



Child Care Stabilization Grant summary – year one

October 17, 2022

651-431-3864

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Background

Child care is a vital part of Minnesota’s economy, providing a way for parents to work and for employers to recruit and retain employees. Due to many factors and barriers, the child care industry faced an employment and access crisis even before the COVID-19 pandemic. As outlined in the Minnesota Business Vitality Council report, [Child Care Business Supports Working Group](#), child care providers face barriers on both the cost and revenue sides of their businesses. Many Minnesotans cannot afford child care and providers face slim profit margins. The pandemic has since exacerbated this crisis. Additional supplies needed for sanitation and inflation have driven up costs while quarantine closures and staffing shortages, which have caused classrooms to close, have added additional stress to providers.

In response, the Minnesota Department of Human Services (DHS) is administering several grant programs to help stabilize the child care industry in Minnesota. This summary describes the impact of the Child Care Stabilization Program since it started in July 2021 through June 2022. State statute authorizing the program and appropriating the one-time American Rescue Plan Act funds require the program to end in June 2023. Without additional funding, many child care programs will lose financial supports that they have reported have been beneficial to keeping their program operating.

[Visit the Child Care Stabilization Grants page of the DHS site for additional legislative background.](#)

Child Care Stabilization Base Grants

[Child Care Stabilization Base Grants](#) are available to eligible child care providers on a monthly basis. At least 70% of the awarded grant must be used to increase compensation for staff regularly caring for children. Child Care Stabilization Base Grants started in September 2021 and remain available through June 2023.

96% of child care providers receiving these grants said that the grants were helpful in keeping their child care program open and operating.

Child Care Stabilization Base Grants help stabilize the child care industry by addressing the child care workforce crisis. Even before the COVID-19 pandemic, child care providers have struggled with hiring and retaining staff due to low wages and limited benefits. These challenges are nearing a crisis point as wages increase in other sectors and the cost of providing care continues to climb.

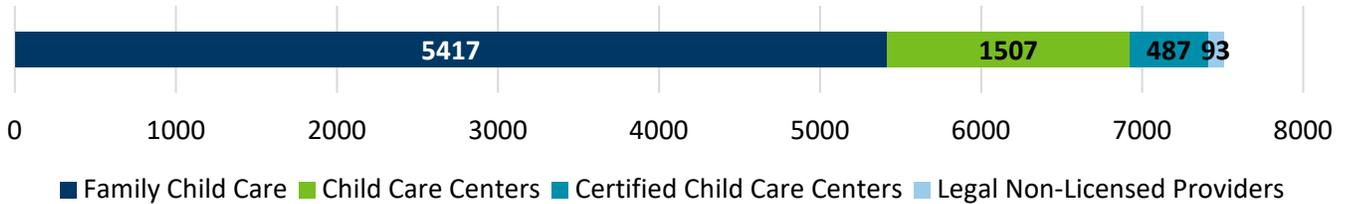
Child Care Stabilization Base Grants Distributed

Over 7,504 unique providers have received at least one Base Grant with 61,866 individual grants provided.

Since the program started in September 2021, it has distributed \$102,717,930 through the June 2022 Base Grant round. Over 7,504 unique providers have received at least one Base Grant with 61,866 individual grants

provided. On average 29,560 child care workers have received additional compensation each month of the Base Grant from September 2021 through June 2022.

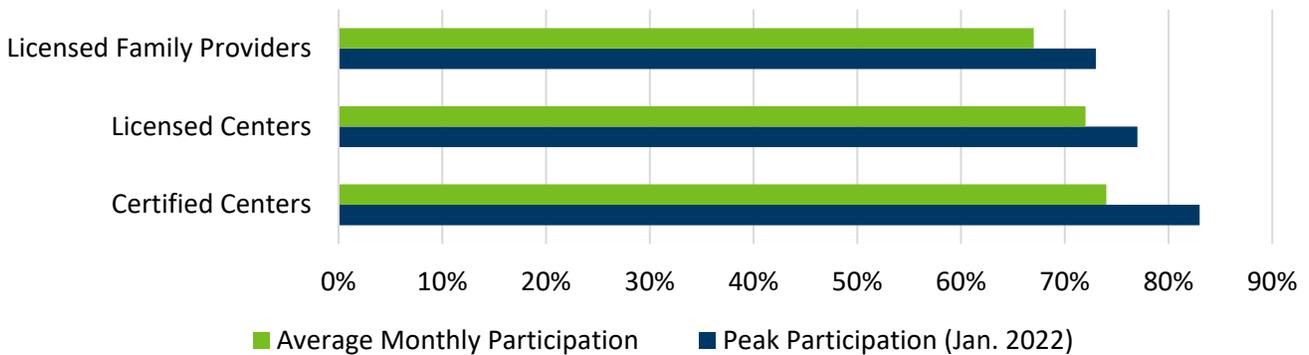
Figure 1. Type of unique providers that received at least one Base Grant thus far



Participation

Participation rates rose steadily through the first five months of the program before leveling off. Towards the end of Year One, about 70% of providers participated each month. This trend is expected to continue.

