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Court Administrator

JUL 5 2011

STATE OF MINNESOTA

By BK Deputy

DISTRICT COURT

RAMSEY COUNTY

SECOND JUDICIAL DISTRICT

In re Special Master Hearing on  
Temporary Funding of Core Functions of  
the Executive Branch of the State of  
Minnesota.

62CV115203

The Honorable Kathleen Blatz

**MEMORANDUM OF THE  
COALITION OF CHILD CARE  
PROVIDERS AND SUPPORTERS**

The members of the Coalition of Child Care Providers and Supporters<sup>1</sup>—  
(collectively, the “Coalition”)—respectfully urge the Special Master to determine that all  
child care assistance programs funded in part by federal dollars be continued, as was done in  
the 2005 state government shutdown.

The Court’s order found that child care assistance funded under the Temporary  
Assistance for Needy Families (“TANF”) program should continue to be funded, to avoid  
violation of the Supremacy Clause. Although the Court found that non-TANF child care  
assistance is not a core function of government, all three government child care assistance  
programs in the state use federal funds—TANF and Child Care Development Fund

<sup>1</sup> The Coalition consists of fifteen nonprofit organizations, including Child Care Works, The Minnesota Child Care Association, The Minnesota Licensed Family Child Care Association, The Minneapolis Foundation, Greater Twin Cities United Way, Sheltering Arms Foundation, Blandin Foundation, The St. Paul Foundation and Minnesota Community Foundation, Social Venture Partners, Women’s Foundation Of Minnesota, The Jay And Rose Phillips Family Foundation Of Minnesota, McKnight Foundation, Grotto Foundation, West Central Initiative Fund and United Ways of Greater Minnesota

("CCDF").<sup>2</sup> In addition, since 2005, all three programs have been administered solely by the state.

The Coalition finally requests that the Special Master ensure continued funding for those state workers necessary to operate the state system used to administer and coordinate all federal, state, and local child care subsidy eligibility authorizations and payments.

**I. ALL THREE GOVERNMENT CHILD CARE ASSISTANCE PROGRAMS ARE FEDERALLY FUNDED AND SHOULD CONTINUE.**

There are three child care assistance programs in Minnesota: (1) Minnesota Family Investment Program ("MFIP");<sup>3</sup> (2) Transition Year Child Care Assistance Program;<sup>4</sup> and (3) Basic Sliding Fee ("BSF") Program.<sup>5</sup>

Minnesota has made commitments regarding these programs to the federal government in the TANF and CCDF block grant agreements. The State's budget for child care includes *both* TANF and CCDF funds in all three child care assistance programs. So, just as the state has obligations as to TANF programs, it likewise has obligations under CCDF. Because all three state programs are funded by both TANF and CCDF there can be no finding of non-TANF or non-CCDF programs.

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<sup>2</sup> Minnesota State Plan for Temporary Assistance for Needy Families 3 (effective Jan. 1, 2009 – Dec. 2011) available at [http://www.dhs.state.mn.us/main/groups/county\\_access/documents/pub/dhs16\\_150104.pdf](http://www.dhs.state.mn.us/main/groups/county_access/documents/pub/dhs16_150104.pdf); Child Care Development Fund Plan for Minnesota (effective Oct. 1, 2009-Sept., 2011) available at: [http://www.dhs.state.mn.us/main/groups/children/documents/pub/dhs16\\_147439.pdf](http://www.dhs.state.mn.us/main/groups/children/documents/pub/dhs16_147439.pdf)

<sup>3</sup> Child Care Assistance Program and the Diversionary Work Program ("DWP") - provide cash assistance to very poor families and their children. These are the state's "welfare-to-work" programs under TANF. MFIP and DWP provide, for up to sixty months, grants including child care assistance.

<sup>4</sup> This is a one-year entitlement to families after MFIP assistance ends. When families are on the verge of emerging from the deepest poverty, this program provides critical support toward the achievement of self-sufficiency

<sup>5</sup> a first-come, first-served program for low-income families. Families who are not poor enough to qualify for MFIP, the so-called working poor, may qualify for sliding fee child care assistance. This assistance supplements their ability to pay for child care rather than stop work at low-paying jobs.

## **II. THE STATE IS SOLELY RESPONSIBLE FOR DISTRIBUTING ALL FEDERAL CHILD CARE FUNDS AND MUST CONTINUE THE MINNESOTA ELECTRONIC CHILD CARE SYSTEM.**

Because the State is responsible for making child care assistance payments from all sources of funds, it must continue to make available the payment and eligibility system used to pay out federal funds, and used by counties to approve families for assistance.

The state's administrative infrastructure—known as the Minnesota Electronic Child Care (“MEC2”),<sup>6</sup> is used by counties to determine who is eligible and how much assistance they can receive. The counties enter this information into MEC2 as an authorization, child care providers submit bills against these authorizations, and the state pays these bills.

Furthermore, child care assistance to those who are employed should be considered an essential function of government because, in fact, it is the continuation of the welfare to work program. The welfare reform laws of the late 1990s were constructed to move people from welfare to work by providing the supports that would make work possible. By not continuing to fund this dimension of the program, the social contract between the federal/state governments and individuals is broken.

## **III. LOSING CHILD CARE SUPPORT WILL DEVASTATE FAMILIES.**

As described in further detail in the Memorandum of Law of the *Amici* Coalition of Child Care Providers and Supporters in Support of Temporary Funding and the supporting affidavits, attached as Exhibit A, stopping child care assistance – even temporarily - forces poor families to make devastating decisions with long-term impacts, and could result in

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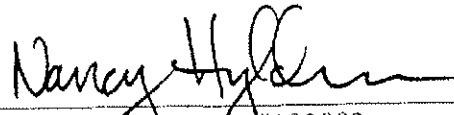
<sup>6</sup> Minn. Dep't of Human Servs., Information Technology, 2005 Report to the Legislature 20, available at <http://www.leg.state.mn.us/docs/2005/mandated/050155.pdf>.

providers turning away poor children or shutting down their businesses altogether.  
Minnesota's most vulnerable children will suffer the lingering effects of instability well  
beyond the duration of any government shutdown.

Respectfully submitted,

Dated: July 1, 2011

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**Attorneys for the Coalition of  
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FILED  
Court Administrator

STATE OF MINNESOTA

JUN 22 2011

DISTRICT COURT

RAMSEY COUNTY

By J Deputy

SECOND JUDICIAL DISTRICT

Case Type: Civil

In Re Temporary Funding of Core  
Functions of the Executive Branch of the  
State of Minnesota.

File No. 62-cv-11-5203  
The Honorable Kathleen R. Gearin

**MEMORANDUM OF LAW OF THE  
AMICI COALITION OF CHILD  
CARE PROVIDERS AND  
SUPPORTERS IN SUPPORT OF  
TEMPORARY FUNDING**

**INTRODUCTION**

The members of the *Amici* Coalition of Child Care Providers and Supporters—Child Care Works, The Minnesota Child Care Association, The Minnesota Licensed Family Child Care Association, The Minneapolis Foundation, Greater Twin Cities United Way, Sheltering Arms Foundation, Blandin Foundation, Minnesota Community Foundation, The St. Paul Foundation, Social Venture Partners, Women's Foundation Of Minnesota, The Jay And Rose Phillips Family Foundation Of Minnesota, McKnight Foundation, Grotto Foundation, and United Ways of Greater Minnesota (collectively, the "*Amici*")—respectfully submit this proposed memorandum of law as *amici curiae* in support of Petitioner and Respondent.

These *Amici* urge the Court to grant the Petition of Attorney General Lori Swanson with respect to continuation of the administration of core government functions in the event of and for the duration of any state government shutdown—including the distribution of federal funding for core programs provided to the state—and specifically request that the Court order the continued payments of child care assistance for poor children. Funded by the

federal, state, and local appropriations, these child care assistance programs are designed to assure the safety and welfare of vulnerable children. These *Amici* further urge the Court to approve the Governor's determination in his First Supplemental Response that he will continue payments to services vendors and providers under the Minnesota Family Investment Program ("MFIP") and Diversionary Work Program ("DWP"), and request greater specificity regarding continuing payments to child care service providers under these and related child care assistance programs for poor children—namely, the Transition Year, and Basic Sliding Fee Child Care Assistance programs—in the event of a state government shutdown.

These *Amici* finally request that the Court order the state to retain and continue to fund state workers necessary to operate the systems used to administer and coordinate federal, state, and local child care subsidy eligibility authorizations and payments.

#### INTEREST OF AMICI CURIAE

The *Amici* represent the interests of child care providers throughout Minnesota, families receiving child care through state-administered child care assistance programs, and philanthropic organizations providing private financial support for early child care and education programs serving the poor. Among the early child care and education programs receiving financial support from some members of the *Amici* are The Alliance of Early Childhood Professionals, Joyce Preschool, Mayflower Preschool, the Parenting Resource Center, People Serving People, St. Anne's Place, Southside Family Nurturing Center, Way to Grow, and the Amherst Wilder Foundation. (See Mayotte Aff. ¶ 7.)

Although the members of the *Amici* vary in the services and assistance they provide, they all support Minnesota's children and families, and the State's statutory goal that every

Minnesota child is ready for kindergarten by 2020. (*See* Mayotte Aff. ¶ 3 & n.1 (citing Minn. Stat. § 124D.141, subd. 2(4)-(6)).) Collectively, the philanthropic members contribute approximately \$20 million annually to early child care and education programs. (*See id.* ¶ 4.) This amount is believed to represent the bulk of private contributions to early childhood programs for Minnesota's poorest families. (*See id.*) Although the amount of the philanthropic contributions is significant, it pales in comparison to the projected \$222 million state expenditure in fiscal year 2011 to subsidize such programs. (*See id.* ¶ 5.)

### ARGUMENT

Minnesota's poorest families spend 20 to 29 percent of their income to cover child care expenses. (*See* Child Care WORKS Aff. Ex. B, Key Trends: Highlights from the 2009 Statewide Household Child Care Survey, at 2.) For these families, the availability of subsidized child care allows parents to seek employment, to avoid requesting public assistance, and to provide their children with higher quality care with a focus on supporting education. (*See, e.g., id.* Ex. A (noting that the cost of child care can be a significant barrier to employment for low-income workers with children); *see also id.* Ex. B, Child Care for Families with Low Incomes, at 2.)

Studies and extensive research have shown that early child care and education programs are the best possible investment in a thriving Minnesota future. (*See* School Readiness Funders Coalition Aff. ¶ 8.) If a child receives support for growth in cognition, language, motor skills, adaptive skills, and social-emotional functioning during the first five years, that child is more likely to succeed in school and become a productive member of society. (*See id.*) Without such support during these formative years, however, a child is

more likely to drop out of school, rely on welfare benefits, and commit crimes. (*See id.*; *cf. also* Minnesota Child Care Association Aff. ¶ 10.)

As the threat of a government shutdown nears, members of the *Amici* Coalition of Child Care Providers and Supporters have learned that low-income families forced to make difficult financial decisions are considering whether they must stop taking advantage of child care programs due to the increased cost, and sacrifice one parent's income in order to care for their children at the risk of losing their homes. (*See* Minnesota Child Care Association Aff. ¶ 8; Minnesota Licensed Family Child Care Association Aff. ¶ 4; School Readiness Funders Coalition Aff. ¶ 9; Rowe Aff. ¶ 5; Ross Aff. ¶ 5; Hosea Aff. ¶ 5.) Indeed, this decision making may become moot if child care programs are unable to stay afloat and must close—perhaps permanently—after the loss of revenue. (*See* Minnesota Child Care Association Aff. ¶ 7.c; Minnesota Licensed Family Child Care Association Aff. ¶ 4.)

The child care industry operates on slim margins, however, and cannot absorb the significant loss of margins that would result from a government shutdown. (*See* Minnesota Child Care Association Aff. ¶ 6.) The funding gap that would result if the government stopped providing subsidies for child care simply cannot be bridged by private sources. (*See* School Readiness Funders Coalition Aff. ¶ 10.) Providers who rely on child care assistance as a primary source of income will be forced to stop serving low-income children. (*See* Minnesota Child Care Association Aff. ¶ 7.a.)



