

## Child Care Stabilization Grants

October 6, 2021

Child care stakeholders have expressed concerns that:

1. The application for Child Care Stabilization Base Grants is too complicated and time consuming, and
2. The funding formula of \$430 per FTE for Child Care Stabilization Base Grants resulted in lower monthly grant awards for family child care providers than had been provided through the Public Health Support Funds for Child Care Program, which was \$1,200 per family child care provider (for 8 of 11 months, 3 months were less), and during the June and July transition months, which was \$600 per family child care provider.

### Base Grant Application Changes

The questions asked in the Child Care Stabilization Base Grants application were reviewed closely by department staff in an effort to streamline the application process for providers. The department is in the process of making changes to the application for the October round of Child Care Stabilization Base Grants, as summarized in the table below.

**Table 1. Changes to Child Care Stabilization Base Grant application questions, by provider type**

Application Question	Licensed Family Child Care	Licensed Centers	Certified Centers
Race and ethnicity	Asked once in first application	No change	No change
Gender	Asked once in first application	No change	No change
Enrollment	No change	No change	No change
Only individual caring for children?	No change	N/A	N/A
How many individuals are caring for children?	No change – conditional if applicant indicates in previous question they are not the only individual caring for children	No change	No change
Hours license holder cared for children	No change	N/A	N/A
Hours other individuals cared for children	No change – conditional if applicant indicates in previous question they are not the only individual caring for children	Defaults to staff initials in previous month's response	Defaults to staff initials in previous month's response
Personnel expenses	Only asked for those with more than 1 worker	No change	No change
Operating expenses	Asked once	Ask once per quarter	Ask once per quarter
Use of funds	No change	No change	No change
Requesting a waiver for extreme financial hardship?	Only asked for those with more than 1 FTE	No change	No change
Reason waiver is requested	No change – conditional if applicant indicates they are requesting a waiver for financial hardship	No change	No change
Revenue	No change – conditional if applicant indicates they are requesting a waiver for financial hardship	No change	No change

## Base Grant Funding Formula

State statute directs the department to provide Child Care Stabilization Base Grant funds based on the number of full-time equivalent (FTE) staff regularly caring for children in the program. The department defined an FTE as an individual caring for children 32 hours per week or more. Using this approach and other parameters in state statute, including the funding available, the department established the funding formula for the Child Care Stabilization Base Grants at \$430 per FTE.

Department staff ran scenarios to see how changes to the funding formula would impact each type of licensed or certified child care program eligible for the grant: licensed family child care homes, licensed child care centers, and certified child care centers. These scenarios were developed to help illustrate how alternatives to the current funding formula would impact grant amounts and the funds available between Year 1 and Year 2 of the program, as requested by child care stakeholders.

**Table 2. Current projected Child Care Stabilization Base Grant spending by program type, compared to projected numbers of individuals regularly caring for children and number of children enrolled**

Program type	Current estimated Base Grant amount and percent (Year 1 only; June 2021-June 2022)		Current estimated number and percent of individuals regularly caring for children (full or part time)		Current estimated number and percent of children enrolled (full or part time)	
	Total Funding in Year 1	% of Funding in Year 1	Number	%	Number	%
Family child care	\$32 million	21%	7,900	18.5%	67,000	24%
Licensed child care centers	\$88.5 million	58%	26,700	62.5%	113,000	40%
Certified centers	\$32 million	21%	8,100	19%	101,000	36%
<b>Total</b>	<b>\$153 million</b>	<b>100%</b>	<b>42,700</b>	<b>100%</b>	<b>281,000*</b>	<b>100%</b>

Note: The total amount spent for Child Care Stabilization Grant transition month grants was \$17.2 million. The amount set aside for Financial Hardship grants is \$70.529 million (25%). Financial Hardship Grant criteria and award amounts are still being determined.

\*This is not an unduplicated count; some children are enrolled in both family child care homes and centers.

## Scenarios

Scenarios illustrating the impacts of changing the funding formula for the Child Care Stabilization Base Grants:

- Option 1: allow all individuals to count for up to 2 FTEs (i.e. work 64 hours per week or more) if they work more than 32 hours per week caring for children. This keeps the formula at \$430 per FTE.
- Option 2: the same as option 1, while keeping the total funds spent in Year 1 the same as currently planned at \$153 million. This requires lowering the per FTE amount to \$360.

**Table 3. Comparison of current funding formula to two alternative scenarios - how projected Child Care Stabilization Grant spending would change**

Comparison of distribution of funds by scenario	Current funding formula, no changes, those working 32 hours per week or more Formula is \$430 per FTE		Option 1: allow those working over 32 hours per week to count for up to 2.0 FTEs Formula is \$430 per FTE		Option 2: allow those working over 32 hours per week to count for up to 2.0 FTEs Formula is \$360 per FTE	
	Program type	Total Funding in Year 1	% of Funding in Year 1	Total Funding in Year 1	% of Funding in Year 1	Total Funding in Year 1
Family child care homes	\$32 million	21%	\$46 million	26%	\$39 million	26%
Child care centers	\$88.5 million	58%	\$100 million	56%	\$86 million	56%
Certified centers	\$32 million	21%	\$32 million	18%	\$27 million	18%
Total Funding in Year 1	\$153 million	100%	\$178 million	100%	\$153 million (100%)	100%
Total Funding Remaining for Year 2	\$76 million		\$50 million		\$76 million	

Note: this table provides estimated spending projections using data from the September 2021 Child Care Stabilization Grants application. Funding in Year 1 includes transition month grants.

### Statutory Requirements

The Base Grant amounts are based on the following requirements in state statute:

- The Base Grant amounts shall be based on the full-time equivalent number of staff who regularly care for children in the program, including any employees, sole proprietors, or independent contractors.
- The commissioner shall award Base Grant amounts to all eligible programs on a non-competitive basis beginning September 1, 2021 through June 30, 2023.
- The Base Grant amounts shall be:
  - Reduced between July 1, 2022 and June 30, 2023 with the amount in the final month being no more than 50 percent of the amounts awarded in September 2021.
  - Enhanced in amounts determined by the commissioner for any providers receiving payments through the child care assistance program under sections 119B.03 and 119B.05 or early learning scholarships under section 124D.165.
- The commissioner may provide grant amounts in addition to any Base Grants received to eligible programs in extreme financial hardship until all money set aside for that purpose is awarded.