

Executive Summary

Under the child care assistance program, low-income families can obtain subsidies to help with the cost of child care while parents work or participate in education or training activities. Child care assistance is a federal-state program that is funded with federal, state, and county dollars.

In Minnesota, child care assistance is divided into two programs: Minnesota Family Investment Program (MFIP) child care assistance; and Basic Sliding Fee (BSF) child care assistance. The two programs are largely governed and administered in the same way. A family applying for or receiving child care assistance would not necessarily know that there are two different programs, as applicants for child care assistance are screened for eligibility for both programs, and recipients receive the same assistance under both programs.

The distinction between MFIP child care assistance and BSF child care assistance is important because one of the major differences between the programs is how they are funded. Minnesota fully funds MFIP child care assistance, which means everyone who is eligible for MFIP child care assistance receives it. In contrast, funding for BSF child care assistance is a capped allocation; as such, not everyone who is eligible for BSF child care assistance receives it. Families may end up on a waiting list for BSF if funding is insufficient.

In this brief the term “child care assistance” refers to both MFIP child care assistance and BSF child care assistance. This publication describes these programs, including their administration, funding, eligibility requirements, and use.

Contents

Administration	2
Child and Family Eligibility Requirements.....	3
Eligible Child Care Providers	5
Child Care Provider Payment Rates	6
Families’ Financial Responsibilities for Child Care Assistance	9
Funding and Expenditures	10
Recipient Profile.....	11
Appendix: Federal Funding Streams for Child Care Assistance	12

Administration

Federal Government

The federal Child Care and Development Block Grant (CCDBG) Act governs the child care assistance program and sets out the rules for the operation of the program in the states.¹ The federal government provides funding to the states for child care assistance via various streams. These streams are often collectively referred to as the child care development fund (CCDF). The CCDBG and the CCDF are administered by the Office of Child Care, which is housed in the Administration for Children and Families within the U.S. Department of Health and Human Services.

Minnesota Legislature

The child care assistance program was established by the legislature in 1985. Child care assistance law in Minnesota is found in [Minnesota Statutes, chapter 119B](#). The legislature annually appropriates funding from the general fund and allocates federal funding for child care assistance.

Minnesota Department of Human Services

Federal law requires that a state's governor designate a lead agency to administer the state's child care assistance program.² The Department of Human Services (DHS) is Minnesota's lead agency. DHS administers the federal funds for the program, develops the state plan that is required under federal law, and supervises the implementation of the program by the counties, among other duties. DHS has adopted administrative rules and policies that govern many aspects of the program. The rules are contained in [Minnesota Rules, part 3400](#).

Counties and Indian Tribes

Counties administer child care assistance in their county under the supervision of DHS. County duties include accepting and verifying families' applications for assistance, determining the eligibility of child care providers to accept payment under the program, claiming funding for child care assistance from DHS, and reimbursing providers for care provided. Counties are also required to provide a monetary match to BSF child care assistance.

State law allows DHS to contract with an Indian tribe with a reservation in Minnesota to administer child care assistance in a tribe's areas.³ DHS currently contracts with two tribes – White Earth Nation and Red Lake Nation. Under these contracts, the tribes carry out the duties expected of a county, and a portion of child care assistance funding is transferred from counties

¹ The CCDBG Act is codified at [42 U.S.C. § 9858](#), et seq.

² [42 U.S.C. § 9858b\(a\)](#).

³ This state allowance is in addition to federal law that requires the U.S. Department of Health and Human Services (HHS) to reserve a portion of the funding available under the CCDBG Act for grants to or contracts with Indian tribes that apply to HHS to administer child care assistance programs ([42 U.S.C. § 9858m\(a\)\(2\)](#)).

in which the tribes' reservations are located to the tribes for purposes of administering the program.

