIVE	FAMILY OF SIX
40.00	0.00%	0.00%	0.00%	0.00%	0.00%
42.00	2.60%	2.60%	2.60%	2.60%	2.60%
45.00	3.00%	3.00%	3.00%	3.00%	3.00%
50.00	4.00%	4.00%	4.00%	4.00%	4.00%
55.00	6.00%	6.00%	6.00%	6.00%	6.00%
60.00	8.50%	8.50%	8.50%	8.50%	8.50%
65.00	11.20%	11.20%	11.20%	11.20%	11.20%
70.00	14.20%	14.20%	14.20%	14.20%	14.20%
75.00	17.20%	17.20%	17.20%	17.20%	17.20%

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

The revised family copayment fee schedule provides for gradual increases in fees which approach "actual" child care costs for families of two in order to prepare families to leave the program. In order to accomplish this, the percent of gross income assessed as the family's copayment fee is increase earlier along the scale. In addition, the same percentage of gross income is assessed for all families, i.e. 4 percent of gross income at 50 percent of SMI. The major differences in the two schedules are the rates of the family copayment fee increases between 42 and 75 percent of SMI and, the rate of increase as family size increases.

Table five provides income information for families of two, three and four which illustrates in more detail the family income ranges, the proposed family copayment fee schedule, the current fee schedule, and for select incomes the state and federal child care tax credits and the net monthly child care payment after state and federal child care tax credits.

With respect to table 5, column one, "steps," is simply a means of identifying different income ranges. There are 58 steps or income ranges between 42 and 75 percent of state median income.

Column two, "percent of SMI," indicates the income range. For steps 1 to 8, the income ranges are a full one percent. For steps 9 to 58, the income ranges are one half of a percent.

Column three, "percent of gross income," indicates the fixed percent that is assessed for child care costs. It is the fixed percent times the highest income in the range.

Column four, "SMI," indicates the annual gross income at the highest end of the scale. For example, under step 1 the income range is 42.01 to 43.00 percent of SMI. Following step 1 across to column four, 43 percent of SMI equals \$10,052 (.43 times \$23,376)

Column five, "hourly wage," is the annual income at the highest end of the scale divided by 2080 hours. Again, using the example in step 1 the hourly wage of \$10,052 is \$4.83 (\$10,052 divided by 2080).

Column six, "family of two annual fee," is the percent of gross income in column three times the annual gross income at the highest end of the range in column 4.

Column seven, "family of two monthly," is the annual fee in column six divided by 12 and is the monthly family copayment fee rounded to the nearest dollar.

Column eight, "current fee schedule," is the family copayment fee for a family of two with the income listed in column four based on the schedule adopted in 1986.

Columns nine, ten, eleven, and twelve indicate the federal and state child care tax credit and the net monthly child care cost based on 1987 tax tables. This information was only developed for incomes at 45, 50, 55, 60, 65, 70, and 75 percent of SMI. For the purposes of determining the state child care tax credit, child care costs were assumed to be \$240 per child per month. Subsidized child care costs were treated as income for the purposes of determining the state credit.

TABLE FIVE FISCAL IMPACT OF PROPOSED SLIDING FEE ON FAMILY OF 2 (PART 1 OF 3)

PROPOSED SLIDING FEE BASED ON FY 1988 SMI FOR A FAMILY OF TWO

STEP	PERCENT OF SMI	PERCENT OF GROSS INCOME	SMI \$23,376	HOURLY WAGE	FAMILY OF TWO ANNUAL FEE	FAMILY OF TWO MONTHLY	CURRENT FEE SCHEDULE	FEDERAL CHILD CARE TAX CREDIT	STATE CHILD CARE TAX CREDIT	TOTAL TAX CREDIT (MONTHLY)	NET MONTHLY FEE
1	42.01 - 43.00	2.600	\$10,052	\$4.83	\$261	\$22	\$11				
2	43.01 - 44.00	2.800	\$10,285	\$4.94	\$288	\$24	\$11				
3	44.01 - 45.00	3.000	\$10,519	\$5.06	\$316	\$26	\$15	\$92	\$92	\$15	\$11
4	45.01 - 46.00	3.200	\$10,753	\$5.17	\$344	\$29	\$15				
5	46.01 - 47.00	3.400	\$10,987	\$5.28	\$374	\$31	\$15				
6	47.01 - 48.00	3.600	\$11,220	\$5.39	\$404	\$34	\$16				
7	48.01 - 49.00	3.800	\$11,454	\$5.51	\$435	\$36	\$16				
8	49.01 - 50.00	4.000	\$11,688	\$5.62	\$468	\$39	\$17	\$136	\$136	\$23	\$16
9	50.01 - 50.50	4.200	\$11,805	\$5.68	\$496	\$41	\$17				
10	50.51 - 51.00	4.400	\$11,922	\$5.73	\$525	\$44	\$17				
11	51.01 - 51.50	4.600	\$12,039	\$5.79	\$554	\$46	\$18				
12	51.51 - 52.00	4.800	\$12,156	\$5.84	\$583	\$49	\$18				
13	52.01 - 52.50	5.000	\$12,272	\$5.90	\$614	\$51	\$18				
14	52.51 - 53.00	5.200	\$12,389	\$5.96	\$644	\$54	\$18				
15	53.01 - 53.50	5.400	\$12,506	\$6.01	\$675	\$56	\$18				
16	53.51 - 54.00	5.600	\$12,623	\$6.07	\$707	\$59	\$23				
17	54.01 - 54.50	5.800	\$12,740	\$6.12	\$739	\$62	\$23				
18	54.51 - 55.00	6.000	\$12,857	\$6.18	\$771	\$64	\$31	\$216	\$216	\$36	\$28
19	55.01 - 55.50	6.250	\$12,974	\$6.24	\$811	\$68	\$31				
20	55.51 - 56.00	6.500	\$13,091	\$6.29	\$851	\$71	\$39				
21	56.01 - 56.50	6.750	\$13,207	\$6.35	\$892	\$74	\$47				
22	56.51 - 57.00	7.000	\$13,324	\$6.41	\$933	\$78	\$47				
23	57.01 - 57.50	7.250	\$13,441	\$6.46	\$974	\$81	\$56				
24	57.51 - 58.00	7.500	\$13,558	\$6.52	\$1,017	\$85	\$56				
25	58.01 - 58.50	7.750	\$13,675	\$6.57	\$1,060	\$88	\$65				
26	58.51 - 59.00	8.000	\$13,792	\$6.63	\$1,103	\$92	\$65				
27	59.01 - 59.50	8.250	\$13,909	\$6.69	\$1,147	\$96	\$74				
28	59.51 - 60.00	8.500	\$14,026	\$6.74	\$1,192	\$99	\$74	\$322	\$322	\$54	\$46
29	60.01 - 60.50	8.750	\$14,142	\$6.80	\$1,237	\$103	\$83				
30	60.51 - 61.00	9.000	\$14,259	\$6.86	\$1,283	\$107	\$93				
31	61.01 - 61.50	9.250	\$14,376	\$6.91	\$1,330	\$111	\$93				
32	61.51 - 62.00	9.500	\$14,493	\$6.97	\$1,377	\$115	\$102				
33	62.01 - 62.50	9.750	\$14,610	\$7.02	\$1,424	\$119	\$102				
34	62.51 - 63.00	10.000	\$14,727	\$7.08	\$1,473	\$123	\$112				
35	63.01 - 63.50	10.300	\$14,844	\$7.14	\$1,529	\$127	\$112				
36	63.51 - 64.00	10.600	\$14,961	\$7.19	\$1,586	\$132	\$123				
37	64.01 - 64.50	10.900	\$15,078	\$7.25	\$1,643	\$137	\$133				
38	64.51 - 65.00	11.200	\$15,194	\$7.31	\$1,702	\$142	\$133	\$460	\$460	\$77	\$65
39	65.01 - 65.50	11.500	\$15,311	\$7.36	\$1,761	\$147	\$144				
40	65.51 - 66.00	11.800	\$15,428	\$7.42	\$1,821	\$152	\$144				
41	66.01 - 66.50	12.100	\$15,545	\$7.47	\$1,881	\$157	\$155				
42	66.51 - 67.00	12.400	\$15,662	\$7.53	\$1,942	\$162	\$155				
43	67.01 - 67.50	12.700	\$15,779	\$7.59	\$2,004	\$167					
44	67.51 - 68.00	13.000	\$15,896	\$7.64	\$2,066	\$172					
45	68.01 - 68.50	13.300	\$16,013	\$7.70	\$2,130	\$177					
46	68.51 - 69.00	13.600	\$16,129	\$7.75	\$2,194	\$183					
47	69.01 - 69.50	13.900	\$16,246	\$7.81	\$2,258	\$188					
48	69.51 - 70.00	14.200	\$16,363	\$7.87	\$2,324	\$194		\$604	\$432	\$86	\$107
49	70.01 - 70.50	14.500	\$16,480	\$7.92	\$2,390	\$199					
50	70.51 - 71.00	14.800	\$16,597	\$7.98	\$2,456	\$205					
51	71.01 - 71.50	15.100	\$16,714	\$8.04	\$2,524	\$210					
52	71.51 - 72.00	15.400	\$16,831	\$8.09	\$2,592	\$216					
53	72.01 - 72.50	15.700	\$16,948	\$8.15	\$2,661	\$222					
54	72.51 - 73.00	16.000	\$17,064	\$8.20	\$2,730	\$228					
55	73.01 - 73.50	16.300	\$17,181	\$8.26	\$2,801	\$233					
56	73.51 - 74.00	16.600	\$17,298	\$8.32	\$2,872	\$239					
57	74.01 - 74.50	16.900	\$17,415	\$8.37	\$2,943	\$245					
58	74.51 - 75.00	17.200	\$17,532	\$8.43	\$3,016	\$251	\$624	\$396	\$85	\$166	



TABLE FIVE FISCAL IMPACT OF PROPOSED SLIDING FEE ON A FAMILY OF 3 (PART 2 OF 3)

PROPOSED SLIDING FEE BASED ON FY 1988 SMI FOR A FAMILY OF THREE

STEP	PERCENT OF SMI	PERCENT OF GROSS INCOME	SMI \$28,876	HOURLY WAGE	FAMILY OF THREE ANNUAL FEE	FAMILY OF THREE MONTHLY	CURRENT FEE SCHEDULE	FEDERAL CHILD CARE TAX CREDIT	STATE CHILD CARE TAX CREDIT	TOTAL TAX CREDIT (MONTHLY)	NET MONTHLY FEE
1	42.01 - 43.00	2.600	\$12,417	\$5.97	\$323	\$27	\$10				
2	43.01 - 44.00	2.800	\$12,705	\$6.11	\$356	\$30	\$10				
3	44.01 - 45.00	3.000	\$12,994	\$6.25	\$390	\$32	\$13	\$109	\$109	\$18	\$14
4	45.01 - 46.00	3.200	\$13,283	\$6.39	\$425	\$35	\$13				
5	46.01 - 47.00	3.400	\$13,572	\$6.52	\$461	\$38	\$13				
6	47.01 - 48.00	3.600	\$13,860	\$6.66	\$499	\$42	\$14				
7	48.01 - 49.00	3.800	\$14,149	\$6.80	\$538	\$45	\$14				
8	49.01 - 50.00	4.000	\$14,438	\$6.94	\$578	\$48	\$18	\$156	\$156	\$26	\$22
9	50.01 - 50.50	4.200	\$14,582	\$7.01	\$612	\$51	\$18				
10	50.51 - 51.00	4.400	\$14,727	\$7.08	\$648	\$54	\$18				
11	51.01 - 51.50	4.600	\$14,871	\$7.15	\$684	\$57	\$19				
12	51.51 - 52.00	4.800	\$15,016	\$7.22	\$721	\$60	\$19				
13	52.01 - 52.50	5.000	\$15,160	\$7.29	\$758	\$63	\$19				
14	52.51 - 53.00	5.200	\$15,304	\$7.36	\$796	\$66	\$19				
15	53.01 - 53.50	5.400	\$15,449	\$7.43	\$834	\$70	\$19				
16	53.51 - 54.00	5.600	\$15,593	\$7.50	\$873	\$73	\$28				
17	54.01 - 54.50	5.800	\$15,737	\$7.57	\$913	\$76	\$28				
18	54.51 - 55.00	6.000	\$15,882	\$7.64	\$953	\$79	\$37	\$257	\$257	\$43	\$37
19	55.01 - 55.50	6.250	\$16,026	\$7.70	\$1,002	\$83	\$37				
20	55.51 - 56.00	6.500	\$16,171	\$7.77	\$1,051	\$88	\$46				
21	56.01 - 56.50	6.750	\$16,315	\$7.84	\$1,101	\$92	\$56				
22	56.51 - 57.00	7.000	\$16,459	\$7.91	\$1,152	\$96	\$56				
23	57.01 - 57.50	7.250	\$16,604	\$7.98	\$1,204	\$100	\$67				
24	57.51 - 58.00	7.500	\$16,748	\$8.05	\$1,256	\$105	\$67				
25	58.01 - 58.50	7.750	\$16,892	\$8.12	\$1,309	\$109	\$67				
26	58.51 - 59.00	8.000	\$17,037	\$8.19	\$1,363	\$114	\$78				
27	59.01 - 59.50	8.250	\$17,181	\$8.26	\$1,417	\$118	\$89				
28	59.51 - 60.00	8.500	\$17,326	\$8.33	\$1,473	\$123	\$89	\$383	\$168	\$46	\$77
29	60.01 - 60.50	8.750	\$17,470	\$8.40	\$1,529	\$127	\$100				
30	60.51 - 61.00	9.000	\$17,614	\$8.47	\$1,585	\$132	\$111				
31	61.01 - 61.50	9.250	\$17,759	\$8.54	\$1,643	\$137	\$111				
32	61.51 - 62.00	9.500	\$17,903	\$8.61	\$1,701	\$142	\$122				
33	62.01 - 62.50	9.750	\$18,048	\$8.68	\$1,760	\$147	\$122				
34	62.51 - 63.00	10.000	\$18,192	\$8.75	\$1,819	\$152	\$134				
35	63.01 - 63.50	10.300	\$18,336	\$8.82	\$1,889	\$157	\$134				
36	63.51 - 64.00	10.600	\$18,481	\$8.88	\$1,959	\$163	\$146				
37	64.01 - 64.50	10.900	\$18,625	\$8.95	\$2,030	\$169	\$159				
38	64.51 - 65.00	11.200	\$18,769	\$9.02	\$2,102	\$175	\$159	\$526	\$192	\$60	\$115
39	65.01 - 65.50	11.500	\$18,914	\$9.09	\$2,175	\$181	\$172				
40	65.51 - 66.00	11.800	\$19,058	\$9.16	\$2,249	\$187	\$172				
41	66.01 - 66.50	12.100	\$19,203	\$9.23	\$2,324	\$194	\$185				
42	66.51 - 67.00	12.400	\$19,347	\$9.30	\$2,399	\$200	\$185				
43	67.01 - 67.50	12.700	\$19,491	\$9.37	\$2,475	\$206					
44	67.51 - 68.00	13.000	\$19,636	\$9.44	\$2,553	\$213					
45	68.01 - 68.50	13.300	\$19,780	\$9.51	\$2,631	\$219					
46	68.51 - 69.00	13.600	\$19,924	\$9.58	\$2,710	\$226					
47	69.01 - 69.50	13.900	\$20,069	\$9.65	\$2,790	\$232					
48	69.51 - 70.00	14.200	\$20,213	\$9.72	\$2,870	\$239		\$689	\$120	\$67	\$172
49	70.01 - 70.50	14.500	\$20,358	\$9.79	\$2,952	\$246					
50	70.51 - 71.00	14.800	\$20,502	\$9.86	\$3,034	\$253					
51	71.01 - 71.50	15.100	\$20,646	\$9.93	\$3,118	\$260					
52	71.51 - 72.00	15.400	\$20,791	\$10.00	\$3,202	\$267					
53	72.01 - 72.50	15.700	\$20,935	\$10.06	\$3,287	\$274					
54	72.51 - 73.00	16.000	\$21,079	\$10.13	\$3,373	\$281					
55	73.01 - 73.50	16.300	\$21,224	\$10.20	\$3,459	\$288					
56	73.51 - 74.00	16.600	\$21,368	\$10.27	\$3,547	\$296					
57	74.01 - 74.50	16.900	\$21,513	\$10.34	\$3,636	\$303					
58	74.51 - 75.00	17.200	\$21,657	\$10.41	\$3,725	\$310		\$894	\$48	\$79	\$232

TABLE FIVE FISCAL IMPACT OF PROPOSED SLIDING FEE ON A FAMILY OF 4 (PART 3 OF 3)

