



Legislative Report

Great Start Compensation Support Payment Program

Child Care Services Division

January 2024

For more information contact:

Minnesota Department of Human Services
Child Care Services Division
444 Lafayette Road
St. Paul, MN 55155
651-431-3809



For accessible formats of this information or assistance with additional equal access to human services, write to dhs.child.care@state.mn.us, call 651-431-3809, or use your preferred relay service. ADA1 (2-18)

Minnesota Statutes, Chapter 3.197, requires the disclosure of the cost to prepare this report. The estimated cost of preparing this report is \$830.

Printed with a minimum of 10 percent post-consumer material. Please recycle.

Contents

- I. Executive summary 4
- II. Legislation 4
- III. Introduction 4
 - Purpose of report 4
 - Background 5
- IV. Child Care Stabilization Grants and Great Start Compensation Support Transition Grants 6
 - Minnesota’s Child Care Stabilization Grant Program 6
 - Transition Grants Awarded 7
- VI. Launching Great Start Compensation Support Payments 8
 - Engagement with and Support for Child Care Providers 9
 - Supporting Increased Compensation 9
 - Program Integrity 10
 - Compensation Support Payments Awarded in October 2023 10
 - Legal Nonlicensed One-time Payments 10
- VII. Future Plans 11
 - Equity, Engagement and Evaluation 11
 - Payments to Providers 12
 - Child Care Provider Supports 12
 - Program Implementation Milestones 13
 - Staffing 13
 - Application Transition to Provider Hub 13
 - Managing Fiscal Resources 14
- V. Appendix One 15

I. Executive summary

The Great Start Compensation Support Payment Program was signed into law in May 2023, providing Minnesota with additional funds designed to support the child care industry and workforce. Building on the Child Care Stabilization Grant Program, which ended in June 2023, this permanent program issues monthly payments to eligible child care providers to fund increases in compensation and benefits for early childhood educators.

This is the first legislative report for the new program and includes information from July to October 2023. The report describes the Department of Human Services' (DHS) efforts to:

- Provide Transition Grants to Minnesota's child care providers
- Launch Compensation Support Payments in October 2023, and
- Proceed with future directions for the remainder of the program's first year.

The report includes data on payments awarded through October 2023 and brief information on the federally-funded Child Care Stabilization Grant Program that concluded in June 2023.

II. Legislation

Great Start Compensation Support Payments, Art. 13, Sec. 20 and Appropriation: Art. 20, Sec. 2, Subd. 4, Subd. 20 (a)

Subd. 9. Report. By January 1 each year, the commissioner must report to the chairs and ranking minority members of the legislative committees with jurisdiction over child care and early learning the number of payments provided to programs and related outcomes since the last report. This subdivision expires January 31, 2033. The full text of the law can be found in Appendix One.

III. Introduction

The Great Start Compensation Support Payment Program was signed into law in May 2023, providing Minnesota with additional funds designed to support the child care industry and workforce. Building on the Child Care Stabilization Grant Program, which ended in June 2023, this permanent program issues monthly payments to eligible child care providers to fund increases in compensation and benefits for early childhood educators.

Purpose of report

This report responds to a legislative requirement included in the law enacting the Great Start Compensation Support Payment Program. Laws of Minnesota 2023, Chapter 70, Article 13, Section 20, Subdivision 9 (119B.27) requires a report to the chairs and ranking minority members of the legislative committees with jurisdiction over child care and early learning by January 1 of each year. The report must describe the number of payments provided to child care programs and related outcomes.

This is the first legislative report for the new program and includes information from July to October 2023. The report describes the Department of Human Services' (DHS) efforts to:

- Provide Transition Grants to Minnesota's child care providers
- Launch Compensation Support Payments in October 2023, and
- Proceed with plans for the remainder of the program's first year.

This report was prepared by DHS Child Care Services Division staff. The report summarizes program implementation activities, including engagement with child care providers, and uses administrative data to report on the number of payments made. Following background information below, the report sections include Child Care Stabilization Transition Grants, the launch of the Great Start Compensation Support Payments and future directions.

