



Great Start Compensation Support Payment Program: Fiscal Year 2025

Annual Report to the Legislature

January 2026

For more information contact:

Minnesota Department of Children, Youth, and Families
Child Care Services
444 Lafayette Road N
St. Paul, MN 55155
651-539-7700
<https://dcyf.mn.gov/>

Minnesota Statutes, Chapter 3.197, requires the disclosure of the cost to prepare this report. The estimated cost of preparing this report is \$8,337

Upon request, this material will be made available in an alternative format such as large print, Braille or audio recording. Printed on recycled paper. Printed with a minimum of 10 percent post-consumer material. Please recycle.



For accessible formats of this information or assistance with additional equal access to human services, email us at dcyf.child.care@state.mn.us, call 651-431-3809, or use your preferred relay service.

ADA1 (3-24)

Contents

- I. Executive summary.....4
- II. Legislation.....4
- III. Introduction4
- IV. Fiscal Year 2025 Implementation.....6
- V. Payment and participation data.....7
- VI. Provider Use of Funds Report..... 10
- VII. Non-Participant Insights..... 18
- VIII. Summary 24
- VIII. Appendices..... 26
 - Appendix A: 10% Increase Providers Paid, Total Providers Paid, and Total Payments Summary by Month..... 26
 - Appendix B: All providers who qualified for the 10% Increase by county 27

I. Executive summary

The Great Start Compensation Support Payment Program (Great Start Compensation program) was signed into law in May 2023. Building on the temporary federally funded Child Care Stabilization Grant Program, which ended in June 2023, this program issues monthly payments intended to strengthen the ability of child care programs to recruit and retain early educators and improve access to early care and education in Minnesota.

This is the third legislative report for the Great Start Compensation program and includes information from the July 2024 through June 2025 (fiscal year 2025) rounds of funding. This report describes the Department of Children, Youth, and Families' (the Department) efforts to:

- Provide monthly Great Start Compensation payments.
- Continue work in 2026 that expands both opportunities and the ability to leverage data to inform learnings related to program outcomes to drive continuous quality improvement efforts.

The report includes data on Great Start Compensation payments awarded July 2024 through June 2025 and the results of a newly implemented Use of Funds Report with child care programs that have received funds and the results of a survey of programs.

II. Legislation

Minnesota Statutes 2024, section [142D.21](#), establishes the Great Start Compensation Support Payment Program. By January 1 of 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.

III. Introduction

The Great Start Compensation program was established by the 2023 Legislature and was effective October 2023. Building on the Child Care Stabilization Grant program funded by the federal American Rescue Plan Act that ended in June 2023, this permanent state-funded program is designed to support the child care and early learning industry and workforce. Eligible child care programs receive payments to fund increases in compensation for early educators, moving the early childhood education workforce closer to offering a livable wage.¹ The program is intended to support programs to recruit and retain early educators and improve access to

¹ For more information on the definition of a livable wage, see the MN Department of Employment and Economic Development's cost of living calculator that estimates the basic-needs cost of living in Minnesota at <https://mn.gov/deed/data/data-tools/col/>.

early care and education. In 2025, Minnesota’s median wage for child care workers was \$16.43 per hour,² one of the lowest median wages for positions requiring at least a high school diploma.

State funds appropriated for payments to child care programs were \$109.665 million in fiscal year (FY) 2024, \$206.436 million in FY 2025, \$129.887 million in FY 2026 and \$129.887 million in FY 2027. The appropriations in FYs 2024 and 2025 are available until June 30, 2027. The appropriations for FY 2026 and beyond are available until expended as established in [Section 142D.21 Subd. 10. Carryforward authority.](#)

The Great Start Compensation program is a non-competitive payment program that is open to all eligible child care and early learning programs licensed or certified by the state of Minnesota or licensed by a Tribal Nation.³ Child care centers licensed or certified license-exempt by the state or licensed by a Tribal Nation must use these monthly payments to increase early educator compensation in the form of wages and/or benefits. Family child care programs licensed by the state or a Tribal Nation can use these funds 1) to increase compensation for themselves and any employees, and/or 2) to cover business expenses. On average, over 8,000 early childhood education programs are eligible to apply each month for a Great Start Compensation payment. More information on Great Start Compensation program can be found on [the Great Start Compensation webpage.](#)

In addition to the monthly payments described above, the Great Start Compensation program also provides a one-time \$500 payment to active, CCAP registered, legal nonlicensed child care providers to cover registration and startup costs. From July 2024 through June 2025, 6 legal nonlicensed child care providers applied for and received a \$500 payment, totaling \$3,000 paid out under this portion of the program in FY 2025. Legal nonlicensed child care providers are not eligible for monthly Great Start Compensation payments per [Section 124D.21 Subd. 8. Legal nonlicensed child care provider payments.](#)

Allowable uses of these funds for legal nonlicensed child care providers include:

- Purchasing or updating equipment, supplies, goods or services, OR
- Purchasing training or other professional development.

² Minnesota Department of Employment and Economic Development. (2025). Occupational Employment and Wage Statistics, first quarter 2025.

<https://apps.deed.state.mn.us/lmi/oes/DetailedOccupationData?code=399011&geog=US,MN>

³ Licensed child care centers offer care and early learning in a nonresidential setting, such as a school or dedicated facility. In Minnesota, a child care provider is required by state law to obtain a license to operate a child care center unless the provider meets an exemption in state law. Certified centers are license-exempt child care centers that participate in the Child Care Assistance Program (CCAP).

IV. Fiscal Year 2025 Implementation

The Great Start Compensation program launched October 2023. Implementation efforts in the second full year focused on moving from design and development to implementation of processes and tools aimed to support effective, efficient, and equitable implementation of the program. Two actions are highlighted below that illustrate work done in year two that will be built upon in year three.

Provider Use of Funds Report

By accepting Great Start Compensation payments, providers agree to document how they used Great Start Compensation funds and share this information with the state. The Department developed and deployed a Use of Funds Report to collect information on how Great Start Compensation recipients are using funds and the impact of those funds. This report is required and must be submitted annually.

Providers are sent a Use of Funds Report annually and have 90 calendar days from the date the report becomes available to them to complete and submit their Use of Funds Reports. Providers who fail to submit their Use of Funds Report by their deadline will be ineligible to apply for Great Start Compensation funds until their report is submitted.

Providers can prepare for the report by reviewing the report examples online and using the free and optional Use of Funds tools posted on the [public website](#).

- Sample Use of Funds Report: [State or Tribally Licensed Family Child Care Providers \(PDF\)](#)
- Sample Use of Funds Report: [State or Tribally Licensed Centers and State Certified Centers \(PDF\)](#)

Data from the Use of Funds Report will ensure that the Department can identify trends, outcomes and opportunities for continuous quality improvement. This report presents selected summary data from the Use of Funds Reports submitted to date by programs that have received funding.

Program Evaluation Plan

In year one, an evaluation plan for the Great Start Compensation program was developed with the goals of:

- Informing reporting on the program,
- Engaging in continuous quality improvement,
- Assessing whether the program is having intended impacts, and
- Assessing whether all providers and families are sharing equitably in the program's benefits.

In year two, the focus was on building the infrastructure necessary to collect data for analysis for regular assessments of progress toward these goals. The development of Tableau dashboards, the Use of Funds Report, and a Non-Participant Survey in year two has provided the first robust data set to inform the program evaluation. Program outcomes and impacts will be monitored, including:

- Measuring the ways that the program affects the child care sector as a whole,
- Measuring the ways that the program achieves the intended results for participating child care providers,

- Understanding the extent to which Child Access Equity Areas affect the results of this program,
- Measuring the customer service experience for participating child care providers

