

Minnesota's Child Care Crisis: There's No Silver Bullet - *St. Cloud Times* Minnesota test scores stagnant, achievement gap unchanged - *Minnesota Public Radio* Greater Minnesota child care shortage called a crisis - *St. Paul Pioneer Press* Duluth math and reading scores increase, but gaps widen - *Duluth News Tribune* Child care shortage reaching 'crisis' levels - *Business North* 15 years later: Achievement gap has barely budged - *St. Paul Pioneer Press* Greater Minnesota child care crisis 'not just words' - *Mankato Free Press* St. Cloud schools show gap in almost every area of MCAs - *St. Cloud Times* Wanted: Infant day care in rural Minnesota - *Minnesota Public Radio* Gaps seen in Minnesota test scores - *Bemidji Pioneer*

**URGENT**



**A Roadmap for Action:  
Addressing Minnesota's Achievement Gaps  
and Quality Early Care & Education Shortage**

Early Care and Education Crisis Work Group  
Consensus Recommendations

December 2018

# Early Care and Education Crisis Work Group

To whom it may concern:

Minnesota faces two urgent crises. First, we have some of the nation's worst achievement gaps, which begin as opportunity gaps. Second, in many parts of the state we face a severe shortage of quality early care and education programs.

Both challenges pose grave dangers to Minnesota's families, children, communities and economy and both must be addressed immediately and in a coordinated way. We obviously want to be careful that interventions for one crisis do not inadvertently aggravate the other.

That's why a broad group of Minnesota leaders and experts representing organizations with different missions and viewpoints came together in the summer and fall of 2018 to identify solutions that work to address both emergencies. Our consensus recommendations are summarized in this report.

The members of our work group stand ready to work with leaders from both major political parties to adopt these recommendations during the 2019 legislative session. Minnesota's future depends on it.

Sincerely,

**Todd Otis**

Work Group Co-Chair  
*Think Small*  
Former DFL Representative  
and DFL Party Chair

**Jan Kruchoski**

Work Group Co-Chair  
*Principal, CliftonLarsonAllen*  
Former Chair, Minnesota Chamber  
of Commerce Board of Directors



# Executive Summary

In the fall of 2018, a broad group of organizations came together to address two crises impacting Minnesota's young children:

- **Achievement Gap Crisis.** Our worst-in-the-nation achievement gaps, which stem in part from early education opportunity gaps; and
- **Child Care Shortage Crisis.** Our shortage of quality early care and education (ECE) opportunities for children statewide.

These two challenges are intertwined and must be addressed together. Both crises endanger our children, communities and economy and require immediate action before they grow worse.

## RECOMMENDATIONS

These are the group's recommendations:

### Reform Existing Public Investments

- Coordinate Child Care Assistance Program (CCAP) and Early Learning Scholarships (p. 10)
- Continuously improve Parent Aware standards (p. 14)
- Improve data collection, analysis and reporting on children's program participation and outcomes (p.15)

### Invest in Fixing Achievement Gaps and Shortage

- Invest in Early Learning Scholarships (phased implementation) (p. 16)
- Invest in increasing supply of quality ECE programs to address shortage (p.17)

*"The members of our work group stand ready to work with leaders from both major political parties to adopt these recommendations. Minnesota's future depends on it."*

Todd Otis and Jan Kruchoski  
Work Group Co-Chairs

*"State funding is always limited, so we need to prioritize the children who can't afford quality early learning programs."*

Duane Benson  
Former Senate Minority  
Leader (R-Lanesboro)

*"Making low-income children the first priority for funding is just common sense. Once we help all of the children who can't pay, we should next help the families struggling to pay."*

Roger Moe  
Former Senate Majority  
Leader (DFL-Erskine)



# Full Report

**GOAL—SOLVE TWO MAJOR CRISES.** Minnesota’s children, communities and economy face two major crises: **1)** achievement and opportunity gaps and **2)** a severe shortage of quality early care and education (ECE) programs. These problems harm all Minnesotans, not just the children and families most directly impacted.

**GAPS.** Minnesota has some of the worst achievement gaps in the nation, and early learning opportunity gaps are one early cause of that achievement gap problem.

