



**2022**

**LEGISLATIVE PRIORITIES**  
**EARLY CARE AND EDUCATION**  
**CRISIS WORK GROUP**

# INTRODUCTION

When the Crisis Work Group came together in 2018, Minnesota’s young children and their families faced two crises: 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. Then came the worst global pandemic in a century.

Since that time, there have been three regular legislative sessions and eight special sessions. The pandemic response from federal, state, and local government is unprecedented, and Minnesota’s early care and education (ECE) sector has been stabilized by as many as 30 initiatives totaling over \$850 million<sup>1</sup> in fiscal supports, as of October 2021.

These supports have been essential for a sector that was already fragile due to a financing model that is neither sustainable nor adequate to support the true cost of providing the quality services that young children need to thrive. Beyond these critical pandemic-related measures, Minnesota has also made progress implementing a number of recommendations from this Work Group, including:

- Legislation requiring a new Parent Aware validation study and a separate study exploring barriers to equitable access to Parent Aware participation;

- Increasing Child Care Assistance rates; and
- Significant investments in stabilizing the supply of child care through grants, training, and workforce supports.

Minnesota policymakers deserve a great deal of credit for this progress.

Stabilizing the child care market is necessary, but not enough. It is imperative that Minnesota policymakers don’t take their eyes off the fact that most of the work that is needed to provide equitable, high-quality ECE is still unfinished. Most importantly, we must finally help the estimated 31,000 low-income children who still can’t access the quality early learning programs they need to succeed in school and eventually become part of Minnesota’s workforce, and that empower their parents to seek education, training, and/or employment.

The benefits that quality ECE programs can deliver to Minnesota’s families, children, communities, taxpayers, employers, and economy are well documented and significant. But we are not realizing those benefits, because we still have yet to invest effectively or sufficiently.



First Children’s Finance



SOUTHERN MINNESOTA INITIATIVE FOUNDATION



# Benefits of Investing in Quality Early Learning Programs



## Education Preparation

**RESEARCH:** Children in quality programs making significant gains on K-readiness measures – social skills, early math, phonics vocabulary, executive function, persistence.



## Family & Community Stability

**RESEARCH:** Children in quality programs more likely to be married, employed, own homes, and avoid incarceration, which benefits them, their communities, and their children.



## Taxpayer Savings

**RESEARCH:** Children prepared for kindergarten reduce costs for special ed, unemployment, health care, law enforcement, etc. Up to \$16 in benefits for every \$1 invested.

**But we're not benefiting enough, because we're not investing enough.**

## STATUS OF THE CRISES

So where do things stand and what work remains?

**Early Learning Opportunity Gaps Remain Vast.** Even when families can find a quality ECE program, they remain out of reach financially for most families in vulnerable circumstances. When the Crisis Work Group first convened, there were 35,000 children under age 5 in low-income families unable to access quality ECE supports. The most current estimate by our partner Close Gaps by 5, with technical support from the Federal Reserve Bank of Minneapolis, shows that gap has slightly narrowed with an estimated 31,000 low-income children under age 5 still without the support they need to access high-quality early learning.

“All Minnesotans depend on a thriving economy. That requires an adequate supply of enough well-trained workers, now and in the future. To make that happen, we need a high-quality child care system that leaves no children behind, and we need it as soon as possible.”