Child and Family Eligibility Requirements

Children and their families must be both categorically and financially eligible for child care assistance. Eligibility is redetermined no more frequently than once every 12 months, which means that, in general, once a family is determined eligible for child care assistance, the family remains eligible for 12 months.⁴

Categorical Eligibility

Both children and their families must meet the categorical eligibility requirements to receive child care assistance. Children must be under age 13 (or 15 if the child is disabled) and meet citizenship requirements.⁵

For a family to be eligible, both of a child's parents (or one parent in a single-parent household) must participate in an authorized work, education, or training activity and cooperate with child support enforcement.⁶ See the text box for eligibility criteria that are different for MFIP child care assistance and BSF child care assistance.

Eligibility Criteria for MFIP Child Care Assistance and BSF Child Care Assistance

MFIP child care assistance is available to families who (1) meet the categorical and financial eligibility requirements described in this brief, and (2) either receive MFIP or participate in the Diversionary Work Program (DWP), or have recently moved off MFIP or DWP.

MFIP is the state's Temporary Assistance for Needy Families (TANF) program. MFIP is a jointly funded, federal-state program that provides income assistance to eligible low-income families. Eligibility for MFIP is limited to 60 months in a lifetime (with some exceptions). The DWP is a four-month cash assistance program that is designed to help families quickly find work in attempt to avoid having to go on MFIP. Most families who apply for cash assistance will be enrolled in the DWP first.

⁴ There are several reasons a family may lose eligibility for child care assistance while the family is in the 12-month period before redetermination. For example, a family may lose eligibility before redetermination if the family does not pay its required copayment. For more details, see section 8.15 of the Child Care Assistance Program (CCAP) Policy Manual, available at https://www.dhs.state.mn.us/main/idcplg?IdcService=GET_DYNAMIC_CONVERSION&RevisionSelectionMethod=LatestReleased&dDocName=CCAP_0815.

⁵ To be eligible for child care assistance, children must be citizens or have an accepted immigration status, or use the subsidy for care in a setting that is subject to public educational standards (e.g., Head Start or a prekindergarten program operated under public educational standards).

⁶ The requirement to participate in a work, education, or training activity does not apply to a parent who is unable to meet the requirement, per the determination of a licensed physician, licensed psychologist, or a social services agency. Also, as of September 21, 2020, homeless applicants for child care assistance are exempt from the work, education, and training participation requirements for three months (from the date the county receives the application).

Transition year families—families who are not currently receiving MFIP or DWP but have participated in one of the programs in the past six months—are eligible for MFIP child care assistance for 12 months after they stop receiving MFIP or DWP. Transition year extension families—families who have completed their transition year but cannot be moved to BSF child care assistance because of insufficient funding—are eligible for MFIP child care assistance for the time necessary for the families to be moved from the BSF waiting list to BSF child care assistance.

BSF child care assistance is available to families who (1) meet the categorical and financial eligibility requirements described in this brief, and (2) who are not currently receiving MFIP, participating in the DWP, or in their transition year.

Financial Eligibility

Financial eligibility for child care assistance is based on a family's income and assets.⁷

At application for child care assistance, a family that receives MFIP or DWP must have income at or below 67 percent of the state median income (SMI) for its family size, and all other families must have income at or below 47 percent of SMI for their family size. During the 12-month period before a family's eligibility is redetermined, all families become ineligible for child care assistance if their income increases above 85 percent of SMI for their family size.⁸ At redetermination, all families become ineligible for child care assistance if their family income is above 67 percent of SMI for their family size. Table 1 shows income adjusted for family size for each of the income eligibility points.

⁷ For purposes of determining a family's eligibility and copayment for child care assistance, "income" is a family's annual gross income after allowable deductions. For details about determining who is a family member, how "income" is defined, and a list of allowable deductions, see the Child Care Assistance Program (CCAP) Policy Manual, available at https://www.dhs.state.mn.us/main/idcplg?IdcService=GET_DYNAMIC_CONVERSION&RevisionSelectionMethod=LatestReleased&dDocName=CCAP_Home.