Figure 2. Percent of providers who participated in Stabilization Base Grants



Grant Amounts

Base Grants are calculated by the number of full time equivalent (FTE) staff a child care program has. Since the inception of the program, the average grant amount is \$1,657, with the smallest grant being \$4 and the largest grant being \$30,612. DHS distributes between \$9 to 11 million each month to child care programs.

Grant Funds Usage

To better understand how child care providers are using the Base Grant funds, DHS sent a survey to Base Grant recipients. The survey had robust participation, with over 3,100, about 39%, providers responding. The vast majority of providers increased the compensation of child care workers by increasing hourly wages, providing bonuses, or both. Smaller percentages of providers used the grants to enhance child care workers benefits, such as increasing retirement contributions, adding or increasing benefits coverage (such as health care) or increasing the portion of benefits they pay for. The results were particularly interesting for licensed child care centers, shown below in Table 1.

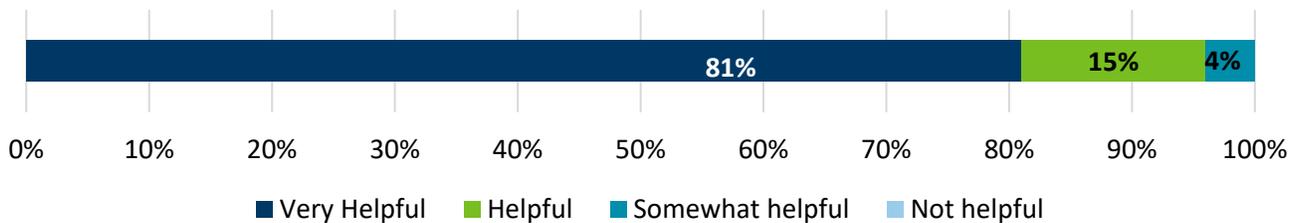
Table 1. How licensed child care centers used Stabilization Base Grants to increase compensation and/or benefits for child care workers

Increased Benefit	Percent of Base Grants used for this purpose
Bonus Pay	70.1%
Increase Hourly Wage	63.7%
Other method	7.9%
Increased benefits coverage, such as improving healthcare insurance offered	7.2%
Increased employer portion of benefit costs (reducing staff costs)	5.5%
Additional benefits coverage, such as adding dental or vision care coverage	4.6%
Increased Retirement plan contributions	3.5%

Base Grant Impact

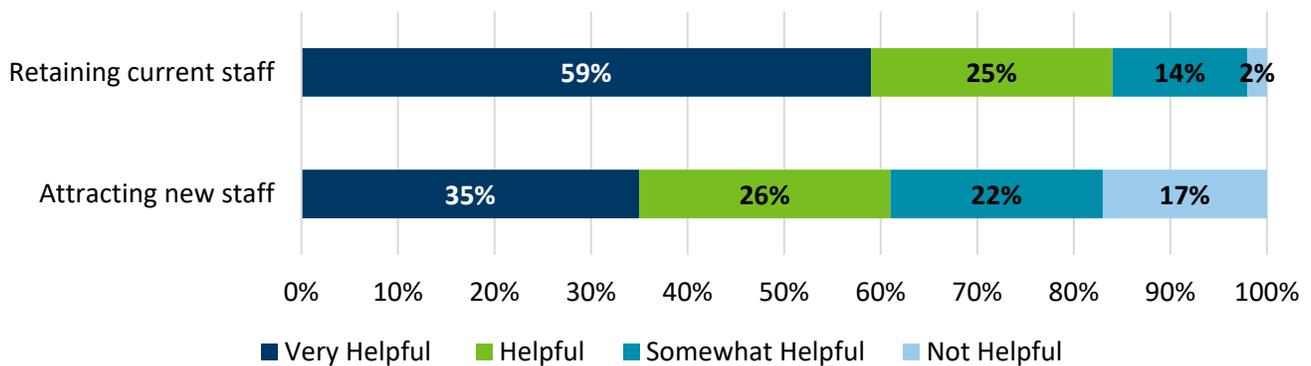
One of the main objectives of the Base Grant recipient survey was to get a better understanding of the impact the grants are having. To address this the survey asked a few direct questions. Figure 2 shows the survey results of how helpful providers thought Base Grants were.