- **Test Scores.** When it comes to 8th grade math, Minnesota has the largest gap in the nation between white and black students, as well as between white and Hispanic students. Minnesota has the 2nd worst gaps in the nation in 4th grade reading and math between black and white students, and the 5th worst gaps in the nation in 8th grade reading between low-income and non-low-income students.<sup>1</sup>
- **Graduation Rates.** Comparing high school graduation rates of white and black students, Minnesota is the 3rd worst state. The same is true of the graduation gaps between children in low-income and non-low-income families. Between white and Hispanic students, Minnesota has the largest gap in the nation.<sup>2</sup> For American Indian children in Minnesota, the graduation rate is lower than for both black and Hispanic students.<sup>3</sup>
- **Early Learning Opportunity Gaps.** One cause of these achievement gaps are gaps in educational opportunity that begin very early for children in low-income families. By the time a child is nine months old, gaps appear between low-income and higher-income children and those gaps only widen over time.<sup>4</sup> Many children lack the early learning opportunities that wealthier families take for granted. One prominent study found that by age three, children from low-income families heard 30 million fewer words than their peers from higher income families,<sup>5</sup> significantly impacting their early language development.

Child care costs are significant for every family but are out of reach for low-income families. For example, average annual tuition of an infant in a child care center in Minnesota is more than \$16,000/year and average for an infant in family child care is over \$8,500,<sup>6</sup> which is obviously extraordinarily burdensome for the families with the lowest incomes.

*“The term “crisis” gets overused. But for Minnesota’s children and economy, there is no question these are two urgent crises. We can’t keep kicking this can down the road.”*

**Tim Penny**  
Southern Minnesota  
Initiative Foundation



**Bottom line: 35,000 children from birth to age 5 in low-income households are currently unable to access to high-quality ECE.<sup>7</sup>**

- **Threat to All Minnesotans.** These achievement and opportunity gaps are a threat to all Minnesotans.
  - **Threat to Our Economy.** Achievement and opportunity gaps pose a serious threat to Minnesota’s economy. Minnesota needs well-educated workers to compete in the global economy. Tragically, too many children who aren’t ready for kindergarten never catch up and eventually drop out of school, leaving them unprepared to fill the jobs of today and the future. Economists at the Federal Reserve Bank of Minneapolis estimate that closing racial achievement gaps would have significant benefits to Minnesota’s economy. Their rough estimates find benefits of “a few hundred million dollars per annum” after the needed reforms were fully implemented to “more than \$10 billion” per year after fifty years.<sup>8</sup>
  - **Threat to Our Communities.** Thriving communities need self-reliant and stable residents contributing to society. Extensive research shows that school readiness reduces later public spending, such as on special education, social services, unemployment, health care, law enforcement and prisons. For every Minnesota child in a low-income family that accesses a high-quality early education program, there is a net taxpayer savings of \$43,000.<sup>9</sup>
  - **Threat to the American Dream.** Finally, achievement and opportunity gaps erode the American dream. Children who can’t access quality ECE programs during their earliest years are robbed of an equal opportunity to succeed and fulfill their dreams. The loss of the American dream not only impacts those children, it impacts the heart and soul of our state.