PROPOSED SLIDING FEE BASED ON FY 1988 SMI FOR A FAMILY OF FOUR

STEP	PERCENT OF SMI	PERCENT OF GROSS INCOME	SMI \$34,376	HOURLY WAGE	FAMILY OF FOUR ANNUAL FEE	FAMILY OF FOUR MONTHLY	CURRENT FEE SCHEDULE	FEDERAL CHILD CARE TAX CREDIT	STATE CHILD CARE TAX CREDIT	TOTAL TAX CREDIT (MONTHLY)	NET MONTHLY FEE
1	42.01 - 43.00	2.600	\$14,782	\$7.11	\$384	\$32	\$13				
2	43.01 - 44.00	2.800	\$15,125	\$7.27	\$424	\$35	\$13				
3	44.01 - 45.00	3.000	\$15,469	\$7.44	\$464	\$39	\$16	\$125	\$48	\$14	\$24
4	45.01 - 46.00	3.200	\$15,813	\$7.60	\$506	\$42	\$16				
5	46.01 - 47.00	3.400	\$16,157	\$7.77	\$549	\$46	\$16				
6	47.01 - 48.00	3.600	\$16,500	\$7.93	\$594	\$50	\$17				
7	48.01 - 49.00	3.800	\$16,844	\$8.10	\$640	\$53	\$17				
8	49.01 - 50.00	4.000	\$17,188	\$8.26	\$688	\$57	\$19	\$179	\$0	\$15	\$42
9	50.01 - 50.50	4.200	\$17,360	\$8.35	\$729	\$61	\$19				
10	50.51 - 51.00	4.400	\$17,532	\$8.43	\$771	\$64	\$19				
11	51.01 - 51.50	4.600	\$17,704	\$8.51	\$814	\$68	\$20				
12	51.51 - 52.00	4.800	\$17,876	\$8.59	\$858	\$72	\$20				
13	52.01 - 52.50	5.000	\$18,047	\$8.68	\$902	\$75	\$20				
14	52.51 - 53.00	5.200	\$18,219	\$8.76	\$947	\$79	\$20				
15	53.01 - 53.50	5.400	\$18,391	\$8.84	\$993	\$83	\$20				
16	53.51 - 54.00	5.600	\$18,563	\$8.92	\$1,040	\$87	\$29				
17	54.01 - 54.50	5.800	\$18,735	\$9.01	\$1,087	\$91	\$29				
18	54.51 - 55.00	6.000	\$18,907	\$9.09	\$1,134	\$95	\$39	\$284	\$0	\$24	\$71
19	55.01 - 55.50	6.250	\$19,079	\$9.17	\$1,192	\$99	\$39				
20	55.51 - 56.00	6.500	\$19,251	\$9.26	\$1,251	\$104	\$48				
21	56.01 - 56.50	6.750	\$19,422	\$9.34	\$1,311	\$109	\$57				
22	56.51 - 57.00	7.000	\$19,594	\$9.42	\$1,372	\$114	\$57				
23	57.01 - 57.50	7.250	\$19,766	\$9.50	\$1,433	\$119	\$66				
24	57.51 - 58.00	7.500	\$19,938	\$9.59	\$1,495	\$125	\$66				
25	58.01 - 58.50	7.750	\$20,110	\$9.67	\$1,559	\$130	\$76				
26	58.51 - 59.00	8.000	\$20,282	\$9.75	\$1,623	\$135	\$76				
27	59.01 - 59.50	8.250	\$20,454	\$9.83	\$1,687	\$141	\$87				
28	59.51 - 60.00	8.500	\$20,626	\$9.92	\$1,753	\$146	\$87	\$421	\$0	\$35	\$111
29	60.01 - 60.50	8.750	\$20,797	\$10.00	\$1,820	\$152	\$98				
30	60.51 - 61.00	9.000	\$20,969	\$10.08	\$1,887	\$157	\$111				
31	61.01 - 61.50	9.250	\$21,141	\$10.16	\$1,956	\$163	\$111				
32	61.51 - 62.00	9.500	\$21,313	\$10.25	\$2,025	\$169	\$122				
33	62.01 - 62.50	9.750	\$21,485	\$10.33	\$2,095	\$175	\$122				
34	62.51 - 63.00	10.000	\$21,657	\$10.41	\$2,166	\$180	\$136				
35	63.01 - 63.50	10.300	\$21,829	\$10.49	\$2,248	\$187	\$136				
36	63.51 - 64.00	10.600	\$22,001	\$10.58	\$2,332	\$194	\$150				
37	64.01 - 64.50	10.900	\$22,173	\$10.66	\$2,417	\$201	\$165				
38	64.51 - 65.00	11.200	\$22,344	\$10.74	\$2,503	\$209	\$165	\$576	\$0	\$48	\$161
39	65.01 - 65.50	11.500	\$22,516	\$10.83	\$2,589	\$216	\$180				
40	65.51 - 66.00	11.800	\$22,688	\$10.91	\$2,677	\$223	\$180				
41	66.01 - 66.50	12.100	\$22,860	\$10.99	\$2,766	\$231	\$196				
42	66.51 - 67.00	12.400	\$23,032	\$11.07	\$2,856	\$238	\$196				
43	67.01 - 67.50	12.700	\$23,204	\$11.16	\$2,947	\$246					
44	67.51 - 68.00	13.000	\$23,376	\$11.24	\$3,039	\$253					
45	68.01 - 68.50	13.300	\$23,548	\$11.32	\$3,132	\$261					
46	68.51 - 69.00	13.600	\$23,719	\$11.40	\$3,226	\$269					
47	69.01 - 69.50	13.900	\$23,891	\$11.49	\$3,321	\$277					
48	69.51 - 70.00	14.200	\$24,063	\$11.57	\$3,417	\$285		\$752	\$0	\$63	\$222
49	70.01 - 70.50	14.500	\$24,235	\$11.65	\$3,514	\$293					
50	70.51 - 71.00	14.800	\$24,407	\$11.73	\$3,612	\$301					
51	71.01 - 71.50	15.100	\$24,579	\$11.82	\$3,711	\$309					
52	71.51 - 72.00	15.400	\$24,751	\$11.90	\$3,812	\$318					
53	72.01 - 72.50	15.700	\$24,923	\$11.98	\$3,913	\$326					
54	72.51 - 73.00	16.000	\$25,094	\$12.06	\$4,015	\$335					
55	73.01 - 73.50	16.300	\$25,266	\$12.15	\$4,118	\$343					
56	73.51 - 74.00	16.600	\$25,438	\$12.23	\$4,223	\$352					
57	74.01 - 74.50	16.900	\$25,610	\$12.31	\$4,328	\$361					
58	74.51 - 75.00	17.200	\$25,782	\$12.40	\$4,435	\$370	\$976	\$0	\$81	\$288	

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

It should be realized that although the monthly family copayment fee for child care is increased throughout the scale, a larger child care tax credit will be returned to the family at tax time. Therefore, the net effect of the increase in family copayment fees is less than the actual monthly payment. Lower income families can offset the impact of the child care copayment fee by requesting the federal earned income tax credit be computed in their payroll checks instead of filing for a refund at the end of the year.

A review of the proposed fee schedule indicates that the fee schedule meets the following conditions:

1. The fee schedule is based on the ability to pay defined as a certain "percent" times gross income. The actual percent of gross income assessed for child care varies according to where a family ranks in income on the state median income scale.
2. The fee schedule excludes from the amount of income used to determine eligibility the amount of federal and state income and social security taxes. The percentage of gross income assessed for child care begins at a reduced level to factor out taxes. Moreover, the percentage becomes more progressive throughout the income ranges to reflect a family's ability to pay.
3. The fee schedule is easy to understand and to administer. A family's gross income is determined to be a percent of state median income based on family size and its copayment fee is based on the family's income as it relates to state median income. For example, under the 1988 state median income standard for a family of two (\$23,376), a family that earns \$15,000 earns 64.17 percent of the state median income and a family of two that earns \$20,000 earns 85.56 percent of the state median income. The fee schedule indicates what percent of the gross income is assessed as the family's copayment. This type of schedule allows all participants to easily determine their copayment fees and to know what the fees are or will be at any income level.
4. The fee schedule is easy to adjust for changes in state median income. Since the fee is determined by a family's income as a percent of state median income, the only information necessary is the family's annual income and the state median income. For example, under the 1988 state median income standard for a family of two, a family that earns \$15,000 earns 64.17 percent of the state median income and would pay 10.90 percent of the gross income for a family at 64.50 percent of the state median income. If in 1989 the state median income for a family of two increases from \$23,376 to \$24,400 while the person earning \$15,000 has no increase in income, that family would have an income of 61.48 percent of the state median income and would pay 9.25 percent of the gross income for a family at 61.50 percent of the state median income. It may be necessary after three or four years to look at the sliding fee schedule to determine whether tax changes or particular changes in the cost of living warrant revising the percent of gross income assessed for child care.

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

5. The fee schedule provides a smooth transition between income levels without disincentives to accept raises. It is possible that an annual raise of less than \$100 could move an individual from one range to another with an increase in child care costs greater than the raise. However, as a practical matter, it is unlikely an annual raise would ever be that small. A raise as small as ten cents per hour results in an annual increase of \$208 (based on 2080 hours). At no point in the scale would increases in child care costs assume a major percent of the increase. This is because of the large number of steps in the table and the slow rate of increase in the family copayment fee.

6. The fee schedule minimizes the phenomenon of "bump and dump". The vast majority of families (families with one and two children) will elect to leave the program as they reach 75 percent of state median income because child care costs assessed under the program will approach actual child care costs. This is not true for families with infants living in high child care cost areas and larger size families with a single head of household. To address high child care costs two different proposals were discussed. One, to increase the sliding fee to 90 percent of state median income. This concept was dismissed because it would allow child care subsidies for families at the higher income ranges at the expense of lower income families. Since the fiscal resources are limited, if we expand the universe of eligibility we will increase the number of families on a waiting list. This would be done to the detriment of the lower income families since there would be less movement through the program. The second proposal involved increasing the fees at a faster rate so that the higher child care costs would be reached at 75 percent of state median income. For example, accelerating the family copayment fee so that the fee at 75 percent of SMI for a family of two would be greater than \$251 (proposed scale). This would require basing the sliding fee on the cost of care rather than the ability to pay and would result in a substantial increase in all income ranges which would violate the ability to pay concept.

7. The fee schedule recognizes, as much as possible, the diversity of child care costs throughout Minnesota. In areas where child care costs are low, participants may leave the child care assistance program before their income reaches 75 percent of state median income or where the family copayment fee exceeds actual child care costs. In areas where child care costs are higher, participants may stay in the program until their copayment fees exceed actual costs. In the majority of cases the cost at 75 percent of state median income will approach actual child care costs. This is not true in every case. However, to increase the schedule beyond 75 percent would mean families at the lower end of the scale would remain on waiting lists, possibly indefinitely, since fewer families would transition from the subsidized child care. It is unreasonable to fund families at 80, 85, and 90 percent of state median income when families with incomes below 75 percent of state median income are on a waiting list.

8. The fee schedule utilizes more fully federal and state child care tax credits. In comparison to the present fee schedule, the fees are increased under the new scale allowing greater utilization of the available child care tax credits. As long as the fee schedule is based on the ability to pay, the

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

greater the amount expended by a family for child care, the greater the federal and state tax credits. It should be noted that the Federal Child Care Tax Credit is only a credit against tax liability. If a family expended \$2,000 for child care and it had no tax liability the federal child care tax credit is of no value. However, since the sliding fee schedule begins at approximately 42 percent of the state median income, all families will have some income tax liability.

9. The fee schedule maximizes participation by increasing fees but not to the extent that families cannot participate in the program. Again, the issue of ability to pay is of paramount concern. However, as fees are generally increased, there is more money available to enable additional families to participate in the sliding fee program.

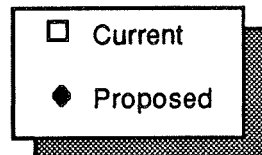
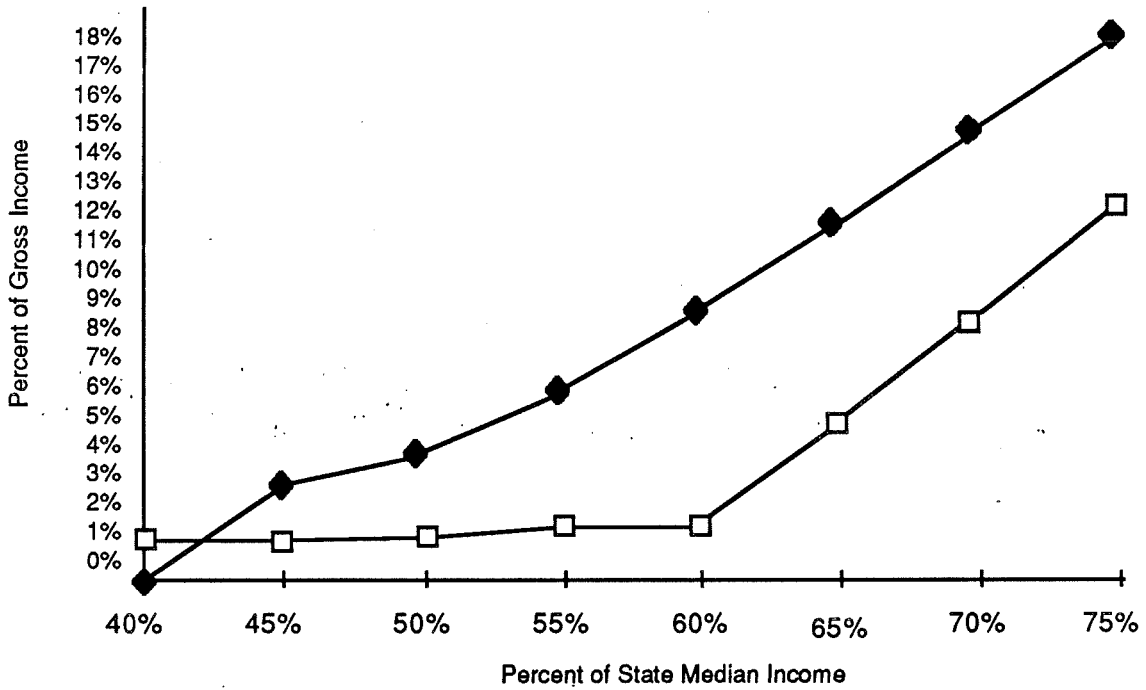
10. The fee schedule is not a major departure from the current schedule. Although there are significant dollar differences in some income ranges, this is partly due to the fact the current schedule is over two years old and the 1986 schedule was not based on ability to pay. The greatest impact is on families between 42 and 67 percent of SMI. At the present time, families are terminated from the program at 67 percent of the 1988 state median income. Therefore, under the new schedule even though child care costs are accelerated over the 1986 schedule the actual child care costs will be less for families earning between 67 and 75 percent of state median income since a portion of the costs will be subsidized until the family reaches 75 percent of the 1988 state median income. Also, the family copayment fees do not begin until approximately 42 percent of SMI. Therefore, there is a positive impact on families between 25.01 and approximately 42 percent of the 1988 SMI. However, it was necessary to raise the fees at the mid income levels in order to base the fees on the ability to pay and to provide a smooth transition between income levels to eliminate the disincentive to accept pay raises at the upper end of the sliding fee scale. The current schedule provides almost no movement between 25.01 and 60.00 percent of SMI. The various fees between these two income ranges are as follows:

1. Family of two \$3 to \$23 per month for child care;
2. Family of three \$3 to \$28 per month for child care;
3. Family of four \$4 to \$29 per month for child care;
4. Family of five \$4 to \$30 per month for child care; and
5. (... scale continues).

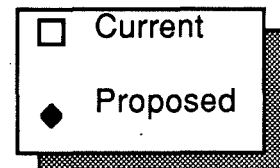
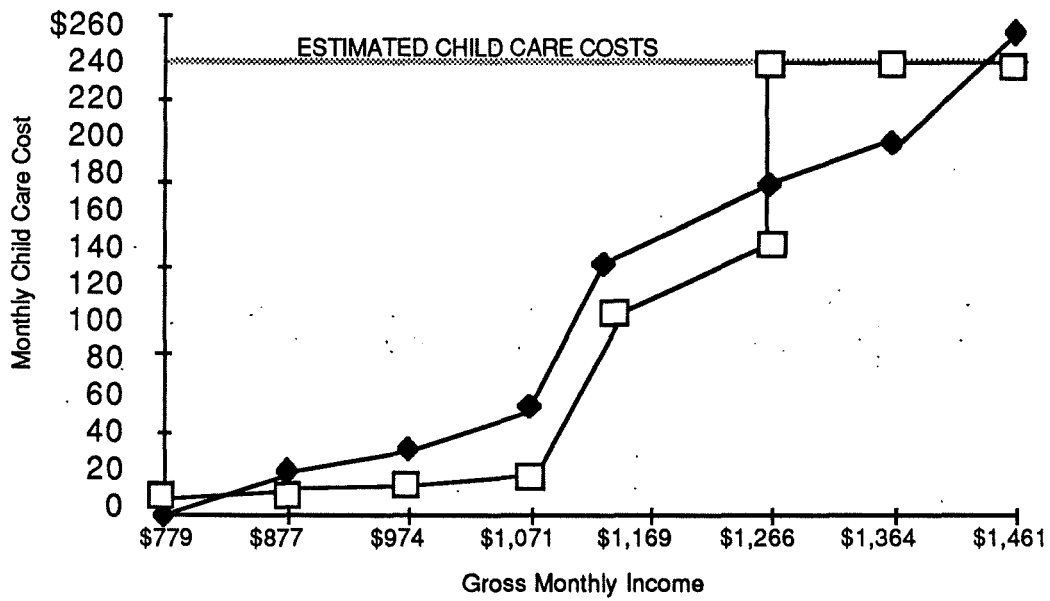
Child care costs of \$6 to \$8 per week for these families is clearly inappropriately low when a significant number of families are on a waiting list to receive child care assistance. The proposed sliding fee attempts to reach a better balance between "ability to pay" and actual child care costs without imposing a severe transition between the old and new sliding fee schedule.

The following four graphs illustrate the difference between the current sliding fee schedule and the proposed sliding fee schedule. The first graph illustrates the current and proposed child care sliding fee as a percent of gross income for a family of two before tax credits. The second graph illustrates the current and proposed monthly copayment fee in dollars for a family of two. Graphs three and four are similar to graphs one and two but illustrate the differences between the current and proposed fee schedules for a family of three.

