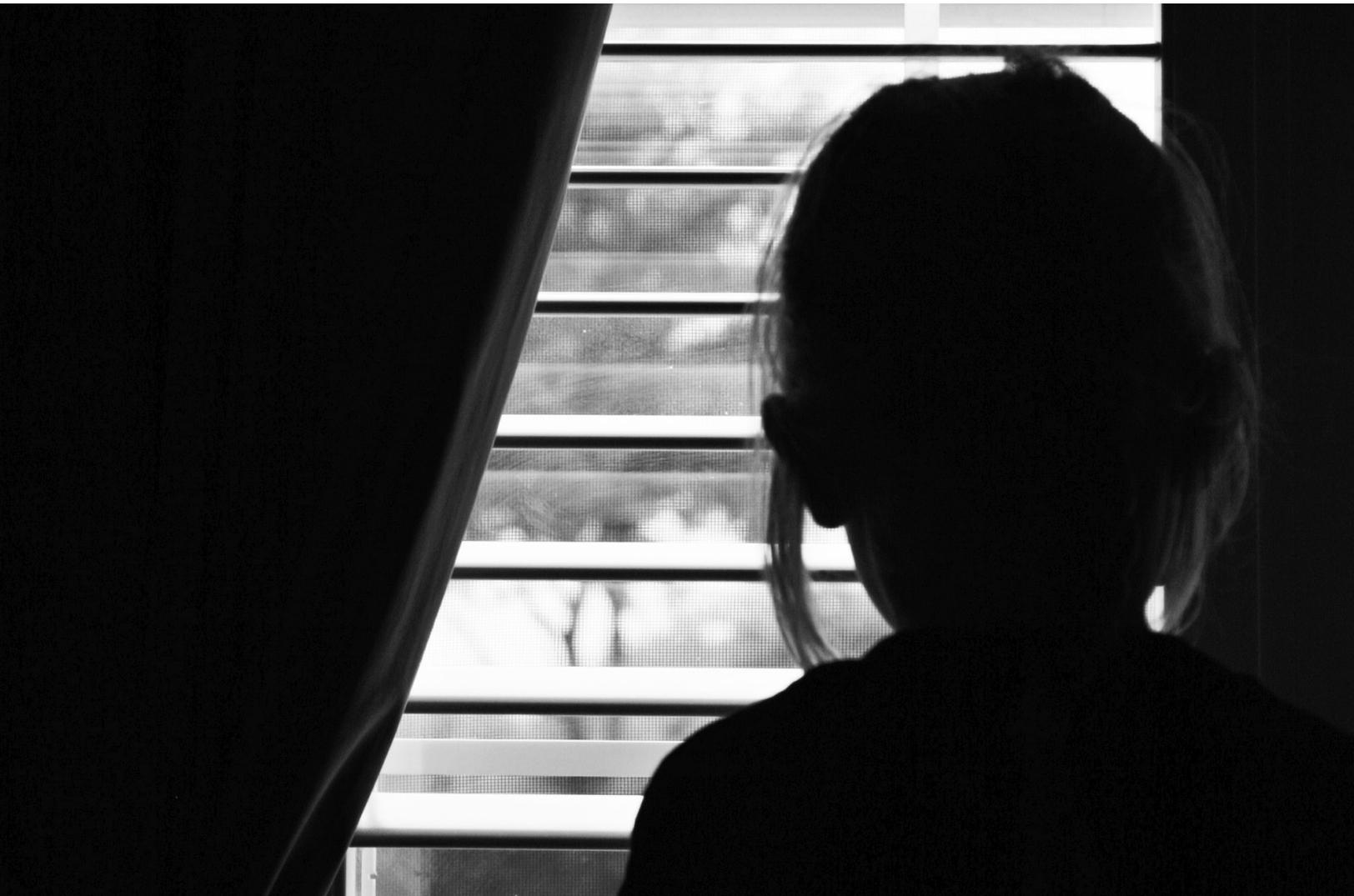


EMERGENCY POLICY RECOMMENDATIONS

For Saving Minnesota's Child Care Sector in the Pandemic Era

Minnesota's Early Care and Education Crisis Workgroup

MAY 2020



ISSUE IN BRIEF

Two Major, Related Crises Aggravated by a Third. In the fall of 2018, a broad group of Minnesota organizations came together to address two crises impacting the state's youngest children – achievement gaps and a child care shortage. We concluded that these two crises are intertwined and therefore must be addressed together to prevent creating unintended negative consequences. In a [final report](#) issued in late 2018, we described specific public policy recommendations to address those two crises.

Then came COVID-19. In the first quarter of 2020, the COVID-19 pandemic crisis burst onto the scene in Minnesota. The COVID crisis has and will continue to greatly aggravate both achievement gaps and child care shortage crises.

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Opportunity & Achievement Gaps to Grow.

- The Center on Poverty and Social Policy at Columbia University is forecasting dramatic increases in the numbers of working age adults, children, and black and Hispanic individuals experiencing poverty. They project that a 30% unemployment rate would result in a 53% increase in child poverty in the United States. This reduction in family resources will increase the opportunity gaps at the root of achievement gaps.
- A recent study of workers in the service sector published in Econofact found significant deterioration in family mental health under the stress of income changes and social distancing, the authors point out that such impacts are likely to exacerbate achievement gaps.

Child Care Shortage to Worsen.