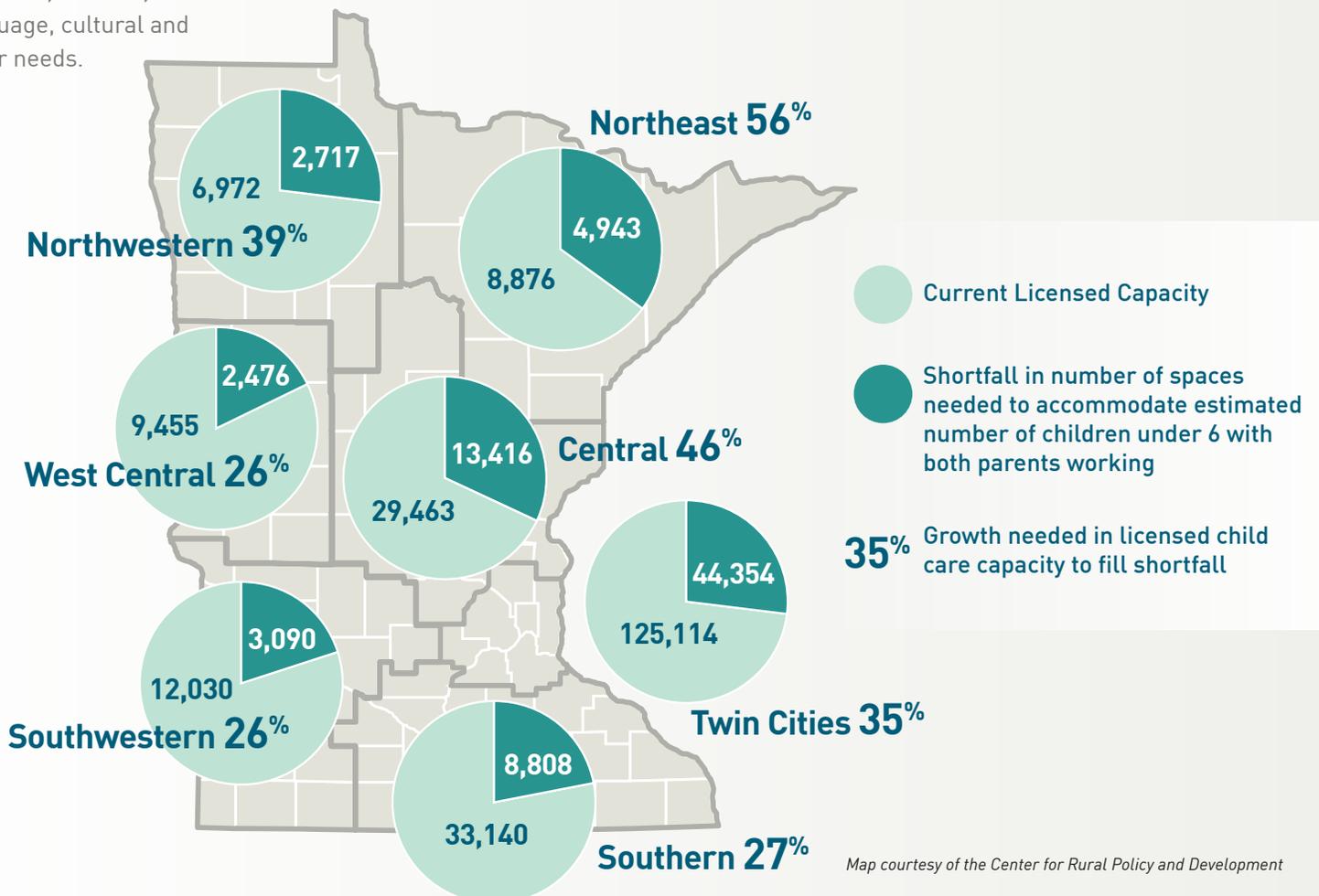


## About “Early Care and Education”

Our Work Group intentionally chose to use the term “early care and education” to encompass the options available to meet the needs of families. The term encompasses high quality programs (i.e. Parent Aware-rated programs) of all types, including school-based, Head Start, child care centers and licensed family child care. The group believes that parents need and deserve the flexibility to find the quality program that best meets their schedule, location, language, cultural and other needs.

**SHORTAGE.** In many parts of Minnesota, we face an urgent shortage of quality ECE that makes it difficult for parents to be employed and for employers to find enough workers.

- **Child Care is a Need.** In Minnesota, 74.6% of parents with children under age six are in the labor force<sup>10</sup> and thus need some type of ECE.
- **Shortage of Quality Programs.** This shortage must be addressed via high-quality ECE, not lower quality programs that aren’t using kindergarten-readiness best practices. High-quality ECE that includes well-trained providers greatly improves children’s outcomes and results in great returns to society. Research finds that low-quality programs can actually have negative consequences for children.<sup>11</sup>
- **Every Region Impacted.** Minnesota’s lack of supply of high-quality ECE programs has reached crisis levels in many parts of the state. Every region in the state faces a shortfall of child care options for families seeking care, with **the statewide gap between licensed slots and number of young children in households where all parents work at nearly 80,000 slots.**<sup>12</sup> Worse yet, that gap only refers to licensed spaces for children, without even considering the quality of those spaces.



- **Both a Short- and Long-Term Economic Problem.** This ECE shortage impacts both Minnesota’s current and future workforce. Working parents need child care in order to maintain productive employment and the quality of our future workforce depends on today’s children accessing early education so they develop the skills they need for success.

## RECOMMENDATIONS DEVELOPMENT

Starting in July 2018, a group of stakeholders interested in ECE from a variety of perspectives, including providers, advocates, business interests and non-profit organizations came together to address two pressing crises facing Minnesotans:

- 1) Our worst-in-the-nation achievement gaps and**
- 2) A severe ECE shortage in many parts of the state.**

From the start, the group agreed to some guiding principles that all participants embraced. The group agreed that they would seek policy solutions that 1) address both aspects of the crises (achievement gaps and ECE shortage), 2) align with research, and 3) streamline the current system.

