



BACKGROUND AND ACKNOWLEDGEMENTS

The *Early Childhood Indicators of Progress: Minnesota's Early Learning Standards* (2005) is a project of the Minnesota Department of Education (MDE) and the Minnesota Department of Human Services (DHS). The first edition was printed under the title *Minnesota Early Childhood Indicators of Progress: A Resource Guide* in 2000 by the former Minnesota Department of Children, Families & Learning. An Early Childhood Indicators of Progress Task Force that included early childhood practitioners and members of the Minnesota Association for the Education of Young Children (MNAEYC) and the Minnesota Association of Early Childhood Teacher Educators (MAECTE) developed it. It was widely reviewed at that time by many individuals representing a diversity of early childhood education and care programs.

This 2005 revision was drafted by an interagency committee working with early childhood consultant Gail Roberts and included:

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The revised draft was also provided electronically for review and feedback on statewide list serves reaching hundreds of administrators, teachers, and caregivers in the following Minnesota early childhood education and care programs:

Child Care Centers/Family Child Care/Tribal Child Care

Child Care Resource and Referral

Early Childhood Family Education

Early Childhood Screening

Early Childhood Special Education/Part C

Head Start

School Readiness

Members of MNAEYC and MAECTE also reviewed it, and MNAEYC passed a resolution in support of it.

Feedback was carefully reviewed by the interagency committee and incorporated into this final edition. The support and contributions of members from the early childhood education associations, staff from early childhood education and care programs, and many others who reviewed and provided feedback on this document are gratefully acknowledged.

EARLY CHILDHOOD INDICATORS OF PROGRESS:

Minnesota's Early Learning Standards

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Minnesota's Early Learning Standards



PURPOSE

The primary purpose of this document is to provide a framework for understanding and communicating a common set of developmentally appropriate expectations for young children within a context of shared responsibility and accountability for helping children meet these expectations.

The document was developed with five goals in mind:

1. To increase understanding of all areas of a child's development and to recommend strategies for supporting optimum development.
2. To expand understanding of the multiple influences on the education and life success of young children.
3. To support families by providing examples of strategies that facilitate and enhance children's development.
4. To provide teachers, caregivers, and administrators in early childhood education and care programs and settings with a common conceptual framework and guidelines for planning curriculum, instruction, and assessment of young children.
5. To provide a resource for community members and policymakers to use in assessing the impact of current policies and resources on the optimal development of young children.

INTRODUCTION

A large and growing body of research supports the critical relationship between early childhood experiences and successful learning outcomes. The responsibility for providing support systems and resources that result in positive outcomes for young children is a shared one. Families, early childhood teachers and caregivers, community members, and policymakers all contribute to the well-being of children.

The *Early Childhood Indicators of Progress* document recognizes the importance of this shared responsibility and accountability in order to achieve positive outcomes for children. This document stresses the importance of collective efforts among families, early childhood education and care, communities, and policymakers in supporting the learning and development of children. The efforts of each and every one of these groups are vital in the process of developing healthy, well-functioning children.

These goals are consistent with reports from several national groups studying the development of state-level early learning standards (NAEYC & NAECS/SDE, 2002; Scott-Little, Kagan, & Frelow, 2003a; Shore, Bodrova, & Leong, 2004). Early learning standards express shared expectations for young children's learning and provide a common language for measuring progress toward achieving these goals (Kendall, 2003; Kagan & Scott-Little, 2004). Research emphasizes the importance of brain development and the early years for later development and learning (Shonkoff & Phillips, 2000; Hyson, 2003). Researchers have concluded that "Young children are more capable learners than current practices reflect, and good educational experiences in the preschool years can have a positive impact on school learning" (Bowman, Donovan, & Burns, 2000, p.2).

ORGANIZATION AND STRUCTURE

The *Early Childhood Indicators of Progress* document is divided into six **domains** that reflect the full range of child development as recommended by national guidelines (Kagan, Moore, & Bredekamp, 1995):

- Social and Emotional Development
- Approaches to Learning
- Language and Literacy Development
- Creativity and the Arts
- Cognitive Development
- Physical and Motor Development

Each domain is further divided into three to five **components** that designate areas of children's development within each domain. **Indicators** of children's progress in gaining concepts, knowledge, and skills within each component are then specified.

The *Early Childhood Indicators of Progress* were initially written in 2000 and have been systematically reviewed and revised using recently developed guidelines related to child outcome standards (NAEYC & NAECS/SDE, 2002; Shore, Bodrova, & Leong, 2004). The following criteria, based on national reviews (Scott-Little, Kagan, & Frelow, 2003b, 2003c; Neuman & Roskos, 2004), were used for the inclusion of specific indicators:

1. **Research-based** - Indicators are reasonably achievable and age-appropriate.
2. **Clearly written** - Indicators are clear and coherent as to what preschool-age children should know and be able to do.
3. **Measurable** - Indicators reflect observable behaviors, concepts, and skills.
4. **Comprehensive** - Indicators cover all domains of development and provide sufficient breadth and depth of each area of development.
5. **Manageable** - There are a reasonable number of indicators in each domain to comprehend.
6. **Applicable** - Indicators are broadly applicable to children from diverse linguistic, economic, and cultural backgrounds and to children with variations in developmental needs and abilities in different early childhood settings.

Strategies that family members and teachers and caregivers in early childhood education and care programs and settings can use to facilitate children's development are listed for each component. The strategies for family members and teachers and caregivers are not intended to be all-inclusive, but rather provide suggested learning activities to enhance children's development.

Strategies community members and policymakers can use to promote and support children's development are also included for each domain. These strategies for community members and policymakers are repeated for each component within a domain.

THE EARLY CHILDHOOD DEVELOPMENTAL PERIOD

The early childhood period of growth and development spans the years from birth to age eight (Bredekamp & Copple, 1997). The *Early Childhood Indicators of Progress* are intended as a guide for children in the pre-school period of ages three to five. The indicators are based on **widely held developmental expectations** observed in a child at approximately four years of age. It is expected that most children will meet the majority of these expectations by the end of the pre-kindergarten year. Because normal development varies greatly from child to child, the *Early Childhood Indicators of Progress* document is intended to be used as a flexible guide in describing a child's individual progress.

Child development progresses differently for every individual child. Children are influenced by their distinct experiences with the diverse values and practices of their family, their culture, and their community (*National Association for the Education of Young Children, 1996*). For these reasons, although children develop in generally similar stages, their individual life experiences are reflected in greatly diverse patterns of behavior and learning. Such individual differences are normal and must be respected in order for children to maintain a sense of self-worth.



A NEW APPROACH

The *Early Childhood Indicators of Progress: Minnesota's Early Learning Standards* provide a unique approach in the movement toward increased accountability. Especially at the early childhood level, children's development must be considered within the context of the family, early childhood education and care, and the community. These systems, along with policymakers, share a role in being accountable for the optimal development of young children. The *Early Childhood Indicators of Progress* underscore the importance of shared responsibility and shared accountability for optimal development in terms of both learning opportunities and outcomes for children. By emphasizing the necessity for collaboration among families, early childhood education and care, communities, and policymakers, this document suggests that everyone must work together. This must be done in an interdependent way if all children are to have optimal opportunities for learning and development. Underlying this work is the belief that only when all stakeholders are both individually and collectively responsible and accountable for the learning and development of young children will all of Minnesota's children experience and achieve success.

The *Early Childhood Indicators of Progress* are written intentionally to include both typically and atypically developing children. Children with disabilities will make progress on the knowledge, concepts, and skills that are described by the indicators, with expected variations for each child. Recommendations for serving children with special needs in inclusive early childhood settings are reflected in the suggested learning strategies (Sandall, McLean, & Smith, 2000).

The development of Minnesota's *Early Childhood Indicators of Progress* was informed by the following **Guiding Principles**, which are based on child development research:

- Young children are capable and competent.
- Development occurs in predictable patterns.
- Children are individuals who develop at different rates.
- Many factors influence a child's development.
- Children exhibit a range of skills and competencies within any domain of development.
- Expectations for children must be guided by knowledge of child growth and development.
- Young children learn through play, interaction with others, and active exploration of their environment.
- Families are children's first and most important caregivers and educators.

EARLY CHILDHOOD INDICATORS OF PROGRESS:

Minnesota's Early Learning Standards



POTENTIAL USES

The *Early Childhood Indicators of Progress: Minnesota's Early Learning Standards* is to be used as a resource for family members, teachers and caregivers, community members, and policymakers in ways that are supportive of young children's development. Since the publication of the first edition in 2000, many individuals and groups from across the state have used the indicator document in many of the ways described in this section.



**TO BUILD AWARENESS
OF THE SYSTEMS NEEDED
TO SUPPORT THE GROWTH AND
DEVELOPMENT OF CHILDREN**

Parents are the best advocates for their children. This document can be used to make concrete connections between actions by people and the quality of life for children and families. Parents can use strategies listed in this document to offer suggestions and promote various projects and activities within their communities. The document can also provide guidance to parents about what to look for as they choose programs for their young children.

FOR FAMILY MEMBERS

**TO BUILD AWARENESS OF
CHILD DEVELOPMENT**

The *Early Childhood Indicators of Progress* can be used to help parents develop new ways of viewing their child's development. Many teachers and caregivers have summarized or adapted sections of the document for use with parents and family members. One way this has been done is to develop a series of parent tip cards for specific domains with an emphasis on the strategies family members can use to support their child's development (*Minnesota Department of Education, 2004b*).

**TO INVOLVE FAMILIES
IN LEARNING**

A high level of family involvement is an indicator of a high quality program. Children benefit when family members are invited to participate in ongoing communication about what is happening in their child's early childhood education and care through discussions with caregivers, parent-teacher conferences, open houses, parent-child activity times, parent education, transition-to-kindergarten sessions, and volunteer opportunities. Information about widely held developmental expectations can be shared with parents during these times (*Meisels, Marsden, & Stetson, 2000*). Families who are engaged in their child's education are better able to support their child's learning and development (*Mueller, 2003*).

**FOR TEACHERS
AND CAREGIVERS**

**TO GUIDE PLANNING
FOR CURRICULUM CONTENT
AND TEACHING STRATEGIES**

The *Early Childhood Indicators of Progress* provide a common framework for developmentally appropriate expectations for children who are approximately four years of age. It is expected that most children will accomplish the majority of the indicators by the end of the pre-kindergarten year. In order to meet this expectation, the indicators can be used as a guide for planning curriculum content and teaching strategies for children in the preschool period of ages three to five.

The indicators provide a common language for use across programs. A common language and framework facilitates discussion and collaboration among home visitors, home-based caregivers, school and center-based staff, and others. The domains and indicators included are consistent with the national Head Start Child Outcomes Framework (*Head Start Bureau, 2003*). The use of the indicators can help programs align curriculum, instruction, and assessment with both state and national outcome standards and guidelines (*NAEYC & NAECS/SDE, 2003*).

Individual teachers and caregivers can develop curriculum with the indicators in mind and plan assessment appropriate to their setting and related to the indicators. Teachers and caregivers can focus their curriculum on significant learning experiences to support the concepts, knowledge, and skills described by the indicators. In this way, teachers and caregivers are not locked into a set curriculum, but rather can design activities within particular domains that will give children opportunities to practice the concepts, knowledge, and skills identified by the indicators.

Each child's culture and language background, developmental level, learning style, and personal interests must be taken into account as learning experiences are implemented (Bredenkamp & Rosegrant, 1992; Copple, 2003). This approach to curriculum supports exploration, innovation, and individualization within a setting as opposed to a prescribed curriculum (Bredenkamp & Rosegrant, 1995). The framework promotes diversity and equity in terms of what children do, how children show what they know, and what constitutes success.

TO PROVIDE DIRECTION FOR AUTHENTIC ASSESSMENT OF YOUNG CHILDREN

The indicators can help teachers and caregivers define the kinds of things young children need to know and be able to do. Once those are articulated, teachers and caregivers need to consider how to collect evidence of children's learning through authentic assessment.

Authentic assessment practices are those that are based on everyday learning experiences, provide for actual child performance, and involve children in the evaluation process (NAEYC & NAECS/SDE, 2003; Santos, 2004; McAfee, Leong, & Bodrova, 2004). Authentic assessment methods for children should meet these criteria:

- Fair to all cultures, language groups, and developmental levels
- Reflect real-world classroom or family contexts
- Tied to children's daily activities and assess children's actual performance
- Done in natural settings and situations that are non-threatening to the child
- Inclusive of families and responsive to cultural and linguistic variations
- Use multiple sources of information on multiple occasions
- Insure continuity and consistency over time
- Supported by ongoing professional development to ensure skilled observation and assessment

In addition, assessment should bring about benefits for children, be connected to specific purposes, and value parents as sources and audiences for assessment (Shepard, Kagan, & Wurtz, 1998).

Components of authentic assessment include: observation, observation checklists, rating scales, portfolios, and summary reports. These components may be used individually or in combination depending upon the desired purposes of the assessment information. Observation includes the gathering and recording of information by noting facts or occurrences of children's skills, abilities, and behaviors (Jablon, Dombro, & Dichtelmiller, 1999). Observational checklists, when combined with observation notes and samples of children's work, provide reliable ways to understand growth and development of skills and behaviors over time (Helm, Beneke, & Steinheimer, 1998).

One of the primary purposes of assessment is to inform instruction and help teachers and caregivers make decisions concerning children's subsequent learning experiences. In that way, a continuous cycle of planning, implementing, and evaluating children's learning experiences helps ensure that children are challenged appropriately to develop the concepts, knowledge, and skills needed to reach their full potential.

Examples of authentic assessments include the Work Sampling System of Child Assessment, the Child Observation Record, and the Creative Curriculum Assessment System. The Work Sampling System is a curriculum-embedded, teacher-guided assessment that emphasizes the collection of multiple sources of documentation over time. The system involves the child, family, teacher, or caregiver in the ongoing process of assessment and reporting (Meisels & Atkins-Burnett, 2002; Dichtelmiller, Jablon, Dorfman, Marsden, & Meisels, 2001).

The Child Observation Record (COR) evaluates children's behavior during normal learning activities and assesses broad areas of child development. Teachers and caregivers use the observational records to report to families and to create individual plans for children (Schweinhardt, 1993; High/Scope, 1992).

The Creative Curriculum approach uses an assessment that includes teacher or caregiver observations and a checklist based on a developmental continuum. This approach emphasizes the integration of curriculum and assessment through teacher or caregiver planning and implementation. Parents are involved through conferences and the sharing of reports (Dodge, Colker, & Heroman, 2002).

TO PROVIDE A FRAMEWORK FOR PROGRAM STANDARDS AND PROGRAM EVALUATION

Staff within early childhood education and care programs and settings can use the *Early Childhood Indicators of Progress* to frame questions for meeting program standards and conducting program evaluation. High quality programming provides opportunities that support each child's developmental stage and need to engage in play, exploration, and active learning.



A first set of questions centers on the types of resources, activities, and learning experiences provided. The requirements for the services children receive are generally referred to as program standards. Program standards provide criteria for important program features such as adult-child ratios, group sizes, teacher or caregiver qualifications, and curriculum (Scott-Little, Kagan, & Frelow, 2003a). Four major variables that impact desired program outcomes are the learning environment, interpersonal relationships, daily schedules and routine, and materials and activities (Harms, Clifford, & Cryer, 1998). These components interact to support the desired learning opportunities and outcomes for children. The best programming considers all of these variables when planning, teaching, and evaluating effectiveness.

The Head Start Program Performance Standards provide a sound foundation for achieving positive child outcomes (Head Start Bureau, 2004). The Head Start Program Performance Standards provide for all aspects of early childhood development, health services, family and community partnerships, and program design and management. Child outcome information for groups of children becomes part of the data used to determine how well programs are doing in meeting overall goals and objectives.

Accreditation processes such as those established by the National Association for the Education of Young Children (NAEYC) and the National Association of Family Child Care (NAFCC) help assure that high quality standards are present. The NAEYC program standards specify ten areas for program evaluation: relationships, curriculum, teaching, assessment, health, teachers, family involvement, community partnerships, physical environment, and leadership and management (National Association for the Education of Young Children, 2004). Specific indicators in each of these ten areas are assessed as part of the accreditation procedures. The NAFCC process sets and assesses standards for health, safety, and personal and professional development for family child care providers (National Association of Family Child Care, 1999).

A second set of questions about program evaluation focuses on the actions staff take as they interact with other groups and programs within the community. These inquiries lead to information about linkages to other agencies or programs and the development of common goals and expectations for children in the community.

TO PROVIDE IDEAS FOR STAFF TRAINING AND DEVELOPMENT

Teachers and caregivers can benefit not only from a concise framework of child development as provided in this document, but also from an understanding of how what they do in early childhood settings impacts child outcomes and school readiness. A related document, Minnesota Core Competencies, defines core competencies for teachers and caregivers who work with young children (Minnesota Association for the Education of Young Children, 2004). The Core Competencies describe expectations for what the adults who

work with young children need to know and be able to do, similar to the way these early learning standards, the *Early Childhood Indicators of Progress*, describe expectations for what young children need to know and be able to do. Teachers and caregivers can identify any number of areas in the *Early Childhood Indicators of Progress* and Core Competencies documents where they may need further information and training. Some of these areas could include authentic assessment, curriculum development, teaching strategies and best practices in instruction, and program evaluation. They might also include advocacy with the community and with policymakers, communication with parents, and parent education and involvement.

Many of the institutions of higher education in Minnesota also use the *Early Childhood Indicators of Progress* to help ensure that teachers and caregivers enrolled in early childhood education and related courses understand these widely held developmental expectations for young children and the implications for curriculum, instruction, and assessment.

FOR COMMUNITY MEMBERS

TO PROVIDE A FRAMEWORK FOR NEEDS ASSESSMENT WITHIN THE COMMUNITY

The *Early Childhood Indicators of Progress* can serve as a guide for identifying the sources of support within the community that encourage the healthy growth and development of young children. Community resources such as early childhood centers, family child care homes, playgrounds, libraries, recreational centers, and elementary schools all work together to contribute to children's development (*National Association of State Boards of Education, 1991*).

Business leaders and employers are key players in helping communities focus on the importance of early childhood education and care for the future economic development of the community (*Committee for Economic Development Research and Policy Committee, 2002; Rolnick & Grunewald, 2003*). Community members can also use county-by-county information on key indicators to assess how well their local community is doing in providing opportunities for the healthy development of young children (*Kids Count, 2004*).

TO HELP ORGANIZE ADVOCACY EFFORTS WITHIN THE COMMUNITY

This document can be useful in helping various groups see the continuity of their efforts across home and program settings where there are young children. This document provides concrete connections between healthy child development and access to resources within the community. Community members and policymakers can help assure the optimal learning and development of young children by making a commitment to support early childhood education and care efforts (*Child Trends, 2001; Committee for Economic Development Research and Policy Committee, 2002*). Communities can support and strengthen the resources available to support families with young children and build stronger connections among the various programs and services that impact children's lives.

FOR POLICYMAKERS

TO ASSESS THE IMPACT OF PUBLIC POLICIES ON YOUNG CHILDREN AND THEIR FAMILIES

Policymakers can use the *Early Childhood Indicators of Progress* as a reference for assessing the impact of policy decisions on the lives of children and their families. By providing consistent and reliable support and resources to families, a larger proportion of families with young children can participate in opportunities that enhance learning and development. Prevention and early intervention efforts to make sure that all children get a strong and healthy start help reduce the likelihood that children will need more intensive and costly help at a later age (*Sandall, McLean, & Smith, 2000; Rolnick & Grunewald, 2003*).

There are a number of ways to assess public policies and impacts. State-level evaluation studies have assessed the readiness of children for school (*Minnesota Department of Education, 2003 & 2004a*). Other approaches provide ongoing assessment, such as the state-by-state profiles of child well-being prepared annually and reported in the Kids Count Data Book (*Annie E. Casey Foundation, 2004*).



**TO IMPROVE PUBLIC
UNDERSTANDING OF
APPROPRIATE EXPECTATIONS,
ACCOUNTABILITY,
AND RESPONSIBILITY**

The *Early Childhood Indicators of Progress* enhance understanding of widely held developmental expectations for young children from three to five years of age, along with the types of activities that provide meaningful learning experiences. Appropriate ways of documenting and assessing the performance and progress of young children should also be considered (*Shore, Bodrova, & Leong, 2004*). The document provides a comprehensive framework for shared accountability and responsibility for children's development.

CONCLUSION

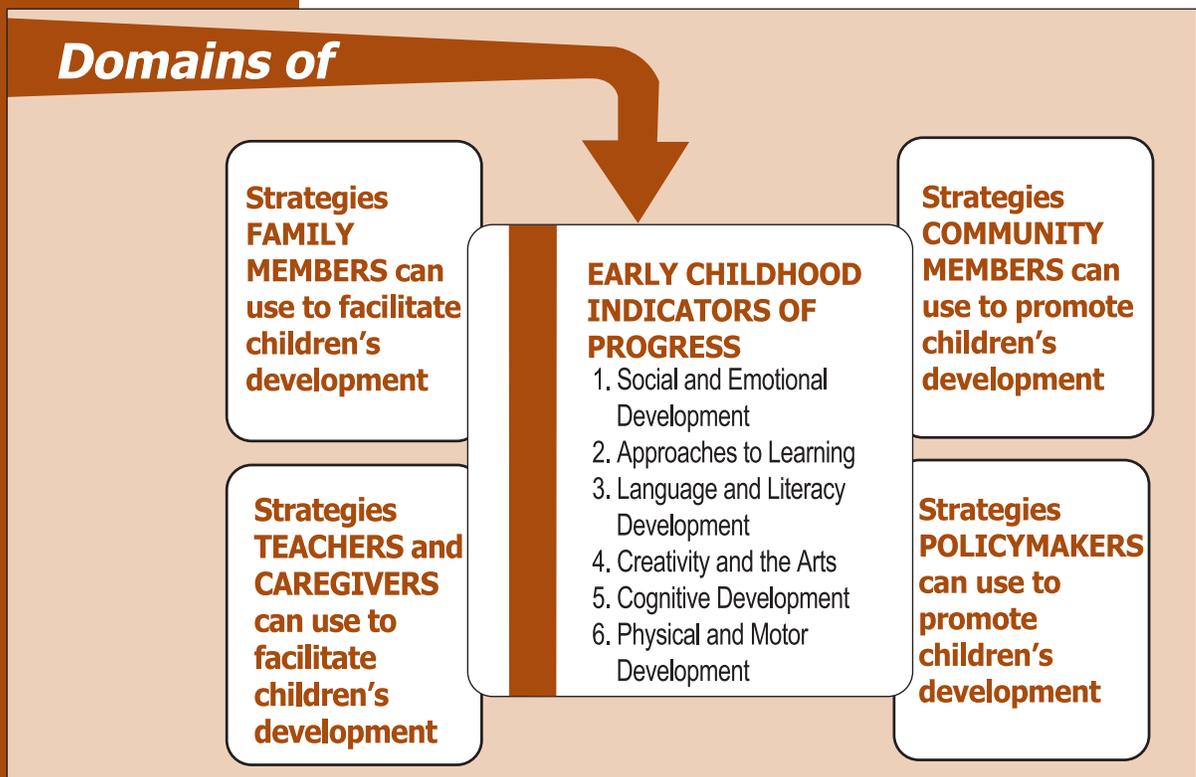
Because a child's first and most important learning occurs in the context of the family, it is essential that families have the supports and resources needed to help their children develop in optimal ways. Families are better able to care for, nurture, and help their children succeed if early childhood teachers and caregivers, community members, and policymakers share in the collective commitment to foster healthy development of all young children.

EARLY CHILDHOOD INDICATORS OF PROGRESS:

Minnesota's Early Learning Standards

Organization and Structure of Document

The *Early Childhood Indicators of Progress: Minnesota's Early Learning Standards* are intended to provide a framework for understanding and communicating a common set of developmentally appropriate expectations for young children within a context of shared responsibility and accountability for helping children meet these expectations. It is divided into six domains that reflect the full range of child development as listed in the center box below:



Each domain is further divided into three to five components that describe indicators of children's progress in gaining concepts, knowledge, and skills. (See domain components on next page.) Strategies family members and teachers and caregivers in early childhood education and care programs can use to facilitate children's development are listed for each component. The lists of strategies for family members and teachers and caregivers are not intended to be all-inclusive, but rather provide suggested learning activities for enhancing children's development. Strategies community members and policymakers can use to promote children's development are also included for each domain. The strategies for community members and policymakers are repeated for each component within a domain.

The *Early Childhood Indicators of Progress* are intended to be used as a guide for children in the preschool period of ages 3 to 5. The indicators are based on widely held developmental expectations observed in a child approximately four years of age. It is expected that most children will meet the majority of these expectations by the end of the pre-kindergarten year. Because normal development varies greatly from child to child, the *Early Childhood Indicators of Progress* document is intended to be a flexible guide in describing a child's individual progress.

Minnesota's Early Learning Standards



Early Childhood

DOMAINS:

**SOCIAL & EMOTIONAL
DEVELOPMENT**

**DOMAIN
COMPONENTS:**

Emotional Development

Self-Concept

Social Competence
and Relationships

Indicators of Progress Domain Framework

APPROACHES TO LEARNING	LANGUAGE & LITERACY DEVELOPMENT	CREATIVITY & THE ARTS	COGNITIVE DEVELOPMENT	PHYSICAL & MOTOR DEVELOPMENT
Curiosity	Listening	Creating	Mathematical and Logical Thinking	Gross Motor Development
Risk-Taking	Speaking	Responding	- Number Concepts and Operations	Fine Motor Development
Imagination and Invention	Emergent Reading	Evaluating	- Patterns and Relationships	Physical Health and Well-Being
Persistence	Emergent Writing		- Spatial Relationships/ Geometry	
Reflection and Interpretation			- Measurement	
			- Mathematical Reasoning	
			Scientific Thinking and Problem-Solving	
			- Observing	
			- Questioning	
			- Investigating	
			Social Systems Understanding	
			- Human Relationships	
			- Understanding the World	

Social and Emotional Development

This domain involves children's feelings about themselves, as well as their interactions and relationships with peers and adults. Included in this focus are indicators that refer to children's views of themselves as learners and their sense of responsibility to themselves and others. Particularly important in this domain are the skills children demonstrate making friends, solving conflicts, and functioning effectively in groups.

Strategies FAMILY MEMBERS can use to facilitate children's **EMOTIONAL DEVELOPMENT**

- Respond to children's emotional and physical needs with warmth and reassurance
- Establish predictable family routines while being flexible to meet children's needs
- Encourage children to talk about their feelings and the feelings of others
- Positively reinforce children in coping constructively with frustration and conflict
- Model appropriate conflict resolution strategies both verbally and nonverbally
- Provide children with practice in thinking of solutions and anticipating consequences
- Help children identify and understand emotions they feel

Strategies TEACHERS and CAREGIVERS can use to facilitate children's **EMOTIONAL DEVELOPMENT**

- Establish warm, caring, engaged relationships with each child
- Respond predictably and appropriately to children's physical, emotional, social, and cognitive needs
- Provide physical environments, schedules, and routines that promote self-control and self-regulation
- Model appropriate verbal and non-verbal conflict management strategies
- Provide opportunities for children to practice effective stress-reduction strategies
- Provide opportunities for children to understand and discuss their feelings and those of others (i.e., show empathy)



EARLY CHILDHOOD INDICATORS OF PROGRESS*

Children show progress in **EMOTIONAL DEVELOPMENT** when they:

1. Demonstrate increasing competency in recognizing and describing own emotions
2. Demonstrate increasing use of words instead of actions to express emotions
3. Begin to understand and respond to others' emotions
4. Begin to show self-regulation to handle emotions appropriately
5. Explore a wide range of emotions in different ways (e.g., through play, art, music, dance)
6. Respond to praise, limits, and correction

* *These indicators apply to children in the preschool period of ages three to five. They are based on expectations for children approximately four years of age.*

Strategies **COMMUNITY MEMBERS** can use to promote children's **SOCIAL AND EMOTIONAL DEVELOPMENT:**

- Create community opportunities for children and families that encourage positive social and emotional development
- Support community initiatives that promote the healthy development of children
- Acknowledge the importance of personal and cultural identity and social development as the foundation for learning
- Provide opportunities for parents to learn and practice strategies for supporting healthy social and emotional development of their children
- Provide service opportunities for families and children to contribute to the community in meaningful ways

Strategies **POLICYMAKERS** can use to promote children's **SOCIAL AND EMOTIONAL DEVELOPMENT:**

- Acknowledge the importance of social and emotional development and its relationship to overall learning
- Design strategies for Minnesota to become a model for family-friendly policy development
- Promote high-quality, developmentally and culturally appropriate early childhood education and care
- Ensure linkages between early childhood education and care services and health, mental health, and social services for young children and their families
- Support high standards for early childhood educators and caregivers
- Promote parent education opportunities to help parents understand the importance of parenting skills related to healthy social and emotional development

Social and Emotional Development

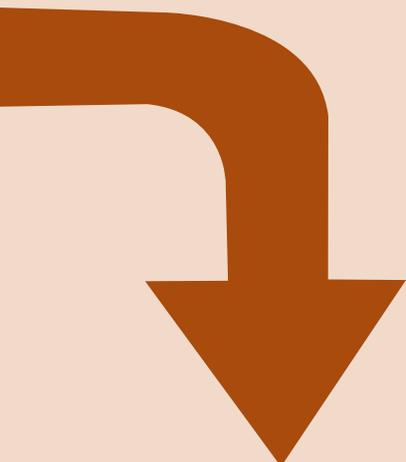
This domain involves children's feelings about themselves, as well as their interactions and relationships with peers and adults. Included in this focus are indicators that refer to children's views of themselves as learners and their sense of responsibility to themselves and others. Particularly important in this domain are the skills children demonstrate making friends, solving conflicts, and functioning effectively in groups.

Strategies FAMILY MEMBERS can use to facilitate children's *SELF-CONCEPT*

- Provide children with warm, loving relationships
- Watch for children's interests and suggest activities to support them
- Encourage child to try new things by sharing and learning together
- Support children's awareness of and pride in their cultural heritage

Strategies TEACHERS and CAREGIVERS can use to facilitate children's *SELF-CONCEPT*

- Allow children to experiment with their growing competence and independence
- Provide opportunities for children's exposure to a wide variety of materials and experiences
- Provide ample time throughout the day for children's active engagement, exploration, and experimentation with materials
- Demonstrate respect for individuals and groups of people
- Support children's developing understanding of their gender and cultural identity
- Provide opportunities for children to learn about their own culture and the culture of others
- Model self-confidence in interactions with children and others



EARLY CHILDHOOD INDICATORS OF PROGRESS*

Children show progress in **SELF-CONCEPT** when they:

1. Begin to experiment with own potential and show confidence in own abilities
2. Demonstrate increasing self-direction and independence
3. Develop an awareness of self as having certain abilities, characteristics, and preferences
4. Begin to develop awareness, knowledge, and acceptance of own gender and cultural identity

* *These indicators apply to children in the preschool period of ages three to five. They are based on expectations for children approximately four years of age.*

Strategies **COMMUNITY MEMBERS** can use to promote children's **SOCIAL AND EMOTIONAL DEVELOPMENT:**

- Create community opportunities for children and families that encourage positive social and emotional development
- Support community initiatives that promote the healthy development of children
- Acknowledge the importance of personal and cultural identity and social development as the foundation for learning
- Provide opportunities for parents to learn and practice strategies for supporting healthy social and emotional development of their children
- Provide service opportunities for families and children to contribute to the community in meaningful ways.

Strategies **POLICYMAKERS** can use to promote children's **SOCIAL AND EMOTIONAL DEVELOPMENT:**

- Acknowledge the importance of social and emotional development and its relationship to overall learning
- Design strategies for Minnesota to become a model for family-friendly policy development
- Promote high-quality, developmentally and culturally appropriate early childhood education and care
- Ensure linkages between early childhood education and care services and health, mental health, and social services for young children and their families
- Support high standards for early childhood educators and caregivers
- Promote parent education opportunities to help parents understand the importance of parenting skills related to healthy social and emotional development

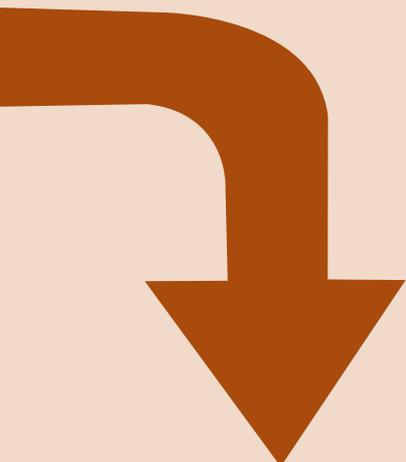
This domain involves children's feelings about themselves, as well as their interactions and relationships with peers and adults. Included in this focus are indicators that refer to children's views of themselves as learners and their sense of responsibility to themselves and others. Particularly important in this domain are the skills children demonstrate making friends, solving conflicts, and functioning effectively in groups.

Strategies FAMILY MEMBERS can use to facilitate children's *SOCIAL COMPETENCE AND RELATIONSHIPS*:

- Help children practice listening and talking
- Help children understand and appreciate similarities and differences among people
- Provide children the opportunity to know and understand their culture and the culture of others
- Help children develop understanding of the feelings, ideas, and actions of others
- Model positive ways to interact with others
- Use peaceful conflict resolution strategies
- Encourage children to help others

Strategies TEACHERS and CAREGIVERS can use to facilitate children's *SOCIAL COMPETENCE AND RELATIONSHIPS*

- Provide opportunities for children to practice listening and talking with others
- Provide opportunities for children to interact with others with similar and different characteristics
- Provide experiences to teach respect and appreciation for own culture and the culture of others
- Plan activities that build a sense of belonging and community with children
- Provide opportunities for children to develop understanding of the feelings, ideas, and actions of others
- Encourage children's understanding of others' rights and privileges
- Provide information, opportunities, and support to help children develop constructive conflict management strategies



EARLY CHILDHOOD INDICATORS OF PROGRESS*

Children show progress in **SOCIAL COMPETENCE AND RELATIONSHIPS** when they:

1. Interact easily with one or more children
2. Interact easily with familiar adults
3. Approach others with expectations of positive interactions
4. Begin to participate successfully as a member of a group
5. Use play to explore, practice, and understand social roles and relationships
6. Begin to understand others' rights and privileges
7. Sustain interaction by cooperating, helping, sharing, and expressing interest
8. Seek adult help when needed for emotional support, physical assistance, social interaction, and approval
9. Use words and other constructive strategies to resolve conflicts

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Strategies **COMMUNITY MEMBERS** can use to promote children's **SOCIAL AND EMOTIONAL DEVELOPMENT:**

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Strategies **POLICYMAKERS** can use to promote children's **SOCIAL AND EMOTIONAL DEVELOPMENT:**

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Approaches to Learning

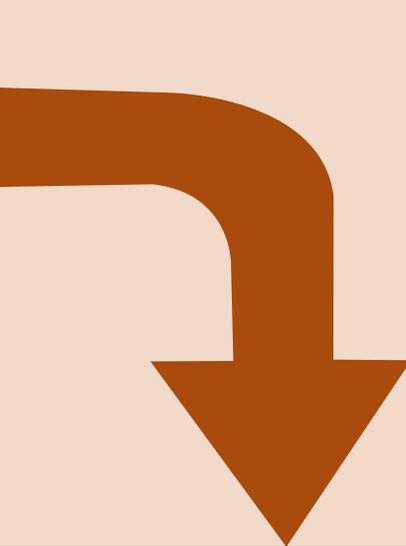
This domain emphasizes the attitudes, behaviors, and learning styles children use in social situations and in acquiring information. Goals for children are not limited to the acquisition of knowledge, understanding, and skills, but also address the development of positive attitudes and dispositions.

Strategies FAMILY MEMBERS can use to facilitate children's **CURIOSITY**:

- Encourage children's interest and excitement in discovery and exploration
- Share activities and experiences where children and adults learn new things together
- Encourage children to make choices in materials and activities
- Plan family outings to interesting places such as parks, markets, and museums
- Provide a variety of materials and activities in the home environment
- Help children learn about and explore their neighborhood and community

Strategies TEACHERS and CAREGIVERS can use to facilitate children's **CURIOSITY**:

- Share children's excitement in discoveries, exploration, and manipulation of items in the environment
- Provide opportunities and time for children to explore a variety of activities and materials including those in their larger community environment
- Identify and build upon children's individual ideas and interests
- Provide a variety of instructional approaches/strategies/materials that appeal to both genders and to the full range of learning styles, cultures, and ability levels of children
- Provide a variety and an appropriate amount of learning activities
- Model curiosity and information-seeking



EARLY CHILDHOOD INDICATORS OF PROGRESS*

Children show progress in **CURIOSITY** when they:

1. Show eagerness and a sense of wonder as a learner
2. Show interest in discovering and learning new things

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Strategies **COMMUNITY MEMBERS** can use to promote children's development in **APPROACHES TO LEARNING**:

- Provide a variety of environments and activities appropriate for families with young children (e.g. parks, libraries, open-ended □adventure playgrounds□, festivals, and celebrations)
- Provide safe community environments and activities that allow freedom to explore and learn
- Provide appropriate and equitable access to media resources
- Provide opportunities for families to participate in solving community problems or issues

Strategies **POLICYMAKERS** can use to promote children's development in **APPROACHES TO LEARNING**:

- Encourage cooperation and collaboration across systems that impact environments and activities for families with young children
- Ensure accessible and affordable environments and activities for families with young children
- Support the development of children and base decisions on developmental needs of the whole child
- Support appropriate use of and equitable access to media resources

Approaches to Learning

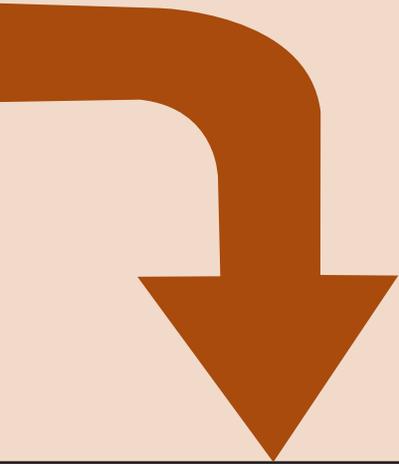
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Strategies FAMILY MEMBERS can use to facilitate children's *RISK-TAKING*:

- Encourage children to try new things and solve problems creatively
- Respond positively to mistakes or errors
- Introduce everyday household materials and toys that can be used in more than one way
- Monitor children's use of media including television, video/DVD, and computer

Strategies TEACHERS and CAREGIVERS can use to facilitate children's *RISK-TAKING*:

- Provide opportunities for children to try new activities and experiences
- Recognize and plan for children's individual differences and diverse ways of learning
- Create environments that offer an appropriate amount of stimulation for children using a wide variety of equipment and materials
- Facilitate and manage children's use of media including television, video/DVD, and computer



EARLY CHILDHOOD INDICATORS OF PROGRESS*

Children show progress in **RISK-TAKING** when they:

1. Choose new as well as a variety of familiar activities
2. Use a variety of strategies to solve problems

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Approaches to Learning

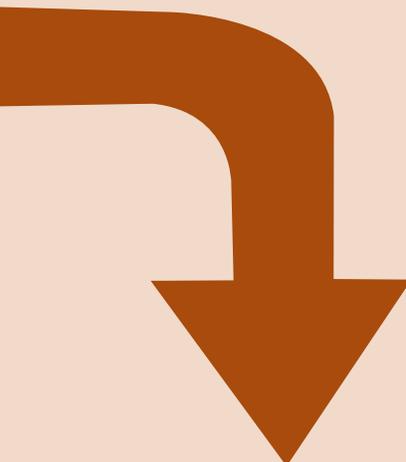
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Strategies FAMILY MEMBERS can use to facilitate children's **IMAGINATION AND INVENTION**:

- Provide opportunities for children to experiment with new materials and activities without fear of making mistakes
- Provide a variety of familiar and new materials and activities for children to explore
- Encourage children to try new approaches to solving problems
- Encourage pretend and make-believe play

Strategies TEACHERS and CAREGIVERS can use to facilitate children's **IMAGINATION AND INVENTION**:

- Provide an environment of psychological safety where children are encouraged to experiment without fear of making mistakes
- Provide tasks in which the goal is trying different strategies or solutions rather than right or wrong answers
- Model exploration and use of a wide variety of familiar and new learning materials and activities
- Encourage children's demonstration of flexibility and inventiveness in play and problem-solving



EARLY CHILDHOOD INDICATORS OF PROGRESS*

Children show progress in **IMAGINATION AND INVENTION** when they:

1. Approach tasks and experiences with flexibility, imagination, and inventiveness
2. Use new ways or novel strategies to solve problems or explore objects
3. Try out various pretend roles in play or with make-believe objects

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Approaches to Learning

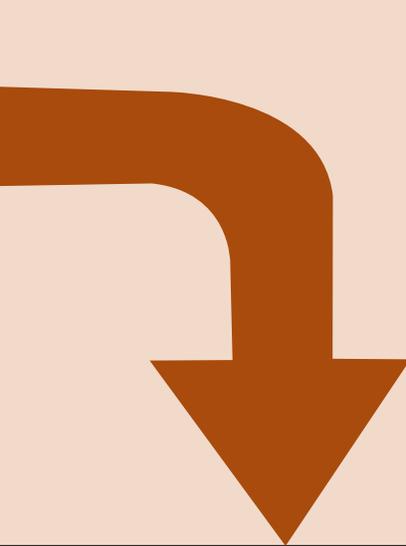
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Strategies FAMILY MEMBERS can use to facilitate children's *PERSISTENCE*:

- Provide places and times where children can play or work at tasks without interruptions
- Provide age-appropriate materials and activities
- Respond to children's requests when help is needed without being intrusive
- Encourage children's attention and persistence at tasks

Strategies TEACHERS and CAREGIVERS can use to facilitate children's *PERSISTENCE*:

- Provide sufficient time for children to engage in sustained activities
- Support children's efforts to complete activities and projects
- Arrange the classroom to limit environmental distractions
- Follow the child's lead in timing of suggestions and interventions when problems are encountered
- Be available and respond to children when they encounter problems without being intrusive



EARLY CHILDHOOD INDICATORS OF PROGRESS*

Children show progress in **PERSISTENCE** when they:

1. Work at a task despite distractions or interruptions
2. Seek and/or accept help or information when needed
3. Demonstrate ability to complete a task or stay engaged in an experience

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Strategies **COMMUNITY MEMBERS** can use to promote children's development in **APPROACHES TO LEARNING**:

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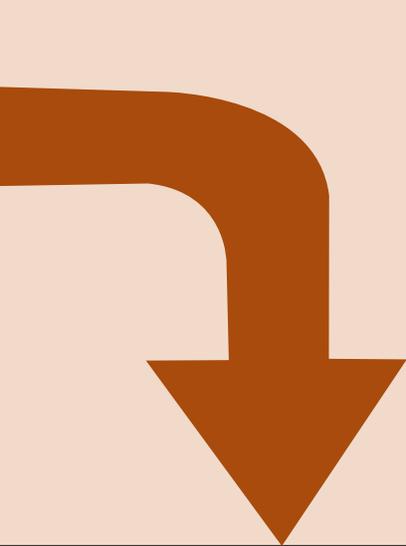
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Strategies FAMILY MEMBERS can use to facilitate children's REFLECTION AND INTERPRETATION:

- Encourage children to share their thoughts and ideas about the world around them
- Ask questions that will encourage children to think about what they have seen, heard, and done
- Model thinking □out loud□ and talk about ideas with children
- Involve children in planning family activities such as vacations or trips to the library or museum

Strategies TEACHERS and CAREGIVERS can use to facilitate children's REFLECTION AND INTERPRETATION:

- Provide opportunities for children to express their thoughts and feelings about experiences through a variety of methods (e.g., discussion, conversation, journaling, art activities, music, etc.)
- Allow children time to process experiences and information and devise alternatives
- Provide opportunities for children to think and talk about what and how they are learning
- Discuss sequencing and timing of experiences (past, present, future, and relationships among them)



EARLY CHILDHOOD INDICATORS OF PROGRESS*

Children show progress in **REFLECTION AND INTERPRETATION** when they:

1. Think about events and experiences and apply this knowledge to new situations
2. Generate ideas, suggestions, and/or make predictions

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Language and Literacy Development

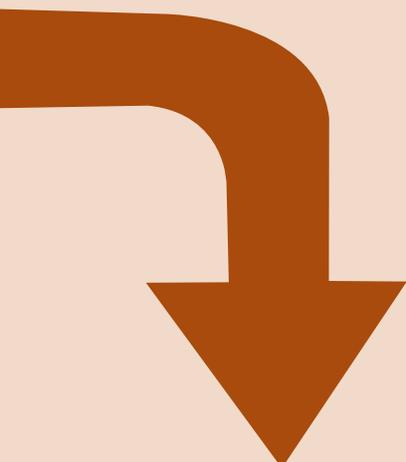
The emphasis of this domain is on acquiring language and literacy for a variety of purposes. During the preschool period, children are learning to use language to communicate needs, interact socially with others, and share ideas, thoughts, and feelings. They are increasing both their spoken and written language abilities.

