

## **MN EARLY CARE AND EDUCATION CRISIS WORKGROUP: RECOMMENDATIONS FOR INVESTING AMERICAN RESCUE PLAN FUNDS**

The Crisis Work Group is a broad group of organizations that came together in 2018 to address two crises affecting Minnesota's young children: 1) Worst-in-the-nation achievement and opportunity gaps, stemming in part from lack of access to quality child care; and 2) a shortage of quality child care supply for children statewide. We understand these crises are intertwined and must be addressed in a coordinated way, and each of the crises has been exacerbated by the COVID-19 pandemic.

The recently passed American Rescue Plan includes \$527 million for child care-related investments. This one-time money offers Minnesota an incredible opportunity to invest in strategies that address both the child care shortage and achievement gap crises. Minnesota should use these resources to: 1) test ways of boosting the state's quality child care supply; 2) help as many low-income children as possible access the quality child care necessary to help them avoid falling into gaps; and 3) use this funding boost to take steps toward a more coordinated system.

Below are our recommendations for investing American Rescue Plan child care funds. We note that the need in this area is great and therefore encourage the Legislature and the Walz-Flanagan Administration to supplement these federal resources with sustainable state general fund dollars to the extent possible, and in accordance with our 2021 session recommendations.

### **RECOMMENDATION #1: STIMULATE PARENT DEMAND BY IMPROVING ACCESS TO QUALITY CHILD CARE**

#### **Invest in Targeted, Flexible, Quality-Linked Supports**

#### ***\$200 million in CCDBG Funding via the American Rescue Plan for SFY2022-23***

An increase in new Early Learning Scholarships and Child Care Assistance Program (CCAP) subsidies targeted to at-risk children from birth to age 5 will create consumer demand to support financially struggling child care programs. This new federal funding may also offer the state opportunities to experiment with co-administration of the CCAP and Scholarship funding streams, which would be a significant step toward more streamlined program administration

- **Early Learning Scholarships.** Scholarships were designed to be quality-linked and child-centric, so few changes are needed. To make sure parents have options we recommend temporarily allowing providers who commit to seek a Parent Aware rating in the future to serve Scholarship recipient children now. We also recommend that MDE use the opportunity of this funding influx to implement their planned increase in the per child Scholarship cap for all eligible children. Finally, we recommend expanding Scholarship eligibility to additional groups of high-risk children ages 0-5 including, but not limited to, children with incarcerated parents.

*\*\*MDE should be directed to spend funds down in a way that ensures all recipient children will continue receiving the Scholarship until they reach kindergarten (as current policy requires), either through American Rescue Plan funds or the base state appropriation to avoid creating any “cliff effects.”*

- **Child Care Assistance Program.** Maximize available federal resources to the state by ensuring that Minnesota remains in compliance with federal regulations, for example by statutorily tying rates to most recent market rate survey. 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.

## **RECOMMENDATION #2: STIMULATE SUPPLY OF QUALITY CHILD CARE PROGRAMS**

- **Invest in Additional Public Health Support Funds for Child Care**  
***Approx. \$130M in Child Care Stabilization Funds for SFY2022***  
During the pandemic, grants provide resources to help offset some of the extra costs associated with complying with public health guidance. This type of “institutional provider support” can also help fill the gap between available per child funding and the cost of providing quality care. We estimate a cost that would continue the grants until the end of the 2021 calendar year, but recommend that this program only be continued as needed to meet public health guidance with a reduction in the amount of grants as public health restrictions ease, and that any leftover resources be used in support of the more targeted program described in the next bullet.
- **Pilot Child Care Desert Premiums**  
***\$190M in Child Care Stabilization Funds for SFY2022-23***  
The shortage of quality child care programs is a serious problem. While we often talk about the scope of the problem in rural areas, it affects urban areas as well. The Center for Rural Policy Development recently published a report calling for higher subsidy reimbursement rates in areas experiencing child care shortages. We recommend this concept be implemented in a way that incents programs to serve high-needs children with high-quality programming.

Specifically, we recommend quarterly bonus payments to child care programs in shortage or otherwise underserved areas based on the number of subsidized children they serve either through CCAP or Early Learning Scholarships. To ensure the development of quality supply, we also recommend factoring in a program’s quality rating when determining bonus amounts and that bonus amounts be meaningful enough to providers of a variety of sizes in order to improve program quality through initiatives such as increasing compensation.

### RECOMMENDATION #3: MEASUREMENT AND EVALUATION

It is unclear yet whether the American Rescue Plan child care funds will be available for measurement or evaluation uses. Regardless, Minnesota should not delay any further in taking action to implement a better system for understanding and making the most of its early care and education investments, including:

- **Parent Aware Evaluation**  
**\$1.7M one-time for SFY2022**  
To ensure the Parent Aware Ratings remain as evidence-based; school readiness-focused; culturally and linguistically relevant; and effective as possible, evaluate the ratings to inform improvements.
- **Kindergarten Entry Profile**  
**\$4.7M SFY22-23**  
Require public schools to assess every child’s school readiness upon kindergarten entry using one of the MDE-approved tools, require aggregate results be reported to MDE, and require MDE to make aggregate results available to the public each year.
- **Evaluate influx of federal funding**  
**\$1.5M one-time SFY22-23**  
Measure impact of the influx of federal funding on two goals: 1) child outcomes; and 2) changes in quality child care supply. Disaggregate all results by geographic area and disaggregate child outcome results by racial/ethnic groups and family income levels. Require state agencies to report results to the Legislature and to use the results to inform future policy and funding decisions.