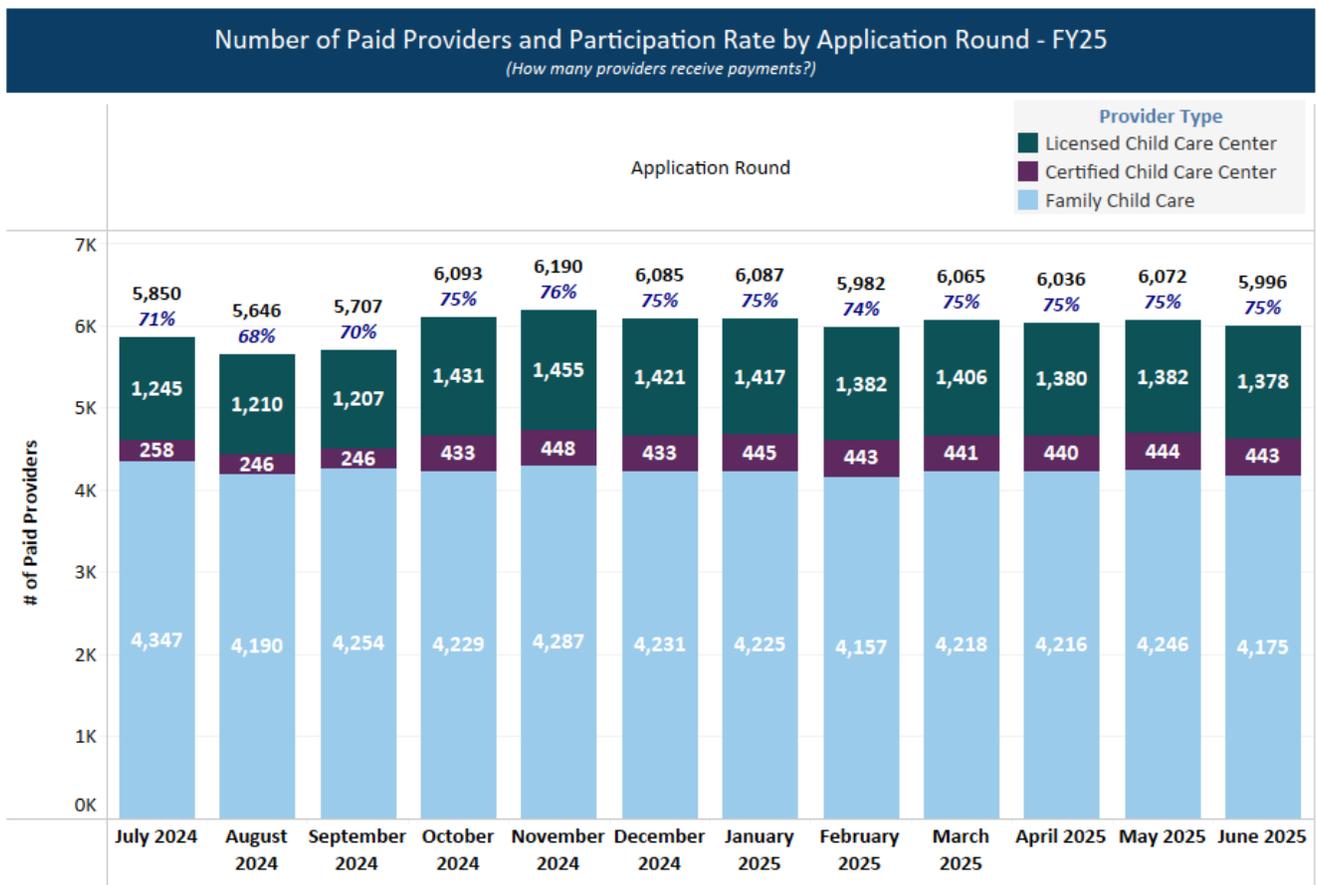
In year three, efforts will focus on conducting the program evaluation and documenting the learnings.

In addition to the data collected with the Funds Report, a survey was conducted of all eligible child care and early learning programs who had either never applied or have not applied within the past six months since they last applied for Great Start Compensation funding, to glean insights about non-participation. It should be noted that the survey size is small in comparison to the volume of data the Department has available for analysis from participating programs submitting the Use of Funds Report. Initial analysis of data, both from the Use of Funds Report and the non-participating provider survey, have begun and a sampling of findings are shared within this report.

V. Payment and participation data

This section reports summary administrative data for the Great Start Compensation program for the July 2024 through June 2025 Great Start Compensation monthly payment rounds.

Chart 1. Number of Paid Providers and Participation Rate by Application Round



Participation in the Great Start Compensation program remains relatively consistent compared to FY 2024, with licensed child care centers (green), certified child care centers (purple), and licensed family child care (blue) actively engaged. Seasonal dips in July - September are expected, as some programs close for the summer and reopen during the school year. Overall, participation has held steady for all eligible programs, with Great Start Compensation payments reaching most of Minnesota’s child care programs. Tribal programs are included within licensed child care center and family child care counts; on average, 32 Tribally-licensed providers receive payments each month.

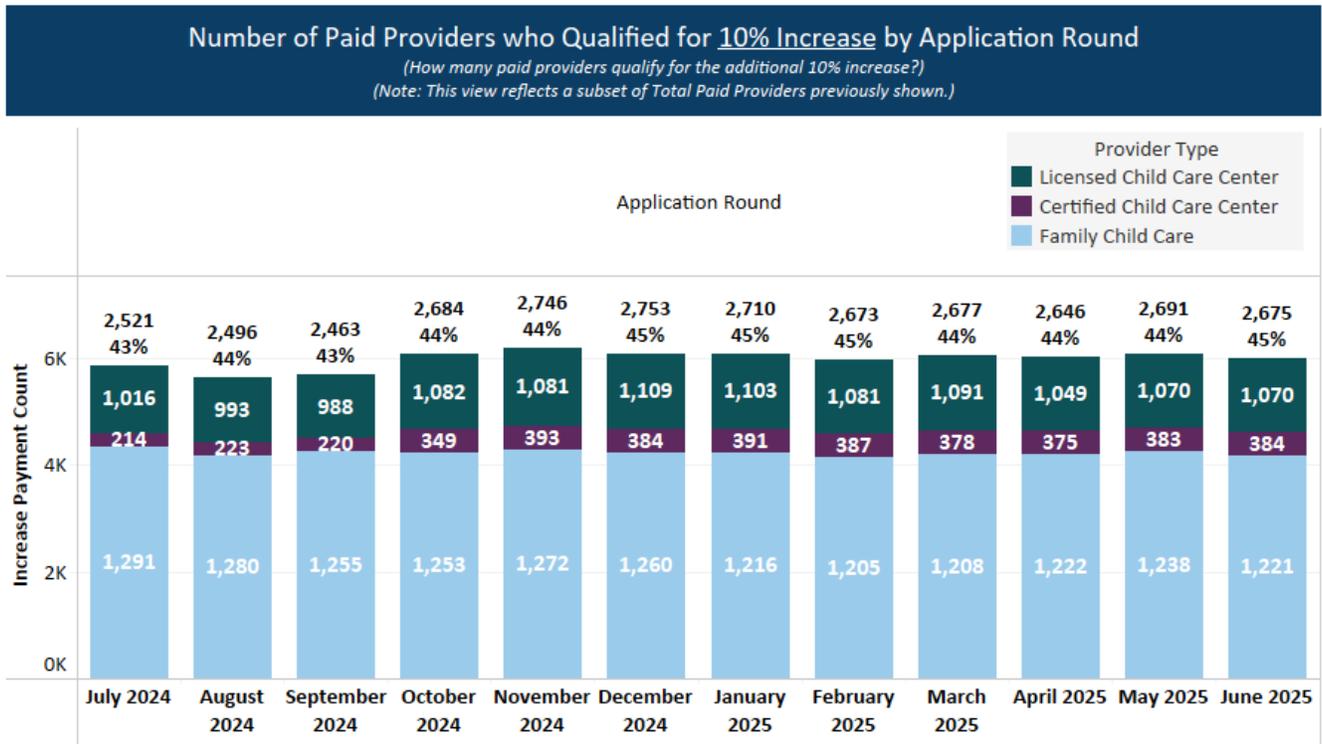
Chart 2. Total Payments, by Provider Type and Application Round

Application Round	Provider Type			Grand Total
	Licensed Child Care Center	Certified Child Care Center	Family Child Care	
July 2024	\$8,495,380 66%	\$1,437,362 11%	\$2,977,769 23%	\$12,910,511 100%
August 2024	\$7,730,868 64%	\$1,778,452 15%	\$2,649,366 22%	\$12,158,686 100%
September 2024	\$7,832,368 67%	\$1,234,789 11%	\$2,682,751 23%	\$11,749,908 100%
October 2024	\$8,291,824 70%	\$723,066 6%	\$2,868,623 24%	\$11,883,512 100%
November 2024	\$7,959,788 69%	\$773,987 7%	\$2,802,654 24%	\$11,536,429 100%
December 2024	\$8,812,672 70%	\$814,461 6%	\$3,021,908 24%	\$12,649,040 100%
January 2025	\$7,366,035 70%	\$703,351 7%	\$2,463,578 23%	\$10,532,964 100%
February 2025	\$8,083,746 69%	\$799,381 7%	\$2,836,769 24%	\$11,719,896 100%
March 2025	\$8,359,102 69%	\$778,822 6%	\$2,891,669 24%	\$12,029,593 100%
April 2025	\$7,675,748 69%	\$752,164 7%	\$2,743,729 25%	\$11,171,640 100%
May 2025	\$7,709,173 69%	\$773,805 7%	\$2,750,597 24%	\$11,233,575 100%
June 2025	\$8,147,922 70%	\$799,206 7%	\$2,763,848 24%	\$11,710,976 100%
Grand Total	\$96,464,624 68%	\$11,368,845 8%	\$33,453,259 24%	\$141,286,729 100%

In FY 2025, the Great Start Compensation program distributed a total of \$141.3 million in payments across eligible program types. Most of these funds (68%, or \$96.5 million) went to licensed child care centers. Family child care providers accounted for 24% (\$33.5 million), while certified child care centers represented the remaining 8% (\$11.4 million).

