The Child Care & Development Block Grant (CCDBG) is the primary federal grant program that allows states to provide child care assistance to low-income working families with children under age 13. The majority of these funds serve children 6 years or younger, with the remainder supporting care for older children during out-of-school time.

Subsidies help remove barriers to affordable, high-quality child care, whether in center- or home-based settings. They give working parents the ability to access quality care and choose the type of care that works best for them. The majority of funds go directly to providing early learning experiences, but states can also use the funding to:
- Recruit and retain a well-qualified, fairly compensated, and effective workforce
- Support continuous quality improvement
- Meet the child care needs of families working nontraditional hours

**CCDBG by the Numbers in Minnesota**

- 420,459 Children Under 6
- 74% Population Under 6 with All Parents in the Workforce
- 13,824 Children Ages 0-6 Served by CCDBG and Mandatory Funds
- 3,624 Providers Accepting CCDBG Subsidies
- 64% Children Currently Served by CCDBG Who Are Under the Age of 6
- $128,959,979 CCDBG and Mandatory Funds
- $23,082,552 CCDBG State Match
- $709,788,469 CCDBG COVID-Relief Allocations: CARES | CRRSA | ARPA (CCDF + Stabilization)
- $60,487,000 TANF Transferred to CCDBG

**Income Eligibility**

Given CCDBG is a federal block grant, state Lead Agencies have the flexibility to design their own subsidy programs in compliance with established eligibility and quality requirements and may choose to set their own additional requirements.

The Lead Agency in Minnesota is the Minnesota Department of Human Services.

Families that meet income eligibility and work/job training/education requirements can apply to the Lead Agency for a subsidy. Many families are required to pay a copay, but states may waive those requirements. Families who receive a subsidy may choose any participating child care provider, including center-based care (including faith-based programs), home-based care, and in-home care.

In Minnesota, eligibility is capped at 47% of State Median Income (SMI). This means that a family of 3 is eligible for a subsidy if they make: $3,288 or less per month ($39,456 per year).

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**How CCDBG Funds Flow**

Using an established federal formula, states, territories, and tribal entities receive grant awards from the Department of Health and Human Services, Administration for Children and Families (ACF).

- **Parents**
  - Families can use vouchers to help cover the cost of care if a provider/program agrees to accept them.

- **Providers**
  - Grants and contracts represent agreements between the subsidy program and child care providers to designate slots for subsidy-eligible children.

In Minnesota, 40% of children ages 0-6 are eligible for a CCDBG subsidy under federal rules on average each month. However, of these children, 93% are not served due to insufficient federal funding.
Throughout the pandemic, there was strong bipartisan support for federal relief funding to keep the child care sector afloat. CCDBG was the primary mechanism for providing this relief to child care providers and ensuring access to child care for thousands of working families through CARES, CRRSA, and ARPA.

As of December 31, 2022: 21

8,230 child care programs in Minnesota received American Rescue Plan Stabilization support, impacting up to 212,500 children.

Providers in 100% of Minnesota counties have received funds, including:

- Most common use of funds: Personnel costs and keeping programs staffed.
- Most common use of funds: Rent and mortgage payments, typically their largest operating expense.

American Rescue Plan Act Spending Spotlight 22

Funds have been used to support and stabilize the workforce through increasing staff compensation. 70% of stabilization grants were required to go towards increasing compensation, benefits, or premium pay for staff who regularly care for children. The base grant is calculated by taking the starting rate (currently $430) and multiplying it by the sum total of full-time staff in a program.

Federal pandemic relief funding, which buttressed an already struggling child care market, expires in September 2024. As this temporary funding expires, Congress must come together to strengthen and invest in our federal early learning and care programs so families can access the reliable, high-quality, affordable child care they depend on.

In Minnesota, providers are reimbursed at a far lower rate than recommended. Low payment rates make it difficult for providers to stay financially afloat and provide high-quality learning experiences. They also force low- and middle-income working families to pay higher child care fees to compensate.

In Minnesota, a family receiving a CCDBG subsidy pays between $5 - $168 out-of-pocket per month. 26

Families with very low incomes are exempt from copayments. 26

Receiving subsidies results in much lower out-of-pocket costs for families.

Families that don’t receive subsidies pay significantly higher costs.

For instance, center-based infant care ranges in price from:

- $709 in Mahnomen County per month
- $1,728 in Washington County per month

Find more information on child care prices by age and care setting in your state or county here. 26

Provider Reimbursements

ACF recommends that Lead Agencies set provider reimbursement rates at the 75th percentile of the market rate. 23 This is the price the lowest 75% of child care programs included in the market rate survey reported charging.

However, market rates often do not reflect the actual costs of providing high-quality care as programs must charge what families can afford in order to fill slots. Therefore, there is a significant gap between how much providers are reimbursed and how much it costs to provide care. Find answers to the most frequently asked questions about provider reimbursement rates here.

Provider Reimbursement Rates in Minnesota 23

In percentiles of market rate

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</tbody>
</table>

Center-Based

Home-Based

In Minnesota, providers are reimbursed at a far lower rate than recommended. Low payment rates make it difficult for providers to stay financially afloat and provide high-quality learning experiences. They also force low- and middle-income working families to pay higher child care fees to compensate.