Strategies FAMILY MEMBERS can use to facilitate children's *LISTENING*:

- Talk with children using language appropriate to their level of understanding
- Encourage children in conversation and notice and respond to what children say and do
- Use mealtimes and other daily routines as an opportunity for conversation
- Use rhymes and songs with children to increase children's interest in language sounds and words
- Engage children in simple tasks that require an action or verbal response

Strategies TEACHERS and CAREGIVERS can use to facilitate children's *LISTENING*:

- Provide clear instructions that help children move from simple directions to a more complex sequence of directions
- Listen and respond to children's attempts to communicate both verbally and non-verbally
- Model language for children using questions and facial expressions to communicate information
- Provide time and opportunities for children to have individual conversations with adults and other children



EARLY CHILDHOOD INDICATORS OF PROGRESS*

Children show progress in **LISTENING** when they:

1. Understand non-verbal and verbal cues
2. Listen with understanding to stories, directions, and conversations
3. Follow directions that involve a two or three-step sequence of actions
4. Listen to and recognize different sounds in rhymes and familiar words

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Strategies **COMMUNITY MEMBERS** can use to promote children's **LANGUAGE AND LITERACY DEVELOPMENT:**

- Provide opportunities for parents and young children to participate in activities together
- Develop community awareness about the importance of talking and reading with young children
- Support volunteer programs that increase the time adults spend with young children
- Provide libraries that are well-supplied with appropriate books for young children
- Sponsor community events such as book fairs, plays, and story hours that encourage children and families to read together
- Organize book donation drives for child care centers, Head Start, schools, and other early childhood programs

Strategies **POLICYMAKERS** can use to promote children's **LANGUAGE AND LITERACY DEVELOPMENT:**

- Support efforts to encourage adults to spend more time with children, listening, speaking, and engaging children in conversation and interaction
- Support small group sizes so teachers, caregivers, and children have opportunities for more individualized time together
- Provide support for libraries and books, early childhood programs, parent-child programs, and volunteer programs for facilitating literacy development
- Support adult and family literacy programs for the whole family

Language and Literacy Development

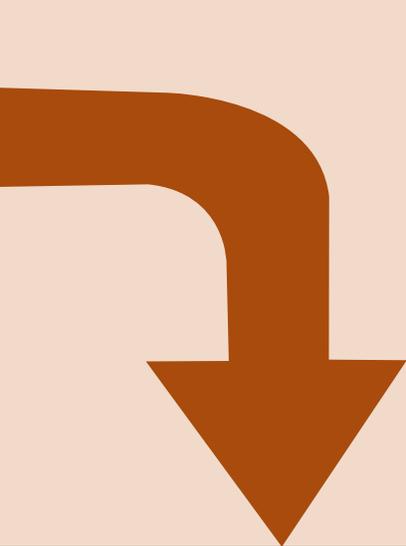
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Strategies FAMILY MEMBERS can use to facilitate children's *SPEAKING*:

- Respond to children's attempts to communicate using gestures, actions, or words
- Talk with children in home language and/or English and encourage children's use of home language
- Encourage children to discuss and add to stories read to them
- Use language in everyday activities with children and talk about their actions, thoughts, and ideas
- Provide opportunities for children to talk and interact with other children and adults

Strategies TEACHERS and CAREGIVERS can use to facilitate children's *SPEAKING*:

- Respond to children's attempts to communicate whether verbal or non-verbal
- Communicate with children using home language with interpreters when necessary
- Facilitate language development in home language and/or English (e.g., expand, extend, elaborate language)
- Talk about a variety of topics and illustrate ways to use language to ask questions, give answers, make statements, share ideas, or use pretend, fantasy, or word play
- Build on children's interests by introducing new vocabulary and ideas
- Provide opportunities for children to engage in turn-taking and dialogue in conversation



EARLY CHILDHOOD INDICATORS OF PROGRESS*

Children show progress in **SPEAKING** when they:

1. Communicate needs, wants, or thoughts through non-verbal gestures, actions, expressions, and/or words
2. Communicate information using home language and/or English
3. Speak clearly enough to be understood in home language and/or English
4. Use language for a variety of purposes
5. Use increasingly complex and varied vocabulary and language
6. Initiate, ask questions, and respond in conversation with others

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Language and Literacy Development

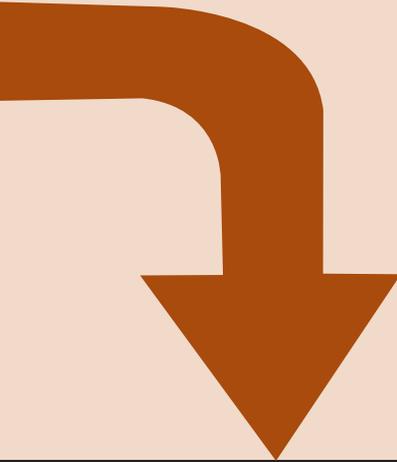
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Strategies FAMILY MEMBERS can use to facilitate children's **EMERGENT READING:**

- Read to children often for pleasure and information
- Point out the names of things, signs, labels, etc., in the neighborhood or store
- Make book-reading time special for your child
- Call attention to books, newspapers, and magazines in the home
- Visit a library often and check out books to read
- Ask children questions about the stories read together
- Encourage children to talk about and predict what will happen next in a story
- Repeat nursery rhymes and play word games

Strategies TEACHERS and CAREGIVERS can use to facilitate children's **EMERGENT READING:**

- Provide and share books with children, re-read favorite stories, and model reading behaviors
- Provide materials such as flannel board sets, puppets, and other props to act out and retell stories
- Provide many types of children's books, references, pictures, and posters in the environment
- Talk about what words mean and write down dictation of children
- Help children learn about sequences in books such as beginning, middle, and end
- Provide opportunities for children to repeat familiar rhymes and experiment with beginning word sounds



EARLY CHILDHOOD INDICATORS OF PROGRESS*

Children show progress in **EMERGENT READING** when they:

1. Initiate stories and respond to stories told or read aloud
2. Represent stories told or read aloud through various media or during play
3. Guess what will happen next in a story using pictures as a guide
4. Retell information from a story
5. Show beginning understanding of concepts about print
6. Recognize and name some letters of the alphabet, especially those in own name
7. Begin to associate sounds with words or letters

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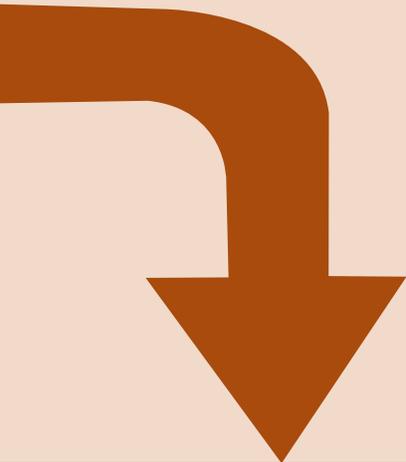
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Strategies FAMILY MEMBERS can use to facilitate children's *EMERGENT WRITING*:

- Provide writing materials in the home such as paper, pencils, crayons, and markers
- Support young children's interest in scribbles and pretend writing
- Encourage children to participate in activities that involve reading and writing, such as making a grocery list
- Use writing to communicate with others with a card or letter
- Help children recognize own name and allow children to practice writing letters

Strategies TEACHERS and CAREGIVERS can use to facilitate children's *EMERGENT WRITING*:

- Provide many opportunities for children to draw and print using markers, crayons, and pencils
- Provide a literary-rich environment that includes writing materials in many areas of the classroom
- Promote literacy-related play activities and respect children's attempts at writing
- Display models of adult and child writing in the classroom environment
- Encourage children's interest and attempts to copy or write letters and their own name



EARLY CHILDHOOD INDICATORS OF PROGRESS*

Children show progress in **EMERGENT WRITING** when they:

1. Understand that writing is a way of communicating
2. Use scribbles, shapes, pictures, or dictation to represent thoughts or ideas
3. Engage in writing using letter-like symbols to make letters or words
4. Begin to copy or write own name

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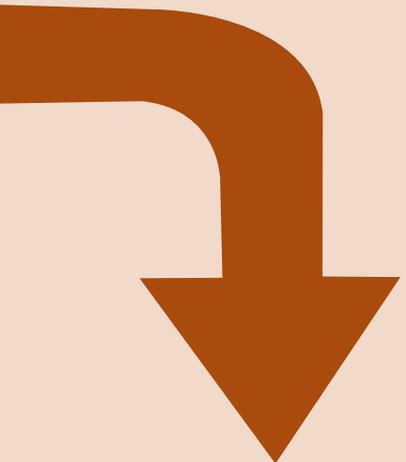
The emphasis in this domain is on children's engagement with the arts both actively and receptively. The component areas of creating, responding, and evaluating recognize how using and appreciating the arts enables children to demonstrate what they know and allows them to expand their thinking about creative endeavors.

Strategies FAMILY MEMBERS can use to facilitate children's *CREATING*:

- Provide opportunities to explore and experiment with a variety of art materials and experiences
- Participate in community arts activities with family
- Encourage children's interest in music, creative movement, and dance
- Display children's artwork at home

Strategies TEACHERS and CAREGIVERS can use to facilitate children's *CREATING*:

- Provide opportunities for exploring and experimenting with a variety of materials and media
- Provide time, materials, and space in multiple media (e.g., thinking, visual arts, construction, music, movement)
- Provide opportunities for exploration of the relationship of space and objects as well as color, balance, and design
- Facilitate participation of children in community art experiences



EARLY CHILDHOOD INDICATORS OF PROGRESS*

Children show progress in **CREATING** when they:

1. Use a variety of media and materials for exploration and creative expression
2. Participate in art and music experiences
3. Participate in creative movement, drama, and dance

* *These indicators apply to children in the preschool period of ages three to five. They are based on expectations for children approximately four years of age.*

Strategies **COMMUNITY MEMBERS** can use to promote children's development in **CREATIVITY AND THE ARTS:**

- Sponsor community-based arts programs in music, drama, movement, and the visual arts for children and families
- Provide resources for all families to support children's participation in creative expression and the arts
- Exhibit art in public spaces in the community
- Encourage children and families to participate in community art events

Strategies **POLICYMAKERS** can use to promote children's development in **CREATIVITY AND THE ARTS:**

- Develop policies that support creativity and the arts in school-based and community arts programs
- Provide support for programs for visiting artists and performers including representatives of different cultures
- Provide support for arts programs

Creativity and the Arts

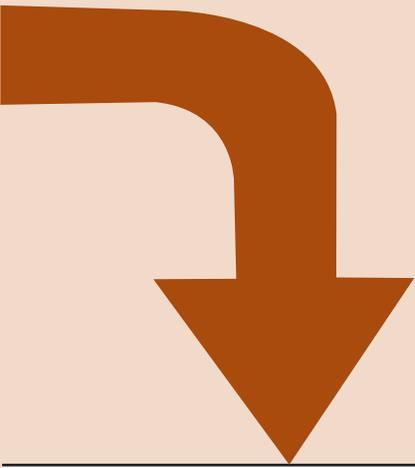
The emphasis in this domain is on children's engagement with the arts both actively and receptively. The component areas of creating, responding, and evaluating recognize how using and appreciating the arts enables children to demonstrate what they know and allows them to expand their thinking about creative endeavors.

Strategies FAMILY MEMBERS can use to facilitate children's **RESPONDING**:

- Show interest in creative and artistic activities of your child and others
- Encourage awareness and appreciation of the arts and creative expression of your own and other cultural groups
- Participate in activities to encourage creativity

Strategies TEACHERS and CAREGIVERS can use to facilitate children's **RESPONDING**:

- Describe, discuss, and accept the process as well as the product of children's activities with creativity and the arts
- Encourage awareness and appreciation of the arts and creative expression from a variety of cultures
- Encourage participation in a variety of creative and artistic activities



EARLY CHILDHOOD INDICATORS OF PROGRESS*

Children show progress in **RESPONDING** when they:

1. Show others and/or talk about what they have made or done
2. Show interest and respect for the creative work of self and others

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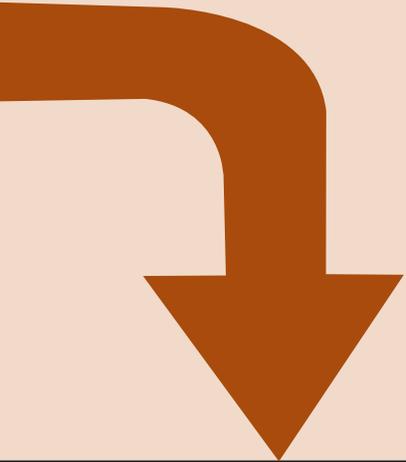
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Strategies FAMILY MEMBERS can use to facilitate children's *EVALUATING*:

- Encourage children to discuss their own art activities and the artistic work of others
- Discuss children's likes and dislikes about the arts and creative expression
- Encourage children to respect their work and the work of others
- Attend community arts events and encourage discussion and reflection

Strategies TEACHERS and CAREGIVERS can use to facilitate children's *EVALUATING*:

- Support the development of personal preferences by giving choices and supporting discussions of likes and dislikes
- Maintain collections of books and recordings that represent a variety of media and cultures
- Help children develop appreciation for the arts by attending art events, concerts, dance performances, theatrical performances, and cultural fairs



EARLY CHILDHOOD INDICATORS OF PROGRESS*

Children show progress in **EVALUATING** when they:

1. Share experiences, ideas, and thoughts about art and creative expression
2. Share opinions about likes and dislikes in art and creative expression

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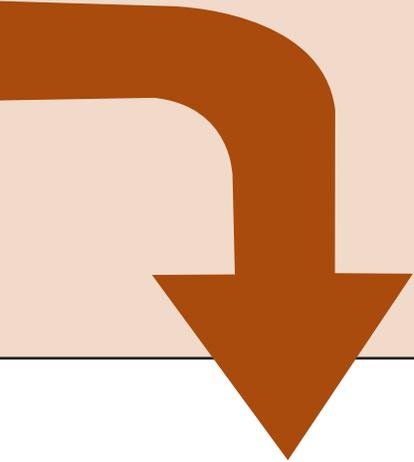
This domain recognizes the child's search for meaning as the basis for intellectual development. The focus is on children's curiosity about the world and their ability to acquire, organize, and use information in increasingly complex ways. The component areas of this domain are mathematical and logical thinking, scientific thinking and problem-solving, and social systems understanding.

Strategies FAMILY MEMBERS can use to facilitate children's MATHEMATICAL AND LOGICAL THINKING:

- Provide opportunities for children to explore number, measurement, and patterns using household materials and experiences
- Provide opportunities for children to count, group, and order household objects and materials
- Provide opportunities for conversation using everyday words to indicate space, location, shape, and size of objects
- Read children's books together about numbers, counting, shapes, and other concepts

Strategies TEACHERS and CAREGIVERS can use to facilitate children's MATHEMATICAL AND LOGICAL THINKING:

- Provide opportunities for children to explore number, measurement, and patterns through developmentally appropriate play and learning
- Provide opportunities for children to count, group, and order materials through developmentally appropriate play and learning
- Provide opportunities for conversation using positional and comparative words related to children's play and activities
- Provide opportunities to develop an understanding of space (e.g., filling and emptying, building, observing from different viewpoints)
- Discuss the sequence of daily and special family events
- Provide opportunities to experience and describe time (e.g., seasons, daily and weekly events)



EARLY CHILDHOOD INDICATORS OF PROGRESS*

Children show progress in **MATHEMATICAL AND LOGICAL THINKING** when they:

Number Concepts and Operations

1. Demonstrate increasing interest in and awareness of numbers and counting
2. Demonstrate understanding of one-to-one correspondence between objects and number
3. Demonstrate ability to count in sequence
4. Demonstrate ability to state the number that comes next up to 9 or 10
5. Demonstrate beginning ability to combine and separate numbers of objects

Patterns and Relationships

6. Recognize and duplicate simple patterns
7. Sort objects into subgroups by one or two characteristics
8. Order or sequence several objects on the basis of one characteristic

Spatial Relationships/Geometry

9. Identify and name common shapes
10. Use words that show understanding of order and position of objects

Measurement

11. Recognize objects can be measured by height, length, weight, and time
12. Make comparisons between at least two groups of objects

Mathematical Reasoning

13. Use simple strategies to solve mathematical problems

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Strategies **COMMUNITY MEMBERS** can use to promote children's **COGNITIVE DEVELOPMENT:**

- Provide toy lending libraries with materials for play and exploration
- Provide make-and-take events for parents and children to make and share learning materials
- Provide accessible, natural spaces for parents and children to visit and explore
- Provide opportunities for children and families to work on community service projects
- Encourage community leaders and members to become involved with early childhood programs
- Support peaceful conflict-management and problem-solving strategies

Strategies **POLICYMAKERS** can use to promote children's **COGNITIVE DEVELOPMENT:**

- Recognize the importance of healthy and supportive adult-child relationships in children's cognitive development
- Promote early childhood education and care programs to support children's cognitive development and readiness for school
- Provide resources for safe, natural spaces and places for children and families to visit and explore
- Provide resources for community activities and projects that involve children and families

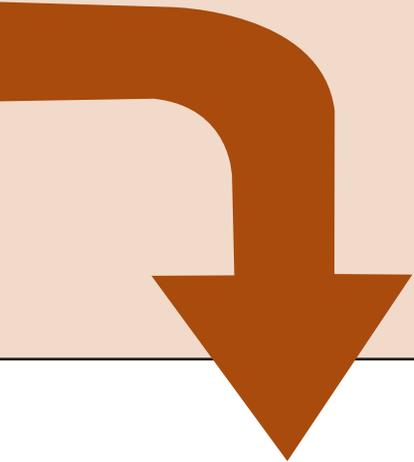
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Strategies FAMILY MEMBERS can use to facilitate children's *SCIENTIFIC THINKING AND PROBLEM-SOLVING*:

- Take walks in the neighborhood or community to observe natural objects and events
- Help children experience the world of nature
- Discuss objects and events that have been observed indoors and outdoors
- Encourage children to ask questions and find answers through active experimentation
- Encourage sand and water play and try growing things

Strategies TEACHERS and CAREGIVERS can use to facilitate children's *SCIENTIFIC THINKING AND PROBLEM-SOLVING*:

- Experience the natural world with children
- Provide opportunities to explore natural objects and events
- Encourage children to experiment and discuss what they discover
- Share information on observations pictorially, verbally, and through other representations
- Discuss objects and events that have been observed
- Encourage children to ask questions and seek answers through active exploration and reflection on what they learn
- Observe nature and make predictions about natural events (e.g., growing seeds, caring for animals, charting weather)
- Encourage and provide materials for a variety of sensory experiences



EARLY CHILDHOOD INDICATORS OF PROGRESS*

Children show progress in **SCIENTIFIC THINKING AND PROBLEM-SOLVING** when they:

Observing

1. Use senses to explore materials and the environment
2. Identify and/or describe objects by physical characteristics

Questioning

3. Express wonder about the natural world
4. Ask questions and seek answers through active exploration
5. Make predictions about objects and natural events

Investigating

6. Use tools (e.g., magnifying glass, binoculars, maps) for investigation of the environment
7. Make comparisons between objects that have been collected or observed

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Cognitive Development

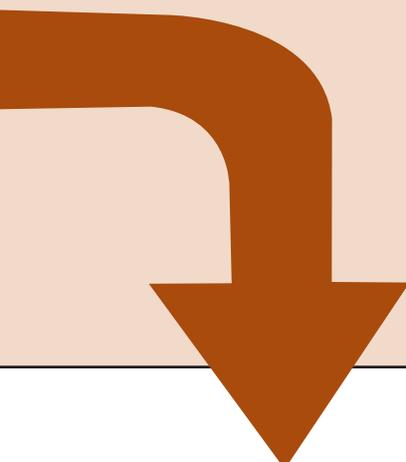
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Strategies FAMILY MEMBERS can use to facilitate children's *SOCIAL SYSTEMS UNDERSTANDING*:

- Help children describe and appreciate their own characteristics and those of others in the family
- Help children understand family roles, jobs, rules, and relationships
- Discuss family events and relationships within the family
- Participate as a family in community service projects
- Talk about the jobs people do in the community
- Discuss how people affect the environment
- Help children recall recent and past events and relationships about the family
- Explore and talk about land, water, and other features in the community
- Discuss technology used at home and in the neighborhood

Strategies TEACHERS and CAREGIVERS can use to facilitate children's *SOCIAL SYSTEMS UNDERSTANDING*:

- Help children describe and appreciate their own characteristics and those of others
- Help children understand family roles, jobs, rules, and relationships
- Involve children in service-learning and social action projects
- Invite leaders and workers in the community to come to the program
- Discuss how people have changed the environment
- Support children's understanding of recent and past events
- Create maps of the school, local area, or neighborhood
- Discuss technology used in the classroom



EARLY CHILDHOOD INDICATORS OF PROGRESS*

Children show progress in ***SOCIAL SYSTEMS UNDERSTANDING*** when they:

Human Relationships

1. Recognize and appreciate similarities and differences between self and others from diverse backgrounds
2. Understand various family roles, jobs, rules, and relationships
3. Participate in activities to help others in the community

Understanding the World

4. Recognize and describe the roles of workers in the community
5. Share responsibility in taking care of their environment
6. Begin to recall recent and past events
7. Identify characteristics of the places where they live and play within their community
8. Begin to understand the uses of media and technology and how they affect their lives

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Physical and Motor Development

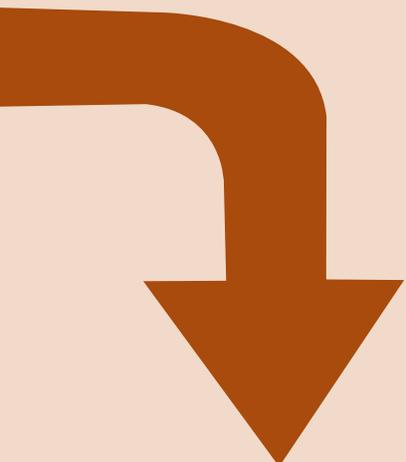
The emphasis in this domain is on physical health and development as an integral part of children's well-being and ability to take advantage of educational opportunities. The components address gross motor development, fine motor development, and physical health, nutrition, safety, and self-care.

Strategies FAMILY MEMBERS can use to facilitate children's *GROSS MOTOR DEVELOPMENT*:

- Support children's needs to move and be active
- Provide opportunities and time for outdoor large motor play
- Encourage children to learn and practice new skills
- Make physical activity part of everyday life

Strategies TEACHERS and CAREGIVERS can use to facilitate children's *GROSS MOTOR DEVELOPMENT*:

- Acknowledge and support children's need to move and be active by planning daily physical activity
- Provide adequate time for children to practice, explore, and expand their motor skills
- Support individual variations in gross motor development
- Provide space and equipment that allow for outdoor play and large motor activities that are fun and challenging



EARLY CHILDHOOD INDICATORS OF PROGRESS*

Children show progress in **GROSS MOTOR DEVELOPMENT** when they:

1. Develop large muscle control and coordination
2. Develop body strength, balance, flexibility, and stamina
3. Use a variety of equipment for physical development
4. Develop ability to move their body in space with coordination

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Strategies **COMMUNITY MEMBERS** can use to promote children's **PHYSICAL AND MOTOR DEVELOPMENT**:

- Provide parks and recreation programs and activities that support large motor and small motor development
- Provide community health programs for young children and families including immunization clinics
- Provide health education for families of young children
- Provide nutrition programs for families with young children
- Provide child safety education for family and community members
- Develop and support prevention and intervention programs that encourage children's development
- Ensure children's health and safety needs are met and intervene when they are not

Strategies **POLICYMAKERS** can use to promote children's **PHYSICAL AND MOTOR DEVELOPMENT**:

- Provide resources to communities to help meet fine and gross motor development needs of all young children
- Provide universal health programs for all young children
- Ensure nutrition programs are available to all eligible young children
- Support policies that ensure child safety
- Promote policies that help families meet basic needs
- Support early identification and intervention for health, learning, and development needs
- Support community-based screening programs for young children

Physical and Motor Development

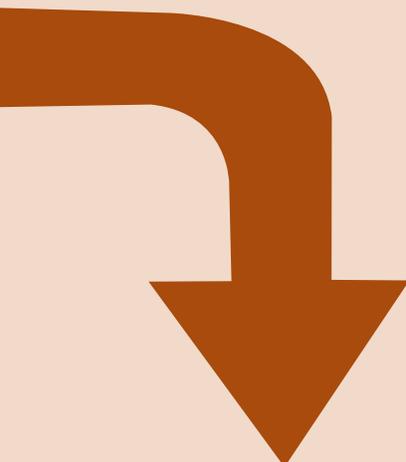
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Strategies FAMILY MEMBERS can use to facilitate children's FINE MOTOR DEVELOPMENT:

- Provide opportunities for manipulation of small objects or tools in normal daily activities
- Provide opportunities for play with small manipulative objects and toys (e.g., puzzles, blocks, beads)
- Provide opportunities and materials for writing and drawing in the home
- Model uses of writing and drawing in everyday tasks

Strategies TEACHERS and CAREGIVERS can use to facilitate children's FINE MOTOR DEVELOPMENT:

- Provide adequate time and appropriate materials for small motor, drawing, cutting, and handwriting development
- Plan activities that support the development of fine motor skills, with adaptations as needed
- Provide a variety of manipulative materials and activities for play and exploration
- Model the use of writing and drawing in everyday activities



EARLY CHILDHOOD INDICATORS OF PROGRESS*

Children show progress in **FINE MOTOR DEVELOPMENT** when they:

1. Develop small muscle control and coordination
2. Use eye-hand coordination to perform a variety of tasks
3. Explore and experiment with a variety of tools (e.g., spoons, crayons, paintbrushes, scissors, keyboards)

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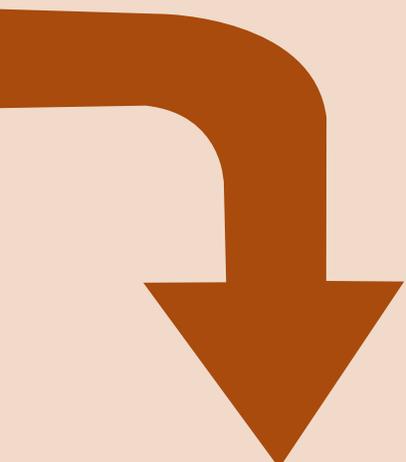
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Strategies FAMILY MEMBERS can use to facilitate children's *PHYSICAL HEALTH AND WELL-BEING*:

- Secure adequate nutrition for children
- Establish routines for eating, rest, and bedtime
- Ensure adequate exercise and physical activity
- Take children for regular well-child and dental examinations
- Take children for developmental, vision, and hearing screening
- Provide safe home and play environments for children
- Show children how to take care of personal care tasks, and help them when necessary (e.g., brushing teeth, wiping nose)
- Encourage children to show independence in self-care tasks (e.g., dressing, toileting, washing hands, feeding oneself)

Strategies TEACHERS and CAREGIVERS can use to facilitate children's *PHYSICAL HEALTH AND WELL-BEING*:

- Ensure safety of children through adherence to state and local regulations
- Provide health education for families and children
- Protect children from abuse and neglect
- Model health and safety practices during regular activities
- Provide time for exercise and physical activity
- Provide instruction in basic health and safety rules (e.g., washing hands, covering mouth when coughing or sneezing, taking care when using sharp objects)
- Encourage children to show independence in self-care tasks (e.g., washing hands, buttoning, fastening zippers, wiping nose)



EARLY CHILDHOOD INDICATORS OF PROGRESS*

Children show progress in **PHYSICAL HEALTH AND WELL-BEING** when they:

1. Participate in a variety of physical activities to enhance personal health and physical fitness.
2. Follow basic health and safety rules
3. Recognize and eat a variety of nutritious foods
4. Demonstrate increasing independence with basic self-care skills

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Minnesota's Early Learning Standards



EARLY CHILDHOOD INDICATORS OF PROGRESS*

SOCIAL AND EMOTIONAL DEVELOPMENT

EMOTIONAL DEVELOPMENT

1. Demonstrate increasing competency in recognizing and describing own emotions
2. Demonstrate increasing use of words instead of actions to express emotions
3. Begin to understand and respond to others' emotions
4. Begin to show self-regulation to handle emotions appropriately
5. Explore a wide range of emotions in different ways (e.g., through play, art, music, dance)
6. Respond to praise, limits, and correction

SELF-CONCEPT

1. Begin to experiment with own potential and show confidence in own abilities
2. Demonstrate increasing self-direction and independence
3. Develop an awareness of self as having certain abilities, characteristics, and preferences
4. Begin to develop awareness, knowledge, and acceptance of own gender and cultural identity

SOCIAL COMPETENCE AND RELATIONSHIPS

1. Interact easily with one or more children
2. Interact easily with familiar adults
3. Approach others with expectations of positive interactions
4. Begin to participate successfully as a member of a group
5. Use play to explore, practice, and understand social roles and relationships
6. Begin to understand others' rights and privileges
7. Sustain interaction by cooperating, helping, sharing, and expressing interest
8. Seek adult help when needed for emotional support, physical assistance, social interaction, and approval
9. Use words and other constructive strategies to resolve conflicts

APPROACHES TO LEARNING

CURIOSITY

1. Show eagerness and a sense of wonder as a learner
2. Show interest in discovering and learning new things

RISK-TAKING

1. Choose new as well as a variety of familiar activities
2. Use a variety of strategies to solve problems

IMAGINATION AND INVENTION

1. Approach tasks and experiences with flexibility, imagination, and inventiveness
2. Use new ways or novel strategies to solve problems or explore objects
3. Try out various pretend roles in play or with make-believe objects

PERSISTENCE

1. Work at a task despite distractions or interruptions
2. Seek and/or accept help or information when needed
3. Demonstrate ability to complete a task or stay engaged in an experience

REFLECTION AND INTERPRETATION

1. Think about events and experiences and apply this knowledge to new situations
2. Generate ideas, suggestions, and/or make predictions

LANGUAGE AND LITERACY DEVELOPMENT

LISTENING

1. Understand non-verbal and verbal cues
2. Listen with understanding to stories, directions, and conversations
3. Follow directions that involve a two or three-step sequence of actions
4. Listen to and recognize different sounds in rhymes and familiar words

SPEAKING

1. Communicate needs, wants, or thoughts through non-verbal gestures, actions, expressions, and/or words
2. Communicate information using home language and/or English
3. Speak clearly enough to be understood in home language and/or English
4. Use language for a variety of purposes
5. Use increasingly complex and varied vocabulary and language
6. Initiate, ask questions, and respond in conversation with others

EMERGENT READING

1. Initiate stories and respond to stories told or read aloud
2. Represent stories told or read aloud through various media or during play
3. Guess what will happen next in a story using pictures as a guide
4. Retell information from a story
5. Show beginning understanding of concepts about print
6. Recognize and name some letters of the alphabet, especially those in own name
7. Begin to associate sounds with words or letters

EMERGENT WRITING

1. Understand that writing is a way of communicating
2. Use scribbles, shapes, pictures, or dictation to represent thoughts or ideas
3. Engage in writing using letter-like symbols to make letters or words
4. Begin to copy or write own name

CREATIVITY AND THE ARTS

CREATING

1. Use a variety of media and materials for exploration and creative expression
2. Participate in art and music experiences
3. Participate in creative movement, drama, and dance

RESPONDING

1. Show others and/or talk about what they have made or done
2. Show interest and respect for the creative work of self and others

EVALUATING

1. Share experiences, ideas, and thoughts about art and creative expression
2. Share opinions about likes and dislikes in art and creative expression

COGNITIVE DEVELOPMENT

MATHEMATICAL AND LOGICAL THINKING

Number Concepts and Operations

1. Demonstrate increasing interest in and awareness of numbers and counting
2. Demonstrate understanding of one-to-one correspondence between objects and number
3. Demonstrate ability to count in sequence
4. Demonstrate ability to state the number that comes next up to 9 or 10
5. Demonstrate beginning ability to combine and separate numbers of objects

Patterns and Relationships

6. Recognize and duplicate simple patterns
7. Sort objects into subgroups by one or two characteristics
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Spatial Relationships/Geometry

9. Identify and name common shapes
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Measurement

11. Recognize objects can be measured by height, length, weight, and time
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13. Use simple strategies to solve mathematical problems

SCIENTIFIC THINKING AND PROBLEM-SOLVING

Observing

1. Use senses to explore materials and the environment
2. Identify and/or describe objects by physical characteristics

Questioning

3. Express wonder about the natural world
4. Ask questions and seek answers through active exploration
5. Make predictions about objects and natural events

Investigating

6. Use tools (e.g., magnifying glass, binoculars, maps) for investigation of the environment
7. Make comparisons between objects that have been collected or observed

SOCIAL SYSTEMS UNDERSTANDING

Human Relationships

1. Recognize and appreciate similarities and differences between self and others from diverse backgrounds
2. Understand various family roles, jobs, rules, and relationships
3. Participate in activities to help others in the community

Understanding the World

4. Recognize and describe the roles of workers in the community
5. Share responsibility in taking care of their environment
6. Begin to recall recent and past events
7. Identify characteristics of the places where they live and play within their community
8. Begin to understand the uses of media and technology and how they affect their lives

PHYSICAL AND MOTOR DEVELOPMENT

GROSS MOTOR DEVELOPMENT

1. Develop large muscle control and coordination
2. Develop body strength, balance, flexibility, and stamina
3. Use a variety of equipment for physical development
4. Develop ability to move their body in space with coordination

FINE MOTOR DEVELOPMENT

1. Develop small muscle control and coordination
2. Use eye-hand coordination to perform a variety of tasks
3. Explore and experiment with a variety of tools (e.g., spoons, crayons, paintbrushes, scissors, keyboards)

PHYSICAL HEALTH AND WELL-BEING

1. Participate in a variety of physical activities to enhance personal health and physical fitness
2. Follow basic health and safety rules
3. Recognize and eat a variety of nutritious foods
4. Demonstrate increasing independence with basic self-care skills

** These indicators apply to children in the preschool period of ages three to five. They are based on expectations for children approximately four years of age.*

EARLY CHILDHOOD INDICATORS OF PROGRESS:

Minnesota's Early Learning Standards

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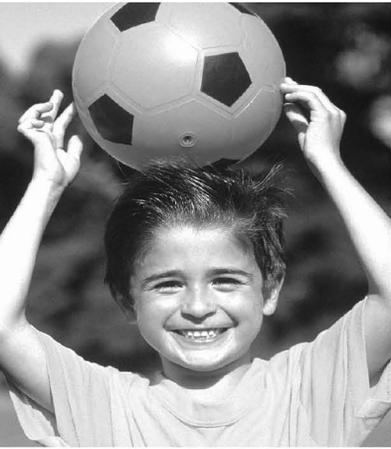
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WORKING DRAFT
January 2005

**ALIGNMENT OF
MINNESOTA K-12 KINDERGARTEN ACADEMIC STANDARDS
WITH THE
EARLY CHILDHOOD INDICATORS OF PROGRESS:
MINNESOTA'S EARLY LEARNING STANDARDS
AND THE
HEAD START CHILD OUTCOMES FRAMEWORK**

BACKGROUND

The goal of the federal *No Child Left Behind Act* is to ensure that public schools are teaching students what they need to know to be successful in life. This act draws attention to the need to prepare children before they start school, recognizing that the first five years of a child's life are a time of tremendous physical, emotional, social and cognitive growth. The *Good Start, Grow Smart* Early Childhood Initiative is a strategic federal plan designed to strengthen early learning as part of *No Child Left Behind*. A key element in the *Good Start, Grow Smart* Initiative is the development of state early learning standards on literacy, language and pre-reading skills that align with state K-12 standards. State early learning standards and their alignment with K-12 standards are intended to be used for a number of purposes including:

- to inform parents, teachers and caregivers, and the general public about learning and developmental expectations of children prior to kindergarten;
- to guide learning experiences at home, school, and child care;
- to align what children are doing before they enter school with what is expected of them once they are in school; and
- to help ensure that young children are equipped with the skills they need to start school ready to learn.

This document aligns Minnesota's early learning standards in the form of the Early Childhood Indicators of Progress and the Head Start Child Outcomes Framework with Minnesota K-12 Kindergarten Academic Standards. The Minnesota Kindergarten Academic Standards are listed first, followed by the Early Childhood Indicators of Progress and the Head Start Child Outcomes Framework.

MINNESOTA K-12 ACADEMIC STANDARDS

In 2003, the Minnesota legislature approved implementation of the Minnesota K-12 Academic Standards in:

- Language Arts,
- Mathematics, and
- Artistic Expression.

Academic Standards were approved by the 2004 Minnesota legislature in:

- Science and
- History and Social Studies.

These standards are intended to assist schools with curriculum alignment and standards implementation (Available on the Minnesota Department of Education (MDE) Web site at http://education.state.mn.us/html/intro_acad_standards.htm).

EARLY CHILDHOOD INDICATORS OF PROGRESS: MINNESOTA'S EARLY LEARNING STANDARDS

Since 2000, Minnesota has had early learning standards in the form of the *Minnesota Early Childhood Indicators of Progress: A Resource Guide*. These indicators were developed in partnership with members of the Minnesota Association for the Education of Young Children, the Minnesota Association of Early Childhood Teacher Educators, and other representatives of early childhood education and care programs in Minnesota for the primary purpose of providing a framework for understanding and communicating a common set of developmentally appropriate expectations for young children within a context of shared responsibility and accountability for helping children meet these expectations.

The Early Childhood Indicators of Progress are divided into the following six domains that reflect the full range of child development:

- Social and Emotional Development
- Approaches to Learning
- Language and Literacy Development
- Creativity and the Arts
- Cognitive Development (includes Mathematical and Logical Thinking, Scientific Thinking and Problem Solving, and Social Systems Understanding)
- Physical and Motor Development

Each domain is further divided into three to five components that describe indicators of children's progress in gaining concepts, knowledge, and skills for a child approximately three to five years old. These were updated in 2005 based on the latest research in each of the content domains, are now titled *Early Childhood Indicators of Progress: Minnesota's Early Learning Standards*, and are available on the MDE Web site at <http://education.state.mn.us/content/086302.pdf>.

HEAD START CHILD OUTCOMES FRAMEWORK

The Head Start Child Outcomes Framework is intended to guide Head Start programs in their ongoing assessment of the progress and accomplishments of children and in their efforts to analyze and use data on child outcomes in program self-assessment and continuous improvement. The Framework is intended as a guide for children in the preschool period of ages three to five years. It is composed of 8 general domains, 27 domain elements, and 100 examples of more specific indicators of children's skills, abilities, knowledge, and behaviors. The eight general domains are:

- Language Development
- Literacy
- Mathematics
- Science
- Creative Arts
- Social and Emotional Development
- Approaches to Learning
- Physical Health and Development

ALIGNMENT CHART

The attached chart shows the alignment of the Minnesota Kindergarten Academic Standards in the domains of Language Arts, Mathematics, Artistic Expression, Science, and History and Social Studies with the Early Childhood Indicators of Progress (ECIP): Minnesota's Early Learning Standards and the Head Start Child Outcomes Framework (HSCOF). Some of the Kindergarten Standards domains align with more than one domain in the other sets of standards. The table below shows the domain alignment across the three sets of standards.

CONTENT DOMAINS		
Minnesota Kindergarten Academic Standards	Early Childhood Indicators of Progress: Minnesota's Early Learning Standards	Head Start Child Outcomes Framework
<ul style="list-style-type: none"> • Language Arts 	<ul style="list-style-type: none"> • Language and Literacy Development 	<ul style="list-style-type: none"> • Language Development • Literacy
<ul style="list-style-type: none"> • Mathematics 	<ul style="list-style-type: none"> • Mathematical and Logical Thinking • Social Studies Understanding • Scientific Thinking and Problem Solving 	<ul style="list-style-type: none"> • Mathematics
<ul style="list-style-type: none"> • Artistic Expression (K-3) 	<ul style="list-style-type: none"> • Creativity and the Arts • Approaches to Learning 	<ul style="list-style-type: none"> • Creative Arts
<ul style="list-style-type: none"> • Science 	<ul style="list-style-type: none"> • Scientific Thinking and Problem Solving • Mathematical and Logical Thinking 	<ul style="list-style-type: none"> • Science
<ul style="list-style-type: none"> • History and Social Studies (K-3) 	<ul style="list-style-type: none"> • Social Systems Understanding • Mathematical and Logical Thinking • Scientific Thinking and Problem Solving • Social and Emotional Development • Physical and Motor Development 	<ul style="list-style-type: none"> • Social and Emotional Development • Mathematics • Science • Physical Health and Development

The Kindergarten Academic Standards strands, the ECIP domain components, and the HSCOF domain elements align at the same level and are shadowed on the alignment chart. The Kindergarten Academic Standards are listed in the order they were written and appear on the MDE Web site, with the other two sets of standards ordered to align with the Kindergarten Standards. The specific indicator number within each domain component of the ECIP and each domain element of the HSCOF is listed along with the domain component or element title after each indicator in the chart. In the Kindergarten Academic Standards of Language Arts, Mathematics and Artistic Expression, each kindergarten indicator is aligned with one ECIP and with one or more specific Head Start indicators. With the Kindergarten Academic Standards in Science and History and Social Studies, individual or groups of related indicators in any of the three sets of standards may be aligned with individual or groups of related indicators in the other two sets of indicators.

The main audiences for use of this alignment document are teachers, caregivers and administrators of early childhood education and care programs, kindergarten teachers and elementary principals and other administrators. These groups can use the document as they work together to align what children are doing before they enter school with what is expected of them once they are in school and to insure that young children are equipped with the skills they need to succeed in school. These audiences can also use this document as a resource in the successful transition to school for children and their parents and to meet the varying needs of children once they enter kindergarten.

FOR QUESTIONS OR FURTHER INFORMATION CONTACT: Betty Cooke at betty.cooke@state.mn.us or 651.582.8329, MN Department of Education.