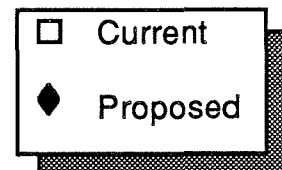
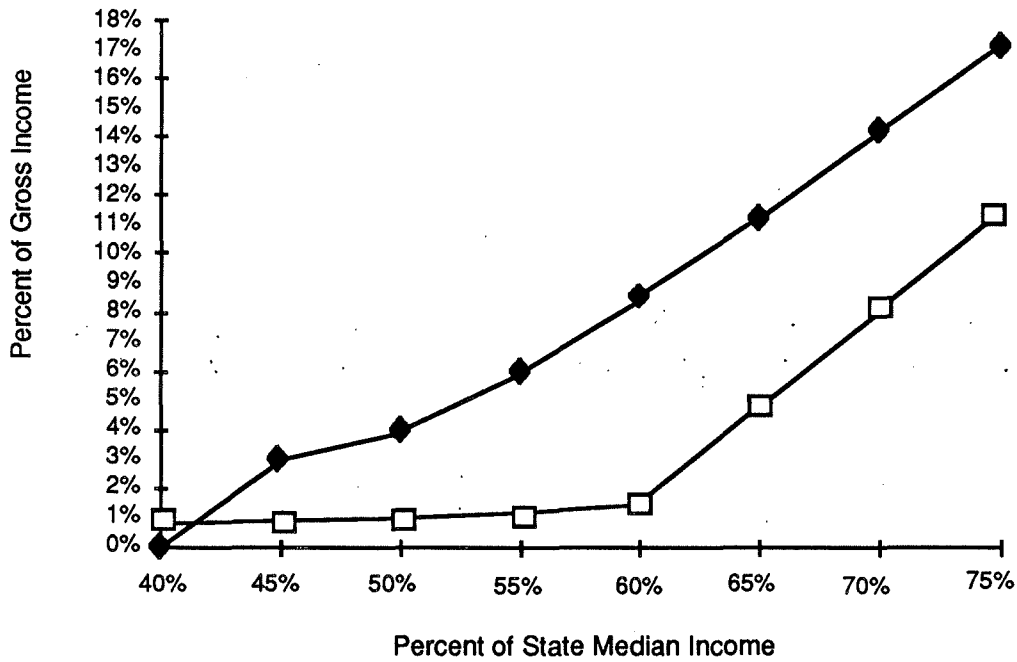
**CHILD CARE SLIDING FEE -  
AS A PERCENT OF GROSS INCOME  
Family of 2  
- One Child -  
Before Tax Credits**



**CHILD CARE SLIDING FEE -  
MONTHLY CO-PAYMENT FEE  
Family of 2  
- One Child -  
Child Care Costs Before Tax Credits**

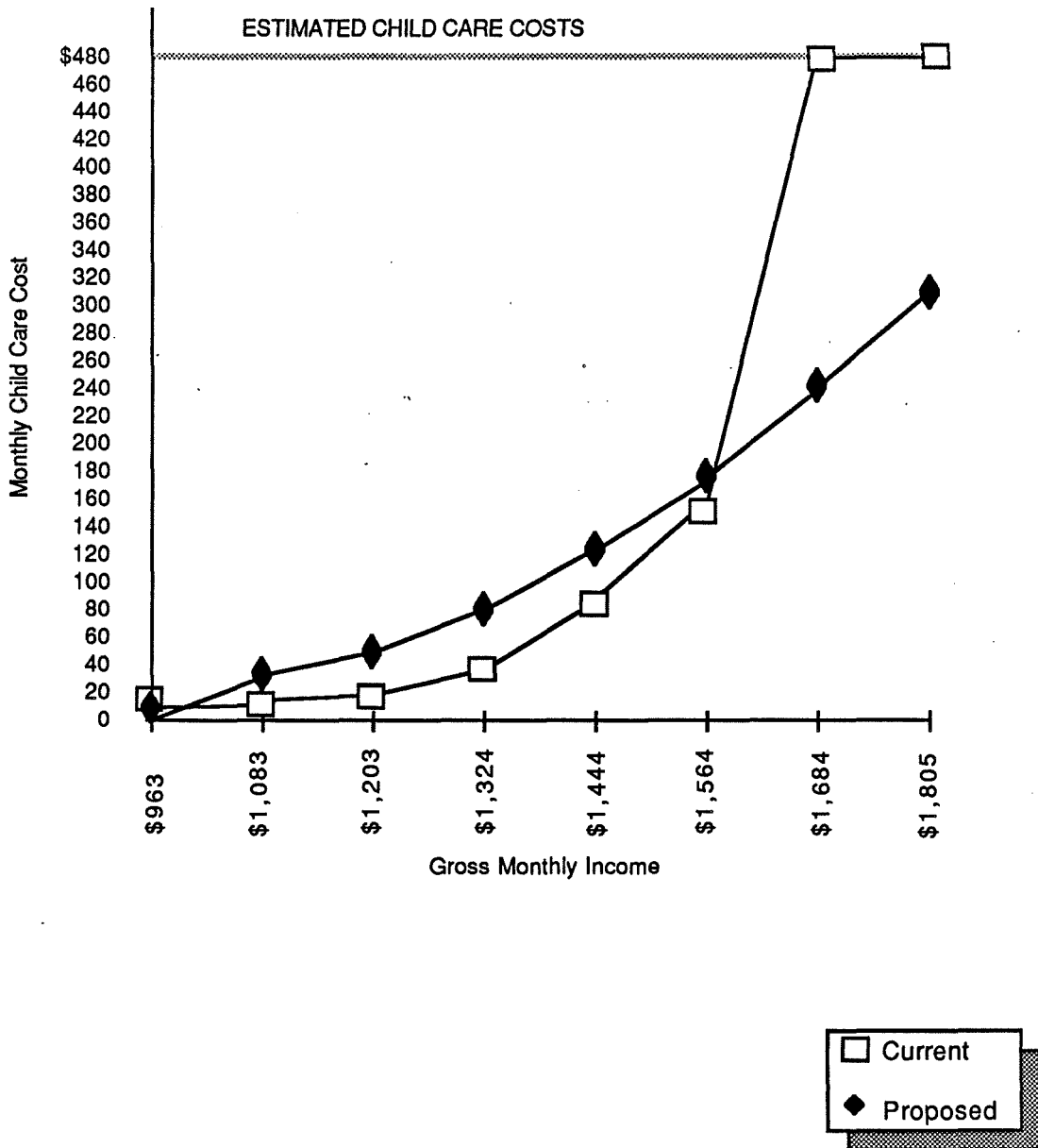


**CHILD CARE SLIDING FEE -  
AS A PERCENT OF GROSS INCOME  
Family of 3  
- Two Children -  
Before Tax Credits**





**CHILD CARE SLIDING FEE -  
MONTHLY CO-PAYMENT FEE  
Family of 3  
- Two Children -  
Child Care Costs Before Tax Credits**



Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

The proposed rule has a fiscal impact on program participants due to the revision in the family copayment fee schedule. To facilitate comparisons between the current fee schedule and the schedule proposed in the rule, all comparisons will be based on incomes for a family of two.

The current fee schedule begins at approximately 25 percent of 1986 state median income (\$5,233) and increases until a family's income reaches 75 percent of 1986 state median income (\$15,700) at which point the family is no longer eligible for a child care subsidy. Under the current copayment fee schedule, increases in child care costs are extremely small for families with incomes between 25 and 60 percent of state median income. The monthly family copayment fee for families with one child and incomes of 30 and 60 percent of 1986 state median income are \$3 and \$23 respectively. Child care costs as a percent of annual gross income for families with incomes between 25 and 60 percent of state median income range from zero to 1.72 percent of a family's gross income. For families with annual gross incomes between 60 and 75 percent of state median income, child care cost as a percent of annual gross income range from 1.72 to 11.85 percent of a family's gross income.

The proposed family copayment fee schedule is based on 1988 state median income. The starting point of the new scale is approximately 42 percent of 1988 state median income (\$9,818) and continues until a family's annual gross income reaches 75 percent of state median income (\$17,532). The new fee schedule accelerates the family copayment fee for incomes between 42 and 75 percent of state median income. Child care costs as a percent of annual gross income range from 2.6 percent to 17.2 percent of a family's gross income. However, the real fiscal impact of the new fee schedule is restricted to families earning between 47 and 75 percent of the state median income in 1986.

The new fee schedule begins at approximately 42 percent of the 1988 state median income level (\$9,818). This is equal to approximately 47 percent of the 1986 state median income. Therefore, for families with incomes between 25 and 47 percent of the 1986 state median income (\$5,233 - \$9,818) there will be no copayment fee. The actual reduction will range from \$3 to \$10 per month for a family of two.

Eligibility under the current fee schedule ends at \$15,700 or at approximately 67 percent of the 1988 state median income. Therefore, families previously ineligible (families with incomes between \$15,700 and \$17,532) will now be eligible for child care assistance. Since in nearly every case the family copayment fee will be less than actual child care costs, there is a positive fiscal impact on these families. No effort will be made to estimate this impact since a substantial waiting list exists and there is no assurance that these families will be immediately eligible for assistance.

The greatest impact of the proposed sliding fee scale is for families with incomes between 47 and 75 percent of the 1986 state median income (\$9,818 - \$15,700). The sliding fee costs for incomes between \$9,818 and \$15,700 will range from \$20 to \$162. This compares to a range of \$10 to \$155 under the current fee schedule.

Statement of Need and Reasonableness  
 Child Care Fund -- Rule 72

The revised sliding fee will have a negative fiscal impact on families with incomes between \$9,818 and \$15,700. Data is not available at this time to identify participating families by income level. Based on discussions with the counties, the majority of the families participating in the child care assistance program appear to have incomes between 40 and 60 percent of 1986 state median income. We do not have data to substantiate or refute this assertion. However, based on county reporting for the spring quarter of 1988 the county estimates appear reasonable. Program participation during the spring quarter of 1988 in the various programs were as follows:

PROGRAM	NUMBER OF FAMILIES	NUMBER OF CHILDREN
1. BASIC SLIDING FEE PROGRAM		
A) AFDC participants	568	878
B) AFDC eligible (non-AFDC)	787	1,254
C) Above AFDC $\leq$ 75 % SMI	3,545	5,738
2. AFDC Priority	864	1,208
3. AFDC Postsecondary	2,073	3,136
4. Public Postsecondary	423	693
TOTALS	8,260	12,907

These gross numbers indicate that of the 8,260 families receiving child care assistance 3,505 families are receiving AFDC and 4,755 families are non-AFDC families. Based on data from the spring quarter of 1988, 4,755 families are required to pay a monthly copayment fee. As a footnote to the number of families participating in the child care subsidy program, there are approximately 4,000 working poor families with 7,000 children on a waiting list for child care assistance.

A comparison of the number of children and families receiving assistance under the child care fund indicates that the relationship of children to families is 1.56. Therefore, the vast majority of families participating in the child care assistance program are families with one and two children.

With respect to the fiscal impact of the revised schedule on families participating in the child care fund programs, the following estimates are given. (Since income data is not available, the estimates are our best guess of income distribution of families participating in the child care subsidy program).

Statement of Need and Reasonableness  
 Child Care Fund -- Rule 72

Non-AFDC families with incomes between 25.0 and 75.0 percent of 1986 state median income are 4,755. In order to estimate fiscal impact we estimate the following:

Income as percent SMI	Dollar Amount	Percent of Families	Number of Families
25 - 45 %	\$ 5,233 - \$9,420	20 %	951
45 - 60 %	\$ 9,420 - \$12,560	50 %	2,378
60 - 70 %	\$12,560 - \$14,654	20 %	951
70 - 75 %	\$14,654 - \$15,700	10 %	475

Families in the first income range (25 - 45 percent) will have a reduction in fees. Average family copayment fees for families in these income range is estimated to be \$7 per month per family. The lower fee is \$3 and the higher fee is \$10. The annual impact is 951 times \$7 times 12 months or \$79,884. This reduction is simply a proper reading of the statute that the lower end of the sliding fee shall begin at the eligibility limit for aid to families with dependent children (Minnesota Statutes, section 256H.10, subdivision 2).

There will be a negative fiscal impact on families within the second income range (45 - 60 percent) since they will have higher family copayment fees. The current fee schedule ranges from \$10 to \$23 while the proposed fees range from \$20 to \$59. The midpoint between the two ranges are \$16.50 and \$39.50 respectively. Assuming an average increase of \$23 per month per family under the new schedule for families with incomes between \$9,420 and \$12,560, the increase in the fee schedule is 2,378 times \$23 times 12 months or \$656,328.

There will be a negative fiscal impact on families within the third income range (60 - 70 percent) since they will have higher family copayment fees. The current fee schedule ranges from \$23 to \$112 while the proposed fees range from \$59 to \$123. The midpoint between the two ranges are \$67.50 and \$91 respectively. Assuming an average increase of \$23.50 per month per family for families with incomes between \$12,560 and \$14,653, the increase in the total fees for this group is 951 times \$23.50 times 12 months or \$268,182.

There will be a negative fiscal impact on families within the fourth income range (70 - 75 percent) since they will have higher family copayment fees. The current fee schedule ranges from \$112 to \$155 while the proposed fees range from \$123 to \$167. The midpoint between the two ranges are \$133.50 and \$145 respectively. Assuming an average increase of \$11.50 per month per family for families with incomes between \$14,653 and \$15,700, the increase in the total fees for this group is 475 times \$11.50 times 12 months or \$65,550.

Based on the estimates given, the revised fee schedule will result in an annual increase of \$910,176. As a result, this increase will enable 316 families with one child or 158 families with two children to receive full child care assistance for a year (child care costs are assumed to be \$240 per month).

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

While the proposed fee schedule results in an increase in family copayment fees, the fees are based on a family's ability to pay. The reason for what appears to be a relatively large increase in child care fees is that the current fee schedule is inappropriately low. For example, families with incomes of \$12,560 only pay \$18 per month for full time child care. In addition, the fee schedule is outdated. It has not been updated since March of 1986.

The proposed sliding fee appears to meet the ten requirements we set out to meet during the earlier discussions on an "ideal" sliding fee scale.

9565.5110 FAMILY COPAYMENT FEE (CONTINUED)

Subp. 4. Publication of state median income and fee schedule in State Register. This subpart is necessary to establish a standard for when the department will publish the updated changes to the state median income for a family of four, adjusted for family size. State median incomes are published annually by the United States Department of Health and Human Services. This subpart requires the department to publish the updated state median incomes within 120 days from the date the income data is published in the Federal Register. At the same time, the Department will publish a revised copayment fee schedule based on the formula under subpart 3. The county will begin to use the new fee schedule and determine income eligibility for new application and subsequent redetermination on the first day of the first full quarter following the publication of the income data in the State Register. This procedure allows for an orderly transition between the old and new sliding fee scale. It is administratively impossible for the counties to make a wholesale conversion to a new sliding fee for all participating families on a single day. For most families, a revised state median income will reduce their family copayment fees since in a growing economy state median income increases from the previous year. Therefore, there is also fiscal implications to a single day changeover. Whenever a new state median income is published, counties will be instructed to review the changes in copayment fees for participating families and to delay adding new families until the increased costs are absorbed through attrition. This subpart is reasonable because it provides a means for the timely implementation of new median income standards and new family copayment fees.

9565.5120 PAYMENT OF CHILD CARE SUBSIDY

This part is necessary to establish standards and administrative requirements governing the payment of child care subsidies.

Subpart 1. Payment options. This subpart is necessary to indicate the payment options available to the counties. Minnesota Statutes, section 256H.07, subdivisions 2 and 4 require that child care subsidy payments under the public postsecondary and nonprofit postsecondary programs shall be paid to the provider. The county is granted the option of providing the subsidy to either the family or the provider under the basic sliding fee program or the AFDC program. If the county elects to provide payments directly to the family, it must establish appropriate documentation procedures to insure the funds are used to reimburse actual child care costs. This subpart is reasonable because it is consistent with Minnesota Statutes.

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

Subp. 2. Notification of vendor payment procedures. This subpart is necessary to inform counties that when they provide vendor payments (payments directly to the provider) that they must inform the parent and the child care provider of how and when payment will be received and the amount of the family copayment fee. This subpart is necessary because it informs all parties of the method of payment in order to prevent misunderstandings on how payments will be received and who will be responsible for the payments.

Subp. 3. County payment schedule. This subpart is necessary to establish a standard for determining the minimum frequency for making payments. The county may elect to make payments more often than once per month but the minimum frequency is once per month. This subpart is reasonable because a provider needs to receive payment in a timely fashion to meet his or her business expenses. The standard also recognizes the county costs involved in preparing warrants to pay for child care services so that checks do not need to be issued weekly.

Subp. 4. Sick child care. This subpart is necessary to establish a standard for granting payments for sick child care. This subpart allows counties to make payments for sick child care in addition to any necessary payment required to hold a sick child's space in regular child care. The issue of sick child care is important to the overall success of the regular child care subsidy program. The purpose of the child care subsidy program is to enable families to seek or retain employment or to participate in education or training programs to obtain employment. A sick child places a family in a serious financial dilemma. If a parent stays home with the sick child, he or she may jeopardize his or her job as well as suffering a loss of a full day's pay? This is not an uncommon problem for employees who work for an hourly wage. Does the parent attempt to take the sick child to the regular child care provider even when the child is sick? Or does the parent pay for both the regular child care slot and for sick child care, if available, with the families limited resources? Without the option of sick child care, the parent may end up jeopardizing his or her job or, at a minimum, losing a day's pay by staying home. While not specifically addressed by statute, allowing counties the option of paying for sick child care from the child care fund is consistent with the objectives of the child care fund to enable families to retain employment or to participate in education and training programs to obtain employment. Therefore, it is reasonable to allow the use of the funds on a limited basis to address the special child care needs which arise due to sick children. If the county elects to pay sick child care, it must set the sick child care rate in its annual allocation plan.