- In a survey by the National Association for the Education of Young Children (NAEYC), 55 percent of child care programs in Minnesota reported that they could not survive a closure of more than two weeks without public assistance.
- A Bipartisan Policy Center survey found that 43% of parents working remotely and 49% of those working in person need child care in the midst of the pandemic and that only 8% saw no change in their provider’s previous availability.
- An analysis of credit card data found a 75% decrease in child care spending, while a recent study published by the Center for Law and Social Policy and the National Women’s Law Center found that programs still operating face a roughly 25% increase in their costs.

Recommendations to Build it Back Better. Child care is an economic linchpin, a critical sector the economy cannot function without. Parents must have child care to be able to go to work, earn a living, and to, in turn, support their local economy. Despite the clear, critical role of child care in our state’s economy, Minnesota relies on a patchwork of programs, funding streams, and institutions the shortcomings of which have been laid bare by the pandemic. It is now clear that recovering to the sector’s baseline state is not nearly good enough. We have to rebuild, and when we do, we need to build the child care system that Minnesota’s children, families, and economy need and deserve.

To build a child care market that works, providers need more consumer demand from parents well-informed about the benefits of quality early care and education and able to pay tuition, and parent consumers need a healthy, diverse supply of quality Parent Aware rated providers to be there to meet their families’ needs. The system must also ensure the quality and flexibility that remains central to meeting the needs of children and families in this moment, and for the achievement gap closure Minnesota needs to be economically competitive in the future. As we build the early care and education sector back, we should challenge ourselves to build it back better than it was before, with a more flexible and quality-driven model.

To that end, the Work Group urges progress on the following recommendations:

RECOMMENDATION #1: Stimulate Parent Demand by Improving Access to Quality Child Care

Invest in Targeted, Flexible, Quality-Linked Supports. An influx of new Scholarships and other supports targeted to children from birth to age 5 at risk of falling into gaps, a number we expect to grow, will create consumer demand to support financially struggling child care programs. Over time linking supports to increased quality, as defined by the Parent Aware Ratings, will set a clear roadmap and incentivize providers to implement best practices.

- **Early Learning Scholarships.** Scholarships were designed to be quality-linked and child-centric, so few reforms are needed. However, parents are facing difficulty finding available child care at the current time, and this challenge is expected to continue. To make sure parents have options we recommend the following: 1) extending the ability of 1- and 2-Star rated programs to serve children and 2) temporarily allowing providers who commit to seek a Parent Aware rating in the future to serve Scholarship recipient children.
- **Child Care Assistance Program (CCAP).** Maximize available federal resources to the state and supplement those resources to expand and reform CCAP for Minnesota’s children and families. As investments increase to raise reimbursement rates above the 30th percentile, the CCAP program should be reformed to assure that supports are linked to quality via the Parent Aware Ratings and that children receive continuous access to quality care from birth to kindergarten entry.

Expand Access Supports to Lower-Middle Class Families. Demand can be further increased with temporary expansion of CCAP and/or Scholarship eligibility to include essential workers earning up to 300% of the Federal Poverty Guidelines (FPG).

RECOMMENDATION #2: Stimulate Supply of Quality Child Care Programs

Invest in Additional Peacetime Emergency Child Care Grants. During pandemic times grants provide resources to help offset some of the extra costs associated with operating. This type of “institutional provider support” can also help fill the gap between available per child funding and the cost of providing quality care, a gap that will remain post-pandemic. Over time we recommend additional funding be limited to programs that are Parent Aware rated and which serve children with high needs (i.e. children receiving CCAP and/or Early Learning Scholarships).

Pay Amounts that Cover the Cost of Quality. We recommend increasing the per child cap for Early Learning Scholarships or other quality-linked supports for all children to cover the cost of quality, with the highest rates available to four-star providers. Paying rates that cover the cost of quality will improve the financial viability of many child care programs. Regardless of the path forward for expansion of access, we recommend immediately increasing CCAP rates to bring Minnesota into compliance with federal requirements and to ensure the state is taking full advantage of available federal resources.

Invest in Pandemic-Specific Quality Supports. Expand support for program quality improvement via Parent Aware, including support for child care program staff. Supports should focus on provider/staff financial, physical, and psychological well-being and opportunities for specialized professional development that address the unique needs of children and families including a strong focus on 1) cultural and linguistically relevant services, 2) trauma-informed care, and 3) social and emotional development.

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No Child Care, No Economic Recovery. With the acknowledgement that state government faces significant financial limitations and a projected budget shortfall, we recommend investing as much as possible as quickly as possible against these action steps. Doing so will help address Minnesota’s pre-pandemic crises – a severe child care shortage and some of the nation’s worst achievement gaps – as well as the post-pandemic crisis – the threat of near-term mass child care program closure at a time when workers in critical sectors desperately need child care. Beyond that, it will ensure that we have the system we need to address gaps and ensure the long-term strength of the state. Ignoring this pressing need would be devastating for Minnesota’s children, parents, essential workers, taxpayers, employers, and economy.

While the 2020 regular session is adjourned, the Legislature and Walz-Flanagan Administration will continue to face many decisions over the interim that will have impact well beyond the pandemic. The members of Minnesota’s Early Care and Education Crisis Workgroup hope these urgent recommendations are clear and constructive and we look forward to working with Minnesota policymakers.