Payment patterns have remained stable month after month, with licensed child care centers consistently receiving between 64% and 70% of total disbursements. Family child care providers have maintained a steady share of 22% to 25%, and certified centers have fluctuated slightly between 6% and 15%.

Chart 3. Paid providers who qualified for the 10% increase by application round



During FY 2025, an average of 44% of all programs who received payments also qualified for the 10% increase.

Programs are eligible for a 10% increase to their Great Start Compensation payment if they have one or more of the following criteria:

- Have provided care **AND** were paid out during the 10% increase lookback period for service provided during the lookback period through the Child Care Assistance Program
- Have provided care **AND** were paid out during the 10% increase lookback period for service provided during the lookback period through Early Learning Scholarship payments
- Are located in a Child Care Access Equity Area (for more information, see section 7 on [the Frequently Asked Questions FAQ page.](#))

Of recipients who qualified for the 10% increase, participation ranged from 2,460-2,750 monthly. Since October 2024, monthly participation has been consistently above 2,670 providers.

The lowest 10% increase participation occurred in September 2024 (2,463 providers). This follows a trend identified related to seasonal programs that close for the summer months. The September application round looks retroactively at the August data.

VI. Provider Use of Funds Report

By accepting Great Start Compensation payments, providers agree to document how they used Great Start Compensation funds and share this information with the state. In year two, the Department built a Use of Funds Report to collect information on how Great Start Compensation recipients are using funds and the impact of those funds. This report is required and must be submitted annually based on the first month and year that recipient was awarded a payment.

Providers have 90 calendar days from the date the report becomes available to complete and submit their Use of Funds Reports. Providers who fail to submit their Use of Funds Report by their deadline will be ineligible to apply for Great Start Compensation funds until their report is submitted.

Chart 4. Use of Funds: Licensed and Certified Centers Only

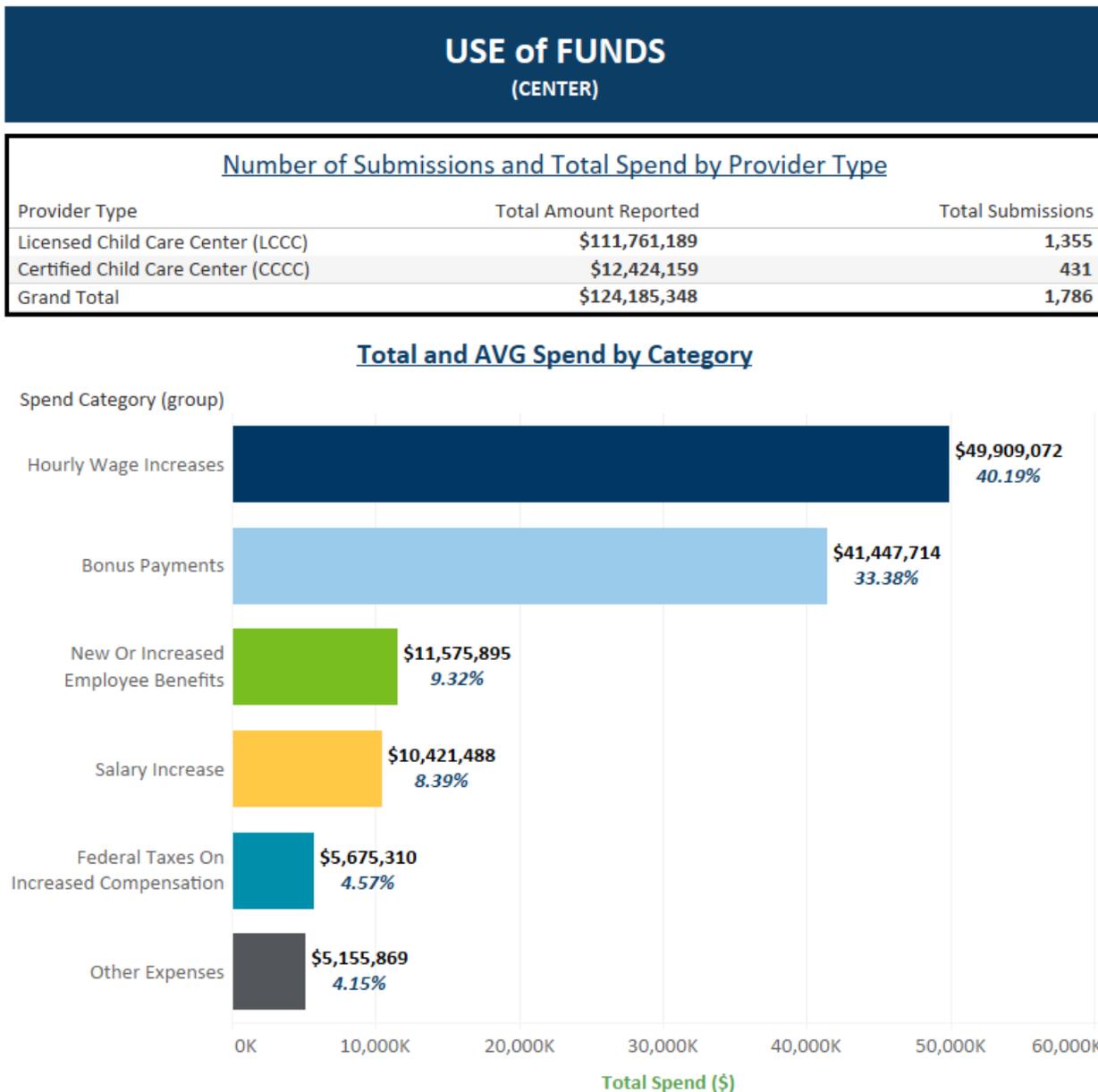


Chart 4 presents an overview of the use of funds specifically for licensed and certified child care centers, showing both the total amount spent and the breakdown by category. Child care centers can only use Great Start Compensation to increase compensation, benefits or related expenses.

This chart summarizes data from FY 2025 with 1,786 child care centers submitting their first annual Use of Funds Report. These submissions represent nearly 90% of centers that were required to do so in the period – reporting on a total of \$124.2 million in Great Start Compensation payments previously received. Providers were asked about how they spent Great Start Compensation payments that they were awarded in their first year or so of participation, with reports due after all payments listed in the report were required to have been spent. Licensed child care centers accounted for the vast majority, reporting \$111.5 million (90%) of spending, while certified child care centers reported \$12.4 million (10%).

When looking at spending categories, the largest share went to hourly wage increases (e.g., an increase of \$0.50 per hour), which totaled \$49.9 million (40%). This was followed by bonus payments (e.g., retention bonuses, holiday bonuses, quarterly bonuses, etc.), at \$41.2 million (33%). Together, these two categories represented nearly three-quarters of all reported spending, highlighting the program’s strong emphasis on direct staff compensation. Additional investments included new or increased employee benefits (\$11.5 million, 9%), salary increases (i.e., increases to fixed compensation for a given period of time, often annual) (\$10.4 million, 8%), and federal taxes on increased compensation (\$5.7 million, 5%). Smaller portions were directed to other expenses (\$5.0 million, 4%) and funds repaid or returned to the state (\$149,000, <1%).

Additional Findings of Note:

- A significant majority of funds, totaling 82.96%, were reported as directly used to increase compensation. This includes hourly wage increases, bonus payments, and salary increases.⁴
- Employee benefits account for a notable portion of expenditures at 9.32%, though this is considerably lower than direct compensation-related spending.
- The authorizing statute permits funds to be used for additional federal taxes incurred due to increased employee compensation or premium pay. Preliminary analysis indicates some providers may be misapplying funds to cover all federal taxes, rather than limiting use to taxes on the increased compensation amounts funded by the program. Targeted technical assistance is underway to ensure proper fund use.
- Regarding funds repaid or returned: The statute mandates the return of funds if a program fails to meet the specified requirements. Such programs may face discontinuation of future payments, recovery of overpayments, and other actions as outlined in sections 142E.50 to 142E.58. Except in cases of fraud, overpayment claims must be made within six years of payment receipt, with collection efforts

⁴ Within the Use of Funds Report, the term “salary” refers to a fixed annual payment amount as reported by programs. This definition was intentionally adopted—based on direct input from child care providers—to better capture how programs conceptualize wages and compensation. It does not align with the U.S. Department of Labor’s standard definition.

continuing until full repayment. The appeal process specified under section [142E.18 Fair hearing process](#) applies to such actions.

Overall, these results underscore that providers are using Great Start Compensation funds primarily to support their workforce through wage increases, bonuses, and benefits - directly addressing compensation challenges in the child care sector.