⁸ Federal law provides that to be eligible for child care assistance, family income cannot exceed 85 percent of SMI (42 U.S.C. § 9858n(4)). This is why families become ineligible for assistance if income increases above 85 percent of SMI. States are allowed to set lower income eligibility limits, as Minnesota does with its limits of 47 percent of SMI and 67 percent of SMI.

Table 1: Income Eligibility for Child Care Assistance in Minnesota by Family Size, as of October 5, 2020

% of SMI	Family Size					Eligibility Criterion
	2	3	4	5	6	
47% of SMI	\$34,745	\$42,920	\$51,095	\$59,270	\$67,445	For non-MFIP/DWP families, income must be at or below these amounts to be eligible at application.
67% of SMI	\$49,530	\$61,184	\$72,838	\$84,492	\$96,146	For MFIP/DWP families, income must be at or below these amounts to be eligible at application. For all families, income must be at or below these amounts to remain eligible at redetermination.
85% of SMI	\$62,836	\$77,621	\$92,406	\$107,191	\$121,976	For all families, if income is above these levels during the eligibility period between redeterminations the family loses eligibility.

Source: Minnesota Department of Human Services, Minnesota Child Care Assistance Program Copayment schedules, DHS-64131-ENG 10-20, available at <https://edocs.dhs.state.mn.us/lfserver/Public/DHS-64131-ENG>.

A family's eligibility for child care assistance is also based on a family's assets not exceeding \$1,000,000.⁹ This asset limit is in effect at application, during the 12-month period before redetermination, and at redetermination.

Eligible Child Care Providers

Families that are eligible for child care assistance may choose any eligible child care provider. The types of child care providers that are eligible to accept assistance are described in Table 2.

Counties must respect the choice of providers made by families, except "when a county knows that a particular provider is unsafe, or that the circumstances of the child care arrangement chosen by the parent are unsafe..."¹⁰

⁹ The asset limit is in federal law (42 U.S.C. § 9858n(4)). States are allowed to set the asset limit at any amount lower than \$1,000,000. Also, federal law does not define "assets" for this purpose, leaving it to the state's lead agency (in Minnesota, DHS) to determine the assets that count toward the asset limit.

¹⁰ Minn. Stat. § 119B.09, subd. 5.

Table 2: Child Care Providers Eligible to Receive Child Care Assistance

Eligible Child Care Provider	Share of Child Care Assistance Recipients Who Used This Type of Provider in FY 2019
Family child care provider licensed under Minnesota Statutes, section 245A —these are licensed, residential child care programs	14.9%
Child care center licensed under Minnesota Statutes, section 245A —these are licensed, nonresidential child care facilities	72.0%
Certified, license-exempt center, as defined in Minnesota Statutes, section 245H —these are programs for children (e.g., preschool programs offered by public schools, recreation programs offered by a parks and recreation board) that are license-exempt but must be certified to receive child care assistance payments	11.4%
Legal, nonlicensed child care provider, as defined in Minnesota Statutes, section 119B.011 —these are providers who are not required to have a license and who can care only for related children and children from a single, unrelated family	1.7%

Source: Data on the share of children who used the types of providers is from Minnesota Department of Human Services, Minnesota Child Care Assistance Program State Fiscal Year 2019 Family Profile, DHS-6664-ENG 2-20, available at <https://edocs.dhs.state.mn.us/lfsrver/Public/DHS-6664G-ENG>.

Child Care Provider Payment Rates

Once a family identifies an eligible provider, the provider bills the county for the care given to children who receive child care assistance. The county then reimburses the provider for the care and allowed registration fees. The amount a provider is reimbursed is determined using the maximum reimbursement rate and the maximum registration fee.