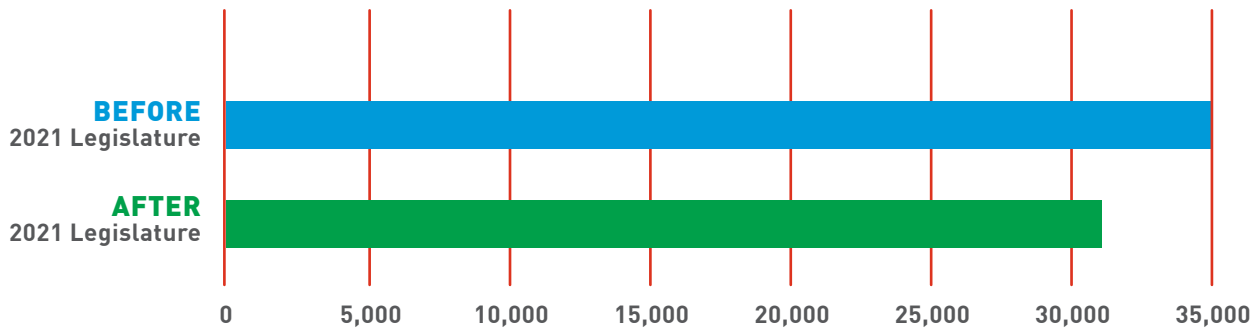
**Doug Loon**

*President & CEO, Minnesota Chamber of Commerce*

# 31,000

## STILL can't access quality early learning programs

Estimated number of low-income MN children who can't access the quality early learning programs they need to succeed in school and life.