Chart 5. Use of Funds: Licensed Family Child Care and Tribal Providers

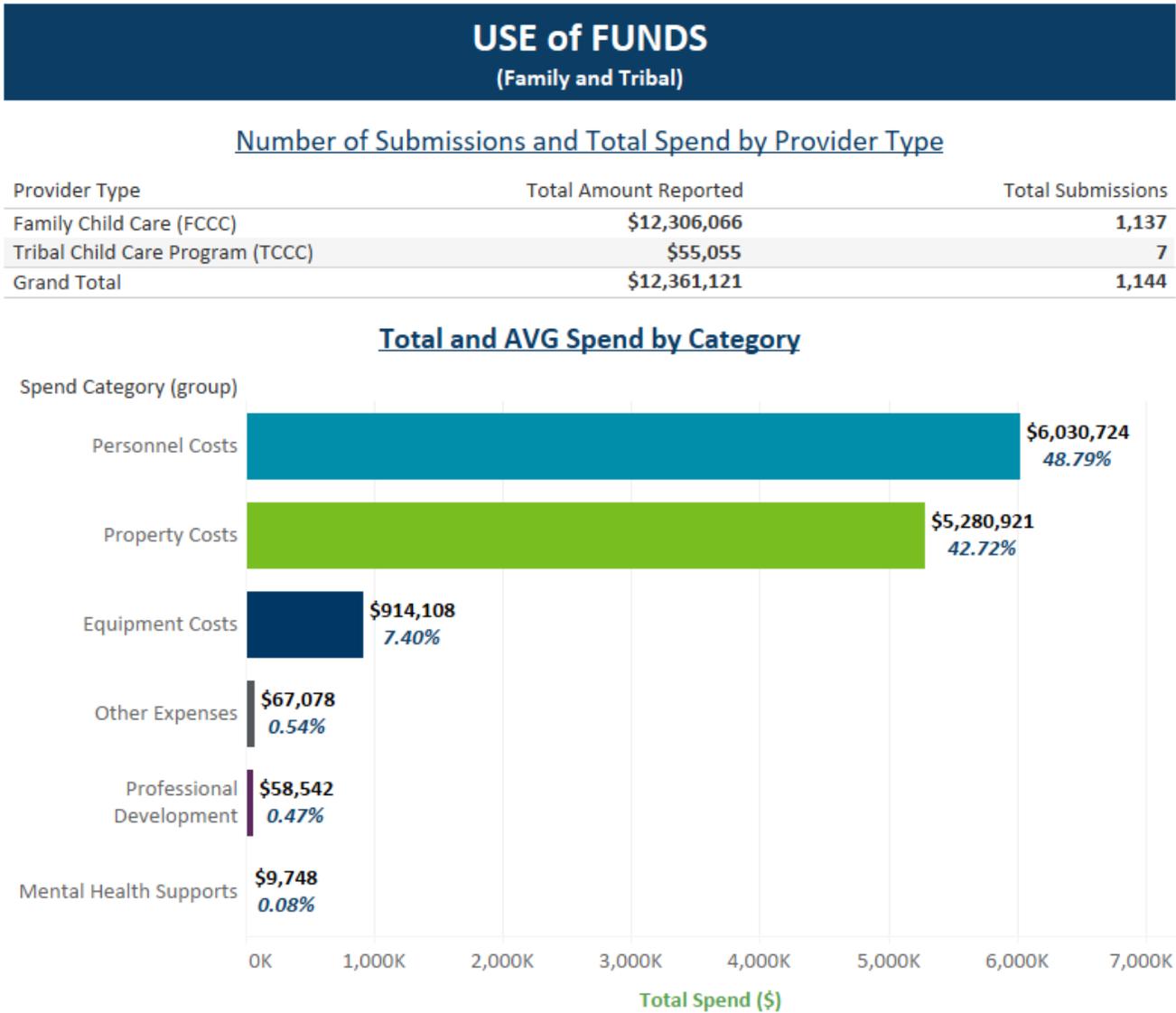


Chart 5 presents an overview of the use of funds specifically for licensed family child care programs, showing both the total amount spent and the breakdown by category. All licensed family child care programs who applied for and received Great Start Compensation funding were asked how they spent their Great Start Compensation funds. Family child care programs licensed by a Tribal Nation were included in these results. Licensed family child care programs have the flexibility to use Great Start Compensation funds for business

expenses in addition to increasing compensation, unlike centers. Programs could choose all applicable uses of funds.

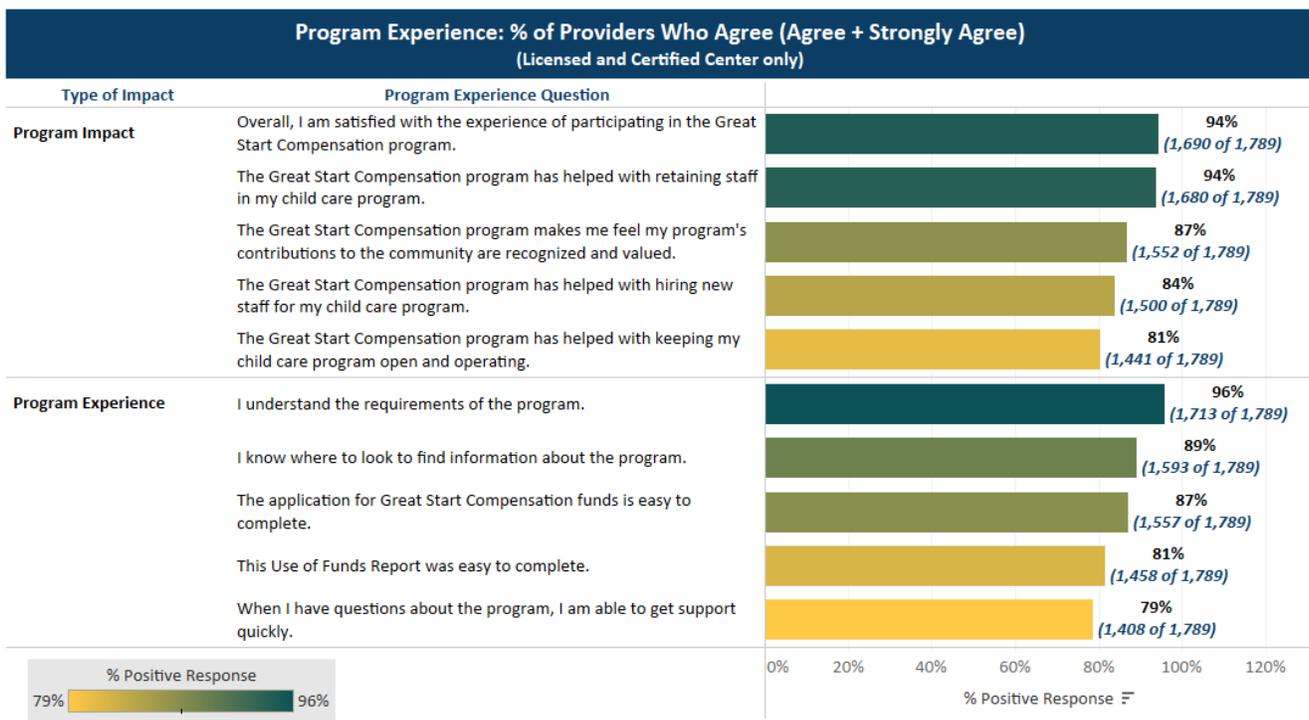
This chart summarizes data from the Use of Funds Report in FY 2025 with 1,144 family child care programs submitting their first Use of Funds Report to provide insights on a total of \$12.4 million in Great Start Compensation payments previously received. Providers were asked about how they spent Great Start Compensation payments that they were awarded in their first year or so of participation, with reports due after all payments listed in the report were required to have been spent.

The most common uses of funds reported by family child care programs were:

- Personnel costs: 48.79% (paying themselves and/or employees),
- Property costs: 42.72% (rent/mortgage) and,
- Equipment costs: 7.4%

During input and engagement opportunities over the past year, licensed family child care providers often shared their concern and anxiety related to completing the Use of Funds Report. They expressed uneasiness with reporting “personnel costs” because they do not typically think of themselves as staff/personnel of their own licensed child care business. Department and grantee staff have and will continue to provide technical assistance and clarity to family child care providers that paying themselves is an allowable use of the funds. Family child care providers have repeatedly requested the statutory language be enhanced to make it clearer, in plain language, that simply accepting the payment as individual income is an acceptable use of the funds.

Chart 6. Program Experience: Licensed and Certified Centers only



The Use of Funds Report results show strong positive feedback from licensed and certified child care centers on their experience with the Great Start Compensation program. Chart 6 displays information on both program impacts and customer experiences.

Program Impact:

- 94% of providers reported overall satisfaction with participating in the program.
- 94% agreed the program has helped with staff retention, and 84% said it has supported hiring new staff.
- 87% felt the program makes their contributions to the community more valued.
- 81% reported the program has been critical in keeping their programs open and operating.