Maximum Reimbursement Rate

Federal law sets out rules that govern how states reimburse child care providers under the child care assistance program. When states set provider reimbursement rates under the child care assistance program, the state must ensure the payment rates are:

“sufficient to ensure equal access for eligible children to child care services that are comparable to child care services in the State or substate area involved that are provided to children whose parents are not eligible to receive assistance under this subchapter or to receive child care assistance...”¹¹

To accomplish this, states are required to either (1) conduct a survey of prices charged by child care providers in the state at least every three years, or (2) develop an alternative methodology

¹¹ 42 U.S.C. § 9858c(c)(4)(A)

for estimating the cost of child care. States must set their child care assistance payment rates in accordance with the results of their most recent survey or alternative method.¹² The federal government advises, but does not require, states to use the 75th percentile of child care rates in the state as their reimbursement for providers under the child care assistance program.

In Minnesota, the legislature sets the maximum reimbursement rate for providers under the child care assistance program. DHS is required to conduct a survey of prices charged by licensed child care providers in Minnesota every three years, and the maximum reimbursement rate is set in accordance with the results of this survey. As of September 21, 2020, the maximum reimbursement rate in a county is the greater of the 25th percentile of the 2018 child care provider rate survey or the rates in effect prior to September 21, 2020.¹³ To establish payments at the 25th percentile, rates within categories from the survey are arranged from lowest to highest. The 25th percentile is the number separating the 25 percent of lowest rates from the 75 percent that are highest.

Changing the Maximum Reimbursement Rate

The maximum reimbursement rate was updated by the 2020 Minnesota Legislature from the 25th percentile of the 2011 provider rate survey to the 25th percentile of the 2018 provider rate survey. The change was necessary to comply with federal law requiring that states base their rates on their most recent child care provider rate survey. The next market rate survey is scheduled to take place in Minnesota in 2021. When the 2021 survey is complete, the 2018 survey will no longer be the most recent market rate survey, and the legislature will have to change the maximum reimbursement rate to remain in compliance with federal law.

The maximum reimbursement rate varies by several factors. One factor is location—either by county or county price cluster. A second factor is type of child care provider. There are different rates for licensed family child care providers, child care centers, and legal, nonlicensed family child care providers.¹⁴ A third factor is the age of the child receiving assistance. The maximum reimbursement rate is highest for infants and decreases as children age. DHS sets hourly, daily, and weekly reimbursement rates based on these factors.¹⁵ To provide an example of how the maximum reimbursement rates vary by these factors, Table 3 shows the rates for infants and school age children in two counties for family child care providers and child care centers.

¹² 45 C.F.R. § 98.45(c)(2)

¹³ Because the rates in effect prior to September 21, 2020, were based on the 25th percentile of the 2011 child care provider rate survey, it is likely that the greater rate in each county is the 25th percentile of the 2018 survey.

¹⁴ For licensed family child care providers and child care centers, the maximum reimbursement rates are set according to the results of the child care provider rate survey. For legal, nonlicensed family child care providers, the rates are 68 percent of the maximum hourly rate for licensed family child care providers in the same county.

¹⁵ The maximum rates effective September 21, 2020, are available at, https://www.dhs.state.mn.us/main/idcplg?IdcService=GET_DYNAMIC_CONVERSION&RevisionSelectionMethod=LatestReleased&dDocName=ccap_program_resources.

Table 3: Selected Maximum Reimbursement Rates for Child Care Assistance,
as of September 21, 2020

Age Group	Family Child Care Provider			Child Care Center		
	Hourly	Daily	Weekly	Hourly	Daily	Weekly
Aitkin County						
Infant	\$3.00	\$30.00	\$140.00	\$3.40	\$32.59	\$157.00
School Age	\$2.80	\$25.00	\$120.00	\$2.90	\$28.00	\$125.00
Anoka County						
Infant	\$5.00	\$36.00	\$170.00	\$10.85	\$86.24	\$305.00
School Age	\$5.00	\$30.00	\$130.00	\$8.27	\$53.74	\$177.00

Source: Minnesota Department of Human Services, Minnesota Child Care Assistance Program Standard Maximum Rates – No Quality Differential, DHS-6441C-ENG 9-20, September 20, 2020.