Background

Following the conclusion of the federally-funded Child Care Stabilization Grant Program, a new program, the Great Start Compensation Support Payment Program was created. Its purpose is to bolster wages and benefits for Minnesota child care providers and early childhood educators, addressing a longstanding workforce crisis that makes it challenging for families to find child care. Over 8,000 child care providers are eligible to apply for the program's monthly payments.

Minnesota is one of the first states to provide direct funding to support the child care workforce. The Compensation Support Payment Program was passed by the 2023 Legislature and signed into law by Gov. Walz. \$316 million is allocated over the next two years, and \$130 million allocated per year in following years.

The cost of child care is high, and providers struggle to make enough revenue to cover operating costs and offer competitive wages and benefits. Minnesota's median wage for child care workers is \$14.63 per hour,¹ one of the lowest median wages for positions requiring at least a high school diploma. For many families, these broken economics have created a crisis. Roughly a quarter of Minnesota's young children live in areas with a severe lack of child care.

The Great Start Compensation Support Payment Program builds on Minnesota's Child Care Stabilization Grant Program, which helped support about 70% of the state's child care providers during the COVID-19 pandemic. Providers who received Stabilization Grants were more likely to raise employees' pay, reduce staff turnover and continue operating.

To provide a bridge from the Stabilization Grants to the new Compensation Support Payments, the state also offered \$42.5 million in Transition Grants for child care providers. Transition Grants were available from July through September 2023 and Compensation Support Payments began in October 2023.

¹ Minnesota Department of Employment and Economic Development, Occupational Employment and Wage Statistics, first quarter 2023. <https://apps.deed.state.mn.us/lmi/oes/>

The Great Start Compensation Support Payment Program issues monthly payments to eligible child care providers for increases in compensation and benefits, moving the child care workforce closer to a livable wage. Licensed and certified child care centers must use the funding to increase compensation and benefits, while family child care providers will have more flexibility in how they can use the funds because of their unique business models.

IV. Child Care Stabilization Grants and Great Start Compensation Support Transition Grants

The law that created the Great Start Compensation Support Payment Program gave DHS the authority to create Great Start Compensation Support Transition Grants. Transition Grants provided a bridge of funding between Child Care Stabilization Base Grants and Great Start Compensation Support Payments. The Great Start law prescribed that Transition Grants be an extension of Base Grants, which provided monthly payments to child care providers based on the number of full-time equivalents regularly caring for children. \$42.5 million in state funding was appropriated for Transition Grants. Transition Grants were made available monthly in July, August and September 2023, between the end of Base Grants in June 2023 and the launch of Compensation Support Payments in October 2023. Transition Grant applications were available online, with the department sending eligible providers a link to their personalized application.

Minnesota's Child Care Stabilization Grant Program

The federal American Rescue Plan Act was signed into law in March 2021, providing Minnesota with additional funds designed to help stabilize the child care industry as the state recovered from the COVID-19 pandemic. The Child Care Stabilization Program provided support to Minnesota's child care providers from July 2021 through June 2023 under federal and state statute authorizing the program and with American Rescue Plan Act funds appropriated for this purpose. State statute directed the department to administer both Base Grants and Financial Hardship Grants during this period.

A [Year One report](#) on the Stabilization Base Grants and Financial Hardship Grants was published in October 2022. The report highlighted the impact funds had on child care provider during the first 12 months of the grants. Minnesota Management and Budget released a [descriptive analysis](#) of the Child Care Stabilization Base Grants in February 2023. The description analysis examined several policy questions, including:

- How did the Stabilization Base Grants affect compensation for staff?
- How did closure rates differ between recipients and non-recipients of the Base Grants?

The analysis found that, overall, Base Grants were associated with a 5.5 percent increase in cumulative monthly compensation per staff hour worked for center-based child care providers. Compensation increases tended to be concentrated in larger, center-based providers in the seven-county Minneapolis-St. Paul metropolitan area. The results also suggested that the Base Grants may have been more effective at preventing the closure of family child care providers; family child care providers that received the grant were less likely to permanently

close than non-recipients (26% of non-recipients closed vs. 5% of recipients). Differences in closure rates were less pronounced for center-based providers.