Alignment of Minnesota Kindergarten Academic Standards with the Minnesota Early Childhood Indicators of Progress and the Head Start Child Outcomes Framework

LANGUAGE ARTS		
Minnesota Kindergarten Academic Standards in <u>Language Arts</u>	Minnesota Early Childhood Indicators of Progress in <u>Language and Literacy Development</u> <i>(These indicators are intended as a guide for children in the preschool period of ages 3 to 5.)</i>	Head Start Child Outcomes Framework in <u>Language Development and Literacy</u> <i>(This framework is intended as a guide for children in the preschool period of ages 3 to 5.)</i>
I. READING AND LITERATURE		
A. Word Recognition, Analysis, and Fluency Standard: The student will understand and apply knowledge of the sounds of the English language (phonemic awareness) and of the sound-symbol relationship (phonics).	Listening Speaking Emergent Reading Emergent Writing	Phonological Awareness Speaking & Communicating Print Awareness & Concepts Alphabet Knowledge Early Writing
The student will: 1. See, hear, say and write the basic sounds (phonemes) of the English language.	Listen to and recognize different sounds in rhymes and familiar words. (Listening 4)	Shows increasing ability to discriminate and identify sounds in spoken language. (Phonological Awareness 1) Shows growing awareness of beginning and ending sounds of words. (Phonological Awareness 2) Progresses in recognizing matching sounds and rhymes in familiar words, games, songs, stories, and poems. (Phonological Awareness 3) Shows growing ability to hear and discriminate separate syllables in words. (Phonological Awareness 4) Associates sounds with written words, such as awareness that different words begin with the same sound (Phonological Awareness 5)
	Speak clearly enough to be understood in home language and/or English. (Speaking 3)	Progresses in clarity of pronunciation and towards speaking in sentences of increasing length and grammatical complexity. (Speaking & Communicating 4) For non-English-speaking children, progresses in speaking English. (Speaking & Communicating 5)
	Recognize and name some letters of the alphabet, especially those in own name. (Emergent Reading 6)	Shows progress in associating the names of letters with their shapes and sounds. (Alphabet Knowledge 1) Increases in ability to notice beginning letters in familiar words (Alphabet Knowledge 2) Know that letters of the alphabet are a special category of visual graphics that can be individually named. (Alphabet Knowledge 4)

LANGUAGE ARTS

Minnesota Kindergarten Academic Standards in <u>Language Arts</u>	Minnesota Early Childhood Indicators of Progress in <u>Language and Literacy Development</u> <i>(These indicators are intended as a guide for children in the preschool period of ages 3 to 5.)</i>	Head Start Child Outcomes Framework in <u>Language Development and Literacy</u> <i>(This framework is intended as a guide for children in the preschool period of ages 3 to 5.)</i>
	<p>Begin to associate sounds with words or letters. (Emergent Reading 7)</p> <hr/> <p>Understand that writing is a way of communicating. (Emergent Writing 1)</p> <hr/> <p>Use scribbles, shapes, pictures, or dictation to represent thoughts or ideas. (Emergent Writing 2)</p> <hr/> <p>Engage in writing using letter-like symbols to make letters or words. (Emergent Writing 3)</p>	<p>Shows increasing ability to discriminate and identify sounds in spoken language. (Phonological Awareness 1)</p> <p>Shows growing awareness of beginning and ending sounds of words. (Phonological Awareness 2)</p> <p>Progresses in recognizing matching sounds and rhymes in familiar words, games, songs, stories, and poems. (Phonological Awareness 3)</p> <p>Shows growing ability to hear and discriminate separate syllables in words. (Phonological Awareness 4)</p> <p>Associates sounds with written words, such as awareness that different words begin with the same sound (Phonological Awareness 5)</p> <p>Shows progress in recognizing the association between spoken and written words by following print as it is read aloud. (Print Awareness & Concepts 4)</p> <p>Shows increasing awareness of print in classroom, home, and community settings. (Print Awareness & Concepts 1)</p> <p>Develops growing understanding of the different functions of forms of print such as signs, letters, newspapers, lists, messages, and menus. (Print Awareness & Concepts 2)</p> <p>Demonstrates increasing awareness of concepts of print, such as that reading in English moves from top to bottom and from left to right, that speech can be written down, and that print conveys a message. (Print Awareness & Concepts 3)</p> <p>Develops understanding that writing is a way of communicating for a variety of purposes. (Early Writing 1)</p> <hr/> <p>Begins to represent stories and experiences through pictures, dictation, and in play. (Early Writing 2)</p> <p>Experiments with a growing variety of writing tools and materials, such as pencils, crayons, and computers. (Early Writing 3)</p> <hr/> <p>Recognizes a word as a unit of print, or awareness that letters are grouped to form words, and that words are separated by spaces. (Print Awareness & Concepts 5)</p> <p>Experiments with a growing variety of writing tools and materials, such as pencils, crayons, and computers. (Early Writing 3)</p> <p>Progresses from using scribbles, shapes, or pictures to represent ideas, to using letter-like symbols, to copying or writing familiar words such as their own name. (Early Writing 4)</p>

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2. Match consonant and short vowel sounds to appropriate letters, say the common sounds of most letters, and begin to write consonant-vowel-consonant words	Listen to and recognize different sounds in rhymes and familiar words. (Listening 4)	Shows increasing ability to discriminate and identify sounds in spoken language. (Phonological Awareness 1) Shows growing awareness of beginning and ending sounds of words. (Phonological Awareness 2) Progresses in recognizing matching sounds and rhymes in familiar words, games, songs, stories, and poems. (Phonological Awareness 3) Shows growing ability to hear and discriminate separate syllables in words. (Phonological Awareness 4) Associates sounds with written words, such as awareness that different words begin with the same sound (Phonological Awareness 5)
	Begin to associate sounds with words or letters. (Emergent Reading 7)	Shows increasing ability to discriminate and identify sounds in spoken language. (Phonological Awareness 1) Shows growing awareness of beginning and ending sounds of words. (Phonological Awareness 2) Progresses in recognizing matching sounds and rhymes in familiar words, games, songs, stories, and poems. (Phonological Awareness 3) Shows growing ability to hear and discriminate separate syllables in words. (Phonological Awareness 4) Associates sounds with written words, such as awareness that different words begin with the same sound (Phonological Awareness 5) Shows progress in recognizing the association between spoken and written words by following print as it is read aloud. (Print Awareness & Concepts 4)
	Understand that writing is a way of communicating. (Emergent Writing 1)	Shows increasing awareness of print in classroom, home and community settings. (Print Awareness & Concepts 1) Develops growing understanding of the different functions of forms of print such as signs, letters, newspapers, lists, messages, and menus. (Print Awareness & Concepts 2) Demonstrates increasing awareness of concepts of print, such as that reading in English moves from top to bottom and from left to right, that speech can be written down, and that print conveys a message. (Print Awareness & Concepts 3) Recognizes a word as a unit of print, or awareness that letters are grouped to form words, and that words are separated by spaces. (Print Awareness & Concepts 5) Develops understanding that writing is a way of communicating for a variety of purposes. (Early Writing 1)
	Use scribbles, shapes, pictures, or dictation to represent thoughts or ideas. (Emergent Writing 2)	Begins to represent stories and experiences through pictures, dictation, and in play. (Early Writing 2) Experiments with a growing variety of writing tools and materials, such as pencils, crayons, and computers. (Early Writing 3)

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	Engage in writing using letter-like symbols to make letters or words. (Emergent Writing 3)	Recognizes a word as a unit of print, or awareness that letters are grouped to form words, and that words are separated by spaces. (Print Awareness & Concepts 5) Experiments with a growing variety of writing tools and materials, such as pencils, crayons, and computers. (Early Writing 3) Progresses from using scribbles, shapes, or pictures to represent ideas, to using letter-like symbols, to copying or writing familiar words such as their own name. (Early Writing 4)
3. Identify and name uppercase and lowercase letters of the alphabet.	Recognize and name some letters of the alphabet, especially those in own name. (Emergent Reading 6)	Shows progress in associating the names of letters with their shapes and sounds. (Alphabet Knowledge 1) Increases in ability to notice beginning letters in familiar words (Alphabet Knowledge 2) Identifies at least 10 letters of the alphabet, especially those in their own name. (Alphabet Knowledge 3) Know that letters of the alphabet are a special category of visual graphics that can be individually named. (Alphabet Knowledge 4)
4. Identify beginning consonant sounds and ending sounds in single-syllable words.	Listen to and recognize different sounds in rhymes and familiar words. (Listening 4)	Shows increasing ability to discriminate and identify sounds in spoken language. (Phonological Awareness 1) Shows growing awareness of beginning and ending sounds of words. (Phonological Awareness 2) Progresses in recognizing matching sounds and rhymes in familiar words, games, songs, stories, and poems. (Phonological Awareness 3) Shows growing ability to hear and discriminate separate syllables in words. (Phonological Awareness 4) Associates sounds with written words, such as awareness that different words begin with the same sound (Phonological Awareness 5)
5. Identify, produce and say rhyming words in response to an oral prompt.	Listen to and recognize different sounds in rhymes and familiar words. (Listening 4)	Shows increasing ability to discriminate and identify sounds in spoken language. (Phonological Awareness 1) Shows growing awareness of beginning and ending sounds of words. (Phonological Awareness 2) Progresses in recognizing matching sounds and rhymes in familiar words, games, songs, stories, and poems. (Phonological Awareness 3) Shows growing ability to hear and discriminate separate syllables in words. (Phonological Awareness 4) Associates sounds with written words, such as awareness that different words begin with the same sound (Phonological Awareness 5)
6. Read 10 high-frequency words.	Not applicable	Not applicable

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B. Vocabulary Expansion Standard: The student will use a variety of strategies to develop and expand reading, listening and speaking vocabularies.	Listening Speaking	Speaking & Communicating Listening & Understanding
The student will: 1. Use words to describe and name people, places and things.	Use increasingly complex and varied vocabulary and language. (Speaking 5)	Uses an increasingly complex and varied spoken vocabulary. (Speaking & Communicating 3) Progresses in clarity of pronunciation and towards speaking in sentences of increasing length and grammatical complexity. (Speaking & Communicating 4)
2. Use words to describe location, size, color, shape and direction.	Use increasingly complex and varied vocabulary and language. (Speaking 5)	Uses an increasingly complex and varied spoken vocabulary. (Speaking & Communicating 3) Progresses in clarity of pronunciation and towards speaking in sentences of increasing length and grammatical complexity. (Speaking & Communicating 4)
3. Use words to describe actions.	Use increasingly complex and varied vocabulary and language. (Speaking 5)	Uses an increasingly complex and varied spoken vocabulary. (Speaking & Communicating 3) Progresses in clarity of pronunciation and towards speaking in sentences of increasing length and grammatical complexity. (Speaking & Communicating 4)
4. Use context to predict and infer word meanings.	Understand non-verbal and verbal cues. (Listening 1)	Demonstrates increasing ability to attend to and understand conversations, stories, songs, and poems. (Listening & Understanding 1) Understands an increasingly complex and varied vocabulary. (Listening & Understanding 3) For non-English-speaking children, progresses in listening to and understanding English. (Listening & Understanding 4)
5. Learn new words through explicit instruction.	Not applicable	Not applicable
C. Comprehension Standard: The student will listen to and understand the meaning of text.	Emergent Reading Emergent Writing	Book Knowledge & Appreciation Print Awareness & Concepts Early Writing
The student will: 1. Demonstrate literal comprehension by asking and answering questions about narrative and informational text.	Initiate stories and respond to stories told or read aloud. (Emergent Reading 1) ----- Retell information from a story. (Emergent Reading 4)	Shows growing interest and involvement in listening to and discussing a variety of fiction and non-fiction books and poetry. (Book Knowledge & Appreciation 1) ----- Demonstrates progress in abilities to retell and dictate stories from books and experiences; to act out stories in dramatic play; and to predict what will happen next in a story. (Book Knowledge & Appreciation 3)
2. Make predictions from illustrations and story content.	Guess what will happen next in a story using pictures as a guide. (Emergent Reading 3)	Demonstrates progress in abilities to retell and dictate stories from books and experiences; to act out stories in dramatic play; and to predict what will happen next in a story. (Book Knowledge & Appreciation 3)

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3. Write or draw a response that demonstrates comprehension.	Understand that writing is a way of communicating. (Emergent Writing 1)	Shows increasing awareness of print in classroom, home, and community settings. (Print Awareness & Concepts 1) Develops growing understanding of the different functions of forms of print such as signs, letters, newspapers, lists, messages, and menus. (Print Awareness & Concepts 2) Demonstrates increasing awareness of concepts of print, such as that reading in English moves from top to bottom and from left to right, that speech can be written down, and that print conveys a message. (Print Awareness & Concepts 3) Develops understanding that writing is a way of communication for a variety of purposes. (Early Writing 1)
	Use scribbles, shapes, pictures, or dictation to represent thoughts or ideas. (Emergent Writing 2)	Begins to represent stories and experiences through pictures, dictation, and in play. (Early Writing 2) Experiments with a growing variety of writing tools and materials, such as pencils, crayons, and computers. (Early Writing 3)
	Initiate stories and respond to stories told or read aloud (Emergent Reading 1)	Shows growing interest and involvement in listening to and discussing a variety of fiction and nonfiction books and poetry. (Book Knowledge & Appreciation 1)
	Represent stories told or read aloud through various media or during play. (Emergent Reading 2)	Shows growing interest in reading-related activities, such as asking to have a favorite book read; choosing to look at books; drawing pictures based on stories; asking to take books home; going to the library; and engaging in pretend-reading with other children. (Book Knowledge & Appreciation 2) Progresses in learning how to handle and care for books; knowing to view one page at a time in sequence from front to back; and understanding that a book has a title, author and illustrator. (Book Knowledge & Appreciation 4)
4. Relate texts to prior knowledge and experiences.	Not applicable	Not applicable
D. Literature Standard: The student will read or listen to a variety of texts.	Emergent Reading Listening	Listening & Understanding Book Knowledge & Appreciation
The student will: 1. Listen to and understand the meaning of texts representing a variety of genres (such as poetry, folk tales, drama, fantasy, realistic fiction, informational and biographical texts) from America, as well as from other countries.	Listen with understanding to stories, directions, and conversations. (Listening 2)	Demonstrates increasing ability to attend to and understand conversations, stories, songs, and poems. (Listening & Understanding 1)

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2. Identify main characters and story events and actions.	Retell information from a story. (Emergent Reading 4)	Demonstrates progress in abilities to retell and dictate stories from books and experiences; to act out stories in dramatic play; and to predict what will happen next in a story. (Book Knowledge & Appreciation 3)
3. Retell familiar stories using beginning, middle and end.	Retell information from a story. (Emergent Reading 4)	Demonstrates progress in abilities to retell and dictate stories from books and experiences; to act out stories in dramatic play; and to predict what will happen next in a story. (Book Knowledge & Appreciation 3)
4. Respond to literature using details from the story to make personal connections.	Initiate stories and respond to stories told or read aloud. (Emergent Reading 1)	Shows growing interest and involvement in listening to and discussing a variety of fiction and non-fiction books and poetry. (Book Knowledge & Appreciation 1)
5. Listen to and look at literature for personal enjoyment.	Represent stories told or read aloud through various media or during play. (Emergent Reading 2)	Shows growing interest in reading-related activities, such as asking to have a favorite book read; choosing to look at books; drawing pictures based on stories; asking to take books home; going to the library; and engaging in pretend-reading with other children. (Book Knowledge & Appreciation 2) Progresses in learning how to handle and care for books; knowing to view one page at a time in sequence from front to back and understanding that a book has a title, author, and illustrator. (Book Knowledge & Appreciation 4)
II. WRITING		
A. Types of Writing (Writing is addressed in the "Word Recognition, Analysis, and Fluency" section.)		
B. Elements of Composition (Standards under this heading may be locally determined.)	Not applicable	Not applicable
C. Spelling, Grammar and Usage Standard: The student will begin to recognize correct spelling and punctuation.	Not applicable	Not applicable
The student will: 1. Use a period after sentences when prompted.	Not applicable	Not applicable
2. Use knowledge of basic phonics to spell.	Not applicable	Not applicable

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D. Research (Standards under this heading may be locally determined.)	Not applicable	Not applicable
E. Handwriting and Word Processing Standard: The student will form letters and numbers.	Emergent Reading Emergent Writing	Early Writing Print Awareness & Concepts
The student will: 1. Correctly form many of the uppercase and lowercase letters of the alphabet, monitor and discuss the differences.	Use scribbles, shapes, pictures, or dictation to represent thoughts or ideas. (Emergent Writing 2)	Begins to represent stories and experiences through pictures, dictation, and in play. (Early Writing 2) Experiments with a growing variety of writing tools and materials, such as pencils, crayons, and computers. (Early Writing 3)
2. Correctly write the numbers zero through nine.	Engage in writing using letter-like symbols to make letters or words. (Emergent Writing 3)	Experiments with a growing variety of writing tools and materials, such as pencils, crayons, and computers. (Early Writing 3) Progresses from using scribbles, shapes, or pictures to represent ideas, to using letter-like symbols, to copying or writing familiar words such as their own name. (Early Writing 4)
3. Write left to right and top to bottom.	Show beginning understanding of concepts about print. (Emergent Reading 5)	Demonstrates increasing awareness of concepts of print, such as that reading in English moves from top to bottom and from left to right, that speech can be written down, and that print conveys a message. (Print Awareness & Concepts 3)
4. Print his/her first and last names.	Begin to copy or write own name. (Emergent Writing 4)	Progresses from using scribbles, shapes, or pictures to represent ideas, to using letter-like symbols, to copying or writing familiar words such as their own name. (Early Writing 4)
III. SPEAKING, LISTENING AND VIEWING		
A. Speaking and Listening Standard: The student will communicate effectively through listening and speaking.	Speaking Listening	Listening & Understanding Speaking & Communicating Phonological Awareness
The student will: 1. Participate in and follow agreed-upon rules for conversation and formal discussions.	Listen with understanding to stories, directions, and conversations. (Listening 2) Initiate, ask questions, and respond in conversation with others. (Speaking 6)	Demonstrates increasing ability to attend to and understand conversations, stories, songs, and poems. (Listening & Understanding 1) Develops increasing abilities to understand and use language to communicate information, experiences, ideas, feelings, opinions, needs, questions, and for other varied purposes. (Speaking & Communicating 1) Progresses in abilities to initiate and respond appropriately in conversations and discussions with peers and adults. (Speaking & Communicating 2)
2. Follow two-step directions.	Follow directions that involve a two or three-step sequence of actions. (Listening 3)	Shows progress in understanding and following simple and multiple-step directions. (Listening & Understanding 2)

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3. Attend to and understand the meaning of messages.	Listen with understanding to stories, directions, and conversations. (Listening 2) Initiate, ask questions, and respond in conversation with others. (Speaking 6)	Demonstrates increasing ability to attend to and understand conversations, stories, songs, and poems. (Listening & Understanding 1) Develops increasing abilities to understand and use language to communicate information, experiences, ideas, feelings, opinions, needs, questions and for other varied purposes. (Speaking & Communicating 1) Progresses in abilities to initiate and respond appropriately in conversations and discussions with peers and adults. (Speaking & Communicating 2)
4. Communicate needs, feelings and ideas to peers and adults.	Communicate needs, wants, or thoughts through non-verbal gestures, actions, expressions, and/or words. (Speaking 1) Communicate information using home language and/or English. (Speaking 2) Speak clearly enough to be understood in home language and/or English. (Speaking 3) Initiate, ask questions, and respond in conversation with others. (Speaking 6)	Develops increasing abilities to understand and use language to communicate information, experiences, ideas, feelings, opinions, needs, questions and for other varied purposes. (Speaking & Communicating 1) Progresses in clarity of pronunciation and towards speaking in sentences of increasing length and grammatical complexity. (Speaking & Communicating 4) For non-English-speaking children, progressing speaking English. (Speaking & Communicating 5) Develops increasing abilities to understand and use language to communicate information, experiences, ideas, feelings, opinions, needs, questions, and for other varied purposes. (Speaking & Communicating 1) Progresses in abilities to initiate and respond appropriately in conversations and discussions with peers and adults. (Speaking & Communicating 2)
5. Recite and respond to poems, rhymes and songs.	Listen with understanding to stories, directions, and conversations. (Listening 2) Use language for variety of purposes. (Speaking 4)	Demonstrates increasing ability to attend to and understand conversations, stories, songs, and poems. (Listening & Understanding 1) Develops increasing abilities to understand and use language to communicate information, experiences, ideas, feelings, opinions, needs, questions, and for other varied purposes. (Speaking & Communicating 1) Progresses in abilities to initiate and respond appropriately in conversations and discussions with peers and adults. (Speaking & Communicating 2)
6. Respond orally to language patterns in stories and poems.	Use language for variety of purposes. (Speaking 4)	Develops increasing abilities to understand and use language to communicate information, experiences, ideas, feelings, opinions, needs, questions, and for other varied purposes. (Speaking & Communicating 1) Progresses in abilities to initiate and respond appropriately in conversations and discussions with peers and adults. (Speaking & Communicating 2)

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	Listen to and recognize different sounds in rhymes and familiar words. (Listening 4)	Shows increasing ability to discriminate and identify sounds in spoken language. (Phonological Awareness 1) Shows growing awareness of beginning and ending sounds of words. (Phonological Awareness 2) Progresses in recognizing matching sounds and rhymes in familiar words, games, songs, stories, and poems. (Phonological Awareness 3) Shows growing ability to hear and discriminate separate syllables in words. (Phonological Awareness 4) Associates sounds with written words, such as awareness that different words begin with the same sound. (Phonological Awareness 5)
7. Use voice level appropriate for language situation.	Not applicable	Not applicable
8. Ask and respond to questions.	Understand non-verbal and verbal cues. (Listening 1) Initiate, ask questions, and respond in conversation with others. (Speaking 6)	Demonstrates increasing ability to attend to and understand conversations, stories, songs, and poems. (Listening & Understanding 1) Understands an increasingly complex and varied vocabulary. (Listening & Understanding 3) For non-English-speaking children, progresses in listening to and understanding English. (Listening & Understanding 4) Develops increasing abilities to understand and use language to communicate information, experiences, ideas, feelings, opinions, needs, questions, and for other varied purposes. (Speaking & Communicating 1) Progresses in abilities to initiate and respond appropriately in conversations and discussions with peers and adults. (Speaking & Communicating 2)
B. Viewing Standard: The student will become familiar with the structure of printed materials.	Emergent Reading	Book Knowledge & Appreciation Print Awareness & Concepts
The student will: 1. Follow print (words and text) from left to right and top to bottom.	Show beginning understanding of concepts about print. (Emergent Reading 5)	Demonstrates increasing awareness of concepts of print, such as that reading in English moves from top to bottom and from left to right, that speech can be written down, and that print conveys a message. (Print Awareness & Concepts 3)
2. Turn pages sequentially from front to back.	Show beginning understanding of concepts about print. (Emergent Reading 5)	Progresses in learning how to handle and care for books; knowing to view one page at a time in sequence from front to back; and understanding that a book has a title, author, and illustrator. (Book Knowledge & Appreciation 4) Demonstrates increasing awareness of concepts of print, such as that reading in English moves from top to bottom and from left to right, that speech can be written down, and that print conveys a message. (Print Awareness & Concepts 3)

MATHEMATICS

<p>Minnesota Kindergarten Academic Standards in <u>Mathematics</u></p>	<p>Minnesota Early Childhood Indicators of Progress in:</p> <ul style="list-style-type: none"> • <u>Mathematical and Logical Thinking</u> • <u>Social Studies Understanding</u> • <u>Scientific Thinking and Problem Solving</u> <p><i>(These indicators are intended as a guide for children in the preschool period of ages 3 to 5.)</i></p>	<p>Head Start Child Outcomes Framework in:</p> <ul style="list-style-type: none"> • <u>Mathematics</u> • <u>Science</u> <p><i>(This framework is intended as a guide for children in the preschool period of ages 3 to 5.)</i></p>
<p>I. MATHEMATICAL REASONING</p>		
<p>Standard: Apply skills of mathematical representation, communication, and reasoning throughout the remaining four content strands.</p>	<p>Mathematical Reasoning</p>	<p>Number & Operations</p>
<p>The student will: 1. Create and solve word problems using actions, objects, words, pictures, or numbers.</p>	<p>Use simple strategies to solve mathematical problems. (Mathematical Reasoning 13)</p>	<p>Demonstrates increasing interest and awareness of numbers and counting as a means for solving problems and determining quantity. (Number & Operations 1)</p>
<p>2. Estimate and check that answers are reasonable.</p>	<p>Use simple strategies to solve mathematical problems. (Mathematical Reasoning 13)</p>	<p>Demonstrates increasing interest and awareness of numbers and counting as a means for solving problems and determining quantity. (Number & Operations 1)</p>
<p>3. Explain to others how a problem was solved.</p>	<p>Use simple strategies to solve mathematical problems. (Mathematical Reasoning 13)</p>	<p>Demonstrates increasing interest and awareness of numbers and counting as a means for solving problems and determining quantity. (Number & Operations 1)</p>
<p>II. NUMBER SENSE, COMPUTATION, AND OPERATIONS.</p>		
<p>A. Number Sense Standard: Represent quantities using whole numbers and understand relationships among whole numbers.</p>	<p>Number Concepts and Operations Measurement</p>	<p>Number & Operations</p>
<p>The student will: 1. Count forward to 31, backward from 10.</p>	<p>Demonstrate increasing interest in and awareness of numbers and counting. (Number Concepts & Operations 1)</p> <hr style="border-top: 1px dashed black;"/> <p>Demonstrate ability to count in sequence. (Number Concepts and Operations 3)</p>	<p>Demonstrates increasing interest and awareness of numbers and counting as a means for solving problems and determining quantity. (Number & Operations 1)</p> <p>Begins to associate number concepts, vocabulary, quantities and written numerals in meaningful ways. ((Number & Operations 2)</p> <hr style="border-top: 1px dashed black;"/> <p>Develops increasing ability to count in sequence to 10 and beyond. (Number & Operations 3)</p>
<p>2. Count the number of objects in a set and identify the quantity.</p>	<p>Demonstrate understanding of one-to-one correspondence between objects and number. (Number Concepts and Operations 2)</p>	<p>Begins to associate number concepts, vocabulary, quantities and written numerals in meaningful ways. ((Number & Operations 2)</p> <p>Begins to make use of one-to-one correspondence in counting objects and matching groups of objects. (Number & Operations 4)</p>

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3. Compare the number of objects in two or more sets.	Make comparisons between at least two groups of objects. (Measurement 12) ----- Demonstrate understanding of one-to-one correspondence between objects and number. (Number Concepts and Operations 2)	Begins to use language to compare numbers of objects with terms such as more, less, greater than, fewer, equal to. (Number & Operations 5) ----- Begins to associate number concepts, vocabulary, quantities and written numerals in meaningful ways. ((Number & Operations 2) Begins to make use of one-to-one correspondence in counting objects and matching groups of objects. (Number & Operations 4)
4. Given a number, identify one more or one less.	Demonstrate ability to count in sequence. (Number Concepts and Operations 3) ----- Demonstrate ability to state the number that comes next up to 9 or 10. (Number Concepts and Operations 4) ----- Demonstrate beginning ability to combine and separate numbers of objects. (Number Concepts and Operations 5)	Begins to associate number concepts, vocabulary, quantities, and written numerals in meaningful ways. (Number & Operations 2) Develops increasing ability to count in sequence to 10 and beyond. (Number & Operations 3) ----- Demonstrates increasing interest and awareness of numbers and counting as a means of solving problems and determining quantity. (Number & Operations 1) ----- Develops increased abilities to combine, separate, and name "how many" concrete objects. (Number & Operations 6)
B. Computation and Operation Standard: Add and subtract whole numbers up to 6 in real-world and mathematical problems.	Number Concepts and Operations	Number & Operations
The student will: 1. Recognize the number of objects up to 6, without counting.	Demonstrate understanding of one-to-one correspondence between objects and number. (Number Concepts and Operations 2) ----- Demonstrate ability to state the number that comes next up to 9 or 10. (Number Concepts and Operations 4)	Begins to associate number concepts, vocabulary, quantities, and written numerals in meaningful ways. (Number & Operations 2) Begins to make use of one-to-one correspondence in counting objects and matching groups of objects. (Number & Operations 4) ----- Demonstrates increasing interest and awareness of numbers and counting as a means for solving problems and determining quantity. (Number & Operations 1)
2. Add and subtract whole numbers up to 6, using concrete objects.	Demonstrate beginning ability to combine and separate numbers of objects. (Number Concepts and Operations 5)	Develops increased abilities to combine, separate, and name "how many" concrete objects. (Number & Operations 6)

MATHEMATICS

<p>Minnesota Kindergarten Academic Standards in <u>Mathematics</u></p>	<p>Minnesota Early Childhood Indicators of Progress in:</p> <ul style="list-style-type: none"> • <u>Mathematical and Logical Thinking</u> • <u>Social Studies Understanding</u> • <u>Scientific Thinking and Problem Solving</u> <p><i>(These indicators are intended as a guide for children in the preschool period of ages 3 to 5.)</i></p>	<p>Head Start Child Outcomes Framework in:</p> <ul style="list-style-type: none"> • <u>Mathematics</u> • <u>Science</u> <p><i>(This framework is intended as a guide for children in the preschool period of ages 3 to 5.)</i></p>
<p>III. PATTERNS, FUNCTIONS AND ALGEBRA</p>		
<p>A. Patterns and Functions Standard: Sort, classify, and compare objects based on their attributes.</p>	<p>Patterns and Relationships</p>	<p>Patterns & Measurement Geometry & Spatial Sense</p>
<p>The student will:</p> <p>1. Sort objects in a set by one attribute such as size, shape, color, or thickness.</p>	<p>Sort objects into subgroups by one or two characteristics. (Patterns and Relationships 7)</p> <hr style="border-top: 1px dashed black;"/> <p>Order or sequence several objects on the basis of one characteristic. (Patterns and Relationships 8)</p>	<p>Shows increasing abilities to match, sort, put in a series, and regroup objects according to one or two attributes such as shape or size. (Patterns & Measurement 2) Begins to make comparisons between several objects based on a single attribute. (Patterns & Measurement 3) Shows growth in matching, sorting, putting in a series, and regrouping objects according to one or two attributes such as color, shape, or size. (Geometry & Spatial Sense 4)</p> <hr style="border-top: 1px dashed black;"/> <p>Shows increasing abilities to match, sort, put in a series, and regroup objects according to one or two attributes such as shape or size. (Patterns & Measurement 2) Begins to make comparisons between several objects based on a single attribute. (Patterns & Measurement 3) Shows growth in matching, sorting, putting in a series and regrouping objects according to one or two attributes such as color, shape or size. (Geometry & Spatial Sense 4)</p>
<p>2. Identify an object that does not belong in a set.</p>	<p>Sort objects into subgroups by one or two characteristics. (Patterns and Relationships 7)</p>	<p>Shows increasing abilities to match, sort, put in a series and regroup objects according to one or two attributes such as shape or size. (Patterns & Measurement 2) Begins to make comparisons between several objects based on a single attribute. (Patterns & Measurement 3) Shows growth in matching, sorting, putting in a series and regrouping objects according to one or two attributes such as color, shape or size. (Geometry & Spatial Sense 4)</p>
<p>3. Recognize, describe, and extend repeating patterns involving up to three elements using objects, pictures, sounds, or movements.</p>	<p>Recognize and duplicate simple patterns. (Patterns and Relationships 6)</p>	<p>Enhances abilities to recognize, duplicate, and extend simple patterns using a variety of materials. (Patterns & Measurement 1)</p>

MATHEMATICS

Minnesota Kindergarten Academic Standards in <u>Mathematics</u>	Minnesota Early Childhood Indicators of Progress in: <ul style="list-style-type: none"> • <u>Mathematical and Logical Thinking</u> • <u>Social Studies Understanding</u> • <u>Scientific Thinking and Problem Solving</u> <i>(These indicators are intended as a guide for children in the preschool period of ages 3 to 5.)</i>	Head Start Child Outcomes Framework in: <ul style="list-style-type: none"> • <u>Mathematics</u> • <u>Science</u> <i>(This framework is intended as a guide for children in the preschool period of ages 3 to 5.)</i>
B. Algebra (Algebraic Thinking) (Standards under this heading may be locally determined.)	Not Applicable	Not Applicable
IV. DATA ANALYSIS, STATISTICS AND PROBABILITY		
A. Data and Statistics <u>Standard:</u> Depict data with objects and pictures.	Measurement Investigating	Patterns & Measurement Number & Operations Scientific Skills & Methods
The student will: 1. Represent data about classmates or their surroundings by using objects or pictures.	Make comparisons between at least two groups of objects. (Measurement 12) ----- Make comparisons between objects that have been collected or observed. (Investigating 7)	Begins to use language to compare numbers of objects with terms such as more, less, greater than, fewer, equal to. (Number & Operations 5) ----- Develops growing abilities to collect, describe and record information through a variety of measures, including discussion, drawings, maps and charts. (Scientific Skills & Methods 4)
B. Probability (Standards under this heading may be locally determined.)	Not Applicable	Not Applicable
V. SPATIAL SENSE, GEOMETRY, AND MEASUREMENT		
A. Spatial Sense <u>Standard:</u> Understand meaning of terms used to describe location and placement of objects.	Patterns and Relationships	Geometry & Spatial Sense
The student will: 1. Locate and describe placement of objects with terms such as: on, inside, outside, above, below, over, under, beside, between, in front of, behind, next to, top, bottom.	Use words that show understanding of order and position of objects. (Spatial Relationships/Geometry 10)	Builds an increasing understanding of directionality, order and positions of objects, and words such as up, down, over, under, top, bottom, inside, outside, in front, and behind. (Geometry & Spatial Sense 5)

MATHEMATICS

<p>Minnesota Kindergarten Academic Standards in <u>Mathematics</u></p>	<p>Minnesota Early Childhood Indicators of Progress in:</p> <ul style="list-style-type: none"> • <u>Mathematical and Logical Thinking</u> • <u>Social Studies Understanding</u> • <u>Scientific Thinking and Problem Solving</u> <p><i>(These indicators are intended as a guide for children in the preschool period of ages 3 to 5.)</i></p>	<p>Head Start Child Outcomes Framework in:</p> <ul style="list-style-type: none"> • <u>Mathematics</u> • <u>Science</u> <p><i>(This framework is intended as a guide for children in the preschool period of ages 3 to 5.)</i></p>
<p>B. Geometry Standard: Sort two- and three-dimensional shapes.</p>	<p>Patterns and Relationships Spatial Relationships/Geometry</p>	<p>Patterns & Measurement Geometry & Spatial Sense</p>
<p>The student will:</p> <p>1. Sort two- and three-dimensional shapes according to their geometrical attributes.</p>	<p>Sort objects into subgroups by one or two characteristics. (Patterns and Relationships 7)</p> <hr style="border-top: 1px dashed black;"/> <p>Identify and name common shapes. (Spatial Relationships/Geometry 9)</p>	<p>Shows increasing abilities to match, sort, put in a series, and regroup objects according to one or two attributes such as shape or size. (Patterns & Measurement 2)</p> <p>Begins to make comparisons between several objects based on a single attribute. (Patterns & Measurement 3)</p> <p>Shows growth in matching, sorting, putting in a series and regrouping objects according to one or two attributes such as color, shape or size. (Geometry & Spatial Sense 4)</p> <hr style="border-top: 1px dashed black;"/> <p>Begins to recognize, describe, compare, and name common shapes, their parts and attributes. (Geometry & Spatial Sense 1)</p> <p>Progresses in ability to put together and take apart shapes. (Geometry & Spatial Sense 2)</p> <p>Begins to be able to determine whether or not two shapes are the same size and shape. (Geometry & Spatial Sense 3)</p>
<p>C. Measurement Standard: Understand terms and comparative language used in various measurement situations. Identify tools to measure time. Identify coins.</p>	<p>Patterns and Relationships Measurement Understanding the World</p>	<p>Patterns & Measurement Geometry & Spatial Sense</p>
<p>The student will:</p> <p>1. Compare and order objects by length, weight, volume, temperature, or size and use appropriate vocabulary such as longer than, holds more, smaller.</p>	<p>Order or sequence several objects on the basis of one characteristic. (Patterns and Relationships 8)</p> <hr style="border-top: 1px dashed black;"/> <p>Recognize objects can be measured by height, length, weight, and time. (Measurement 11)</p>	<p>Shows increasing abilities to match, sort, put in a series, and regroup objects according to one or two attributes such as shape or size. (Patterns & Measurement 2)</p> <p>Begins to make comparisons between several objects based on a single attribute. (Patterns & Measurement 3)</p> <p>Shows growth in matching, sorting, putting in a series and regrouping objects according to one or two attributes such as color, shape or size. (Geometry & Spatial Sense 4)</p> <hr style="border-top: 1px dashed black;"/> <p>Shows progress in using standard and non-standard measures for length and area of objects. (Patterns & Measurement 4)</p>
<p>2. Know that clocks and calendars are instruments to measure time.</p>	<p>Recognize objects can be measured by height, length, weight, and time. (Measurement 11)</p>	<p>Shows progress in using standard and non-standard measures for length and area of objects. (Patterns & Measurement 4)</p>

MATHEMATICS

Minnesota Kindergarten Academic Standards in <u>Mathematics</u>	Minnesota Early Childhood Indicators of Progress in: <ul style="list-style-type: none"> • <u>Mathematical and Logical Thinking</u> • <u>Social Studies Understanding</u> • <u>Scientific Thinking and Problem Solving</u> <i>(These indicators are intended as a guide for children in the preschool period of ages 3 to 5.)</i>	Head Start Child Outcomes Framework in: <ul style="list-style-type: none"> • <u>Mathematics</u> • <u>Science</u> <i>(This framework is intended as a guide for children in the preschool period of ages 3 to 5.)</i>
3. Recognize the following coins: penny, nickel, dime, and quarter.	Not Applicable	Not Applicable
4. Compare and order events based on time and use appropriate vocabulary such as yesterday, today, or tomorrow to describe relative time.	Begin to recall recent and past events. (Understanding the World 6) Order or sequence several objects on the basis of one characteristic. (Patterns & Relationships 8)	Shows increasing abilities to match, sort, put in a series, and regroup objects according to one or two attributes such as shape or size. (Patterns & Measurement 2) Begins to make comparisons between several objects based on a single attribute. (Patterns & Measurement 3) Shows growth in matching, sorting, putting in a series and regrouping objects according to one or two attributes such as color, shape or size. (Geometry & Spatial Sense 4)

ARTISTIC EXPRESSION

<p>Minnesota Kindergarten-3 Academic Standards in <u>Artistic Expression</u></p>	<p>Minnesota Early Childhood Indicators of Progress in:</p> <ul style="list-style-type: none"> • <u>Creativity and the Arts</u> • <u>Approaches to Learning</u> <p><i>(These indicators are intended as a guide for children in the preschool period of ages 3 to 5.)</i></p>	<p>Head Start Child Outcomes Framework in <u>Creative Arts</u>. <i>(This framework is intended as a guide for children in the preschool period of ages 3 to 5.)</i></p>
<p>Standard: The student will understand and use artistic processes to create, perform, and interpret art works in at least two of the three arts areas required to be offered by a school from the following: dance, music, theater, and visual arts.</p>		
<p>Dance</p>	<p>Creating</p>	<p>Movement</p>
<p>The student will:</p> <ol style="list-style-type: none"> 1. understand the elements of dance, including action, space, time, and energy; 2. understand the characteristics of dance from a variety of cultures and historical times; 3. use basic movement skills in musical or rhythmic contexts; and 4. create and perform sequences of movement with a beginning, middle, and end to communicate a story, life experience, theme, or idea. 	<p>Participate in creative movement, drama, and dance. (Creating 3)</p>	<p>Expresses through movement and dancing what is felt and heard in various musical tempos and styles. (Movement 1) Shows growth in moving in time to different patterns of beat and rhythm in music. (Movement 2)</p>
<p>Music</p>	<p>Creating</p>	<p>Music</p>
<p>The student will:</p> <ol style="list-style-type: none"> 1. understand the elements of music, including melody, rhythm, harmony, dynamics, tone color, texture, and form; 2. understand the characteristics of music from a variety of cultures and historical times; 3. sing a varied repertoire of songs in a group; 4. improvise and compose on classroom instruments to communicate an idea; 5. play simple rhythms and melodies on classroom instruments; and 6. read and write music using a system of notation. 	<p>Participate in art and music experiences. (Creating 2)</p>	<p>Participates with increasing interest and enjoyment in a variety of music activities, including listening, singing, finger plays, games, and performances. (Music 1) Experiments with a variety of musical instruments. (Music 2)</p>
<p>Theater</p>	<p>Imagination and Invention</p>	<p>Dramatic Play</p>
<p>Creating</p>	<p>Creating</p>	<p>Movement</p>
<p>The student will:</p> <ol style="list-style-type: none"> 1. understand the elements of theater, including plot, theme, character, language, sound, and spectacle; 2. understand the characteristics of theater from a variety of cultures and historical times; 	<p>Try out various pretend roles in play or with make-believe objects. (Imagination and Invention 3)</p>	<p>Participates in a variety of dramatic play activities that become more extended and complex. (Dramatic Play 1) Shows growing creativity and imagination in using materials and in assuming different roles in dramatic play situations. (Dramatic Play 2)</p>

ARTISTIC EXPRESSION

<p>Minnesota Kindergarten-3 Academic Standards in <u>Artistic Expression</u></p>	<p>Minnesota Early Childhood Indicators of Progress in:</p> <ul style="list-style-type: none"> • <u>Creativity and the Arts</u> • <u>Approaches to Learning</u> <p><i>(These indicators are intended as a guide for children in the preschool period of ages 3 to 5.)</i></p>	<p>Head Start Child Outcomes Framework in <u>Creative Arts</u>. <i>(This framework is intended as a guide for children in the preschool period of ages 3 to 5.)</i></p>
<ol style="list-style-type: none"> 3. use movement, sound, and language to create images and express ideas; 4. create characterizations of animals, objects, or shapes; and 5. communicate a story and character using voice, movement, costume, and props. 	<p>Participate in creative movement, drama, and dance. (Creating 3)</p>	<p>Expresses through movement and dancing what is felt and heard in various musical tempos and styles. (Movement 1) Shows growth in moving in time to different patterns of beat and rhythm in music. (Movement 2)</p>
<p>Visual Arts</p>	<p>Creating</p>	<p>Art</p>
<p>The student will:</p> <ol style="list-style-type: none"> 1. understand the elements of visual art, including color, line, shape, form, texture, and space; 2. understand the characteristics of visual art from a variety of cultures and historical times. 3. use the tools, basic skills, and techniques of at least three different mediums; and 4. create original works of art to communicate ideas. 	<p>Use a variety of media and materials for exploration and creative expression (Creating 1)</p>	<p>Gains ability in using different art media and materials in a variety of ways for creative expression and representation. (Art 1) Progresses in abilities to create drawings, paintings, models, and other art creations that are more detailed, creative, or realistic. (Art 2) Develops growing abilities to plan, work independently, and demonstrate care and persistence in a variety of art projects. (Art 3)</p>

SCIENCE

<p>Minnesota Kindergarten Academic Standards in <u>Science</u></p>	<p>Minnesota Early Childhood Indicators of Progress in:</p> <ul style="list-style-type: none"> • <u>Scientific Thinking and Problem Solving</u> • <u>Mathematical and Logical Thinking</u> <p><i>(These indicators are intended as a guide for children in the preschool period of ages 3 to 5.)</i></p>	<p>Head Start Child Outcomes Framework in <u>Science</u>. <i>(This framework is intended as a guide for children in the preschool period of ages 3 to 5.)</i></p>
<p>I. HISTORY AND NATURE OF SCIENCE</p>		
<p>B. Scientific Inquiry Standard: The student will raise questions about the natural world.</p>	<p>Observing Questioning Investigating</p>	<p>Scientific Skills and Methods Scientific Knowledge</p>
<p>1. The student will observe and describe common objects using simple tools.</p>	<p>Use senses to explore materials and the environment. (Observing 1) Express wonder about the natural world. (Questioning 3) Ask questions and seek answers through active exploration. (Questioning 4) Use tools (e.g., magnifying glass, binoculars, maps) for investigation of the environment. (Investigating 6)</p>	<p>Begins to use senses and a variety of tools and simple measuring devices to gather information, investigate materials and observe processes and relationships. (Scientific Skills and Methods 1) Develops increased ability to observe and discuss common properties, differences and comparisons among objects and materials. (Scientific Skills and Methods 2) Develops growing abilities to collect, describe and record information through a variety of means, including discussion, drawings, maps and charts. (Scientific Skills and Methods 4) Expands knowledge of and abilities to observe, describe and discuss the natural world, materials, living things and natural processes. (Scientific Knowledge 1) Shows increased awareness and beginning understanding of changes in materials and cause-effect relationships. (Scientific Knowledge 4)</p>
<p>III. EARTH AND SPACE SCIENCE</p>		
<p>B. The Water Cycle, Weather and Climate Standard: The student will observe weather changes.</p>	<p>Observing</p>	<p>Scientific Knowledge</p>
<p>1. The student will describe daily and seasonal changes in weather.</p>	<p>Identify and/or describe objects by physical characteristics. (Observing 2)</p>	<p>Develops growing awareness of ideas and language related to attributes of time and temperature. (Scientific Knowledge 3)</p>