Subp. 5. Payment during child absences. This subpart is necessary to set a standard for handling provider charges when a child is absent from the day care center or day care home due to parent's use of annual leave or a work holiday. Even though the parent is able to provide child care during these time periods, many providers required partial payment for reserving the child's space in the family day care home or day care center. If required by the regular provider, child care funds may be used on a limited basis to pay for the absent child's place. This subpart recognizes the requirements many child care providers place on families when a child is temporary absent. This subpart permits families to spend vacation time together without a monetary penalty. Subparts 4 and 5 may only be used on a limited basis and may not exceed 5 days per child per quarter.

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

9565.5130 ELIGIBLE PROVIDERS

This part is necessary to establish a standard for determining which providers are eligible for a payment under the child care fund. Minnesota Statutes, section 256H.01, subdivision 12 defines "provider". This term has been clarified in this rule under the definition section. An eligible provider is a child care license holder who operates a family day care home, group family day care home, day care center, nursery school; a licensed school age child care program or extended-day school age program that meets the standards established by the State Board of Education; or the legal nonlicensed caregiver who is 18 years or older and functions in or out of the child's home. The county may prioritize the types of providers it may wish to use to encourage the use of licensed child care. A number of counties expressed liability concern over the use of unregulated child care providers (nonlicensed). Many counties have established minimum "quality" standards for child care. These standards protect the family as well as the county. Furthermore, the designation of approved vendors is a county responsibility under the CSSA requirements. While the department acknowledges that the counties have the responsibility for setting vendor criteria, in some counties eligible families have essentially been denied subsidies because there was not a provider available to meet the child care needs of the family within the county's vendor criteria. This subpart allows counties to apply its criteria but not to the exclusion of legal nonlicensed care when child care funds are available. Liability concerns can be addressed by paying the family directly and making the parents responsible for the choice of the provider. If a county prioritizes the use of child care providers it must include a copy of its provider policy in the county's annual allocation plan.

9565.5140 CHILD CARE PROVIDER RATES

This part is necessary to establish standards for the determination of child care provider rates and for determining maximum state and county payments under the child care subsidy program.

Subpart 1. Rate determination. This subpart is necessary to establish a standard for determining median provider charges for selected child care services by age groups of the children served. It is necessary to indicate that the department will determine the median provider charges in each county. If the sample size is insufficient to provide a reasonable determination of median provider charges for an area, the department will establish the child care provider rate based on like care arrangements in similar areas. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.16.

Subp. 2. Establishment of maximum county child care subsidy. This subpart is necessary to establish a maximum rate that the county may set for reimbursing a provider for child care services. Statute dictates a range within which the maximum rate must be established. There is considerable variation in the legal nonlicensed provider rates. The matter of the maximum rate for a legal nonlicensed caregiver generated some discussion during the advisory committee meetings. It was felt that license holders go through additional expense to be licensed and therefore should be reimbursed more for

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

their services than legal nonlicensed providers. However, some counties stated that the legal nonlicensed provider was an extremely important component of the county's available child care and if the caregiver was not adequately reimbursed for the caregiver's services the county would lose some of its available providers. The department is unable to survey legal nonlicensed caregivers to determine the rates for "like care arrangements". We believe it is reasonable to assume that the surveyed median rate for licensed child care is close to 110 percent of the legal nonlicensed child care providers' rates. Where there are very few licensed child care providers, counties will use legal nonlicensed providers to a greater extent, often electing to pay the same rates as licensed family day care providers. Our intent is to allow the counties considerable flexibility to set the rates for legal nonlicensed caregivers to meet their unique needs. However, we felt a minimum provider rate was needed to ensure a reasonable payment for legal nonlicensed providers. The minimum provider rate for a legal nonlicensed caregiver is the median rate for family day care providers. Recognizing the shortage of available child care and the county ability to exercise fiscal responsibility, a maximum limit of 125 percent of the median rate for family day care providers is set for legal nonlicensed child care. The county is also allowed to set the rate for handicapped child care. However, counties are still governed by Minnesota Statutes, section 256H.15. Finally, counties may not arbitrarily establish the maximum number of hours of child care it will pay per family. This rule establishes a standard for full-time child care as a maximum rate of 60 hours per child per week. Therefore, a county may not limit payments to 40 hours per week or some other amount which is contrary to the 60 rate established in this rule.

It is also necessary to state that the provider charge is for each child in care. It has been brought to the Department's attention that some counties are paying less than the full charge for the second or third child. Since the providers were not being paid a rate to cover their actual expenses, it became a factor in some provider's decision to refuse to accept social service clients. The counties are not allowed to arbitrarily discount charges for additional children. If the provider provides a discount when this is more than one child in the family, the county is to utilize the provider rate. In addition, if the provider charges a rate that is less than the county maximum, the county must pay the lower rate. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.15.

Subp. 3. Maximum state participation. This subpart is necessary to establish a standard for the maximum amount of the child care subsidy the state will pay. The county may wish to pay a provider more than the prevailing rate to encourage and expand child care availability. However, by statute, the state is limited in how much it shall subsidize child care. The state's payment is limited to the difference between the family's copayment fee and the provider's charge for care up to a maximum of 125 percent of the median rate. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.16.



Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

9565.5150 COUNTY RESPONSIBILITIES

This part is necessary to provide a clear delineation of county responsibilities under the child care fund.

Subpart 1. County child care assistance policies and procedures. This subpart is necessary to insure that county policies regarding child care assistance are in writing and included in the annual allocation plan. In order to insure fair and equitable treatment of all applicants and recipients, it is necessary that county policies and procedures be in writing and reviewed by the department. Administrative oversight to a large degree will involve review of the county plans. Unless the specific policies are in the plan, the department cannot adequately administer the program. In addition, the county policies must be available to serve as documentation in any appeals process. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.02.

Subp. 2. Child care subsidy information. This subpart is necessary to establish a requirement that information on the child care assistance program be widely disseminated. Unless a family knows that the program exists, it can not participate. The department has not been prescriptive in this requirement because some flexibility is needed in how often a county is required to disseminate information. While child care service providers and social agencies by the nature of the program and services they provide will be knowledgeable about the child care fund program, the general public may be less informed. However, it may be inappropriate to advertise the availability of child care assistance when there is little movement in the program and a long waiting list exists for child care assistance. This is an area that can best be monitored by comparing a county's child care expenditure history with its level of effort. If a county is not earning its full allocation while child care needs are going unmet, it indicates that child care subsidy information is not reaching the targeted groups. Instead of establishing a single standard for all counties, the department will monitor county activity in this area. Innovative approaches for disseminating information by one county will be shared with other counties. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.17.

Subp. 3. County contracts and designation of administering agency. This subpart is necessary to inform the counties that they may designate the agency authorized to administer the fund on its behalf. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.05, subdivisions 2 and 3.

Subp. 4. Local match. This subpart is necessary to inform the counties of a local match requirement under the basic sliding fee program. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.12.

Subp. 5. Funding priorities. This subpart is necessary to inform counties that they must prioritize funding if insufficient funds are available to address all requests for child care assistance. This subpart also makes it clear that counties may not arbitrarily exclude eligible candidates if funding is available. A charge has been made that at least one county has refused to fund the child care needs of two-parent families. This subpart is

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

reasonable because it is consistent with Minnesota Statutes, section 256H.02 which states in part, "The commissioner shall develop standards for county and human services boards, and postsecondary educational systems, to provide child care services to enable eligible families to participate in employment, training, or education programs". [Emphasis added] This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.10, subdivision 3.

Subp. 6. Funding waiting lists and intermittent assistance. This subpart is necessary to inform counties that eligible families who do not receive a child care subsidy due to insufficient funding shall be placed on a waiting list for assistance. In addition, this subpart addresses the issue of intermittent assistance where a family may only need assistance at certain times of the year. In order to provide uniform treatment of all families, a county may reserve a family's position in the child care subsidy program if the family has been receiving assistance but is temporarily ineligible. However, the county may only reserve that family's position for a maximum of 90 days. The county must include its policy for reserving a family's position in the child care subsidy program in its annual allocation plan. The purpose of this subpart is to insure that child care funds are spent and not held for a family that may or may not need assistance in the future while other families are on a waiting list. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.03, subdivision 1 and it provides a reasonable procedure for managing and prioritizing child care assistance when funds become available.

Subp. 7. Child care fund reports. This subpart is necessary to inform counties that child care fund reports are due in the department no later than 20 days following the end of each quarter. This subpart is necessary in order for the commissioner to monitor child care fund activities. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.09.

Subp. 8. Maintenance of effort. This subpart is necessary to inform counties that they may not use child care fund to replace other funds but rather, the funds are to be used to complement any existing child care assistance programs. It is necessary to establish a date of reference for the establishment of maintenance of effort. State fiscal year 1987 was chosen because it provides a reference point for evaluating maintenance of effort. This subpart also provides that if the county can demonstrate that no eligible family was refused child care that county funds may be used for other purposes. Many counties are contributing considerable fiscal resources to supplement the child care fund. If additional federal or state funding becomes available, the child care needs for persons with incomes at or below 75 percent of state median income may be met. As provided in part 9565.5030, subpart 6, the Commissioner may raise the income eligibility limit to use available funds. However, if income eligibility is not immediately raised, a strict interpretation of "maintenance of effort" would require a county to spend its resources first. This could leave state and federal resources available to counties that have not used local funds to supplement the child care fund. Such a provision would impose a fiscal penalty on counties that have supplemented the child care fund with county funds while rewarding counties that have not supplemented the child care fund with local funds. Clearly, this is the opposite intent of the maintenance of effort provision.

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

Maintenance of effort is only required when all child care needs are not being met. If adequate state and federal resources are available and earmarked for child care, then those funds should be used first.

Subp. 9. Termination of a child care subsidy. This subpart is necessary to establish requirements that must be met when terminating child care assistance. Except for suspected cases of fraud, the county shall notify a recipient in writing at least 15 days before terminating assistance and shall inform the recipient of the right to appeal. Recipients suspected of fraud shall be notified at least 5 days prior to terminating assistance and informed of the right to appeal the termination of assistance. This subpart also informs counties and recipients of violations that constitute termination of child care assistance. If the recipient appeals the action, assistance shall not be terminated until the appeal has had a fair hearing. The requirements under this subpart are similar to the rights for terminating other types of social services.

9565.5160 CHILD CARE FUND ALLOCATION PLAN

This part is necessary to insure that a county has an acceptable plan for allocating and expending child care funds.

Subpart 1. Submittal of plan. This subpart is necessary to inform the counties the date by which the annual allocation plan must be submitted to the commissioner. May 1st was selected because it provides a minimum time to approve the allocation plans and, if required, to obtain further clarification prior to the beginning of the fiscal year on July 1. If the allocation plan is not approved, the commissioner will not release a county's allocation. Therefore, it is important to provide sufficient time to receive plan approval prior to the beginning of a new fiscal so the county's child care program is not disrupted. This subpart is reasonable because it is consistent with Minnesota Statutes, sections 256H.02 and 256H.09.

Subp. 2. Plan content. This subpart is necessary to inform the counties of the plan contents. The subpart states the minimum contents required in the annual allocation plan. The allocation plan content includes:

A. A narrative on the county's total program for child care services. This requirement will enable the Commissioner to evaluate the county's program for consistency with the child care fund requirements.

B. Information regarding the number of families using and needing child care assistance. This information will enable the Commissioner to report to the Legislature on Minnesota child care needs.

C. Methods the county uses to inform target groups of the availability of child care subsidies. This information is necessary to insure compliance with Minnesota Statutes, section 256H.17.

D. Information on provider rates paid by type of provider. This information is necessary for financial oversight and to insure compliance with Minnesota Statutes, section 256H.15.

E. Policies for determining satisfactory progress in education and training programs. This information is necessary to insure child care assistance is not provided in an arbitrary or capricious manner.

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

F. Policies for approving and extending child care due to changes in educational programs. This information is necessary to insure child care assistance is not provided in an arbitrary or capricious manner.

G. Policies for prioritizing eligible providers. This information is necessary to insure that counties do not arbitrarily determine who is or is not an eligible provider beyond the limitation in part 9565.5150, subpart 6.

H. Policies governing procedures for granting child care assistance to families needing intermittent child care. This information is necessary to insure families are treated in a consistent and uniform manner.

I. A statement that the county has not reduced child care funding as required in part 9565.5150, subpart 8. This information is necessary to insure that the county is in compliance with Minnesota Statutes, section 256H.12, subdivision 3. This subpart is reasonable because it is consistent with Minnesota Statutes, sections 256H.02 and 256H.09.

J. Other policies that the county may use to administer the child care fund. This information is necessary to insure that county policy is not contrary to the requirements in parts 9565.5000 to 9565.5240.

Subp. 3. Plan approval and amendments. This subpart is necessary to inform the counties of the maximum time available to receive plan approval and to inform the counties that no funding allocation will be made without an approved allocation plan. The 60 calendar days given to receive plan approval is reasonable because the fiscal year begins on July 1 so plan approval is required before advancing the first quarter allocation authorized under Minnesota Statutes, section 256H.09.

9565.5170 DUTIES OF THE ADMINISTERING AGENCY

This part is necessary to clearly identify the duties of the administering agency when providing child care assistance under the child care fund.

Subpart 1. Application forms and child care subsidy information. This subpart is necessary to establish minimum standards to insure that all families requesting a child care subsidy receive general information about the child care subsidy program. The minimum requirements include information about eligibility requirements and documentation necessary to confirm eligibility; the existence of a waiting list, if one exists, and the number of families ahead of the family wishing to apply for assistance; the procedure for applying for a child care subsidy; information on the family copayment requirement including information on how the copayment fee is computed; and, information regarding child care tax credits and federal earned income tax credits. Information on how the family copayment fee is computed can be supplied by briefly explaining the formula in part 9565.5110, subpart 3. The department will supply the administering agencies information on child care tax credits and the federal earned income tax credit. It is reasonable to provide minimum standards for administering agencies to use to insure that families requesting child care assistance or child care information receive necessary information on program eligibility requirements and costs.

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

Subp. 2. Application procedures. This subpart is necessary to establish a procedure for handling child care fund applications. Minnesota Statutes, section 256H.03, subdivision 1 requires counties to perform a cursory determination of eligibility when a family requests information about child care assistance. A family that appears to be eligible must be put on a waiting list if funds are not immediately available. The application procedures under this subpart address two situations. The first situation is when funds are not available and the family is placed on a waiting list. The requirement that the administering agency inform the family of the waiting list, screen the family for potential eligibility, and place the family on the waiting list if they appear eligible is consistent with Minnesota Statutes, section 256H.03, subdivision 1.

The second situation governs application procedures when child care funds are available. The administering agency shall accept signed and dated applications within 15 days of the date of signature. This requirement insures that the eligibility information and documentation is current. The administering agency shall inform the applicant within 30 days of approval or denial of the application. If an application is denied, the applicant must be informed of the reason for denial and informed of the right to a fair hearing. To address those situations where additional time is necessary to confirm eligibility, the administering agency, with the consent of the applicant, may extend the response time by 15 days. This subpart provides a time standard for processing child care assistance applications.

Subp. 3. Date of eligibility for assistance. This subpart is necessary to provide a standard for determining when eligibility begins under the child care assistance program. The eligibility date for assistance is the later of the date the application was signed; the beginning date of employment, education, or training; or, the date a determination has been made that the applicant is a participant in employment and training programs under Minnesota Statutes, section 256.736. In addition, the notice of approval must state the beginning and ending date of eligibility and that any changes in income, address, family size, employment, education, or training must be reported to the administering agency within 10 days of the date of change. This subpart is necessary to inform the applicant of the beginning date of his or her eligibility as well as the program requirements for reporting changes that may affect eligibility.

9565.5180 DETERMINATION OF INCOME ELIGIBILITY FOR CHILD CARE ASSISTANCE

This part is necessary to establish standards for determining income eligibility.

Subpart 1. Proof of income eligibility. This subpart is necessary to inform the person applying for a child care subsidy that he or she must provide proof of income eligibility. For the purpose of determining income eligibility, annual income is the currently monthly income times 12 or the income over the last 12-month period. The standard established for annual income is reasonable because it is consistent with Minnesota Statutes, section 256H.10, subdivision 4.

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

Subp. 2. Evaluation of income of AFDC families. This subpart is necessary to inform the administering agency that the evaluation of income of AFDC families shall be determined by the rules under the AFDC program. This subpart is reasonable because no authority has been granted to alter the AFDC standards and to do so would unnecessarily complicate administering child care assistance for AFDC families.

Subp. 3. Evaluation of income of non-AFDC families. This subpart establishes standards for evaluating the income of non-AFDC families applying for child care assistance to determine whether they qualify under the income standards. Unless income is specifically excluded by statute, all earned and unearned income must be treated as income. It should be noted, however, that the child care fund does not have an asset test. Therefore, personal possessions such as homes, cars, boats, savings accounts, etc. are not included in the annual gross income calculation. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.10.

Subp. 4. Determination of annual gross income. This subpart is necessary to identify different types of income that must be evaluated to determine annual gross income. Annual gross income is the sum of gross earned income, unearned income, lump sum payments and self-employment income. In most cases, applicants for child care assistance will only have income from wages or salaries. This subpart is reasonable because it includes an evaluation of all income available to a family.