As we worked together, we identified additional guiding principles. We agreed to seek policy solutions that 1) ensured parents have informed choice among a range of quality ECE options that fit their needs and preferences; 2) were equitable, meaning investments are targeted to ensure those children and families who need more get more first; and 3) were adequately funded to support the true costs of providing families with the quality ECE they need.

To maintain focus and make the best use of limited capacity, the group also agreed not to duplicate the work of other groups active in the early learning space, choosing instead to mention other efforts that we believe are valuable. Those efforts include other recommendations contained in the Office of the Legislative Auditor program evaluation, tax credits for ECE providers advanced by the B8 Workforce Core Team and the Minnesota Child Care Association, and policies to improve Early Childhood Screening advanced by Generation Next. Further, the recommendations here are often complementary to other efforts, for example, the recommendation to phase to full funding of Early Learning Scholarships is a key to addressing challenges related to Minnesota’s ECE workforce.

*“By focusing on children facing racial, geographic, and economic inequities, all children in Minnesota will be born healthy and able to thrive within their families and communities.”*

**Minnesota Department of Human Services**  
Early Childhood Systems Reform Group Vision

### About the OLA Report

In April 2018, Minnesota’s Office of the Legislative Auditor (OLA) released an evaluation report on Minnesota’s early childhood programs. The evaluation looked at eight early childhood programs in three state agencies and found that, “Minnesota’s key early childhood programs are complex, fragmented, and their statewide effectiveness is unknown.”

The OLA offered a series of reform recommendations, many of which are incorporated in this report. However, workgroup members concluded that the OLA recommendations did not go far enough in terms of identifying a path forward for better coordination, streamlining and funding of early education programs. The group has therefore invested time and effort to identify steps that can be taken beyond the OLA recommendations to build an early education system that better serves children, families and ECE providers.

*“Scholarships help children access Parent Aware programs and those programs produce kindergarten-readiness gains. We know what to do, we just need to help the 35,000 low-income children who can’t get Scholarships.”*

**Karen DeVos**  
Little Learners  
Ada, Minnesota



## ABOUT THE RECOMMENDATIONS

These recommendations address both the gaps and shortage crises simultaneously. Many of the steps we need to take to close early education opportunity gaps are the same steps we need to take to jump-start expansion of ECE program supply.

For example, empowering the 35,000 low-income Minnesota children impacted by early education opportunity gaps will also lead to the retention and expansion of ECE programs. Also, we know that licensed family child care programs not participating in Parent Aware had a closure rate of almost three times that of rated programs,<sup>13</sup> so improving access to Parent Aware is associated with a child care sector that is more resilient and sustainable.

Fortunately, Minnesota has existing ECE approaches that have already been piloted statewide and proven effective. We don’t need to start from scratch or guess about what works. For example, Minnesota’s quality framework, the Parent Aware Quality Rating and Improvement System, has been evaluated extensively and continues to be improved based on ongoing evaluation, ECE provider perceptions and other local and national research. Early Learning Scholarships, recommended here as a key strategy for connecting low-income children with high-quality programs, were also extensively evaluated during the pilot phase and shown to work for children (based on gains in school readiness), parents (based on ease of use/simplicity) and ECE programs (based on adequacy of payments, ease of administration and supporting children’s continuity of care).<sup>14</sup> More recent Scholarship evaluation also showed that the State-administered Scholarship program was meeting its goals of reaching children with high needs from racially, ethnically and economically diverse backgrounds, and supporting families in attending programs of their choosing.<sup>15</sup>

## About Parent Aware

**What it Does.** The Parent Aware Ratings program, which is publicly funded and led by the Minnesota Department of Human Services, has two important and distinct jobs:

- **Quality Improvement.** For home- and center-based providers who choose to volunteer, Parent Aware helps them adopt kindergarten-readiness best practices and rewards them with quality improvement coaches and grants, the patronage of public- and private-pay customers and marketing assistance. Parent Aware Ratings are also available for public school-based and Head Start programs. Parent Aware is not a mandated regulatory program. It's a voluntary quality improvement program that provides millions of dollars' worth of rewards to those who choose to volunteer.
- **Quality Ratings.** For parents shopping for ECE, the Parent Aware Ratings help them find programs using kindergarten-readiness best practices, something that is difficult-to-impossible to identify on their own. The Ratings are a simple one- to four-star system, similar to the Consumer Reports or J.D. Power ratings.