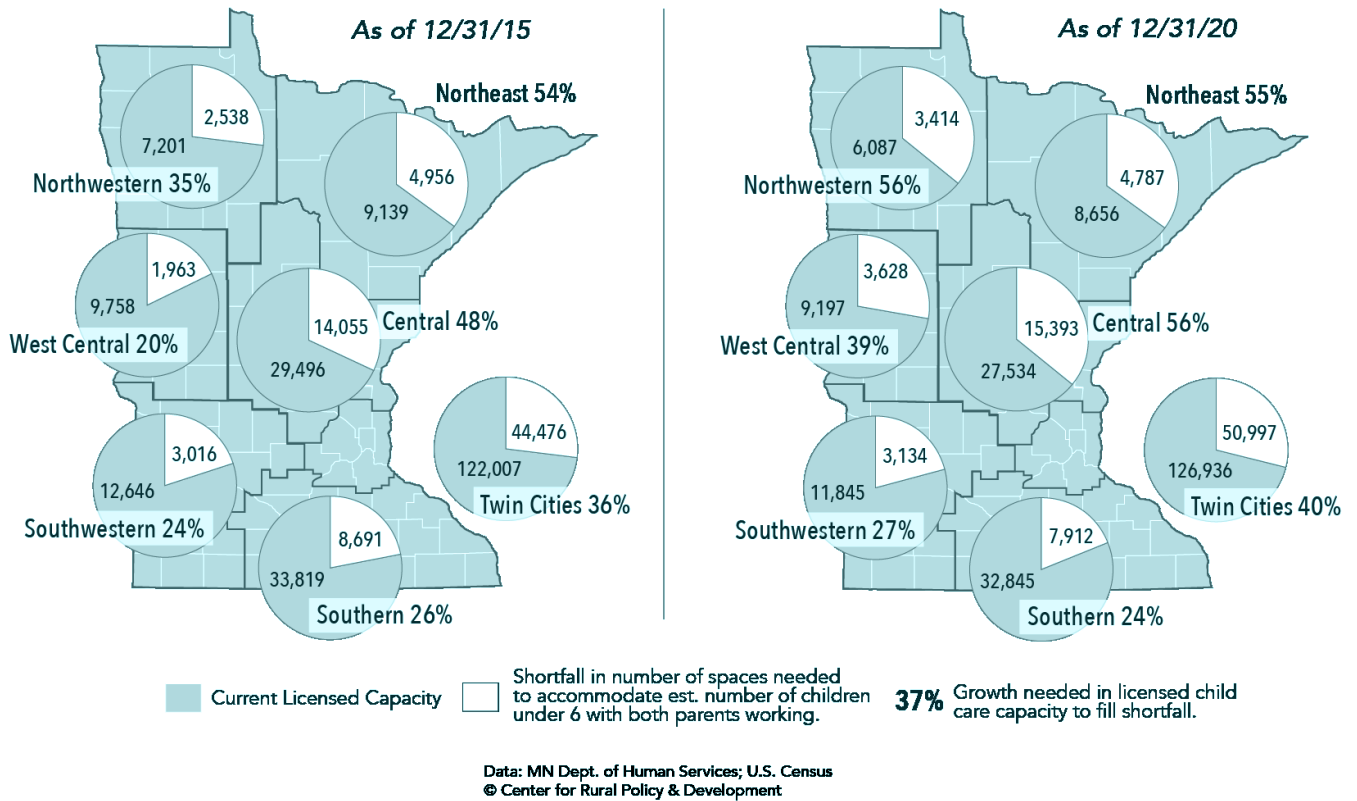


**Stabilizing the child care sector in 2021 was necessary and welcomed, but for MN's most vulnerable children it wasn't sufficient.**

It's critically important that policymakers understand: 2021 investments stabilized the child care sector, but they did not make much of a dent in the damaging early learning opportunity gaps that are a root cause of Minnesota's worst-in-the-nation achievement gaps. Those investments also didn't create additional new customer demand that would stimulate supply of new quality ECE programs. The investments were meant to stabilize an already inadequate system – now we must improve it.

**Gaps in Quality Supply Persist.** Beyond the access challenges discussed above, Minnesota also still has a severe shortage of quality ECE programs (i.e., programs that have volunteered for Parent Aware ratings).

One measure of this gap is the number of available slots in comparison to the number of young children. Shortages by this measure are severe and persistent. The Center for Rural Policy and Development has analyzed these gaps over several years, and in 2020 shortages were no better than in 2015 and were significantly worse in three regions of the state (Northwest, West Central, and Central Minnesota). The same report concludes that the Metro area's increase in center capacity almost made up for the overall loss in licensed family child care program slots from 2000 to 2020 (a net loss of 2,688), but in rural Minnesota, the net loss was devastating (net loss of 20,252 slots).



Focusing on available slots without regard for the quality of those slots only shows half of the picture. While families are struggling to find any child care in some areas of the state, many more families statewide struggle to find the kind of *quality* child care that their children need to optimally support their fast-developing brains. In Minnesota, quality is measured by Parent Aware Ratings. The total number of rated programs peaked at the end of 2020, with most of those programs either in process or already rated before the pandemic. The percentage of eligible programs rated has increased slowly but steadily since 2016, and currently stands at 30%. These numbers are woefully insufficient to address the actual need for quality ECE in communities across the state.

We would be remiss if we did not acknowledge that the child care supply picture is rapidly changing and that there are delays in reporting that mask some of the severity of the situation. Real-time factors such as child care workforce shortages are resulting in classroom closures and a reduction in monthly child care stabilization grant amounts impacting licensed family child care programs, among others, will continue to play out in ways that are likely to further destabilize supply. These challenges all face a workforce that was already severely underpaid long before the pandemic. One positive sign is that data from the past three years shows that Parent Aware-rated programs are significantly less likely to close than unrated programs. Specifically, unrated ECE programs are 2.4 times more likely to close than Parent Aware rated programs. This is another reason to be concerned about the stagnating growth in the percentage of eligible programs volunteering for Parent Aware rating. At the end of 2016, that percentage was at 22% statewide, and by the end of September 2021 it had only increased to 30%.

In addition, prior to the pandemic, state policymakers implemented several policy changes that would have impacted both the supply of, and access to, high-quality ECE programs including: 1) increasing the cap on Early Learning Scholarship amounts for priority populations; 2) increasing incentives for attaining four-star Parent Aware ratings; and 3) allowing four-star rated programs to receive quality grants, increasing the incentive to both participate in Parent Aware and achieve the highest rating. Given COVID's unprecedented disruption of the lives of providers and families, it's too early to discern the impact of those policy changes.

It is important for policymakers to understand that, unfortunately, when it came to the deployment of over \$850 million in federal relief dollars to stabilize Minnesota's supply of child care in light of COVID, none of those investments incentivized quality improvement, unlike in other states such as Iowa and Colorado. This was a huge missed opportunity to support providers and children. Research from the National Institute of Child Health and Human Development<sup>2</sup> finds that children in low-quality programs can be set back with worse problem behaviors, cognitive development, language skills, and kindergarten-readiness scores. Investing in supply building without simultaneously incenting and rewarding use of kindergarten readiness best practices misses the opportunity to address Minnesota's achievement gap crisis.