Figure 3. How helpful child care providers thought Base Grants were for keeping their program open and operating



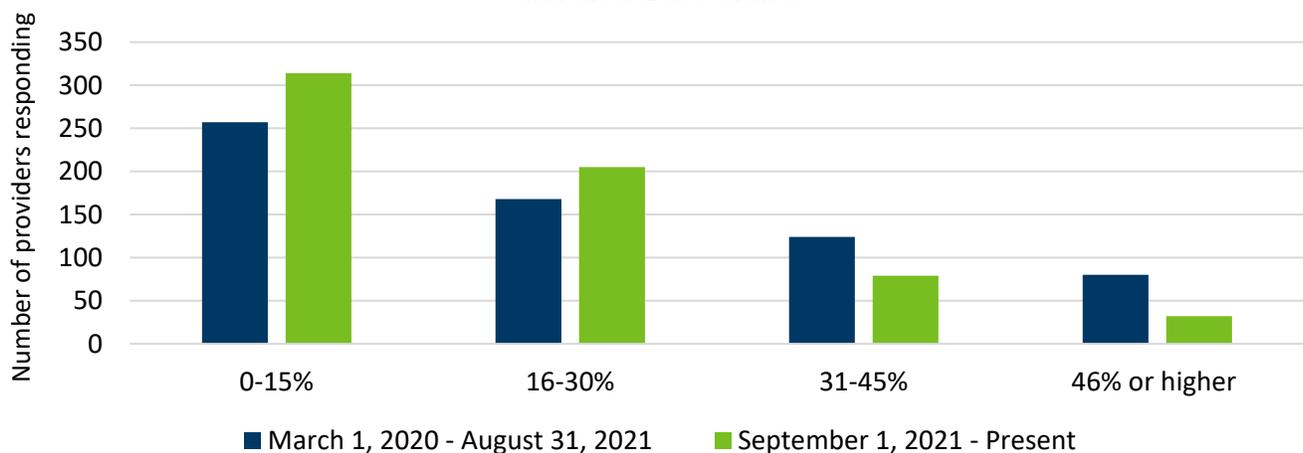
Licensed and Certified Child Care Centers were also asked about the grant’s impact on staffing with a series of questions that included, “Have Base Grants been helpful in retaining staff?” and a similar question about whether the grants were helpful in “attracting staff”. Figure 3 shows the results of the survey questions.

Figure 4. How helpful providers said Base Grants are for attracting and retaining staff



The survey also asked licensed and certified centers about staffing vacancies they had from the beginning of the COVID-19 pandemic until the Base Grants started and then since the Base Grants have been in place. The results indicated a significant reduction in the most severe vacancy percentages.

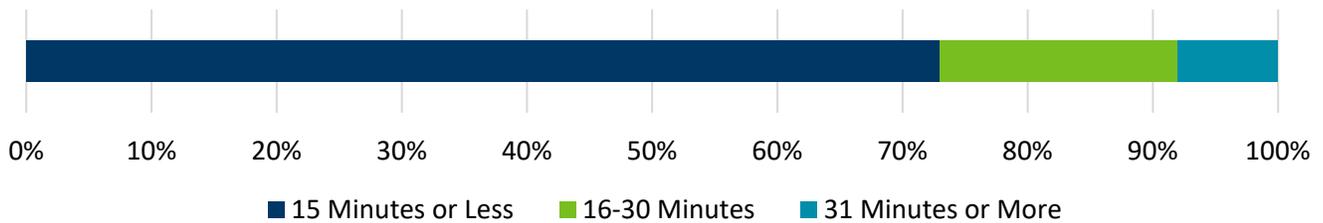
Figure 5. Percentage of vacant positions that regularly care for children, before and after Base Grants



Application Ease of Use

In the survey referenced earlier, DHS also asked providers a few questions about the Base Grant application. The survey asked providers “How easy or difficult was completing the monthly Base Grant application?” 68% of providers indicated it was “Very easy”, and 29% indicated it was “Somewhat easy”. Just 3% of providers indicated the application was “Somewhat difficult”.

The survey also asked providers “On average, how long did it take you to complete a Base Grant application?”, with survey results represented in Figure 5. More than 70% of providers said it took 15 minutes or less to fill out the application. DHS continues to look for ways to make the application faster and easier to complete, knowing that the largest providers do expend more time to complete the application to enter the hours associated with the staff that regularly care for children.