The maximum reimbursement rate also varies under the following circumstances.

- **Special needs rate:** Under the child care assistance program, providers are reimbursed for caring for children with disabilities or special needs at a different rate. The county in which the provider is located is instructed to set, with DHS approval, a rate based on a child's needs.
- **Rate differential for accreditation:** Providers that hold specified accreditations can earn a rate differential over the maximum reimbursement rate of 15 percent, up to the actual provider rate.
- **Rate differential for Parent Aware rating:** Providers that have 3-star or 4-star Parent Aware ratings can earn a differential over the maximum reimbursement rate. For providers with 3 stars, it is 15 percent and for providers with 4 stars it is 20 percent, up to the actual provider rate.

Maximum Registration Fee

If an eligible child care provider charges a registration fee, a county is required to pay the registration fee for a child who is receiving child care assistance, up to a maximum amount that is set by the legislature.¹⁶ As of September 21, 2020, the maximum amount is the greater of the 25th percentile of the 2018 child care provider survey or the registration fee in effect at the time of update.¹⁷

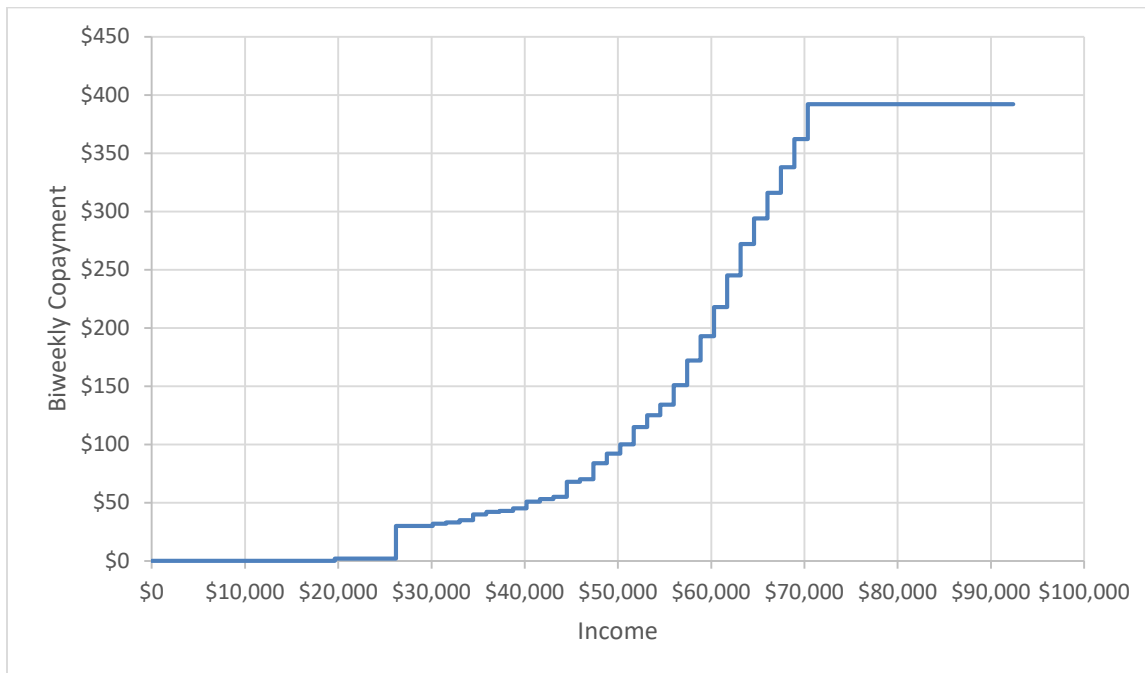
¹⁶ The fees are set for licensed family child care and for child care centers; the child care assistance program does not pay registration fees to legal, nonlicensed providers.