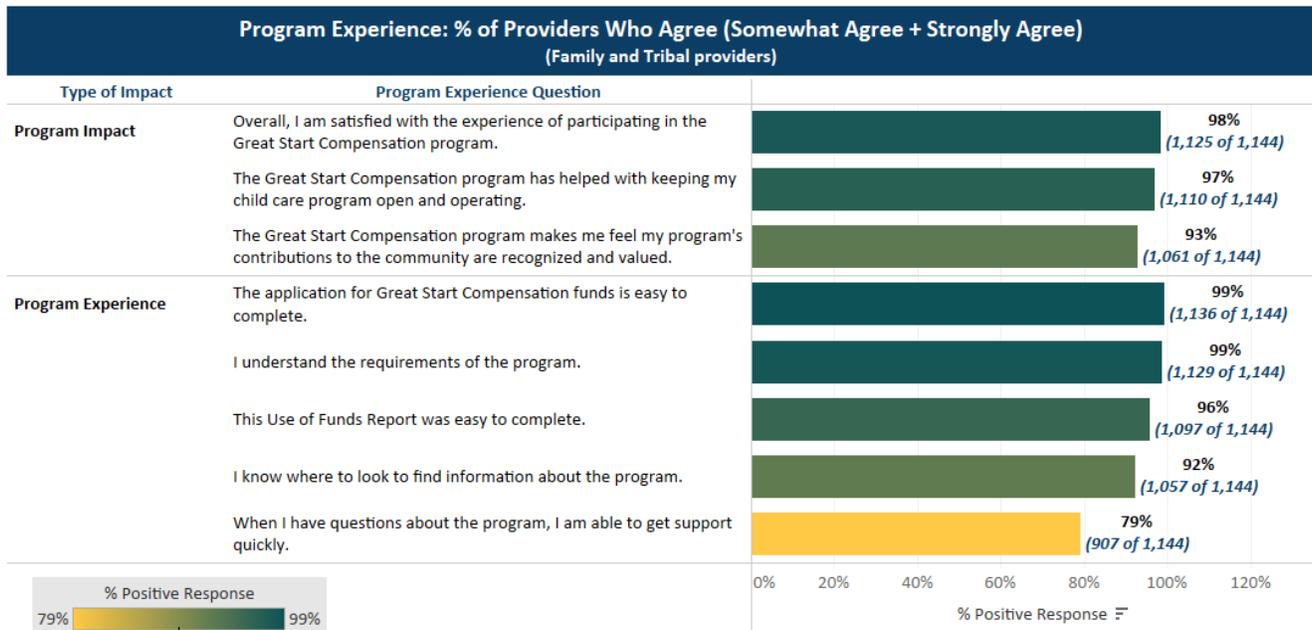
Program Experience:

- 96% of providers said they understand the program’s requirements, the strongest result across all questions.
- 89% said they know where to find information about the program.
- 87% found the application process easy to complete.
- 81% agreed the new Use of Funds Report was easy to complete.
- 79% felt they were able to get timely support when they had questions, which, while still strong, was the lowest-rated area.

“I have truly valued this payment support program, and it has certainly benefited my staff, who receive these funds as a monthly bonus, as well as myself.” – A Child care center director/administrator

Overall, these results demonstrate that providers view the program as highly impactful in sustaining operations and supporting their workforce. At the same time, the data suggests opportunities to further strengthen support responsiveness and the reporting experience.

Chart 7. Program Experience: Licensed Family Child Care and Tribal Providers



The survey feedback presented in Chart 7 from family and Tribal child care providers reflects exceptionally high levels of satisfaction with the Great Start Compensation program. (Note: family child care providers are not asked questions related to hiring and retaining staff in their version of the Use of Funds Report as they are most often an individual child care provider and the only staff member for the business license.)

Program Impact:

- 98% reported overall satisfaction with their program experience.
- 97% said the program has helped keep their child care program open and operating.
- 93% felt their contributions to the community are recognized and valued through the program.

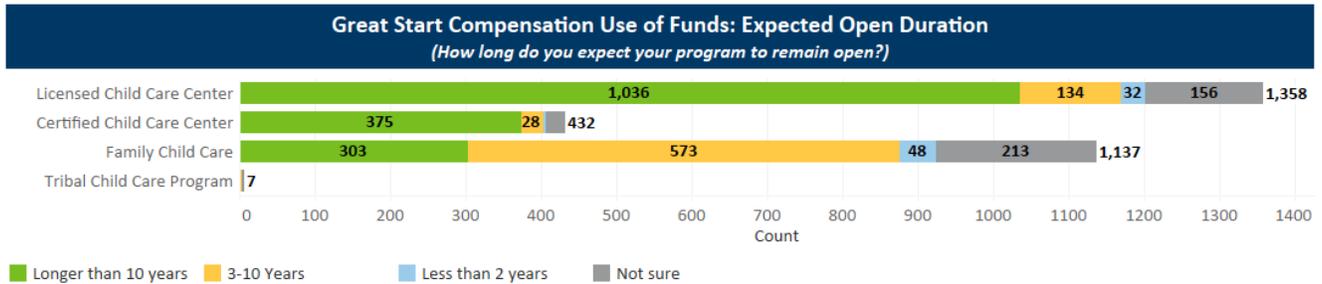
Program Experience:

- Nearly all respondents (99%) said the application process was easy to complete and that they understand the program's requirements.
- 96% agreed the new Use of Funds Report was easy to complete.
- 92% know where to find information about the program.
- While still positive, 79% agreed they can get timely support when they have questions, which is lower than other areas and suggests an opportunity for improvement.

“This program has eased the stress of many providers in my area, with extra funds to use towards keeping our doors open, whether we are using it to pay mortgage utilities or getting new equipment to benefit the kiddos we care for.” – A family child care provider

Overall, these results demonstrate that family and Tribal providers not only find the program impactful in sustaining operations but also overwhelmingly view the program as accessible and easy to navigate. The primary area for continued focus is ensuring consistently timely support.

Chart 8. Expected Open Duration for Participating Providers

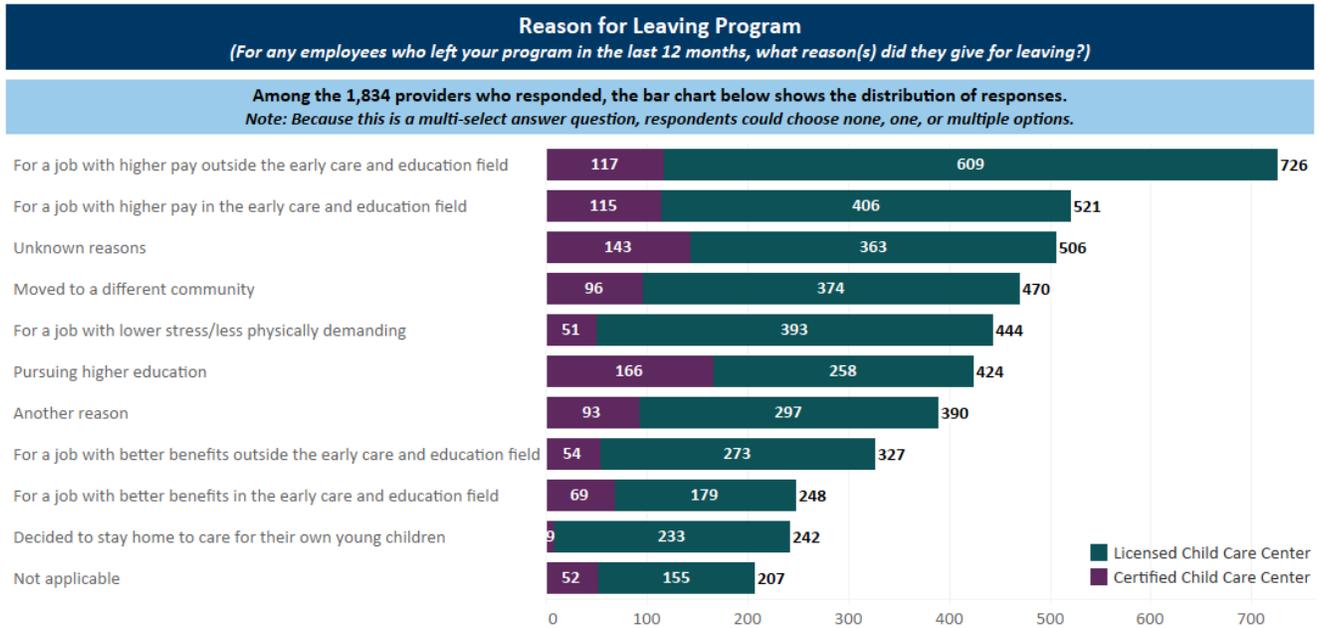


The survey on expected program longevity highlights encouraging stability among providers participating in the Great Start Compensation program.

- Licensed child care centers show the strongest outlook, with 1,036 providers (76%) expecting to remain open longer than 10 years. An additional 134 centers (10%) anticipate staying open for 3–10 years, while only a small portion report a shorter expected open duration (32 less than 2 years; 156 unsure).
- Certified child care centers report a similar pattern, with 375 (87%) projecting they will remain open longer than 10 years. Very few anticipate a shorter expected open duration (28 for 3-10 years; 8 less than 2 years; 21 unsure).
- Family child care providers show more mixed expectations: while 303 (27%) anticipate staying open longer than 10 years, the majority (573, or 50%) expect to remain open only 3–10 years. Additionally, 213 providers (19%) reported being unsure, and 48 (4%) anticipate staying open for less than 2 years.
- Tribal child care programs were few, but all respondents indicated long-term expected open durations.