Subp. 5. Gross earned income of wage and salary employees. This subpart is necessary to define a term and establish a standard for identifying types of earned income. Gross earned income is the income from employment prior to any mandatory or voluntary payroll deduction. In order to properly identify gross income, it is necessary to identify all income that is available before taxes and payroll deductions. Since the basic sliding fee schedule for the family copayment fee is based on a family's annual gross income, it is necessary to identify types of payments that constitute gross earned income. This subpart is reasonable because it is consistent with Minnesota Statutes, sections 256H.01, subdivision 11 and 256H.10, subdivision 4.

Subp. 6. Excluded income. This subpart is necessary to identify types of income that are excluded when determining a family's annual gross income. Items A to F are specifically excluded from the definition of income by statute. Item G was added as an exclusion in the rule because spouse support "received" is treated as unearned income in subpart 12. Child or spouse support paid to a person or persons who live outside of the household is not available to be spent by the person making the payment; therefore, it should not be treated as income. Moreover, without this exclusion the support income would be counted twice in the income calculation. Once in the income calculation of the person who pays the support (if the individual has a second family) and once in the income calculation of the individual who receives the support payment. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.01, subdivision 11.

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

Subp. 7. Earned income from self-employment. This subpart is necessary to establish a standard for determining self-employment income. Minnesota Statutes, section 256H.10, subdivision 4 states "Self-employment income must be calculated based on gross receipts less operating expenses". In order to administer the child care fund properly, it is necessary to describe how self-employment income is determined. Subparts 7 to 10 deal with the determination of self-employment income. The standards for these subparts are consistent with the standards used in Minnesota Rules for AFDC (Minnesota Rules, part 9500.2380) and General Assistance (Minnesota Rules, part 9500.1225). The self-employment standards under subparts 7 to 10 do not create additional administrative requirements for the counties since the counties are currently using the same standards for determining income eligibility under AFDC and General Assistance.

Subp. 8. Self-employment deductions which are not allowed. This subpart is necessary to identify those self-employment expenses which can not be subtracted from gross receipts in order to determine self-employment earnings. As noted in subpart 7, the standards used for determining self-employment income are consistent with income determination standards for AFDC and for General Assistance. It would be unreasonable to establish a separate and different standard for the Child Care Fund since many of the child care recipients are AFDC families. Moreover, to create a different standard for non-AFDC families would require a dual system which would create serious administration problems for families at or just beyond the upper eligibility limit for AFDC. This subpart is reasonable because it is consistent with other Minnesota Rules for determining self-employment deductions.

Subp. 9. Self-employment budget period. As noted in the discussion of self-employment income under subparts 7 and 8, the self-employment budget period is consistent with the rules for determining self-employment income of AFDC and General Assistance recipients.

Subp. 10. Determination of farm income. This subpart is necessary to identify how farm income is determined. Farm income must be annualized and except for unauthorized expenses which are the same as for other self-employed individuals, farm income is gross receipts minus operating expenses. This subpart is necessary to establish a procedure which can be used to determine a farm family's income. This subpart is reasonable because it is consistent with other Minnesota Rules on AFDC and General Assistance and with Minnesota Statutes, section 256H.10, subdivision 4 which requires that annual income provide the most accurate assessment of income available.

Subp. 11. Determination of rental income. This subpart is necessary to identify how rental income is determined. It is similar to standards developed for AFDC recipients. However, since Minnesota Statutes, section 256H.11 provides child care assistance for employed persons working 10 or more hours a week, the standard for the determination of self-employment versus unearned income is the 10 hours per week standard. If a family lives on the premises, the administering agency shall deduct expenses from rental income for the number of units rented and not for the units occupied by the family. This subpart is reasonable because it is consistent with Minnesota Rules on AFDC and General Assistance.

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

Subp. 12. Determination of unearned income. This subpart is necessary to define unearned income. Annual gross income includes earned income, self-employment income, unearned income, and lump sum payments. This subpart is reasonable because it is consistent with Minnesota Rules on AFDC and General Assistance.

Subp. 13. Treatment of lump sum payments. This subpart is necessary to address lump sum payments. Lump sum payments include any non recurring income that is not included under subparts 5 to 12. Lump sum payments must be treated as either earned income or unearned income. This subpart is reasonable because it is consistent with Minnesota Rules on AFDC and General Assistance.

9565.5190 REDETERMINATION OF ELIGIBILITY

This part is necessary to establish a standard for determining when and how often a family's eligibility of a child care subsidy must be redetermined. Redetermination of eligibility for a child care subsidy is required whenever there is a change in a recipient's income, family status, employment or educational activity, or every six months whichever comes first. Due to the limited child care resources and the high demand for child care subsidies, redetermination is necessary to ensure that recipients remain eligible for a child care subsidy. However, it would be a considerable hardship on the recipient and administering agency if at each redetermination a recipient was considered a "new" applicant since a redetermination could happen a number of times each year. This would be a hardship on the recipient because the recipient could not depend on the availability of child care and this uncertainty could jeopardize participation in employment and training programs. Moreover, if each redetermination were considered a "new" application, then families on a waiting list would receive priority for assistance over the "new" applicant. Such an interpretation would make it impossible for counties to plan for child care expenditures since there would be no continuity to the program.

When a recipient's eligibility is being redetermined, the recipient must also be given the right to appeal should continued eligibility be denied. Many ongoing social service programs have redetermination procedures that grant continued program eligibility during an appeal. It would be inconsistent to treat this social service program differently. Treating a redetermination as a new application does not allow the recipient continued child care assistance during the appeal process. If the recipient is denied continued assistance and appeals that decision, even if the recipient wins the appeal, the disruption of the child care subsidy can mean the loss of the child care provider (some other family obtained the services of the child care provider) or the termination of the employment or educational program due to the inability to afford unsubsidized child care. The potential damage to a recipient's employment or educational program due to an improper eligibility determination during the redetermination process is so great assistance during an appeal must be granted to the recipient.



Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

Finally, treating the redetermination process as a new application is an arbitrary division of the eligibility period. It is the purpose of the child care fund rule to provide child care assistance until the family can transition from subsidized child care to self-sufficiency. The redetermination subpart is consistent with the standard set forth in part 9565.5050 which states, "To the extent of available allocations, a county may not refuse continued child care assistance to a family receiving a subsidy under the basic sliding fee program when there is a change in the family's financial or household status. However, the family's annual gross income may not exceed 75 percent of the state median income for a family of four, adjusted for family size, and the family must meet all other eligibility requirements under the basic sliding fee program...." However, if eligibility is being contested, assistance must be continued until the appeal is heard and a decision rendered. This part is reasonable because it is consistent with Minnesota Statutes, section 256H.10, subdivision 4.

9565.5200 QUARTERLY FINANCIAL AND PROGRAM ACTIVITY REPORTS

This part is necessary to establish standards for quarterly activity and financial reports. The reports are necessary for reimbursing counties for child care expenses and, if necessary, for reallocating unexpended or unencumbered allocations. The quarterly report is due within 20 days after the end of the quarter. This part is reasonable because it is consistent with Minnesota Statutes, section 256H.09.

9565.5210 QUARTERLY PAYMENTS

This part is necessary to establish a standard for reimbursing counties for their earnings under the child care fund. The first quarter payment will be advanced to the counties. Subsequent quarter payments will be based on actual expenditures as reported by the counties in their quarterly financial and program activity reports. This part is reasonable because it is consistent with Minnesota Statutes, section 256H.09, subdivision 2.

9565.5220 NOTICE OF NONCOMPLIANCE; FUNDING SANCTIONS

This part is necessary to establish a standard for withholding, reducing, or terminating child care funds to a county or postsecondary educational institution. It is necessary to provide a well defined procedure to insure that every opportunity is given to correct a deficiency before a sanction is invoked. The funding sanction is the last resort mechanism to correct a program deficiency. This part is reasonable because it is consistent with Minnesota Statutes, sections 256H.02 and 256H.09, subdivision 3.

9565.5230 AUDIT EXCEPTIONS

This part is necessary to establish a standard for recovering funds used for ineligible purposes. It is also necessary to provide a means of addressing federal audit exceptions. This part is reasonable because it is consistent with Minnesota Statutes, section 256H.12, subdivision 2.

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

9565.5240 FAIR HEARING PROCESS

This part is necessary to inform counties, child care subsidy applicants, and child care subsidy recipients of their rights and the procedure which shall be used for resolving disputes under the child care subsidy program.


Subpart 1. Hearing request. This subpart is necessary to inform the applicants and recipients of a child care subsidy of their right to request a fair hearing. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.19.

Subp. 2. Informal conference. This subpart is necessary to inform persons adversely affected by an agency action that they may request an informal conference to attempt to resolve the dispute and that they informal conference does not delay or replace their right to a fair hearing. This subpart is reasonable because it is consistent with Minnesota Statutes, section 256H.19.

Expert Witnesses

The Department does not plan to have outside expert witnesses testify on its behalf.

DATE: 3/25/91

  
SANDRA S. GARDEBRING  
Commissioner

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

APPENDIX

1. Current Sliding Fee Schedule (10 S.R. 1929)
2. Child Care Fund Allocations (dated 5-12-88)
3. Miscellaneous Income Information
4. AFDC Family Allowance Table
5. Up-dated tables based on FY 1989 State Median Income

## Department of Jobs and Training

### Updated Family Fee Payment Schedule for the Child Care Sliding Fee Program

Pursuant to Minnesota Rules [Emergency], part 3301.0570 (Child Care Sliding Fee Program), the Department of Jobs and Training hereby gives notice of the updated Family Fee Payment Schedule. This revised schedule is based on the 1986 state medium income estimate as published in the December 3, 1985 Federal Register. The schedules published are for family sizes two through six, and are effective until further notice. The fee schedules which have been published on this date as part of the Adopted Rules Relating to Employment, Minnesota Rules, parts 3301.0570 [Emergency] are no longer valid.

Any questions about the new schedules should be directed to:

Tom Romens  
 Room 690 American Center Building  
 St. Paul, Minnesota 55101  
 Telephone: 296-2647

March 10, 1986

Joseph Samargia, Commissioner  
 Department of Jobs and Training

Department of Jobs & Training  
 February 1, 1986

#### CHILD CARE INCOME ELIGIBILITY AND FEE SCHEDULE

Family of Two—State Median Income = \$20,934

Percentage of SMI	Annual Gross Income	Monthly Range	Family Co-Payment
Below 25%	\$0-5232	\$0-436	\$ 0
25.0	5233-5757	437-480	3
27.5	5758-6280	481-523	3
30.0	6281-6803	524-567	3
32.5	6804-7327	568-611	4
35.0	7328-7850	612-654	5
37.5	7851-8374	655-698	8
40.0	8375-8897	699-741	9
42.5	8898-9420	742-785	9
45.0	9421-9944	786-829	10
47.5	9945-10467	830-872	11

(CITE 10 S.R. 1929)

STATE REGISTER, MONDAY, MARCH 17, 1986

PAGE 1929

# OFFICIAL NOTICES

Percentage of SMI	Annual Gross Income	Monthly Range	Family Co-Payment
50.0	10468-10990	873-916	15
52.5	10991-11514	917-960	16
55.0	11515-12037	961-1003	17
57.5	12038-12560	1004-1047	18
60.0	12561-12770	1048-1064	23
61.0	12771-12979	1065-1082	31
62.0	12980-13188	1083-1099	39
63.0	13189-13398	1100-1117	47
64.0	13399-13607	1118-1134	56
65.0	13608-13816	1135-1151	65
66.0	13817-14026	1152-1169	74
67.0	14027-14235	1170-1186	83
68.0	14236-14444	1187-1204	93
69.0	14445-14654	1205-1221	102
70.0	14655-14863	1222-1239	112
71.0	14864-15072	1240-1256	123
72.0	15073-15282	1257-1274	133
73.0	15283-15491	1275-1291	144
74.0	15492-15700	1292-1308	155

## CHILD CARE INCOME ELIGIBILITY AND FEE SCHEDULE

Family of Three—State Median Income = \$25,859

Percentage of SMI	Annual Gross Income	Monthly Range	Family Co-Payment
Below 25%	\$0-6464	\$0-539	\$ 0
25.0	6465-7111	540-593	3
27.5	7112-7758	594-647	3
30.0	7759-8404	648-700	4
32.5	8405-9051	701-754	4
35.0	9052-9697	755-808	6
37.5	9698-10344	809-862	6
40.0	10345-10990	863-916	8
42.5	10991-11637	917-970	8
45.0	11638-12283	971-1024	10
47.5	12284-12930	1025-1078	10
50.0	12931-13576	1079-1131	13
52.5	13577-14223	1132-1185	14
55.0	14224-14869	1186-1239	18
57.5	14870-15516	1240-1293	19
60.0	15517-15774	1294-1315	28
61.0	15775-16033	1316-1336	37
62.0	16034-16291	1337-1358	46
63.0	16292-16550	1359-1379	56
64.0	16551-16809	1380-1401	67
65.0	16810-17067	1402-1422	78
66.0	17068-17326	1423-1444	89
67.0	17327-17584	1445-1465	100
68.0	17585-17843	1466-1487	111
69.0	17844-18102	1488-1509	122

---



---

**OFFICIAL NOTICES**

Percentage of SMI	Annual Gross Income	Monthly Range	Family Co-Payment
70.0	18103-18360	1510-1530	134
71.0	18361-18619	1531-1552	146
72.0	18620-18877	1553-1573	159
73.0	18878-19136	1574-1595	172
74.0	19137-19395	1596-1616	185

**CHILD CARE INCOME ELIGIBILITY AND FEE SCHEDULE**

Family of Four—State Median Income = \$30,785

Percentage of SMI	Annual Gross Income	Monthly Range	Family Co-Payment
Below 25%	\$0-7695	\$0-641	\$ 0
25.0	7696-8466	642-706	4
27.5	8467-9236	707-770	4
33.0	9237-10005	771-834	5
32.5	10006-10075	835-898	5
35.0	10776-11544	899-962	7
37.5	11545-12314	963-1026	10
40.0	12315-13084	1027-1090	11
42.5	13085-13853	1091-1154	11
45.0	13854-14623	1156-1219	12
47.5	14624-15393	1220-1283	13
50.0	15394-16162	1284-1347	16
52.5	16163-16932	1348-1411	17
55.0	16933-17701	1412-1475	19
57.5	17702-18471	1476-1539	20
60.0	18472-18779	1540-1565	29
61.0	18780-19087	1566-1591	39
62.0	19088-19395	1592-1616	48
63.0	19396-19702	1617-1642	57
64.0	19703-20010	1643-1668	66
65.0	20011-20318	1669-1693	76
66.0	20319-20626	1694-1719	87
67.0	20627-20934	1720-1745	98
68.0	20935-21242	1746-1770	111
69.0	21243-21550	1771-1796	122
70.0	21551-21857	1797-1821	136
71.0	21858-22165	1823-1847	150
72.0	22166-22473	1848-1873	165
73.0	22474-22781	1874-1898	180
74.0	22782-23089	1900-1924	196

**CHILD CARE INCOME ELIGIBILITY AND FEE SCHEDULE**

Family of Five—State Median Income = \$35,711

Percentage of SMI	Annual Gross Income	Monthly Range	Family Co-Payment
Below 25%	\$0-8927	\$0-744	\$ 0
25.0	8928-9820	745-818	4
27.5	9821-10713	819-893	5
30.0	10714-11606	894-967	6

## OFFICIAL NOTICES

Percentage of SMI	Annual Gross Income	Monthly Range	Family Co-Payment
32.5	11607-12499	968-1042	6
35.0	12500-13391	1043-1116	7
37.5	13392-14284	1117-1190	10
40.0	14285-15177	1191-1265	11
42.5	15178-16070	1266-1339	12
45.0	16071-16963	1340-1414	13
47.5	16964-17855	1415-1488	14
50.0	17856-18748	1489-1562	17
52.5	18749-19641	1563-1637	18
55.0	19642-20534	1638-1711	19
57.5	20535-21426	1712-1786	20
60.0	21427-21783	1787-1815	30
61.0	21784-22141	1816-1845	38
62.0	22142-22498	1846-1875	46
63.0	22499-22855	1876-1905	57
64.0	22856-23212	1906-1934	68
65.0	23213-23569	1935-1964	81
66.0	23570-23926	1965-1994	95
67.0	23927-24283	1995-2024	110
68.0	24284-24640	2025-2053	126
69.0	24641-24997	2054-2083	142
70.0	24998-25355	2084-2113	158
71.0	25356-25712	2114-2143	175
72.0	25713-26069	2144-2172	192
73.0	26070-26426	2174-2202	209
74.0	26427-26783	2203-2232	227

### CHILD CARE INCOME ELIGIBILITY AND FEE SCHEDULE

Family of Six—State Median Income = \$40,636

Percentage of SMI	Annual Gross Income	Monthly Range	Family Co-Payment
Below 25%	\$0-10158	\$0-847	\$ 0
25.0	10159-11175	848-931	4
27.5	11176-12191	932-1016	5
30.0	12192-13207	1017-1101	5
32.5	13208-14223	1102-1185	6
35.0	14224-15239	1186-1270	7
37.5	15240-16254	1271-1355	10
40.0	16255-17270	1356-1439	11
42.5	17271-18286	1440-1524	12
45.0	18287-19302	1525-1609	13
47.5	19303-20318	1610-1693	14
50.0	20319-21334	1694-1778	18
52.5	21335-22350	1779-1863	19
55.0	22351-23366	1864-1947	22
57.5	23367-24382	1948-2032	24
60.0	24383-24788	2033-2066	28
61.0	24789-25194	2067-2100	37
62.0	25195-25601	2101-2133	48

---

---

**OFFICIAL NOTICES**

<b>Percentage of SMI</b>	<b>Annual Gross Income</b>	<b>Monthly Range</b>	<b>Family Co-Payment</b>
63.0	25602-26007	2135-2167	60
64.0	26008-26414	2168-2201	72
65.0	26415-26820	2202-2235	86
66.0	26821-27226	2236-2269	98
67.0	27227-27633	2270-2303	110
68.0	27634-28039	2304-2337	125
69.0	28040-28445	2338-2370	143
70.0	28446-28852	2372-2404	161
71.0	28853-29258	2405-2438	180
72.0	29259-29664	2439-2472	199
73.0	29665-30071	2473-2506	218
74.0	30072-30477	2507-2540	238



5-12-88

## THE CHILD CARE FUND

	FISCAL YEAR 1988	FISCAL YEAR 1989	BIENNIUM
ALLOCATION:	\$12,980,300	\$13,580,100	\$26,560,400
SPECIAL ALLOCATIONS:			
Migrant Day Care Contract	121,700	121,700	243,400
Resource and Referral Grants	125,000	162,500	287,500
Service Development Grants	125,000	237,500	362,500
State Administration	100,000	100,000	200,000
CHILD CARE SUBSIDIES			
Base Sliding Fee Program (48%)	6,004,128	6,454,032	12,458,160
Set Aside Funds (52%)	6,504,472	6,504,368	13,008,840
AFDC Priority Groups (44%)	2,861,968	2,861,922	5,723,890
AFDC Post Secondary Students (40%)	2,601,789	2,601,747	5,203,536
Non-AFDC Post Secondary Students (16%)	1,040,715	1,040,699	2,081,414
Public Institutions (90% of 16%)	936,643	936,629	1,873,272
Nonprofit Programs (10% of 16%)	104,072	104,070	208,142

AFDC Employment Special Needs:

Federal funds to be drawn down on expenditures from the Child Care Fund for AFDC recipients who are in job search, job readiness, education, and training. The Federal match as of October 1, 1987 is 53.98%. October 1, 1988 and after, it will be 53.07%.