¹⁷ The maximum registration fees as of September 21, 2020, are available at, <https://edocs.dhs.state.mn.us/lfsrserver/Public/DHS-6443A-ENG>.

Families' Financial Responsibilities for Child Care Assistance

Families who receive child care assistance have financial responsibilities for the care received. First, the families are assessed a biweekly copayment based on a family's income.¹⁸ A family's copayment is set for an entire 12-month period at application and then recalculated at redetermination. The copayment starts as a flat dollar amount and then becomes a percentage of income. The copayment is \$0 for families with income under 75 percent of the federal poverty level (FPL) and then gradually increases to 14.0 percent of income until the family's income is above 67 percent of SMI and the family is no longer eligible for assistance. For the purposes of providing an example, Figure 1 shows the child care assistance copayment schedule for a family of four.

Figure 1: Biweekly Copayment Schedule for Child Care Assistance for a Family of Four, as of October 5, 2020



Source: Minnesota Department of Human Services, Minnesota Child Care Assistance Program Copayment schedules, DHS-64131-ENG 10-20, available at <https://edocs.dhs.state.mn.us/lfserver/Public/DHS-64131-ENG>.

Second, families are responsible for the difference between the maximum reimbursement rate—the amount the county reimburses the child care provider for its care of the eligible child, which includes the family's copayment—and a child care provider's actual charges.

Finally, families are responsible for the portion of a child care provider's registration fees that exceed the maximum registration fee standards.

¹⁸ For more information about "income" see footnote number 7.

Funding and Expenditures

Child care assistance is funded with federal, state, and county dollars.

Federal Funds

There are multiple federal funding streams for child care assistance. The different federal streams are typically referred to collectively as the child care and development fund (CCDF). The streams are described in more detail in the appendix. States must use all federal funds that flow through the CCDF in accordance with the rules of the CCDBG Act and its implementing regulations.¹⁹ It is projected that in fiscal year 2021 federal contributions will account for about 47.1 percent of direct service payments for child care assistance in Minnesota (Table 4).

State Funds

The Minnesota Legislature annually appropriates state money for child care assistance. In fiscal year 2021, it is projected that state funding will account for about 51.8 percent of direct service payments for child care assistance in the state (Table 4).

County Funds

Each county is required to contribute a fixed match for child care assistance. The match is based on a county's required contribution for the program in calendar year 1996. In fiscal year 2021, it is projected that county contributions will account for about 2.7 percent of direct services payments for BSF child care assistance and 1.0 percent of direct service payments for the entire program (Table 4).²⁰

Expenditures

Total projected spending on direct services for child care assistance in Minnesota is expected to be between \$280 million and \$290 million in each of fiscal years 2021 to 2023 (Table 4).

Table 4: Projected Direct Service Payments for Child Care Assistance in Minnesota, FY 2021 – FY 2023

Fiscal Year	Total Direct Service Payments	Federal Share		State Share		County Share	
		Dollar Amount	Percent of Total	Dollar Amount	Percent of Total	Dollar Amount	Percent of Total
2021	\$282,784,190	\$133,237,687	47.1%	\$146,605,268	51.8%	\$2,941,235	1.0%
2022	\$289,341,724	\$133,179,396	46.0%	\$153,221,093	53.0%	\$2,941,235	1.0%

¹⁹ 42 U.S.C. § 9858, et seq.; 45 C.F.R. Part 98.

²⁰ Table 4 in this brief does not break out direct service payments for MFIP and BSF child care assistance, but that data is available from the source document for Table 4.

Fiscal Year	Total Direct Service Payments	Federal Share		State Share		County Share	
		Dollar Amount	Percent of Total	Dollar Amount	Percent of Total	Dollar Amount	Percent of Total
2023	\$288,147,821	\$129,937,196	45.1%	\$155,269,390	53.9%	\$2,941,235	1.0%

Source: Minnesota Department of Human Services, Background Data Tables for May 2020 Interim Budget Projection, available at <https://mn.gov/dhs/general-public/publications-forms-resources/reports/financial-reports-and-forecasts.jsp>.