Overall, these results demonstrate a sense of strong long-term sustainability among licensed and certified centers, while family child care providers show more uncertainty and shorter expected open durations - an important signal for future workforce and program planning.

Chart 9. Child Care Center Staff Reasons for Leaving



All licensed and certified child care centers who applied for and received Great Start Compensation funding were asked to share the top three reasons staff give for leaving their job. Centers licensed by a Tribal Nation were not included in these results at this time.

Chart 9 summarizes the top reasons staff left child care centers (both licensed child care centers and certified child care centers) in the past 12 months, based on responses from 1,834 providers. Selecting more than one response was allowed.

Key Insights:

- Top Reason: For a job with higher pay outside the early care and education field was the most cited reason, with a total of 726 responses (609 from licensed centers, 117 from certified centers).
- Other Major Reasons:
 - For a job with higher pay within the field: 521 total responses (406 licensed, 115 certified)
 - Unknown reasons: 506 total (363 licensed, 143 certified)
 - Moved to a different community: 470 total (374 licensed, 96 certified)
 - For a job with lower stress/less physically demanding work: 444 total (393 licensed, 51 certified)

- Secondary Reasons:
 - Pursuing higher education: 424 total responses
 - Another reason: 394 total
 - For a job with better benefits outside the early care and education field: 327 total
 - For a job with better benefits within the early care and education field: 248 total
 - Decided to stay home to care for their own young children: 242 total
- Trend across center types: In nearly every category, licensed centers report more departures than certified centers.
 - For licensed centers, the most common reasons for leaving the job given by staff at licensed centers were higher pay, either within or outside of the early childhood education field.
 - For certified centers, the most common reasons for leaving the job given by staff were pursuing higher education, unknown reasons, and higher pay either within or outside of the field.

Centers commonly lose staff to higher paying jobs outside the early childhood education field and because of stress. Other data sources, such as the 2023 Early Care and Education Workforce Study,⁵ have found that these staff departures create significant difficulty for child care programs when it comes to staff hiring and retention. The Workforce Study found turnover rates in child care and early learning programs ranging from 21-38% depending on the position, all of which is higher than a National Survey of Early Care and Education benchmark of 20% turnover being considered “high turnover.” While that study did not ask about child care and early learning professionals’ reasons for leaving their roles, low compensation and high stress levels were the most common themes in the study’s focus groups, which discussed burnout in the child care and early learning field.

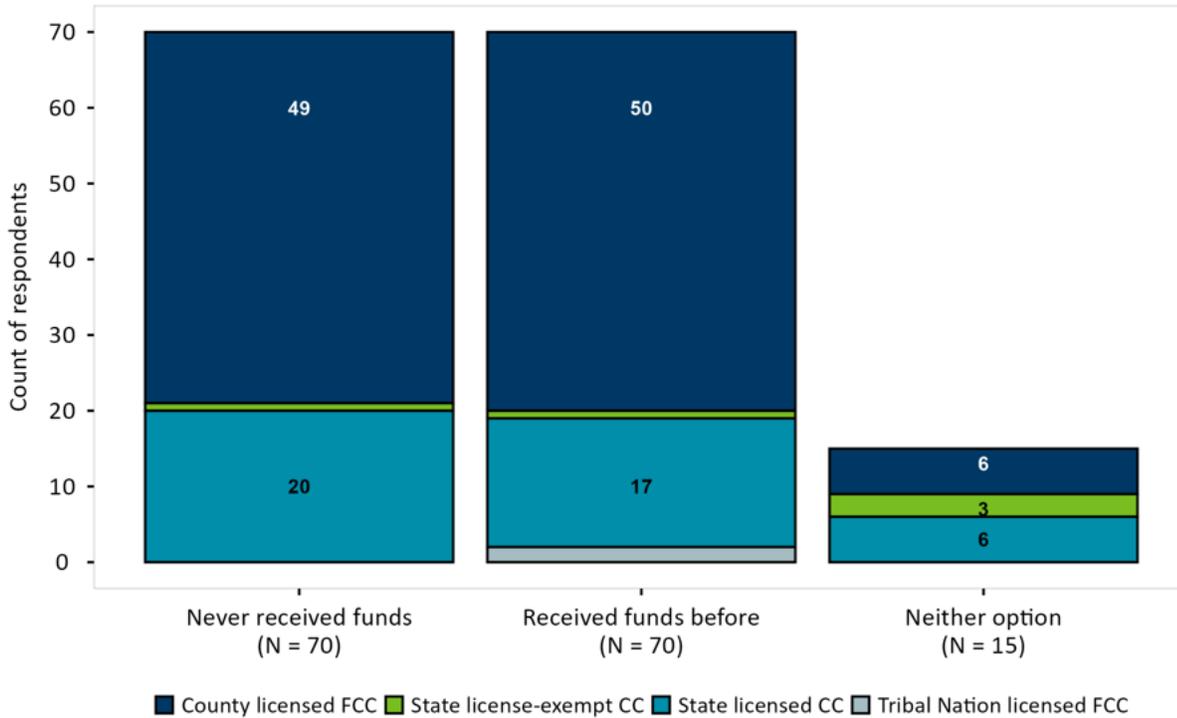
VII. Non-Participant Insights

A Year Two Provider Survey of all programs who never applied and those who have received at least one payment but have not applied within the past six months was conducted in September 2025.

⁵ Valorose, Jennifer, Sera Kinoglu, and Amanda Petersen (2023). “Minnesota’s Early Childhood Educators: 2023 Statewide Study of the Demographics, Workforce Supports, and Professional Development Needs of the Early Care and Education Workforce.” *Wilder Research*.
https://www.wilder.org/sites/default/files/imports/EarlyCare_EducationWorkforce_Minnesota_Report_12-23.pdf

Chart 10. Survey population by GSCSPP status and provider type

Survey population by GSCSPP status and provider type



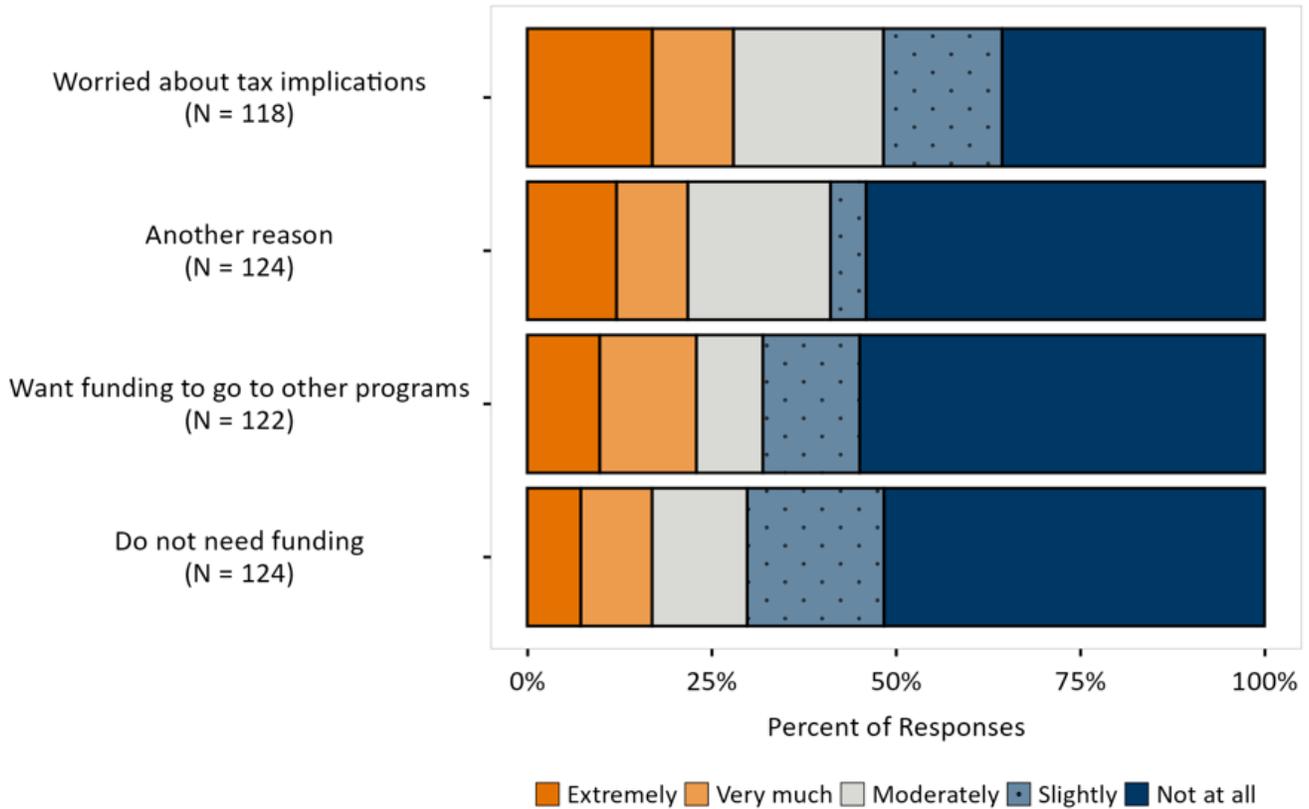
NA values have been filtered out

Chart 10 shows survey participation rates for programs that either 1) have never applied for Great Start Compensation payments, or 2) have not received a payment within the past six months since their last payment. No respondents who fell into either of these categories were programs licensed by a Tribal Nation. Of the 1,452 unique survey links sent, 170 surveys were submitted; 145 were fully completed and 25 were partially completed, resulting in a survey response rate of 15%. The survey was voluntary and anonymous.