Figure 6. Time it took providers to complete Base Grant application

Providers Choosing Not to Participate

DHS recently also conducted a survey of providers who have not participated in the Base Grant program to gain a better understand of why providers have not participated. The results of the survey were informative and provided helpful input into future program design. 71% of providers choosing not to participate indicated they have previously considered applying but had not yet done so. Most significant factors in providers deciding not to apply:

- Worried about tax implications of applying
- Program does not need this type of additional funding
- I don't want to provide the information requested in the application
- I cannot or will not be able to comply with the grant requirements

51% of providers who haven't applied for Base Grants indicated they are interested in applying for Base Grants in the future.

Child Care Stabilization Financial Hardship Grants

The other stabilization grants available to child care providers are the [Child Care Stabilization Financial Hardship Grants](#). These grants have been available since January 2022 and provide funds to child care providers who are experiencing extreme financial hardship. Unlike Child Care Stabilization Base Grants, funds do not have to be used for wages and are not available to legal non-licensed providers. Financial Hardship Grants help address the child care access crisis by providing a safety net to child care providers who are struggling financially to remain open.

Child Care Stabilization Financial Hardship Grants Distributed

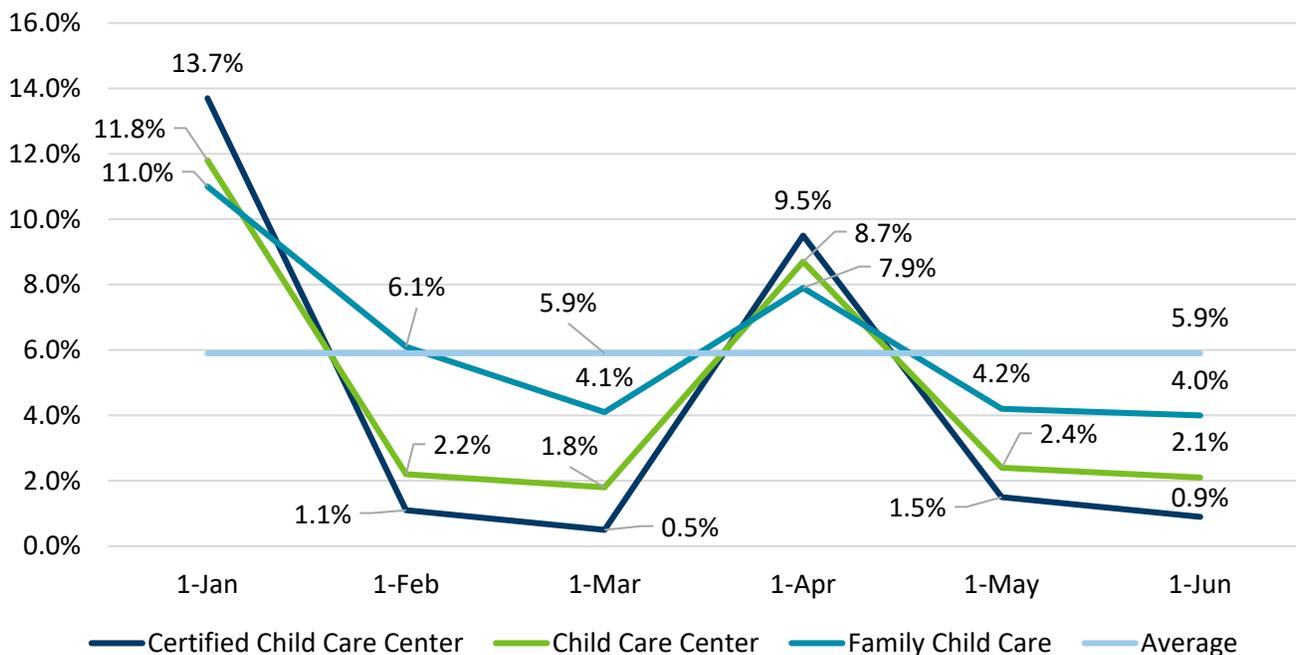
The Child Care Stabilization Financial Hardship Grants program started in January 2022 and has distributed \$26,608,500 through the June 2022 Grant period. 1,689 unique providers have received at least one Financial Hardship Grant with 3,156 individual grants provided.

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Participation

Through June 2022, on average, approximately 5.9% of eligible providers participate each month. Participation rates vary significantly from month to month because of the eligibility requirements which limit a provider to receiving a Financial Hardship Grant once every three months. The one exception to this rule is if a licensed family child care provider is eligible only for the COVID closure criteria which provides a smaller grant. [More information on the grant and criteria can be found here.](#)

Figure 7. Percent of providers receiving financial hardship grants by month



Grant Amounts

Unlike Base Grants, which can vary from one provider to the next, Financial Hardship Grant amounts are pre-determined based on the provider type. For licensed child care centers, tiers are based on the program’s size (described on Table 2). This approach was taken to keep the program simple and accommodate for the widely varying size and typical operating expenses associated with licensed child care centers.