## MISCELLANEOUS INCOME INFORMATION

## I. FY 1988 MINNESOTA STATE MEDIAN INCOME 60% OF SMI

ONE PERSON HOUSEHOLD	(52%)	\$17,876	
TWO PERSON HOUSEHOLD	(68%)	\$23,376	\$14,026
THREE PERSON HOUSEHOLD	(84%)	\$28,876	\$17,326
FOUR PERSON HOUSEHOLD	(100%)	\$34,376	\$20,626
FIVE PERSON HOUSEHOLD	(116%)	\$39,876	\$23,926
SIX PERSON HOUSEHOLD	(132%)	\$45,376	\$27,226

FOR EACH ADDITIONAL PERSON ADD 3% TO 132% FOR EACH ADDITIONAL HOUSEHOLD MEMBER AND MULTIPLY BY 4 PERSON BASE FIGURE ...

SEVEN PERSON HOUSEHOLD	(135%)	\$46,408	\$27,845
EIGHT PERSON HOUSEHOLD	(138%)	\$47,439	\$28,463
NINE PERSON HOUSEHOLD	(141%)	\$48,470	\$29,082
TEN PERSON HOUSEHOLD	(144%)	\$49,501	\$29,701

SOURCE: FEDERAL REGISTER VOL. 52 NO. 160 AUGUST 19, 1987, "LOW INCOME HOME ENERGY ASSISTANCE; ANNOUNCEMENT OF THE FY 1988 STATE MEDIAN INCOME".

## II. POVERTY INCOME GUIDELINES -- SIZE OF FAMILY UNIT

ONE	\$5,770
TWO	\$7,730
THREE	\$9,690
FOUR	\$11,650
FIVE	\$13,610
SIX	\$15,570
SEVEN	\$17,530
EIGHT	\$19,490

FOR FAMILY UNITS WITH MORE THAN 8 FAMILY MEMBERS, ADD \$1,960 FOR EACH ADDITIONAL MEMBER.

SOURCE: FEDERAL REGISTER VOL. 53, NO. 29 FEBRUARY 12, 1988, PAGE 4213 "ANNUAL UPDATE OF THE POVERTY INCOME GUIDELINES".

## III. MINNESOTA MINIMUM WAGE (18 OR OLDER) FEDERAL MINIMUM WAGE

\$3.50	(through 12/31/88)	\$3.55	(through 12/31/88)
\$3.65	(through 12/31/89)	\$3.85	(through 12/31/89)
\$3.80	(after 1/1/90)	\$3.95	(after 1/1/90)

SOURCE: MINNESOTA STATUTES, section 177.24.

AFDC FAMILY ALLOWANCE TABLE  
(and 185% Values)  
July 1, 1986

Number of Children in Grant	Children Only	Plus One Adult	Plus Two Adults	Children Only Where Special Children Standard Applies
1	\$250 (463)	\$437 (809)	\$510 (944)	\$337 (623)
2	345 (638)	532 (984)	605 (1119)	437 (809)
3	434 (803)	621 (1149)	694 (1284)	532 (976)
4	510 (944)	697 (1290)	770 (1425)	621 (1149)
5	586 (1084)	773 (1430)	846 (1565)	697 (1290)
6	663 (1227)	850 (1573)	923 (1708)	773 (1430)
7	729 (1349)	916 (1695)	989 (1830)	850 (1573)
8	793 (1467)	980 (1813)	1053 (1948)	916 (1695)
9	848 (1569)	1035 (1915)	1108 (2050)	980 (1813)
10	902 (1669)	1089 (2015)	1162 (2150)	1035 (1915)
each additional child	+53	+53	+53	+53

First Adult Standard: \$187 (346)  
 Second Adult Standard: \$ 73 (135)  
 Special Adult Standard: \$250 (463)

Statement of Need and Reasonableness  
Child Care Fund -- Rule 72

Updated Tables

The tables in the Statement of Need and Reasonableness are based on FY 1988 State Median Income and 1987 State and Federal Tax Tables. Updated income figures for FY 1989 are available which indicate that state median income rose approximately 6.9 percent over FY 1988 levels. The FY 1989 state median incomes for family sizes two through ten are as follows:

Family of two	\$24,987
Family of three	\$30,867
Family of four	\$36,746
Family of five	\$42,625
Family of six	\$48,505
Family of seven	\$49,607
Family of eight	\$50,709
Family of nine	\$51,812
Family of ten	\$52,914

In addition to the change in state median income, there are three changes in the 1988 Federal Tax Tables which will result in some changes to the tables illustrated in the statement of need and reasonableness. In 1988, the standard deduction for a single head of household was raised from \$2,540 to \$4,400; the deduction for each exemption was raised from \$1,900 to \$1,950; and the maximum income which an individual could earn and qualify for the federal earned income tax credit was raised from \$15,432 to \$18,576.

The change in state median income and the federal tax changes will benefit recipients of child care assistance. As noted in the statement of need and reasonableness when state median income increases, the upper limit of eligibility also increases so more families are eligible for assistance. For example, the upper income limit for a family of two based on 75 percent of FY 1988 State Median Income is \$17,532 while 75 percent of FY 1989 State Median Income is \$18,740. A family with a fixed income would pay a lower family copayment fee since the family's percent of state median income would decrease. For example, a family of two earning \$15,000 in FY 1988 has an income equal to 64.17 percent of FY 1988 State Median Income. This same family earning \$15,000 in FY 1989 has an income equal to 60.03 percent.

The 1988 tax changes are also beneficial since they allow for greater deductions before taxes are assessed.

Attached to this appendix are updated versions of Tables 1, 2, 3, 5 [The percentages in table 4 have not changed] and Table A.

REVISED TABLE ONE MONTHLY CO-PAYMENT FEES FOR FAMILY SIZES 2 TO 10

MONTHLY FAMILY CO-PAYMENT UNDER PROPOSED SLIDING FEE SCHEDULE BASED ON FY 1989 SMI

STEP	GROSS INCOME AS A PERCENT OF STATE MEDIAN INCOME		PERCENT OF GROSS INCOME AS ANNUAL FEE	FAMILY OF TWO \$24,987	FAMILY OF THREE \$30,867	FAMILY OF FOUR \$36,746	FAMILY OF FIVE \$42,625	FAMILY OF SIX \$48,505	FAMILY OF SEVEN \$49,607	FAMILY OF EIGHT \$50,709	FAMILY OF NINE \$51,812	FAMILY OF TEN \$52,914
1	42.01 -	43.00	2.600	\$23	\$29	\$34	\$40	\$45	\$46	\$47	\$48	\$49
2	43.01 -	44.00	2.800	\$26	\$32	\$38	\$44	\$50	\$51	\$52	\$53	\$54
3	44.01 -	45.00	3.000	\$28	\$35	\$41	\$48	\$55	\$56	\$57	\$58	\$60
4	45.01 -	46.00	3.200	\$31	\$38	\$45	\$52	\$59	\$61	\$62	\$64	\$65
5	46.01 -	47.00	3.400	\$33	\$41	\$49	\$57	\$65	\$66	\$68	\$69	\$70
6	47.01 -	48.00	3.600	\$36	\$44	\$53	\$61	\$70	\$71	\$73	\$75	\$76
7	48.01 -	49.00	3.800	\$39	\$48	\$57	\$66	\$75	\$77	\$79	\$80	\$82
8	49.01 -	50.00	4.000	\$42	\$51	\$61	\$71	\$81	\$83	\$85	\$86	\$88
9	50.01 -	50.50	4.200	\$44	\$55	\$65	\$75	\$86	\$88	\$90	\$92	\$94
10	50.51 -	51.00	4.400	\$47	\$58	\$69	\$80	\$91	\$93	\$95	\$97	\$99
11	51.01 -	51.50	4.600	\$49	\$61	\$73	\$84	\$96	\$98	\$100	\$102	\$104
12	51.51 -	52.00	4.800	\$52	\$64	\$76	\$89	\$101	\$103	\$105	\$108	\$110
13	52.01 -	52.50	5.000	\$55	\$68	\$80	\$93	\$106	\$109	\$111	\$113	\$116
14	52.51 -	53.00	5.200	\$57	\$71	\$84	\$98	\$111	\$114	\$116	\$119	\$122
15	53.01 -	53.50	5.400	\$60	\$74	\$88	\$103	\$117	\$119	\$122	\$125	\$127
16	53.51 -	54.00	5.600	\$63	\$78	\$93	\$107	\$122	\$125	\$128	\$131	\$133
17	54.01 -	54.50	5.800	\$66	\$81	\$97	\$112	\$128	\$131	\$134	\$136	\$139
18	54.51 -	55.00	6.000	\$69	\$85	\$101	\$117	\$133	\$136	\$139	\$142	\$146
19	55.01 -	55.50	6.250	\$72	\$89	\$106	\$123	\$140	\$143	\$147	\$150	\$153
20	55.51 -	56.00	6.500	\$76	\$94	\$111	\$129	\$147	\$150	\$154	\$157	\$161
21	56.01 -	56.50	6.750	\$79	\$98	\$117	\$135	\$154	\$158	\$161	\$165	\$168
22	56.51 -	57.00	7.000	\$83	\$103	\$122	\$142	\$161	\$165	\$169	\$172	\$176
23	57.01 -	57.50	7.250	\$87	\$107	\$128	\$148	\$169	\$172	\$176	\$180	\$184
24	57.51 -	58.00	7.500	\$91	\$112	\$133	\$155	\$176	\$180	\$184	\$188	\$192
25	58.01 -	58.50	7.750	\$94	\$117	\$139	\$161	\$183	\$187	\$192	\$196	\$200
26	58.51 -	59.00	8.000	\$98	\$121	\$145	\$168	\$191	\$195	\$199	\$204	\$208
27	59.01 -	59.50	8.250	\$102	\$126	\$150	\$174	\$198	\$203	\$207	\$212	\$216
28	59.51 -	60.00	8.500	\$106	\$131	\$156	\$181	\$206	\$211	\$216	\$220	\$225
29	60.01 -	60.50	8.750	\$110	\$136	\$162	\$188	\$214	\$219	\$224	\$229	\$233
30	60.51 -	61.00	9.000	\$114	\$141	\$168	\$195	\$222	\$227	\$232	\$237	\$242
31	61.01 -	61.50	9.250	\$118	\$146	\$174	\$202	\$230	\$235	\$240	\$246	\$251
32	61.51 -	62.00	9.500	\$123	\$152	\$180	\$209	\$238	\$243	\$249	\$254	\$260
33	62.01 -	62.50	9.750	\$127	\$157	\$187	\$216	\$246	\$252	\$258	\$263	\$269
34	62.51 -	63.00	10.000	\$131	\$162	\$193	\$224	\$255	\$260	\$266	\$272	\$278
35	63.01 -	63.50	10.300	\$136	\$168	\$200	\$232	\$264	\$270	\$276	\$282	\$288
36	63.51 -	64.00	10.600	\$141	\$175	\$208	\$241	\$274	\$280	\$287	\$293	\$299
37	64.01 -	64.50	10.900	\$146	\$181	\$215	\$250	\$284	\$291	\$297	\$304	\$310
38	64.51 -	65.00	11.200	\$152	\$187	\$223	\$259	\$294	\$301	\$308	\$314	\$321
39	65.01 -	65.50	11.500	\$157	\$194	\$231	\$268	\$304	\$311	\$318	\$325	\$332
40	65.51 -	66.00	11.800	\$162	\$200	\$238	\$277	\$315	\$322	\$329	\$336	\$343
41	66.01 -	66.50	12.100	\$168	\$207	\$246	\$286	\$325	\$333	\$340	\$347	\$355
42	66.51 -	67.00	12.400	\$173	\$214	\$254	\$295	\$336	\$343	\$351	\$359	\$366
43	67.01 -	67.50	12.700	\$179	\$221	\$263	\$305	\$347	\$354	\$362	\$370	\$378
44	67.51 -	68.00	13.000	\$184	\$227	\$271	\$314	\$357	\$365	\$374	\$382	\$390
45	68.01 -	68.50	13.300	\$190	\$234	\$279	\$324	\$368	\$377	\$385	\$393	\$402
46	68.51 -	69.00	13.600	\$195	\$241	\$287	\$333	\$379	\$388	\$397	\$405	\$414
47	69.01 -	69.50	13.900	\$201	\$248	\$296	\$343	\$390	\$399	\$408	\$417	\$426
48	69.51 -	70.00	14.200	\$207	\$256	\$304	\$353	\$402	\$411	\$420	\$429	\$438
49	70.01 -	70.50	14.500	\$213	\$263	\$313	\$363	\$413	\$423	\$432	\$441	\$451
50	70.51 -	71.00	14.800	\$219	\$270	\$322	\$373	\$425	\$434	\$444	\$454	\$463
51	71.01 -	71.50	15.100	\$225	\$278	\$331	\$384	\$436	\$446	\$456	\$466	\$476
52	71.51 -	72.00	15.400	\$231	\$285	\$340	\$394	\$448	\$458	\$469	\$479	\$489
53	72.01 -	72.50	15.700	\$237	\$293	\$349	\$404	\$460	\$471	\$481	\$491	\$502
54	72.51 -	73.00	16.000	\$243	\$300	\$358	\$415	\$472	\$483	\$494	\$504	\$515
55	73.01 -	73.50	16.300	\$249	\$308	\$367	\$426	\$484	\$495	\$506	\$517	\$528
56	73.51 -	74.00	16.600	\$256	\$316	\$376	\$436	\$497	\$508	\$519	\$530	\$542
57	74.01 -	74.50	16.900	\$262	\$324	\$386	\$447	\$509	\$520	\$532	\$544	\$555
58	74.51 -	75.00	17.200	\$269	\$332	\$395	\$458	\$521	\$533	\$545	\$557	\$569

REVISED TABLE A EFFECT OF EITC ON CHILD CARE FEE FOR A FAMILY OF TWO

BASED ON PROPOSED CO-PAYMENT FEE, FY 1989 SMI, AND 1988 FEDERAL EITC

PERCENT SMI	ANNUAL INCOME BEFORE EITC	ANNUAL EITC	MONTHLY EITC	PROPOSED MONTHLY CO-PAYMENT FEE	CO-PAYMENT FEE MINUS EITC	CURRENT MONTHLY SLIDING FEE
42.00	\$10,495	\$809	\$67	\$20	(\$47)	\$15
43.00	\$10,744	\$784	\$65	\$23	(\$42)	\$15
44.00	\$10,994	\$759	\$63	\$26	(\$37)	\$16
45.00	\$11,244	\$734	\$61	\$28	(\$33)	\$16
46.00	\$11,494	\$709	\$59	\$31	(\$28)	\$16
47.00	\$11,744	\$684	\$57	\$33	(\$24)	\$17
48.00	\$11,994	\$659	\$55	\$36	(\$19)	\$17
49.00	\$12,244	\$634	\$53	\$39	(\$14)	\$18
50.00	\$12,494	\$609	\$51	\$42	(\$9)	\$18
51.00	\$12,743	\$584	\$49	\$47	(\$2)	\$23
52.00	\$12,993	\$559	\$47	\$52	\$5	\$39
53.00	\$13,243	\$534	\$45	\$57	\$13	\$47
54.00	\$13,493	\$509	\$42	\$63	\$21	\$56
55.00	\$13,743	\$484	\$40	\$69	\$29	\$65
56.00	\$13,993	\$459	\$38	\$76	\$38	\$74
57.00	\$14,243	\$434	\$36	\$83	\$47	\$93
58.00	\$14,492	\$409	\$34	\$91	\$57	\$102
59.00	\$14,742	\$384	\$32	\$98	\$66	\$112
60.00	\$14,992	\$359	\$30	\$106	\$76	\$122
61.00	\$15,242	\$334	\$28	\$114	\$86	\$133
62.00	\$15,492	\$309	\$26	\$123	\$97	\$155
63.00	\$15,742	\$284	\$24	\$131	\$107	N/A
64.00	\$15,992	\$259	\$22	\$141	\$119	N/A
65.00	\$16,242	\$234	\$20	\$152	\$133	N/A
66.00	\$16,491	\$209	\$17	\$162	\$145	N/A
67.00	\$16,741	\$184	\$15	\$173	\$158	N/A
68.00	\$16,991	\$159	\$13	\$184	\$171	N/A
69.00	\$17,241	\$134	\$11	\$195	\$184	N/A
70.00	\$17,491	\$109	\$9	\$207	\$198	N/A
71.00	\$17,741	\$84	\$7	\$219	\$212	N/A
72.00	\$17,991	\$59	\$5	\$231	\$226	N/A
73.00	\$18,241	\$34	\$3	\$243	\$240	N/A
74.00	\$18,490	\$9	\$1	\$256	\$255	N/A
75.00	\$18,740	\$0	\$0	\$269	\$269	N/A

