

HOUSE RESEARCH

Bill Summary

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Overview

This bill increases CCAP maximum provider reimbursement rates and appropriates money for the CCAP program.

Child care assistance programs subsidize the child care expenses of eligible low-income families. The Minnesota Department of Human Services administers two child care assistance programs: Minnesota Family Investment Program (MFIP) child care assistance and Basic Sliding Fee (BSF) child care assistance. MFIP child care subsidizes the child care costs of families receiving cash assistance through MFIP and provides child care assistance for eligible families for the first 12 months after the family leaves MFIP cash assistance (transition year child care). BSF child care provides a child care subsidy to low-income working families who are not receiving cash assistance from MFIP.

To be eligible for child care assistance, both parents (or one parent in single-parent households) must participate in an authorized work, education, or training activity, cooperate with child support enforcement, and meet income eligibility guidelines. The maximum income limit to be eligible for child care assistance is 47 percent of state median income at program entry and 67 percent or less of state median income at program exit. (For fiscal year 2014, 47 percent of state median income was \$34,459, and 67 percent of state median income was \$49,123 for a family of three.)

Children up to age 12 are eligible for child care assistance (up to age 14 for disabled children). During fiscal year 2013, there were an average of 1.87

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children per family receiving MFIP child care assistance and 1.80 children per family receiving BSF child care assistance.

Prior to 2003, there was a statutory mechanism in place to regularly increase provider reimbursement rates based on a survey of rates. Beginning in 2003, reimbursement rates were frozen for several years. Now, maximum reimbursement rates paid for child care assistance are set by the legislature. The 2011 Legislature decreased provider reimbursement rates by 2.5 percent, effective October 31, 2011. The 2013 Legislature modified reimbursement rates effective February 3, 2014, and created a provider rate differential for child care providers that hold a three- or four-star quality rating under the Parent Aware quality improvement and rating system.

There is a family co-payment requirement based on family size and income. The maximum family co-payment is about 14 percent of gross monthly income. Families with incomes below 75 percent of the federal poverty level are exempt from making co-payments (\$14,843 and below for a family of three in 2014).

Not all families who apply for child care assistance receive it. MFIP child care is a forecasted, fully funded program, while BSF child care receives a capped allocation. As of January 31, 2015, there were 5,638 families on the waiting list for BSF child care assistance.

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- 1 **Subsidy restrictions.** Amends § 119B.13, subd. 1. Beginning July 1, 2015, increases CCAP maximum provider reimbursement rates from the 25th percentile of the 2011 child care provider rate survey to the 50th percentile of the most recent biennial child care provider rate survey.
- 2 **Appropriation; Child Care Assistance Programs.** Paragraph (a) appropriates \$270 million for the biennium beginning on July 1, 2015, from the general fund to the commissioner of human services for the MFIP and BSF child care programs. Adds this appropriation to the base.

Paragraph (b) specifies that the funds appropriated in paragraph (a) must be used for the child care provider rate increase and to provide assistance to additional families under the BSF program.