**I. THE COURT SHOULD ORDER—WITH SPECIFICITY—THE CONTINUATION OF CHILD CARE ASSISTANCE AS A CORE GOVERNMENT FUNCTION IN THE EVENT OF A GOVERNMENT SHUTDOWN.**

There are three child care assistance programs in Minnesota: (1) the Minnesota Family Investment Program (“MFIP”) child care assistance program; (2) the Transition Year Child Care Assistance Program, which is a one-year entitlement to families after MFIP assistance ends; and (3) the Basic Sliding Fee Program, which is a first-come, first-served program for low-income families.

This array of programs, available as families work toward independence, provides crucial, stabilizing environments for thousands of Minnesota’s youngest, poorest, and most vulnerable citizens. The programs often enable parents to work, and ensures that children are safe, fed, and in an enriching environment that will ensure their long-term well-being. Programs providing such basic needs are essential services for these children and must be continued in the event of and for the duration of any government shutdown.

*A. Child Care Assistance Through Minnesota Family Investment Program and Diversionary Work Program*

MFIP and the Diversionary Work Program (“DWP”) provide cash assistance to very poor families and their children. These are the state’s “welfare-to-work” programs under the federal Temporary Assistance for Needy Families program (“TANF”).<sup>1</sup> MFIP and DWP

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<sup>1</sup> Minnesota State Plan for Temporary Assistance for Needy Families 3 (effective Jan. 1, 2009 – Dec. 2011).

provide, for up to sixty months, grants that supplement family income, assist with child care costs, and offer employment services.<sup>2</sup>

Because “[c]hild care is a key component in Minnesota’s strategy to help families leave and remain off welfare,”<sup>3</sup> MFIP provides child care assistance as part of the public assistance benefits that many families on MFIP and DWP receive. This assistance is contingent on those families complying with work activities outlined in mandated employment plans, and, without the child care assistance, some families would be unable to comply with those plans. Thus, child care assistance must be understood as a key component of public assistance.

The Governor has recommended that public assistance benefits should continue if a government shutdown occurs. (*See* First Supp. Resp. ¶ 3.B.) Similarly, the Attorney General argues that, pursuant to the Supremacy Clause, the state’s performance of core administrative functions on behalf of the federal government—including payments of public assistance designed to assure the safety and welfare of citizens—are core functions of government and should be continued in the event of and for the duration of a government shutdown. (*See* Pet. ¶ 21.) Neither party, however, makes it clear that these directives include the continuation of federal and state assistance for child care. Whichever position the Court adopts, it should direct the continuation of these critical services.

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<sup>2</sup> *See id.*

<sup>3</sup> *Id.*

*B. Transition Year Child Care*

Transition Year child care assistance is available to families for one year after of MFIP assistance for child care ends.<sup>4</sup> When families are on the verge of emerging from the deepest poverty, this program provides critical support toward the achievement of self-sufficiency. For purposes of this hearing, there is no reason to treat child care assistance programs differently than other programs providing for the minimum needs for families—for example food stamps or Medical Assistance.

*C. Basic Sliding Fee Program*

Families who are not poor enough to qualify for MFIP, the so-called working poor, may qualify for sliding fee child care assistance.<sup>5</sup> This assistance supplements their ability to pay for child care rather than stop work at low-paying jobs, and should also be specifically funded as a core government function.

**II. THE COURT SHOULD DIRECT THE STATE TO CONTINUE FUNDING THE MINNESOTA ELECTRONIC CHILD CARE SYSTEM.**

Because the State is responsible for making child care assistance payments from all sources of funds, it must continue to make available critical payment systems used to pay out federal funds, and eligibility systems used by local governments to approve families in need to receive such support.

All child care assistance programs administered by the State are comprised of commingled federal block granted funds, state appropriations, and local government funding.

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<sup>4</sup> See *id.*

<sup>5</sup> See *id.* at 4.

For fiscal year 2011, the public sources are projected to expend \$222 million for child care assistance, and the approximate breakdown is as follows:<sup>6</sup>

Federal funding	64 percent
State funding	35 percent
County funding	1 percent

For child care assistance to continue through any shutdown, the state needs to maintain the administrative infrastructure—known as the Minnesota Electronic Child Care (“MEC2”) system.<sup>7</sup> MEC2 works in a coordinated fashion with local governments, as the counties determine who is eligible for child care and how much assistance they can receive. The counties enter this information into MEC2 as an authorization and child care providers submit bills against these authorizations. While counties authorize care and processing the bills, MEC2 is the repository for this information and so it must be maintained in order for child care to be authorized and, ultimately, for provider bills to be paid. Thus, the Court should find that MEC2 is a core government function, entitled to receive continued funding in the event of and for the duration of any government shutdown.

### **III. RESPECTED SOURCES AGREE THAT QUALITY CHILD CARE IS VITAL TO MINNESOTA’S FUTURE.**

Without continued child care assistance, poor families will suffer and the impact will last far beyond the duration of any government shutdown. (*See, e.g., School Readiness Funders Coalition Aff. ¶¶ 8-9; Child Care WORKS Aff. ¶ 6; Minnesota Child Care*

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<sup>6</sup> Minn. Dep’t of Human Servs., Family Self-Sufficiency and Health Care Program Statistics 20 (Apr. 2011).

<sup>7</sup> Minn. Dep’t of Human Servs., Information Technology, 2005 Report to the Legislature 20, available at <http://www.leg.state.mn.us/docs/2005/mandated/050155.pdf>.

Association Aff. ¶ 8; Minnesota Licensed Family Child Care Association ¶ 4; Hosea Aff. ¶ 5; Rowe Aff. ¶ 5.) These families do not have good alternative options: parents must often choose between quitting their jobs in order to directly care for their children, or leaving their children in unsafe or poorly monitored environments. Either way, they are faced with immediate well-being and safety concerns and long-term instability, and the State will incur additional costs.

Private sources cannot “backfill” the gap that will be created by stopping child care subsidy payments in the event of a shutdown. (See School Readiness Funders Coalition Aff. ¶ 10.) The effect of a shutdown will simply be that the poorest, most vulnerable children will lose a safe nurturing place to be while their parents work. (See Child Care WORKS Aff. ¶¶ 5-6.)

Most child care providers cannot absorb the impact of not receiving state payments for poor children in their care. Providers in both rural and urban communities serve significant populations of children who qualify for subsidies, and, without these payments, many providers will be driven out of business, or forced to stop providing care to poor children. (Child Care WORKS Aff. ¶ 5; Minnesota Child Care Association Aff. ¶¶ 6-7; Minnesota Licensed Family Child Care Association Aff. ¶ 4.)

Without continued funding of child care assistance programs, poor families will lose child care that has become an integral part of their routine and necessary for their survival; providers—many of whom already function paycheck-to-paycheck—will go out of business; and Minnesota’s most vulnerable children will suffer the lingering effects of instability well beyond the duration of any government shutdown.

CONCLUSION

For the foregoing reasons, child care assistance should be deemed an essential core service that will be continued to be funded in the event of a government shutdown.

Respectfully submitted,

Dated: June 22, 2011

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STATE OF MINNESOTA  
RAMSEY COUNTY

FILED  
Court Administrator

JUN 22 2011

By jt Deputy

DISTRICT COURT  
SECOND JUDICIAL DISTRICT

In Re Temporary Funding of Core  
Functions of the Executive Branch of the  
State of Minnesota.

Case Type: Civil

File No. 62-cv-11-5203  
The Honorable Kathleen R. Gearin

**AFFIDAVIT OF MINNESOTA  
LICENSED FAMILY CHILD CARE  
ASSOCIATION IN SUPPORT OF  
THE AMICI COALITION OF  
CHILD CARE PROVIDERS AND  
SUPPORTERS**

State of Minnesota     )  
                                  ) ss.  
County of Ramsey     )

I, Katherine Chase, being first duly sworn, depose under oath and state as follows:

1. I am the executive director of Minnesota Licensed Family Child Care Association, a 501-c3.
2. I make this Affidavit in support of the Memorandum of Law submitted by the Amici Coalition of Childcare Providers and Supporters.
3. The Minnesota Licensed Family Child Care Association (MLFCCA) is a professional family child care organization of licensed family child care providers serving children and family child care providers. Its mission is to support the highest standard of care for children in Minnesota's diverse licensed family child care homes through education, resources, recognition, and advocacy.
  - a. In 1973 MLFCCA was established as a nonprofit organization. MLFCCA is a

statewide network of family child care providers, provider associations, support groups, neighborhood groups, and advocates. Over thirty county associations are member organizations.

- b. Minnesota has 12,000 licensed family child care providers serving 187,000 children. Family providers are small business owners. Some either serve only children on Child Care Assistance or depend on a significant portion of fee income from families receiving Child Care Assistance. Over 18,000 of Minnesota's children receive Child Care Assistance in licensed family child care homes.

4. If child Child Care Assistance payments cease:

- Providers will be faced with closing their business doors due to no or little income.
- Families will have no child care and be unable to work
- Tax revenue from family child care businesses and working families will cease
- Recovering from such a business revenue loss will make it impossible for many child care programs to reopen
- The most vulnerable children (those from low income families) will be affected
- The most vulnerable businesses (those in low income neighborhoods) will be affected



FURTHER YOUR AFFIANT SAYETH NOT.

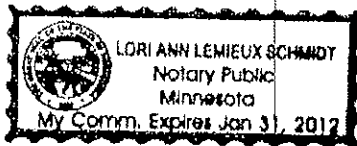
Dated: 6/21, 2011.

By: Karen G. Chase

Subscribed and sworn to before me  
this 21st day of June, 2011.

Lori Ann Lemieux Schmidt  
Notary Public

fb.us.6955942.01



FILED  
Court Administrator

JUN 22 2011

By    J    Deputy

STATE OF MINNESOTA  
RAMSEY COUNTY

DISTRICT COURT  
SECOND JUDICIAL DISTRICT

In Re Temporary Funding of Core  
Functions of the Executive Branch of the  
State of Minnesota.

Case Type: Civil

File No. 62-cv-11-5203  
The Honorable Kathleen R. Gearin

**AFFIDAVIT OF TERRI FOSS  
IN SUPPORT OF THE AMICI  
COALITION OF CHILDCARE  
PROVIDERS AND SUPPORTERS**

State of Minnesota     )  
                              ) ss.  
County of Hennepin    )

I, Terry Foss, being first duly sworn, depose under oath and state as follows:

1. I am a resident of Washington County, and a recipient of services from the Child Care Assistance Program.
2. I make this Affidavit in support of the Memorandum of Law submitted by the Amici Coalition of Childcare Providers and Supporters.
3. I have been using child care assistance for my one child as I am employed full-time.
4. I have been receiving services from the Child Care Assistance Program for approximately 7 years, 6 months.
5. If I do not continue to receive Child Care Assistance during a government shutdown, I will not be able to work which will significantly impact my employment.

FURTHER YOUR AFFIANT SAYETH NOT.

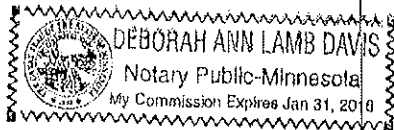
Dated: 6/21, 2011.

Leri Jon  
By: \_\_\_\_\_

Subscribed and sworn to before me  
this 21 day of June 2011.

Deborah A. Lamb Davis  
Notary Public

fb.us.6955942.01



FILED  
Court Administrator

JUN 22 2011

STATE OF MINNESOTA

RAMSEY COUNTY

By            Deputy

DISTRICT COURT

SECOND JUDICIAL DISTRICT

In Re Temporary Funding of Core  
Functions of the Executive Branch of the  
State of Minnesota.

Case Type: Civil

File No. 62-cv-11-5203  
The Honorable Kathleen R. Gearin

**AFFIDAVIT OF CHILD CARE  
WORKS IN SUPPORT OF THE *AMICI*  
COALITION OF CHILDCARE  
PROVIDERS AND SUPPORTERS**

State of Minnesota    )  
                                  ) ss.  
County of Hennepin    )

1, Mary Nienow, being first duly sworn, depose under oath and state as follows:

1. I am the Executive Director of Child Care WORKS, a Minnesota 501(c)(3) charitable organization whose mission is to achieve and sustain affordable, high-quality child care options for families and communities. Child Care WORKS is a statewide child care advocacy organization working with child care providers and parents who make child care choices.