SCIENCE

<p>Minnesota Kindergarten Academic Standards in <u>Science</u></p>	<p>Minnesota Early Childhood Indicators of Progress in:</p> <ul style="list-style-type: none"> • <u>Scientific Thinking and Problem Solving</u> • <u>Mathematical and Logical Thinking</u> <p><i>(These indicators are intended as a guide for children in the preschool period of ages 3 to 5.)</i></p>	<p>Head Start Child Outcomes Framework in <u>Science</u>. <i>(This framework is intended as a guide for children in the preschool period of ages 3 to 5.)</i></p>
<p>IV. LIFE SCIENCE</p>		
<p>B. Diversity of Organisms Standard: The student will understand that there are living and nonliving things.</p>	<p>Observing Investigating Patterns and Relationships</p>	<p>Scientific Skills & Methods Scientific Knowledge Geometry & Spatial Sense Patterns & Measurement</p>
<p>1. The student will compare and contrast living and nonliving things.</p>	<p>Identify and/or describe objects by physical characteristics. (Observing 2) Make comparisons between objects that have been collected or observed. (Investigating 7)</p>	<p>Develops increased ability to observe and discuss common properties, differences and comparisons among objects and materials. (Scientific Skills and Methods 2) Begins to participate in simple investigations to test observations, discuss and draw conclusions and form generalizations. (Scientific Skills and Methods 3) Develops growing abilities to collect, describe and record information through a variety of means, including discussion, drawings, maps and charts. (Scientific Skills & Methods 4) Expands knowledge of and abilities to observe, describe and discuss the natural world, materials, living things and natural processes. (Scientific Knowledge 1)</p>
<p>2. The student will know simple ways that living things can be grouped.</p>	<p>Identify and/or describe objects by physical characteristics. (Observing 2) Make comparisons between objects that have been collected or observed. (Investigating 7) Sort objects into subgroups by one or two characteristics. (Patterns and Relationships 7)</p>	<p>Develops increased ability to observe and discuss common properties, differences and comparisons among objects and materials. (Scientific Skills and Methods 2) Begins to participate in simple investigations to test observations, discuss and draw conclusions and form generalizations. (Scientific Skills and Methods 3) Develops growing abilities to collect, describe and record information through a variety of means, including discussion, drawings, maps and charts. (Scientific Skills and Methods 4) Expands knowledge of and abilities to observe, describe and discuss the natural world, materials, living things and natural processes. (Scientific Knowledge 1) Shows growth in matching, sorting, putting in a series and regrouping objects according to one or two attributes such as color, shape or size. (Geometry & Spatial Sense 4) Shows increasing abilities to match, sort, put in a series, and regroup objects according to one or two attributes such as shape or size. (Patterns & Measurement 2) Begins to make comparisons between several objects based on a single attribute. (Patterns & Measurement 3)</p>

SCIENCE

<p>Minnesota Kindergarten Academic Standards in <u>Science</u></p>	<p>Minnesota Early Childhood Indicators of Progress in:</p> <ul style="list-style-type: none"> • <u>Scientific Thinking and Problem Solving</u> • <u>Mathematical and Logical Thinking</u> <p><i>(These indicators are intended as a guide for children in the preschool period of ages 3 to 5.)</i></p>	<p>Head Start Child Outcomes Framework in <u>Science</u>. <i>(This framework is intended as a guide for children in the preschool period of ages 3 to 5.)</i></p>
<p>G. Human Organism Standard: The student will understand people have five senses that can be used to learn about the environment.</p>	<p>Observing Questioning</p>	<p>Scientific Skills & Methods Scientific Knowledge</p>
<p>1. The student will observe and describe the environment using the five senses.</p>	<p>Use senses to explore materials and the environment. (Observing 1) Ask questions and seek answers through active exploration. (Questioning 4) Make predictions about objects and natural events. (Questioning 5)</p>	<p>Begins to use senses and a variety of tools and simple measuring devices to gather information, investigate materials and observe processes and relationships. (Scientific Skills and Methods 1) Begins to describe and discuss predictions, explanations and generalizations based on past experiences. (Scientific Skills and Methods 5) Expands knowledge of and respect for their body and the environment. (Scientific Knowledge 2)</p>

HISTORY AND SOCIAL STUDIES

<p>Minnesota Kindergarten-3 Academic Standards in <u>History and Social Studies</u></p>	<p>Minnesota Early Childhood Indicators of Progress in:</p> <ul style="list-style-type: none"> • <u>Social Systems Understanding</u> • <u>Mathematical and Logical Thinking</u> • <u>Scientific Thinking and Problem Solving</u> • <u>Social and Emotional Development</u> • <u>Physical and Motor Development</u> <p><i>(These indicators are intended as a guide for children in the preschool period of ages 3 to 5.)</i></p>	<p>Head Start Child Outcomes Framework in:</p> <ul style="list-style-type: none"> • <u>Social and Emotional Development</u> • <u>Mathematics</u> • <u>Science</u> • <u>Physical Health & Development</u> <p><i>(This framework is intended as a guide for children in the preschool period of ages 3 to 5.)</i></p>
<p>I. U.S. HISTORY</p>		
<p>A. Family Life Today and In The Past Standard: The student will understand how families live today and in earlier times, recognizing that some aspects change over time while others stay the same.</p>	<p>Human Relationships Understanding the World</p>	<p>Knowledge of Families and Communities</p>
<p>1. Students will compare family life in his or her community from earlier times and today. 2. Students will compare family life in at least three distant places and times.</p>	<p>Understand various family roles, jobs, rules, and relationships. (Human Relationships 2) Begin to recall recent and past events. (Understanding the World 6)</p>	<p>Develops ability to identify personal characteristics including gender, and family composition. (Knowledge of Families and Communities 1)</p>
<p>3. Students will compare technologies from earlier times and today, and identify the impact of invention on historical change.</p>	<p>Begin to recall recent and past events. (Understanding the World 6) Begin to understand uses of media and technology and how they affect their lives. (Understanding the World 8)</p>	
<p>B. Famous People and Events in U.S. History Standard: The student will recognize people and events that made significant contributions in U.S. History.</p>	<p>Understanding the World</p>	
<p>1. Student will know individuals and groups associated with key turning points in U.S. History.</p>	<p>Begin to recall recent and past events. (Understanding the World 6)</p>	
<p>C. Many Peoples and Cultures Meet in the Making of North America. Standard: The student will demonstrate knowledge of the people who settled in North America.</p>	<p>Human Relationships Understanding the World</p>	
<p>1. Students will understand that large and diverse American Indian nations were the original inhabitants of North America. 2. Students will demonstrate knowledge of European exploration and settlement of the North American continent and the resulting interaction with American Indian nations.</p>	<p>Recognize and appreciate similarities and differences between self and others from diverse backgrounds. (Human Relationships 1) Begin to recall recent and past events. (Understanding the World 6)</p>	

HISTORY AND SOCIAL STUDIES

<p>Minnesota Kindergarten-3 Academic Standards in <u>History and Social Studies</u></p>	<p>Minnesota Early Childhood Indicators of Progress in:</p> <ul style="list-style-type: none"> • <u>Social Systems Understanding</u> • <u>Mathematical and Logical Thinking</u> • <u>Scientific Thinking and Problem Solving</u> • <u>Social and Emotional Development</u> • <u>Physical and Motor Development</u> <p><i>(These indicators are intended as a guide for children in the preschool period of ages 3 to 5.)</i></p>	<p>Head Start Child Outcomes Framework in:</p> <ul style="list-style-type: none"> • <u>Social and Emotional Development</u> • <u>Mathematics</u> • <u>Science</u> • <u>Physical Health & Development</u> <p><i>(This framework is intended as a guide for children in the preschool period of ages 3 to 5.)</i></p>
<p>III. WORLD HISTORY</p>		
<p>A. Family Life Today and in the Past <u>Standard:</u> The student will understand how families live today and in earlier times, recognizing that some aspects change over time while others stay the same.</p>	<p>Human Relationships Understanding the World</p>	<p>Knowledge of Families & Communities</p>
<p>1. Students will compare family life in their own communities from earlier times and today. 2. Students will compare family life in at least three distant places and times.</p>	<p>Understand various family roles, jobs, rules, and relationships. (Human Relationships 2) Begin to recall recent and past events. (Understanding the World 6)</p>	<p>Develops ability to identify personal characteristics including gender, and family composition. (Knowledge of Families and Communities 1)</p>
<p>3. Students will compare technologies from earlier times and today, and identify the impact of invention on historical change.</p>	<p>Begin to recall recent and past events. (Understanding the World 6) Begin to understand the uses of media and technology and how they affect their lives. (Understanding the World 8)</p>	
<p>B. Civilizations in World History <u>Standard:</u> The student will demonstrate knowledge of the historical development of past cultures around the world.</p>	<p>Human Relationships Understanding the World</p>	<p>Knowledge of Families & Communities</p>
<p>1. Students will demonstrate knowledge of the historical development of at least three civilizations in Africa, the Americas, Asia, or Europe.</p>	<p>Recognize and appreciate similarities and differences between self and others from diverse backgrounds. (Human Relationships 1) Begin to recall recent and past events. (Understanding the World 6)</p>	<p>Progresses in understanding similarities and respecting differences among people, such as genders, race, special needs, culture, language, and family structures. (Knowledge of Families & Communities 2)</p>
<p>C. Famous People in World History <u>Standard:</u> The student will recognize individuals or groups that have shaped the world.</p>	<p>Human Relationships Understanding the World</p>	<p>Knowledge of Families & Communities</p>
<p>1. Students will become familiar with people who have made cultural (scientific, artistic, literary, and industrial) contributions to world history, and analyze the significance of their contributions.</p>	<p>Recognize and appreciate similarities and differences between self and others from diverse backgrounds. (Human Relationships 1) Begin to recall recent and past events. (Understanding the World 6)</p>	<p>Progresses in understanding similarities and respecting differences among people, such as genders, race, special needs, culture, language, and family structures. (Knowledge of Families and Communities 2)</p>

HISTORY AND SOCIAL STUDIES

<p>Minnesota Kindergarten-3 Academic Standards in <u>History and Social Studies</u></p>	<p>Minnesota Early Childhood Indicators of Progress in:</p> <ul style="list-style-type: none"> • <u>Social Systems Understanding</u> • <u>Mathematical and Logical Thinking</u> • <u>Scientific Thinking and Problem Solving</u> • <u>Social and Emotional Development</u> • <u>Physical and Motor Development</u> <p><i>(These indicators are intended as a guide for children in the preschool period of ages 3 to 5.)</i></p>	<p>Head Start Child Outcomes Framework in:</p> <ul style="list-style-type: none"> • <u>Social and Emotional Development</u> • <u>Mathematics</u> • <u>Science</u> • <u>Physical Health & Development</u> <p><i>(This framework is intended as a guide for children in the preschool period of ages 3 to 5.)</i></p>
<p>IV. HISTORICAL SKILLS</p>		
<p>A. Concepts of Time <u>Standard:</u> The student will demonstrate chronological thinking.</p>	<p>Understanding the World</p>	
<p>1. Students will define and use terms for concepts of historical time. 2. Student will place events in chronological order and construct timelines.</p>	<p>Begin to recall recent and past events. (Understanding the World 6)</p>	
<p>B. Historical Resources <u>Standard:</u> The student will understand that we can learn about the past from different sorts of evidence.</p>	<p>Understanding the World</p>	
<p>1. Students will compare different kinds of historical sources and describe the different sorts of information the sources provide.</p>	<p>Begin to recall recent and past events. (Understanding the World 6)</p>	
<p>V. GEOGRAPY</p>		
<p>A. Concepts of Location <u>Standard:</u> The student will use directional and positional words to locate and describe people, places and things.</p>	<p>Investigating Spatial Relationships/Geometry</p>	
<p>1. Students will describe the location of people, places and things by using positional words.</p>	<p>Knowledge of Families & Communities Scientific Skills & Methods Geometry & Spatial Sense</p> <p>Begins to express and understand concepts and language of geography in the contexts of their classroom, home and community. (Knowledge of Families & Communities 4)</p>	
<p>2. Students will use maps and globes to locate places referenced in stories and real life situations.</p>	<p>Use tools (e.g., magnifying glass, binoculars, maps) for investigation of the environment. (Investigating 6)</p> <p>Begins to express and understand concepts and language of geography in the contexts of their classroom, home and community. (Knowledge of Families & Communities 4) Begins to use senses and a variety of tools and simple measuring devices to gather information, investigate materials and observe processes and relationships. (Scientific Skills & Methods 1)</p>	
<p>3. Students will explain that an address locates a specific place.</p>	<p>Use tools (e.g., magnifying glass, binoculars, maps) for investigation of the environment. (Investigating 6)</p> <p>Begins to express and understand concepts and language of geography in the contexts of their classroom, home and community. (Knowledge of Families & Communities 4)</p>	

HISTORY AND SOCIAL STUDIES

Minnesota Kindergarten-3 Academic Standards in <u>History and Social Studies</u>	Minnesota Early Childhood Indicators of Progress in: <ul style="list-style-type: none"> • <u>Social Systems Understanding</u> • <u>Mathematical and Logical Thinking</u> • <u>Scientific Thinking and Problem Solving</u> • <u>Social and Emotional Development</u> • <u>Physical and Motor Development</u> <i>(These indicators are intended as a guide for children in the preschool period of ages 3 to 5.)</i>	Head Start Child Outcomes Framework in: <ul style="list-style-type: none"> • <u>Social and Emotional Development</u> • <u>Mathematics</u> • <u>Science</u> • <u>Physical Health & Development</u> <i>(This framework is intended as a guide for children in the preschool period of ages 3 to 5.)</i>
4. Students will name and use directional words to describe locations of places in the school and community. Students will locate places by using simple maps, and understand that maps are drawings of locations and places as viewed from above.	Use tools (e.g., magnifying glass, binoculars, maps) for investigation of the environment. (Investigating 6)	Begins to express and understand concepts and language of geography in the contexts of their classroom, home and community. (Knowledge of Families & Communities 4) Begins to use senses and a variety of tools and simple measuring devices to gather information, investigate materials and observe processes and relationships. (Scientific Skills & Methods 1)
5. Students will use the equator and poles as reference points to describe locations.	Use tools (e.g., magnifying glass, binoculars, maps) for investigation of the environment. (Investigating 6)	Begins to express and understand concepts and language of geography in the contexts of their classroom, home and community. (Knowledge of Families & Communities 4) Begins to use senses and a variety of tools and simple measuring devices to gather information, investigate materials and observe processes and relationships. (Scientific Skills & Methods 1)
6. Students will compare distances between two or more places shown on a map with simple terms, such as farther and closer.	Use words that show understanding of order and position of objects. (Spatial Relationships/Geometry 10)	Begins to express and understand concepts and language of geography in the contexts of their classroom, home and community. (Knowledge of Families & Communities 4) Builds an increasing understanding of directionality, order and positions of objects, and words such as up, down, over, under, top, bottom, inside, outside, in front and behind. (Geometry & Spatial Sense 5)
A. Concepts of Location Standard: The student will demonstrate working knowledge of the cardinal directions.	Spatial Relationships/Geometry	Knowledge of Families & Communities Geometry & Spatial Sense
1. Students will use cardinal and intermediate directions to locate places.	Use words that show understanding of order and position of objects. (Spatial Relationships/Geometry 10)	Begins to express and understand concepts and language of geography in the contexts of their classroom, home and community. (Knowledge of Families & Communities 4) Builds an increasing understanding of directionality, order and positions of objects, and words such as up, down, over, under, top, bottom, inside, outside, in front and behind. (Geometry & Spatial Sense 5)

HISTORY AND SOCIAL STUDIES

<p>Minnesota Kindergarten-3 Academic Standards in <u>History and Social Studies</u></p>	<p>Minnesota Early Childhood Indicators of Progress in:</p> <ul style="list-style-type: none"> • <u>Social Systems Understanding</u> • <u>Mathematical and Logical Thinking</u> • <u>Scientific Thinking and Problem Solving</u> • <u>Social and Emotional Development</u> • <u>Physical and Motor Development</u> <p><i>(These indicators are intended as a guide for children in the preschool period of ages 3 to 5.)</i></p>	<p>Head Start Child Outcomes Framework in:</p> <ul style="list-style-type: none"> • <u>Social and Emotional Development</u> • <u>Mathematics</u> • <u>Science</u> • <u>Physical Health & Development</u> <p><i>(This framework is intended as a guide for children in the preschool period of ages 3 to 5.)</i></p>
<p>B. Maps and Globes <u>Standard:</u> The student will use and create maps and globes to locate people, places and things.</p>	<p>Investigating</p>	<p>Knowledge of Families & Communities Scientific Skills & Methods</p>
<p>1. Students will locate places by using simple maps, and understand that maps are drawings of locations and places as viewed from above. 2. Students will recognize and locate the outline shape of the state of Minnesota on a map/globe. 3. Students will create and interpret simple maps using the map elements of title, direction, symbols, and a map key or legend. 4. Students will locate the continents and oceans on a map of the world and a globe. 5. Students will recognize the outline shape of the contiguous United States. 6. Students will recognize the outline shapes of countries and locate cultures and civilizations studied in history.</p>	<p>Use tools (e.g., magnifying glass, binoculars, maps) for investigation of the environment. (Investigating 6)</p>	<p>Begins to express and understand concepts and language of geography in the contexts of their classroom, home and community. (Knowledge of Families & Communities 4) Begins to use senses and a variety of tools and simple measuring devices to gather information, investigate materials and observe processes and relationships. (Scientific Skills & Methods 1)</p>
<p>B. Maps and Globes <u>Standard:</u> The student will use maps and globes to demonstrate specific geographical knowledge.</p>	<p>Investigating Understanding the World</p>	<p>Knowledge of Families & Communities Scientific Skills & Methods</p>
<p>1. Students will locate on a map the major world countries, states and major cities of the United States.</p>	<p>Use tools (e.g., magnifying glass, binoculars, maps) for investigation of the environment. (Investigating 6)</p>	<p>Begins to express and understand concepts and language of geography in the contexts of their classroom, home and community. (Knowledge of Families & Communities 4) Begins to use senses and a variety of tools and simple measuring devices to gather information, investigate materials and observe processes and relationships. (Scientific Skills & Methods 1)</p>

HISTORY AND SOCIAL STUDIES

<p>Minnesota Kindergarten-3 Academic Standards in <u>History and Social Studies</u></p>	<p>Minnesota Early Childhood Indicators of Progress in:</p> <ul style="list-style-type: none"> • <u>Social Systems Understanding</u> • <u>Mathematical and Logical Thinking</u> • <u>Scientific Thinking and Problem Solving</u> • <u>Social and Emotional Development</u> • <u>Physical and Motor Development</u> <p><i>(These indicators are intended as a guide for children in the preschool period of ages 3 to 5.)</i></p>	<p>Head Start Child Outcomes Framework in:</p> <ul style="list-style-type: none"> • <u>Social and Emotional Development</u> • <u>Mathematics</u> • <u>Science</u> • <u>Physical Health & Development</u> <p><i>(This framework is intended as a guide for children in the preschool period of ages 3 to 5.)</i></p>
<p>2. Students will use an atlas to locate geographic information.</p>	<p>Identify characteristics of the places where they live and play within their community. (Understanding the World 7) Use tools (e.g., magnifying glass, binoculars, maps) for investigation of the environment. (Investigating 6)</p>	<p>Begins to express and understand concepts and language of geography in the contexts of their classroom, home and community. (Knowledge of Families & Communities 4) Begins to use senses and a variety of tools and simple measuring devices to gather information, investigate materials and observe processes and relationships. (Scientific Skills & Methods 1)</p>
<p>C. Physical Features and Processes Standard: The student will distinguish between physical and human-made features of places on the Earth's surface.</p>	<p>Understanding the World</p>	<p>Knowledge of Families & Communities</p>
<p>1. Students will name and locate physical features of the United States, including places about which they have read. 2. Students will name and locate major human-made features of the United States, including features about which they have read.</p>	<p>Identify characteristics of the places where they live and play within their community. (Understanding the World 7)</p>	<p>Begins to express and understand concepts and language of geography in the contexts of their classroom, home and community. (Knowledge of Families & Communities 4)</p>
<p>C. Physical Features and Processes Standard: The student will identify specific landforms and waterways on a map using geographical terms.</p>	<p>Understanding the World</p>	<p>Knowledge of Families & Communities</p>
<p>1. Students will locate major river systems and mountain ranges on continents studied. 2. Students will explain and use introductory geographical terms.</p>	<p>Identify characteristics of the places where they live and play within their community. (Understanding the World 7)</p>	<p>Begins to express and understand concepts and language of geography in the contexts of their classroom, home and community. (Knowledge of Families & Communities 4)</p>
<p>VI. ECONOMICS</p>		
<p>A. Economic Choices Standard: The student will understand that economic choices are necessary in life.</p>	<p>Human Relationships Physical Health and Well-Being</p>	<p>Health Status & Practices</p>
<p>1. Students will identify the difference between basic needs (food, clothing, and shelter) and wants (things people would like to have). 2. Students will explain that money can be used to buy goods and services.</p>	<p>Understand various family roles, jobs, rules, and relationships. (Human Relationships 2) Follow basic health and safety rules (Physical Health and Well-Being 2)</p>	<p>Builds awareness and ability to follow basic health and safety rules such as fire safety, traffic and pedestrian safety, and responding appropriately to potentially harmful objects, substances and activities. (Health Status & Practices 4)</p>

HISTORY AND SOCIAL STUDIES

<p>Minnesota Kindergarten-3 Academic Standards in <u>History and Social Studies</u></p>	<p>Minnesota Early Childhood Indicators of Progress in:</p> <ul style="list-style-type: none"> • <u>Social Systems Understanding</u> • <u>Mathematical and Logical Thinking</u> • <u>Scientific Thinking and Problem Solving</u> • <u>Social and Emotional Development</u> • <u>Physical and Motor Development</u> <p><i>(These indicators are intended as a guide for children in the preschool period of ages 3 to 5.)</i></p>	<p>Head Start Child Outcomes Framework in:</p> <ul style="list-style-type: none"> • <u>Social and Emotional Development</u> • <u>Mathematics</u> • <u>Science</u> • <u>Physical Health & Development</u> <p><i>(This framework is intended as a guide for children in the preschool period of ages 3 to 5.)</i></p>
<p>3. Students will understand and explain that the concept of scarcity means that one cannot have all the goods and services that one wants. 4. Students will give examples of tradeoffs (opportunity costs). 5. Students will understand and explain that as producers they can earn money (income) that can be spent or saved as they choose.</p>		
<p>B. Producers and Consumers Standard: The student will understand the relationship between consumers and producers in regards to goods and services.</p>	<p>Human Relationships Understanding the World</p>	
<p>1. Students will distinguish between producers and consumers and between goods and services.</p>	<p>Understands various family roles, jobs, rules, and relationships. (Human Relationships 2)</p>	
<p>2. Students will recognize and explain that natural resources, human resources, and human-made resources are used in the production of goods and services.</p>	<p>Understands various family roles, jobs, rules and relationships. (Human Relationships 2) Share responsibility in taking care of their environment. (Understanding the World 5)</p>	
<p>VII. GOVERNMENT AND CITIZENSHIP</p>		
<p>A. Civic Values, Skills, Rights and Responsibilities Standard: The student will describe civic values, rights and responsibilities in a republic.</p>	<p>Social Competence and Relationships</p>	<p>Self Control</p>
<p>1. Students will demonstrate knowledge of civic values that facilitate thoughtful and effective participation in civic life.</p>	<p>Begin to understand others' rights and privileges. (Social Competence and Relationships 6)</p>	<p>Demonstrates increasing capacity to follow rules and routines and use materials purposefully, safely, and respectfully. (Self Control 3)</p>
<p>2. Students will explain the rights and responsibilities of people living in a democracy, including the principle of majority rule and minority rights.</p>	<p>Begin to understand others' rights and privileges. (Social Competence and Relationships 6) Use words and other constructive strategies to resolve conflicts. (Social Competence and Relationships 9)</p>	<p>Show progress in expressing feelings, needs and opinions in difficult situations and conflicts without harming themselves, others, or property. (Self Control 1) Develops growing understanding of how their actions affect others and begins to accept others and begins to accept the consequences of their actions. (Self Control 2) Demonstrates increasing capacity to follow rules and</p>

HISTORY AND SOCIAL STUDIES

<p>Minnesota Kindergarten-3 Academic Standards in <u>History and Social Studies</u></p>	<p>Minnesota Early Childhood Indicators of Progress in:</p> <ul style="list-style-type: none"> • <u>Social Systems Understanding</u> • <u>Mathematical and Logical Thinking</u> • <u>Scientific Thinking and Problem Solving</u> • <u>Social and Emotional Development</u> • <u>Physical and Motor Development</u> <p><i>(These indicators are intended as a guide for children in the preschool period of ages 3 to 5.)</i></p>	<p>Head Start Child Outcomes Framework in:</p> <ul style="list-style-type: none"> • <u>Social and Emotional Development</u> • <u>Mathematics</u> • <u>Science</u> • <u>Physical Health & Development</u> <p><i>(This framework is intended as a guide for children in the preschool period of ages 3 to 5.)</i></p>
		<p>routines and use materials purposefully, safely, and respectfully. (Self Control 3)</p>
<p>A. Civic Values, Skills, Rights and Responsibilities Standard: The student will understand the importance of participation in civic life and demonstrate effective civic skills.</p>	<p>Human Relationships Social Competence and Relationships Self-Concept</p>	<p>Knowledge of Families & Communities Self Control</p>
<p>1. Students will explain the importance of participation and cooperation in a classroom and community and explain how people can make a difference in others' lives.</p>	<p>Participate in activities to help others in the community. (Human Relationships 3) Begin to participate successfully as a member of a group. (Social Competence and Relationships 4) Use play to explore, practice, and understand social roles and relationships. (Social Competence and Relationships 5) Begin to understand others' rights and privileges. (Social Competence and Relationships 6)</p>	<p>Develops growing understanding of how their actions affect others and begins to accept others and begins to accept the consequences of their actions. (Self Control 2) Demonstrates increasing capacity to follow rules and routines and use materials purposefully, safely, and respectfully. (Self Control 3)</p>
<p>2. Students will describe how they can influence school rules by studying and discussing issues and presenting their concerns to the people in authority.</p>	<p>Participate in activities to help others in the community. (Human Relationships 3) Develop an awareness of self as having certain abilities, characteristics, and preferences. (Self-Concept 3) Begin to participate successfully as a member of a group. (Social Competence and Relationships 4) Begin to understand others' rights and privileges. (Social Competence and Relationships 6)</p>	<p>Develops growing understanding of how their actions affect others and begins to accept others and begins to accept the consequences of their actions. (Self Control 2) Demonstrates increasing capacity to follow rules and routines and use materials purposefully, safely, and respectfully. (Self Control 3)</p>
<p>3. Students will explain the importance of voting and how one vote can make a difference.</p>	<p>Participate in activities to help others in the community. (Human Relationships 3)</p>	
<p>4. Students will explain that people have diverse viewpoints and that speaking and listening to others is important.</p>	<p>Recognize and appreciate similarities and differences between self and others from diverse backgrounds. (Human Relationships 1) Participate in activities to help others in the community. (Human Relationships 3)</p>	<p>Progresses in understanding similarities and respecting differences among people, such as genders, race, special needs, culture, language, and family structures. (Knowledge of Families & Communities 2)</p>
<p>B. Beliefs and Principles of United States Democracy Standard: The student will understand the role of government, rules, and law and why we have them.</p>	<p>Physical Health and Well Being Social Competence and Relationships</p>	<p>Health Status & Practices Self Control</p>

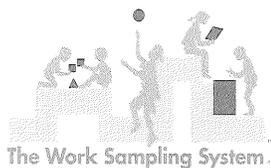
HISTORY AND SOCIAL STUDIES

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<p>1. Students will give examples of rules in the classroom/school and community, provide reasons for the specific rules, and know the characteristics of good rules. 2. Students will explain that rules and laws apply to everyone and describe consequences for breaking the rules or laws. 3. Students will know that the United States and the State of Minnesota each have a constitution that outlines the rules for government.</p>	<p>Follow basic health and safety rules. (Physical Health and Well Being 2) Begin to participate successfully as a member of a group. (Social Competence and Relationships 4) Begin to understand others' rights and privileges. (Social Competence and Relationships 6) Use words and other constructive strategies to resolve conflicts. (Social Competence and Relationships 9)</p>	<p>Builds awareness and ability to follow basic health and safety rules such as fire safety, traffic and pedestrian safety, and responding appropriately to potentially harmful objects, substances and activities. (Health Status & Practices 4) Show progress in expressing feelings, needs and opinions in difficult situations and conflicts without harming themselves, others, or property. (Self Control 1) Develops growing understanding of how their actions affect others and begins to accept others and begins to accept the consequences of their actions. (Self Control 2) Demonstrates increasing capacity to follow rules and routines and use materials purposefully, safely, and respectfully. (Self Control 3)</p>
<p>B. Beliefs and Principles of United States Democracy Standard: The student will know key symbols, songs and locations that represent our nation and state.</p>	<p>Understanding the World</p>	
<p>1. Students will recognize the symbols, songs, locations that uniquely identify our nation.</p>	<p>Begin to recall recent and past events. (Understanding the World 6)</p>	
<p>C. Roots of the Republic Standard: The student will understand the importance of key founding documents of the U. S.</p>	<p>Understanding the World Social Competence and Relationships</p>	<p>Self Control</p>
<p>1. Students will identify the influence of the Declaration of Independence, the Constitution and the Bill of Rights.</p>	<p>Begin to recall recent and past events. (Understanding the World 6) Begin to understand others' rights and privileges. (Social Competence and Relationships 6)</p>	<p>Demonstrates increasing capacity to follow rules and routines and use materials purposefully, safely, and respectfully. (Self Control 3)</p>
<p>C. Roots of the Republic Standard: The student will become familiar with statesmen and their leadership and guidance of the republic.</p>	<p>Understanding the World</p>	
<p>1. Students will identify the beliefs and actions of statesmen including presidents George Washington and Abraham Lincoln.</p>	<p>Begin to recall recent and past events. (Understanding the World 6)</p>	

HISTORY AND SOCIAL STUDIES

<p>Minnesota Kindergarten-3 Academic Standards in <u>History and Social Studies</u></p>	<p>Minnesota Early Childhood Indicators of Progress in:</p> <ul style="list-style-type: none"> • <u>Social Systems Understanding</u> • <u>Mathematical and Logical Thinking</u> • <u>Scientific Thinking and Problem Solving</u> • <u>Social and Emotional Development</u> • <u>Physical and Motor Development</u> <p><i>(These indicators are intended as a guide for children in the preschool period of ages 3 to 5.)</i></p>	<p>Head Start Child Outcomes Framework in:</p> <ul style="list-style-type: none"> • <u>Social and Emotional Development</u> • <u>Mathematics</u> • <u>Science</u> • <u>Physical Health & Development</u> <p><i>(This framework is intended as a guide for children in the preschool period of ages 3 to 5.)</i></p>
<p>Governmental Institutions and Processes of the United States Standard: The student will know basic functions of government.</p>	<p>Understanding the World</p>	<p>Knowledge of Families & Communities</p>
<p>1. Students will describe examples of specific services provided by government. 2. Students will name people involved in government, including current and past government leaders, employees, and volunteers.</p>	<p>Recognize and describe the roles of workers in the community. (Understanding the World 4) Begin to recall recent and past events. (Understanding the World 6)</p>	<p>Develops growing awareness of jobs and what is required to perform them. (Knowledge of Families & Communities 3)</p>

FOR TEACHER COMPLETION ONLY



The Minnesota Work Sampling System® Kindergarten Entry Developmental Checklist

INSTRUCTIONS

CORRECT: ●

USE A NO. 2 PENCIL ONLY

INCORRECT: ○ ✗ ○ ○

Choose One

FEMALE MALE

Does this student have an IEP or ILLP? yes no

BLDG CODE	MARSS CODE										DATE OF BIRTH	
	1	2	3	4	5	6	7	8	9	0	Month	Year
												19
0	0	0	0	0	0	0	0	0	0	0	0	0
1	1	1	1	1	1	1	1	1	1	1	1	1
2	2	2	2	2	2	2	2	2	2	2	2	2
3	3	3	3	3	3	3	3	3	3	3	3	3
4	4	4	4	4	4	4	4	4	4	4	4	4
5	5	5	5	5	5	5	5	5	5	5	5	5
6	6	6	6	6	6	6	6	6	6	6	6	6
7	7	7	7	7	7	7	7	7	7	7	7	7
8	8	8	8	8	8	8	8	8	8	8	8	8
9	9	9	9	9	9	9	9	9	9	9	9	9

LEGEND

- (N) Not Yet—child cannot demonstrate indicator
- (I) In Process—child demonstrates indicator intermittently
- (P) Proficient—child can reliably demonstrate indicator

The Work Sampling System *Preschool-4 Developmental Guidelines* (4th edition) contains full descriptions of each performance indicator. (Number in parentheses indicates the page in the Guidelines where the indicator is described.)

I Personal and Social Development

A Self concept

Fall

- 1 Shows some self-direction. (p. 1) (N I P)

B Self control

Fall

- 1 Follows simple classroom rules and routines. (p. 1) (N I P)
 2 Manages transitions. (p. 2) (N I P)

C Approaches to learning

Fall

- 1 Shows eagerness and curiosity as a learner. (p. 2) (N I P)
 2 Attends to tasks and seeks help when encountering a problem. (p. 2) (N I P)
 3 Approaches tasks with flexibility and inventiveness. (p. 3) (N I P)

D Interaction with others

Fall

- 1 Interacts easily with one or more children. (p. 3) (N I P)
 2 Interacts easily with familiar adults. (p. 3) (N I P)
 3 Shows empathy and caring for others. (p. 4) (N I P)

E Social problem-solving

Fall

- 1 Seeks adult help when needed to resolve conflicts. (p. 4) (N I P)

II Language and Literacy

A Listening

Fall

- 1 Gains meaning by listening. (p. 5) (N I P)
 2 Follows two- or three-step directions. (p. 5) (N I P)
 3 Demonstrates phonological awareness. (p. 5) (N I P)

B Speaking

Fall

- 1 Speaks clearly enough to be understood without contextual clues. (p. 6) (N I P)
 2 Uses expanded vocabulary and language for a variety of purposes. (p. 6) (N I P)

C Reading

Fall

- 1 Shows appreciation for books and reading. (p. 6) (N I P)
 2 Shows beginning understanding of concepts about print. (p. 7) (N I P)
 3 Begins to develop knowledge about letters. (p. 7) (N I P)
 4 Comprehends and responds to stories read aloud. (p. 7) (N I P)

D Writing

Fall

- 1 Represents ideas and stories through pictures, dictation, and play. (p. 8) (N I P)
 2 Uses letter-like shapes, symbols, and letters to convey meaning. (p. 8) (N I P)

III Mathematical Thinking

A Mathematical processes

Fall

- 1 Begins to use simple strategies to solve mathematical problems. (p. 11) (N I P)

B Number and operations

Fall

- 1 Shows beginning understanding of number and quantity. (p. 11) (N I P)

C Geometry and spatial relations

Fall

- 1 Begins to recognize and describe the attributes of shapes. (p. 12) (N I P)
 2 Shows understanding of and uses several positional words. (p. 12) (N I P)

IV The Arts

A Expression and representation

Fall

- 1 Participates in group music experiences. (p. 21) (N I P)
 2 Participates in creative movement, dance, and drama. (p. 21) (N I P)
 3 Uses a variety of art materials for tactile experience and exploration. (p. 21) (N I P)

B Understanding and appreciation

Fall

- 1 Responds to artistic creations or events. (p. 22) (N I P)

V Physical Development and Health

A Gross motor development

Fall

- 1 Coordinates movements to perform simple tasks. (p. 23) (N I P)

B Fine motor development

Fall

- 1 Uses eye-hand coordination to perform tasks. (p. 24) (N I P)

C Personal health and safety

Fall

- 1 Performs some self-care tasks independently. (p. 24) (N I P)

For teacher use only



Parent Survey

Minnesota School Readiness Initiative

Dear Kindergarten Parent,

Please help us learn about your kindergarten child and your family as part of a school readiness study. Neither you nor your child will be identified in the published study report.

If you choose to answer the questions, summary information only, not individual family information, will be used by the Minnesota Department of Education for this study.

Thank you for your help!

USE A NO. 2 PENCIL ONLY



Family Information

1 Please indicate whether you are:

- Mother Father Other

2 Your highest level of school completed? Mark only one.

- Less than high school
 High school diploma/GED
 Trade school or some college beyond high school
 Associate degree
 Bachelor's degree
 Graduate or professional school degree

3 Your household's total yearly income before taxes? Mark only one.

- \$0 - \$35,000
 \$35,001 to \$55,000
 \$55,001 to \$75,000
 \$75,001 or more

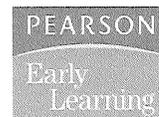
4 Race/ethnicity of your kindergarten child? Mark all that apply.

- Black/African/African American
 American Indian/Alaskan Native
 Asian/Native Hawaiian or other Pacific Islander
 Hispanic or Latino
 White/Caucasian
 Other

5 What language does your family speak most at home? Mark only one.

- English
 Spanish
 Hmong
 Somali
 Vietnamese
 Russian
 Other

Stop here. Thank you. Teacher completes other side.



State Senator John C. Hottinger

Op-Ed piece submitted to the *Pioneer Press*

2/06/05

Commissioner Alice Seagren's opinion piece Sunday criticizing efforts to support improved kindergarten readiness was disappointing. Seagren's view contrasts sharply with the supportive efforts for school readiness growing rapidly across the country.

Three weeks ago, the National Governor's Association Task Force on School Readiness -- chaired by Governor Dirk Kempthorne of Idaho, a conservative Republican -- issued its report "Building the Foundation for Bright Futures." The opening paragraph of the executive summary says it all: "The first years of life are a critical time for development of the foundational skills and competencies that children will need for success in school and in life. Too often, children who enter their kindergarten classroom without these skills and competencies start behind and stay behind. Fortunately, early intervention and supports can help close the gap before it starts to widen. Investments in young children yield high returns and are the best strategy for improving children's odds for a bright future."

Seagren minimized the importance of early brain development by citing an out-dated 1999 article by Australian John T. Breuer (misspelled as Brurer in Seagren's piece) who she claims is a "highly regarded cognitive researcher." His work, however, is generally described as social-political and has little currency or following. This quote from Gov. Jennifer Granholm of Michigan is highlighted in the NGA report's executive summary: "Children learn more from birth to age three than any other time in life. During these years, what we do will affect the way they learn, think and behave forever. As parents, child care providers and concerned citizens, it is our job to ensure that our youngest and most vulnerable residents are prepared and ready to enter the classroom." Committee member Arkansas Governor Mike Huckabee noted that "the best way to ensure children get a good education is to give them a strong foundation in their early years." A "core principle" noted in the report is that the first five years of life are a critical development period.

Seagren uses the conservative's avoidance practice of postponing vital investments by writing about the need to have a bureaucratic examination of policy approaches and current funding. The necessary information, however, is already here.

The NGA issued “A Governor’s Guide to School Readiness” pointing out that children who enter kindergarten with the right skills and knowledge are more likely to succeed in school than are their peers who are less well prepared. The best practices and suggestions for leadership contained in the Governor’s Guide rely on years of research on child development and early learning across several related domains of development. The Guide also emphasizes the need for accountability measures and specifically highlights the leadership Minnesota has shown since 1996 in this important area.

Governors Tom Vilsack of Iowa and Jim Doyle of Wisconsin have been lauded on the editorial pages of this paper for their strong initiatives on early childhood development and education, which they are doing in allegiance to their own “no new taxes” pledges. Gov. Jeb Bush of Florida and various administrations in North Carolina have aggressively pursued programs to make their children ready for school.

In Minnesota, working on a solid base of community-driven successes in promoting early childhood care and education, groups of parents, educators, care providers, legislators and interested citizens have worked diligently over the past months to find even better ways to strengthen our children’s readiness for school. The business community has been active in researching and developing approaches to preparing all of our children. The

Legislative Early Childhood Caucus – over 100 bipartisan legislative enthusiasts – held hearings this summer in 14 communities to get the input of Minnesota citizens.

The Governor's inability to provide a vision in this most crucial area for our state's future is one of his most glaring leadership failures. The Senate Early Childhood Policy and Budget Committee will be closely exploring the initiatives put forward by business and community leaders in Minnesota and building upon the excellent work on accountability in which Minnesota has been a leader. We hope to use those ideas to provide an enhanced system of supports for our families and children to meet the goal that No Child Starts Behind in Minnesota's kindergartens.

State Sen. John Hottinger
Chair, Senate Early Childhood Policy and Budget Committee
St. Paul, MN

Posted on Sun, Feb. 06, 2005

Don't use state study to mislead about kindergarten readiness

ALICE SEAGREN

Minnesota parents and educators do a good job of seeing our youngest students enter kindergarten prepared to succeed. Of course, we can and should do more for those young children who do not enter kindergarten with the skills they need.

Recently, an advertising campaign was launched overstating that half of our young learners are "not fully prepared" for kindergarten. The radio and TV spots go on to say that these children will be doomed to a life of economic hardship and even prison. The ads ask parents to call legislators to say they are "scared for our children."

The advocates sponsoring these ads base their claims on some early learning studies done by the Minnesota Education Department. But those studies did not draw dividing lines between children at different levels of development. They did not brand some students ready or not ready for kindergarten.

The Education Department studies do show that between 2 percent and 11 percent of children do not yet demonstrate some skills or behaviors they need for success in school. Another group, about half, are in the process of acquiring those skills.

They should succeed in schools that offer solid academic programs. The rest show full proficiency.

If the claims of the advertising campaign were true, it would certainly show up three years later in the third-grade Minnesota Comprehensive Assessment results for reading and math ability. In fact, in 2004, 74 percent of Minnesota third-graders achieved proficient scores in the reading assessment; 71 percent were proficient or better in math. Some of those successful students must have been in the group "not fully prepared" for kindergarten.

The advocates also make another claim: that most brain development takes place before age 5. Thus, if these children miss a critical window of learning, they are doomed to a life of failure. In the May 1999 Phi Delta Kappan, the journal of the college fraternity for teachers, the highly regarded cognitive researcher John T. Brurer questions that notion.

He concluded, "We have a lot more research to do ... despite what you read in the papers ... neuroscience has not established that there is a sensitive period between the ages of 4 and 10 during which children learn more quickly, easily, and meaningfully ... educators have uncritically embraced neuroscientific speculation." In fact, as any of us can testify, valuable learning takes place throughout a lifetime, not just before the age of 5 or 10.

School readiness is a serious issue for some of our children in Minnesota, one that needs careful attention. Indeed, the Minnesota Education Department has developed educational readiness indicators for preschoolers that can identify how to help our most at-risk children become prepared for school.

Should we spend additional money to target these at-risk children? Perhaps. But first we need to examine how we are using the \$700 million being spent now on child care and preschool programs. We need to be strategic and focused, getting results from the providers who receive these funds to serve our children before we talk of new money for new programs.

Spending money on advertising that attempts to scare the public and brand children as failures before the age of 5 does a disservice to families and to the good work of those in the field of school readiness.

Seagren of Bloomington is Minnesota education commissioner.

ZERO TO THREE Response to *The Myth of the First Three Years*

*A book entitled **The Myth of the First Three Years** has been reported on by the news media and has created confusion about the significance of the early years. ZERO TO THREE has developed the following response to help put the book into perspective for parents, policymakers, professionals and others who care about babies and toddlers. As you will see, there is no myth about the importance of the first three years.*

The Myth of the First Three Years, by John Bruer, is an attempt to redress some popular misconceptions about the importance to brain development of a child's earliest experiences. The book is an extension of "Education and the Brain: A Bridge Too Far," a scholarly article by Bruer that appeared in the November 1997 issue of *Educational Researcher*. Bruer, who is president of the James S. McDonnell Foundation, which awards \$18 million annually for biomedical, educational, and international projects, has no formal training in either neuroscience or child development. But his "Bridge Too Far" article provided an astute examination of the ways in which recent findings in neuroscience have been blown out of proportion and used to imply that we know how to increase the neural connections in a child's brain and ultimately, the child's intelligence. Take the so-called "Mozart effect," for example, the notion that playing classical music, especially Mozart, will boost a child's IQ. This idea was popularized in the press and capitalized on by entrepreneurs selling Mozart CDs for babies and parents, but it has no clear foundation in science.

However, in *The Myth of the First Three Years*, a book written for a popular, mass audience, Bruer crosses his own bridge and then burns it, taking his correct observation that the neuroscience of early childhood is, in a sense, in its own infancy, and leaping to the extreme conclusion that what happens to a child in the early years is of little consequence to subsequent intellectual development. He also suggests that intervening in the lives of very young children at risk for poor outcomes in school and adulthood will have little or no effect. Nothing could be further from the truth.

We are particularly concerned that readers will come away from this book confused about what babies need and what parents can do to encourage development, and that policymakers will see Bruer's argument as an excuse to ignore the growing interest and demand for policies and services that support babies, toddlers, and their families.

The Myth of Boosting Baby's Brain

ZERO TO THREE agrees with some of Bruer's assertions. He is right that science has just begun to sort out how the trillions of nerve cells in a child's brain are organized during the first three years of life to allow a child to learn to talk, read, and reason. The application of these new and exciting findings has sometimes been exaggerated, particularly by the media, or used inappropriately to make claims about what parents, educators, and policymakers should or should not be doing.