The survey population is overwhelmingly made up of licensed family child care providers, regardless of their funding status. State-licensed child care centers is the next largest category. Other provider types are minimally represented, especially among those who have received or never received funds. The “Neither option” group shows a more diverse mix despite its small size.

Chart 11. Non-Participant Reasons – 4 most impactful reasons reported for non-participation

How much did the following contribute to your decision not to apply in the last six months...



All programs who received the survey were asked, “How much did the following contribute to your decision not to apply in the last six months?”.

Chart 11 shows the four most common reasons for not participating in the Great Start Compensation program included: feeling the funds were not needed, concerns about meeting compliance requirements, impact on taxes, and privacy concerns. The next grouping of reasons included difficulty of the application, time needed to complete the application, rejecting government support, and worry that their application would not be approved.

Among non-participant licensed centers, the most common reasons for not participating in the Great Start Compensation program included: feeling the funds were not needed, concerns about meeting compliance requirements, difficulty of the application, and time needed to complete the application.

Non-participant certified centers cited tax implications, difficulty of the application, and the belief that the cost of implementing compensation increases exceeded payment amounts as reasons for not participating.

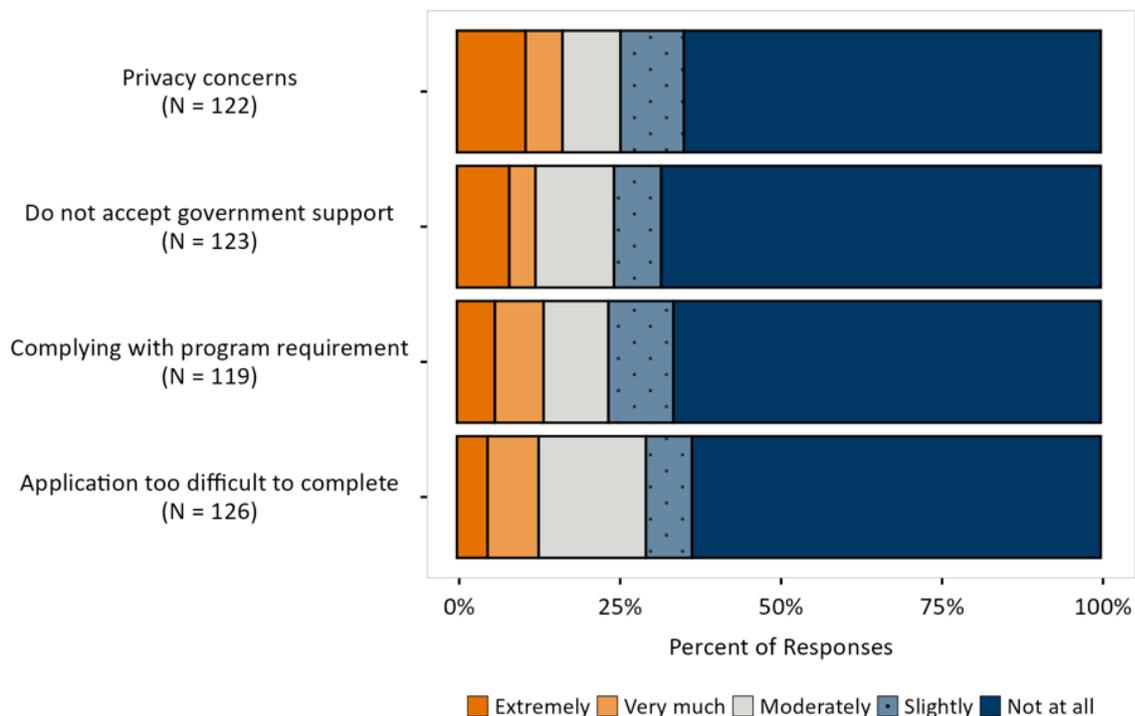
Most respondents indicated that the listed factors did not strongly influence their decision not to apply in the past six months.

- *Worried about tax implications* – This was the most influential factor, with a notable share indicating it contributed moderately to extremely to their decision.
- *Another reason* – About half reported this influenced them at least slightly, suggesting a variety of other personal or situational factors not captured in the survey. Themes identified include:
 - Discomfort/lack of confidence in finance skills. Documenting how funds were used in compliance with program requirements feels overwhelming.
 - Fear of losing eligibility for public benefits due to increased income (i.e. Medicaid).
 - Tax implications.
 - Challenges integrating additional funds into payroll systems and/or union contracts.
 - Desire to avoid dependence upon a state funded program for fear of the funding going away after becoming reliant upon it.
 - Serving fewer children than the program’s eligibility threshold.
 - Uncomfortable increasing compensation for some staff but, but not all staff.
 - Data privacy concerns.
- *Want funding to go to other programs* – Most respondents said this did not at all influence their decision.
- *Do not need funding* – The majority said this was not at all a reason for not applying.

Overall, concerns about taxes and unspecified “other reasons” played a larger role in non-application decisions than program or funding preferences.

Chart 12. Non-Participant Reasons: Additional responses for non-participation

How much did the following contribute to your decision not to apply in the last six months...



Overall, most respondents reported that these factors did not contribute to their decision not to apply in the past six months as shown in Chart 12.

- Privacy concerns – The majority said this was not at all a reason; only a small portion rated it moderately or higher.
- Do not accept government support – While some respondents noted this as a moderate influence, most said it did not at all affect their decision.
- Complying with program requirements – Few respondents viewed this as a barrier; most indicated no influence.
- Application too difficult to complete – Most said this was not at all a factor, suggesting the application process itself was generally not a major deterrent.

Across these four factors, responses show limited impact on decisions not to apply, with only minor influence from concerns about privacy, government support, or program requirements.

Chart 13. Non-Participant Reasons: Additional responses - 4 least impactful reasons reported for non-participation

How much did the following contribute to your decision not to apply in the last six months...