**Proven Effect.** Research finds that children in Parent Aware programs are making significant gains in kindergarten-readiness measures, such as phonological awareness, social competence, expressive and receptive vocabulary, executive function, pre-math skills and print knowledge. Low-income children are making the strongest gains of all children.<sup>16</sup> In all parts of Minnesota, 91,280 children per year<sup>17</sup> are benefitting from 2,667 Parent Aware-rated programs.<sup>18</sup>

**Challenges.** The state has set ambitious targets for increasing the supply of rated programs, and meeting those goals is highly dependent on reaching home-based providers. We must increase the incentives for programs to volunteer for rating in order to ensure an adequate supply of quality programs of all types is available for families in every corner of the state.

Our recommendations represent both an increase in public investment and reform of existing public investments. Workgroup members believe that both approaches are needed to maximize returns for children, communities and taxpayers. While relatively large investments are recommended, economists advise that these levels of investment deliver a very high return on investment when they are targeted to support children with high needs attending high-quality ECE programs. For example, Nobel Prize-winning economist James Heckman from the University of Chicago finds:

***“Every dollar spent on high-quality, birth-to-five programs for disadvantaged children delivers a 13% per annum return on investment.”<sup>19</sup>***

*“On the White Earth Reservation Early Learning Scholarships allowed parents and grandparents to access high-quality early education programming, in child care, Head Start and school-based pre-school, whichever fit their family needs the best.”*

**Barb Fabre**  
Indigenous Visioning  
White Earth Nation

A great deal of research tells us what we need to do to alleviate these two crises.

- **Start Early.** Intervening early in life to close gaps before they get more difficult to close, especially given that 80% of brain development happens before children reach age three;
- **Target Funds.** Targeting limited funds to the most vulnerable children;
- **Demand Quality.** Demanding that vulnerable children benefit from the use of evidence-based early learning best practices; and
- **Be Flexible.** Providing help that is flexible and portable to serve each unique family's needs.

These research findings guided our recommendations, which are described in the remainder of the report.

Members of the Work Group are available to support policy makers and staff as you explore these recommendations, to provide technical assistance in developing specific legislative language and cost modeling.



## Crisis Work Group Recommendations For Action

### REFORM EXISTING PUBLIC INVESTMENTS

#### RECOMMENDATION #1: Better Coordinate the Child Care Assistance Program and Early Learning Scholarships

##### Why do it?

The Minnesota Office of the Legislative Auditor<sup>20</sup> points out that the Child Care Assistance Program (CCAP) and Scholarships are both programs used to provide families with access to ECE programs through a mixed delivery system. Under current policies, families often use both programs and providers often serve children using both programs. But the application process, eligibility standards, program administration and quality requirements are not aligned across CCAP and Scholarships. In addition, neither program fully covers the cost of high-quality ECE. Better coordinating the two will have the benefit of 1) making the programs work more smoothly for both parents and ECE providers and 2) laying the groundwork for further streamlining of the two programs to improve access for families and reduce administrative hassles for ECE programs. The combined benefit levels of the two programs (particularly if adjusted as described below and if the Early Learning Scholarship cap of \$7,500/child/year were removed) would more adequately reimburse high-quality providers for the true cost of the services they provide.

## How to do it?

- **Align CCAP and Early Learning Scholarship Quality Standards.** Moving to a requirement that CCAP subsidies for children ages birth to kindergarten entry be used in rated programs helps to: 1) ensure that children are benefitting from kindergarten-readiness best practices; and 2) strengthen the incentives for programs to voluntarily seek Ratings, thereby increasing the supply of quality programs of all types benefitting Minnesota children. There are three states that already require every licensed provider to participate in their Quality Rating and Improvement System, and another fifteen that require participation in order to serve children receiving Child Care Assistance.<sup>21</sup>

- **Increase Rates for Quality.** Complete the existing CCAP tiered reimbursement schedule by adding higher rates for 1-Star (+5%) and 2-Star (+10%) rated programs.
- **Transition Period Planning and Support.** Set a timeline and plan supports to ensure a smooth transition for families and providers. Based on the experience of other states that have linked CCAP subsidy receipt to quality ratings, we recommend a gradual transition to this requirement, allowing time for providers of all types to adjust and supply of quality programs to grow.