**Accountability Measures Still Needed.** In terms of knowing how young children are faring, we simply have no idea. There is no statewide collection or reporting of kindergarten readiness. There hasn't been significant data collected or any public reporting of results since 2012 – a decade ago. It is safe to assume young children's development was impacted at least as much as their school-aged peers during COVID-related disruptions. We know that as of September 2021, 56% of Minnesota child care centers experienced at least a 25% decline in attendance compared to September 2020<sup>3</sup>, so it is likely that gaps in both opportunities and outcomes expanded for Minnesota's most vulnerable young children over the past two years.

“To survive this crisis, child care providers need three things – more parents who can afford their services, more ability to pay teachers a fair wage, and help adopting the best practices that children need. If we don't do all three things very soon, Minnesota's serious child care crisis is going to get much worse.”

**Barbara Yates**  
*President and CEO*  
*Think Small*

# RECOMMENDATIONS FOR 2022

**Follow the Research for New State and/or Federal Investments.** There is much anticipation and uncertainty swirling around whether or how the federal Build Back Better Act could change the early learning landscape in Minnesota and across the nation. Those debates are critical, and this Work Group recommends that federal and state policymakers continue to focus on the criteria research tells us are essential in any policy and funding plans to support young children:

- **Start Early.** Intervening early in life to address gaps before they get more difficult to close, especially given that 80% of brain development happens before children reach age 3 and achievement gaps can be measured as early as age 1;
- **Target Funds.** Focusing on equity by targeting limited funds to the most vulnerable children first;

- **Demand Quality.** Requiring 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, including explicit attention to supporting a robust mixed delivery ECE sector, including licensed family child care, center-based programs, school-based programs, and Head Start programs.

Among Minnesota's many early care and education funding streams, the approach that is best aligned with these four research-based principles for preparing children for school is the Early Learning Scholarship program. That approach also has the advantage of having significant bipartisan support in the Minnesota Legislature. A complementary approach is to require participation in Parent Aware ratings for ECE programs accepting Child Care Assistance Program (CCAP) subsidies.

**Invest in Targeted, Flexible, Quality-Linked Supports.** Regardless of what happens at the federal level, there are 31,000 young children in Minnesota in need of support accessing high-quality ECE programs. And given the realistic timeline for passage and implementation of a massive change in federal law and funding, most of those children will enter kindergarten before any potential new federal funding comes their way. Given the state's \$7.7 billion general fund surplus and over \$1 billion in still unallocated American Rescue Plan Act federal funds, there is no better time to invest in targeted access to high-quality ECE AND to take the opportunity to build more accountability and efficiency into Minnesota's early childhood infrastructure.

An investment in 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.

“Regardless of what happens at the federal level, there are 31,000 children in Minnesota who currently can't access quality early learning programs who will enter kindergarten before any federal funding could reach them. They should not be left behind.”

- **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, and this challenge is expected to continue. As we've repeatedly seen in market economies, supply of services grows when consumer demand increases. Therefore, to increase the supply of quality programs, we need to stimulate new consumer demand. A powerful way to do this would be to give Early Learning Scholarships to the 31,000 Minnesota children under age 5 who can't afford high-quality programs. This would help address our shortage and our achievement gap problem.
- **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. Now that reimbursement rates are at or 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 as resources allow (and after the full need of lower income families is met) with expansion of CCAP and/or Scholarship eligibility to include families earning up to 300% of the Federal Poverty Guidelines (FPG).

## CREATE DEMAND AND SUPPLY IMPROVES

### Consumer Demand

#### Early Learning Scholarships

for 31,000 low-income MN children under age 5 who can't access quality early learning programs.

» Millions of dollars of new consumer demand, now and into the future.