Much of the confusion centers on the notion that the first three years are a "critical period," defined as a window of opportunity for laying down circuits in a child's brain or learning a particular set of skills that closes irrevocably after a set amount of time. What we know from early research is that critical periods exist in children only for some very basic capacities, such as vision, and to a lesser extent for learning language. For example, it has been well-documented

that young children can learn a second language much more easily -- and often with better pronunciation and grammar -- than can adolescents or adults.

We agree with Bruer that a child's brain is not even close to being completely wired when the third candle on the birthday cake has been blown out. In fact, brain research suggests the opposite conclusion: Important parts of the brain are not fully developed until well past puberty, and the brain, unlike any other organ, changes throughout life. The human brain is capable of learning and laying down new circuitry until old age. But this does not mean that the first three years are unimportant.

Why the Early Years Are So Important.

While scientists have so far only confirmed a few "critical periods" in the development of the human brain, there is no doubt that the first three years of life are critical to the growth of intelligence and to later success in adulthood. We know from rigorous psychological and sociological research, and from compelling clinical experience, that early childhood is a time when infants and toddlers acquire many of the motivations and skills needed to become productive, happy adults. Curiously, Bruer turns a blind eye to the immense and crucial social and emotional development that begins during a child's first three years, which provides a foundation for continued later intellectual development. ***The importance of the first three years is no myth, and parents and policymakers must not be misled by Bruer's book.***

Following are a few examples that underscore why and how a child's intellectual development rests on social and emotional skills learned in the early years:

1. Development of Trust

Every person needs to learn to trust other human beings in order to function successfully in society. It is crucial that this sense of trust begins to grow during the earliest years. While it is certainly possible to learn this later, it becomes much more difficult the older a child gets. Years of living in an interpersonal environment that is unresponsive, untrustworthy, or unreliable is difficult to undo in later relationships.

Trust grows in infancy in the everyday, ordinary interactions between the child and the significant caregivers. A baby learns to trust through the routine experiences of being fed when she is hungry, and held when she is upset or frightened. The child learns that her needs will be met, that she matters, that someone will comfort her, feed her, and keep her warm and safe. She feels good about herself and about others.

Children whose basic needs are not met in infancy and early childhood often lack that sense of trust, and have difficulty learning to believe in themselves or in others. We know this from a multitude of scientific studies, including the research of Alan Sroufe and Byron Egeland, at the University of Minnesota. In a long-term study that followed infants through toddlerhood and into adulthood, Sroufe and his colleagues found that when children were reared within relationships they could count on, they had fewer behavior problems in school, had more confidence, and were emotionally more capable of positive social relationships.

2. Development of Self-Control

From the time a child begins to walk, we can see the progress she is making in mastering an important skill: self-control. Babies do not come into the world knowing that nobody likes it when they bite and hit, or grab toys and food from them; they need help from adults to understand that these impulses are not socially acceptable. John Gottman, of the University of Washington, among others, has demonstrated that children who get no help monitoring or regulating their behavior during the early years, especially before the age of three, have a greater chance of being anxious, frightened, impulsive, and behaviorally disorganized when they reach school. Further, these children are more likely to rely on more violent or other intimidating means to resolve conflicts than their peers who have successfully begun the long process of learning self-control.

3. The Source of Motivation

Another pillar of intellectual development and success in school is motivation. Infants and toddlers develop this through day-to-day interactions with responsive caregivers. Responding to the needs of the child is a powerful process that builds confidence and an inner sense of curiosity. This motivates the child to learn and has direct effects on success in school. The more confident a child is, the more likely she is to take on new challenges with enthusiasm.

The Emotional Foundations of Learning

Trust, self-control, and motivation form the bedrock of a child's intellectual development. Intelligence and achievement in school do not depend solely on a young child's fund of factual knowledge, ability to read or recite the alphabet, or familiarity with numbers or colors. Rather, in addition to such knowledge and skills, success rests on children, of whatever background, coming to school curious, confident, and aware of what behavior is expected. Successful children are comfortable seeking assistance, able to get along with others, and interested in using their knowledge and experience to master new challenges.

Bruer is right that there is no magic bullet for making kids smart. ***But by erroneously focusing exclusively on intellectual achievement, he fails to recognize that all aspects of development affect one another, and that children cannot learn or display their intelligence as well if they have not developed emotionally and socially.*** The task for parents and other caregivers who want their children to succeed in school is not to force development. Rather, it is to try to ensure that the moment-to-moment events of daily life give babies and toddlers the sense of security, encouragement, and confidence that are the foundation of emotional health. It is this that will ultimately allow them to learn at home, in school and throughout life.

Dangers of the Book

We are concerned that readers will draw the wrong conclusions. Many **parents** are likely to be confused by Bruer's message, which contradicts what they may know instinctively about the importance of the first three years. The book may let other parents off the hook -- particularly those parents who aren't willing or able to devote the time and attention that is needed to provide a nurturing environment for babies and toddlers.

Moreover, some parents will be offended by Bruer's assertion that "mothers who behave in acceptable American middle-class fashion tend to have securely attached children. The challenge is to get more non-complying, mostly minority and disadvantaged, mothers to act in this way." We know that there are plenty of poor, minority parents doing a marvelous job of raising their children in securely attached relationships. Whether by design or accident, Bruer stigmatizes minority racial and ethnic groups by defining them as the exception to the rule. And just what is "acceptable American middle-class" parenting? We know of no such thing as a homogeneous approach to parenting and attachment.

Policymakers may come away from Bruer's book with the misconception that efforts to help young children are a waste of money and time. Indeed, it appears that this may be Bruer's intent. For example, he attacks the very modest funding provided for such programs as Early Head Start, a desperately needed initiative that is a drop in the bucket relative to other government programs. Early Head Start was conceived on the basis of ample evidence for the value of early intervention -- evidence that was gathered long before the hoopla began over neuroscience, but that Bruer conveniently omits from his book.

Pioneering work done in the 1970s by Sally Provence, at the Child Study Center at Yale University provides just one example. Over a period of several years, Provence studied two groups of families with young children who were at risk for poor outcomes in school and adulthood. One group was offered free medical care and high quality day care, which included

help in learning to be more responsive parents. The other group received no assistance. Provenca found that when the children of both groups reached school age, those who received help missed far less school than the others, were able to learn and retain information more easily, and were more motivated. Their families had fewer children and the births were spaced farther apart.

Efforts to help all children achieve the basic skills of trust, motivation, and self-control needed for later intellectual and emotional development should not be aimed at creating super-babies, or giving anxious parents one more thing to worry about, or overambitious parents one more reason to push their children. Our aim should be to ensure that all children reach school age with a solid foundation for learning and relating to others, and that all parents know what they can do to help their children develop. In the last decade, the United States has made important progress in recognizing the needs of young children. Businesses have made efforts to create family-friendly policies. Government has made efforts to provide services to families. Parents are increasingly interested in how best to encourage and prepare their children. Taking to heart many of the negative messages of The Myth of the First Three Years can only set back those efforts. Our nation's youngest citizens deserve better.

###

ZERO TO THREE is a national non-profit founded more than 20 years ago by leading pediatricians, researchers, and child development specialists to share new knowledge on how children develop in the early years. ZERO TO THREE focuses on the first three years of life because this is the time of greatest human growth and development. The organization's award-winning web site -- cited by Newsweek magazine and The New York Times as an excellent resource for parents -- is located at: <http://www.zerotothree.org>.

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Last update: February 8, 2005 at 6:46 AM

Editorial: Missing children/Thaw the child care freeze

February 8, 2005 ED0208A

There must be some modest-income families with small children in Minnesota who are wondering about now what Gov. Tim Pawlenty has against them.

The governor's last budget knocked 800 families out of the state's child care support program, and told thousands of parents that if they want to stay in the program, they must pay substantially more -- often \$100 or \$200 per month more.

As a result, according to the Children's Defense Fund, upwards of 9,000 children who were expected to be enrolled in state-subsidized child care programs in the year ending last June 30 had dropped out. "We don't know where they went," said the fund's Minnesota director, Jim Koppel. Chances are that their parents found cheap care from a friend or relative -- maybe one who is adequately preparing children for school, or maybe not.

Now comes Pawlenty's 2006-07 budget proposal for child care. The governor wants to extend for two more years the freeze imposed in 2003 on the amount the state will pay providers of subsidized child care. That freeze would lock the state's payments through June 30, 2007, at the 75th percentile of rates charged in Minnesota in 2001.

That does not mean child care providers would stop raising their prices. It does mean that, once again, parents would pay a bigger share of those prices, if they can, or drop out of the subsidy program if they can't. The state is actually banking on the latter result. It expects the freeze to save the state \$70 million over two years, in part by putting the out-of-pocket cost for child care out of reach for 700 families in the Minnesota Family Investment Program.

What's supposed to happen to the children in those families and in families served by the state's other support program, called Basic

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Sliding Fee, whose child care costs will also spike? A state Department of Human Services report issued last month spelled it out: Continuing the freeze will "restrict access to both licensed family child care and center-based care. This might negatively affect children's school readiness and families' progress toward economic stability."

In other words, more working parents would stop working and fall back on welfare. More employers would lose steady employees. More kids would arrive in kindergarten already behind their peers, on the losing side of a learning gap that can persist for a lifetime. In addition, more child care providers in the state's lower-income areas would go out of business -- as 32 did in a nine-county region in northwestern Minnesota during only the first year of the freeze.

Over the long haul, every Minnesotan would pay for the \$70 million the governor's budget says it will save by continuing the freeze on child-care reimbursement rates. In the short term, a good chunk of that \$70 million would be paid by working families least able to shoulder that much of the state's budget-balancing burden. Some of them are the same families the Pawlenty budget would knock out of the MinnesotaCare health insurance program.

Low-income families typically need two kinds of support -- health insurance and child care -- for parents to get and keep a job. A governor and legislators who would deny those families health insurance and raise their child care costs to unaffordable heights will have a hard time credibly claiming in their reelection campaigns that they are probusiness or profamily. They should thaw the child care reimbursement freeze.

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OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

EVALUATION REPORT

Child Care Reimbursement Rates



JANUARY 2005

Report No. 05-01

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Program Evaluation Division

The Minnesota Office of the Legislative Auditor (OLA) was established in 1973, replacing the Public Examiner's Office. OLA's role is to audit and evaluate public programs and ensure accountability for the expenditure of public funds. In 1975, the Legislature created the Program Evaluation Division within the auditor's office. The division's mission, as set forth in law, is to determine the degree to which activities and programs entered into or funded by the state are accomplishing their goals and objectives and utilizing resources efficiently.

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A list of recent evaluations is on the last page of this report. A more complete list is available at OLA's website (www.auditor.leg.state.mn.us), as are copies of evaluation reports.

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OFFICE OF THE LEGISLATIVE AUDITOR

State of Minnesota • James Nobles, Legislative Auditor

January 2005

Members
Legislative Audit Commission

Minnesota's Child Care Assistance Program pays a portion of child care expenses for certain low-income families to help them stay employed and reduce their dependence on public assistance. Legislators have been concerned about the growing costs of this program and the rates paid for child care. Consequently, the Legislature directed the Department of Human Services to recommend options for cost control. In addition, the Legislative Audit Commission directed the Office of the Legislative Auditor to examine the methods used by the Department of Human Services to set maximum reimbursement rates for subsidized care.

We found that the basic methods used by the department to set maximum rates are reasonable. But the department sometimes uses complicated rate conversion procedures that ignore some of the rate information reported by providers. As a result, some of the maximum rates may exceed the levels permitted under state law. Prior to July 2003, state program administrators clearly violated state law by not setting maximum rates for child care centers in 68 of the state's 87 counties. In addition, the department's subsequent implementation of "regional" and "statewide" rates in those counties seems inconsistent with legislative directives, although the department believes its administrative rules provide authority to implement such rates.

We also found that an unexpectedly high percentage of licensed family home providers in some counties charge the state the maximum rate for child care. There are several possible explanations. Because one possibility is that providers are charging a higher rate than they are entitled to, we have recommended that the Department of Human Services investigate whether improper billing is occurring.

This report was researched and written by John Yunker (project manager) and Dan Jacobson. During the study, we received the full cooperation of the Department of Human Services. However, we have concerns about the department's written response to our report and have provided comments following their letter.

Sincerely,

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

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Summary

The Department of Human Services should revise some of the procedures it has used to set maximum reimbursement rates for the Child Care Assistance Program.

Major Findings:

- The basic methods used by the Department of Human Services to set maximum reimbursement rates for the Child Care Assistance Program are reasonable (p. 37).
- However, the department sometimes uses complicated rate conversion procedures that ignore important information about market rates for child care. As a result, some maximum rates exceed the levels we think are allowed under state law (pp. 39, 44).
- We question whether the Department of Human Services complied with state laws in establishing regional and statewide maximum rates for child care centers in 68 counties in July 2003. The Department of Education's prior practice of paying a provider's rate without a maximum clearly violated state statutes (p. 47).
- In some parts of the state, an unexpectedly high percentage of licensed family home providers have billed the maximum rate for subsidized care. The reasons for this are unclear, but the department needs to examine whether some providers are inappropriately billing the Child Care Assistance Program (pp. 61-63).
- There is some evidence that subsidized families in Minnesota use child care centers—the most expensive type of care—more often than unsubsidized families.

However, the use of centers in Minnesota's Child Care Assistance Program is much lower than that for subsidized programs in most other states (pp. 64-66).

Key Recommendations:

- The Department of Human Services should revise the methods it uses to calculate maximum reimbursement rates, particularly the methods used to convert maximums from one time period to another (pp. 42-43).
- The Department of Human Services should seek changes in state laws that would clearly allow the department to implement maximum rates based on geographic areas larger than a single county (p. 49).
- The Department of Human Services should become more familiar with the information reported in rate surveys. Department staff should adequately review the work of the child care resource and referral agencies that collect rate data and the consultant that analyzes the data and calculates maximum rates (p. 53).
- The Department of Human Services should examine whether there is a problem in some counties with providers charging the Child Care Assistance Program a higher rate than they charge the general public (p. 63).

Report Summary

Minnesota's Child Care Assistance Program pays a portion of child care expenses for certain low-income families. Fueled in part by growing federal support, total spending on the program increased to \$243 million in fiscal year 2003. In response to state budget shortfalls, the 2003 Legislature froze maximum reimbursement rates paid for subsidized care at child care centers and licensed family home providers, reduced the maximum rates paid for legal non-licensed care, tightened program eligibility, increased participant co-payments, and reduced state appropriations.

Despite the budget cuts made in 2003, the Legislature was concerned about future growth in program costs once the rate freeze is removed in July 2005. As a result, the Legislature asked the Department of Human Services to make recommendations for future cost containment to the 2005 Legislature. In addition, the Legislative Audit Commission directed our office to review the methods used by the department to calculate maximum reimbursement rates for subsidized child care.

The Department of Human Services Uses Inappropriate Methods to Calculate Maximum Reimbursement Rates in Some Counties

Minnesota law requires the Department of Human Services to establish maximum reimbursement rates for subsidized child care no higher than the 75th percentile rate for similar care in each county. The department sets separate rates for child care centers and licensed family home providers based on their respective market rates. Rates for legal non-licensed care are based on a percentage of the maximum rates for licensed family home care. In each of Minnesota's 87 counties, the department

has 28 maximum rates, including 12 maximums each for child care centers and licensed family home providers. The 12 maximums include hourly, daily, and weekly rates for each of four age groups of children. For legal non-licensed care, there are hourly rates for each of the four age groups.

Generally, the department uses appropriate methods to survey providers about their rates and set maximum rates. But some of the department's complicated procedures for calculating maximum rates seem inappropriate and inconsistent with state law. The problems mainly occur when the department converts maximums for one time period to another time period. For example, about half of the weekly maximums for child care centers are based on conversions of hourly or daily maximums rather than simply on weekly rates. In those cases, the department's method ignores the weekly rates reported by providers and, at times, sets weekly maximums not only higher than the 75th percentile allowed by law, but far in excess of the reported rates. In one county, the department set a weekly maximum more than twice as high as the reported weekly rates.

We estimate that about 25 percent of the current maximum rates for child care centers and about 9 percent of the maximums for licensed family home care would be lower if more reasonable procedures were used to set maximum rates. In addition, 13 percent of the maximum rates for legal non-licensed care would be lower. About 3 percent of the maximums for child care centers would be higher. Most of the problems we found affect the maximum rates in counties outside the Twin Cities metropolitan area.

There are additional problems with the current maximum rates, particularly those for center-based care of school-age children. Because the size of child care centers varies significantly, the department uses information on licensed

The department's complicated rate conversion procedures have caused some maximum rates to be set higher than the 75th percentile allowed by state law.

capacity in calculating maximum rates for centers. But, about one-fourth of the child care centers that reported rates for the care of school-age children did not report their licensed capacity in the 2001 survey. As a result, some of the current maximum rates are based on faulty assumptions about the capacity of these centers. The amount of non-reporting has decreased in more recent surveys, but we are concerned that some providers may be misstating their capacity when surveyed. In future surveys, the Department of Human Services should obtain information on licensed capacity from its Licensing Division and supplement it, when necessary, with information from providers.

State Administrators of the Child Care Assistance Program Have Not Paid Sufficient Attention to State Laws Governing the Setting of Maximum Rates

Prior to March 2003, the Department of Education was responsible for administering the Child Care Assistance Program and setting maximum rates. The Department of Education used a “pay provider rate” system that did not have maximum rates for child care centers in 68 counties for one or more age groups. The department allowed child care centers in those counties to charge the program whatever rate they charged private customers and to increase the rate charged to the program during a fiscal year. We think the “pay provider rate” system clearly violated state statutes that require maximum rates to be set in each county based on the 75th percentile of market rates as surveyed by the department. To comply with state law, state program administrators should have set maximum rates in these counties and enforced those rates until new rates were set throughout the state based on a new rate survey.

Within months after the Department of Human Services assumed responsibility

for the program, the Legislature directed the department to continue using the Department of Education’s schedule of provider rates through June 2005. That schedule had been implemented in July 2002 and included the “pay provider rate” system for child care centers in 68 counties.

The Department of Human Services implemented some parts of the legislative directive but did not continue the “pay provider rate” system. Instead, the department established maximums for child care centers in each of the 68 counties based on rates from counties in the same region or other regions of the state. The department’s action caused the allowed payment rates for some child care centers to decline even though the legislation required that the department’s rate schedule remain unchanged.

In establishing “regional” and “statewide” maximums in these 68 counties, the Department of Human Services did not consider the statutory language that appears to require maximum rates to be set based on rates in each county, rather than rates in multiple counties. While the department believes that its rules give it authority to set maximum rates based on multi-county jurisdictions, we think that the department should seek clearer statutory authority to set regional or statewide rates.

It Is Difficult to Determine Whether Licensed Providers Raise Their Rates to Take Advantage of the State’s Maximum Rates

Some legislators have been concerned that some child care providers increase their rates to the state’s maximum reimbursement rate in order to charge the state more for subsidized care. Almost all legal non-licensed providers charge the maximum rate. This result is not surprising since such providers generally do not have regular rates. They only

The Department of Human Services should seek clearer statutory authority to set "regional" and "statewide" maximum rates.

provide care for children of relatives and no more than one unrelated family.

But available evidence suggests that most licensed providers do not respond in the same way to increases in the maximum rate. Most licensed providers have a large number of private-pay customers and would lose some of these customers if they set their rates too high. Only providers that primarily serve children from the Child Care Assistance Program have a strong incentive to increase their rates to the maximum rates.

It is unclear, however, how many licensed providers are highly dependent on the subsidy program and how they respond to increases in maximum rates. This issue cannot be directly examined due to a lack of information on individual providers. The Department of Human Services does not have information on the extent to which providers rely on the subsidy program. In addition, the department did not maintain data on the names of providers responding to the 2001 rate survey. As a result, it is not possible to identify how much individual providers—particularly those serving a large number of children in the state’s program—raised their rates in recent years.

Indirect evidence suggests that there is not a significant problem with child care centers. However, in some parts of the state, there is a greater tendency among licensed family home providers to charge the maximum rates than one would expect from the market rates of providers serving the general public. This finding may indicate that there are a significant number of licensed family home providers that mostly serve subsidized families in those parts of the state. Another possibility is that providers are billing the maximum rate to a county or the state even though they charge a lower rate to the general public and are not entitled to the maximum rate. Although providers are required to provide counties with the rates they

charge to the general public, some counties may not be checking that information before making payments.

Program Participants Seem to Use Child Care Centers More than Unsubsidized Families But Use Centers Less than Subsidized Families in Most Other States

There has been a concern among some legislators that the system of setting maximum rates provides program participants with an incentive to select child care centers, even though they are the most expensive type of care for the state’s assistance program. The best information currently available on this issue comes from a 1999 survey of Minnesota families. Data from that survey suggest that subsidized families choose child care centers almost twice as often as families not receiving child care subsidies. However, some of the results from this survey are contradicted by the findings from a 1997 Urban Institute study. Data from a 2004 survey of Minnesota families will be available in 2005 and could be used to provide more up-to-date results.

While participants in Minnesota’s Child Care Assistance Program may be more likely to use child care centers than the general public, the setting of maximum rates limits the costs paid by the program. Furthermore, the use of centers in Minnesota’s program is low compared with other states. In 2001, only 36 percent of program participants in Minnesota used child care centers, while 58 percent of subsidized families in other states used center-based care.

The Department of Human Services needs to examine whether some licensed family home providers are inappropriately charging the maximum rate.

Introduction

Like other states, Minnesota pays a portion of the child care expenses of certain low-income families. The primary purpose of Minnesota's Child Care Assistance Program is to help low-income families pursue employment or education leading to employment. By facilitating employment, the program attempts to reduce the reliance on other public assistance programs.

The program is funded largely with state and federal government funds. Due to state budget shortfalls, the 2003 Legislature implemented several measures to reduce state spending on child care assistance. The Legislature reduced the appropriation for the basic sliding fee component of the program and increased co-payments for all families receiving child care assistance. In addition, the 2003 Legislature instituted a two-year freeze on the maximum reimbursement rates paid for subsidized licensed child care and reduced the maximum rates for non-licensed care. Prior to this freeze on licensed reimbursement rates, the state was adjusting the maximums annually based on the rates charged to unsubsidized customers by child care providers.

Our evaluation focused on the maximum reimbursement rates used in the Child Care Assistance Program.

The 2003 Legislature required the Department of Human Services (DHS) to study the Child Care Assistance Program and report back by January 15, 2005 with recommendations for controlling the future growth in child care assistance costs. But, some legislators were concerned about the quality of information received from DHS regarding child care assistance during the 2004 legislative session and wanted an impartial, third-party review of selected aspects of the program. As a result, in April 2004, the Legislative Audit Commission directed the Office of the Legislative Auditor to conduct a study of the methods used by DHS to establish maximum reimbursement rates. In this report, we address the following issues:

- **Does the Department of Human Services use appropriate methods in conducting surveys of child care provider rates?**
- **Are the department's methods of calculating maximum reimbursement rates reasonable and consistent with state statutes?**
- **How do the rates charged for subsidized care compare with the maximum rates set by the state? Do most providers simply charge the maximum rates set by the state?**
- **Do subsidized families tend to select the most expensive care available in their area? What do available data suggest about how the type of child care used by subsidized families differs from that used by unsubsidized families?**
- **To what extent has the freeze on maximum reimbursement rates affected the access of program participants to child care?**

- **Could Minnesota set lower maximum reimbursement rates and still comply with federal laws and regulations? What would be the advantages and disadvantages of setting lower maximum rates?**

To conduct this evaluation, we reviewed applicable state and federal laws and regulations and national studies on child care assistance programs. In addition, we interviewed Department of Human Services staff and selected individuals involved with the Child Care Assistance Program including county government staff, child care providers, and representatives of interest groups.

We reviewed the methods used to survey child care providers about their rates, and we analyzed rate data from the last three surveys. We examined the rate information obtained during the 2001 survey in detail, since that survey was used to set the maximum reimbursement rates that are currently in effect and have been in effect in some parts of the state since July 2002. We also examined child care assistance payment data from Hennepin County and from those counties that use the state payment system called the Minnesota Electronic Child Care Information System (MEC²). Finally, we analyzed data from several sources on the use of different types of child care providers by subsidized and unsubsidized families.

Data limitations affected our ability to answer some questions asked by legislators.

While we were able to complete our study, there are a number of data limitations that affected the extent to which we could answer the questions raised by legislators. First, Minnesota does not yet have a statewide payment system. In recent years, the number of counties using the state's payment system has gradually increased. But, as of July 1, 2004, only 38 of the state's 87 counties had all of their child care assistance payments made by the state. As a result, we were unable to systematically examine the child care assistance payments in most counties. Second, the state does not have a statewide database that identifies which providers serve subsidized children and the percentage of a provider's enrollment or capacity that is accounted for by subsidized children. Consequently, we could not identify providers that are highly dependent on the Child Care Assistance Program and compare changes in their rates with those of other providers. Third, complete information on how the 2003 legislative changes affected program participation, program expenditures, the use of different types of child care, and the number of providers was not available during our study. That information may now or soon be available from the Department of Human Services. Fourth, the most recent data available on the use of various types of providers by subsidized and unsubsidized families and by families of various incomes was from a 1999 Wilder Foundation survey. Data from a 2004 survey will soon be available and could be used to provide a more up-to-date answer to some of the questions asked by legislators. Finally, due to a change in the software used to track providers and rates, the Department of Human Services could not provide us with the names of providers whose rates were included in the 2001 rate survey. That survey was the one used to set the maximum rates currently in effect. As a result, we could not fully answer some questions legislators had about maximum rates set in their counties or track how the rates of particular providers changed over time.

Chapter 1 of this report describes Minnesota's Child Care Assistance Program, including its funding, the number of participants, and the use of various types of child care. We also discuss the role of the Department of Human Services in establishing maximum reimbursement rates and the federal government's

requirements for the process of setting maximum rates. Chapter 2 evaluates the department's methods for surveying child care providers and using information about their rates to set maximum reimbursement rates. In particular, we examine whether the department has set maximum rates that are consistent with actual rates and statutory requirements. We also compare the basic methods used to set maximum rates in Minnesota with those used in other states.

Chapter 3 reviews the response of providers and participants to the availability of child care assistance and the setting of maximum reimbursement rates. We examine whether providers typically adjust their rates to the maximum rates allowed by the state. We also examine whether subsidized families tend to select higher-priced child care than non-subsidized families. Furthermore, we consider how the freeze on maximum rates has affected the access of program participants to child care. Finally, in Chapter 3, we discuss the advantages and disadvantages of using alternative methods for setting Minnesota's maximum rates that would produce lower maximums than have typically been set in the past.

Background

SUMMARY

Like other states, Minnesota provides child care subsidies for certain low-income families to enable them to pursue employment or education leading to employment. By fiscal year 2003, participation in Minnesota's Child Care Assistance Program had increased to a monthly average of about 40,000 children. Program spending had grown to \$243 million, including \$128 million in state funds. In response to state budget shortfalls, the 2003 Legislature restricted program eligibility, reduced state funding, increased participant co-payments, froze maximum reimbursement rates for licensed child care, and reduced maximum rates for legal non-licensed care. The Department of Human Services expects participation and spending to decline during the current biennium. But spending is expected to grow during the 2006-07 biennium, since the freeze on the state's maximum reimbursement rates is due to expire. Current reimbursement rates are based on a survey of market rates conducted during the fall of 2001.

The Child Care Assistance Program helps low-income families afford child care.

Each of the 50 states and the District of Columbia operate child care assistance programs that are funded in part by the federal government. The primary purpose of these programs is to help low-income families, particularly those receiving public assistance, pursue employment or education leading to employment. Without child care subsidies, it may be difficult for these families—which are often single-parent families—to be employed or in training. The programs also serve low-income families leaving public assistance programs and other low-income working families. An additional goal of the programs is to provide quality child care that helps prepare children for school.

This chapter provides an overview of Minnesota's Child Care Assistance Program. In particular, we address the following questions:

- **What types of families are eligible for child care subsidies under Minnesota's Child Care Assistance Program?**
- **What are the responsibilities of state, local, and federal government agencies in administering the program? What is the state's responsibility for setting maximum reimbursement rates, and what restrictions does the federal government place on the state's methods for setting maximum rates?**

- **How many children and families participate in the Child Care Assistance Program? How does participation vary across the state?**
- **What types of child care do subsidized families select? How does the selection of child care vary across the state and for different subprograms?**
- **How have expenditures for the Child Care Assistance Program changed in recent years? How are changes in the program expected to affect future expenditures?**
- **What child care costs do participants pay? How have those costs changed in recent years?**

ELIGIBILITY

The program serves participants in the Minnesota Family Investment Program (MFIP) and other low-income families.

Minnesota's Child Care Assistance Program serves several types of low-income families. First, the program provides child care subsidies for families participating in the Minnesota Family Investment Program (MFIP) or the Diversionary Work Program (DWP).¹ The families must be employed or pursuing employment, or participating in employment, training, or social services activities authorized in an approved employment services plan. MFIP recipients without an approved plan must be employed at least an average of 20 hours per week and earn at least the minimum wage. Up to 240 hours per year of child care may be authorized for job search efforts. Recipients with an approved employment plan are not subject to these employment and earnings requirements. They can use subsidized child care for work, training, social services, and other activities authorized in their employment plans.

Second, former MFIP or DWP recipients who are in their first year off these programs are eligible to receive child care assistance provided they received MFIP or DWP at least three of the last six months. These "transition year" participants are then eligible for up to 12 consecutive months of child care assistance for employment and job search purposes. They must be employed at least an average of 20 hours per week and earn at least the minimum wage. The information in Table 1.1 suggests that most families qualifying for child care assistance due to their current or past MFIP status are employed. The Department of Human Services estimated that fewer than 15 percent were engaged only in education, social services, or other non-employment activities during September 2003.

Third, the program pays child care expenses on a sliding fee basis for other low-income parents that are employed or are in an educational program leading to

1 The Minnesota Family Investment Program, or MFIP, is the state's welfare reform program for low-income families with children. It includes both cash and food assistance. When most families first apply for cash assistance, they participate in the Diversionary Work Program, or DWP. This is a four-month program that helps parents go immediately to work rather than receive welfare. Some families may be referred to MFIP as soon as they apply for assistance, while others are referred to MFIP after they finish four months of DWP. Parents on MFIP are expected to work, and are supported in working. Most families can get cash assistance for only 60 months.

Table 1.1: Activities of Families Receiving Child Care Assistance, September 2003

Most families that receive child care assistance are employed.

MFIP Program	Percentage of Families	Basic Sliding Fee Program	Percentage of Families
Families with an Employment Plan ^a		Employment	90%
Employment	40%	Education	3
Education	11	Employment and Education	6
Employment and Education	12		
Subtotal	63%	Total	100%
Families without an Employment Plan (Employment only)	9		
Transition Year and Transition Year Extension (Employment only)	26		
Orientations and Appeals	2		
Social Services Only	<1		
Total	100%		

^aSome of these families are also receiving child care for social services that are part of their employment plan.

SOURCE: Minnesota Department of Human Services' calculation from September 2003 county reports excluding data from the state's MEC² payment system.

employment. Sliding fee assistance declines as family income increases.² If participants in the sliding fee portion of the program are employed, they must be working at least an average of 20 hours per week and earning at least the minimum wage. There is no limit to the length of time that a family can obtain basic sliding fee assistance. But a participant can pursue education without employment only as long as it takes to complete an associate or baccalaureate degree.³ Full-time students that work and request child care during their work hours must work at least an average of 10 hours per week and earn at least the minimum wage. Table 1.1 shows that most basic sliding fee participants are employed. For September 2003, the Department of Human Services estimated that 90 percent were employed. The other 10 percent were enrolled in educational programs, but two-thirds of those in educational programs were also employed.

The basic sliding fee portion of the Child Care Assistance Program is subject to a fixed appropriation, while there is an open, or unlimited, appropriation available to fund the MFIP and transition year components of the program. Each county is given a fixed allocation of funds to provide sliding fee assistance and may not be able to serve all county residents that qualify for sliding fee child care assistance. The state sets priorities for counties to use in deciding which eligible families will receive assistance. A county must give highest priority to parents without a GED or a high school diploma and those who need remedial or basic skills courses to pursue employment or education leading to employment. The youngest parents receive the greatest consideration within this group. The second priority is

2 All participants in the Child Care Assistance Program, including those in MFIP or DWP, are assessed a co-payment that is calculated on a sliding fee basis, except those with an annual gross income less than 75 percent of the federal poverty level adjusted for household size.

3 There is no limit on the amount of time that may be needed for remedial education.

families completing child care assistance in their transition year from MFIP or DWP. The third priority is portability pool recipients, who are individuals who were receiving basic sliding fee assistance in other counties but have moved into a new county. If a county cannot provide basic sliding fee assistance for all eligible families, it establishes a waiting list.

The 2003 Legislature tightened eligibility for child care assistance to non-MFIP families.

The federal government provides funding for state child care assistance programs that limit eligibility to families earning less than or equal to 85 percent of the state's median income. Prior to July 1, 2003, Minnesota's Child Care Assistance Program provided subsidized child care to families with incomes less than or equal to 75 percent of the state's median income. The 2003 Legislature reduced the income eligibility limits for non-MFIP participants and changed the method for calculating eligibility. Since July 1, 2003, Minnesota's program has admitted non-MFIP families into the Child Care Assistance Program only if they have incomes less than or equal to 175 percent of the federal poverty level adjusted for family size. The program has also terminated assistance for non-MFIP families with incomes equal to or greater than 250 percent of the federal poverty level. The new entry and exit ceilings for eligibility were roughly equivalent to 44 and 63 percent of the state's median income, although they varied slightly depending on family size. The change in eligibility did not immediately affect the vast majority of program participants. The Department of Human Services estimated that in fiscal year 2003 only about 5 percent of the families receiving basic sliding fee assistance had incomes equal to or greater than 250 percent of the federal poverty level. Table 1.2 illustrates the changes in income eligibility that were the result of 2003 legislation.

GOVERNMENTAL ROLES

In this section, we provide a brief overview of the roles that various governmental bodies and agencies play in establishing, overseeing, and operating the Child Care

Table 1.2: Income Eligibility for Child Care Assistance, May 2004

Family Size	Entrance Limit			Exit Limit			Comparison to Law Prior to July 2003 ^a		
	Percent of Federal Poverty Level	Dollars	Equivalent as a Percent of State Median Income	Percent of Federal Poverty Level	Dollars	Equivalent as a Percent of State Median Income	Percent of State Median Income	Dollars	Equivalent as a Percent of Federal Poverty Level
2	175%	\$21,210	43%	250%	\$30,300	61%	75%	\$37,043	306%
3	175	26,705	44	250	38,150	63	75	45,760	300
4	175	32,200	44	250	46,000	63	75	54,476	296
5	175	37,695	45	250	53,850	64	75	63,193	293
6	175	43,190	45	250	61,700	64	75	71,909	291

^aPrior to July 1, 2003, families with incomes less than or equal to 75 percent of the state's median income were eligible for child care assistance. Starting in July 2003, separate entrance and exit limits were placed into effect and were based on the federal poverty level. This table shows the limits in effect as of May 2004 and compares them with the eligibility limit that would have been in effect if state law had not been changed.

Assistance Program. In particular, we discuss the establishment of maximum reimbursement rates by the Department of Human Services and the guidelines set by the federal government.

General Responsibilities

Federal, state, and county governments are involved in the administration and funding of Minnesota's Child Care Assistance Program. In Minnesota, like other states, the federal government provides significant funding for child care assistance, administration, and improvements to the child care system. In return, the federal government sets program regulations that must be followed by states. In addition, the federal government requires states to file plans for federally funded child care services every two years and obtain federal approval for those plans. At the state level, the Minnesota Legislature has the authority to establish a child care assistance program and set the eligibility, operational, and administrative standards for the program. The Department of Human Services (DHS) has the general responsibility of ensuring that the policy set forth by the Legislature is implemented.⁴ The department establishes state rules, prepares a state plan for submission to the federal government, allocates funds to the counties for the basic sliding fee portion of the program in accordance with legislative direction, and communicates with counties regarding the operation of the program. DHS also operates a computer system that, as of July 1, 2004, made all child care assistance payments in 38 of Minnesota's 87 counties and some of the payments in eight other counties. Counties are responsible for the operation of the Child Care Assistance Program in Minnesota. Counties must review the eligibility of applicants, authorize payments to providers, and report to DHS on certain aspects of their activity.

The Department of Human Services sets hourly, daily, and weekly maximum reimbursement rates for various types of subsidized child care.

Maximum Reimbursement Rates

In operating a child care assistance program, each state is required to set maximum reimbursement rates for child care. In Minnesota, the Department of Human Services sets hourly, daily, and weekly maximum rates for various types of child care in each of the state's 87 counties. Child care providers are free to establish rates at any level for their customers. But, for subsidized care, the state will not pay rates higher than the maximum rate. Providers must collect any additional charges in excess of the maximum rate from participants.

To be specific, the state accepts the provider's rate unless it exceeds the maximum rate. The state's payment to the provider is the smaller of the two amounts—the provider's rate and the maximum rate—minus the co-payment required of the program participant. In most counties, the participant pays the co-payment directly to the provider. If the provider's rate exceeds the maximum rate, the participant must pay the provider the difference between the provider's rate and the maximum rate, in addition to the co-payment. Table 1.3 provides several examples illustrating how payment of child care assistance works. The examples show that the cost to a participant may increase significantly if the participant

⁴ State oversight of the Child Care Assistance Program moved from the Department of Education in March 2003 as a result of a government reorganization undertaken by the Governor. An earlier version of the program began in the Department of Human Services, but was moved to the Department of Children, Families and Learning, which later became the Department of Education.

Table 1.3: Examples of State and Participant Payments for Child Care Obtained Through the Child Care Assistance Program, FY 2005

Program participants must pay a co-payment and any charges in excess of the maximum reimbursement rate.

	Example 1 Provider's Rate is \$150 per Week	Example 2 Provider's Rate is \$200 per Week	Example 3 Provider's Rate is \$250 per Week
Maximum Weekly Rate	\$ 200	\$ 200	\$ 200
State Payment per Week			
Rate Paid ^a	\$ 150	\$ 200	\$ 200
Less: Participant Co-payment ^b	<u>13</u>	<u>13</u>	<u>13</u>
Total State Payment	\$ 137	\$ 187	\$ 187
Participant Payment per Week			
Co-payment	\$ 13	\$ 13	\$ 13
Amount in Excess of Maximum ^c	<u>0</u>	<u>0</u>	<u>50</u>
Total Participant Payment	\$ 13	13	\$ 63
Amount Received by Provider per Week	\$ 150	\$ 200	\$ 250
Annual Participant Payments	\$ 676	\$ 676	\$ 3,276
Annual Participant Gross Income	\$15,000	\$15,000	\$15,000
Payments as a Percent of Income	4.5%	4.5%	21.8%

^aThe rate paid is the provider's rate or the maximum rate, whichever is smaller.

^bThis is the FY 2005 co-payment for a two-person household with an annual gross income of \$15,000. Co-payments are generally lower for households of larger size at the same income level.

^cThe participant is responsible for paying the amount by which the provider's rate exceeds the maximum rate, as well as the required co-payment.

SOURCE: Office of the Legislative Auditor analysis using information from the Minnesota Department of Human Services.

selects a provider that has rates higher than the maximum. As a result, the payment system may serve to limit the extent to which participants select high-cost providers even though they are free to choose any provider and any type of care. The examples also indicate that a participant does not have a financial incentive to select a provider with a rate below the maximum rate. The participant's cost is the same for all providers with rates at or below the maximum. However, other factors such as convenience, transportation, and familiarity with various providers may outweigh any financial factors in a participant's selection of a provider.

Under federal laws and rules, each state is required to submit a plan to the federal government every two years. In its plan, a state must show that its payment rates "...are sufficient to ensure equal access, for eligible families ... to child care services comparable to those provided to families not eligible to receive CCDF assistance..."⁵ In particular, a state must show that its maximum rates provide the required "equal access." To demonstrate that equal access is provided, a state must show: 1) how a choice of the full range of providers is made available;

⁵ 45 CFR part 98, sec. 98.43, (October 1, 2003 edition).

A state's child care assistance program must receive periodic approval from the federal government.

- 2) that payment rates are adequate in comparison to a survey of market rates conducted no earlier than two years prior to the effective date of the plan; and
- 3) that co-payments are affordable.

It is not entirely clear what evidence is considered necessary or sufficient to demonstrate that equal access is provided. The federal government used to require states to set the maximum rate for each type of child care based on the 75th percentile of market rates for that type of care. Theoretically, that requirement allowed program participants to access at least three-fourths of the providers (or, for child care centers, at least three-fourths of the available child care slots) without paying more than the required co-payment.⁶ That requirement was eliminated in 1998, however, and states are permitted to set maximum rates at either a higher or lower percentile than the 75th percentile. The Administration for Children and Families (ACF) within the United States Department of Health and Human Services has indicated that following the previous requirement would be sufficient to demonstrate that payment rates are adequate. But the ACF has allowed states to set rates based on a lower percentile of market rates. The federal government has also permitted some states to use surveys that are more than two years old to set maximum rates. Although a state must generally conduct a market rate survey every two years, it may be able to get its plan approved even if its maximums are based on a survey that was conducted more than two years prior to the effective date of its state plan.

In Minnesota, state law requires that the maximum rate set by the Department of Human Services "...not exceed the 75th percentile rate for like-care arrangements in the county as surveyed by the commissioner."⁷ Until recently, the state annually conducted rate surveys of licensed providers and set rates based on the 75th percentile. In response to budget shortfalls, however, the 2003 Legislature froze the maximum rates that were placed in effect on July 1, 2002 until after June 30, 2005. Chapter 2 will discuss the manner in which the department sets maximum rates in detail.

PROGRAM STATISTICS AND TRENDS

In this section, we provide information on program participation by various age groups and parts of the state. We also examine the type of care selected by participants and the variation in the types of care used across the state. In addition, we provide data on the source of funding for the Child Care Assistance Program and review recent trends in program expenditures. We also discuss the changes made by the 2003 Legislature that are expected to affect program expenditures and participation.

⁶ Setting the maximum rate at the 75th percentile means that the maximum is set so that at least 75 percent of the providers (or, for child care centers, at least 75 percent of the child care slots) are at rates equal to or less than the maximum rate. However, rates may increase between the time of the rate survey and the implementation of the maximum rate. By the time new maximum rates are implemented, fewer than 75 percent of the rates may be less than the maximum rate.

⁷ *Minn. Stat.* (2004), §119b.13, subd. 1.

Program Participation

During fiscal year 2003, a monthly average of more than 40,100 children participated in the Child Care Assistance Program. As Table 1.4 indicates, participation in the program increased about 20 percent between fiscal years 2000 and 2003. The growth was probably due to increased funding for the basic sliding fee portion of the program and declining economic conditions that caused greater numbers of MFIP recipients to seek child care assistance. The growth rate in basic sliding fee care was twice the rate for MFIP care. The Department of Human Services is estimating a 13 percent decline in program participation from 2003 to 2005. The decline mostly reflects the policy changes and budget cuts adopted by the 2003 Legislature.

Program participation had been growing but declined following legislative changes made in 2003.

Table 1.4: Monthly Average Number of Children Served by the Child Care Assistance Program, FY 2000-05

Year ^a	MFIP and Transition Year	Basic Sliding Fee	Total
2000	16,589	16,799	33,388
2001	15,573	19,310	34,883
2002	17,038	20,158	37,196
2003	18,826	21,328	40,154
2004	16,695	17,365	34,060
2005 (Projected)	16,601	18,345	34,946
Percent Change: 2000-03	13%	27%	20%
Percent Change: 2003-05	-12%	-14%	-13%
Overall Change: 2000-05	0%	9%	5%

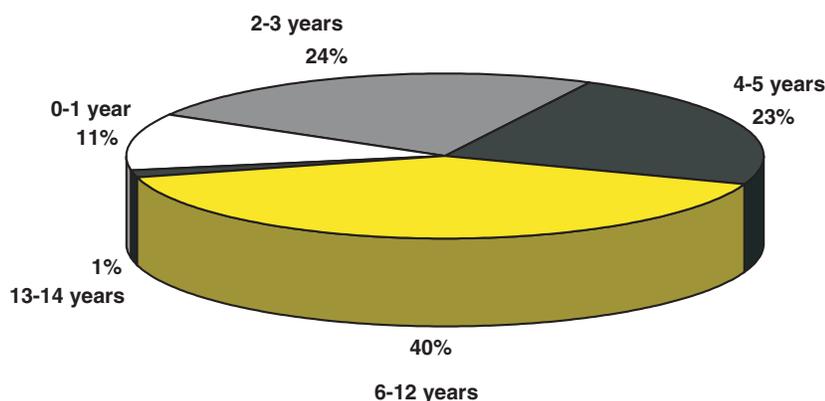
^aData for FY 2000 on MFIP and Transition Year participants were based on an estimate from the Minnesota Department of Human Services. All numbers for FY 2005 are projections.