N/A -- MEANS NOT APPLICABLE -- UPPER INCOME LIMIT IN 1986 WAS \$15,700  
 EITC -- MEANS EARNED INCOME TAX CREDIT

REVISED TABLE TWO CHILD CARE COSTS VS HOURS OF WORK PER WEEK

BASED ON FY 1989 STATE MEDIAN INCOME

FAMILY OF TWO

PERCENT SMI	GROSS INCOME	HOURLY WAGE	CHILD CARE COSTS*	CHILD CARE COST PER WEEK	HOURS OF LABOR PER WEEK FOR CHILD CARE
40.00%	\$9,995	\$4.81	\$240	\$4.62	0.96
45.00%	\$11,244	\$5.41	\$337	\$6.49	1.20
50.00%	\$12,494	\$6.01	\$500	\$9.61	1.60
55.00%	\$13,743	\$6.61	\$825	\$15.86	2.40
60.00%	\$14,992	\$7.21	\$1,274	\$24.51	3.40
65.00%	\$16,242	\$7.81	\$1,819	\$34.98	4.48
70.00%	\$17,491	\$8.41	\$2,484	\$47.76	5.68
75.00%	\$18,740	\$9.01	\$2,880	\$55.38	6.15
100.00%	\$24,987	\$12.01	\$2,880	\$55.38	4.61

FAMILY OF THREE

PERCENT SMI	GROSS INCOME	HOURLY WAGE	CHILD CARE COSTS*	CHILD CARE COST PER WEEK	HOURS OF LABOR PER WEEK FOR CHILD CARE
40.00%	\$12,347	\$5.94	\$240	\$4.62	0.78
45.00%	\$13,890	\$6.68	\$417	\$8.01	1.20
50.00%	\$15,434	\$7.42	\$617	\$11.87	1.60
55.00%	\$16,977	\$8.16	\$1,019	\$19.59	2.40
60.00%	\$18,520	\$8.90	\$1,574	\$30.27	3.40
65.00%	\$20,064	\$9.65	\$2,247	\$43.21	4.48
70.00%	\$21,607	\$10.39	\$3,068	\$59.00	5.68
75.00%	\$23,150	\$11.13	\$3,982	\$76.57	6.88
100.00%	\$30,867	\$14.84	\$5,760	\$110.77	7.46

FAMILY OF FOUR

PERCENT SMI	GROSS INCOME	HOURLY WAGE	CHILD CARE COSTS*	CHILD CARE COST PER WEEK	HOURS OF LABOR PER WEEK FOR CHILD CARE
40.00%	\$14,698	\$7.07	\$240	\$4.62	0.65
45.00%	\$16,536	\$7.95	\$496	\$9.54	1.20
50.00%	\$18,373	\$8.83	\$735	\$14.13	1.60
55.00%	\$20,210	\$9.72	\$1,213	\$23.32	2.40
60.00%	\$22,048	\$10.60	\$1,874	\$36.04	3.40
65.00%	\$23,885	\$11.48	\$2,675	\$51.44	4.48
70.00%	\$25,722	\$12.37	\$3,653	\$70.24	5.68
75.00%	\$27,560	\$13.25	\$4,740	\$91.16	6.88
100.00%	\$36,746	\$17.67	\$8,640	\$166.15	9.41

\* CHILD CARE COSTS ARE DETERMINED BY FAMILY SIZE AND INCOME  
CHILD CARE COSTS ARE ESTIMATED TO BE \$240 PER CHILD/MONTH

REVISED TABLE THREE SELECTED NET INCOME AFTER TAXES AND CHILD CARE

BASED ON FY 1989 STATE MEDIAN INCOME AND 1988 TAX TABLES

FAMILY OF TWO

PERCENT OF SMI	GROSS INCOME	SOCIAL SECURITY TAX	EARNED INCOME TAX CREDIT	TAXABLE INCOME	FEDERAL INCOME TAX	STATE INCOME TAX	NET TAX	CHILD CARE COSTS	FEDERAL CHILD CARE CREDIT	STATE CHILD CARE CREDIT	NET CHILD CARE COSTS	INCOME AFTER TAXES & CHILD CARE COSTS
40.00%	\$9,995	\$751	\$859	\$1,695	\$253	\$99	\$244	\$240	\$72	\$72	\$96	\$9,655
45.00%	\$11,244	\$844	\$734	\$2,944	\$441	\$177	\$728	\$337	\$98	\$98	\$141	\$10,374
50.00%	\$12,494	\$938	\$609	\$4,194	\$626	\$249	\$1,204	\$500	\$140	\$140	\$220	\$11,069
55.00%	\$13,743	\$1,032	\$484	\$5,443	\$814	\$327	\$1,689	\$825	\$231	\$231	\$363	\$11,691
60.00%	\$14,992	\$1,126	\$359	\$6,692	\$1,001	\$399	\$2,167	\$1,274	\$344	\$344	\$586	\$12,239
65.00%	\$16,242	\$1,220	\$234	\$7,942	\$1,189	\$477	\$2,652	\$1,819	\$473	\$408	\$938	\$12,652
70.00%	\$17,491	\$1,314	\$109	\$9,191	\$1,376	\$549	\$3,130	\$2,484	\$624	\$372	\$1,488	\$12,873
75.00%	\$18,740	\$1,407	\$0	\$10,440	\$1,564	\$627	\$3,598	\$3,223	\$600	\$324	\$2,299	\$12,843

FAMILY OF THREE

PERCENT OF SMI	GROSS INCOME	SOCIAL SECURITY TAX	EARNED INCOME TAX CREDIT	TAXABLE INCOME	FEDERAL INCOME TAX	STATE INCOME TAX	NET TAX	CHILD CARE COSTS	FEDERAL CHILD CARE CREDIT	STATE CHILD CARE CREDIT	NET CHILD CARE COSTS	INCOME AFTER TAXES & CHILD CARE COSTS
40.00%	\$12,347	\$927	\$624	\$2,097	\$313	\$123	\$739	\$240	\$67	\$67	\$106	\$11,502
45.00%	\$13,890	\$1,043	\$469	\$3,640	\$544	\$219	\$1,337	\$417	\$117	\$117	\$183	\$12,370
50.00%	\$15,434	\$1,159	\$314	\$5,184	\$776	\$309	\$1,930	\$617	\$167	\$167	\$283	\$13,220
55.00%	\$16,977	\$1,275	\$159	\$6,727	\$1,009	\$405	\$2,530	\$1,019	\$265	\$265	\$489	\$13,958
60.00%	\$18,520	\$1,391	\$7	\$8,270	\$1,241	\$495	\$3,120	\$1,574	\$394	\$168	\$1,013	\$14,388
65.00%	\$20,064	\$1,507	\$0	\$9,814	\$1,474	\$591	\$3,572	\$2,247	\$539	\$72	\$1,636	\$14,856
70.00%	\$21,607	\$1,623	\$0	\$11,357	\$1,706	\$681	\$4,010	\$3,068	\$736	\$0	\$2,332	\$15,266
75.00%	\$23,150	\$1,739	\$0	\$12,900	\$1,939	\$777	\$4,455	\$3,982	\$916	\$0	\$3,066	\$15,630

FAMILY OF FOUR

PERCENT OF SMI	GROSS INCOME	SOCIAL SECURITY TAX	EARNED INCOME TAX CREDIT	TAXABLE INCOME	FEDERAL INCOME TAX	STATE INCOME TAX	NET TAX	CHILD CARE COSTS	FEDERAL CHILD CARE CREDIT	STATE CHILD CARE CREDIT	NET CHILD CARE COSTS	INCOME AFTER TAXES & CHILD CARE COSTS
40.00%	\$14,698	\$1,104	\$389	\$2,498	\$373	\$147	\$1,235	\$240	\$65	\$65	\$110	\$13,353
45.00%	\$16,536	\$1,242	\$204	\$4,336	\$649	\$261	\$1,948	\$496	\$129	\$0	\$367	\$14,221
50.00%	\$18,373	\$1,380	\$22	\$6,173	\$926	\$369	\$2,653	\$735	\$184	\$0	\$551	\$15,169
55.00%	\$20,210	\$1,518	\$0	\$8,010	\$1,204	\$483	\$3,205	\$1,213	\$291	\$0	\$922	\$16,084
60.00%	\$22,048	\$1,656	\$0	\$9,848	\$1,474	\$591	\$3,721	\$1,874	\$431	\$0	\$1,443	\$16,884
65.00%	\$23,885	\$1,794	\$0	\$11,685	\$1,751	\$699	\$4,244	\$2,675	\$615	\$0	\$2,060	\$17,581
70.00%	\$25,722	\$1,932	\$0	\$13,522	\$2,029	\$813	\$4,774	\$3,653	\$804	\$0	\$2,849	\$18,099
75.00%	\$27,560	\$2,070	\$0	\$15,360	\$2,306	\$921	\$5,297	\$4,740	\$995	\$0	\$3,745	\$18,518

STATE CHILD CARE TAX CREDITS -- SUBSIDIES RECEIVED UNDER THE SLIDING FEE SCHEDULE ARE TREATED AS INCOME.  
 1988 FEDERAL INCOME TAX STANDARD DEDUCTIONS  
 HEAD OF HOUSEHOLD \$4,400  
 EACH EXEMPTION \$1,950



TABLE FIVE FISCAL IMPACT OF PROPOSED SLIDING FEE ON A FAMILY OF 2 (PART 1 OF 3)

REVISED TABLE FIVE BASED ON FY 1989 SMI AND 1988 TAX TABLES

STEP	PERCENT OF SMI	PERCENT OF GROSS INCOME	SMI \$24,987	HOURLY WAGE	FAMILY OF TWO ANNUAL FEE	FAMILY OF TWO MONTHLY	CURRENT FEE SCHEDULE	FEDERAL CHILD CARE TAX CREDIT	STATE CHILD CARE TAX CREDIT	TOTAL TAX CREDIT (MONTHLY)	NET MONTHLY FEE
1	42.01 - 43.00	2.600	\$10,744	\$5.17	\$279	\$23	\$15				
2	43.01 - 44.00	2.800	\$10,994	\$5.29	\$308	\$26	\$16				
3	44.01 - 45.00	3.000	\$11,244	\$5.41	\$337	\$28	\$16	\$98	\$98	\$16	\$12
4	45.01 - 46.00	3.200	\$11,494	\$5.53	\$368	\$31	\$16				
5	46.01 - 47.00	3.400	\$11,744	\$5.65	\$399	\$33	\$17				
6	47.01 - 48.00	3.600	\$11,994	\$5.77	\$432	\$36	\$17				
7	48.01 - 49.00	3.800	\$12,244	\$5.89	\$465	\$39	\$18				
8	49.01 - 50.00	4.000	\$12,494	\$6.01	\$500	\$42	\$18	\$140	\$140	\$23	\$18
9	50.01 - 50.50	4.200	\$12,618	\$6.07	\$530	\$44	\$23				
10	50.51 - 51.00	4.400	\$12,743	\$6.13	\$561	\$47	\$23				
11	51.01 - 51.50	4.600	\$12,868	\$6.19	\$592	\$49	\$31				
12	51.51 - 52.00	4.800	\$12,993	\$6.25	\$624	\$52	\$39				
13	52.01 - 52.50	5.000	\$13,118	\$6.31	\$656	\$55	\$39				
14	52.51 - 53.00	5.200	\$13,243	\$6.37	\$689	\$57	\$47				
15	53.01 - 53.50	5.400	\$13,368	\$6.43	\$722	\$60	\$47				
16	53.51 - 54.00	5.600	\$13,493	\$6.49	\$756	\$63	\$56				
17	54.01 - 54.50	5.800	\$13,618	\$6.55	\$790	\$66	\$65				
18	54.51 - 55.00	6.000	\$13,743	\$6.61	\$825	\$69	\$65	\$231	\$231	\$39	\$30
19	55.01 - 55.50	6.250	\$13,868	\$6.67	\$867	\$72	\$74				
20	55.51 - 56.00	6.500	\$13,993	\$6.73	\$910	\$76	\$74				
21	56.01 - 56.50	6.750	\$14,118	\$6.79	\$953	\$79	\$83				
22	56.51 - 57.00	7.000	\$14,243	\$6.85	\$997	\$83	\$93				
23	57.01 - 57.50	7.250	\$14,368	\$6.91	\$1,042	\$87	\$93				
24	57.51 - 58.00	7.500	\$14,492	\$6.97	\$1,087	\$91	\$102				
25	58.01 - 58.50	7.750	\$14,617	\$7.03	\$1,133	\$94	\$102				
26	58.51 - 59.00	8.000	\$14,742	\$7.09	\$1,179	\$98	\$112				
27	59.01 - 59.50	8.250	\$14,867	\$7.15	\$1,227	\$102	\$123				
28	59.51 - 60.00	8.500	\$14,992	\$7.21	\$1,274	\$106	\$123	\$344	\$344	\$57	\$49
29	60.01 - 60.50	8.750	\$15,117	\$7.27	\$1,323	\$110	\$133				
30	60.51 - 61.00	9.000	\$15,242	\$7.33	\$1,372	\$114	\$133				
31	61.01 - 61.50	9.250	\$15,367	\$7.39	\$1,421	\$118	\$144				
32	61.51 - 62.00	9.500	\$15,492	\$7.45	\$1,472	\$123	\$155				
33	62.01 - 62.50	9.750	\$15,617	\$7.51	\$1,523	\$127	\$155				
34	62.51 - 63.00	10.000	\$15,742	\$7.57	\$1,574	\$131	N/A				
35	63.01 - 63.50	10.300	\$15,867	\$7.63	\$1,634	\$136	N/A				
36	63.51 - 64.00	10.600	\$15,992	\$7.69	\$1,695	\$141	N/A				
37	64.01 - 64.50	10.900	\$16,117	\$7.75	\$1,757	\$146	N/A				
38	64.51 - 65.00	11.200	\$16,242	\$7.81	\$1,819	\$152	N/A	\$473	\$408	\$73	\$78
39	65.01 - 65.50	11.500	\$16,366	\$7.87	\$1,882	\$157	N/A				
40	65.51 - 66.00	11.800	\$16,491	\$7.93	\$1,946	\$162	N/A				
41	66.01 - 66.50	12.100	\$16,616	\$7.99	\$2,011	\$168	N/A				
42	66.51 - 67.00	12.400	\$16,741	\$8.05	\$2,076	\$173	N/A				
43	67.01 - 67.50	12.700	\$16,866	\$8.11	\$2,142	\$179	N/A				
44	67.51 - 68.00	13.000	\$16,991	\$8.17	\$2,209	\$184	N/A				
45	68.01 - 68.50	13.300	\$17,116	\$8.23	\$2,276	\$190	N/A				
46	68.51 - 69.00	13.600	\$17,241	\$8.29	\$2,345	\$195	N/A				
47	69.01 - 69.50	13.900	\$17,366	\$8.35	\$2,414	\$201	N/A				
48	69.51 - 70.00	14.200	\$17,491	\$8.41	\$2,484	\$207	N/A	\$624	\$372	\$83	\$124
49	70.01 - 70.50	14.500	\$17,616	\$8.47	\$2,554	\$213	N/A				
50	70.51 - 71.00	14.800	\$17,741	\$8.53	\$2,626	\$219	N/A				
51	71.01 - 71.50	15.100	\$17,866	\$8.59	\$2,698	\$225	N/A				
52	71.51 - 72.00	15.400	\$17,991	\$8.65	\$2,771	\$231	N/A				
53	72.01 - 72.50	15.700	\$18,116	\$8.71	\$2,844	\$237	N/A				
54	72.51 - 73.00	16.000	\$18,241	\$8.77	\$2,918	\$243	N/A				
55	73.01 - 73.50	16.300	\$18,365	\$8.83	\$2,994	\$249	N/A				
56	73.51 - 74.00	16.600	\$18,490	\$8.89	\$3,069	\$256	N/A				
57	74.01 - 74.50	16.900	\$18,615	\$8.95	\$3,146	\$262	N/A				
58	74.51 - 75.00	17.200	\$18,740	\$9.01	\$3,223	\$269	N/A	\$600	\$324	\$77	\$192

TABLE FIVE FISCAL IMPACT OF PROPOSED SLIDING FEE ON A FAMILY OF 3 (PART 2 OF 3)