2. I make this Affidavit in support of the Memorandum of Law submitted by the *Amici* Coalition of Childcare Providers and Supporters.

3. Child Care WORKS was established in 1983 by a coalition of Minnesota child care providers and children's advocates to achieve and sustain affordable, high-quality child care options for families and communities. We consistently prioritize our resources on creating and sustaining policies that support children in low-income families, as these families face the

steepest challenges in finding and affording quality child care services. Children in low-income families are more likely to face challenges to their healthy development that access to quality child care programs can ameliorate.

4. In preparation for providing this affidavit, Child Care WORKS sent an e-mail update to our network of child care providers, parents, and children's advocates on Tuesday, June 21, 2011 at 5:00 a.m., seeking feedback on how any suspension of Child Care Assistance Program (CCAP) reimbursements during a government shutdown would affect children, families, and child care programs in their communities. By the end of the day, we had received over 140 responses from child care providers and parents. The impacts they anticipate are summarized below:

5. **Access to child care services across the state will be significantly reduced for all families.**

- a. Many family child care programs indicated that, not only would they not be able to continue serving the CCAP families enrolled in their program if CCAP payments are discontinued, but also that the loss of this revenue would put their child care business out of business, affecting all the families they serve.
- b. In some cases, this is because the majority of the children they serve are enrolled in CCAP; but the small scale of the business and thin profit margin in family child care, combined with the sudden loss of CCAP reimbursements, mean that even family child care programs serving more diverse income levels may close (several stories were from family child care programs with enrollments of one-third to one-half of their total

enrollment being CCAP families). Because of the extremely small scale of family child care businesses, several responses highlighted how the loss of CCAP reimbursements for a single family or child will impact the overall business viability.

- c. Child care centers which sent responses indicated that their businesses would be affected by suspension of CCAP reimbursements. Centers serving a high proportion of CCAP families indicated they may close. Centers serving more diverse economic levels indicated they are likely to reduce staff hours and/or lay off staff in response to CCAP suspension. Very few centers anticipated that CCAP families would be able to pay the full cost of child care services during a government shutdown and are planning staff reductions as a first response.
- d. We anticipate loss of CCAP reimbursements will reduce access to center-based child care services for families at all income levels, since closing a classroom in a center reduces open slots overall. Because child care is a human-capital intensive business, building back up from reduced staffing can take a significant amount of time, so impacts could be felt well after the shutdown period.
- e. A secondary impact providers identified is that suspension of CCAP reimbursements will make providers less likely to continue or enroll as CCAP participating child care providers. CCAP families have access to only approximately 1/3 of the private child care market in Minnesota. The

federal government recommends that families on CCAP be able to access 75 percent of the market. Minnesota has already been cited by the federal government for its low child care access for families.

6. **The health and safety of young children will be compromised.**

- a. Stable, long-term, consistent relationships with caring, responsive adults are the foundation of children's development into successful adults, so disruptions in a child's relationships with his child care providers/teachers and the other children in his child care program are stressful. Although children are resilient and can handle short disruptions, children in low-income families may already be experiencing disruptions or multiple transitions—for example, in housing, access to food/meals, and parents' work schedules—and their child care program may be the most consistent environment they experience day to day.
- b. Suspension of the CCAP program is likely to result in children experiencing abrupt and possibly multiple changes in their care providers and environments, as parents struggle to cobble together care arrangements so they can continue working.
- c. Almost all providers indicated they would not be able to continue serving CCAP children if they will not be reimbursed for their services and voiced concerns that (i) children will be "bounced around" at best, and at worst, in unsafe situations, such as very young children being cared for by elder siblings; and (ii) parents will have to quit working to care for their

children and thus reduce their ability to provide stable housing and food for their children.

- d. These impacts will be felt not only within the families served by a particular program, but by the child care providers' family or staff's families as well. Many family child care providers noted that the reduction or elimination of their income due to CCAP reimbursement suspensions and/or closing their child care business will mean they will have difficulty providing for their own families' basic needs, or more seriously, that they may not be able to pay their mortgages. Several pointed out that they do not qualify for unemployment benefits if their business closes. In child care centers, reducing staff hours or laying off staff due to reduced revenues is the most common response reported, which will impact staff members' families as well.
- e. Some providers noted that, because schools have closed for the summer, school-age children are also impacted by CCAP suspension; many, particularly younger elementary-school-aged children, are in child care programs during the summer months.

7. In closing, Child Care WORKS respectfully submits that child care assistance is an essential service for the State of Minnesota and must be maintained in the event of a government shutdown for the reasons listed above and within in the *amici* brief.

8. Attached as Exhibit A is a true and correct excerpted copy of Marcie Jeffreys, et al., Minn. Child Care Policy Research Partnership, Working in Minnesota: Parents Employment



and Earnings in the Child Care Assistance Program (July 2004), *available at*

<https://edocs.dhs.state.mn.us/fserver/Legacy/DHS-4046-ENG>.

9. Attached as Exhibit B is a true and correct excerpted copy of Wilder Research, Facts About Child Care Use in Minnesota: Highlights from the 2009 Statewide Household Child Care Survey (Nov. 2010), *available at* <http://www.wilder.org/download.0.html?report=2352>.

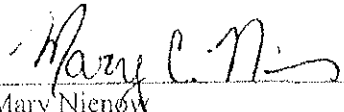
10. Attached as Exhibit C is a true and correct copy of the Minnesota Department of Human Services Transition to Economic Stability Child Care Assistance Program Family Profile (April, 2011), *available at*

[http://www.dhs.state.mn.us/main/groups/economic\\_support/documents/pub/dhs\\_id\\_057781.pdf](http://www.dhs.state.mn.us/main/groups/economic_support/documents/pub/dhs_id_057781.pdf).

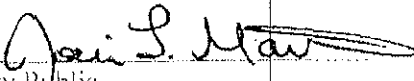
FURTHER YOUR AFFIANT SAYETH NOT.

Dated: June 22, 2011.

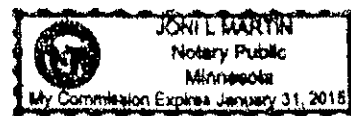
CHILD CARE WORKS

  
Mary Nienow  
Executive Director

Subscribed and sworn to before me  
this 22<sup>nd</sup> day of June, 2011.

  
Notary Public

It us 6958784.01





## Working in Minnesota:

Parents' Employment and Earnings  
in the Child Care Assistance Program

July 2004

Marcie Jefferys, Ph.D.

Elizabeth E. Davis, Ph.D.

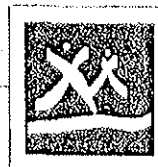
University of Minnesota

EXHIBIT A

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# Executive Summary

## Project Background

The cost of child care can be a major barrier to employment for low-income workers with children. To support parents who otherwise might not be able to work, the Child Care Assistance Program (CCAP) provides financial subsidies for low-income working parents and for those in transition from welfare to employment.

The primary objective of this study is to increase our understanding of the impact of child care subsidies on the labor force involvement of low-income families. This study examined the industry employment patterns of CCAP working parents in four Minnesota counties -- Anoka, Becker, Brown and Hennepin. Analyzing the types of employment common to these families helps policymakers understand the conditions and constraints faced by working poor families and families moving off welfare. This study also provides information about the impact of child care assistance on local economies by showing which sectors employ disproportionately more CCAP working parents. The employment patterns of CCAP working parents were compared to the rest of the workforce, job growth projections and job vacancy data.

The Minnesota Department of Human Services (DHS) oversees the Child Care Assistance Program (CCAP) in Minnesota, which is administered at the county level.<sup>1</sup> The data used in this study were collected from the administrative records of the four counties in the study (Anoka, Becker, Brown and Hennepin) and from the Minnesota Department of Employment and Economic Development (DEED). The study analyzed data on earnings and type of employer (by industry sector)<sup>2</sup> for all parents receiving child care assistance in the four counties during the time period January through March 2001.



## Major Findings

- CCAP jobs are concentrated in the health care and social assistance sector, retail trade, accommodation and food services, and the administrative and support services industries. Sixty-two percent of CCAP jobs are in these four industries compared to 33 percent of the jobs held by the rest of the workforce.

Frequent CCAP employers are doctors' office, hospitals and nursing homes, temporary help agencies, convenience stores, restaurants and hotels. The health care industry is the most common CCAP employer.

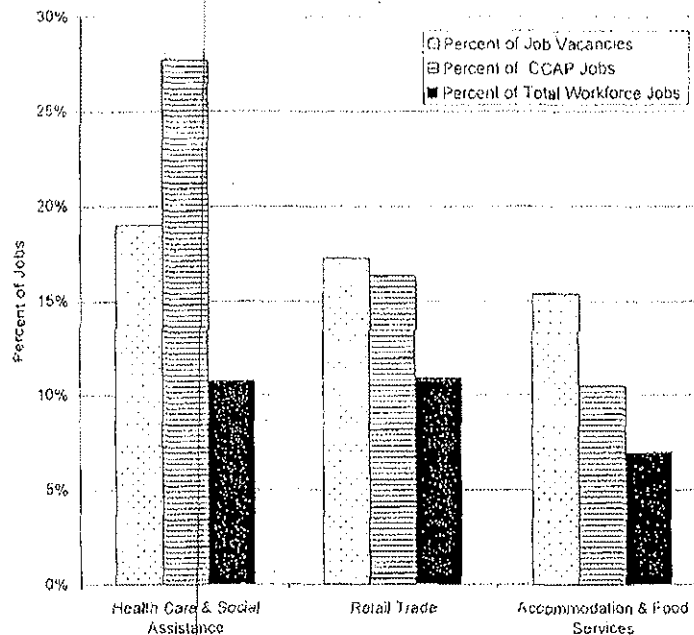
Top Four CCAP Employing Industries in Anoka, Becker, Brown, and Hennepin Counties

NAICS Category	Total Workforce Jobs	Percent of Total Workforce Jobs	Total CCAP Jobs	Percent of Total CCAP Jobs
Health Care & Social Assistance	101,140*	10.1%*	1,888	23.1%
Administrative & Support Services	62,191	6.2%	1,341	16.4%
Retail Trade	103,002	10.3%	1,122	13.7%
Accommodation & Food Services	65,531	6.6%	719	8.8%

\* Because of non-disclosure rules, these workforce numbers exclude Becker County.

- The industries in which CCAP working parents are concentrated have high job vacancy rates and pay relatively low wages. These industries account for the most job openings on a statewide and regional basis.

Statewide Job Vacancies Compared to CCAP Jobs and Total Workforce Employment





CCAP parents are most likely to be filling jobs in those industries that are experiencing chronic labor shortages. More than half of the state's vacant positions during the study period were in health care and social assistance, retail trade, and accommodation and food services. Fifty-five percent of CCAP jobs were in these same industries, while only 29 percent of the total workforce is found in jobs in these sectors. Even during an economic downturn, these industries may experience labor shortages. (Note: state job vacancy data do not include temporary help agencies so the administrative and support industry is not included in the figure below.)

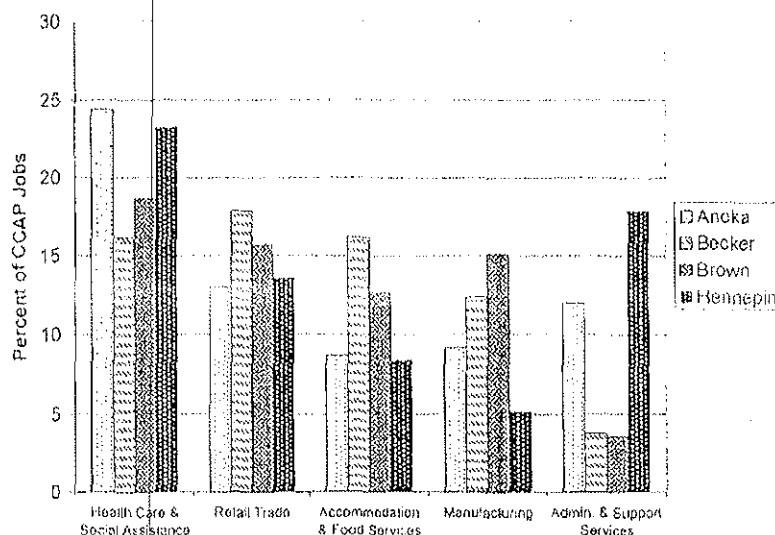
- These industries are also projected by the Minnesota Department of Employment and Economic Development to need the most new workers over the course of the next decade.