Recipient Profile

In fiscal year 2019, an average of 15,350 families received child care assistance each month. The average monthly child care payments per family were \$1,356 (Table 5). Average monthly enrollment in MFIP child care assistance was slightly higher than it was for BSF child care assistance. An average of nearly 2,000 children were on the BSF waiting list each month.

Table 5: Child Care Assistance Caseload and Direct Service Payments, FY 2019

Program	Average Number of Families Enrolled Each Month	Average Number of Children Enrolled Each Month	Average Monthly Child Care Payments per Family	Average Number of Children on BSF Waiting List Each Month
Child care assistance	15,350	--	\$1,356	NA
MFIP child care assistance	8,065	16,689	\$1,547	NA
BSF child care assistance	7,284	13,995	\$1,145	1,924

Sources: Minnesota Department of Human Services, Minnesota Child Care Assistance Program, State Fiscal Year 2019 Family Profile, DHS-6664G-ENG 2-20; Minnesota Department of Human Services, Background Data Tables for May 2020 Interim Budget Projection, available at <https://mn.gov/dhs/general-public/publications-forms-resources/reports/financial-reports-and-forecasts.jsp>.

Notes: "NA" means not applicable. The data sources do not provide the average number of children enrolled in the entire program each month.

Appendix: Federal Funding Streams for Child Care Assistance


As discussed in this brief, there are multiple federal funding streams for child care assistance. The different federal streams that are collectively referred to as the child care and development fund (CCDF) are described in Table 6.

Table 6: Federal Funding Streams for Child Care Assistance

Federal Funding Stream	How is the Federal Funding Allocated Among States?	Do the Funds have Matching or Maintenance of Effort (MOE) Requirements?
Discretionary funds authorized under the CCDBG Act (42 U.S.C. § 9858, et seq.)	These amounts are subject to the federal annual appropriation process. The appropriated amount is allocated among states using a formula that takes into account: <ol style="list-style-type: none"> 1) each state’s share of children under 5 years of age; 2) the state’s share of children receiving free or reduced-price lunches; and 3) state per capita income. 	These funds do not have matching or MOE requirements.
Mandatory funds authorized under Social Security Act § 418 (42 U.S.C. § 618)	These funds are allocated in two components: <ol style="list-style-type: none"> 1) guaranteed funds—each state receives a fixed amount based on the child care funding received by the state prior to 1996; and 2) other funds—each state receives an allocation from the funds available after the guaranteed funds have been awarded; this allocation is based on the state’s share of children under 13 years of age. 	The guaranteed funds do not have matching or MOE requirements. The other funds have both matching and MOE requirements.

Federal Funding Stream	How is the Federal Funding Allocated Among States?	Do the Funds have Matching or Maintenance of Effort (MOE) Requirements?
Federal Temporary Assistance for Needy Families (TANF) funds transferred by state choice to the CCDF (42 U.S.C. § 604(d))	A state is allowed, but not required, to transfer up to 30% of its TANF grant to the CCDF. ²¹	These funds do not have matching or MOE requirements.

Source: Cited U.S. code.



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²¹ A report issued by the Bipartisan Policy Center found that 26 states, including Minnesota, transferred federal TANF funds to the CCDF in federal fiscal year 2016. Bipartisan Policy Center, *Creating an Integrated Efficient Early Care and Education System to Support Children and Families: A State-by-State Analysis*, December 2018, available at <https://bipartisanpolicy.org/wp-content/uploads/2019/03/Creating-an-Integrated-Efficient-Early-Care-and-Education-System-to-Support-Children-and-Families-A-State-by-State-Analysis.pdf>.