SOURCE: Minnesota Department of Human Services.

State law restricts participation in the Child Care Assistance Program to children under age 13 except for persons of age 13 or 14 who are defined as having a disability and are eligible to receive special education services in schools. However, the Department of Human Services has estimated that only a little more than 1 percent of children served by the program in fiscal year 2003 were more than 12 years old. As Figure 1.1 shows, 40 percent of the children receiving subsidized care were school-age children between 6 and 12 years of age. About 47 percent of the children in the program were between 2 and 5 years old, while 11 percent were younger than 2 years old.

We examined more detailed data from federal fiscal year 2003 to analyze how participation varies across the state. These data—for the year ending September 30, 2003—indicated that participation in the Child Care Assistance Program was split about equally between the seven-county Twin Cities metropolitan area and the rest of the state. The Twin Cities area had about 51 percent of the program participants while 49 percent were from outstate Minnesota. For the MFIP and Transition Year portion of the program, the Twin Cities area accounted for

Figure 1.1: Age of Children Served by the Child Care Assistance Program, FY 2003



SOURCE: Minnesota Department of Human Services' estimate from case sample.

Per capita participation in the program appears to be higher outstate than in the seven-county Twin Cities area.

58 percent of the participants compared with 42 percent outstate. But, participation in the basic sliding fee portion of the program was greater in outstate Minnesota. The Twin Cities area had 44 percent of the basic sliding fee participants while 56 percent were from other parts of the state.

Per capita use of the Child Care Assistance Program in federal fiscal year 2003 was about 20 percent higher outstate than in the seven-county Twin Cities metropolitan area. The highest per capita usage was in north central and northeastern Minnesota, although per capita participation appeared to vary significantly among counties in those areas. There were also counties with relatively high per capita participation in other parts of the state.⁸

Type of Child Care

There are three main types of child care used by participants in the Child Care Assistance Program. Generally, the most expensive type of care is provided by child care centers. Centers are nonresidential facilities and may be operated by a for-profit company, a non-profit entity, a religious organization, or a governmental agency. Department of Human Services licenses most centers, but state law does not require all centers to be licensed. For example, school-based programs serving school-age children in a program approved by a school board do not need

⁸ Per capita participation was estimated by calculating the number of children served by the Child Care Assistance Program during federal fiscal year 2003 as a percentage of the population under age 13 as measured by the 2000 census. The data on program participation includes some double counting of children because children using more than one type of child care provider or receiving services in more than one county during the year would be counted more than once.

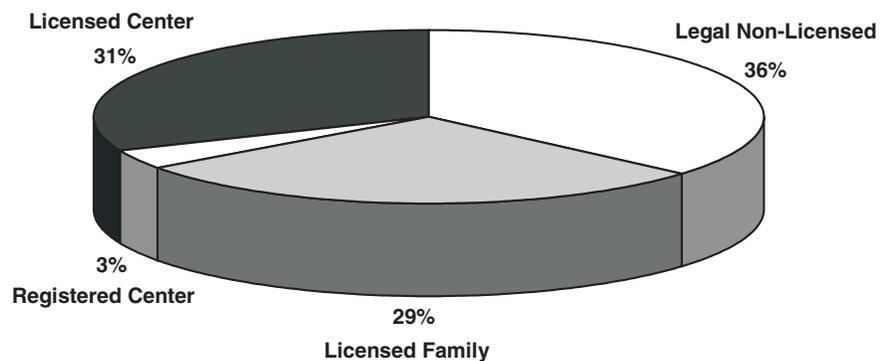
to be licensed. Centers not required to be licensed may apply for a license anyway. Those without a license are considered “registered centers.”

A second type of child care provider is the licensed family home provider. The licensed family home provider typically provides child care services in a private residence other than the child’s own home. This type of provider is permitted to care for non-relatives from more than one unrelated family.

The third type of child care provider is the legal non-licensed provider. This type of provider may care for relatives, as well as children from one unrelated family. The care may be provided in the child’s home or in the provider’s home. Legal non-licensed providers may include grandparents or other relatives, neighbors or friends, and nannies. The state requires legal non-licensed providers to register with counties if they intend to care for children participating in the Child Care Assistance Program.

As Figure 1.2 indicates, 36 percent of the children in the Child Care Assistance Program during federal fiscal year 2003 received care from legal non-licensed providers. About 31 percent received care from licensed child care centers, while 29 percent were served by licensed family home providers. Another 3 percent went to registered, or unlicensed, child care centers. The relative shares of children receiving care from the various types of providers changed only a little between 2000 and 2003. The share of children receiving care from legal non-licensed providers increased several percentage points, while the share of children receiving care from licensed family home providers declined.⁹

Figure 1.2: Type of Child Care Used in the Child Care Assistance Program, Federal FY 2003



In 2003, a slightly higher percentage of participants used legal non-licensed providers than child care centers.

SOURCE: Office of the Legislative Auditor analysis of data from the Minnesota Department of Human Services.

⁹ Changes made by the 2003 Legislature in program eligibility, co-payments, and maximum rates may have affected the type of child care selected by program participants in federal fiscal year 2004. However, 2004 data were not available during our study.

The type of child care used by participants varies across the state. As Table 1.5 shows, participants in the seven-county Twin Cities metropolitan area are more likely to use child care centers and less likely to use licensed family home providers than participants in outstate Minnesota. In federal fiscal year 2003, about 47 percent of the children participating in the Twin Cities area attended child care centers compared with only 22 percent in outstate Minnesota. In

Program participants are more likely to use licensed family home providers in outstate Minnesota than in the Twin Cities area.

Table 1.5: Type of Care Used in the Child Care Assistance Program by Region and by Subprogram, Federal FY 2003

Type of Care	Percentage of Children Served by Various Types of Providers			
	Twin Cities Metropolitan Area	Outstate Minnesota	MFIP and Transition Year	Basic Sliding Fee
Licensed Centers	43%	19%	31%	32%
Registered Centers	4	2	2	5
Licensed Family Homes	14	44	22	35
Legal Non-Licensed	39	34	45	28
Totals	100%	100%	100%	100%

SOURCE: Office of the Legislative Auditor analysis of data from the Minnesota Department of Human Services.

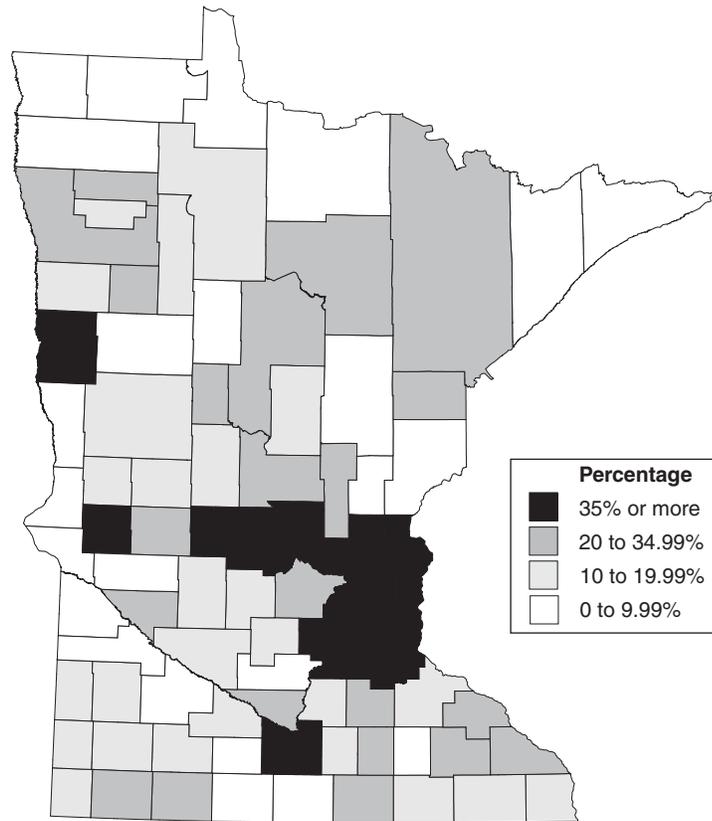
contrast, only 14 percent of the children in the Twin Cities area used licensed family home providers, while 44 percent of the children in outstate Minnesota used them for subsidized child care. These differences probably reflect in part the availability of child care centers, which are far less prevalent in outstate Minnesota than in the Twin Cities area. In 2003, there were 24 outstate counties in which fewer than 10 percent of program participants used child care centers. But, as Figure 1.3 indicates, the use of child care centers by participants in the Child Care Assistance Program varies significantly even within various parts of the state.

There are also significant differences in the choice of child care by MFIP participants compared with basic sliding fee participants. MFIP and Transition Year participants in the Child Care Assistance Program are more likely to use legal non-licensed care and less likely to use licensed family home providers than basic sliding fee participants. In federal fiscal year 2003, about 45 percent of the children in MFIP care used legal non-licensed providers compared with 28 percent of the children in basic sliding fee care. Only 22 percent of the MFIP children used licensed family home providers compared with 35 percent of the basic sliding fee children. These differences may reflect the higher incomes of families using basic sliding fee child care, as well as a cultural preference among certain MFIP participants to use legal non-licensed care, particularly by relatives.

Relatives provide a significant share of the legal non-licensed care given to program participants. In federal fiscal year 2003, about 41 percent of the subsidized children in legal non-licensed care were cared for by relatives. By comparison, only 5 percent of the subsidized children in licensed family homes were in the care of a relative. While the percentage of relative care varies from

Figure 1.3: Percentage of Child Care Assistance Program Participants Using Child Care Centers by County, Federal FY 2003

The use of child care centers varies significantly from county to county but is generally highest in the Twin Cities area.



SOURCE: Office of the Legislative Auditor analysis of data from the Minnesota Department of Human Services.

county to county, the Twin Cities metropolitan area did not differ much from outstate Minnesota on average.

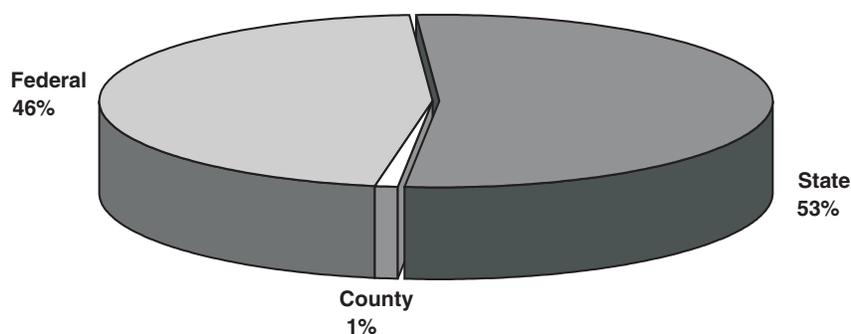
Statewide, about 38 percent of the legal non-licensed care for program participants was provided in the child's home, as opposed to the provider's home, in federal fiscal year 2003. The share of care in the child's home was much higher in the Twin Cities area. About 49 percent of the children using subsidized legal non-licensed care in the Twin Cities area were cared for in their own homes, compared with 25 percent in the rest of the state. This difference resulted largely because, in the Twin Cities area, subsidized care by non-relatives is much more likely to be in the child's home. In the Twin Cities area, 48 percent of the subsidized legal non-licensed care provided by non-relatives was provided in the child's home. Elsewhere in the state, only 13 percent of such care was in the child's home.

Program Expenditures

In state fiscal year 2003, government expenditures for Minnesota's Child Care Assistance Program were almost \$243 million. As Figure 1.4 shows, state government provided 53 percent of the program funds, while the federal government provided 46 percent and county government paid for 1 percent of the total expenditures. The vast majority (89 percent) of the expenditures were for child care assistance to MFIP and basic sliding fee participants. Less than 7 percent of the spending went for county and state administration. Another 5 percent—largely funded by the federal government—was for child care system development and quality improvement grants.

Spending for the Child Care Assistance Program is mostly supported by state and federal funds.

Figure 1.4: Child Care Assistance Expenditures by Source, FY 2003



SOURCE: Office of the Legislative Auditor analysis of data from the Minnesota Department of Human Services.

During the 1990s, spending on child care assistance programs grew significantly in states across the nation. In Minnesota, that growth continued even during the current decade. As Table 1.6 shows, spending on Minnesota's Child Care Assistance Program grew from \$171 million in 2000 to \$243 million in 2003, or 42 percent. The growth in the basic sliding fee portion of the program was slightly greater than the growth in the MFIP portion. Expenditures for basic sliding fee assistance rose 44 percent, while spending for MFIP child care assistance increased 40 percent. As Figure 1.5 indicates, the increased spending was due both to an increase in the cost per family and growth in the monthly average number of families receiving child care assistance. Costs per family rose 23 percent from 2000 to 2003, with higher increases for the MFIP portion of the program (33 percent) than the basic sliding fee portion (16 percent). The monthly average number of families receiving child care assistance grew 15 percent, with

Program spending declined in 2004 due to state budget cuts and program changes.

higher growth occurring in the number of basic sliding fee families (24 percent) than in the number of MFIP families receiving child care assistance (5 percent).

Spending for the Child Care Assistance Program is expected to decline by 19 percent to about \$197 million in fiscal year 2005. This reduction is largely the result of 2003 legislative actions that were part of the state's efforts to address budget shortfalls. The 2003 Legislature took a number of actions affecting the Child Care Assistance Program, including restricting eligibility, reducing the state appropriation for basic sliding fee assistance, increasing participant co-payments, freezing maximum reimbursement rates for licensed care for two years, and reducing the maximum reimbursement rates for legal non-licensed care.¹⁰ As a

Table 1.6: Actual and Estimated Expenditures for the Child Care Assistance Program, FY 2000-07

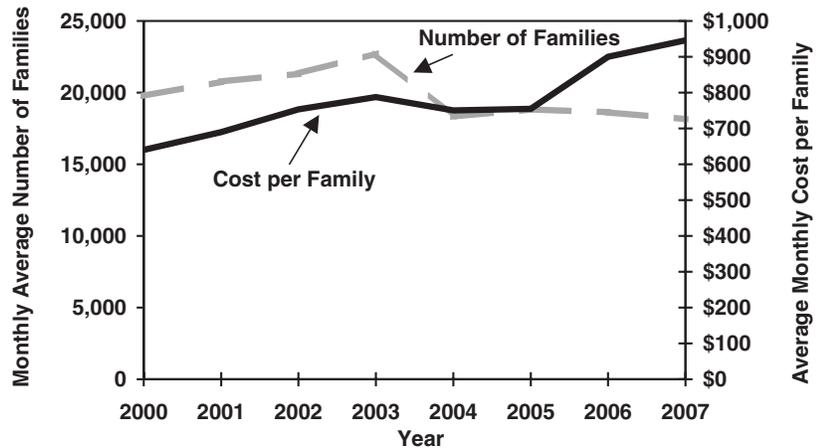
Type of Expenditure (in \$1,000s)	Fiscal Year								
	2000	2001	2002	2003	2004	Estimated 2005	Estimated 2006	Estimated 2007	
MFIP and Transition Year ^a									
Federal Funds	\$ 19,942	\$ 37,691	\$ 43,475	\$ 44,972	\$ 30,859	\$ 45,211	\$ 37,355	\$ 38,189	
State Funds	<u>63,356</u>	<u>49,863</u>	<u>57,101</u>	<u>71,536</u>	<u>64,700</u>	<u>51,093</u>	<u>82,125</u>	<u>89,086</u>	
Subtotal	\$ 83,298	\$ 87,554	\$100,576	\$116,507	\$ 95,559	\$ 96,303	\$ 119,480	\$127,275	
Basic Sliding Fee ^a									
Federal Funds	\$ 45,414	\$ 60,029	\$ 36,887	\$ 46,366	\$ 38,371	\$ 50,992	\$ 47,297	\$ 44,157	
State Funds	20,047	21,370	52,218	49,044	28,173	20,274	31,546	31,559	
County Match	<u>2,942</u>	<u>2,942</u>	<u>2,941</u>	<u>2,935</u>	<u>2,947</u>	<u>2,941</u>	<u>2,941</u>	<u>2,941</u>	
Subtotal	\$ 68,403	\$ 84,340	\$ 92,046	\$ 98,344	\$ 69,491	\$ 74,207	\$ 81,784	\$ 78,657	
Development and Quality									
Federal Funds	\$ 7,453	\$ 7,095	\$ 7,691	\$ 10,108	\$ 9,811	\$ 10,886	\$ 9,748	\$ 8,978	
State Funds	<u>1,853</u>	<u>1,874</u>	<u>1,824</u>	<u>1,360</u>	<u>1,067</u>	<u>1,164</u>	<u>1,365</u>	<u>1,365</u>	
Subtotal	\$ 9,306	\$ 8,969	\$ 9,515	\$ 11,468	\$ 10,878	\$ 12,050	\$ 11,113	\$ 10,343	
State Administration and Systems									
Federal Funds	\$ 2,468	\$ 4,686	\$ 5,245	\$ 5,692	\$ 5,652	\$ 5,876	\$ 5,543	\$ 5,601	
State Funds	<u>247</u>	<u>272</u>	<u>224</u>	<u>112</u>	<u>107</u>	<u>141</u>	<u>141</u>	<u>141</u>	
Subtotal	\$ 2,715	\$ 4,958	\$ 5,469	\$ 5,804	\$ 5,759	\$ 6,017	\$ 5,684	\$ 5,742	
County Administration									
MFIP: Federal Funds	\$ 997	\$ 1,885	\$ 2,174	\$ 2,249	\$ 1,543	\$ 2,261	\$ 1,868	\$ 1,909	
MFIP: State Funds	3,168	2,493	2,855	3,577	3,235	2,555	4,106	4,454	
BSF: Federal Funds	1,574	2,007	2,125	2,392	1,541	1,873	1,983	1,840	
BSF: State Funds	<u>1,574</u>	<u>2,007</u>	<u>2,125</u>	<u>2,392</u>	<u>1,541</u>	<u>1,837</u>	<u>2,106</u>	<u>2,093</u>	
Subtotal	\$ 7,313	\$ 8,392	\$ 9,278	\$ 10,610	\$ 7,860	\$ 8,526	\$ 10,063	\$ 10,297	
Total Expenditures	\$171,035	\$194,213	\$216,885	\$242,733	\$189,546	\$197,103	\$228,124	\$232,313	

^aFY 2005-07 expenditures are based on the November 2004 estimates from the Minnesota Department of Human Services.

SOURCE: Minnesota Department of Human Services.

¹⁰ Previously, state administrative rules set the maximum reimbursement rates for legal non-licensed care at 90 percent of the maximum rates for licensed family home providers. The 2003 Legislature reduced the maximums for legal non-licensed care to 80 percent of the maximums for licensed family home providers. The Legislature also required that payments for legal non-licensed care should be made on an hourly basis and that hourly maximum rates should not exceed the weekly maximum rates for licensed family home providers divided by 50. This latter provision reduced the rates significantly in the seven-county metropolitan area and a few outstate counties where weekly maximums were not based on hourly rates. In Ramsey County, where the maximum rates for licensed family providers are \$5 per hour and \$125 per week, the hourly rate for legal non-licensed care of preschool children was reduced from \$4.50 per hour to \$2.00 per hour.

Figure 1.5: Trends in the Number of Families Receiving Child Care Assistance and the Cost per Family, FY 2000-07



NOTE: Projections for FY 2005-07 are from the department's November 2004 estimates.

SOURCE: Minnesota Department of Human Services.

result, the monthly average number of families receiving child care assistance is expected to decline by 17 percent between 2003 and 2005. A greater decline is expected in the average number of families receiving basic sliding fee assistance (23 percent) due to the decreased state appropriation, restricted eligibility, and higher participant costs. The expected decline in the average number of families receiving MFIP child care assistance is only 10 percent, since the MFIP portion of the program is not limited by a fixed appropriation amount. The average government cost per participant is expected to decline by about 4 percent between 2003 and 2005 due to the freeze on maximum rates, the reduction in maximum rates for legal non-licensed care, and the higher participant co-payments.

Program spending is projected to increase during the 2006-07 biennium, since the freeze on maximum rates expires in July 2005.

Available projections for the next biennium show that expenditures for the Child Care Assistance Program are likely to increase again without additional cost controls. Between fiscal years 2005 and 2007, child care assistance payments are expected to increase by 21 percent, even though the monthly average number of families receiving child care assistance is expected to decline by 4 percent. The reason for the spending growth is an increase in the cost per family of 25 percent. The main source of this increase is the lifting of the freeze on maximum reimbursement rates, which will occur on July 1, 2005 under current law. With the lifting of the freeze, maximum rates could be based on the most recent survey of market rates, which was conducted in the spring of 2004, or a survey that could be conducted in the spring of 2005. Current maximum rates are based on a survey that was conducted in the fall of 2001.

PARTICIPANT COSTS

Participant costs increased in 2004.

As explained earlier in this chapter, a participant in the Child Care Assistance Programs may be responsible for two types of costs. First, a participant must make a co-payment for the care received if the participant's gross income is equal to or greater than 75 percent of the federal poverty level adjusted for family size. For example, in fiscal year 2005, the federal poverty level for a two-person household is \$12,490. A participating family whose adjusted gross household income is at least \$9,368 must make a co-payment. The amount of the co-payment is \$10 per month for incomes between 75 and 100 percent of the federal poverty level. Above 100 percent of the poverty level, the amount of the co-payment is based on a percentage of the participant's adjusted gross income. The percentage ranges from 3.85 percent at just under 105 percent of the poverty level to 22 percent at just under 250 percent of the poverty level. Individuals with incomes of 250 percent of the poverty level or higher are not eligible for child care assistance.¹¹

Due to state budget shortfalls, the 2003 Legislature increased co-payments significantly. Prior to the change, the co-payment for a family with an income between 75 and 100 percent of the federal poverty level was \$5 per month. After the legislative change, the co-payment increased to \$10 per month. As Table 1.7 indicates, co-payments at higher income levels increased even more.¹² Prior to

Table 1.7: Changes in Participant Co-payments at Selected Income Levels for a Two-Person Household, FY 2003-04

Gross Income as a Percentage of the Federal Poverty Level ^a	FY 2003				FY 2004			
	Gross Income	Monthly Co-payment	Annual Co-payment	Co-payment as a Percent of Income	Gross Income	Monthly Co-payment	Annual Co-payment	Co-payment as a Percent of Income
50%	\$ 5,970	\$ 0	\$ 0	0.0%	\$ 6,060	\$ 0	\$ 0	0.0%
75	8,955	5	60	0.7	9,090	10	120	1.3
100	11,940	5	60	0.5	12,120	41	492	4.1
125	14,925	31	372	2.5	15,150	61	732	4.8
150	17,910	45	540	3.0	18,180	74	888	4.9
175	20,895	70	840	4.0	21,210	135	1,620	7.6
200	23,880	110	1,320	5.5	24,240	260	3,120	12.9
225	26,865	193	2,316	8.6	27,270	398	4,776	17.5
250	29,850	312	3,744	12.5	30,300	Ineligible	Ineligible	Ineligible
275	32,835	441	5,292	16.1	33,330	Ineligible	Ineligible	Ineligible
300	35,820	600	7,200	20.1	36,360	Ineligible	Ineligible	Ineligible

^aThe Federal Poverty Level for a two-person household was \$11,940 in FY 2003 and \$12,120 in FY 2004.

SOURCE: Office of the Legislative Auditor analysis of information from the Minnesota Department of Human Services.

¹¹ *Laws of Minnesota* (1Sp2003), ch. 14, art. 9, sec. 36.

¹² Prior to the law change, co-payments at incomes higher than the federal poverty level were based on the family's income converted into a percentage of state median income and adjusted for family size. After the legislative change, co-payments were based on the family's income as a percentage of the federal poverty level as adjusted for family size. Table 1.7 converts all incomes into a percentage of the federal poverty level so that we can compare co-payments before and after the law change.

the law change, the co-payment required from a two-person household with an annual income of \$26,865, or 225 percent of the federal poverty level, was \$193 per month or \$2,316 per year. The 2003 co-payment represented 8.6 percent of the family's income. After the change, the co-payment required for a two-person household with an annual income of \$27,270, or 225 percent of the federal poverty level, was \$398 per month. This co-payment of \$4,776 per year represented 17.5 percent of the family's annual income.

Second, in addition to a co-payment, a family pays an additional charge for any child receiving care from a provider whose rate exceeds the maximum rate set by the state. An earlier table showed how the participating family has a financial disincentive to receive care from a provider with a rate higher than the maximum reimbursement rate. The freeze on maximum rates, along with continuing increases in the rates charged by providers, has likely increased the costs faced by some participants and may have caused them to select providers with lower rates or leave the program.

Some observers have speculated that rising participant costs, as well as tightened eligibility requirements for basic sliding fee assistance, may have caused some individuals to quit working and rely more on the state for basic assistance through the MFIP program. According to the Department of Human Services, however, there is no evidence suggesting that MFIP caseloads have grown as a result of the 2003 legislative changes in the Child Care Assistance Program. The department tracked the children receiving basic sliding fee assistance in June 2003 and found that only 4.6 percent of them became MFIP eligible in the six months following implementation of the legislative changes on July 1, 2003. The department considers this movement to be part of the normal trends experienced among low-income persons. A similar percentage (5.0 percent) of basic sliding fee recipients in June 2002 became MFIP eligible during the last six months of 2002, even though no significant changes were made in the Child Care Assistance Program that year.

Maximum Reimbursement Rates

SUMMARY

The basic methods used by the Department of Human Services to set maximum reimbursement rates for subsidized child care are reasonable. The maximums are generally based on the 75th percentile of market rates charged for child care, as measured in surveys of providers. However, the department sometimes uses complicated rate conversion procedures that ignore important information about market rates for child care. As a result, some maximum rates have been inappropriately set. In fact, in some counties or regions of the state, the converted maximum rates for child care centers have exceeded not only the 75th percentile of market rates but also the highest rate reported by centers in that area.

State administrators of the Child Care Assistance Program have not paid sufficient attention to other legal requirements regarding the setting of maximum rates. Prior to July 2003, the Department of Education used a “pay provider rate” system to reimburse child care centers in 68 of Minnesota’s 87 counties. That system failed to set maximum rates as required by state law. In July 2003, the Department of Human Services replaced the “pay provider rate” system in these 68 counties with regional and statewide maximum rates. We question whether the department had legal authority to implement maximum rates of this type. The use of multi-county jurisdictions—rather than individual counties—to set maximum rates appears to violate state statutes, although the department believes regional and statewide maximum rates are allowable under its rules. In addition, the department’s action is inconsistent with 2003 legislation that required the department to continue using the schedule of provider rates implemented in July 2002. The department’s action lowered reimbursement rates for some child care centers, even though the 2003 Legislature required provider reimbursement rates to remain the same through June 2005.

One of the important functions of the Department of Human Services in overseeing the Child Care Assistance Program is the setting of maximum reimbursement rates. The purpose of maximum rates is to provide some control over the program’s costs while still allowing participants reasonable access to the available child care providers. This chapter discusses in greater detail how the Department of Human Services sets maximum rates. In addition, we evaluate the department’s methods for establishing maximum rates and compare Minnesota’s

maximum reimbursement rates with those set by other states. In particular, we address the following questions:

- **How does the Department of Human Services set maximum reimbursement rates for the Child Care Assistance Program?**
- **Does the department use appropriate methods to conduct surveys of market rates? Is the response rate to department surveys adequate?**
- **Are the department's methods of calculating maximum reimbursement rates reasonable and consistent with state statutes?**
- **How do the maximum rates in Minnesota compare with those in other states? Do other states use similar methods in setting rates?**

OVERVIEW

In this section, we provide information on how the Department of Human Services sets maximum reimbursement rates. We first explain the general process used to set rates. We then discuss recent changes made in response to the two-year freeze imposed on maximum rates by the 2003 Legislature. Finally, we examine the department's methods for calculating maximum rates in greater detail.

The Department of Human Services has child care resource and referral agencies collect rate information from child care providers.

Process for Setting Maximums

Currently, the Department of Human Services sets 28 maximum rates in each of Minnesota's 87 counties. There are 12 maximum rates that apply to child care centers in each county. They include hourly, daily, and weekly maximums for each of the four different age levels of children in the program. The age levels include infants, toddlers, preschoolers, and school-age children.¹ Similarly, there are 12 maximum rates that apply to licensed family home providers in each county. For legal non-licensed care, there are four maximum rates in each county, including hourly rates for each of the four age groups. Table 2.1 provides an example of the types of maximum reimbursement rates established in each county.

The first step in establishing these maximum rates is to collect information from child care providers on their rates. The Department of Human Services contracts with child care resource and referral agencies across the state to collect rate and other relevant information from providers. Surveys are conducted of licensed child care centers and licensed family home providers. The department provides

¹ For centers, infants include children who are at least six weeks old but less than 16 months old. Toddlers range from 16 months to just less than 33 months of age. Preschoolers are at least 33 months old but are not yet old enough to be eligible to attend the first day of kindergarten within the next four months. School-age children are of sufficient age to attend school in the next four months and are generally less than 13 years old. The age groupings used for licensed family home care are somewhat different. Children are considered infants in licensed family care if they are less than 12 months of age, while toddlers range from 12 months to less than 24 months old. Preschoolers must be at least 24 months old but are not yet old enough to attend the first day of school within the next four months. School-age children at licensed family homes must be ten years of age or younger.

Table 2.1: Maximum Reimbursement Rates in Ramsey County, FY 2005

	Hourly	Daily	Weekly
Child Care Centers ^a			
Infants	\$9.50	\$70.00	\$236.00
Toddlers	8.50	57.00	195.00
Preschool	7.00	51.00	175.00
School Age	6.50	49.00	160.00
Licensed Family Home Providers ^b			
Infants	\$5.00	\$30.00	\$140.00
Toddlers	5.00	29.00	125.00
Preschool	5.00	25.00	125.00
School Age	4.50	25.00	118.50
Legal Non-Licensed Providers ^c			
Infants	\$2.24	N/A	N/A
Toddlers	2.00	N/A	N/A
Preschool	2.00	N/A	N/A
School Age	1.90	N/A	N/A

N/A = Not Applicable

^aThe maximum reimbursement rates are based on the 75th percentile of Fall 2001 market rates for center-based care in Ramsey County.

^bThe maximum reimbursement rates are based on the 75th percentile of Fall 2001 market rates for licensed family home providers in Ramsey County.

^cThe maximum reimbursement rates for legal non-licensed care are generally equal to 80 percent of the hourly maximums for licensed family home providers. But they cannot be greater than 80 percent of the weekly maximum for licensed family home providers divided by 50.

SOURCE: Minnesota Department of Human Services, *Bulletin #03-68-07* (St. Paul: June 23, 2003), Attachment A.

instructions to the child care resource and referral agencies on the content of the surveys and procedures for conducting the surveys. Targets are also set for the number of providers of each type to be surveyed in each county.

The Department of Human Services hires an out-of-state consulting firm to calculate maximum reimbursement rates.

Following the collection of rate information, the Department of Human Services utilizes an out-of-state consulting firm to analyze the results of the market rate surveys and determine maximum reimbursement rates. The department works with the consultant to determine how maximum rates should be set. The methods are fairly straightforward except in counties for which the number of providers responding with rates is smaller than the department deems desirable. For licensed family home providers, the department has generally required that the maximum rate be set at the lowest rate at which at least 75 percent of the providers have rates less than or equal to the maximum reimbursement rate at the time of the survey. This method is acceptable to the federal government and is consistent with state statutes that require the maximum rate to be no higher than the “75th percentile” of market rates.²

For child care centers, the department uses a slightly different method to obtain the 75th percentile of market rates. Because child care centers may vary significantly in the maximum number of children they are licensed to serve, the

² *Minn. Stat.* (2004) §119B.13, subd. 1.

department requires the child care resource and referral agencies to collect information from centers on their licensed capacity. The department then sets a maximum rate so that at least 75 percent of the licensed capacity at centers has rates that are less than or equal to the maximum rate. These maximum rates apply to both licensed centers and centers that are not required to be licensed.

Minnesota, like most other states, does not survey legal non-licensed providers about their rates. It is difficult to contact these providers since they do not need to register with a government agency unless they serve children in the Child Care Assistance Program. In addition, surveying legal non-licensed providers participating in the program would not be productive since they would have few clients that are not either program participants or relatives. As a result, Minnesota sets maximum rates for legal non-licensed care based on a percentage of the maximum rates for licensed family home providers.

Recent History

Prior to March 2003, the Department of Education was responsible for the Child Care Assistance Program.

There have been a number of changes in recent years affecting the establishment of maximum reimbursement rates. First, in March 2003, the Governor transferred responsibility for the Child Care Assistance Program from the Department of Education to the Department of Human Services. Second, the 2003 Legislature made significant changes in the program that affected the calculation of maximum rates. Finally, in July 2003, the Department of Human Services implemented maximum rates for some child centers that did not previously have maximum reimbursement rates. This section reviews these changes in detail, while Table 2.2 summarizes the key events that have occurred since 2001.

Until recently, rate surveys were conducted annually and the state implemented new maximums at the beginning of each fiscal year. For example, the fall 2001 survey was used by the Department of Education to set maximum reimbursement rates for fiscal year 2003. Those maximums were implemented on July 1, 2002 and were scheduled to remain in effect through June 30, 2003.

But the Department of Education did not establish maximum reimbursement rates for child care centers in 60 of Minnesota's 87 counties for fiscal year 2003. In addition, maximums were not set for certain age groups at child care centers in eight other counties. The Department of Education felt that there were too few child care centers responding to the survey in each of those counties to set maximum rates. For counties with fewer than three centers or with fewer than three centers providing rate information for an age group, the Department of Education authorized counties to "pay provider rates." Like centers elsewhere in the state, centers in these 68 counties were required to charge the same rates for children participating in the program that they charged for unsubsidized children. But, unlike others, centers in counties with "pay provider rates" were not subject to any maximum rate.

The Department of Education conducted another survey in the fall of 2002, which would have been used to establish new maximum rates for fiscal year 2004. But, because of state budget shortfalls, the 2003 Legislature chose to impose a two-year freeze on the maximum reimbursement rates. Specifically, the Legislature stipulated that the "...provider rates determined under Minnesota

Table 2.2: Key Events Affecting Maximum Reimbursement Rates for the Child Care Assistance Program, 2001-05

Month and Year	Event
October thru December 2001	The Department of Education conducts its annual surveys of rates for licensed child care centers and licensed family home providers.
June 2002	The Department of Education establishes maximum reimbursement rates for FY 2003 based on the Fall 2001 rate survey. New maximum rates are effective as of July 1, 2002. The department continues the “pay provider rate” system for child care centers in 68 counties. (Centers in these counties are not subject to a state-imposed maximum rate for subsidized care. They may charge subsidized families the same rate they charge private-pay customers.) ^a
October thru December 2002	The Department of Education conducts its annual surveys of licensed child care provider rates.
March 2003	The Governor transfers responsibility for the Child Care Assistance Program to the Department of Human Services.
May 2003	The 2003 Legislature requires the Department of Human Services to continue the schedule of maximum rates placed into effect on July 1, 2002 for child care centers and licensed family home providers through June 30, 2005. The Legislature requires that maximum rates for legal non-licensed care be reduced from 90 to 80 percent of the maximum rates for licensed family home providers. In addition, the Legislature requires that legal non-licensed care be billed on an hourly basis and that maximum rates for such care be subject to a limit equal to the maximum weekly rate for licensed family home care divided by 50. The Legislature makes other changes to the program, including increasing co-payments, tightening eligibility, and reducing the state appropriation for basic sliding fee assistance. The Legislature also directs the Department of Human Services to evaluate the costs of child care, examine the differences in costs across the state, review the county allocation formula for basic sliding fee assistance, study the relationship between child care assistance and tax incentives, and make recommendations for containing future cost increases in the Child Care Assistance Program by January 15, 2005.
June 2003	The Department of Human Services issues a bulletin containing maximum reimbursement rates for FY 2004 and 2005. The department continues to use the maximum rates for licensed providers that the Department of Education placed into effect on July 1, 2002. The department also revises the maximum rates for legal non-licensed care as required by the 2003 legislation. However, the Department of Human Services establishes new maximum rates to replace the “pay provider rate” system previously used for child care centers in 68 counties.
February thru April 2004	The Department of Human Services conducts another survey of licensed provider rates. The department intends to use information from this survey to help in preparing its January 2005 report to the Legislature. The survey could possibly be used in the future to establish new maximum reimbursement rates.
January 2005	The department’s report and recommendations to the Legislature for containing future cost increases are due by January 15.
July 2005	Current law allows new maximum reimbursement rates to be established effective on July 1, 2005.

^aThe “pay provider rate” system applied to child care centers serving all age groups in 60 counties. In eight counties, the system only applied to certain age groups.

Current maximum rates are based on a survey of market rates conducted in late 2001.

Statutes, section 119B.13, for fiscal year 2003 and implemented on July 1, 2002, are to be continued in effect through June 30, 2005.”³ The 2003 Legislature also required that only hourly rates be charged for legal non-licensed care and reduced maximum rates for legal non-licensed care from 90 to 80 percent of the maximum hourly rates for licensed family home providers.

As a result, the Department of Human Services, which assumed responsibility for the program in March 2003, did not use the 2002 survey to calculate new maximum rates. Instead, the department continued to use the maximum rates initially established for licensed family home providers on July 1, 2002 and reduced maximum rates for legal non-licensed providers in accordance with legislative directives. For child care centers, the department also continued the maximum rates that were placed into effect on July 1, 2002 but discontinued using “pay provider rates.” In those counties that previously did not have maximums for centers, the Department of Human Services implemented so-called “regional” or “statewide” maximum rates. These maximums were either based on rates from centers in the same region of the state or on rates from several regions of the state. For some centers, the new maximums reduced the amount that could be charged for the care of children participating in the Child Care Assistance Program.

In early 2004, the Department of Human Services conducted another rate survey of licensed providers. The primary purpose of this survey was to help the department respond to a legislative directive. The 2003 Legislature directed the department to examine the costs of child care and make recommendations to the 2005 Legislature on ways of containing future cost increases in the program.⁴ The 2004 survey provided the department with more up-to-date information on market rates. The survey can also be used to set maximum rates once the legislative freeze expires on June 30, 2005.

Details on Calculating Rates

Child Care Centers

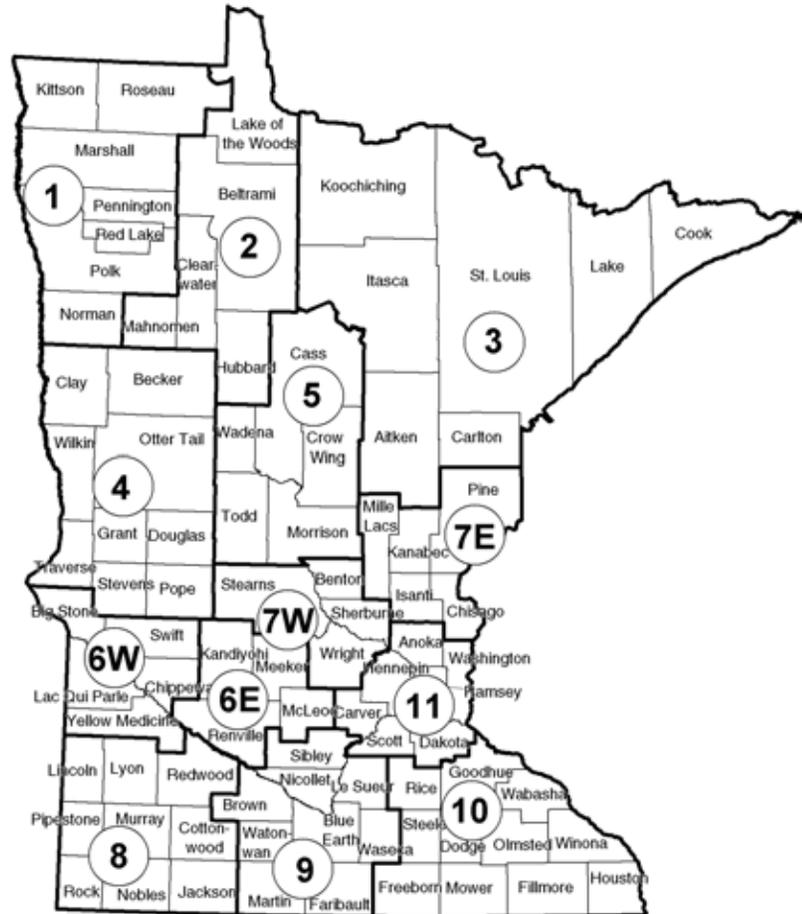
The Department of Human Services has a complicated protocol for determining maximum reimbursement rates, particularly for child care centers in counties with few centers. First of all, as Figure 2.1 indicates, the department divides the counties into regions.⁵ For each county within a region, the department first determines whether the county has sufficient rate information to establish a maximum rate at a particular age level. For centers, the department requires that there be at least three centers reporting rates for the same unit of service—hourly, daily, or weekly. In other words, for a particular age group, there must be at least three centers in the county reporting hourly rates, or at least three centers reporting daily rates, or at least three centers reporting weekly rates. In addition, if fewer than 60 percent of the centers reporting rates report their licensed capacity at that age level, the department requires at least four centers reporting a particular type of rate.

³ *Laws of Minnesota* (1Sp2003), ch. 14, art. 9, sec. 34.

⁴ *Laws of Minnesota* (1Sp2003), ch. 14, art. 9, sec. 34.

⁵ DHS uses the 13 economic development regions in the state. The seven-county Twin Cities metropolitan area is one of the 13 regions.

Figure 2.1: Regions Used in Setting Maximum Reimbursement Rates



SOURCE: Minnesota Department of Human Services.

Some of the procedures used to calculate maximum rates are very complicated.

If there are a sufficient number of centers reporting rates in a county, the Department of Human Services establishes a maximum reimbursement rate at the county level for that age group. The 75th percentile rate is based on the number of child care “slots,” or licensed capacity, of providers if at least 60 percent of the centers with rates report their licensed capacity. Those centers not reporting capacity are assumed to have the average capacity in the county or other geographic unit for which the department is calculating maximum rates. The average capacity is based on those centers reporting both rates and capacity information. But, if fewer than 60 percent of the centers with rates report their licensed capacity, the 75th percentile rate is based on the providers’ rates without any consideration of licensed capacity.

If there are enough rates reported to establish an hourly maximum rate for the county but not enough daily or weekly rates, the department converts the hourly maximum to a daily maximum by multiplying by 10 and converts it to a weekly maximum by multiplying by 50. Similarly, the department converts a weekly

maximum derived from weekly rates into hourly and daily maximums if an insufficient number of hourly and daily rates are reported in the county for that age group. The department also requires that, when calculating a converted hourly maximum, the hourly maximum must be set equal to the greater of the weekly maximum divided by 50 or the daily maximum divided by 10. A converted daily maximum must be set equal to the greater of the hourly maximum times 10 or the weekly maximum divided by 5. And, a converted weekly maximum must be set equal to the greater of the hourly maximum times 50 or the daily maximum times 5.

After converted maximums are calculated, a final comparison of maximum rates is made to see if maximum rates have a certain type of “proportionality.” If they are not proportional, the initial maximums can be overruled to ensure proportionality. For example, the final daily maximum must be at least as high as the weekly maximum divided by 5. This relationship must be maintained even though it might mean that an initial daily maximum based on a sufficient number of actual daily rates is adjusted upward. In fact, the initial daily maximum can be adjusted upward even if there were no weekly rates reported by providers and the adjustment uses a converted weekly maximum. Similarly, an hourly maximum must be at least as high as the daily maximum divided by 10. An initial hourly maximum, even if based on a sufficient number of hourly rates, is adjusted upward if it does not meet this final requirement.

A significant share of the maximum rates for child care centers are based on converted maximums. Table 2.3 shows that only about half of the maximums are based on rates of the same type. About 58 percent of the hourly maximums for child care centers are based on hourly rates, while 52 percent of the daily maximums are based on daily rates. About 48 percent of the weekly maximums are based on weekly rates.⁶

If the Department of Human Services cannot establish maximums in a county for a particular age group, it first looks to combine rates from that county with rates from other counties in the same region. Using only rates from those counties in

The department uses rate conversion procedures to calculate close to half of the maximum rates for child care centers.