Among the industries projected to add the most jobs are eating and drinking establishments (in the accommodation and food services industry), personnel supply services (in the administrative and support industry) and medical doctors' offices and clinics (in the health care and social assistance industry).

- CCAP job patterns are related to local economic needs.

For instance, among the four counties, CCAP jobs are found at the highest rate in the accommodation and food services industry (e.g., restaurants and hotels) in Becker County, which has a major tourist industry. In Hennepin County, a major financial and business center for the region, CCAP jobs are found at a higher rate in the administrative and support sector, especially temporary help agencies. In the two rural counties, manufacturing plays an important role in providing employment to CCAP parents, while administrative and support services do not. The health care and social assistance sector also employs larger percentages of CCAP working parents in the two urban counties compared to the two rural ones.

Concentration of Employment of CCAP Parents (Percent of CCAP Jobs by Sector in Each County)



- The industries in which CCAP jobs are concentrated are those that pay among the lowest wages to the rest of the workforce. However, when CCAP parents work in industries that pay higher wages compared to the rest of the workforce, they also tend to earn higher wages.

For instance, the average weekly earnings for a CCAP job in Hennepin County in the finance and insurance industry, an industry that generally pays high wages to the rest of the workforce, are \$394. The average weekly earnings for a CCAP job in the administrative and support industry, a low wage industry, are \$166.





Compared to the rest of the workforce, CCAP jobs are especially over-represented in the health care and administrative and support industries. They are particularly under-represented in manufacturing, professional, scientific, technical, construction and management industries.

- Most of the CCAP jobs do not equate to a full-time job (i.e. a 40-hour week for a full calendar quarter) or an income above the poverty level for a family of four.

This is especially true for jobs in the accommodation and food services and administrative and support industries.

- A dollar invested in child care assistance is associated with higher earnings in some industries than in others.

CCAP jobs in wholesale trade, construction and manufacturing have a higher payback in terms of parents' earnings than do jobs in the administrative and support and accommodation and food services industries. For instance, the estimated average "payback" (in earnings) on a dollar spent for the child care of a parent working in the manufacturing industry in Becker County is \$6.00, compared to \$2.10 for jobs in the administrative and support industry. CCAP jobs in Hennepin County have a lower average payback than in the other counties, primarily due to the higher cost of child care in the metro area.

- The industry employment patterns of Minnesota child care assistance recipients are similar to those in other states that have conducted similar studies.

Together, retail trade and services accounted for more than half the subsidized child care jobs in all of the states studied.

## Conclusions and Policy Implications

Although the study methodology does not permit conclusions about causal relationships or broader economic impacts, the similarities between CCAP industry employment patterns and job vacancy data have important implications for employers and policymakers. In tight labor markets, expanding child care assistance may be one way to help those industries that are constrained by labor shortages. CCAP working parents are much more concentrated in a few industries than is the total workforce, and are working in jobs that meet the needs of the local economy. CCAP working parents also are concentrated in some of the industries projected to add the most jobs in the near future, including eating and drinking establishments (in the accommodation and food services industry), personnel supply services (in the administrative and support industry) and medical doctors' offices and clinics (in the health care and social assistance industry). These results suggest an overlooked role for CCAP in the overall health and growth of the Minnesota economy.

At the same time, the concentration of employment of CCAP working parents in a few industries raises concerns for these families and for policymakers. CCAP working parents are over-represented in industries that pay lower average wages to the total workforce and, as a result, their long-term economic self-sufficiency may be in doubt. Increases in earnings for CCAP working parents may be limited in sectors like retail and services, which frequently offer limited opportunities for advancement, especially for those without a college degree. Another important finding is the wide range in earnings by industry. The results suggest that the payback to a dollar invested in child care can be increased if parents are employed in industries that pay higher wages to the rest of the workforce. Combined with other studies that find differences in upward mobility across industries, these results may help policymakers and program administrators target job search and training activities. Monitoring the types of jobs obtained by CCAP working parents and the potential for retention and advancement in these industries should be considered as important measures of successful program outcomes rather than simply counting any job placement.

The health care industry stands out as an industry that is especially important, employing CCAP parents at more than twice the rate of the rest of the workforce, and accounting for the greatest number of current job



vacancies in the state. It also pays higher average wages to CCAP working parents, compared to the other three major CCAP-employing industries. Research examining career ladders within industries indicates that health care is the only one of the four major CCAP-employing industries that offers much potential for upward mobility (usually with additional training) for its employees.

The results of this study suggest that child care assistance supports working families, businesses and the local economies in which they live and work. Child care assistance provides much needed support for low-income working families and for families making the transition from welfare to work. CCAP also plays an important role in contributing to a stable workforce and supporting the state and local economy.



## Facts about child care use in Minnesota

### Highlights from the 2009 Statewide Household Child Care Survey



*The statewide survey about child care will help inform, develop and assess Minnesota's child care policies and programs, with particular attention to child care use among households with low incomes. Similar surveys were completed in 1999 and 2004. The newest report is available for download at [www.wilderresearch.org](http://www.wilderresearch.org) or at the Minnesota Department of Human Services at [www.dhs.state.mn.us](http://www.dhs.state.mn.us).*

Summary findings from the survey are organized along these seven themes:

#### Key trends

#### Child care hours and types of care

#### Child care choices, quality and cost

#### Child care for families with low incomes

#### Family, friend and neighbor (FFN) child care

#### Child care for children with special needs

#### Children and working parents

A telephone survey was conducted by Wilder Research for the Minnesota Department of Human Services between April 2009 and March 2010 with a statistically valid random sample of 1,209 Minnesota households with children ages 12 and younger that use child care. Minnesota has an estimated 908,000 children ages 12 and younger, according to the U.S. Census intercensal estimate of 2009. Of the nearly 500,000 households with one or more of these children, about 375,000 households use some type of child care arrangement and about 140,000 have annual incomes at or below 200 percent of the federal poverty level (about \$44,000 for a family of four).

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Minnesota Department of Human Services

## Key trends

### Highlights from the 2009 Statewide Household Child Care Survey



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This fact sheet compares results from household child care surveys conducted by Wilder Research for the Minnesota Department of Human Services in 1999, 2004, and 2009.

**About three-quarters of households with children ages 12 and younger use child care; similar to 2004.**

24 percent reported no regular use of any child care (non-parental, non-school care).

In 2004, 26 percent reported no regular child care use.

In 1999, 18 percent reported no regular child care use (but that survey included parents of children up to age 14).

**Fewer households are using family, friend and neighbor (FFN) care during early mornings and weekends, but FFN is still the most common type of arrangement.**

Of households that use child care, 70 percent use some form of FFN care on a regular basis; 20 percent use FFN care exclusively, statistically similar to 24 percent in 2004.

During the school year, FFN care is the most common type of child care during all non-standard times. FFN providers care for 50 percent of children during the early morning hours before 7 a.m., fewer than in 2004 when 65 percent were in FFN care at those times. On weekends during the school year, 70 percent (down from 77 percent in 2004) of children are cared for by FFN caregivers.

Overall, 43 percent use FFN care as their primary arrangement: in their own home (29 percent) or in

someone else's home (14 percent), similar to 2004.

Households with low incomes without a child care subsidy are more likely than those with a subsidy to use FFN care as their primary arrangement (60 percent versus 31 percent, compared with 37 percent for households with higher incomes).

**Some parents still lack child care choices.**

29 percent of all parents and 35 percent of parents with low incomes report taking whatever child care they could get, similar to the percentages in 2004.

30 percent of parents receiving Child Care Assistance Program (CCAP) support and 29 percent of parents not receiving CCAP say they take whatever child care they can get; in 2004 39 using CCAP and 29 percent not using CCAP reported said they had little choice.

**Parents consider quality important and want information on it.**

Location, cost, quality and trust are the most common reasons cited by parents for choosing a primary care arrangement.

From a list of important considerations in choosing child care, "a caregiver rated high quality" is a top "very important" reason.

88 percent (similar to 2004) say they would find it helpful if their community had a child care quality rating system that would give them information they could use for selecting the highest quality care.

(continued)

## Key trends continued

### **Child care problems interfere with employment for some parents.**

12 percent say child care problems have interfered with getting or keeping a job in the past year, down from 20 percent in 2004.

Child care problems more commonly affect employment for parents of color (25 percent), parents who have a child with a special need (21 percent) and parents with low incomes (20 percent) than other parents by about 2 to 1. This was also the case in 2004.

### **Fewer families are using center-based care for their preschoolers than in 2004.**

52 percent of children ages 3 to 5 who use child care use center-based care as their primary arrangement and most common arrangement during the school year, which is down from 60 percent in 2004, but still up from 41 percent in 1999.

### **Fewer children ages 10 to 12 are taking care of themselves during the summer, but self care has not decreased during the school year.**

During the school year, 44 percent of children ages 10 to 12 are in self care, compared with 41 percent in 2004 and 26 percent in 1999.

During the summer, 36 percent of children ages 10 to 12 take care of themselves, down from 42 percent in 2004 but still higher than in 1999 (20 percent).

On average, children ages 10 to 12 are in self care 4-5 hours per week, compared with 10 hours in 2004.

### **Child care is still unaffordable for low-income households.**

In households with the lowest annual incomes (below \$20,000), 29 percent of their income goes for child care expenses, similar to 2004.

In households with low incomes (200 percent of poverty and below), 20 percent of their income goes for child care expenses.

For higher-income families (above 200 percent of poverty or above about \$44,000 for a family of four), 9 percent of their income goes for child care expenses.

For all families, 12 percent of income goes for child care expenses, similar to 10 percent reported in 2004.

### **Among low-income households, awareness of CCAP has increased, but many are not receiving it.**

In both 2009 and 2004, 72 percent are aware of state subsidies to help pay for child care, up from 57 percent in 1999.

14 percent reported receiving CCAP, statistically similar to the 19 percent reported in 2004.

### **Child care assistance helps families with low incomes gain access to center-based care.**

In 2009, 46 percent of households with low incomes receiving CCAP use center-based care as their primary arrangement. That compares with 22 percent of households with low incomes without CCAP and 33 percent for higher income households. These percentages are similar to those reported in 2004.



Minnesota Department of Human Services

## Child care for families with low incomes

### Highlights from the 2009 Statewide Household Child Care Survey



**About one in three families with children using child care are families with low incomes.**

Low income is defined as at or below 200 percent of the federal poverty guideline for a household of their size or about \$44,000 for a family of four.

About 31 percent of families in this survey are considered low-income, up from 22 percent in 2004.

About 10 percent of families in this survey have annual incomes below \$20,000.



**Families with low incomes have fewer child care choices than families with higher incomes.**

35 percent of families with low incomes report they had to "take whatever child care arrangement they could get," compared with 26 percent of parents with higher incomes.

30 percent of families with low incomes use family, friend and neighbor (FFN) care exclusively. (The overall rate is 20 percent.)



**Families with low incomes have more child care challenges and problems than families with higher incomes.**

26 percent of parents with low incomes have a child with special needs requiring extra effort, compared with 17 percent for families with higher incomes, an increase from 2004.

20 percent of parents with low incomes report that child care problems have prevented them from accepting or keeping the kind of job they wanted in the past 12 months, compared with 9 percent of other parents.

61 percent of parents with low incomes say a quality rating system would be very helpful, higher than for parents with higher incomes (45 percent).

Households with low incomes are more likely to report transportation prevents them from using the type of care they prefer (23 percent versus 12 percent of higher income families).

**Child care is unaffordable for families with low incomes.**

60 percent of families with low-incomes have out-of-pocket child care expenses, compared with 73 percent of higher income families.

20 percent of low-income families' income is spent on child care, compared with 9 percent for families with higher incomes.