Table 2. Financial hardship grant amount based on provider type and tier

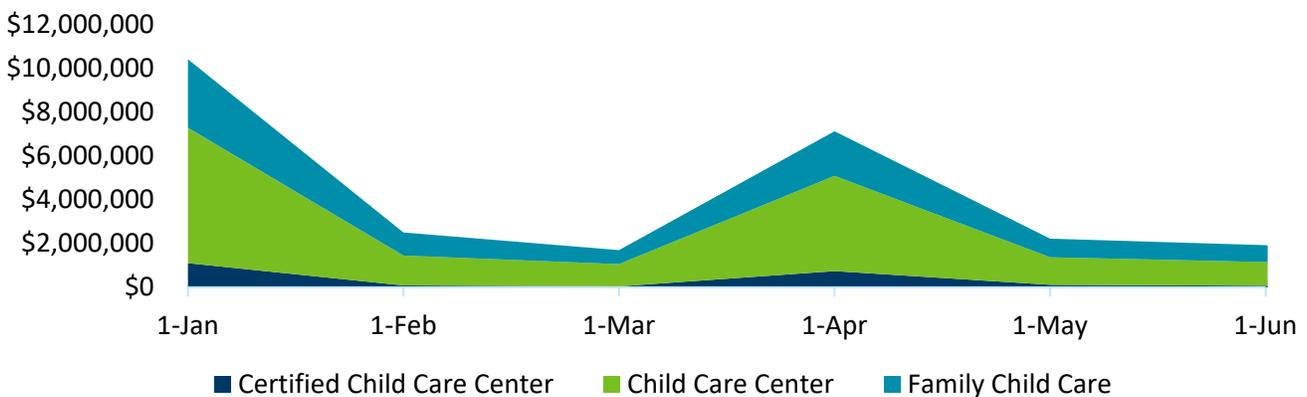
Provider Type / Tier	Grant Amount
Licensed Family Child Care – Criteria #1 (COVID Closure)	\$ 1,500
Licensed Family Child Care – Criteria #2 or #3 (Other financial hardships)	\$ 4,500
Certified Child Care Centers	\$ 14,500
Licensed Child Care Center Tier 1	\$ 8,500
Licensed Child Care Center Tier 2	\$ 19,000
Licensed Child Care Center Tier 3	\$ 33,000
Licensed Child Care Center Tier 4	\$ 54,000
Licensed Child Care Center Tier 5	\$ 68,000

*To determine which Tier a licensed child care center is in, the number of monthly child hours they are licensed to provide care for is calculated. Monthly child hours is determined by multiplying a provider’s licensed capacity by the provider’s licensed operating hours.

Distribution

With a total of \$26,608,500 distributed through the June 2022 grant period, the average amount distributed each month has been \$4.3 million. Distribution was higher in January and April because programs are only eligible for the full grant amount every three months.

Figure 8. Financial Hardship Grant dollars by month



Child Care Stabilization Transition Grants

Stabilization Transition Grants were designed to allow time to finalize the specifics of the full Child Care Stabilization Grant Program and still provide support to eligible providers during the June and July 2021 monthly funding periods (paid in July and August). These grants occurred only during those two months and **\$17,297,850 was distributed** to child care providers. The grant program was structured similarly to the previous Public Health Support Funds program but did include some additional requirements that were associated with the American Rescue Plan Act Stabilization Grant funds. Grant amounts were based on provider type, listed below:

Table 3. Stabilization Transition Grant award amounts based on provider type

Provider Type	Grant Amount
Licensed Family Child Care Providers	\$ 600
Licensed Child Care Centers – Capacity of less than 75 children	\$ 4,250
Licensed Child Care Centers – Capacity of 75 or more children	\$ 5,500
Certified Child Care Centers	\$ 1,500

The average participation rate during the two months of transition grants was 58% resulting in over 5,450 providers receiving grants.

Child Care Stabilization Grants in Summary

Across all three Child Care Stabilization Grant programs, from the start of grant distribution in June of 2021 and through the June of 2022 grant period, DHS has distributed over \$146,450,000 to over 7,950 unique child care providers resulting in increased stability of the child care industry and increased compensation for child care workers.

DHS expects to continue distributing monthly grants until June 2023, using the remaining ARPA funds.