



# Child Care Assistance: An Overview

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Child care assistance subsidizes the child care expenses of eligible low-income families while parents are working or participating in a training or education activity.

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Child care assistance is a federal-state program that is funded with federal, state, and county dollars and family contributions. In Minnesota, the Department of Human Services (DHS) oversees child care assistance, and counties administer the assistance under the supervision of DHS.

Child care assistance is divided into two programs in Minnesota: Minnesota Family Investment Program (MFIP) child care assistance and Basic Sliding Fee (BSF) child care assistance. The two programs are largely governed and administered in the same way, but there are some differences between the programs. One important difference has to do with how the programs are funded. MFIP assistance is a forecasted, fully funded program, and everyone who is eligible receives it. In contrast, BSF assistance has a capped allocation and not everyone who is eligible receives it. If funding is insufficient for the BSF program, families may end up on a waiting list.

## Family and child eligibility

Children and their families must be categorically and financially eligible for child care assistance. A child is categorically eligible if the child is under age 13 (or 15 if the child is disabled) and meets citizenship requirements. A family is categorically eligible if both of a child's parents (or one parent in a single-parent household) participate in an authorized work, education, or training activity and cooperate with child support enforcement.

Financial eligibility is based on a family's income and assets. There are income maximums at program entry and exit based on state median income (SMI). At entry, the income maximum is 67 percent of SMI for families that receive MFIP and 47 percent of SMI for all other families (\$72,838 and \$51,095, respectively, for a family of four in 2020). At program exit the income maximum is 67 percent of SMI for all families. Additionally, a family's assets cannot exceed \$1,000,000.

## Child care provider eligibility and payment rates

Families that are eligible for child care assistance may choose any eligible child care provider. The types of providers that are eligible to receive child care assistance payments are (1) licensed family child care providers; (2) licensed child care centers; (3) certified, license-exempt child care centers; and (4) legal, nonlicensed child care providers.

Under the child care assistance program, counties reimburse child care providers for the care provided. The Minnesota Legislature sets the maximum reimbursement rate. DHS is required to conduct a survey of child care prices in the state every three years, and the maximum reimbursement rate is based on the results. As of September 21, 2020, the maximum reimbursement rate in a county is the greater of the 25th percentile of the 2018 child care provider rate survey or the rates in effect prior to September 21, 2020.

The maximum reimbursement rate varies by several factors, including county, type of child care provider, and the age of the child receiving the assistance. Additionally, providers that are accredited or have 3- or 4-star Parent Aware ratings can earn a rate differential over the maximum reimbursement

rate. For accredited providers or those with 3 stars, it is 15 percent, and for providers with 4 stars it is 20 percent, up to the actual provider rate.

## Families' financial responsibilities

Families are required to pay a copayment for child care assistance that is based on family size and income. The copayment is \$0 for families with income under 75 percent of the federal poverty level (\$19,310 or less for a family of four in 2020). The copayment gradually increases to 14.0 percent of income. Families are also responsible for the difference between the amount the county reimburses the provider and the provider's actual charges.

## Funding

Child care assistance is funded with federal, state, and county dollars. The multiple federal funding streams are typically referred to collectively as the child care and development fund (CCDF). The Minnesota Legislature annually appropriates state dollars for child care assistance, and each county is required to contribute a fixed monetary match to the program.

Total projected spending on direct services for child care assistance in Minnesota is expected to be about \$283 million in fiscal year 2021. It is projected that federal funds will account for 47.1 percent of the payments, state funds will account for 51.8 percent, and county funds will account for about 1.0 percent.

## Recipient profile in fiscal year 2019

In fiscal year 2019, an average of 15,350 families received child care assistance each month, and the average monthly childcare payments per family were \$1,356. See Table 1 for more information.

**Table 1: Child Care Assistance Caseload and Direct Service Payments, FY 2019**

	Average Number of Families Enrolled Each Month	Average Number of Children Enrolled Each Month	Average Monthly Child Care Payments per Family	Average Number of Children on BSF Waiting List Each Month
Child care assistance	15,350	--	\$1,356	NA
MFIP child care assistance	8,065	16,689	\$1,547	NA
BSF child care assistance	7,284	13,995	\$1,145	1,924

Sources: Minnesota Department of Human Services, Minnesota Child Care Assistance Program, State Fiscal Year 2019 Family Profile; Minnesota Department of Human Services, Background Data Tables for May 2020 Interim Budget Projection, available at <https://mn.gov/dhs/general-public/publications-forms-resources/reports/financial-reports-and-forecasts.jsp>.

Notes: "NA" means not applicable. The data sources do not provide the average number of children enrolled in the entire program each month.

For more information on this issue, see the longer House Research publication, [Child Care Assistance, November 2020](#).



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