14 percent of families with low incomes receive child care assistance, compared with a statistically similar 19 percent in 2004.

**Most households with low incomes do not receive child care assistance.**

14 percent of households with low incomes report currently receiving a child care subsidy, compared with a statistically similar 19 percent 5 years ago.

**Most households with low incomes are aware of child care assistance.**

72 percent of households with low incomes are aware of state subsidies to help pay for child care, similar to five years ago and up from 57 ten years ago.

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(continued)

## Child care for families with low incomes continued

Child care assistance helps families with low incomes gain access to center-based care.

46 percent of households with low incomes receiving a child care subsidy use center-based care as their primary arrangement.

22 percent of households with low incomes without a subsidy and 33 percent of households with incomes above 200 percent of poverty (about \$44,100 for family of four) use center-based care.

Among families with low incomes surveyed, 31 percent of those participating in CCAP use FPN care as their primary child care arrangement, compared with 60 percent for those without a child care subsidy and 37 percent for families with higher incomes.

Child care assistance helps families with low incomes gain access to quality child care.

Families with low incomes and child care subsidies, compared to families with low incomes but lacking child care subsidies:

Are more likely to rate the quality of their child care arrangements higher with respect to how often their child care providers use a curriculum, track their children's learning, prepare their children for school and have enough education or training to work with young children.

More often report selecting a caregiver with special training in caring for young children was an important consideration in choosing child care (92 percent).



## Children and working parents

Highlights from the 2009 Statewide Household Child Care Survey



### Some families lose work time or income because of child care problems.

More than one in three (35 percent) families say they lost work time or income in the past six months because of a problem with a child care arrangement (not including when a child is sick).

Parents using licensed family child care and center-based care most commonly lose work time due to scheduled closings (29 percent).

Parents using informal arrangements (FFN) most commonly lose work time due to illness of the caregiver or unspecified reasons the caregiver is not available (32 percent).

11 percent of parents report it is "always" or "usually" difficult to deal with a child care problem that arises during work hours.

### Child care problems reduce participation in the workforce for some parents.

12 percent of parents say that child care problems in the past year kept them from taking or keeping a job, down from 20 percent in 2004.

Child care problems that interfere with employment more commonly affect parents of color (25 percent), parents who have a child with a special need (21 percent), and parents with low incomes (20 percent) than other parents by about 2 to 1. This was also the case in 2004.

### Family schedules commonly require child care before and after standard work hours (7 a.m. to 6 p.m.) and on weekends.

During the school year, 43 percent of children are regularly in non-parental care during weekday evenings (6 p.m. to 10 p.m.), and on weekends 33 percent are regularly in nonparental care.

24 percent of working parents have work schedules that vary from week to week.

Family, friend and neighbor (FFN) care is the most common type of nonstandard hour care.

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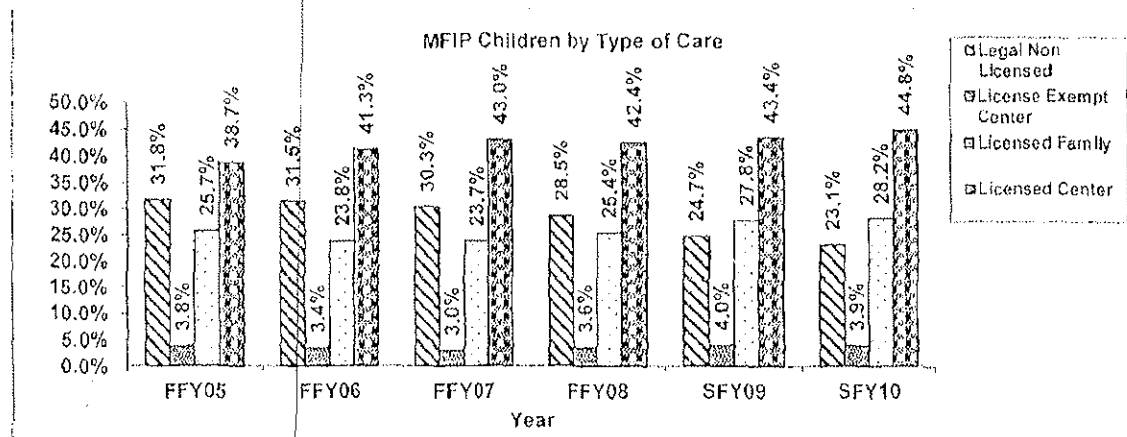
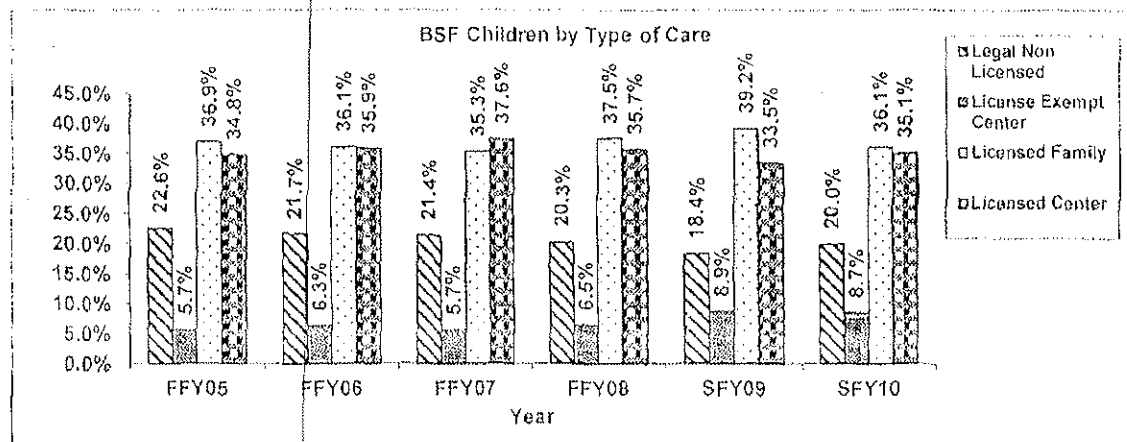
DEPARTMENT OF HUMAN SERVICES  
TRANSITION TO ECONOMIC STABILITY  
CHILD CARE ASSISTANCE PROGRAM FAMILY PROFILE  
SFY2010

**TYPES OF CARE TO CHILDREN IN THE CHILD CARE ASSISTANCE PROGRAM**  
(Based on last provider paid during the state fiscal year)

TYPE OF CARE	NUMBER OF CHILDREN	% OF CHILDREN
Legal Non Licensed	12,345	21.6%
License Exempt Center (Primarily school age care in school districts.)	3,586	6.3%
Licensed Family (Family & Group Family Child Care)	18,306	32.1%
Licensed Center	22,869	40.0%

Source: MEC<sup>2</sup> Data for SFY10. Prior to SFY09 this data was reported on a Federal Fiscal Year basis.

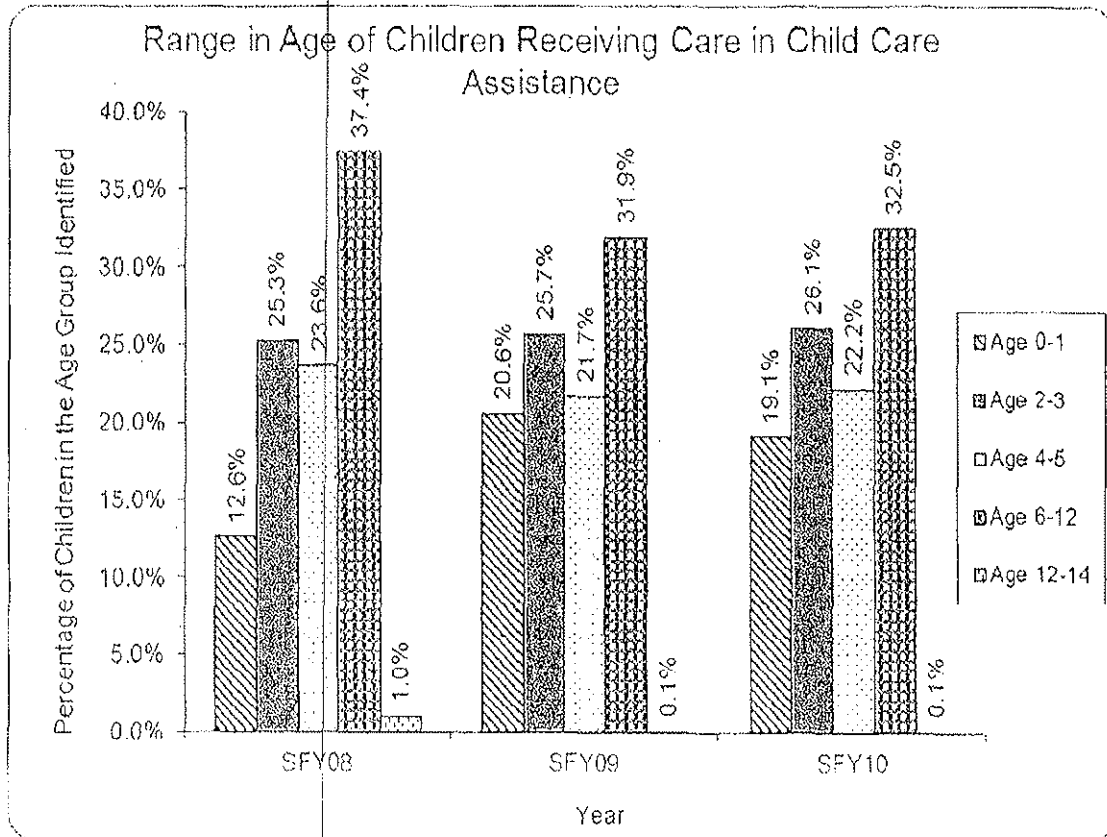
Note: Type of Care titles changed from previous year reports to reflect the titles used in the MEC<sup>2</sup> system.



### RANGE IN AGE OF CHILDREN RECEIVING CARE IN CHILD CARE ASSISTANCE

	Age 0-1	Age 2-3	Age 4-5	Age 6-12	Age 13-14
Percentage of Children	19.1%	26.1%	22.2%	32.5%	0.1%

Source: MEC<sup>2</sup> data for SFY10. Total number of children served during SFY10; based on payments made on behalf of families.



### Child Care Assistance Program Acronyms

BSF – Basic Sliding Fee Child Care Program  
 MFIP – Minnesota Family Investment Program  
 TY – Transition Year Program  
 DWP – Diversionary Work Program  
 MEC<sup>2</sup> – Minnesota Electronic Child Care Information System

# **BASIC SLIDING FEE FAMILY PROFILE SFY10**

Information gathered by the Department provides profile information on Basic Sliding Fee (BSF) Child Care families. During state fiscal year 2010, there was an average of 9,483 families and 16,752 children per month receiving assistance through the BSF program. This is an average of 1.77 children per family. In the month of December 2010, the BSF program served 10,049 families and 17,743 children.

**AVERAGE ANNUAL DIRECT SERVICE COST PER FAMILY - BSF (SFY10) = \$9,314**

## **FAMILIES RECEIVING BSF BY ACTIVITY**

Activity Type	Number of Cases	% of Cases
Students	873	5.7%
Employed Families	12,568	82.2%
Employment & Training	1,855	12.1%

Source: MEC<sup>2</sup> data for SFY10. Total number of BSF families served during SFY10; based on payments made on behalf of families.

## **ESTIMATED PERCENTAGE OF FAMILIES IN BSF BY INCOME IN RELATION TO POVERTY LEVEL AND STATE MEDIAN INCOME (SMI)**

Year	< Poverty Level	=> Poverty Level and <39% SMI	=> 39% SMI and <52% SMI	=> 52% SMI and <= 67% SMI
SFY09	28%	35%	27%	10%
SFY10	32%	34%	26%	8%

Source: MEC<sup>2</sup> system data for SFY09 and SFY10. Based on payments made on behalf of families.