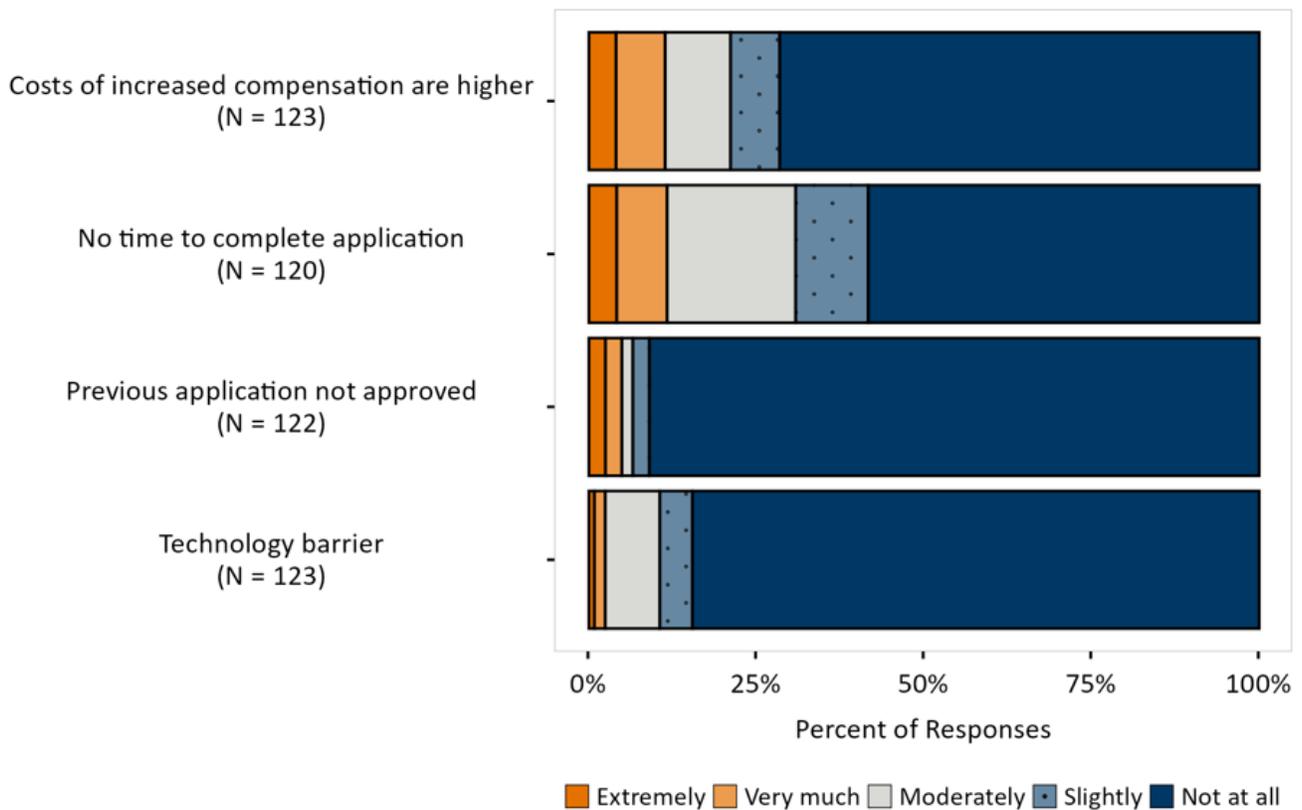


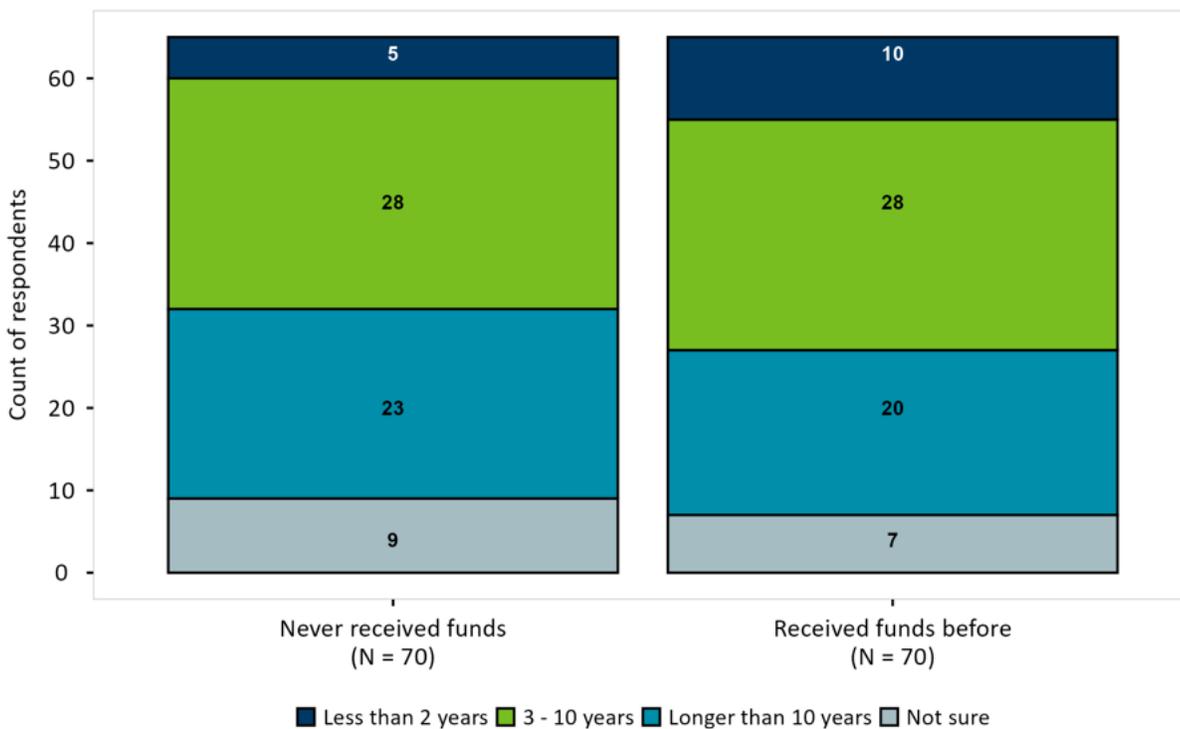
Chart 13 shows to what degree various factors contributed to participants’ decisions not to apply in the last six months. Across all factors, most respondents indicated that these four reasons had the least impact on their decision to not apply.

- Costs of increased compensation are higher: About three-quarters of respondents said this factor did not at all influence their decision. Only a small portion (around 10–15%) said it influenced them moderately or more.
- No time to complete application: Time constraints affected respondents somewhat more than other factors, but still, the majority said this was not at all or only slightly a reason.
- Previous application not approved: This was the least influential factor; nearly all respondents selected not at all.
- Technology barrier: A small minority experienced moderate or higher difficulty with technology, but most indicated this was not at all a barrier. Worth noting, the individuals who chose to respond to the survey were likely most comfortable with technology, which likely skews the response data.

This suggests that other factors are more influential in discouraging applications.

Chart 14. Counts by Great Start Compensation Support Payment Program (GSCSPP) status and expected closure for non-participating providers

Counts by GSCSPP status and expected closure



NAs have been filtered out

Chart 14 compares the expected closure timeline of providers based on whether they have ever received funds, with each group consisting of 70 respondents.

- Most respondents in both groups expect closure within 3–10 years:
 - Never received funds: 28 respondents
 - Received funds before: 28 respondents
- More providers with prior funding expect closure in less than 2 years:
 - Received funds before: 10 respondents
 - Never received funds: 5 respondents
- Providers with no prior funding are more likely to expect closure in over 10 years:
 - Never received funds: 23 respondents
 - Received funds before: 20 respondents
- Slightly more uncertainty among those who never received funds:
 - Not sure:
 - Never received funds: 9 respondents
 - Received funds before: 7 respondents

Providers that have received funding before tended to expect shorter timelines to closure, particularly with double the number expecting closure within 2 years compared to those without funding. This suggests a possible link between funding access and projected closure timeline.

VIII. Summary

Significant implementation progress has been made in the second full year of the Great Start Compensation program. The Department will continue to use data to glean insights on the effectiveness, efficiency and equity of the program. Initial data gathered with the Funds Reports suggest positive outcomes, though insights and trends will continue to be identified as more data are provided through additional Use of Funds Reports submitted by recipients on a rolling, monthly basis for analysis.

In many ways, FY 2025 was a year in which the Great Start Compensation program was still building out the systems and infrastructures for this relatively new program. Given this fact, it is promising to see the data from participant surveys confirm that user-friendly processes and a robust technical assistance infrastructure make this program easy for participants to navigate. The consistent high level of participation in the program is evidence of how helpful child care programs find this support to be. Based on that high level of participation and the broader data about ongoing challenges facing the child care sector, it seems reasonable to conclude that the child care industry in Minnesota would be in even greater distress without the support of the Great Start Compensation program. However, the data that is available does not allow the Department to make this causal claim with certainty.

The Department plans to continue deepening the analysis presented here, including pursuing additional analysis of closure rates for participants vs. non-participants, exploring ways to gather feedback directly from employees working in programs receiving Great Start Compensation payments, gathering additional feedback from non-participating programs about why they do not participate, and comparing Minnesota’s child care sector data to

data across other industries and in other states. In addition, the program will continue expanding and refining the quantitative and qualitative feedback gathered from participating providers to identify opportunities to continually improve the program and the impact it has for providers, children, and families in Minnesota.

“It is great to have a program that helps us providers with expenses, everything has gotten so costly. I love what I do, and this helps me keep doing it.” – A Great Start Compensation provider

“The program has been a help and has been easy to use.” – A Great Start Compensation provider

“This program has helped me keep my child care open during challenging times. Without it, I may have had to close. Staying open has allowed me to continue supporting young minds and making a positive impact in my community.” – A Great Start Compensation provider

VIII. Appendices

Appendix A: 10% Increase Providers Paid, Total Providers Paid, and Total Payments Summary by Month

Application Round	Providers Paid 10%		Total 10% Increase Payment
	Increase	Total Providers Paid	
Jul 2024	2,521	5,850	\$855,338
Aug 2024	2,496	5,646	\$826,482
Sep 2024	2,463	5,707	\$783,875
Oct 2024	2,684	6,093	\$763,984
Nov 2024	2,746	6,190	\$737,999
Dec 2024	2,753	6,085	\$827,954
Jan 2025	2,710	6,088	\$693,972
Feb 2025	2,673	5,981	\$758,578
Mar 2025	2,677	6,065	\$776,865
Apr 2025	2,646	6,036	\$718,681
May 2025	2,692	6,073	\$726,702
Jun 2025	2,674	5,995	\$760,639
Total	31,735	*	\$9,231,069

The above chart includes the count of unique providers who received the 10% Increase, total number of providers who received a payment (provisional + 10% Increase), and the total dollar amount of the increase payments distributed in FY 2025.