**INCENTIVIZES**

### Product Supply

Retention and expansion of quality early care and education programs, now and into the future.

**More Supply**

**More Demand**



### Achievement Gap Closing Benefits Of This Approach

Scholarships serve the left-behind children who 1) can't access quality programs without help (i.e. have opportunity gaps) and 2) are most likely to fall into achievement gaps.



**INCREASE SUPPLY OF QUALITY ECE PROGRAMS.** While the recent investments have been critical to stabilizing the supply of ECE programs across the state, a huge gap remains between the number of slots needed (especially as more parents return to work) and those available. We support programs focused on building supply, so long as those efforts are linked to quality, as defined by the Parent Aware Quality Rating and Improvement System.

**More Help To Stimulate Expansion.** Expand and clarify the existing child care grant programs to increase the supply of quality child care:

- Explicit clarification that 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.
- Communities and employers throughout the state need to have the flexibility to develop a quality ECE program that fits their unique needs – and state policy should enable providers to quickly enter the marketplace and build capacity as well as remain operational. Efforts to explore, develop, and allow alternative ECE delivery models should be prioritized. Incentives and tax credits for employers (and community partners) should be immediately considered to support quick and innovative ways for employers to offer or build ECE supply for their own or their community’s workforce.
- Require grant program administrators 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 Aware agencies.
- DHS should be intentional about ensuring quality improvement supports are appropriate for and utilized by licensed family child care programs and providers of color/providers serving communities of color.
- 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.

**LEVERAGE DATA FOR CONTINUOUS IMPROVEMENT OF PROGRAMS/POLICIES.** Strengthen regular, disaggregated, and transparent data collection, analysis, and reporting on children’s program participation and outcomes.

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 determine if services are supporting 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. Specific recommendations include:

- Statewide implementation of common assessment of child outcomes at transition to Kindergarten using the Kindergarten Entry Profiles (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 the Minnesota Department of Education (MDE), and requiring MDE to report on KEP results to the public annually;
- Creation of a universal child identification number or similar strategy to provide aggregate data on children’s use of public programs and related child outcomes;
- Broadened authority for relevant state Departments (Education, Human Services and Health) to share individual-level data for children participating in early childhood programs; and
- Provision of resulting data (disaggregated by race/ethnicity of participants and geographic region) to the public through the Early Childhood Longitudinal Data System (ECLDS) on a frequent basis (no less than annually, but more frequently when possible).

**ESTABLISH DEPARTMENT OF EARLY CARE AND EDUCATION.** A proposal (HF1024) introduced in the 2021 Legislative Session would create one state department with the authority to coordinate program policy and funding. Despite the many efforts over more than a decade, we still cannot answer the most essential questions related to ECE governance, including: “Who in state government is accountable for ensuring that Minnesota’s young children are prepared for school and all that follows?” And, “Why do we have such a diffuse and unaccountable approach to early education and development when we know investment in this area has such an extraordinary upside for families, children, communities, and taxpayers?” We believe a more aligned organizational structure (as many other states have created) would not only function better, but also better serve Minnesota’s young children through a variety of initiatives including via the implementation of the recommendations made elsewhere in this document.

# HF 1024 - Creation of a New State Agency: Department of Early Childhood 2021-2022 Regular Session

## Programs to be Transferred:



**mi** DEPARTMENT OF EDUCATION



- Head Start
- Early Childhood Screening
- Educate Parents Partnership
- Early Childhood Family Education
- State Advisory Council on Early Childhood Education & Care
- Quality Rating and Improvement System
- School Readiness Program
- Voluntary PreK Program
- Kindergarten Readiness Assessment
- Early Learning Scholarships Program
- Interagency Early Childhood Intervention System
- Parent-Child Home Program
- School Readiness Plus



**mi** DEPARTMENT OF HEALTH



- Family Home Visiting
- Evidence-Based Home Visiting
- Nurse-Family Partnership Program Grants
- Maternal, Infant, and Early Childhood Home Visiting Program