A final report on Minnesota's Child Care Stabilization Grant Program, to be released in December 2023, summarizes the total funding awarded, of over \$302 million, to Minnesota's child care providers from July 2021 through September 2023. The report documents that 8,356 providers received this critical support, with approximately 80,000 early educators benefitting from increased compensation and over 330,000 children served by the providers supported through these historic investments.

With appropriations of \$301.4 million in federal American Rescue Plan funds and \$42.5 million in state funding passed by the 2023 Legislature for Transition Grants, a total of \$343.9 million was made available to Minnesota's child care providers to offset financial losses from the pandemic and keep their programs operating between July 2021 and September 2023.

Transition Grants Awarded

The Transition Grant program used nearly all of the same requirements and operational processes as the Stabilization Base Grant program. The main difference was that providers were allowed to count single individuals for up to 2.0 FTEs based on the number of hours they worked during a month. Below is a summary of the number and amount of grants that were awarded during the Transition Grant program. The legislature appropriated \$42.5 million to support direct payments to child care providers. DHS supplemented this amount with \$1.35 million of unspent federal American Rescue Plan Act funds remaining at the conclusion of the federally funded program in June to bring the total funds available for Transition Grants to \$43.8 million. Of this total, \$43,631,937 was expended as of November 1, 2023 for Transition Grants.

Table 1. Transition Grants Awarded July – September, 2023

Type of provider	July 2023 Number of Payments	July 2023 Amount of Payments	Aug. 2023 Number of Payments	Aug. 2023 Amount of Payments	Sept. 2023 Number of Payments	Sept. 2023 Amount of Payments	Total Number of Payments from July-Sept. 2023	Total Amount of Payments from July-Sept. 2023
Licensed Family Child Care Providers	3,974	\$ 2,525,187	4,045	\$ 3,255,463	4,096	\$ 3,526,242	12,115	\$ 9,306,892
Licensed Child Care Centers	1,258	\$ 8,116,118	1,226	\$10,106,243	1,262	\$10,731,988	3,746	\$28,954,349
Certified Child Care Centers	280	\$ 1,317,046	245	\$ 2,121,913	252	\$ 1,808,936	777	\$ 5,247,895
Legal Nonlicensed Providers	60	\$ 30,402	66	\$ 46,294	65	\$ 46,104	191	\$122,800
Totals	5,572	\$11,988,754	5,582	\$15,529,913	5,675	\$16,113,269	16,829	\$43,631,937

* Table 1. data is as of 11/03/2023.

VI. Launching Great Start Compensation Support Payments

The Great Start Compensation Support Payment Program launched October 2023, providing child care providers with monthly payments to support increased compensation for the child care industry and early childhood educators. Planning and implementation efforts for the new program were grounded in the following principles, but not limited to:

- Be inclusive and transparent with child care programs and other community partners
- Be driven by research, data and lessons learned from the Child Care Stabilization Grant Program
- Balance the needs of child care providers for program simplicity with program integrity requirements
- Account for the realities of the context in which program implementation is occurring
- Aim for actionable milestones and wins to build program momentum
- Regularly review and revise implementation plans as needed

This section describes the department’s engagement with and support for child care providers, how the Compensation Payment Program supports early childhood educators, the department’s program integrity strategies, and payments awarded in the program’s first month.

Engagement with and Support for Child Care Providers

The Department of Human Services highly values community input on program design and implementation. The department held multiple engagement sessions with different provider types from across the state about the design and implementation of the Great Start Compensation Support Payment Program.

First, DHS conducted focus groups with licensed family child care providers, licensed child care centers, and certified child care centers, respectively. These groups were small, 10 people or fewer, which allowed for more in-depth feedback on Compensation Support Payment design and implementation.

Second, DHS conducted informational Compensation Support Payment webinars open to all family child care providers, licensed centers, and certified centers, respectively. These webinars were recorded and posted on the Compensation Support Payment webpage. DHS requested questions from the providers before the webinars so common questions could be covered in the webinars.

Lastly, DHS accepted any feedback submitted on an ongoing basis to technical assistance providers, both by phone and email. Technical assistance was available primarily through Child Care Aware of Minnesota, but also from DHS directly. DHS continuously updated providers about Compensation Support Payment developments through emails and webpages.