STATE OF MINNESOTA  
RAMSEY COUNTY

FILED  
Court Administrator

JUN 22 2011

By   *sf*   Deputy

DISTRICT COURT  
SECOND JUDICIAL DISTRICT

**In Re Temporary Funding of Core  
Functions of the Executive Branch of the  
State of Minnesota.**

Case Type: Civil

File No. 62-cv-11-5203  
The Honorable Kathleen R. Gearin

**AFFIDAVIT OF SHELLIE ROWE  
IN SUPPORT OF THE *AMICI*  
COALITION OF CHILDCARE  
PROVIDERS AND SUPPORTERS**

State of Minnesota    )  
                              ) ss.  
County of Ramsey    )

I, Shellie Rowe, being first duly sworn, depose under oath and state as follows:

1. I am a resident of Ramsey County, and a recipient of services from the Basic Sliding Fee/Child Care Assistance Program.
2. I make this Affidavit in support of the Memorandum of Law submitted by the *Amici* Coalition of Childcare Providers and Supporters.
3. My name is Shellie Rowe. I live in Maplewood, Minnesota with my significant other and our 8 children. 4 out of the 8 children utilize childcare on a regular basis, with the assistance of basic sliding fee.
4. I have been receiving services from the Child Care Assistance Program for 10 years.
5. If I do not continue to receive Child Care Assistance during a government shutdown, we will become homeless. Our family depends on both our incomes to just make it

day to day. We live pay check to pay check and if Child Care Assistance were to end, one of us would have to quit, staying home with the children. Without both our incomes we could not make our housing payment, buy foods and other essentials. Our current provider has stated that they are unsure our children could stay in childcare during the shutdown due to no guarantee of full payment. Our lives could change as soon as two weeks if Basic Sliding Fee were to go away or be suspended. Basic Sliding Fee has provided our family with the ability to prevent homelessness for our family, allowing us both to work to provide for our family to the best of our ability. Basic Sliding Fee also allows us to feel safe in the providers we have chosen because we have been given the choice as well.

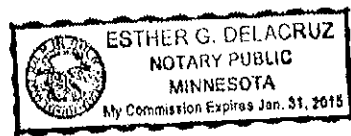
FURTHER YOUR AFFLIANT SAYETH NOT.

Dated: June 21, 2011.

Shelli Kove  
By: \_\_\_\_\_

Subscribed and sworn to before me  
this 21 day of June, 2011.

Esther G. DeLaCruz  
Notary Public



fb.us.6955942.01

FILED  
Court Administrator

STATE OF MINNESOTA

JUN 22 2011

DISTRICT COURT

RAMSEY COUNTY

By [Signature] Deputy

SECOND JUDICIAL DISTRICT

In Re Temporary Funding of Core  
Functions of the Executive Branch of the  
State of Minnesota.

Case Type: Civil

File No. 62-cv-11-5203  
The Honorable Kathleen R. Gearin

**AFFIDAVIT OF DENISECIA  
HOSEA IN SUPPORT OF THE  
AMICI COALITION OF CHILD  
CARE PROVIDERS AND  
SUPPORTERS**

State of Minnesota    )  
                              ) ss.  
County of Ramsey     )

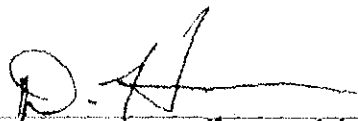
I, DeniseCia Hosea, being first duly sworn, depose under oath and state as follows:

1. I am a resident of Hennepin County, and a recipient of services from the Child Care Assistance Program.
2. I make this Affidavit in support of the Memorandum of Law submitted by the Amici Coalition of Childcare Providers and Supporters.
3. I am the single mother of 2 boys, ages 2 and 4. I currently receive MFIP and use Child Care Assistance to help cover the cost of my child care at Children's First Early Learning Center in North Minneapolis. I work full-time and must work to meet the rules of MFIP and continue my benefits under that program.
4. I have been receiving services from the Child Care Assistance Program since October of 2010.
5. If I do not continue to receive Child Care Assistance during a government

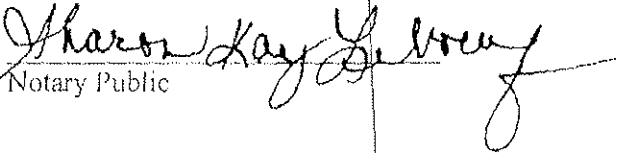
shutdown, I will not have a safe place for my children while I work, I may need to leave my job, and thus may lose my MFIP eligibility. I have worked very hard to get this job and work towards becoming self sufficient. If I have to leave my job, I won't be able to support my family and will have to start all over to find another job

6. FURTHER YOUR AFFIANT SAYETH NOT.

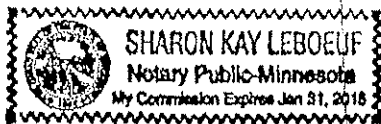
Dated: June 21, 2011.

  
By: Denise Lia Hosea

Subscribed and sworn to before me  
this 21st day of June 2011.

  
Notary Public

fb.us.6955942.01





FILED  
Court Administrator

JUN 22 2011

STATE OF MINNESOTA

RAMSEY COUNTY

By            Deputy

DISTRICT COURT

SECOND JUDICIAL DISTRICT

In Re Temporary Funding of Core  
Functions of the Executive Branch of the  
State of Minnesota.

Case Type: Civil

File No. 62-cv-11-5203  
The Honorable Bruce W. Christopherson

**AFFIDAVIT OF MINNESOTA CHILD  
CARE ASSOCIATION IN SUPPORT  
OF MEMORANDUM OF LAW BY  
THE *AMICI* COALITION OF CHILD  
CARE PROVIDERS AND  
SUPPORTERS**

State of Minnesota     )  
                                  ) ss.  
County of Hennepin    )

I, Chad Dunkley, being first duly sworn, depose under oath and state as follows:

1. I am the President of the Minnesota Child Care Association ("MCCA"), whose mission is to ensure that all families have access to high quality early learning opportunities, and that vital-role child care providers have future prosperity in the State of Minnesota.

2. I make this Affidavit on behalf of the MCCA in support of the Memorandum of Law submitted by the *Amici* Coalition of Child Care Providers and Supporters.

3. The MCCA is a state-wide association of over 200 privately owned and operated licensed child care centers in Minnesota. MCCA centers serve over 27,000 children every day, and approximately 20 percent of those children currently receive assistance through the Minnesota Child Care Assistance Program ("CCAP").

4. Child care is a critical service for many at-risk families. It provides family stabilization, and allows parents to work and young children to thrive.

5. As a group of small business owners, MCCA members have grave concerns regarding the potential exclusion of the child care assistance programs from the defined areas of essential services during a government shutdown in Minnesota.

6. The child care industry operates on very small margins and cannot absorb a significant loss of revenue.

7. Providers who rely on child care assistance as a primary source of income will be forced to

- a. Stop serving low-income families—and their young children—who receive child care assistance to pay for services;
- b. Lay off employees due to the loss of revenue and enrollment, which is the largest controllable cost in a child care center; and/or
- c. Close programs, most likely on a permanent basis, as the revenue loss cannot be absorbed during a shutdown period.

8. Currently, families supported by MCCA members are reporting that they will not bring their children to child care centers without a guarantee that payment will be made from the state. If they are to lose child care assistance, these families have stated that they will be forced to make choices not in their best interest.

9. MCCA is also deeply concerned that the most vulnerable child care centers are also the same centers that serve Minnesota's most vulnerable families. The loss of access to these centers will put the State in jeopardy of meeting the federal requirements of equal access

for all families.

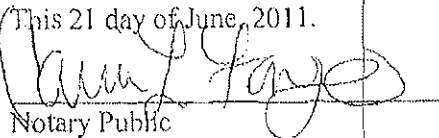
10. The omission of child care assistance from the identified list of essential services during the government shutdown will result in the loss of jobs (impacting both employees of child care centers and parents who are unable to continue working without affordable child care arrangements); the loss of small businesses in the State; and the missed opportunities for vulnerable children during a critical time of development.

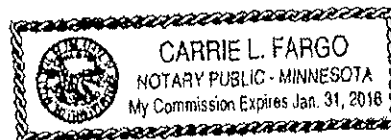
FURTHER YOUR AFFIANT SAYETH NOT.

Dated: June 21, 2011.

  
By: Chad Dunkley

Subscribed and sworn to before me  
This 21 day of June, 2011.

  
Notary Public



fb.us.6955942.01

FILED  
Court Administrator

JUN 22 2011

By   j   Deputy

STATE OF MINNESOTA

RAMSEY COUNTY

DISTRICT COURT

SECOND JUDICIAL DISTRICT

In Re Temporary Funding of Core  
Functions of the Executive Branch of the  
State of Minnesota.

Case Type: Civil

File No. 62-cv-11-5203  
The Honorable Kathleen R. Gearin

**AFFIDAVIT OF SCHOOL READINESS  
FUNDERS COALITION IN SUPPORT  
OF MEMORANDUM OF LAW BY  
THE AMICI COALITION OF CHILD  
CARE PROVIDERS AND  
SUPPORTERS**

State of Minnesota     )  
                                  ) ss.  
County of Hennepin    )

I, Denise Mayotte, being first duly sworn, depose under oath and state as follows:

1. I am the Executive Director of the Sheltering Arms Foundation, which is a member of the School Readiness Funders Coalition (hereinafter "Funders Coalition"), and am competent to testify to the matters in this Affidavit.

2. I make this Affidavit on behalf of the Funders Coalition, a group comprised of prominent philanthropic organizations serving Minnesota---including Sheltering Arms Foundation, The Minneapolis Foundation, Greater Twin Cities United Way, United Ways of Greater Minnesota, Minnesota Community Foundation, The St. Paul Foundation, Social Venture Partners, Women's Foundation of Minnesota, West Central Initiative Foundation, The Grotto

Foundation, Blandin Foundation, McKnight Foundation, and The Jay and Rose Phillips Family Foundation of Minnesota—in support of the Memorandum of Law submitted by the *Amici* Coalition of Child Care Providers and Supporters.

3. The Funders Coalition has, for approximately three years, participated in policy work to ensure that the state achieve the statutory goal that every Minnesota child is ready for kindergarten by 2020,<sup>1</sup> and that Minnesota children and families are thriving.

4. In furtherance of this mission, Funders Coalition members contribute approximately \$20 million annually to early child care and education programs.<sup>2</sup> This amount is believed to represent the bulk of private contributions to early childhood programs for Minnesota's poorest families.

5. While the amount of SRFC member contributions is significant, it pales in comparison to the forecasted \$222 million state expenditure in fiscal year 2011 to subsidize such child care programs.<sup>3</sup>

6. The Funders Coalition members individually support a number of child care programs serving the neediest children in Minnesota.

7. By way of example, Sheltering Arms Foundation provided financial support to the

<sup>1</sup> See Minn. Stat. § 124D.141, subd. 2(4)-(6) (tasking an advisory council to make recommendations to improve early childhood care and education to ensure that all children are school-ready by 2020 and to put in place measures indicating state progress toward this goal).

<sup>2</sup> Attached as Exhibit A is a true and correct excerpted copy of School Readiness Funders Coalition, Agenda to Achieve Learning Readiness by 2020 (Nov. 10, 2010), available at [http://www.readyforschoolmn.com/images/docs/Agenda\\_to\\_Achieve\\_Learning\\_Readiness\\_by\\_2020.pdf](http://www.readyforschoolmn.com/images/docs/Agenda_to_Achieve_Learning_Readiness_by_2020.pdf).

<sup>3</sup> See Minn. Dep't of Human Servs., Reports & Forecasts Div., Family Self-Sufficiency and Health Care Program Statistics (Apr. 2011), available at [http://www.dhs.state.mn.us/main/groups/agencywide/documents/pub/dhs\\_id\\_016338.pdf](http://www.dhs.state.mn.us/main/groups/agencywide/documents/pub/dhs_id_016338.pdf).

following early child care and education programs serving poor children in the past fiscal year: The Alliance of Early Childhood Professionals, Joyce Preschool, Mayflower Preschool, the Parenting Resource Center, People Serving People, St. Anne's Place, Southside Family Nurturing Center, Way to Grow, and the Amherst Wilder Foundation. Other members of the Funders Coalition support similar programs in communities across the state.