Table 2.3: Type of Rates Used to Calculate Hourly, Daily, and Weekly Maximum Reimbursement Rates for Child Care Centers, FY 2003-05

<u>Rates Used to Calculate Maximums</u>	<u>Hourly Maximums</u>	<u>Daily Maximums</u>	<u>Weekly Maximums</u>
Hourly Rates	58%	37%	32%
Daily Rates	30	52	20
Weekly Rates	11	11	48
Totals	100%	100%	100%

SOURCE: Office of the Legislative Auditor analysis of data from the Minnesota Department of Human Services.

⁶ Prior to July 2001, the state did not publish the converted maximums. Instead, the state provided conversion guidelines and allowed counties to calculate the converted maximums. Because counties interpreted the state’s guidelines inconsistently, the state began to publish the converted maximums beginning with fiscal year 2002.

the region for which a county maximum cannot be established, the department establishes a “regional” maximum for those counties, provided there are a sufficient number of rates reported from those counties.⁷ For the remaining counties, the department combines the rate information for all counties without either county or regional maximum rates along with rate data from counties with regional maximums and calculates a “statewide” maximum.⁸ As Table 2.4 indicates, only 27 percent of the maximums for child care centers are based on county rates. The majority (61 percent) are regional maximums, and another 13 percent are statewide maximums.

The department uses rates from more than one county to set almost three-fourths of the maximum rates for child care centers.

Table 2.4: Geographic Area Used to Calculate Maximum Reimbursement Rates for Licensed Providers, FY 2003-05

<u>Geographic Area</u>	<u>Child Care Centers</u>	<u>Licensed Family Home Providers</u>
Individual County	27%	100%
Individual Region ^a	61	0
Statewide ^b	13	0
Totals	100%	100%

^aRegional maximum rates are based on rates from a single region, but not from any county within that region that has a maximum based only on rates within that county.

^bStatewide maximum rates are based on rates from multiple regions of the state, but not from any county that has a maximum based only on rates within that county.

SOURCE: Office of the Legislative Auditor analysis of data from the Minnesota Department of Human Services.

Licensed Family Home Providers

For licensed family home providers, the Department of Human Services has different requirements regarding the number of rates needed in a county in order to calculate a county-based maximum reimbursement rate. The department requires a minimum of four rates in order to establish an hourly maximum in a county. For daily and weekly maximums, the department requires rate information from at least four providers in each Twin Cities metropolitan area county. For any other county in the state, the department requires rates from four providers if at least 50 percent of the providers responded with rate information and rates from 40 providers if between 30 and 49 percent responded. If an insufficient number of daily and weekly rates were reported in a county but a sufficient number of hourly rates were reported, the department calculates an hourly maximum and converts it to daily and weekly maximums using the same methods used for centers. Maximum rates for licensed family home providers are

⁷ A regional maximum rate may not apply to all counties in a region. One or more counties in the region may have maximums at a particular age level that are based only on rates in each county. The regional maximum only applies to those counties in the region for which a county maximum is not established.

⁸ In other words, center rates from counties in which neither a county maximum nor a regional maximum can be established are combined along with center rates from counties with regional rates to obtain the 75th percentiles for statewide maximums. The statewide maximums do not apply statewide but only in those counties for which county or regional maximums are not established.

subject to the same conversion rules and proportionality requirements as maximums for child care centers.

As Table 2.4 indicates, the department has not needed to calculate regional or statewide rates for licensed family providers. All of the maximum rates for these providers are based on rate information from individual counties. However, the department has many converted maximums because hourly rates are the standard for family home providers. Table 2.5 shows that 87 percent of the daily maximums are based on hourly rates. In addition, 81 percent of the weekly maximums are based on hourly rates, and 1 percent are based on daily rates.

Table 2.5: Type of Rates Used to Calculate Hourly, Daily, and Weekly Maximum Reimbursement Rates for Licensed Family Home Providers, FY 2003-05

<u>Rates Used to Calculate Maximums</u>	<u>Hourly Maximums</u>	<u>Daily Maximums</u>	<u>Weekly Maximums</u>
Hourly Rates	100%	87%	81%
Daily Rates	0	13	1
Weekly Rates	<u>0</u>	<u>0</u>	<u>18</u>
Totals	100%	100%	100%

SOURCE: Office of the Legislative Auditor analysis of data from the Minnesota Department of Human Services.

Maximum rates for legal non-licensed providers are based on maximums for licensed family home providers.

Legal Non-Licensed Providers

The Department of Human Services does not have much discretion in setting maximum reimbursement rates for legal non-licensed providers. Rules adopted by the Department of Education when it administered the program set the maximum rates for legal non-licensed care equal to 90 percent of the maximum rates for licensed family home providers. But, the 2003 Legislature required that legal non-licensed care be billed only at hourly rates and set the maximum hourly rate for such care equal to 80 percent of the hourly maximum rate for licensed family home care.

In addition, the 2003 Legislature required that hourly maximum rates for legal non-licensed care reflect the discounts available for weekly licensed care in each county. Specifically, the Legislature required that the hourly maximum rate for legal non-licensed care not exceed 80 percent of the weekly maximum rates for licensed family home providers divided by 50. In most counties, this additional requirement did not affect the maximums for legal non-licensed care. In 71 of Minnesota's 87 counties, weekly maximums for licensed family home care are exactly equal to 50 times the hourly maximums for such care at each of the four age groups. However, in 16 counties, the weekly maximums for licensed family home care are less than 50 times the hourly maximums. Consequently, in those 16 counties, the maximum reimbursement rates for legal non-licensed care are less than 80 percent of the maximums for licensed family home care.

The counties affected by the requirement include all seven counties in the Twin Cities metropolitan area, as well as six counties immediately north and northwest of the Twin Cities area. In addition, three outstate counties (Clay, Crow Wing, and Olmsted) have lower maximums for legal non-licensed care as a result of the weekly discounts reflected in the maximum rates for licensed family home care.⁹ On average, the differences caused by this legislative requirement are larger in the Twin Cities area. Maximum rates for legal non-licensed care in the Twin Cities metropolitan area are an average of 40 percent lower as a result of the limit imposed by weekly maximums for licensed family home care. In the other nine counties, maximum rates for legal non-licensed care are about 21 percent lower due to the limit.

SURVEYS

We reviewed the procedures used in surveying providers regarding their rates for child care. We think that that the Department of Human Services generally provides adequate instructions to child care resource and referral agencies. The instructions provide sufficient guidance to these agencies to ensure that providers are randomly selected for inclusion in the survey when it is not appropriate to survey every provider in a county. In addition, the instructions are helpful in guiding the agencies in collecting rate and other information from providers. However, we identified a number of problems that the department needs to address. These problems are discussed below.

Response Rates

In 2001, the survey collected sufficient rate information in most counties.

We reviewed the rate surveys conducted by the Department of Education in 2001 and 2002, as well as the survey conducted by the Department of Human Services in 2004. Our primary focus was on the 2001 survey, since that survey has been the basis for the maximum rates in effect for fiscal years 2003 through 2005. We found that:

- **An adequate overall number of licensed child care centers and licensed family home providers were surveyed and responded with rate information in 2001, but response rates were unacceptably low in some counties.**

The 2001 rate survey gathered rate information from a high percentage of providers. Specifically, the survey collected rates from 81 percent of the child care centers and 68 percent of the licensed family home providers. Child care resource and referral agencies surveyed 89 percent of the 861 centers in their databases and received rate information from 91 percent of those surveyed. These agencies also surveyed 75 percent of the licensed family home providers and received rate information from 91 percent of those surveyed.

⁹ In Clay and Crow Wing counties, only three of the four age groups have lower maximum rates for legal non-licensed care due to the legislative limit involving weekly maximums. In the other 14 counties, the limit affects all four age groups.

But, rate information was received from an unacceptably small number of providers in some counties. For example, usable rate information was received from only 7 percent of the family home providers licensed to operate in Washington County. In addition, usable rate information was received from only 3 of the 20 child care centers located in four counties in Region 10 (southeastern Minnesota). It is not entirely clear why usable rate information was not available from most providers in these counties. But the problems may not have been due to a lack of cooperation from providers.

The survey conducted in the spring of 2004 has fewer of these problems than the 2001 survey. However, we think that the department needs to make sure that any survey used to set maximum rates in the future includes adequate information from providers in each county. The department or its consultant can accomplish this by checking the survey data to see how many providers actually reported rate information.

RECOMMENDATION

When conducting surveys of market rates for child care, the Department of Human Services should take steps to ensure that rate information is collected from an adequate number of providers in each county. The department and its consultant need to review the rate information to determine whether child care resource and referral agencies are adequately performing their duties.

Licensed Capacity of Centers

We also found problems with the collection of information on the licensed capacity of child care centers during the 2001 survey. Child care resource and referral agencies ask child care centers for their licensed capacities for each of the four age groups (infants, toddlers, preschoolers, and school-age children). This information is important because maximum reimbursement rates for child care centers are based on the number of slots of capacity at various rates. We found that:

- **In the 2001 survey, about one-fourth of the child care centers that reported rates for the care of school-age children did not report their licensed capacity.**

The problem of non-reporting is mostly concentrated in the centers serving school-age children. About 27 percent of the centers that reported rates for school-age care did not report their licensed capacity. Only 1 to 2 percent of the centers reporting rates for other age groups did not provide information on their licensed capacity. The problem with school-age capacity information is of particular concern in some parts of the state. In Region 7E (east central Minnesota), 92 percent of the centers reporting school-age rates did not provide information on their school-age capacity. Other regions with high percentages of non-reporting include Region 6E (55 percent), Region 6W (50 percent), and

There were problems in 2001 with non-reporting of licensed capacity by child care centers serving school-age children.

Region 7W (45 percent). In the Twin Cities metropolitan area, high percentages of non-reporting of school-age capacity occurred in Dakota County (73 percent), Scott County (50 percent), Carver County (42 percent), and Ramsey County (35 percent).

The lack of information on school-age capacity can significantly affect the calculation of maximum rates. Based on the percentage of centers with capacity information, the department either assigns an average capacity to those centers not reporting capacity or calculates a maximum rate without using capacity information. Assigning an average capacity could be misleading if the centers not reporting capacity have capacities that are quite different than the average in their county or region. The inability to use capacity information can also produce inappropriate maximum rates particularly if a small number of centers have a significant share of the capacity in the county or region.

We also think that:

- **There are problems with relying on centers to accurately report their licensed capacity.**

Some centers may be overrepresented in the calculation of maximum rates because those centers and the child care resource and referral agencies surveying them have not taken into account their overall capacity limits. Most centers have a licensed capacity for one or more age groups, and their total licensed capacity equals the sum of the individual capacities for each age group. But other centers have both licensed capacities applying to individual age groups and a licensed capacity that applies to several age groups combined. In addition, that combined capacity is less than the sum of the capacities for the individual age groups. For example, a center could have a capacity of 22 infants, 22 toddlers, and 20 preschoolers, but its overall capacity for all of these age groups combined could be 49. The department says that it instructs child care resource and referral agencies to ask the centers how they currently allocate their total capacity if they have an overall limit for two or more combined age groups. It appears to us, however, that the overall capacity of some centers reported in the 2004 survey exceeds their licensed capacity.

The Department of Human Services should use information from its Licensing Division to minimize problems with the non-reporting or misreporting of licensed capacity data.

We think that the solution to these problems of non-reporting or misreporting of capacity information could be addressed by using the licensed capacity information available from the department's Licensing Division. The department could provide this information to the child care resource and referral agencies. The agencies could record the capacity data along with the rate and other information collected during a rate survey. The agencies may need to ask new providers for capacity information if it is not yet available from the Licensing Division. In addition, the department may wish to have the agencies confirm the capacity information with each center and ask centers with the special capacity limitations described above to allocate that capacity among the relevant age groups based on recent enrollment.

RECOMMENDATION

When calculating maximum reimbursement rates for child care centers, the Department of Human Services should rely primarily on the licensed capacity data available from its Licensing Division. In some cases, the department may need to supplement these data with information gathered during the survey.

Different Types of Rates

Since the 2001 survey, the child care resource and referral agencies have been using a different software program to collect and report rates to the Department of Human Services. This rate information now being reported includes part-time, as well as full-time, rates. In addition, it includes rates based on other billing hours besides the standard 10-hour day and 50-hour week used by the department.¹⁰

Prior to the change in software, the agencies had to make decisions about what rates to record and transmit to the department. As a result, the rate information available from the 2001 survey includes only one type of hourly, daily, or weekly rate. But the 2002 and 2004 surveys include four different types of hourly, daily, and weekly rates. The rate information from the more recent surveys includes: 1) full-time rates based on 10-hour days and 50-hour weeks; 2) part-time rates based on 10-hour days and 50-hour weeks; 3) full-time rates based on billing hours other than 10-hour days and 50-hour weeks; and 4) part-time rates based on billing hours other than 10-hour days and 50-hour weeks.

In attempting to compare 2004 market rates with 2001 rates, we found that:

- **Child care resource and referral agencies across the state do not collect rate data in a consistent manner.**

For example, the reporting of part-time rates varies significantly across the state. In some counties and regions of the state, only part-time rates were reported in 2004. The extent of the differences in reporting suggest that agencies are not reporting actual market differences in the types of rates being charged by providers. Instead, the agencies are reporting data in inconsistent ways.

We also found that there are differences in the extent to which child care resource and referral agencies report rates in the category that is intended to represent rates based on billing hours other than the standard 10-hour day or 50-hour week. For example, one agency told us that they interpreted this category differently than the department. The agency entered rates for new providers in this category regardless of their billing hours. In addition, we found that:

¹⁰ For example, a provider could report rates for 8-hour days and 40-hour weeks. The information collected in the survey does not identify, however, the specific billing hours used by the provider. The information only indicates that the provider uses billing hours different from the standard 10-hour days and 50-hour weeks.

There were some problems with the inconsistent reporting of rate information in the 2004 survey.

- **The Department of Human Services does not have a clear understanding of how child care resource and referral agencies are reporting rate data in the current software system.**

The department was not aware of the inconsistent use by child care resource and referral agencies of the different types of rates collected during the survey. The department also does not have a clear understanding of what part-time rates represent. Program staff could not explain to us whether a part-time daily rate represents the rate for daily care several times a week or the rate for care throughout the week for parts of a full day.

Because of the freeze on maximum rates, the department has not used the rate data reported in 2002 or 2004 to set maximum rates. However, current law removes the freeze on maximum rates on July 1, 2005. If the department intends to use the 2004 survey to set maximum rates in the future, the department needs to gain a better understanding of how child care resource and referral agencies interpreted the various rate categories when collecting rate information in 2004. In addition, for any future survey, the department needs to make sure that child care resource and referral agencies have a common understanding about the type of rates being collected.

RECOMMENDATION

The Department of Human Services should become more familiar with the different types of rates reported in the 2004 survey and work with child care resource and referral agencies to ensure consistency in how rates are reported in future surveys.

CALCULATION OF MAXIMUM RATES

The Department of Human Services generally uses acceptable methods for calculating maximum rates.

We reviewed the procedures used by the Department of Human Services to calculate maximum rates. In general, we found that:

- **The basic methods used by the Department of Human Services to set maximum reimbursement rates for the Child Care Assistance Program are reasonable.**

Generally, the department sets the maximum rates for child care centers based on the 75th percentile of market rates for centers in a given area. In addition, the maximum rates for licensed family home providers are based on the 75th percentile of market rates for those providers in each county. Maximum rates for legal non-licensed providers are based on the maximum rates for licensed family home providers in each county and calculated in accordance with state law.

For the most part, the calculation of the 75th percentile of market rates is relatively straightforward. But we found problems with the methods the department uses to convert maximums from one time period to another. As we mentioned earlier, the department often calculates an hourly maximum and then converts that hourly

maximum to a daily or weekly maximum.¹¹ In the next section, we evaluate the department's rate conversion procedures and recommend alternative procedures.

Converted Maximums

While the Department of Human Services relies heavily on conversions of maximums, national experts generally discourage the practice of converting rates or maximums based on a standard number of hours in a day or week. The problem with conversions is that the market for child care generally provides a volume discount for daily and weekly care. Table 2.6 shows that, in Minnesota, there is a significant discount for daily or weekly care over the rates charged for hourly care. For example, in the seven-county Twin Cities metropolitan area, the

But the department relies on conversion procedures that do not recognize the discount available for daily or weekly child care.

Table 2.6: Average Discount for Daily and Weekly Preschool Child Care Rates by Area of the State, 2001

	Child Care Centers ^a			Licensed Family Home Providers		
	Hourly	Daily	Weekly	Hourly	Daily	Weekly
<u>Twin Cities Metro Area</u>						
Average Rates	\$6.60	\$45.72	\$166.72	\$3.75	\$25.63	\$112.69
Rates Proportional to Hourly Average ^b	NA	66.05	330.24	NA	37.53	187.66
Average Discount from Hourly Rates	NA	31%	50%	NA	32%	40%
<u>Outstate Minnesota</u>						
Average Rates	\$3.08	\$26.09	\$120.22	\$2.08	\$20.75	\$96.69
Rates Proportional to Hourly Average ^b	NA	30.82	154.08	NA	20.84	104.20
Average Discount from Hourly Rates	NA	15%	22%	NA	0%	7%

^aThe average rates for centers were calculated by weighting the rates for individual centers by their licensed capacity.

^bWe multiplied the average hourly rate by 10 to obtain the proportional daily rate and by 50 to obtain the proportional weekly rate. We did so because the daily and weekly rates collected in the survey represent 10-hour days and 50-hour weeks.

SOURCE: Office of the Legislative Auditor analysis of data from the Minnesota Department of Human Services.

average hourly rate for preschool care at a child care center was \$6.60 per hour in the Fall of 2001. If this hourly rate had been applied to daily or weekly care, it would have resulted in rates of about \$66 per day or \$330 per week. But, the average rates at Twin Cities area child care centers were \$45.72 per day and \$166.72 per week. The average daily rate represented a discount of about 31 percent over the hourly rate converted into a daily rate, while the average weekly rate represented a discount of 50 percent over the average hourly rate. Significant discounts are also the practice for licensed family home providers in the Twin Cities area. In outstate Minnesota, the market for child care provides

¹¹ The department converts an hourly maximum into a daily maximum by multiplying the hourly maximum by ten. Similarly, the department converts an hourly maximum into a weekly maximum by multiplying the hourly maximum by 50. The multipliers used by the department reflect the fact that it asks providers for their rates for 10-hour days and 50-hour weeks.

significant, though smaller, discounts at child care centers. Licensed family home providers in outstate Minnesota tend to charge only by the hour. As a result, their rates reflect only a small discount for weekly care.

Despite these concerns about conversions, the department needs to convert some rates in order to set hourly, daily, and weekly maximum rates. For example, in some counties, there are few providers that report a rate other than an hourly rate. So, it is important that the department use appropriate methods when converting rates. However, we found that:

- **The methods used by the Department of Human Services to convert maximum rates ignore important information about market rates for child care and have led to the setting of inappropriate maximum rates in some parts of the state.**

Table 2.7 shows the 2001 rate information used by the department to set maximum toddler reimbursement rates for child care centers in Region 2. The department set a \$4.00 hourly maximum based on the 75th percentile of the four hourly rates submitted by providers. Only two providers submitted weekly rates, so the department converted the hourly maximum to a weekly maximum of \$200. Three providers submitted their daily rates, which the department considers to be a sufficient number upon which to establish a maximum rate. But the department

Table 2.7: Calculation of Maximum Toddler Reimbursement Rates in Region 2 (North Central Minnesota), 2001

Provider	Licensed Capacity	Rates Reported by Providers			Converted Rates ^a	
		Hourly	Daily	Weekly	Daily	Weekly
#1	20	\$4.00	\$22.50	N/R	\$22.50	\$112.50
#2	14	3.00	N/R	N/R	30.00	150.00
#3	14	2.50	NR	\$112.50	25.00	112.50
#4	11	2.35	23.00	N/R	23.00	115.00
#5	21	N/R	19.00	N/R	19.00	95.00
#6	13	N/R	N/R	115.00	N/A	115.00
Department of Human Services' Maximums		\$4.00	\$40.00	\$200.00		
Office of the Legislative Auditor Calculation of Maximums		\$4.00	\$22.50	\$115.00		
Upper Limit on Maximums: 75th Percentile of Converted Rates					\$25.00	\$115.00

N/R = Not reported in 2001 survey; N/A = Not applicable.

^aA converted daily rate is a provider's actual daily rate or, if the provider did not report a daily rate, the provider's hourly rate times 10. A converted weekly rate is a provider's actual weekly rate or, if the provider did not report a weekly rate, the provider's daily rate times 5. If the provider did not report either a daily or weekly rate, the converted weekly rate is the provider's hourly rate times 50. These conversions reflect the department's practice of asking providers what their rates are for 10-hour days and 50-hour weeks. The Department of Human Services, however, does not calculate converted rates. We are using converted rates to show what would be the upper limit on each provider's daily and weekly rates.

SOURCE: Office of the Legislative Auditor analysis of data from the Minnesota Department of Human Services.

Some maximum rates for child care centers exceed any rate charged in a particular region.

ignored the 75th percentile for daily rates, which was \$22.50 per day, and set a daily maximum of \$40. The department's conversion rules require the daily maximum to be at least as high as the weekly maximum divided by five. This rule is applied even though there were enough daily rates to set a daily maximum and the weekly maximum was not based on actual weekly rates.

As Table 2.7 illustrates, the department's methods clearly ignore some of the rate information provided by child care centers. In particular, the methods ignore the discount available for daily or weekly care. The department's maximum rates were based solely on the highest hourly rate charged in Region 2. But the center with the highest hourly rate charged \$22.50 per day. Even though no other center charged more than \$23 per day, the department set a maximum daily rate of \$40. Similarly, the highest weekly rate charged in Region 2 was \$112.50, yet the department set a maximum weekly rate of \$200.

It was clearly inappropriate to convert the hourly maximum into daily and weekly maximums. We think it would be more appropriate to use "converted rates" than "converted maximums" to help determine maximum reimbursement rates. Table 2.7 indicates for each center what its daily and weekly rates would be if we converted them from either their hourly or daily rates. The table shows that no center had a converted daily rate of more than \$30, and none had a converted weekly rate of more than \$150. The center with an hourly rate of \$4.00 and a daily rate of \$22.50 would have a converted weekly rate of \$112.50. This converted weekly rate reflects its daily charge times the five days in a week.

An alternative rate conversion procedure would more accurately reflect the rates charged by providers.

As an alternative to the department's conversion procedures, we think that the 75th percentile of converted rates could be used to establish an upper limit on how high maximum rates should be set. In our example, the 75th percentile of converted daily rates was \$25, and the 75th percentile of converted weekly rates was \$115. Clearly, the use of every center's daily and weekly rates, as well as the converted rates from centers without those rates, would have resulted in lower maximums than the department set in this case. We think that the daily maximum should have been set, however, at \$22.50, since there were at least three centers providing daily rates. The 75th percentile of converted rates only provides a ceiling for the maximum rate, since it includes converted hourly rates for some centers and assumes that they do not offer a discount for daily care.

The value of using converted rates rather than converted maximums can perhaps be better illustrated using another example. For child care centers in Region 10, the Department of Human Services used daily rates to set a daily maximum and then converted the daily maximum into hourly and weekly maximums. As Table 2.8 indicates, ten centers reported hourly rates ranging from \$2.50 to \$3.50. Four centers reported daily rates ranging from \$26.70 to \$50. Only one center had a daily rate over \$30.20. Two centers reported weekly rates of \$135 and \$138. The department set a daily maximum of \$50 based on the 75th percentile of daily rates and used that maximum to set an hourly maximum of \$5 and a weekly maximum of \$250. The department overruled the use of the 75th percentile of hourly rates—which was \$3.25 per hour—on the premise that the hourly maximum had to be at least equal to one-tenth of the daily maximum.

Table 2.8: Calculation of Maximum Infant Reimbursement Rates in Region 10 (Southeastern Minnesota), 2001

Sometimes the department's procedures cause one provider's rate to determine maximum rates for an entire region.

Provider	Licensed Capacity ^b	Rates Reported by Providers			Converted Rates ^a	
		Hourly	Daily	Weekly	Daily	Weekly
#1	8	\$3.50	\$26.70	N/R	\$26.70	\$133.50
#2	N/R	3.25	N/R	N/R	32.50	162.50
#3	N/R	3.25	N/R	N/R	32.50	162.50
#4	10	3.00	N/R	\$138.00	30.00	138.00
#5	4	3.00	N/R	135.00	30.00	135.00
#6	8	2.85	N/R	N/R	28.50	142.50
#7	N/R	2.75	N/R	N/R	27.50	137.50
#8	8	2.70	N/R	N/R	27.00	135.00
#9	8	2.65	N/R	N/R	26.50	132.50
#10	N/R	2.50	N/R	N/R	25.00	125.00
#11	8	N/R	50.00	N/R	50.00	250.00
#12	7	N/R	30.20	N/R	30.20	151.00
#13	7	N/R	30.00	N/R	30.00	150.00

Another 14 providers reported licensed capacity for infants, but their rates were not collected. (None were recorded as having refused to provide rates.)

Department of Human Services' Maximums	\$5.00	\$50.00	\$250.00		
Office of the Legislative Auditor Calculation of Maximums	\$3.25	\$30.20	\$151.00		
Upper Limit on Maximums: 75th Percentile of Converted Rates		\$30.20	\$151.00		

N/R = Not reported in 2001 survey.

^aA converted daily rate is a provider's actual daily rate or, if the provider did not report a daily rate, the provider's hourly rate times 10. A converted weekly rate is a provider's actual weekly rate or, if the provider did not report a weekly rate, the provider's daily rate times 5. If the provider did not report either a daily or weekly rate, the converted weekly rate is the provider's hourly rate times 50. These conversions reflect the department's practice of asking providers what their rates are for 10-hour days and 50-hour weeks. The Department of Human Services, however, does not calculate converted rates. We are using converted rates to show what would be the upper limit on each provider's daily and weekly rates.

^bIn calculating the 75th percentile for hourly rates, DHS assigned a capacity of seven to each of the providers without a reported capacity. The capacity of seven was the average capacity of the six providers reporting both hourly rates and capacity.

SOURCE: Office of the Legislative Auditor analysis of data from the Minnesota Department of Human Services.

The department's methods were particularly inappropriate in this case, since there were many more centers that reported hourly rates than daily rates. In addition, the highest daily rate—which was well above any of the other daily rates—was used to set all three of the maximums for this region. The use of converted rates rather than converted maximums would have resulted in more reasonable maximum reimbursement rates. The hourly maximum would have been \$3.25 based on the 75th percentile of the rates provided by ten centers. The daily maximum would have been set at \$30.20, reflecting the 75th percentile of converted rates. Table 2.8 shows that only one of thirteen centers in the region had an actual daily rate or a daily rate converted from its hourly rate that was greater than \$32.50. The weekly maximum would have been set at \$151, which

was the 75th percentile of converted rates. Only one center had an actual or converted weekly rate that was greater than \$162.50.

RECOMMENDATION

The Department of Human Services should discontinue using converted maximums and related conversion rules to calculate maximum reimbursement rates. The department should instead consider using converted rates to set an upper limit on maximum rates.

For the most part, the use of converted maximums has resulted in maximums being set too high. But, in some counties, maximums have been set too low when compared with actual rates. For example, in Chisago County, weekly rates for infants were used to set hourly and daily maximum rates as well as weekly maximums. The department used weekly rates because all four centers responding to the 2001 survey provided weekly rate information. Hourly and daily rates were only provided by two centers. The department set the weekly maximum at \$172 based on the 75th percentile of weekly rates and then converted that maximum into a daily maximum of \$34.40 and an hourly maximum of \$3.44. As Table 2.9 shows, the hourly maximum was extremely low compared with the hourly rates of \$6.00 and \$8.50 reported by two of the four centers.¹² Clearly, the center with the \$8.50 hourly rate had more than 25 percent of the licensed capacity of centers responding to the survey. As a result, the 75th percentile of

Table 2.9: Calculation of Maximum Infant Reimbursement Rates in Chisago County, 2001

The department's rate conversion procedures can sometimes produce maximum rates that are considerably below market rates.

Provider	Licensed Capacity	Rates Reported by Providers			Reverse Converted Rates ^a	
		Hourly	Daily	Weekly	Hourly	Daily
#1	12	\$8.50	N/R	\$167.00	\$8.50	\$33.40
#2	12	6.00	\$40.00	150.00	6.00	40.00
#3	12	N/R	N/R	172.00	3.44	34.40
#4	8	N/R	28.00	140.00	2.80	28.00
Department of Human Services' Maximums		\$3.44	\$34.40	\$172.00		
Office of the Legislative Auditor Calculation of Maximums		\$8.50	\$40.00	\$172.00		
Lower Limit on Maximums: 75th Percentile of Reverse Converted Rates					\$8.50	\$40.00

N/R = Not reported in 2001 survey.

^aA reverse converted daily rate is a provider's actual daily rate or, if the provider did not report a daily rate, the provider's weekly rate divided by 5. A reverse converted hourly rate is a provider's actual hourly rate or, if the provider did not report an hourly rate, the provider's daily rate divided by 10. If the provider did not report either an hourly or daily rate, the reverse converted hourly rate is the provider's weekly rate divided by 50. These reverse conversions establish a lower limit on a provider's hourly and daily rates.

SOURCE: Office of the Legislative Auditor analysis of data from the Minnesota Department of Human Services.

¹² This problem also occurs in two other counties (Isanti and Mille Lacs) in the same region (Region 7E) and in several counties in Region 7W.

The problems with inappropriately low maximum rates can also be corrected with alternative conversion procedures.

hourly rates, however calculated, was \$8.50, and the maximum hourly rate should have been set at \$8.50.

We think that the use of “reverse converted rates” in such cases would help establish more reasonable maximums. A reverse daily converted rate is calculated based on a provider’s weekly rate when the provider does not have a daily rate. Similarly, a reverse converted hourly rate is calculated from the provider’s daily rate or, if the provider does not have a daily rate, from the provider’s weekly rate. Reverse converted rates would thus use more of the rate information reported in the survey than the department currently uses when it converts maximums. The 75th percentile of reverse converted rates would set a floor below which the maximum rate should not be set. In this case, the 75th percentiles of the reverse converted rates were \$8.50 per hour and \$40 per day. The use of reverse converted rates sets a lower limit on the maximums because they convert rates down from longer time periods. If a provider has a weekly rate of \$172, we would expect that the provider’s hourly rate would be no lower than \$3.44 and the daily rate would be no lower than \$34.40. However, because of the discount generally offered on longer periods of care, the provider might have higher hourly and daily rates.

RECOMMENDATION

Along with using converted rates to set an upper limit on maximum rates, the Department of Human Services should consider using reverse converted rates to set a lower limit on maximum rates.

As mentioned earlier in this chapter, one of the problems with the 2001 rate survey was the lack of adequate information on the licensed capacity of centers, particularly those serving school-age children. Table 2.10 illustrates some of the problems created by this lack of information. The Department of Human Services set maximum rates for school-age care in McLeod County even though only two of the six centers responding to the survey provided information on their licensed capacity to serve school-age children. In this case, the department set maximum rates without using licensed capacity. Since five centers provided hourly rates, the department used the rate from the second highest provider to set the maximum hourly rate. Two providers had hourly rates of \$4.25, so the department set the maximum hourly rate at \$4.25. The daily maximum was set at \$42.50, because none of the providers had a daily rate. In addition, the department set the weekly maximum at \$212.50—or 50 times the hourly rate—because the three providers with weekly rates did not provide capacity information. The department’s protocol requires at least four weekly rates in order to set a weekly maximum based on weekly rates when there is capacity information on less than 60 percent of those with rates.

The department’s use of a converted maximum, however, makes no sense in this case. The two child care centers with hourly rates of \$4.25 had weekly rates of \$105. The other center with a weekly rate charged \$95 per week. Regardless of the relative capacities of the three centers, the 75th percentile of their rates could be no higher than \$105. Using converted rates, we would set an upper limit on the maximum weekly rate of \$122.50 because we do not know the licensed

Table 2.10: Calculation of Maximum School-Age Reimbursement Rates in McLeod County, 2001

The non-reporting of licensed capacity information has also caused some maximum rates to be set at inappropriate levels.

Provider	Licensed Capacity	Rates Reported by Providers			Converted Rates ^a	
		Hourly	Daily	Weekly	Daily	Weekly
#1	N/R	\$4.25	N/R	\$105.00	\$42.50	\$105.00
#2	N/R	4.25	N/R	105.00	42.50	105.00
#3	45	2.50	N/R	N/R	25.00	125.00
#4	38	2.45	N/R	N/R	24.50	122.50
#5	N/R	2.25	N/R	N/R	22.50	112.50
#6	N/R	N/R	N/R	95.00	N/A	95.00
Department of Human Services' Maximums		\$4.25	\$42.50	\$212.50		
Office of the Legislative Auditor Calculation of Maximums		\$4.25	\$42.50	\$105.00 ^b		
Upper Limit on Maximums: 75th Percentile of Converted Rates					\$42.50	\$122.50

N/R = Not reported in 2001 survey; N/A = Not applicable.

^aA converted daily rate is a provider's actual daily rate or, if the provider did not report a daily rate, the provider's hourly rate times 10. A converted weekly rate is a provider's actual weekly rate or, if the provider did not report a weekly rate, the provider's daily rate times 5. If the provider did not report either a daily or weekly rate, the converted weekly rate is the provider's hourly rate times 50. These conversions reflect the department's practice of asking providers what their rates are for 10-hour days and 50-hour weeks. The Department of Human Services, however, does not calculate converted rates. We are using converted rates to show what would be the upper limit on each provider's daily and weekly rates.

^bThe 75th percentile of weekly rates could not be higher than \$105, regardless of the relative capacities of the three providers reporting weekly rates.

SOURCE: Office of the Legislative Auditor analysis of data from the Minnesota Department of Human Services.

capacities of four of the six centers in the county. But, clearly the weekly maximum should have been no greater than \$105.

These examples show that the department's methods for converting maximums produce results that are inconsistent with information from rate surveys. In addition, we think that:

- **The department's methods for converting maximums sometimes produce maximum rates that exceed the 75th percentile level allowed by state law, or at least exceed a reasonable interpretation of how that level should be calculated.**

In fact, the examples highlight cases in which the maximums are not only higher than the 75th percentile of rates, but are also well in excess of the highest rates for an area. In Region 2, state program administrators set the daily and weekly maximums for toddler care at child care centers considerably higher than any daily or weekly rate reported by a center. In Region 10, similar results occurred with hourly and weekly maximums for infant care at child care centers. In McLeod County, the weekly maximum for school-age children was more than double the highest rate reported by a provider.

However, the legal issue is somewhat complicated. The department believes the maximums comply with statutory requirements because, in each case, at least one of the maximums—hourly, daily, or weekly—was based on a calculation of the 75th percentile. The other maximums were then based on conversions from the one maximum that was based on the 75th percentile. Whether the maximums technically comply with state law is a complex issue that we cannot answer. But, we think that the department’s procedures produce results that certainly seem inconsistent with the requirement that a maximum rate “not exceed the 75th percentile rate for like-care arrangements in the county as surveyed by the commissioner.”¹³

About one-fourth of the maximum rates for child care centers have been inappropriately calculated.

Overall, the problems with converted maximums and the proportionality rule do not affect a majority of the maximum rates set by the department. But the problems affect a significant number of maximum rates, particularly for child care centers. Table 2.11 indicates the percentage of maximum rates that we think have been inappropriately set for each type of provider. The percentages include cases

Table 2.11: Percentage of Maximum Reimbursement Rates That Were Inappropriately Calculated, FY 2003-05^a

Type of Rates	Child Care Centers	Licensed Family Home Providers	Legal Non-Licensed Providers ^b
Hourly	21%	0%	13%
Daily	34	13	N/A
Weekly	31	13	N/A
Overall	29%	9%	13%

N/A = Not applicable.

^aThis is the percentage of counties for which different maximum rates should have been established. The results for each age group are included in our calculation of this percentage. The percentages do not include any cases in which the maximum rates would be different if the department had obtained complete and accurate information on the licensed capacity of child care centers.

^bAll legal non-licensed care is billed at hourly rates.

SOURCE: Office of the Legislative Auditor analysis of data from the Minnesota Department of Human Services.

that are not quite as obvious as those we highlighted earlier in this chapter. In all of these cases, however, the principle is the same. Using converted rates in the manner we recommend makes use of more rate information than does the department’s methods. Overall, we found that:

- **At least 29 percent of the maximum reimbursement rates for child care centers were inappropriately set. About 9 percent of the maximum rates for licensed family home providers and 13 percent of the maximums for legal non-licensed care are inappropriate.**

For the most part, these questionable maximum rates should be lower than currently is the case. About 25 percent of the child care center maximums should

¹³ *Minn. Stat.* (2004) §119B.13, subd. 1.

Most of the problems with maximum rates affect counties outside the Twin Cities metropolitan area.

be lower, while 3 percent should be higher than current maximums. All the changes we would make in the maximums for other providers would result in lower maximums. The changes in maximum rates for legal non-licensed care are entirely the result of changes in weekly maximums for licensed family home care.

In general, we think that these changes would slightly reduce state spending for the Child Care Assistance Program. Most of the changes would involve lower maximum rates, although some of the higher maximums would occur in more populous counties. For the most part, the Twin Cities metropolitan area would not be affected, except for a few increased maximum rates in Scott County.

The extent of problems caused by the lack of data on the licensed capacity of centers cannot be fully established. We can identify those cases like McLeod County in which the department's methods do not make sense. But we cannot determine how many maximums would have been set differently if capacity information had been available. The department is unable to identify the names of the providers in the 2001 survey. As a result, we could not match the rates reported with capacity information from the department's Licensing Division, even if capacity information for the fall of 2001 were available.

Regional and Statewide Maximums

Since July 2003, the Department of Human Services has set regional or statewide maximum rates for center-based care in 68 of Minnesota's 87 counties.¹⁴ These maximums are based on rates for more than one county. Regional or statewide maximums are used in a county if the department believes there are not enough centers providing rates in that county. Specifically, the department requires that there be at least three rates of one type—hourly, daily, or weekly—to set county-based maximums for a particular age group. The department requires four rates of one type if capacity information was provided by less than 60 percent of the centers with rates. The department has not needed to set regional or statewide maximums for licensed family home providers because of the large number of such providers in each county.

Prior to the use of regional and statewide maximums, centers in 68 counties were not subject to a maximum rate.¹⁵ Like centers elsewhere in the state, centers covered by the "pay provider rate" system were required to charge subsidized children the same rate they charged the general public. But, unlike centers in other counties, centers in "pay provider rate" counties were not subject to a maximum and could raise the rate charged for subsidized care without restriction as long as it matched their "private-pay" rate. For most centers, the lack of a maximum rate was probably not a major incentive to raise rates. Most centers could not raise their rates without potentially losing private-pay customers and negatively affecting their profits. But, for those centers serving a high percentage of subsidized children, the lack of a maximum rate may have provided an incentive to increase the rates charged to subsidized children without improving the care or services provided to those children.

¹⁴ In 60 counties, there are regional or statewide maximums for all four age groups. In eight counties, there are regional or statewide maximums for between one and three age groups.

¹⁵ The "pay provider rate" system for child care centers applied to all age groups in 60 counties and to one or more age groups in eight other counties.

The Department of Human Services began using regional and statewide rates in July 2003 after the 2003 Legislature required that the schedule of provider rates established in July 2002 by the Department of Education continue to be used until July 2005. The department felt that the “pay provider rate” system was overly generous to some providers in light of the freeze that would be placed on providers elsewhere in the state. And, the department felt the “pay provider rate” system would not generate the cost savings needed to meet the budget targets set by the Legislature. In addition, the department wanted to establish rates in those counties without centers in the event a center opened in those counties. Consequently, the department implemented new regional or statewide maximums for center-based care in the 68 counties that previously had a “pay provider rate” system.

The use of regional and statewide rates, however, affected providers in a manner that may not have been anticipated by the Legislature. The 2003 Legislature directed that: “The provider rates determined under Minnesota Statutes, section 119B.13, for fiscal year 2003 and implemented on July 1, 2002, are to be continued in effect through June 30, 2005.”¹⁶ But, the maximums implemented by the department reduced the rates that could be charged by some centers. We reviewed the actions taken by both departments and think that the state administrators of the Child Care Assistance Program have not paid sufficient attention to state laws governing the setting of maximum rates. First, we think that:

- **The “pay provider rate” system clearly violated state statutes.**

Since at least 1999, Minnesota Statutes have required that the “maximum rate paid for child care assistance under the child care fund may not exceed the 75th percentile rate for like-care arrangements in the county as surveyed by the commissioner.”¹⁷ This provision requires that state program administrators set maximum rates in a county based on the 75th percentile of rates in a county. State law does not allow a system in which there are no maximum rates. To comply with state law, the Department of Education should have set maximum rates for child care centers in all counties and enforced those rates until new rates were set throughout the state based on a new rate survey.

Second:

- **We question whether the Department of Human Services had legal authority to implement regional and statewide rate maximums for child care centers in 68 counties in July 2003.**

A strict reading of the statutes suggests that maximum rates must be based on the 75th percentile of rates surveyed in a county.¹⁸ The regional and statewide maximums implemented by the Department of Human Services are based on rates from numerous counties. The so-called statewide maximums even include rates

The “pay provider rate” system used prior to July 2003 to reimburse child care centers in 68 counties did not set maximum rates as required by law.

¹⁶ *Laws of Minnesota* (1Sp2003), ch. 14, art. 9, sec. 34.

¹⁷ *Minn.Stat.* (2004) §119B.13, subd. 1.

¹⁸ *Minn.Stat.* (2004) §119B.13, subd. 1.

The Legislature did not authorize the department's use of regional or statewide maximum rates.

from counties in different parts of the state. In addition, the 2003 Legislature required that the Department of Human Services continue the provider rate schedule implemented by the Department of Education in July 2002 for another two years. Since that schedule included the “pay provider rate” system, it could be argued that the Department of Human Services was legally required to continue its use.

However:

- **The Department of Human Services thinks its rules give it legal authority to implement regional and statewide maximum rates.**

The department’s rules state that: “When the number of providers in a county or in a provider category is too small to determine the 75th percentile provider rate, the commissioner may establish child care provider rates based on like care arrangements in similar areas or categories.”¹⁹ The rules would appear to give the department some discretion to set maximums that are not based on the rates from a single county. But, it is unclear to us whether the rules take precedence over the statutory language and the specific direction given by the 2003 Legislature to continue using the existing rate schedule.

Even if the department has discretion to set regional or statewide rates, its authority under the rules is subject to interpretation. The rules allow some discretion if the number of providers is too small to determine the 75th percentile of rates in a county. But, it is unclear what “too small to determine the 75th percentile” means. As mentioned earlier, the department’s protocol requires rates of a single type from either three or four providers in order to set county-based maximum rates. But, it is not necessary to have that many rates, since a 75th percentile could be established even with only one rate. If there is only one provider with rates, that provider’s rates represent both the zero and the 100th percentile of rates in the county, as well as the 75th percentile. As a result, it may be questionable for the department to extend its discretion to those cases in which at least one child care center in a county reports its rates during the rate survey.

It should be noted that the program’s inappropriate use of the “pay provider rate” system contributed to the concerns raised about the implementation of regional and statewide rates. If the Department of Education had properly implemented maximum rates for child care centers in all 87 counties, the Department of Human Services could have implemented the legislative directive to continue the existing rate schedule without using regional or statewide rates. In addition, no provider’s maximum rate would have been reduced, and sufficient budgetary savings would likely have been realized without using regional or statewide rates.²⁰

¹⁹ *Minn. Rules* (2003) ch. 3400.0130, subp. 1.

²⁰ Information we received from the department indicates that setting county-based maximum rates using the 100th percentile in each county rather than regional and statewide maximum rates would have resulted in lower maximum rates in twice as many instances as it would have increased rates. In those 68 counties with a small number of centers reporting rates, the 100th percentile of rates would generally be the same as the 75th percentile.

RECOMMENDATION

The Department of Human Services should seek changes in state laws that would clearly allow the department to implement maximum rates based on geographic areas larger than a single county.

Some regional maximums may be appropriate, but there should be a broader and more careful consideration of their impact.

