

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.

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

Child care assistance is divided into subprograms in Minnesota: Minnesota Family Investment Program (MFIP) assistance; transition year assistance; and Basic Sliding Fee (BSF) assistance. The subprograms are largely governed and administered in the same way, with some differences. One important difference has to do with how the subprograms are funded. MFIP and transition year assistance are forecasted and fully funded, and everyone who is eligible receives assistance. In contrast, BSF assistance has a capped allocation. If funding is insufficient for the BSF program, families may end up on a waiting list.

Child and family 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 (\$75,671 and \$53,083 for a family of four in 2021). 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

Eligible families may choose any eligible child care provider, including licensed family child care providers; licensed child care centers; certified, license-exempt child care centers; and legal, nonlicensed child care providers.

Counties reimburse eligible child care providers for the care provided. DHS conducts a survey of child care prices in the state every three years, and the Minnesota Legislature sets the program's reimbursement rate. As of November 15, 2021, there are two rates: a rate for infants and toddlers and a rate for preschool and school-age children. The rate for infants and toddlers is the greater of the 40th percentile of the 2021 child care provider rate survey or the rates in effect at the time of the update. The rate for preschoolers and school-age children is the greater of the 30th percentile of the 2021 survey or the rates in effect at the time of the update. Both rates are set to update to the 2024 survey in January 2025.

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 (\$19,872 or less for a family of four in 2021). 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 for child care assistance 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 for BSF assistance.

Total projected spending on direct services for child care assistance in Minnesota is expected to be about \$359 million in fiscal year 2023. It is projected that federal funds will account for 75.3 percent of the payments and state and county funds will account for 24.7 percent of the payments.

Recipient profile in fiscal year 2021

In fiscal year 2021, an average of 11,359 families received child care assistance each month, and the average monthly childcare payments per family were \$1,576. See the table below for more information.

Child Care Assistance Caseload and Direct Service Payments, FY 2021

	Average Number of Families Enrolled Each Month	Average Number of Children Enrolled Each Month	Average Monthly Child Care Payments per Family
MFIP child care assistance	5,173	10,815	\$1,754
BSF child care assistance	6,186	12,209	\$1,427
All child care assistance	11,359	--	\$1,576

Sources: Minnesota Department of Human Services, Minnesota Child Care Assistance Program, State Fiscal Year 2021 Family Profile; Minnesota Department of Human Services, Background Data Tables for February 2022 Interim Budget Projection. Notes: The data sources do not provide the average number of children enrolled in the entire program each month. MFIP child care assistance includes transition-year families.



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