**mi** DEPARTMENT OF EARLY CHILDHOOD



**mi** DEPARTMENT OF HUMAN SERVICES



- Child Care Assistance
- Child Care Service Grants
- Child Care Resource & Referral Program
- Family Services and Community-based Collaboratives Program
- Licensure of Child Care Centers
- Licensure of Family Child Care
- Child Care Assistance Fraud Investigations
- Certification of License-exempt Child Care Centers
- Migrant Child Care
- Early Childhood Learning and Child Protection Facilities Program



**WORK TOGETHER TO SUPPORT YOUNG CHILDREN.** The Crisis Work Group and many other advocates and other private/philanthropic sector partners have an interest in successful implementation of any further federal investments and/or the state policy changes recommended throughout this document. Many of the organizations and individuals engaged in this Work Group view the public/private partnership that operated from 2012-2016 while the state implemented its Race to the Top - Early Learning Challenge grant plan as a successful model. We recommend that the state set forth a clear set of goals and numeric targets for quality child care supply development and access to quality early care and education that the private and philanthropic sectors can contribute to accomplishing. This kind of “all hands on deck” approach would be aided by channels for feedback from partners working to solve these problems from outside of government.

**PREPARE FOR FUTURE FEDERAL POLICIES.** Since 2014, the federal government has emphasized quality in its child care policy development regardless of which party held the White House or had control of Congress. Most recently, the Biden Administration and Congressional Democrats, in the Build Back Better legislation, have pushed in the direction of requiring that states establish systems like the Parent Aware Ratings and work to ensure that all young children have access to quality child care. There is clearly a bipartisan consensus in Washington around the need to improve child care quality, through use of research-based, kindergarten-readiness best practices.

Minnesota’s ability to take advantage of future federal funding will depend on the robustness of our quality improvement infrastructure. Therefore, we need to be doing more now to prepare for these impending quality improvement requirements. Minnesota should set aggressive targets for the development of quality child care slots and use the time and resources available now to address Minnesota’s true child care supply challenge – the extreme lack of quality child care supply to address our appalling achievement gaps.

## **CONCLUSION**

To take advantage of the long list of benefits associated with quality early care and learning programs, Minnesota policymakers must focus on two tasks: First, they must empower the 31,000 low-income children who still can’t access those programs with Early Learning Scholarships. Second, they must enact a number of reforms to ensure public investments are research-based, efficient, streamlined, and accountable.

With unusually large amounts of state and federal resources available, the 2022 session of the Minnesota Legislature should take the steps recommended by this Work Group to help Minnesota’s communities, economy, employers, taxpayers, parents, and most vulnerable children.

Members of the Work Group stand ready to help leaders address Minnesota’s ECE shortage and achievement gaps. More background is available at [ThinkSmall.org/crisis](https://ThinkSmall.org/crisis).

### **Endnotes**

- 1 Minnesota Department of Human Services. [October 2021]. “COVID-19 Public Investments in Child Care.” [https://www.senate.mn/committees/2021-2022/3096\\_Committee\\_on\\_Human\\_Services\\_Reform\\_Finance\\_and\\_Policy/Child%20Care%20Investment%20Summary\\_2021.10.21.pdf](https://www.senate.mn/committees/2021-2022/3096_Committee_on_Human_Services_Reform_Finance_and_Policy/Child%20Care%20Investment%20Summary_2021.10.21.pdf)
- 2 McCartney, Kathleen. [March 2020.] “What Do We Know About the Effects of Early Child Care?” [https://www.purdue.edu/hhs/hdfs/fii/wp-content/uploads/2015/07/s\\_mifis01c03.pdf](https://www.purdue.edu/hhs/hdfs/fii/wp-content/uploads/2015/07/s_mifis01c03.pdf)
- 3 Lee, Emma K., and Zachary Parolin. [2021]. “The Care Burden During COVID-19: A National Database of Child Care Closures in the United States.” OSF Preprints. May 14. [osf.io/t5d3q](https://osf.io/t5d3q).