Relies on existing resources.

- Phase the policy change in over 5 years for all existing providers (currently licensed);
- For new providers who enter the field (obtain license), allow 3 years for the program to earn a Parent Aware rating.
- Beginning in Year 5, the vast majority of children receiving CCAP would be benefitting from kindergarten-readiness best practices, as identified by the Parent Aware Ratings.
- Direct the Department of Human Services (DHS) to:
  - Convene an advisory group of child care providers that is geographically and culturally diverse and inclusive of centers and licensed family child care programs to help develop an implementation plan that is supportive of providers and families.
  - Develop a simple waiver process to allow families to use CCAP in non-rated programs in certain circumstances (i.e. non-standard hours care, communities with inadequate supply, culturally/linguistically relevant programs, child with a disability, etc.).<sup>22</sup>

## About Early Learning Scholarships

**What They Do.** Early Learning Scholarships were established by the state legislature in 2013 to, “close the opportunity gap by increasing access to high-quality early childhood programs”.<sup>23</sup> Scholarships empower low-income parents to choose from a wide variety of programs based in centers, homes, schools and nonprofit organizations, as long as the program is using kindergarten-readiness best practices, as measured by the Parent Aware Ratings. Scholarships were designed to overcome challenges of other ECE programs, such as lack of quality assurance and lack of child-centric policies. Scholarships are entirely state-funded and are administered by the Minnesota Department of Education.

**Challenges.** An administrative decision has been made to cap scholarships at the amount of \$7,500 per year, which forces families to use multiple programs to cover the cost of quality ECE. While about 16,000 Minnesota children per year are benefitting from Scholarships, it is estimated that only 17% of the eligible population is being reached.<sup>24</sup>

## About CCAP

**What It Does.** Minnesota's Child Care Assistance Program (CCAP) provides vital financial help to low-income families with children under age 12. Enacted as part of federal welfare reform, CCAP was designed to provide child care to families so that parents could more easily find employment or pursue education. Later, the purpose of helping to prepare children for school was added. The federal government funds a substantial portion of CCAP, which is ultimately governed by federal regulations and which is administered by the Minnesota Department of Human Services.

**Challenges.** CCAP reimbursements paid to providers are significantly lower than the average prices paid by non-CCAP parents and policies aren't always child-centric (i.e. children sometimes lose their access to child care because of something their families did or did not do). Because of low reimbursement rates and cumbersome paperwork requirements, many ECE providers won't or can't afford to serve children using CCAP. It is estimated that only 16% of eligible children ages 0-5 are enrolled in CCAP.<sup>25</sup> Child care programs that benefit from CCAP are not required to use best practices for preparing children for school.



- Target provider outreach and supports during the phase in period to encourage quality supply in areas of high need:
  - » Serving high numbers of children birth to 5 receiving child care assistance
  - » Located in counties projected to have low Parent Aware accessibility levels
  - » Located in diverse communities
  - » Racially, ethnically and linguistically diverse ECE providers

- Develop a plan for informing parents of the requirement and supporting parents in locating a quality program that meets their family’s needs.
- Monitor impacts on ECE supply by geographic area and adjust waivers and supports as needed to ensure adequate access for families.
- At the end of the five-year phase-in period, review Parent Aware evaluation results on child outcomes by star rating level to assess whether to develop a final transition plan for restricting CCAP use to 3- and 4-star rated programs.

○ **Coordinate Administration of CCAP and Early Learning Scholarships.** Families currently apply for and manage participation in two separate programs. ECE providers currently follow two sets of rules for serving children and bill two separate entities. Neither CCAP nor Scholarships currently pay the actual costs of providing high-quality ECE. Streamlining program administration will reduce burdens and improve accountability. More seamless coordination will allow eligible providers to receive reimbursement at levels that cover the cost of providing high-quality ECE and will give children needed continuity of care.

- Direct DHS to develop and execute a process for better understanding the perspective of eligible families using one, both, or neither of the programs, and that of ECE providers serving children using one, both or neither of the programs.
- Direct DHS to convene a small group of experts from both inside and outside state government to develop a plan for implementation that explores the following questions and which is grounded in the recommendations from the Office of the Legislative Auditor, the feedback from stakeholders described in the previous bullet and administrative data on use of the two programs:
  - How would eligibility for the coordinated programs be defined?
  - How could a universal identification number and data sharing between agencies be implemented to allow efficient administration and outcome tracking across these two (and ultimately other ECE) programs while protecting families’ privacy?
  - How would the funds be layered in order to maintain compliance with federal CCAP requirements?
  - How would the shared application process work?
  - How would re-authorization work?
  - How could the coordinated funding actually support the cost of quality in a way that works for ECE providers?
  - What statutory or other policy changes would be required?
  - What transition costs would be involved?