Supporting Increased Compensation

Great Start Compensation Support Payments were designed to increase compensation for all early childhood educators who regularly care for children, including those who provide child care for school-age children. One hundred (100) percent of Compensation Support Payment funds awarded to centers must be used for this purpose. Licensed family child care providers have more flexibility, as they are typically businesses operated by a single individual. Compensation Support Payment funds increase these providers' overall revenue, which they can use to compensate themselves and/or re-invest in their businesses by using funds to cover operating expenses. Legal nonlicensed providers are only eligible for one-time payments, called Legal Nonlicensed One-Time Payments, which are meant to help with the cost of registration and preparing their spaces for care.

The department developed Child Care Access Equity Areas to help focus compensation resources in under-resourced communities. Access Equity Areas are census tracts across the state that have higher poverty and unemployment rates and lower homeownership rates, household incomes, and access to child care. Along with receipt of Child Care Assistance Program or Early Learning Scholarship funds, location in an Access Equity Area qualifies a participating provider for a ten percent higher payment amount. Including this component in the program prioritizes increasing compensation for providers and programs that are serving families facing multiple barriers to accessing care, providing additional stability in areas where access is most needed.

Program Integrity

The department is utilizing several program integrity strategies to ensure Compensation Support Payment funds are going to the intended providers and used for the intended purposes. The law creating this program requires that DHS establish a minimum attendance requirement for all providers to ensure a minimum level of service in return for public funds. The law also requires that providers record daily attendance and submit those records to DHS beginning mid-2024. In addition, the law requires that providers spend their Compensation Support Payment funds within six months of receipt of those funds. This ensures that providers increase compensation in a timely manner. Finally, programs receiving payments will be asked to complete a report that demonstrates program compliance on an annual basis.

DHS also takes several program integrity measures not prescribed in the Compensation Support Payment law. First, the department conducts random audits of Compensation Support Payment applications to ensure that providers are submitting accurate information. Second, applications with outlier information are held to be verified or corrected by the provider to ensure accuracy and to remedy mistakes. Finally, DHS investigates allegations of non-compliance with program requirements that are submitted by the public.

Compensation Support Payments Awarded in October 2023

When this report was written, one round of Compensation Support Payment was completed. October 2023 was the first month of the new Compensation Support Payment program. The program is paying awards at the rate of \$375 per Full-Time Equivalent (FTE) for October 2023 through June of 2024, at which time DHS will evaluate and determine participation levels and funding for the following three fiscal years.

Table 2. Great Start Compensation Support Payments, October 2023

Type of Provider	Oct. 2023 Number of Payments	Oct. 2023 Amount of Payments
Licensed Family Child Care	4,112	\$2,704,125.30
Licensed Child Care Centers	1,411	\$7,998,506.80
Certified Child Care Centers	386	\$642,362.80
Total	5,909	\$11,344,994.90

* Table 2. data is as of 11/08/2023.

Legal Nonlicensed One-time Payments

The law that established Great Start Compensation Support Payments also created Legal Nonlicensed One-Time Payments. Legal Nonlicensed One-Time Payments are one-time \$500 payments starting in October 2023 to

nonlicensed caregivers currently registered as providers with the Child Care Assistance Program, also known as legal nonlicensed caregivers. These payments are meant to help these providers with the costs of purchasing or updating equipment, supplies, goods or services and purchasing training or other professional development.

Legal nonlicensed caregivers must complete and submit a One-Time Payment application, posted on the [Legal Nonlicensed One-Time Payment webpage](#). Applications are accepted on a rolling basis with one-time payments of \$500 sent out monthly. These caregivers are not eligible for monthly Compensation Support Payments.

Table 3. Legal Nonlicensed One-Time Payments October 2023

Type of Provider	Oct. 2023 Number of Payments	Oct. 2023 Amount of Payments
Legal Nonlicensed Providers	22	\$11,000

* Table 3. data is as of 11/16/2023.

VII. Future Plans

As program implementation continues, the department remains focused on the priorities described above. Future project plans for the Great Start Compensation Support Payment Program will focus on equity, engagement and evaluation, payments to child care providers, ongoing management of public funds for the program, child care provider supports and planned program implementation milestones.