REVISED TABLE FIVE BASED ON FY 1989 SMI AND 1988 TAX TABLES

STEP	PERCENT OF SMI	PERCENT OF GROSS INCOME	SMI \$30,867	HOURLY WAGE	FAMILY OF THREE ANNUAL FEE	FAMILY OF THREE MONTHLY	CURRENT FEE SCHEDULE	FEDERAL CHILD CARE TAX CREDIT	STATE CHILD CARE TAX CREDIT	TOTAL TAX CREDIT (MONTHLY)	NET MONTHLY FEE
1	42.01 - 43.00	2.600	\$13,273	\$6.38	\$345	\$29	\$13				
2	43.01 - 44.00	2.800	\$13,581	\$6.53	\$380	\$32	\$14				
3	44.01 - 45.00	3.000	\$13,890	\$6.68	\$417	\$35	\$14	\$117	\$117	\$20	\$15
4	45.01 - 46.00	3.200	\$14,199	\$6.83	\$454	\$38	\$14				
5	46.01 - 47.00	3.400	\$14,507	\$6.97	\$493	\$41	\$18				
6	47.01 - 48.00	3.600	\$14,816	\$7.12	\$533	\$44	\$18				
7	48.01 - 49.00	3.800	\$15,125	\$7.27	\$575	\$48	\$19				
8	49.01 - 50.00	4.000	\$15,434	\$7.42	\$617	\$51	\$19	\$167	\$167	\$28	\$24
9	50.01 - 50.50	4.200	\$15,588	\$7.49	\$655	\$55	\$28				
10	50.51 - 51.00	4.400	\$15,742	\$7.57	\$693	\$58	\$28				
11	51.01 - 51.50	4.600	\$15,897	\$7.64	\$731	\$61	\$37				
12	51.51 - 52.00	4.800	\$16,051	\$7.72	\$770	\$64	\$46				
13	52.01 - 52.50	5.000	\$16,205	\$7.79	\$810	\$68	\$46				
14	52.51 - 53.00	5.200	\$16,360	\$7.87	\$851	\$71	\$56				
15	53.01 - 53.50	5.400	\$16,514	\$7.94	\$892	\$74	\$56				
16	53.51 - 54.00	5.600	\$16,668	\$8.01	\$933	\$78	\$67				
17	54.01 - 54.50	5.800	\$16,823	\$8.09	\$976	\$81	\$78				
18	54.51 - 55.00	6.000	\$16,977	\$8.16	\$1,019	\$85	\$78	\$265	\$265	\$44	\$41
19	55.01 - 55.50	6.250	\$17,131	\$8.24	\$1,071	\$89	\$89				
20	55.51 - 56.00	6.500	\$17,286	\$8.31	\$1,124	\$94	\$89				
21	56.01 - 56.50	6.750	\$17,440	\$8.38	\$1,177	\$98	\$100				
22	56.51 - 57.00	7.000	\$17,594	\$8.46	\$1,232	\$103	\$103				
23	57.01 - 57.50	7.250	\$17,749	\$8.53	\$1,287	\$107	\$111				
24	57.51 - 58.00	7.500	\$17,903	\$8.61	\$1,343	\$112	\$122				
25	58.01 - 58.50	7.750	\$18,057	\$8.68	\$1,399	\$117	\$122				
26	58.51 - 59.00	8.000	\$18,212	\$8.76	\$1,457	\$121	\$134				
27	59.01 - 59.50	8.250	\$18,366	\$8.83	\$1,515	\$126	\$146				
28	59.51 - 60.00	8.500	\$18,520	\$8.90	\$1,574	\$131	\$146	\$394	\$168	\$47	\$84
29	60.01 - 60.50	8.750	\$18,675	\$8.98	\$1,634	\$136	\$159				
30	60.51 - 61.00	9.000	\$18,829	\$9.05	\$1,695	\$141	\$159				
31	61.01 - 61.50	9.250	\$18,983	\$9.13	\$1,756	\$146	\$172				
32	61.51 - 62.00	9.500	\$19,138	\$9.20	\$1,818	\$152	\$185				
33	62.01 - 62.50	9.750	\$19,292	\$9.27	\$1,881	\$157	\$185				
34	62.51 - 63.00	10.000	\$19,446	\$9.35	\$1,945	\$162	N/A				
35	63.01 - 63.50	10.300	\$19,601	\$9.42	\$2,019	\$168	N/A				
36	63.51 - 64.00	10.600	\$19,755	\$9.50	\$2,094	\$175	N/A				
37	64.01 - 64.50	10.900	\$19,909	\$9.57	\$2,170	\$181	N/A				
38	64.51 - 65.00	11.200	\$20,064	\$9.65	\$2,247	\$187	N/A	\$539	\$72	\$51	\$136
39	65.01 - 65.50	11.500	\$20,218	\$9.72	\$2,325	\$194	N/A				
40	65.51 - 66.00	11.800	\$20,372	\$9.79	\$2,404	\$200	N/A				
41	66.01 - 66.50	12.100	\$20,527	\$9.87	\$2,484	\$207	N/A				
42	66.51 - 67.00	12.400	\$20,681	\$9.94	\$2,564	\$214	N/A				
43	67.01 - 67.50	12.700	\$20,835	\$10.02	\$2,646	\$221	N/A				
44	67.51 - 68.00	13.000	\$20,990	\$10.09	\$2,729	\$227	N/A				
45	68.01 - 68.50	13.300	\$21,144	\$10.17	\$2,812	\$234	N/A				
46	68.51 - 69.00	13.600	\$21,298	\$10.24	\$2,897	\$241	N/A				
47	69.01 - 69.50	13.900	\$21,453	\$10.31	\$2,982	\$248	N/A				
48	69.51 - 70.00	14.200	\$21,607	\$10.39	\$3,068	\$256	N/A	\$736	\$0	\$61	\$194
49	70.01 - 70.50	14.500	\$21,761	\$10.46	\$3,155	\$263	N/A				
50	70.51 - 71.00	14.800	\$21,916	\$10.54	\$3,244	\$270	N/A				
51	71.01 - 71.50	15.100	\$22,070	\$10.61	\$3,333	\$278	N/A				
52	71.51 - 72.00	15.400	\$22,224	\$10.68	\$3,423	\$285	N/A				
53	72.01 - 72.50	15.700	\$22,379	\$10.76	\$3,513	\$293	N/A				
54	72.51 - 73.00	16.000	\$22,533	\$10.83	\$3,605	\$300	N/A				
55	73.01 - 73.50	16.300	\$22,687	\$10.91	\$3,698	\$308	N/A				
56	73.51 - 74.00	16.600	\$22,842	\$10.98	\$3,792	\$316	N/A				
57	74.01 - 74.50	16.900	\$22,996	\$11.06	\$3,886	\$324	N/A				
58	74.51 - 75.00	17.200	\$23,150	\$11.13	\$3,982	\$332	N/A	\$916	\$0	\$76	\$255

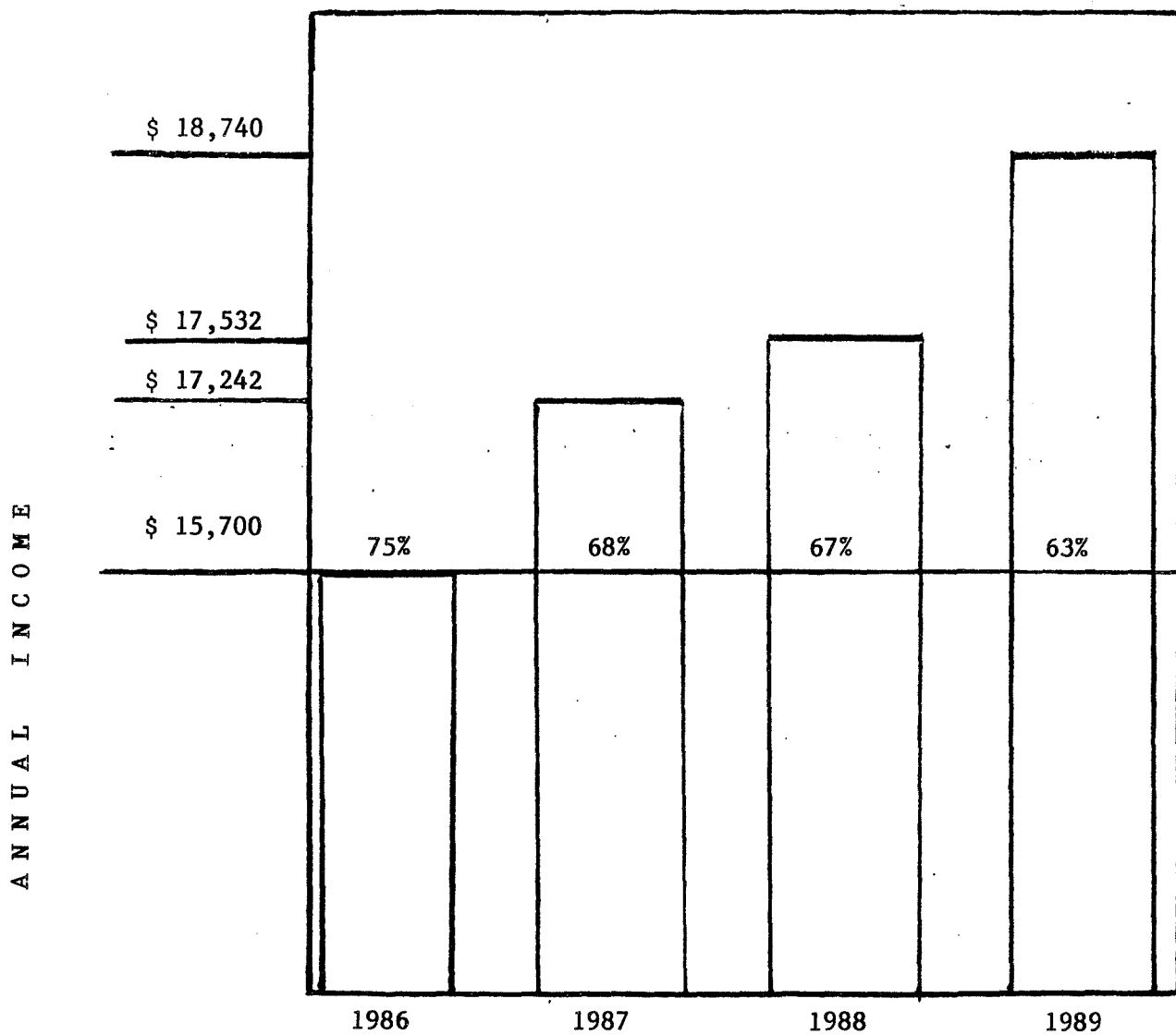
TABLE FIVE FISCAL IMPACT OF PROPOSED SLIDING FEE ON A FAMILY OF 4 (PART 3 OF 3)

REVISED TABLE FIVE BASED ON FY 1989 SMI AND 1988 TAX TABLES

STEP	PERCENT OF SMI	PERCENT OF GROSS INCOME	SMI \$36,746	HOURLY WAGE	FAMILY OF FOUR ANNUAL FEE	FAMILY OF FOUR MONTHLY	CURRENT FEE SCHEDULE	FEDERAL CHILD CARE TAX CREDIT	STATE CHILD CARE TAX CREDIT	TOTAL TAX CREDIT (MONTHLY)	NET MONTHLY FEE
1	42.01 - 43.00	2.600	\$15,801	\$7.60	\$411	\$34	\$16				
2	43.01 - 44.00	2.800	\$16,168	\$7.77	\$453	\$38	\$17				
3	44.01 - 45.00	3.000	\$16,536	\$7.95	\$496	\$41	\$17	\$129	\$0	\$11	\$31
4	45.01 - 46.00	3.200	\$16,903	\$8.13	\$541	\$45	\$17				
5	46.01 - 47.00	3.400	\$17,271	\$8.30	\$587	\$49	\$19				
6	47.01 - 48.00	3.600	\$17,638	\$8.48	\$635	\$53	\$19				
7	48.01 - 49.00	3.800	\$18,006	\$8.66	\$684	\$57	\$20				
8	49.01 - 50.00	4.000	\$18,373	\$8.83	\$735	\$61	\$20	\$184	\$0	\$15	\$46
9	50.01 - 50.50	4.200	\$18,557	\$8.92	\$779	\$65	\$29				
10	50.51 - 51.00	4.400	\$18,740	\$9.01	\$825	\$69	\$29				
11	51.01 - 51.50	4.600	\$18,924	\$9.10	\$871	\$73	\$39				
12	51.51 - 52.00	4.800	\$19,108	\$9.19	\$917	\$76	\$48				
13	52.01 - 52.50	5.000	\$19,292	\$9.27	\$965	\$80	\$48				
14	52.51 - 53.00	5.200	\$19,475	\$9.36	\$1,013	\$84	\$57				
15	53.01 - 53.50	5.400	\$19,659	\$9.45	\$1,062	\$88	\$57				
16	53.51 - 54.00	5.600	\$19,843	\$9.54	\$1,111	\$93	\$66				
17	54.01 - 54.50	5.800	\$20,027	\$9.63	\$1,162	\$97	\$76				
18	54.51 - 55.00	6.000	\$20,210	\$9.72	\$1,213	\$101	\$76	\$291	\$0	\$24	\$77
19	55.01 - 55.50	6.250	\$20,394	\$9.80	\$1,275	\$106	\$87				
20	55.51 - 56.00	6.500	\$20,578	\$9.89	\$1,338	\$111	\$87				
21	56.01 - 56.50	6.750	\$20,761	\$9.98	\$1,401	\$117	\$98				
22	56.51 - 57.00	7.000	\$20,945	\$10.07	\$1,466	\$122	\$111				
23	57.01 - 57.50	7.250	\$21,129	\$10.16	\$1,532	\$128	\$111				
24	57.51 - 58.00	7.500	\$21,313	\$10.25	\$1,598	\$133	\$122				
25	58.01 - 58.50	7.750	\$21,496	\$10.33	\$1,666	\$139	\$122				
26	58.51 - 59.00	8.000	\$21,680	\$10.42	\$1,734	\$145	\$136				
27	59.01 - 59.50	8.250	\$21,864	\$10.51	\$1,804	\$150	\$150				
28	59.51 - 60.00	8.500	\$22,048	\$10.60	\$1,874	\$156	\$150	\$431	\$0	\$36	\$120
29	60.01 - 60.50	8.750	\$22,231	\$10.69	\$1,945	\$162	\$165				
30	60.51 - 61.00	9.000	\$22,415	\$10.78	\$2,017	\$168	\$165				
31	61.01 - 61.50	9.250	\$22,599	\$10.86	\$2,090	\$174	\$180				
32	61.51 - 62.00	9.500	\$22,783	\$10.95	\$2,164	\$180	\$196				
33	62.01 - 62.50	9.750	\$22,966	\$11.04	\$2,239	\$187	\$196				
34	62.51 - 63.00	10.000	\$23,150	\$11.13	\$2,315	\$193	N/A				
35	63.01 - 63.50	10.300	\$23,334	\$11.22	\$2,403	\$200	N/A				
36	63.51 - 64.00	10.600	\$23,517	\$11.31	\$2,493	\$208	N/A				
37	64.01 - 64.50	10.900	\$23,701	\$11.39	\$2,583	\$215	N/A				
38	64.51 - 65.00	11.200	\$23,885	\$11.48	\$2,675	\$223	N/A	\$615	\$0	\$51	\$172
39	65.01 - 65.50	11.500	\$24,069	\$11.57	\$2,768	\$231	N/A				
40	65.51 - 66.00	11.800	\$24,252	\$11.66	\$2,862	\$238	N/A				
41	66.01 - 66.50	12.100	\$24,436	\$11.75	\$2,957	\$246	N/A				
42	66.51 - 67.00	12.400	\$24,620	\$11.84	\$3,053	\$254	N/A				
43	67.01 - 67.50	12.700	\$24,804	\$11.92	\$3,150	\$263	N/A				
44	67.51 - 68.00	13.000	\$24,987	\$12.01	\$3,248	\$271	N/A				
45	68.01 - 68.50	13.300	\$25,171	\$12.10	\$3,348	\$279	N/A				
46	68.51 - 69.00	13.600	\$25,355	\$12.19	\$3,448	\$287	N/A				
47	69.01 - 69.50	13.900	\$25,538	\$12.28	\$3,550	\$296	N/A				
48	69.51 - 70.00	14.200	\$25,722	\$12.37	\$3,653	\$304	N/A	\$804	\$0	\$67	\$237
49	70.01 - 70.50	14.500	\$25,906	\$12.45	\$3,756	\$313	N/A				
50	70.51 - 71.00	14.800	\$26,090	\$12.54	\$3,861	\$322	N/A				
51	71.01 - 71.50	15.100	\$26,273	\$12.63	\$3,967	\$331	N/A				
52	71.51 - 72.00	15.400	\$26,457	\$12.72	\$4,074	\$340	N/A				
53	72.01 - 72.50	15.700	\$26,641	\$12.81	\$4,183	\$349	N/A				
54	72.51 - 73.00	16.000	\$26,825	\$12.90	\$4,292	\$358	N/A				
55	73.01 - 73.50	16.300	\$27,008	\$12.98	\$4,402	\$367	N/A				
56	73.51 - 74.00	16.600	\$27,192	\$13.07	\$4,514	\$376	N/A				
57	74.01 - 74.50	16.900	\$27,376	\$13.16	\$4,627	\$386	N/A				
58	74.51 - 75.00	17.200	\$27,560	\$13.25	\$4,740	\$395	N/A	\$995	\$0	\$83	\$312

CHANGES IN STATE MEDIAN INCOME

FAMILY OF TWO -- FY 1986 - 1989



75 PERCENT OF SMI

Graph is not to scale