*“As an ECE provider, we struggle with the limited funding and lack of coordination in the current system of public support. Most of our families are earning below 200% of poverty guidelines, so we have to piece the funding together for each and every family.”*

**Gertrude Matemba-Matasa**  
Executive Director,  
Phyllis Wheatley  
Community Center



## RECOMMENDATION #2: Continuously Improve Parent Aware Standards

### Why do it?

While Parent Aware quality standards and indicators reflect and reward practices that research shows are leading to significant gains in kindergarten-readiness measures, we are constantly learning about how to better support both children and providers. We support the state's commitment to continuously improving the rating system to ensure children are receiving the quality ECE they need and deserve and that rating information is meaningful to families.

### How to do it?

- **Regular Evaluation and Improvement.** Require the Minnesota Department of Human Services to conduct regular evaluation of Parent Aware and to adjust quality standards based on results. DHS should contract for a continuation of external evaluation of the validity of the Parent Aware quality standards (i.e., their meaningful differentiation of quality across star levels and their connection to child outcomes). Evaluation should continue to include parent and ECE program perceptions of the rating system to ensure it remains responsive to their needs. DHS should also continue striving to make indicators reflective of program features parents value, including meaningful measures of programs' cultural relevance and responsiveness.
  - Outcomes should be disaggregated by program type—Head Start, accredited and non-accredited centers, accredited and non-accredited licensed family child care programs, Voluntary Pre-k (VPK), School Readiness and School Readiness Plus (SR/SR+);
  - Outcomes should be disaggregated by children's racial/ethnic groups and by family income level.
  - The quality standards must be adjusted as indicated by evaluation results to better address the needs of Minnesota's culturally and linguistically diverse populations.
  - DHS should continue its practice of gathering feedback from providers, advocates and other stakeholders as part of the process of revising the quality standards.
  - DHS should continue its practice of consulting with providers on how to effectively and non-disruptively implement changes to the quality standards.

## RECOMMENDATION #3: Improve Data Collection, Analysis and Reporting on Children’s Program Participation and Outcomes.

### Why do it?

To inform better decision-making and system improvement, better data must be collected, analyzed and made publicly available to allow better understanding of our youngest learners’ outcomes and their publicly-funded program participation.

### How to do it?

- **Regular, Disaggregated and Transparent Data Analysis.** As the Office of the Legislative Auditor recommended in its 2018 report, we must make much better use of existing and new data to ensure our ECE system is serving children well. To ensure services are serving all groups of children equitably, data must be disaggregated by children’s race/ethnicity and by geographic regions. To the extent possible, these data should be included in the existing Early Childhood Longitudinal Data System (ECLDS), which was intended to provide information to answer critical policy questions, but has not yet realized that potential.
  - Statewide implementation of common assessment of child outcomes at transition to Kindergarten (i.e. KEP), including clarifying existing authorizing language to require measurement of all students within 8 weeks of kindergarten entry, requiring districts to submit KEP results to MDE and requiring MDE to report on KEP results to the public annually;
  - Implementation of universal child identification number to provide aggregate data on children’s use of public programs and related child outcomes;
  - Broaden the authority for relevant state Departments (Education, Human Services and Health) to share individual-level data for children participating in early childhood programs;
  - Provide resulting data (disaggregated by race/ethnicity of participants and geographic region) to the public through the ECLDS on a frequent basis (no less than annually, but more frequently when possible).



## INVEST IN FIXING ACHIEVEMENT GAPS & SHORTAGE

### RECOMMENDATION #1: Invest in Early Learning Scholarships

#### Why do it?

With about 35,000 low-income Minnesota children under age five each year still unable to access high-quality ECE programs, more investment is necessary to close achievement gaps and to support the expansion of quality programs statewide.

Specifically, Scholarships create a clear incentive for the growth of quality supply and address achievement gaps by doing what the research tells us we need to do—start early in life, target funds to the most vulnerable children, demand quality and be flexible to meet each families' unique needs.