Equity, Engagement and Evaluation

The Great Start Compensation Support Payment Program centers equity by providing ten percent higher payment amounts to child care providers serving children receiving funding through the Child Care Assistance Program, Early Learning Scholarships program or that are located in Child Care Access Equity Areas. Providers receiving these higher payment amounts are more likely to serve children in historically marginalized communities. The department plans to implement the Child Care Access Equity Areas no later than early 2024 by identifying which providers are located in Access Equity Areas. This requires data cleaning and then incorporating this eligibility criterion into the monthly program application. The department is developing several resources, including a map and FAQ documentation, to explain to providers what Access Equity Areas are and whether a provider is located in one.

The department will continue to periodically engage with child care providers to gather input to inform program planning. In addition, during and after each application round, DHS will review and respond to questions and concerns from providers, and communicate program clarifications and changes.

Regular assessment of program outcomes is critical to ensuring the program is achieving its goals and is having an equitable impact for providers, families and children. Assessment strategies include monitoring the program performance measures, ongoing engagement, and periodic formal evaluation.

DHS has begun developing a set of performance measures that will cover both high-level program outcomes and day-to-day program operations. The department will ensure that processes are in place to track and report on these measures at regular intervals. In addition to administrative data collected through program applications and other existing sources, DHS is planning opportunities to collect qualitative and quantitative data on the impact of the program. This will include regular engagement, in person and through other methods such as surveys, with child care providers, families and community partners. While tracking of performance measures and monitoring of opportunities for program improvement will happen on an ongoing basis, DHS plans to do formal evaluations of the program periodically, which would combine administrative and qualitative data in an in-depth look at the program and its impacts.

As DHS engages multiple approaches to understanding the outcomes of this program, the department will keep equity considerations at the forefront, asking not only what impact the program is having but for whom. When possible, DHS will disaggregate performance data by program type, race and ethnicity, geographic region, and other relevant factors. The department will also seek out a diversity of perspectives in its engagement efforts, with a particular focus on hearing feedback from providers and partners representing historically marginalized communities.

Payments to Providers

Significant planning and analysis went into determining the per FTE award amounts. For the Transition Grant program, DHS used data from the Stabilization Base Grant program to estimate participation levels and determine funds allocated for the Transition Grants over the 3-month grant period. The resulting dollars per FTE were:

- \$375/FTE in July 2023
- \$475/FTE in August 2023
- \$520/FTE in September 2023

The varying amounts were due to slightly lower-than-estimated participation rates and supplementing the funds allocated by the Legislature with the remaining unspent American Rescue Plan Stabilization funds that were required by federal law to be spent by September 30, 2023.

The Great Start Compensation Support Payment award amounts were determined to be \$375/FTE for October 2023 through June 2024. This amount aligns with the funds allocated by the Legislature for the State Fiscal Year 2024 as well as provider participation levels in both the Compensation Support Transition Grants and Stabilization Grants.

Child Care Provider Supports

The department contracted Child Care Aware of Minnesota to provide front line technical assistance, via email and phone, for Compensation Support Payment applications and to answer program questions. DHS also created an email address, compensationsupport.dhs@state.mn.us, to provider direct technical assistance. DHS has published program information online, including details on eligibility requirements, program requirements, the application process and answers to frequently asked questions (FAQ). This information can be found on the Great Start Compensation Support Payment Program Legislative Report

[Compensation Support Payments webpage](#), which includes a [FAQ page](#). Additionally, DHS has published a [webpage](#) to assist providers in arranging to receive their Compensation Support Payments via direct deposit.

Program Implementation Milestones

Table 3 outlines some of the most significant implementation milestones for the program. This includes both milestones that have been completed and future milestones.