8. Studies and extensive research have shown these programs to be the very best possible investment to support a thriving Minnesota future.<sup>4</sup> The quality of life for a child and the contributions the child makes to society as an adult can be traced back to the first few years of life.<sup>5</sup> If, from birth until about age 5, a child's life includes support for growth in cognition, language, motor skills, adaptive skills, and social-emotional functioning, the child is more likely to succeed in school and become a productive member of society.<sup>6</sup> Without support during these formative years, however, a child is more likely to drop out of school, receive welfare benefits, and commit crimes.<sup>7</sup>

9. As early child care and education funders, Funders Coalition members are keenly aware of the serious hardship that will be inflicted on vulnerable Minnesota families—in particular, their youngest children—in the event of a government shut-down if subsidized child care services are not deemed essential core services. Child care providers serving children

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<sup>4</sup> Attached as Exhibit B is a true and correct excerpted copy of Art Rolnick & Rob Grunewald, *Early Childhood Development: Economic Development with a High Public Return*, Fedgazette, Mar. 2003, available at <http://www.romal.org/files/rtr/Rolnick.pdf>.

<sup>5</sup> See *id.* at 5 & n.4 (citing Martha Farrell Erickson & Karen Kurz-Riemer, *Infants, Toddlers and Families: A Framework for Support and Intervention* 19 (1999)).

<sup>6</sup> See *id.*

<sup>7</sup> See *id.*

whose families receive subsidies will be forced to close their doors, parents will not be able to work due to the lack of child care for their children, and children will not be receiving the high quality care that will allow them to become contributing citizens themselves.

10. The funding gap that would result if the state stops providing subsidies for early child care simply cannot be filled by private sources. In spite of the ongoing private support of early education and child care for vulnerable families, the Minnesota philanthropic community is not able to carry these programs through a period of shut-down. The gap between private support and government support of these services is just too great.

11. The poor children served by subsidized care are highly vulnerable, voiceless citizens of our state. Like vulnerable adults, these children depend on the safety net of early education and child care programs funded, in large part, by the State. The disruption of the safety net will leave these children and their families in untenable circumstances.

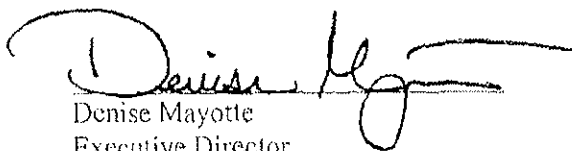
12. Therefore, the members of the Funders Coalition believe that subsidized child care services should be deemed an essential core service that will be continued to be funded in the event of a government shutdown.



FURTHER YOUR AFFIANT SAYETH NOT.


Dated: June 22, 2011.

SCHOOL READINESS FUNDERS COALITION

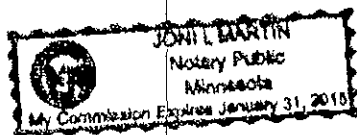


Denise Mayotte  
Executive Director  
Sheltering Arms Foundation

Subscribed and sworn to before me  
this 22<sup>nd</sup> day of June, 2011.

  
Notary Public

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## School Readiness Funders Coalition

# Agenda to Achieve Learning Readiness by 2020

Finalized March 2010

Updated November 10, 2010

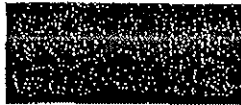
*Coalition members: Blandin Foundation, Frey Foundation, Greater Twin Cities United Way, Grotto Foundation, The McKnight Foundation, The Minneapolis Foundation, The Sheltering Arms Foundation, Social Venture Partners, The Jay and Rose Phillips Family Foundation, The Saint Paul Foundation, United Way of Greater Duluth (Representing United Ways of Greater Minnesota), Women's Foundation of Minnesota*



Greater Twin Cities  
United Way



The Sheltering  
Arms Foundation



GROTTO  
FOUNDATION



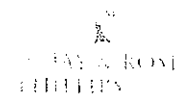
Blandin Foundation



THE SAINT PAUL FOUNDATION



United Ways  
of Minnesota



*\*Note: This coalition list represents a starting point – our goal is to expand to include as many other philanthropic organizations as possible.*

# I. Introduction and Overarching Policy

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As members of the philanthropic community providing leadership and funding for early childhood efforts, we believe **every child in Minnesota needs to be ready for kindergarten by 2020.**

Our coalition funded an extensive review of research and perspectives on early childhood care and education (ECCE) in Minnesota during the last year. We compiled a long list of critical ECCE needs – the same list of needs seen by legislators and other groups working on this issue. We determined that before these needs could be properly addressed, Minnesota would benefit by developing a framework within which to base ECCE decisions. To ensure that every child is ready for kindergarten by 2020, we believe Minnesota needs a comprehensive approach to early childhood care and education that establishes accountability for measurable and sustained progress. Such an approach must address three key elements to be successful: leadership, accountability and funding.

We acknowledge that there has been significant work undertaken by policy makers, the business and philanthropic communities, advocacy organizations and other nonprofits to address the issue of ECCE in Minnesota. Our proposed framework endorses and builds on many of the programs and efforts currently underway and reflects the sentiment and recommendations of other groups working on this same issue. We look forward to working in collaboration with all of our partners to implement our recommendations for critical ECCE initiatives that will ensure *every child is ready for kindergarten by 2020.*

We recognize and support the fact that parents are the primary teacher and educator for their children. Our efforts are aimed at providing a stronger/more coordinated network of services to support parents in this vital role.

As philanthropic organizations committed to our state's progress and our children's success, we propose the following policy framework for ECCE in Minnesota. We hope that these nonpartisan policy recommendations for improvement of early childhood care and education in Minnesota will contribute to a future that is substantively brighter for Minnesota's youngest citizens.

## *C. Funding*

While we strongly believe that additional public funding for long-term, sustainable investment in ECCE is necessary to ensure every child is ready for kindergarten by 2020, accountability and measurement principles must be established before additional funding is allocated. Establishing a climate of accountability will inform the necessary return on investment for effective, long-term funding for ECCE. Therefore, we believe that the state should make immediate investments to support accountability within ECCE.

Funding early childhood care and education is complex; and Minnesota faces an ECCE funding dilemma with no easy immediate solutions. Today, financial contributions from families account for more than 70 percent of ECCE spending in the state. The remaining funds come from the federal and state government, as well as other private and non-profit organizations. However, too many families are not being served by any of these funding sources, resulting in a funding gap that leaves some children without adequate ECCE. If we do not create a funding system that supports these children in the early years, the state will face more costly expenditures on these same individuals when they are adults.

We recommend three areas of funding: support of existing initiatives, support for new funding initiatives, and implementation of long-term funding principles.

### **Recommendation 1: Support Existing Initiatives**

1. **Quality Rating and Improvement System.**

This system must be implemented statewide and be funded by the state.<sup>1</sup> Pilot programs such as Parent Aware should be expanded statewide.

2. **Funder-sponsored programs.** Philanthropic organizations currently issue an estimated \$20 million annually in grants in the state for ECCE. The funder coalition members will seek to align our existing grant making with the priorities of the proposed ECCE framework.

### **Recommendation 2: Support New Funding Initiatives**

In addition to supporting existing initiatives, the state needs to commit funding for critical accountability initiatives in order for us to reach the goal of learning readiness by 2020. As philanthropic organizations committed to our children's success, the members of this coalition will also commit financial resources in partnership with state funding recommendations to create and launch several initial activities that we believe are critical to achieving this goal.

The following chart provides funding estimates for specific initiatives. Through further discussion with legislative leaders and philanthropic organization boards, priorities for execution and funding of specific initiatives can be refined to reflect the opinions and leadership of key stakeholders.

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<sup>1</sup> Work is underway commissioned by the Legislature and State Agencies to develop cost estimates for the implementation of various QRS models. The Alliance for Early Childhood Finance, national experts on costing QRS, is preparing a Minnesota-specific report on QRS cost-estimates. Investment decisions in QRS be brought together and coordinated at the appropriate time.

1. **Establish a Cabinet Level Office for Early Learning**

The establishment of a cabinet level office for early learning should be cost minimal or cost neutral and fit within existing ECCE resources.

2. **Statewide Report Card**

It is estimated that initial investment for development and implementation of a statewide report card would require a \$1 million investment. Once established, ongoing production and dissemination of the statewide report card will require an annual investment of \$200,000. (Richard Chase, Wilder Research 2009)

3. **Statewide Screening and Assessment of Child Development**

The estimated investment level for screening and assessment for 50% of children aged 3, 4 and 5 statewide is \$6.1 million annually or \$9.4 million annually for screening and assessment of 100% of 3, 4 and 5 statewide. (Richard Chase, Wilder Research 2009)

### **Recommendation 3: Implement Long-Term Funding Priorities**

Existing and proposed initiatives listed above will help establish a system for ECCE in Minnesota, but will not adequately address the *funding gap* that lets at-risk children slip through the cracks and contribute to Minnesota's lagging school readiness. Minnesota experts such as Richard Chase, Arthur Reynolds and Art Rolnick estimate that to adequately cover the development of the whole-child through *early learning needs* as well as the *mental health, nutrition and special needs* of families that do not have adequate resources will require an additional \$250-\$290 million dollars annually. This investment level is necessary; providing services that address all of these factors is essential to the successful development of children. Long-term funding decisions need to be made by the Legislature to ensure funding is available for all children in Minnesota to have access to quality ECCE.

#### **November 2010 update**

Support for existing initiatives: The \$500,000 in federal funds dedicated to QRIS expansion last session is being used to take first steps in assisting providers with preparation for ratings.

With existing funding, 200 providers throughout the state are engaged in one-on-one consultations and review of their operation using the "Environmental Rating Scale" to determine areas needing improvement. These 200 providers agree to participate in a two-hour training -- on-line or face-to-face. (This training could eventually be a part of credentialing process).

The funds dedicated last year will be distributed as \$2,500 grants to these 200 providers to help them make improvements, in consultation with administrators (including, e.g., curriculum, toys, assessment tools, etc.).

Support for new initiatives: The School Readiness Funders Coalition fully funded the work of the Office Task force (\$100,000) and the ECAC working group on the Statewide Report Card (\$58,000) to bring recommendations to the legislature in early 2011. The reports of the task forces will include cost estimates and funding recommendations for the Office of Early Learning and Statewide Report Card.

Implementation of long-term funding priorities: This is the most difficult issue to address. Much conversation has gone on, but formal action has not yet been taken to resolve long-term funding.

### **III. ECCE Coalition Commitment**

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As one of the sectors responsible for ensuring that Minnesota's children are ready for kindergarten and life, we take our role very seriously. We believe the framework and policy recommendations outlined in this document, prepared for consideration by the Legislative and Executive branches of our state government, are critical for developing a successful ECCE system. That is why we are committed to following the set of principles proposed herein. Investments in ECCE must focus on the whole child and help families obtain access to quality early childhood care.

Consistent with these principles, the School Readiness Funders Coalition will support efforts to address ECCE - specifically to contribute to the initial development of a statewide ECCE report card, and to fund a statewide public information campaign to educate Minnesotans about the importance of investing in ECCE for Minnesota's future. In addition, consistent with our respective missions and grant guidelines we will seek to align our existing grant making with the priorities of the proposed ECCE framework.

To accomplish our 2020 goal of having all children fully ready to learn when they start kindergarten will be challenging. It is doable if we all join in the task and begin now.

#### **November 2010 update**

The School Readiness Funders Coalition has assisted the state in taking first steps towards reforming early education by fully funding the interim work on the Office of Early Learning Task Force and the ECAC's work to bring forward recommendations on a statewide report card.

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fedgazette

Federal Reserve Bank of Minneapolis

March 2003

## Early Childhood Development: Economic Development with a High Public Return

Art Rolnick

*Senior Vice President and Director of Research*

Rob Grunewald

*Regional Economic Analyst*

Early childhood development programs are rarely portrayed as economic development initiatives, and we think that is a mistake. Such programs, if they appear at all, are at the bottom of the economic development lists for state and local governments. They should be at the top. Most of the numerous projects and initiatives that state and local governments fund in the name of creating new private businesses and new jobs result in few public benefits. In contrast, studies find that well-focused investments in early childhood development yield high public as well as private returns.