#### How to do it?

- **Phase To Full Funding In Priority Order.** The following approach provides a roadmap toward our goal of phasing in full funding of flexible, parent-directed scholarships for children ages 0-5 in families earning less than 185% of federal poverty guidelines, and eventually smoothing the eligibility “cliff-effect”. All estimates assume adding resources on top of existing investments, phasing over time:
  - **First Priority.** Remaining highest need low-income 0- to 2-year-olds (homeless, foster care/child protection involved, children of adolescent parents) and remaining 3- and 4-year-olds up to 185% FPG
  - **Second Priority.** 0- to 2-year-olds up to 100% FPG
  - **Third Priority.** 0- to 2-year-olds up to 101% FPG to 185% FPG
  - **Final Priority.** 0- to 5-year-olds between 186% and 300% FPG with capped family contribution

*“We must address these two crises in a coordinated way, and these recommendations do that. When we create consumer demand by funding Scholarships, the child care shortage will ease. More demand will bring more high-quality supply.”*

Arthur Rolnick, Ph.D.  
Economist, University of  
Minnesota

### About Unintended Consequences

While Minnesota has long grappled with trying close gaps, the crisis in child care supply brings additional urgency to the problem. The crisis in supply has been exacerbated by the implementation of Voluntary Prekindergarten (VPK).

A survey of home- and center-based ECE providers that found that the financial impact of no longer serving 4-year-olds could cause 77% of those surveyed to go out of business<sup>26</sup> as VPK would ultimately remove an entire cohort of children from programs that have been built to include four-year-olds in order to operate viable, mixed-age businesses. In this way, VPK expansion could inadvertently aggravate the child care shortage and our state's ability to provide quality ECE to toddlers and infants.

## RECOMMENDATION #2: Invest in Increasing Supply of Quality ECE Programs to Address Shortage.

### Why do it?

Addressing gaps in supply needs to include significant investments in capital and technical assistance to increase quality slots of all types across Minnesota in a way that is responsive to the unique needs of each community experiencing a shortage of supply. It is critical that investments and policies respond to the unique needs of licensed family child care programs, as they provide linguistically and culturally responsive programs and are also better suited to providing supply in Greater Minnesota, where the population of young children is more dispersed.

### How to do it?

- **More Help To Stimulate Expansion.** Expand and clarify the existing DEED grant program to increase the supply of quality child care.
  - Explicit clarification that the grants are available to expand slots in both licensed family child care programs and child care centers.
  - Focus on projects which are “shovel ready” and structured to require local contribution, while considering the equity issues which already limit access to capital in communities of color.
  - Competitive grant guidelines that include justification of grant request in relation to community need, to ensure funded slots will be sustained.
  - Require Parent Aware participation as a condition of receipt of funding and target to communities with concentrations of children with high-needs.
  - Require DEED to report on the cost per slot created, type of slot created (infant, toddler, preschool; center or licensed family child care) and location of slots created.
- **More Quality Improvement Help.** Expand DHS support for quality improvement, capacity building, coaching and technical assistance to help expanding/new providers get up and running through preparation, licensing and opening new businesses.
  - Investment should be allocated to the existing quality improvement infrastructure through local Child Care Resource & Referral agencies.
  - Support should also be made available to help local communities conduct needs assessment; as well as providing start-up child care businesses with financial/ business coaching.



## ACKNOWLEDGMENTS

Think Small and the Minnesota Chamber, who co-chaired the Crisis Work Group, would like to thank all the organizations that participated in our process:

Children's Defense Fund of Minnesota

Close Gaps by 5

Cyndi Cunningham: Licensed Family Child Care Provider

Ed Allies

Families First of Minnesota: Rochester

First Children's Finance

Indigenous Visioning

Generation Next

Little Learners Child Care Center: Ada

Minnesota Business Partnership

Minnesota Chamber of Commerce (Co-Chair)

Minnesota Child Care Association

People Serving People

Phyllis Wheatley Community Center

Southern Minnesota Initiative Foundation

Think Small (Co-Chair)

This group and various subcommittees met multiple times between July and December 2018 to create the recommendations contained within this report. While our goal was consensus, we did not expect unanimity. For example, some participants didn't sign on because their organizations had not taken positions on all of the issues addressed in the report. While some participants did not sign on to this full set of recommendations, many of their ideas are still reflected here and we'd like to thank each of them for their contributions.

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