Table 4. Great Start Compensation Support Payment Program Milestones

Milestone	Date	Status
Launch Transition Grant webpages	06/23/2023	Complete
Conduct Provider Transition Grant engagement	7/11/2023	Complete
Launch Transition Grant application	07/17/2023	Complete
Conduct Provider Compensation Support Payment engagement	09/14/2023	Complete
Launch Compensation Support Payment webpages	10/05/2023	Complete
Launch Compensation Support Payment application	10/16/2023	Complete
Hiring of Child Care Services Division staff	TBD	In process (3 of 6 hired)
Hiring of Office of Inspector General staff	Complete	Complete (10 of 10)
Hiring of MN.IT staff	TBD	In process (0 of 2)
Develop evaluation plan	TBD	In process
Migrate monthly application to Provider Hub	Mid-FY2024	Not started

Staffing

Hiring for DHS positions to support the Great Start Compensation Program is progressing at the pace originally planned for the new program. The hiring process for MN.IT positions has started and should allow for positions to be filled to align with when they will be needed to support the system.

Application Transition to Provider Hub

The monthly application for the Compensation Support Payments will leverage the application process and technology that was used during the Stabilization Grant program. In mid-fiscal year 2024, the monthly application will be transitioned to the Child Care Provider Hub. This will occur after all three child care provider types have begun using the Provider Hub for licensing activities. Migrating the application to the Provider Hub

will increase efficiency and data integration, making the application process easier for providers and further enhancing security.

Managing Fiscal Resources

In state fiscal year 2024 and beyond, the department will manage the appropriated funding for payments with care, ensuring that information for child care providers about monthly per FTE award amounts are communicated clearly and provided with as much advance notice as possible. The law provides DHS with carryforward authority through June 2027. It is the intention of the department to use this carryforward authority to provide modest increases year over year in per FTE award amounts to the greatest extent possible.

V. Appendix One

Sec. 20. [119B.27] GREAT START COMPENSATION SUPPORT PAYMENTS.

Subdivision 1. Establishment. The commissioner of human services shall establish and administer the great start compensation support payment program to provide eligible child care and early learning programs with payments to improve access to early care and learning in Minnesota and to strengthen the ability of programs to recruit and retain early educators.

Subd. 2. Eligible programs. (a) The following programs are eligible to receive payments under this section:

- (1) family and group family child care homes licensed under Minnesota Rules, chapter 9502;
- (2) child care centers licensed under Minnesota Rules, chapter 9503;
- (3) certified license-exempt child care centers under chapter 245H;
- (4) Tribally licensed child care programs; and
- (5) other programs as determined by the commissioner.

(b) To be eligible, programs must not be:

- (1) the subject of a finding of fraud for which the program or individual is currently serving a penalty or exclusion;
- (2) the subject of suspended, denied, or terminated payments to a provider under section 256.98, subdivision 1; 119B.13, subdivision 6, paragraph (d), clauses (1) and (2); or 245E.02, subdivision 4, paragraph (c), clause (4), regardless of whether the action is under appeal;
- (3) prohibited from receiving public funds under section 245.095, regardless of whether the action is under appeal; or
- (4) under license revocation, suspension, temporary immediate suspension, or decertification, regardless of whether the action is under appeal.

Subd. 3. Requirements. (a) As a condition of payment under this section, a program

must:

(1) complete an application developed by the commissioner for each payment period for which the program applies for funding;

(2) submit data on child enrollment and attendance to the commissioner in the form and manner specified by the commissioner; and

(3) attest and agree in writing that the program was open and operating and served a minimum number of children, as determined by the commissioner, during the funding period, with the exceptions of:

(i) service disruptions that are necessary to protect the safety and health of children and child care programs based on public health guidance issued by the Centers for Disease Control and Prevention, the commissioner of health, the commissioner of human services, or a local public health agency; and

(ii) planned temporary closures for provider vacation and holidays during each payment period. The commissioner must establish the maximum allowed duration for vacations and holidays.

(b) A program must expend money received under this section no later than six months after the date the payment was received.

(c) A program that receives a payment under this section must comply with all requirements listed in the application. The commissioner must establish methods to determine that the application requirements have been met.