### *Why the case for publicly subsidizing private businesses is flawed and misguided*

Over the last few years, the future of Minnesota's economy has been called into question. The resulting debate illustrates how little is understood about the fundamentals that underlie economic development. While many recognize the success of the Minnesota economy in the past, they see a weakening in the foundations of that success. Some point to the decline in corporate headquarters located in Minnesota. Some point to the lack of

funding for new startup companies, particularly in the areas of high-tech and biotech. Some point to the possible loss of professional sports teams. Some think the University of Minnesota is not visible enough in the business community. And still others raise the broader concern that Minnesota's citizens and policymakers have become too complacent and unwilling to make the public commitment to be competitive in a global economy.

Those who raise these concerns conclude that Minnesota and local governments need to take a more active role in promoting our economy. Often that implies that the state or local governments subsidize private activities that the market is not funding. Proponents of this view argue that without such subsidies, either well-deserving businesses will not get funded or other states will lure our businesses to greener pastures.

State and local subsidies to private businesses are not new. In the name of economic development and creating new jobs, Minnesota, and virtually every other state in the union, has a long history of subsidizing private businesses. We have argued in previous studies that the case for these subsidies is short-sighted and fundamentally flawed.<sup>1</sup> From a national perspective, jobs are not created—they are only relocated. From a state and local perspective, the economic gains are suspect because many would have been realized without the subsidies. In summary, what often passes for economic development and sound public investment is neither.



*If subsidizing private businesses is the wrong way to promote Minnesota's economy, then what is the right way?*

To answer this question, we need to understand that unfettered markets generally allocate scarce resources to their most productive use. Consequently, governments should only intervene in markets when they fail.

Market failures can occur for a variety of reasons; two well-documented failures are goods that have external effects or public attributes. Unfettered markets will generally produce the wrong amount of such goods. Education has long been recognized as a good that has external effects and public attributes. Without public support, the market will yield too few educated workers and too little basic research. This problem has long been understood in the United States and it is why our government, at all levels, has supported public funding for education. (According to the Organisation for Economic Cooperation and Development, for example, the United States in 1999 ranked high on public funding of higher education.<sup>2</sup>) Nevertheless, recent studies suggest that one critical form of education, early childhood development, or ECD, is grossly underfunded. However, if properly funded and managed, investment in ECD yields an extraordinary return, far exceeding the return on most investments, private or public.

A convincing economic case for publicly subsidizing education has been around for years and is well supported. The economic case for investing in ECD is more recent and deserves more attention.

Public funding of education has deep roots in U.S. history. John Adams, the author of the oldest functioning written constitution in the world, the constitution of the Commonwealth of Massachusetts, 1779, declared in that document that a fundamental duty

of government is to provide for education.<sup>3</sup> Publicly funded schools have been educating children in the United States ever since. Today over 85 percent of U.S. children are educated in publicly funded schools. John Adams argued for public funding of education because he realized the importance of educated voters to the well-being of a democracy. We suspect that he also understood the economic benefits that flow to the general public.

Investment in human capital breeds economic success not only for those being educated, but also for the overall economy. Clearly today, the market return to education is sending a strong signal. Prior to 1983, the wages of a worker with an undergraduate degree exceeded a worker with a high school degree by roughly 40 percent. Currently, that difference is close to 60 percent. The wage premium for an advanced degree has grown even more. Prior to 1985, the wages of a worker with a graduate degree exceeded those of a worker with a high school degree by roughly 60 percent. Today, that difference is over 100 percent.

Minnesota represents a good example of the economic benefits that flow from education. Evidence is clear that our state has one of the most successful economies in the country because it has one of the most educated workforces. In 2000, almost a third of persons 25 and older in Minnesota held at least a bachelor's degree, the sixth highest state in the nation. To ensure the future success of Minnesota's economy, we must continue to provide a highly educated workforce.

#### *The economic case for public funding of early childhood development*

Knowing that we need a highly educated workforce, however, does not tell us where to invest limited public resources. Policymakers must identify the educational investments

that yield the highest public returns. Here the literature is clear: Dollars invested in ECD yield extraordinary public returns.

The quality of life for a child and the contributions the child makes to society as an adult can be traced back to the first few years of life. From birth until about 5 years old a child undergoes tremendous growth and change. If this period of life includes support for growth in cognition, language, motor skills, adaptive skills and social-emotional functioning, the child is more likely to succeed in school and later contribute to society.<sup>4</sup> However, without support during these early years, a child is more likely to drop out of school, receive welfare benefits and commit crime.

A well-managed and well-funded early childhood development program, or ECDP, provides such support. Current ECDPs include home visits as well as center-based programs to supplement and enhance the ability of parents to provide a solid foundation for their children. Some have been initiated on a large scale, such as federally funded Head Start, while other small-scale model programs have been implemented locally, sometimes with relatively high levels of funding per participant.

The question we address is whether the current funding of ECDPs is high enough. We make the case that it is not, and that the benefits achieved from ECDPs far exceed their costs. Indeed, we find that the return to ECDPs far exceeds the return on most projects that are currently funded as economic development.

Many of the initial studies of ECDPs found little improvement; in particular, they found only short-term improvements in cognitive test scores. Often children in early childhood programs would post improvements in IQ relative to nonparticipants, only to see the IQs of nonparticipants catch up within a few years.<sup>5</sup>

However, later studies found more long-term effects of ECDPs. One often-cited research project is the High/Scope study of the Perry Preschool in Ypsilanti, Mich., which demonstrates that the returns available to an investment in a high-quality ECDP are significant. During the 1960s the Perry School program provided a daily 2 ½-hour classroom session for 3- to 4-year-old children on weekday mornings and a 1 ½-hour home visit to each mother and child on weekday afternoons. Teachers were certified to teach in elementary, early childhood and special education, and were paid 10 percent above the local public school district's standard pay scale. During the annual 30-week program, about one teacher was on staff for every six children.<sup>6</sup>

Beginning in 1962, researchers tracked the performance of children from low-income black families who completed the Perry School program and compared the results to a control group of children who did not participate. The research project provided reliable longitudinal data on participants and members of the control group. At age 27, 117 of the original 123 subjects were located and interviewed.<sup>7</sup>

The results of the research were significant despite the fact that, as in several other studies, program participants lost their advantage in IQ scores over nonparticipants within a few years after completing the program. Therefore a significant contribution to the program's success likely derived from growth in noncognitive areas involving social-emotional functioning. During elementary and secondary school, Perry School participants were less likely to be placed in a special education program and had a significantly higher average achievement score at age 14 than nonparticipants. Over 65 percent of program participants graduated from regular high school compared with 45 percent of nonparticipants. At age 27, four times as many program participants as nonparticipants

earned \$2,000 or more per month. And only one-fifth as many program participants as nonparticipants were arrested five or more times by age 27.<sup>8</sup>

Other studies of ECDPs, while not solely focused on 3- to 4-year-old children, also show improvements in scholastic achievement and less crime. For example, the Syracuse Preschool Program provided support for disadvantaged children from prenatal care through age 5. Ten years later problems with probation and criminal offenses were 70 percent less among participants compared with a control group.<sup>9</sup>

As the result of the Abecedarian Project in North Carolina, which provided children from low-income families a full-time, high-quality educational experience from infancy through age 5, academic achievement in both reading and math was higher for program participants relative to nonparticipants into young adulthood. Furthermore, participants had fewer incidences of grade retention and special education placements by age 15.<sup>10</sup>

The High/Scope study conducted a benefit-cost analysis by converting the benefits and costs found in the study into monetary values in constant 1992 dollars discounted annually at 3 percent. The researchers found that for every dollar invested in the program during the early 1960s, over \$8 in benefits were returned to the program participants and society as a whole (see Table 1A).

While 8-to-1 is an impressive benefit-to-cost ratio, policymakers should place this result in context with returns from other economic development projects. Perhaps another project can boast a higher benefit-to-cost ratio. Unfortunately, well-grounded benefit-to-cost ratios are seldom computed for public projects. However, an alternative measure—

the internal rate of return—can be used to more easily compare the public, as well as private, return to investments. (The internal rate of return is the interest rate received for an investment consisting of payments and revenue that occur at regular periods.)

To calculate the internal rate of return for the Perry School program, we estimated the time periods in which costs and benefits in constant dollars were paid or received by program participants and society (see Table 1B). We estimate the real internal rate of return for the Perry School program at 16 percent. "Real" indicates that the rate of return is adjusted for inflation.

While program participants directly benefited from their increase in after-tax earnings and fringe benefits, these benefits were smaller than those gained by the general public. Based on present value estimates, about 80 percent of the benefits went to the general public (students were less disruptive in class and went on to commit fewer crimes), yielding over a 12 percent internal rate of return for society in general. Compared with other public investments, and even those in the private sector, an ECDP seems like a good buy. This analysis suggests that early childhood development is underfunded; otherwise, the internal rate of return on an ECDP would be comparable to other public investments.

As with virtually all studies, there are caveats to the High/Scope findings. On the one hand, the High/Scope study may overstate the results we could achieve today. Problems facing children 30 years ago were different from the problems facing children today. Single parenthood, parental drug use, neighborhood crime are higher in many

areas of the country than they were 30 years ago. Therefore, the rate of return of an ECDP today may be lower than the Perry School program.

Furthermore, in reviewing our method of calculating the internal rate of return, one could argue that some of the payments and revenue streams assigned should have started or ended in different years, or that assigning an even distribution distorts the actual payments and revenue made. Nevertheless, we find that the final result holds, even when payments and revenue are adjusted to a more conservative distribution.

On the other hand, the High/Scope study may understate the results we could achieve today. First, the High/Scope study doesn't measure positive effects on children born to participant families after the study period. The knowledge gained by parents participating in the program likely transferred to their younger children. Second, the study may further understate the effects because it doesn't take into account effects on future generations. With increased education and earnings, participants' children would be less likely to commit crime and more likely to achieve higher levels of education and income than if their parents hadn't attended the Perry School program. A chain of poverty may have been broken.

The returns to ECDPs are especially high when placed next to other spending by governments made in the name of economic development. Yet ECD is rarely considered as an economic development measure.

For example, tax increment financing and other subsidies have recently been used to locate a discount retail store and an entertainment center in downtown Minneapolis, and to relocate a major corporate headquarters to suburban Richfield and a computer software firm to downtown St. Paul. Can any of these projects, which combined represent

an estimated quarter of a billion dollars in public subsidies, stand up to a 12 percent public return on investment? From the state's point of view, if the subsidy is simply moving businesses within the state, the public return is zero. If the subsidy is required for the business to survive, the risk-adjusted public return is not merely small but could be negative.

As our lawmakers review proposals to build or improve the state's major professional sports stadiums, let's not make the same mistake. The various proposals to build new baseball and football stadiums and improve the current basketball stadium total over \$1 billion. Can new stadiums offer a comparable public return on investment as an ECDP? How does a new stadium reduce crime, increase earnings and potentially break a chain of poverty? We propose that this \$1 billion plus be invested in a project with a much higher public return.

*Proposal: Minnesota Foundation for Early Childhood Development*

Our proposal—to create a foundation for early childhood development in Minnesota—isn't born in a vacuum. For several years the state of Minnesota has sponsored initiatives to help prepare children for kindergarten, specifically, Early Childhood Family Education, or ECFE, School Readiness and state-funded Head Start programs. These programs often work together in supporting early childhood development.

ECFE provides support to parents and their children from birth until kindergarten enrollment to promote the healthy growth and development of children. The program offers classes for parents and children, and provides optional home visits. About \$20



## Conclusion

The conventional view of economic development typically includes company headquarters, office towers, entertainment centers, and professional sports stadiums and arenas. In this paper, we have argued that in the future any proposed economic development list should have early childhood development at the top. The return on investment from early childhood development is extraordinary, resulting in better working public schools, more educated workers and less crime. A \$1.5 billion investment to create the Minnesota Foundation for Early Childhood Development would go a long way toward ensuring that children from low-income families are ready to learn by the time they reach kindergarten.

Granted that in today's tight fiscal environment, \$1.5 billion is a particularly large sum, which may mean we can't fully fund the program immediately. But we should be able to fully fund the endowment over the next five years. After measuring the public impact on the quality of life that such a foundation can provide, the costs of not making such an investment are just too great to ignore.