Subd. 4. Record retention. (a) A program that receives a payment under this section must keep accurate and legible records of the following:

(1) use of money;

(2) staff employment, compensation, and benefits, which must include time sheets or other records of daily hours worked; documentation of compensation and benefits;

documentation of written changes to employees' rate or rates of pay and basis thereof as a result of payments received under this section, as required under section 181.032, paragraphs (d) to (f); and any other records required to be maintained under section 177.30; and (3) attendance. Daily attendance records must be completed every day and must include the date, the first and last name of each child in attendance, and the time each child is dropped off at and picked up from the program. To the extent possible, the person dropping off or picking up the child must enter the times.

(b) The requirement to document compensation and benefits under paragraph (a), clause (2), applies to family and group family child care homes only if a payment received under this section is used for employee compensation or benefits.

(c) Records identified in paragraph (a) must be retained at the site where services are delivered for six years after the date of receipt of payment and must be made immediately available to the commissioner upon request. Any records not provided to the commissioner at the date and time of request are deemed inadmissible if offered as evidence by a program in any proceeding to contest an overpayment or disqualification of the program.

Subd. 5. Enforcement. A program that receives a payment under this section that fails to meet the requirements of this section is subject to discontinuation of future installment payments, recovery of overpayments, and actions under chapter 245E. Except when based on a finding of fraud, actions to establish an overpayment must be made within six years of receipt of the payments. Once an overpayment is established, collection may continue until money has been repaid in full. The appeal process under section 119B.16 applies to actions taken for failure to meet the requirements of this section.

Subd. 6. Payments. (a) The commissioner shall provide payments under this section to all eligible programs on a noncompetitive basis. The payment amounts shall be based on the number of full-time equivalent staff who regularly care for children in the program,

including any employees, sole proprietors, or independent contractors.

(b) For purposes of this section, "one full-time equivalent" is defined as an individual caring for children 32 hours per week. An individual can count as more or less than one full-time equivalent staff, but as no more than two full-time equivalent staff.

(c) The commissioner must establish an amount to award per full-time equivalent individual who regularly cares for children in the program.

(d) Payments must be increased by ten percent for programs receiving child care assistance payments under section 119B.03 or 119B.05 or early learning scholarships under section 124D.165, or for programs located in a child care access equity area. The commissioner must develop a method for establishing child care access equity areas. For purposes of this section, "child care access equity area" means an area with low access to child care, high poverty rates, high unemployment rates, low homeownership rates, and low median household incomes.

(e) The commissioner shall establish the form, frequency, and manner for making payments under this section.

Subd. 7. Eligible uses of money. (a) Child care centers licensed under Minnesota Rules, chapter 9503, certified license-exempt child care centers under chapter 245H, and Tribally licensed child care centers must use money received under this section to pay for increases in compensation, benefits, premium pay, or additional federal taxes assessed on the compensation of employees as a result of paying increased compensation or premium pay to all paid employees or independent contractors regularly caring for children.

(b) Family and group family child care homes licensed under Minnesota Rules, chapter 9502, and Tribally licensed family child care homes must use money received under this section for one or more of the following purposes:

(1) paying personnel costs, such as payroll, salaries, or similar compensation; employee

benefits; premium pay; or financial incentives for recruitment and retention for an employee, a sole proprietor, or an independent contractor;

(2) paying rent, including rent under a lease agreement, or making payments on any mortgage obligation, utilities, facility maintenance or improvements, property taxes, or insurance;

(3) purchasing or updating equipment, supplies, goods, or services;

(4) providing mental health supports for children; or

(5) purchasing training or other professional development.

Subd. 8. Legal nonlicensed child care provider payments. (a) Legal nonlicensed child care providers, as defined in section 119B.011, subdivision 16, are eligible to apply for a payment of up to \$500 for costs incurred before the first month when payments from the child care assistance program are issued.

(b) A payment received under this subdivision must be used for one or more of the following activities:

(1) purchasing or updating equipment, supplies, goods, or services; or

(2) purchasing training or other professional development.

(c) The commissioner shall determine the form and manner of the application for a payment under this subdivision.

Subd. 9. Report. By January 1 each year, the commissioner must report to the chairs and ranking minority members of the legislative committees with jurisdiction over child care and early learning the number of payments provided to programs and related outcomes since the last report. This subdivision expires January 31, 2033.

Subd. 10. Carryforward authority. Money appropriated under this section is available until expended.