There are some legitimate reasons why the state may wish to set maximum rates using rate information from more than one county. For example, in counties with a small number of centers, maximum rates could change significantly from year to year depending on which centers report rates. This could occur even with the department's use of regional rates or in counties that the department believes has an adequate number of rates to set a county-based maximum. Large year-to-year swings in the maximums can be disruptive for child care centers and may produce undesirable outcomes from a public policy standpoint.

But combining counties to set maximum rates may also be unfair if it combines counties that have centers with very different rate and cost structures. If a county with high rates is combined with several other low-rate counties, the resulting low maximums could be damaging to the use of centers in the high-rate county. Program participants in the county with high rates would face significantly higher out-of-pocket costs than participants in the low-rate counties. Combining the counties for the purpose of setting maximum rates may not make much sense if residents of a county do not have reasonable access to child care in another county. In some cases, the amount of travel time to reach a child care center in another county may be unreasonable. We think that the Department of Human Services should discuss the issues involved in setting regional or statewide maximum rates with the appropriate legislative committees.

RECOMMENDATION

The Legislature should review the advantages and disadvantages of setting regional and statewide maximum rates for child care centers and provide policy direction to the Department of Human Services.

Other Concerns

We have a number of other concerns about the setting of maximum reimbursement rates. Several of the concerns involve the types of providers that the department includes in its rate surveys. In addition, we have a concern about the number of family providers that are needed to set daily and weekly maximums for family home providers in outstate Minnesota.

Inclusion of Providers in Rate Surveys

Currently, the department includes all centers in its rate surveys except centers that exclusively serve preschool children and unlicensed centers that serve

school-age children. Although participants in the Child Care Assistance Program utilize these centers, the department excludes them from the survey because they do not generally provide care for a full day and do not charge hourly rates or rates for a 10-hour day or a 50-hour week.²¹

The department includes centers in its survey regardless of the percentage of a center's customers that receive care subsidized by the Child Care Assistance Program. As we will discuss in the next chapter, providers with a high percentage of subsidized customers have the greatest incentive to increase their rates to the maximum reimbursement rate. At least one state excludes providers with a high percentage of subsidized customers, because those providers may have rates that do not truly reflect the market for child care. Wisconsin excludes a provider from rate surveys and the calculation of maximum rates if the provider has a clientele that has more than 90 percent subsidized customers.

The Department of Human Services does not have information on the extent to which individual providers are dependent on the subsidy program.

In Minnesota, however, the department does not currently have the necessary information on the percentage of subsidized customers served by various providers. Furthermore, it is not clear what effect excluding highly subsidized providers would have on maximum rates. It could be argued that highly subsidized providers have rates that are artificially high because of government subsidies. So, the 75th percentile of rates might be lower if we could adjust their rates downward to reflect the impact of child care subsidies. However, excluding the rates of highly subsidized providers when calculating maximum rates could actually cause some maximum rates to be higher than currently is the case.

Nevertheless, we think that it may be useful for the department to conduct some additional research on this issue. For example, during the next survey, the department could ask providers what percentage of their clients are participants in the Child Care Assistance Program. The department could also consider whether the state's payment system would be able to provide useful information about providers in the 38 counties using that system.

Legislators have also raised concerns about the extent to which centers responding to the survey are providing care at rates below their true cost. A center could provide care below cost if it was subsidized by an outside source or if the center's owner provided a subsidy. This could be true of non-profit centers that raise funds from outside sources. Alternatively, employer-based centers may offer care at below market rates as a benefit to its employees. In addition, there has been some concern that a casino-based center was providing service at below market rates. It is possible that below-cost rates could affect the maximum rates in counties with a small number of centers. The inclusion of centers with below-cost rates could greatly affect maximums in those counties and put centers without outside funding sources at a disadvantage. The inclusion of below-cost centers is less likely to affect maximum rates in the Twin Cities metropolitan area, since there are a considerable number of centers in the Twin Cities area.

²¹ Preschools are typically open for two to three hours per session and charge session rates rather than hourly rates. Unlicensed school-based centers are typically open for three hours before school and three to four hours after school. According to the department, they usually charge rates that are not based on hours or would be difficult to convert to hourly rates.

Available information does not suggest that below-cost rates are a major problem. We were able to identify a limited number of employer-based centers that responded to the 2004 survey, but most of their rates, as surveyed by the department, appear to be relatively high. Only one casino-based center was included in the department's 2004 survey, and that center's rates were relatively high for its region of the state. We identified one tribal-based child care center that reported low rates during previous surveys, but that provider has since gone out of business.

The department is currently conducting research into the amount and nature of the nongovernmental subsidies received by a sample of child care centers across the state. This research may help provide future direction on this issue.

Required Number of Rates from Licensed Family Home Providers

Currently, the department requires that at least four licensed family home providers in a county must report hourly rates in order to set a county-based hourly maximum. For daily and weekly maximums, the department also requires four providers in the Twin Cities metropolitan area. But, elsewhere in the state, the department has additional requirements. In outstate Minnesota, there may be as few as four providers with rates in order to set daily (or weekly) maximums if at least 50 percent of the providers responding to the survey had daily (or weekly) rates. If fewer than 50 percent had daily (or weekly) rates, then the department requires rates from 40 providers as long as 30 percent responded with daily (or weekly) rates. If fewer than 30 percent had daily (or weekly) rates, then daily (or weekly) maximums are based on hourly maximums.

In our view:

- **The department's more stringent requirements for establishing daily and weekly maximums for licensed family home providers in outstate Minnesota are inappropriate.**

It seems illogical that the department would require a greater number of rates and a higher response rate in small counties than it would require in the Twin Cities metropolitan area. As mentioned previously, the department set maximum rates for licensed family home providers in Washington County even though the department had rate information from only 7 percent of the providers in the county.

One reason for requiring a larger response in outstate Minnesota might be that licensed family home providers there are somewhat more likely to have hourly but not daily or weekly rates. For example, about 67 percent of the outstate providers reporting rates for toddler care in 2001 had only hourly rates, compared with 47 percent in the Twin Cities metropolitan area. But, in our view, the difference in rate practices between the Twin Cities area and the rest of the state is not sufficient to justify such vastly different response requirements.

RECOMMENDATION

The Department of Human Services should revise its requirements for the number of rates needed in each county in order to set maximum daily or weekly rates for licensed family home care.

Reasons for Problems

It is not entirely clear why the Department of Human Services uses inappropriate methods in setting some maximum rates and has other problems with its survey. One explanation is that:

- **The Department of Human Services relies too much on a consultant to analyze rate information and set maximum rates and does not have “hands on” experience in collecting or analyzing the data.**

The Department of Human Services has not adequately reviewed the maximum rates calculated by its consultant.

The department uses child care resource and referral agencies to collect rate information and hires a consultant to analyze the data and set maximum rates. The consultant also provides rate and other information for use in fiscal analyses of proposed legislative changes to the program. Department staff generally do not work directly with the rate data as we did during this study. As a result, department staff did not appear to be aware of a number of problems with the survey and with the setting of maximum rates until we mentioned the problems.

In addition, the department may not have been fully aware of the protocol used by the consultant to set rates. The department was not able to present us with the complete protocol when we requested it. On several subsequent occasions, the department provided us with revisions to the protocol when we questioned whether the consultant had followed the protocol we had been given.

There are other possible reasons for the problems. Department and program managers have suggested that examining the survey and maximum rate methodology have not been high priority items. Given their other responsibilities, program staff have not had enough available time to review the work done by the consultant and the child care resource and referral agencies. In addition, managers have suggested that the methods used to calculate maximum rates may reflect the program’s direction prior to 2003. They feel that the program previously was intended to encourage the use of centers and was not focused on fiscal constraint. Since 2003, the Legislature has made fiscal constraint a priority in the program, but the methods for setting maximum rates still reflect the previous priorities of the program to some extent.

We think that the department is overly dependent on others to collect and analyze rate information. The department may have the internal expertise to analyze rates but may not be in the best position to collect rate information. Child care resource and referral agencies work with child care providers, keep track of these providers, and are capable of collecting appropriate rate information with adequate direction from the department.

RECOMMENDATION

The Department of Human Services should consider whether it would be feasible and cost effective for the department to perform the rate analyses currently conducted by a consultant. Even if the department retains its consultant, department staff should become more familiar with the rate information being reported and adequately review the work of the consultant and the child care resource and referral agencies.

COMPARISONS WITH OTHER STATES

Available information from the federal government suggests that Minnesota’s maximum rates for child care centers are among the highest in the nation, particularly for centers in the largest urban areas of each state. Maximum rates for Hennepin County appear to be higher than those for the largest urban area in every other state.²² However, as Table 2.12 indicates:

- **Minnesota’s relatively high maximums for center-based care do not appear to be due to the methods used to calculate maximum rates.**

Minnesota's maximum rates for child care centers may be high compared with other states because market rates are higher in Minnesota.

Table 2.12: State Methods for Calculating Maximum Reimbursement Rates, 2004

<u>Calculation of Maximum Rates</u>	<u>Number of States</u>	<u>Percentage of States</u>
Above the 75th Percentile	1	2%
At or Above the 75th Percentile	1	2
At the 75th Percentile ^a	24	48
At or Below the 75th Percentile	4	8
Below the 75th Percentile	<u>20</u>	<u>40</u>
Totals	50	100%
<u>Year of Rate Survey Used in Calculation</u>		
2003	21	42%
2002	11	22
2001 ^a	7	14
2000	7	14
Earlier than 2000	<u>4</u>	<u>8</u>
Totals	50	100%

^aThis category includes Minnesota.

SOURCE: Office of the Legislative Auditor analysis of information from Karen Schulman and Helen Blank for the National Women’s Law Center, *Child Care Assistance Policies 2001-2004: Families Struggling to Move Forward, States Going Backward* (Washington, D.C.: September 2004), 15.

22 United States Department of Health and Human Services, Administration for Children and Families, *Child Care and Development Fund: Report of State Plans FY 2004-2005* (Washington, D.C.: October 2004), 84-94.

Like many states, Minnesota sets maximum reimbursement rates based on the 75th percentile of market rates. At least half the states set rates at or above the 75th percentile. In addition, Minnesota is using a survey that is older than those used by most states. As a result, one might expect Minnesota's maximum rates to be no higher than the average state.²³

The main source of Minnesota's high center-based maximums in the Twin Cities area may be relatively high market rates at child care centers. The evidence of high market rates comes from a 2000 study by the Children's Defense Fund.²⁴ Data from the study indicate that among centers in the largest urban area in each state, the average annual cost of child care in St. Paul, Minnesota was higher for a four year old in 2000 than all comparison urban areas except Boston and New York. For a 12-month old infant, the annual cost in St. Paul was higher than all comparison urban areas except Boston. The cost of licensed family care in St. Paul was also higher than that for most urban areas but was surpassed by the costs in urban areas in six other states. Similarly, the report compared the cost of care in rural areas. The cost of care in Clay County, Minnesota was above the cost for most of the rural areas in other states examined in the report.

It is unclear why Minnesota's child care rates are higher than those in most other states. But, Minnesota's higher than average incomes and its very high participation rate of women in the workforce might explain the relatively high child care rates. Both higher income and greater workforce participation would tend to increase the demand for child care and thus increase rates. In addition, a higher participation of women in the workforce may also result in fewer women choosing to provide child care in their homes. The Legislature may wish to have the Department of Human Services conduct additional research regarding Minnesota's child care rates.

²³ It is not known whether there are other methodological reasons why Minnesota maximums are higher than those in other states.

²⁴ Karen Schulman, Children's Defense Fund, *The High Cost of Child Care Puts Quality Care Out of Reach for Many Families* (Washington, D.C.: 2000).

SUMMARY

Most child care centers do not appear to raise their rates to take advantage of the maximum reimbursement available from the Child Care Assistance Program. However, an unexpectedly high percentage of licensed family home providers charge the maximum rate for subsidized care. While the reasons for this are unclear, the Department of Human Services needs to examine whether some providers are charging rates higher than they are entitled to charge. Legal non-licensed providers almost always charge the maximum rates, but that is not surprising. These providers care for children of relatives and no more than one unrelated family, and most do not have regular rates.

Evidence from a 1999 study suggests that subsidized families in Minnesota choose child care centers, the most expensive form of care, more often than the general public. But, this evidence is somewhat inconsistent with the results from a 1997 Urban Institute study. In addition, families who receive child care subsidies in Minnesota are less likely to use center-based care than subsidized families in other states.

The freeze on maximum rates established by the Legislature in 2003 has reduced access to child care. But, in early 2004, subsidized families could still use about half of the child care centers and about two-thirds of the licensed family homes in the state without paying more than their required co-payment. Access to affordable child care may decline more before the freeze on maximum rates expires in July 2005.

The 2005 Legislature will face an important decision affecting the future of the Child Care Assistance Program. The two-year freeze on maximum reimbursement rates put in place by the 2003 Legislature expires on June 30, 2005. Continuing budget concerns may cause legislators to consider options for constraining the future growth of child care subsidies.

This chapter does not attempt to examine options for cost control. The 2003 Legislature asked the Department of Human Services to consider options and make recommendations by January 15, 2005. Instead, in this chapter, we examine certain issues that may impact the decisions legislators make about the future of

the Child Care Assistance Program. In particular, we address the following questions:

- **How do providers respond to maximum rates? Do they typically charge the maximum rate allowed by the state?**
- **Do families who receive child care subsidies tend to select the most expensive care available within the maximum rates? What do available data suggest about how the type of child care used by subsidized families differs from that used by other families?**
- **Although the state sets maximum rates based on the 75th percentile of market rates, what percentage of providers can a program participant access without any additional cost besides a co-payment by the time that the maximum rates are implemented?**
- **How has the freeze on maximum rates affected the access of participants to child care?**
- **What are the advantages and disadvantages of using alternative methods for calculating maximum reimbursement rates? Would setting combined, rather than separate, maximum rates for child care centers and family home providers be feasible and legal given federal laws and regulations?**

PROVIDER INCENTIVES

Some legislators have been concerned that too many providers charge the maximum reimbursement rate for subsidized care.

Some legislators have raised concerns that maximum rates for child care quickly become the rates charged by most providers, even though they are only intended to limit the rates that the Child Assistance Program will pay for subsidized care. If providers raise their rates, they do not risk losing subsidized customers as long as their rates do not exceed the maximum. But providers who raise their rates may risk losing private-pay customers. As a result, the providers with the greatest incentive to increase their rates to the state's maximum reimbursement rates are those with a high percentage of children in the state's Child Care Assistance Program.

Our ability to examine provider behavior in a comprehensive manner is limited for several reasons. First, the state lacks the data necessary to identify providers with a high percentage of children who receive subsidies. The Department of Human Services currently does not have information on how many children served by each provider are from the Child Care Assistance Program. Without this information, we cannot determine the extent to which these providers raised their rates to the maximum. Second, the providers who participated in the 2002 and 2004 surveys could not be matched with their responses from the 2001 survey. The department did not maintain data on the names of providers responding to the 2001 survey. As a result, we could not determine how much individual providers increased their rates.

Our ability to examine provider charges is somewhat limited by the lack of relevant data.

However, we were able to examine overall changes in the rates reported to the state between 2001 and 2004. The survey data on market rates help to indicate whether there have been a large number of providers at the maximum rates. Furthermore, the data show how the number of providers at the maximum rates changed following the implementation of new maximum rates in July 2002.

In addition, we compared the rates paid for child care assistance during the first half of 2004 with the rates reported by providers during the rate survey conducted by the state between February and April of 2004. A comparison of payment rates billed by providers serving program participants and market rates of all providers would indicate whether providers serving program participants were more likely to charge rates at or above the maximum than providers serving the general public.

Because the Department of Human Services does not have statewide payment data on child care assistance payments, our analysis was limited to 39 of the state's 87 counties. We examined payments from Hennepin County, as well as the 38 counties that had all of their child care assistance payments made by the state's payment system.¹ Altogether, these 39 counties had about half of the children participating in the Child Care Assistance Program.² Our comparison of payment and rate data was limited to the first half of 2004, because of the availability of data. Rate data were available from the 2001, 2002, and 2004 surveys. But, none of the counties using the state's payment system had all of their payment information on the system before mid-2003. As a result, complete payment data for these counties was not available from the state's system for critical time periods such as the periods just before and after the state set maximum rates in July 2002.

Child Care Centers

When we reviewed payment and rate data for child care centers, we found that:

- **The Child Care Assistance Program probably does not induce most child care centers to increase their rates to the maximum rate.**

Data from rate surveys suggest that child care centers typically increase their rates each year but generally do not increase their rates to the maximum rates. Rate survey data from 2004 indicate that the percentage of child care center rates that were at the maximum was relatively small (about 12 percent). As Table 3.1 shows, the percentage of rates at the maximum has not changed much in recent years. We consider this percentage of rates at the maximum to be small because it is normal for some rates to be at the maximum. For example, the vast majority of providers tend to charge hourly rates at 25-cent intervals, such as \$4.00, \$4.25,

¹ As of July 1, 2004, the state's computerized payment system—also known as the Minnesota Electronic Child Care Information System (or MEC³)—made all the assistance payments in 38 counties, as well as some of the payments in another eight counties. Counties not using the state's system are responsible for making payments to providers used by their residents.

² All of the MFIP participants and about three-fourths of the basic sliding fee participants are included in the payment data. The data do not include about one-fourth of the county's basic sliding fee participants because the Greater Minneapolis Day Care Association (GMDCA) administers that portion of the county's program. The GMDCA could not provide us with payment data that included the units of service—hours, days, and weeks—for which payments were made.

Table 3.1: Provider Rates Compared With Current Maximum Rates, 2001-04

	Year of Provider Rate Survey		
	2001	2002	2004
Child Care Center Rates			
Percentage of Rates			
Less than maximum rate	68%	59%	39%
Equal to maximum rate	13	11	12
Greater than maximum rate	18	30	49
Licensed Family Care Rates			
Percentage of Rates			
Less than maximum rate	61%	50%	40%
Equal to maximum rate	22	27	29
Greater than maximum rate	17	23	31

NOTES: The percentage figures for survey rate data are averages across four child age categories and three types of units (hours, days, and weeks). We determined averages across child age categories by weighting each child care center rate by the center's licensed capacity for the applicable age group. If a center reported a rate for a particular age category but did not report the corresponding licensed capacity, we used the average licensed capacity for that age category among providers in the same region. For licensed family home providers, we used unweighted averages because overall licensed capacity for these providers does not vary much and information on capacity by age group is not available.

For both types of providers, we averaged the percentage figures across unit types based on the estimated share of service hours billed under each unit type. We assumed days included 10 hours of service and weeks included 50 hours. To estimate the share of hours billed, we used payment data for Hennepin County and the 38 MEC² counties and recipient data from the Minnesota Department of Human Services.

SOURCE: Office of the Legislative Auditor analysis of data from the Minnesota Department of Human Services.

However, available data suggest that the program does not cause most child care centers to increase their rates to the maximum rate for subsidized care.

\$4.75, and \$5.00 per hour. As a result, there tends to be a group of providers at a number of these 25-cent intervals. The 75th percentile of rates, and thus the maximum rate, is likely to be set at one of these rates that is charged by a number of providers. The relatively small percentage of rates at the maximum may reflect the minor influence that the subsidized program has on the rates of most providers. Those providers with a modest percentage of children from the Child Care Assistance Program cannot increase their rates without affecting their other customers.

The percentage of center rates that exceeded the maximum grew from 18 percent in 2001 to 49 percent in 2004. But most of this growth can probably be explained by inflationary rate increases typical of the service sector of the economy. Between fall 2001 and early 2004, child care center rates increased by an average of about 4 percent per year, slightly more than the 3 percent annual inflation rate in the service sector.³ At the same time, maximum rates for child care centers were unchanged. As a result, the inflationary growth in rates caused rates at a significant number of centers to increase past the maximum reimbursement rates. It is possible that the average increase in rates masks large increases by individual providers that may have been influenced by the maximums set by the state. But,

³ We compared increases in child care center rates with the increases in the Bureau of Labor Statistics' Consumer Price Index (for Urban Consumers) for services.

other than some anecdotal evidence, we lack the data necessary to isolate providers that primarily serve children who receive child care subsidies.

A comparison of payment and rate data shows that the percentage of actual child care center payments at the maximum does not appear unusually high in relation to the share of market rates at or above the maximum. In the 39 counties we examined, about 55 percent of payments for services during the first half of 2004 were at the maximum rate. As Table 3.2 shows, this is less than the percentage of provider rates reported in the survey from the same counties that were equal to or greater than the maximum (about 63 percent). Most of this difference was due to Hennepin County. The percentage of payments at the maximum rate (56 percent)

Table 3.2: Comparison of Child Care Payments with Provider Rates for Selected Counties, 2004

In fact, fewer payments to child care centers are made at the maximum rate than one might expect from examining provider rates.

	<u>Provider Rates</u>	<u>Payments</u>
Child care centers		
Percentage of rates:		
Less than 50 percent of maximum rate	1%	6%
50 to 69 percent of maximum rate	6	10
70 to 79 percent of maximum rate	5	4
80 to 89 percent of maximum rate	8	8
90 to 99 percent of maximum rate	17	16
Maximum rate or above	63	55
Licensed family providers		
Percentage of rates:		
Less than 50 percent of maximum rate	0%	2%
50 to 69 percent of maximum rate	4	3
70 to 79 percent of maximum rate	5	3
80 to 89 percent of maximum rate	17	8
90 to 99 percent of maximum rate	13	8
Maximum rate or above	61	75

NOTES: This table is based on rate survey and payment data from Hennepin County and 38 MEC² counties. The percentage figures for survey rate data are averages across four child age categories and three types of units (hours, days, and weeks). We determined averages across child age categories by weighting each child care center rate by the center's licensed capacity for the applicable age group. If a center reported a rate for a particular age category but did not report the corresponding licensed capacity, we used the average licensed capacity for that age category among providers in the same region. For licensed family home providers, we used unweighted averages because overall licensed capacity for these providers does not vary much and information on capacity by age group is not available.

For both types of providers, we averaged the percentage figures for survey rate data across unit types based on the estimated share of service hours billed under each unit type. We assumed days included 10 hours of service and weeks included 50 hours. To estimate the share of hours billed, we used payment data for Hennepin County and the 38 MEC² counties.

To determine the percentage of payments in each of the above categories, we first calculated the percentage for each unit type. Then we averaged across unit types based on the estimated hours of service billed under each unit type, as we did for the survey rate data.

We excluded payments for special needs children in all 39 counties. We also excluded Hennepin County payments for special programs that pay non-standard rates.

SOURCE: Office of the Legislative Auditor analysis of rate survey and MEC² child care payment data from the Minnesota Department of Human Services and child care payment data from Hennepin County.

in Hennepin County was less than the percentage of rates at or above the maximum (66 percent).⁴

It appears that the system of setting maximum rates for centers limits the state's costs without creating significant incentives for providers to increase their rates to the maximum rate. There may be some child care centers that increase their rates to the maximum rates because they primarily serve children in the Child Care Assistance Program. But our findings suggest that there may not be a significant number of child care centers that serve mostly subsidized families.

Licensed Family Home Providers

We also reviewed rate and payment data on licensed family home providers. We found that:

- **Licensed family home providers were more likely to have rates at the maximum reimbursement rates than child care centers, but fewer had rates above the maximums.**

About 29 percent of licensed family home providers had rates equal to the maximum reimbursement rates in early 2004, compared with only 12 percent of child care centers. In addition, the percentage of licensed family home providers with rates equal to the maximums has increased modestly since before maximum rates were last increased in July 2002. As Table 3.1 indicates, the percentage of licensed home providers whose rates were at the maximum increased from 22 percent in the fall of 2001 to 27 percent in the fall of 2002 and to 29 percent in early 2004. The relatively high percentage of licensed family home providers with rates at the maximums might suggest that providers are influenced by the state's reimbursement system. However, there are other factors that could explain the relatively high percentage of rates that were at the maximum. First, within a county or region, licensed family child care rates tend to cluster within a narrower range than child care center rates because there are fewer differences in services offered. Second, family providers that were already at or slightly below the maximum in 2001 may have been reluctant to increase their rates above the maximum in 2004 because they did not want to risk losing their customers. In fact, licensed family providers raised their rates above the maximum less often than child care centers. For example, about 31 percent of licensed family provider rates exceeded the maximum in 2004, compared with 49 percent for child care centers.

We also examined payment data for Hennepin County and the 38 counties relying exclusively on the state's payment system. Payment rates during the period January 2004 through June 2004 were compared with provider rates reported to

⁴ We have some concerns about the accuracy of the payment data, particularly the payments that appear to be at rates less than 50 percent of the maximum rates. For example, in Hennepin County, payment data showed that 7 percent of the payments were at rates less than half of the maximum rates, while the survey indicated that no child care centers had rates that low. It is possible that some or all of these payments were made at higher rates than the data seem to indicate or that they reflect adjustments to prior payments and should not be included in the payment data. Even if all of these payments were at the maximum rate, the evidence would still show a slight tendency for child care centers to charge the state rates that were lower than those paid by the general public.

the state during the rate survey conducted between February and April 2004. We found that:

- **A higher percentage of the payments to licensed family home providers were at the maximum rate than one would expect from rate survey information.**
- **This difference raises concerns about provider behavior, particularly in some parts of the state. However, it is not clear what explains the higher share of payments at the maximum rate.**

As Table 3.2 shows, about 75 percent of the payments made to licensed family home providers in these 39 counties during the first half of 2004 were at the maximum rates. In contrast, the rate survey suggests that about 61 percent of the rates were at or above the maximum rates. In seven of the counties, the difference between payments and rates was substantial. For example, in Hennepin County, about 84 percent of the actual payments to licensed family home providers were at the maximum rates during the first half of calendar year 2004. The 2004 rate survey indicated that only 58 percent of providers in Hennepin County had rates equal to or greater than the maximum rates. Similarly, in six of the MEC² counties, the difference between the percentage of payments made at the maximum and the percentage of rates at or above the maximum was at least 20 percentage points.⁵

In 7 of the 39 counties we examined, significantly more licensed family home providers received the maximum payment than one would expect from rate survey information.

It is not clear why the difference between payments and survey rates was so large in these seven counties. There are two explanations that seem more plausible than others. First, it is possible that there are a significant number of licensed family providers in these counties that mostly serve children from the Child Care Assistance Program. These providers may recognize that they can raise their rates to the maximum without losing many of their customers.

Second, providers may have billed the maximum rate to the state even though they reported lower rates during the 2004 survey. Providers are required to bill the state the same rates they charge the general public if those rates are less than the maximum.⁶ Providers with rates below the maximum rates may be able to bill the maximum rates if neither the state nor counties check a provider's rate before paying a bill.

There are other possible explanations. First, it is possible that some providers raised their rates after reporting rates during the 2004 survey. Payment data for the months following the survey would then include payments at higher rates than were reported during the survey. Second, it is possible that payment data were not representative of all payments made in a county. For example, in Hennepin County, we could not include those payments made by the Greater Minneapolis Day Care Association. In one of the six MEC² counties with an unexpectedly high percentage of payments at the maximum rate, the state did not begin processing all of the county's payments until April 2004. Some of the payments

⁵ In 26 of the 39 counties, the percentage of payments at the maximum rate exceeded the percentage of rates at or above the maximum rates. However, in 11 counties, the percentage of payments at the maximum was less than the percentage of rates at or above the maximum. In two counties, the payment percentage was about equal to the rate percentage.

⁶ *Minn. Stat.* (2004) §119B.13, subd. 4.

to providers in that county from January through March 2004 would not have been included in the payment data we examined. Finally, it is possible that the rate data for a county was not representative of rates throughout the county. This seems unlikely, however, since the 2004 rate survey included rates from a high percentage of licensed family home providers in each county.

Even if it is true that the setting of maximum rates induces some licensed family home providers to raise their rates to the maximums, we think the rate setting system serves a useful purpose. The setting of maximum rates clearly limits the state's payments. Providers with rates above the maximum cannot charge more than the maximum rate for subsidized care. It may be difficult to eliminate the incentive for some providers to raise rates to the maximums without creating additional problems.

However, it is possible that some providers are billing the maximum rates even though they are not entitled to the maximums.⁷ Providers are required to file their rate information with counties prior to receiving any payments from the program and are required to update that information with the counties whenever their rates change.⁸ It is not clear that all counties receive and use this information when processing child care assistance payments to providers. The Department of Human Services instructs counties regarding how payments should be calculated. But the department does not provide counties with any direction about how to maintain and use the rate information they receive from providers.

It is not clear why so many licensed family home providers charge the maximum rate in certain parts of the state.

In addition, the state's MEC² payment system does not include information on a provider's rates that can then be compared with the rate the provider is charging to the program. The Department of Human Services is considering changes in the system that would add information about the rates reported to the counties. Effective use of that information would require counties to input the rate information reported to them by providers into the MEC² payment system on an ongoing basis.

We think that the Department of Human Services should conduct some additional research into this issue. Although counties do not bear any additional costs if incorrect payments are made to providers, the Department of Human Services is relying on counties to ensure compliance with rate policies. The department needs to examine what counties are doing to ensure compliance and whether noncompliance with this policy is a significant problem. The department could examine some of the same data we reviewed. That data would help to identify parts of the state where there may be a problem, although the data we examined only covers only 39 of the state's 87 counties.

The department could also do a limited audit of a select number of providers in those areas where billing the maximum rate is standard practice for licensed family home providers. The results would help determine whether billing practices are a problem. If the results show significant noncompliance problems, the department should expand its auditing efforts, enlist the help of counties, and

⁷ Providers that charge private unsubsidized customers a rate that is below the maximum cannot legally charge the maximum rate for subsidized care. They should instead charge the program the same rate they charge private customers.

⁸ *Minn. Rules* (2003) ch. 3400.0120, subp. 1a.

The Department of Human Services should make sure that providers are only charging the maximum rate when they are entitled to it.

make sure that other providers are aware that those not complying with billing policies are at risk.

RECOMMENDATION

The Department of Human Services should examine whether there is a problem in some counties with providers charging the Child Care Assistance Program a higher rate than they charge the general public.

Legal Non-Licensed Providers

The only data on rates charged by legal non-licensed providers comes from actual payment data because the state provider rate surveys do not include legal non-licensed providers. We examined the payment data from Hennepin County and the 38 counties that participated in the state's payment system and found that:

- **The maximum rate set for legal non-licensed providers almost always becomes the rate charged.**

Payment data indicate that less than 5 percent of legal non-licensed providers from these 39 counties charge less than the maximum. This result is expected since most legal non-licensed providers do not have regular rates. They may provide care only for children of relatives and no more than one unrelated family.

PARTICIPANT CHOICES

Legislators have also expressed concerns about how the setting of maximum rates affects the decisions made by program participants. One concern is that participants may be more likely to select the most expensive type of child provider—namely child care centers—because participant's costs do not increase unless the provider charges more than the maximum rate. For example, in Hennepin County, a participant pays \$15 more per week to select a licensed family home provider at the 90th percentile than a licensed child care center at the 75th percentile.⁹ But the center costs taxpayers significantly more because the maximum allowable rate for the center is \$184 while the maximum for the family home provider is \$135. This situation has caused some legislators to wonder if participants in subsidized programs receive child care that is more expensive and of better quality than higher-income families who are not eligible to participate in the program.

A second concern is that participants do not have a financial incentive to select care at rates below the maximum rates set by the state. While participants face higher costs for care at rates above the maximums, their out-of-pocket costs are the same for any rate at or below the maximum rate. As a result, some wonder whether participants are apt to select care at or close to the maximum rates,

Some legislators have been concerned that the program lacks sufficient incentives for participants to select less costly care.

⁹ In 2001, a family provider at the 90th percentile of family provider rates in Hennepin County charged \$150 per week, or \$15 more than the maximum of \$135. A center at the 75th percentile of center rates in Hennepin County charged \$184 per week, which was the same as the maximum rate.

perhaps because participants might think that more expensive care is higher quality care. That behavior would cost the state more than if participants selected providers in a manner more like unsubsidized families.

In this section, we first examine how the type of care used by program participants differs from that used by unsubsidized families. In particular, we examine the percentage of subsidized and unsubsidized families that use child care centers. Second, we consider whether program participants use child care centers that are more expensive than those used by the general public. We also analyze how the costs of licensed family home care used by participants differ from the costs of care used by the general public. Finally, we compare the rates paid by the state for legal non-licensed care to rates paid by the general public.

Type of Care

Information from a 1999 study suggests that program participants are more likely to use child care centers than the general public.

To examine whether subsidized families are choosing more expensive forms of care than other families, we looked at studies that have surveyed Minnesota families regarding their child care arrangements. In addition, we looked at comparisons of the type of care selected by families receiving child care subsidies in Minnesota and other states. We found:

- **Evidence from a 1999 study suggests that subsidized families in Minnesota use child care centers more than other families. Nevertheless, families in Minnesota’s Child Care Assistance Program use centers significantly less than families in subsidized programs in other states.**

Data from a sample of Minnesota families surveyed in 1999 by the Wilder Foundation suggest that subsidized families are more likely to use child care centers than other families.¹⁰ As Table 3.3 shows, 38 percent of families who said they received government subsidized child care used centers as their primary child care arrangement, compared with 20 percent for other families.¹¹ Unsubsidized families were more likely to use relative care, self-care, and activities.¹²

Among families who did not receive government subsidized child care, higher income families tend to use child care centers more than lower income families. For example, we found that unsubsidized families with incomes less than or equal to 200 percent of the federal poverty level used centers less often than unsubsidized families with incomes greater than 200 percent of the federal poverty level (12 percent compared with 23 percent).

But the results also suggest that subsidies make a greater difference than income in the use of child care centers. Not surprisingly, families participating in the Child Care Assistance Program use centers more than unsubsidized families with

¹⁰ The data we analyzed was prepared for the report: Wilder Research Center, *Child Care Use in Minnesota, Report of the 1999 Statewide Household Child Care Survey*, (St. Paul, MN: January 2001).

¹¹ The difference is statistically significant at the 99 percent confidence level.

¹² Relative care includes care by grandparents and siblings but does not include care by parents or stepparents. Activities include lessons, clubs, sports, community recreation, camp, and church activities.

Table 3.3: Primary Child Care Arrangement Used by Subsidized and Unsubsidized Families, 1999

	Government Subsidized Child Care (N=108)	No Government Subsidy (N=1,229)
Child care centers	38%	20%
Formal home-based care	31	25
Relative care	18	30
Informal	9	11
Self care	3	7
Activities	1	7

NOTES: The results include all child care arrangements except K-12 school during the regular school day and parental care. They are based on the youngest child from surveyed households with at least five hours of child care during the study week. The Wilder category for child care centers is similar to the center category used by the Department of Human Services (DHS). However, other Wilder categories do not correspond with categories used by DHS. The Wilder category "formal home based care" includes licensed family child care and some legal non-licensed care. The Wilder category "relative care" includes care by grandparents (legal non-licensed for DHS) and siblings (not eligible to provide subsidized care if they are less than 18).

SOURCE: Office of the Legislative Auditor analysis of data from the Wilder Research Center's 1999 child care survey.

similar incomes because the program substantially reduces the cost of center care. But these program participants also used child care centers more often than unsubsidized families with incomes greater than 200 percent of the federal poverty level.

However, the evidence that subsidized families are more likely to choose center care than unsubsidized families with higher incomes is not conclusive for several reasons. First, some of the results of the Wilder survey appear to be inconsistent with a 1997 study by the Urban Institute.¹³ The Urban Institute study found substantially higher use of child care centers by families with incomes above 200 percent of the poverty level than did the Wilder study (58 percent compared with 30 percent among children less than 5 years of age). Also, it found that low-income families (incomes below 200 percent of the poverty level) used child care centers much less often than higher income families (29 percent compared with 58 percent), while the data from the Wilder study indicate that use of centers was not significantly different between low and high-income families (19 percent compared with 23 percent). The Urban Institute study, however, did not directly compare subsidized families with other families. Low-income families are not a good proxy for subsidized families because data from the Wilder study indicate that most low-income families did not receive child care subsidies.

Second, while subsidies may cause greater use of child care centers, the use of centers by participants in Minnesota's Child Care Assistance Program is substantially lower than in most other states. In federal fiscal year 2001, only 33 percent of the children in Minnesota's program used licensed child care centers compared with 56 percent of the children receiving subsidized care nationwide.

But the evidence from the 1999 study is in part contradicted by an earlier study.

¹³ Kathleen Snyder and Gina Adams, The Urban Institute, *State Child Care Profile for Children with Employed Mothers: Minnesota* (Washington D.C.: February 2001).

Children in only six states used licensed child care centers less than children in Minnesota. As Table 3.4 shows, children in Minnesota's program were more likely to use licensed family home providers and unlicensed care than children receiving subsidized care in other states.

Program participants in Minnesota are much less likely to use child care centers than subsidized families in other states.

Table 3.4: Type of Subsidized Child Care Used in Minnesota and Other States, Federal FY 2001

Type of Care	Minnesota	National Average
Licensed Center	33%	56%
Unlicensed Center	<u>3</u>	<u>2</u>
Subtotal: All Centers	36%	58%
Licensed Family Home	29%	14%
Licensed Group Home	<u>0</u>	<u>4</u>
Subtotal: Licensed Home	29%	18%
Unlicensed Care by Relative	12%	13%
Unlicensed Care by Non-Relative	<u>22</u>	<u>12</u>
Subtotal: Unlicensed Care	34%	25%
Totals	100%	100%

SOURCE: United States Department of Health and Human Services, Administration for Children and Families, *FFY 2001 CCDF Data Tables and Charts*; <http://www.acf.hhs.gov/programs/ccb/research/01acf800/setdet6.htm>; accessed August 5, 2004.

Finally, the evidence from the Wilder study is at least five years old. Child care use, as well as participation in the Child Care Assistance Program, may have changed with time over the last five years. For example, the use of legal non-licensed care by subsidized families has increased somewhat in recent years. The Department of Human Services is currently sponsoring another Wilder survey on the use of child care by Minnesota families in 2004. Unfortunately, data collection for the 2004 Wilder survey was not completed in time for inclusion in our study.

Cost of Care

Our comparisons of the costs of care used by participants and the general public are based on the same data we used to examine whether providers set their rates at the maximums. Table 3.2 shows whether program participants tended to use providers with rates at or above the maximum more often than the general public.

Child Care Centers

The data on child care centers indicate that:

- **The child care centers used by program participants were slightly less expensive than those used by the general public.**

Program participants seem to use more centers with rates below the maximum rate than the general public and fewer centers that charge rates at or above the maximum rate. In addition, if participants use centers charging more than the maximum, the state's cost are limited to the maximum rate. For participants, the

choice of a child center does not seem to depend on the center's rate as long as the rate is below the maximum rate. Participants may focus more on other factors such as familiarity with the provider and proximity to work or home when selecting a child care provider.

Licensed Family Home Providers

We also compared the cost of licensed family home care used by program participants with the cost of care used by the general public. As Table 3.2 indicates:

- **Program participants were generally more likely to use licensed family home providers that had rates at or above the maximum rates than the general public.**

In the 39 counties we examined, 75 percent of the payments were at the maximum rate, while 61 percent of the providers' rates were at or above the maximum. In seven of those counties, the percentage of payments at the maximum rates was more than 20 percentage points higher than the percentage of providers with rates at or above the maximum.

However, it is not entirely clear that participants use more expensive care than the general public. For subsidized care paid at the maximum rates, we do not know what share of the payments was for providers with rates above the maximums but limited to billing the maximum rates. Because of the additional out-of-pocket costs, participants may use care above the maximum rates less than the general public. In any event, the state's costs are capped at the maximum rate. If participants use care at rates above the maximums, the state does not pay any portion of the additional costs.

We suspect that the tendency of program participants to use licensed family home care at or above the maximum rates is not primarily due to deliberate choices on the part of participants. The more likely explanation is that providers choose to charge the maximum rate and participants have no financial incentive to look for another provider as long as the rate is no higher than the maximum.

Legal Non-Licensed Providers

We know approximately what the Child Care Assistance Program pays for legal non-licensed care. The vast majority of payments are made at the maximum rate. In fiscal year 2003, the maximum hourly rates varied from \$1.58 in seven rural counties to \$5.00 in several Twin Cities area counties. As a result of 2003 legislation, maximum rates for legal non-licensed care were reduced in fiscal year 2004. The maximum hourly rates now range from \$1.40 per hour to \$2.48.

The only current evidence of what the general public pays for non-licensed care comes from the 1999 child care survey conducted by the Wilder Research Center. Data from this survey show that unsubsidized families often did not pay for informal child care. In 1999, 79 percent of families who did not participate in a government subsidized child care program and regularly used grandparent care did not pay for such care. About 45 percent of unsubsidized families who

regularly used informal care by nonrelatives did not pay for the child care. Among unsubsidized families who did pay for non-licensed care, the median rate in 1999 was \$2.00 per hour for grandparents and \$2.75 per hour for nonrelatives.

These data suggest that unsubsidized families who paid for non-licensed care in 1999 paid more than what the Child Care Assistance Program currently pays for such care. In fact, the difference may be larger due to the inflation that has occurred since 1999. However, a significant proportion of unsubsidized families receive non-licensed care from relatives and nonrelatives at no cost. As a result, subsidized care probably costs more overall than the non-licensed care received by the general public.

ACCESS TO SUBSIDIZED CHILD CARE

The freeze on maximum child care rates has raised concerns among some legislators about whether families in the Child Care Assistance Program have sufficient access to affordable child care. To understand how the freeze has affected access to child care, we used the department's survey data to examine how many providers had rates less than or equal to the maximum rate at three points in time: (1) Fall 2001—the time of the 2001 survey, which was used to set the current maximums; (2) Fall 2002—about 3 to 6 months after the current maximums were placed into effect; and (3) early 2004—19 to 22 months after the maximums were first placed into effect.¹⁴

These measures provide a limited view of access to child care because they do not take into account the location of providers in relation to where the family lives or works. Nevertheless, it gives a useful perspective on how access has changed over the past few years. Overall, they indicate that:

- **The freeze on maximum rates has reduced access to child care providers. But as of early 2004, subsidized families could still use about half of the child care centers and about two-thirds of the licensed family homes in the state without paying more than the required co-payment.**

Minnesota maximum child care rates are set so that, at the time of the survey, families can access at least 75 percent of the slots at child care centers and at least 75 percent of the family home providers in a county or other geographic area without paying more than the required co-payment. But largely because rates tend to cluster at 25-cent intervals, more than 75 percent of provider rates are at or below the maximum rates at the time of the survey. As Table 3.5 shows, the maximums based on the 2001 survey would have permitted access to about 82 percent of child care center slots and about 83 percent of family care providers if they could have been implemented at the time of the survey.¹⁵

¹⁴ During fiscal year 2003, there were no maximums in effect for child care centers in 68 counties. Beginning in July 2003, DHS used regional or statewide maximums for those counties.

¹⁵ These percentages are greater than 75 percent since rates tend to be clustered at 25-cent intervals. The 75th percentile of rates can be the same as the 85th percentile and, in some counties or regions, the 100th percentile.

Table 3.5: Trends in Access to Child Care Providers by Region, 2002-04

The freeze on maximum rates has reduced affordable access to child care providers, particularly child care centers.

	Percentage of Providers With Rates Equal to or Less Than Maximum Rate		
	Fall 2001 (Maximums Based on 2001 Survey Not Yet in Effect)	Fall 2002 ^a (First Effective Year For Maximums Based on 2001 Survey)	Early 2004 (19 to 22 Months After Maximums Were First Placed Into Effect)
Child Care Centers			
Twin Cities Metropolitan Area	80%	69%	49%
Outstate Minnesota	86	73	60
State Total	82%	70%	51%
Licensed Family Homes			
Twin Cities Metropolitan Area	81%	72%	63%
Outstate Minnesota	84	79	71
State Total	83%	77%	69%

NOTES: The percentage figures for survey rate data are averages across four child age categories and three types of units (hours, days, and weeks). We determined averages across child age categories by weighting each child care center rate by the center's licensed capacity for the applicable age group. If a center reported a rate for a particular age category but did not report the corresponding licensed capacity, we used the average licensed capacity for that age category among providers in the same region. For licensed family home providers, we used unweighted averages because we lacked data on licensed capacity for these providers.

For both types of providers, we averaged across unit types based on the estimated share of service hours billed under each unit type. We assumed days included 10 hours of service and weeks included 50 hours. To estimate the share of hours billed, we used payment data for Hennepin County and the 38 MEC² counties and recipient data from the Minnesota Department of Human Services.

^aThe figures for 2002 represent what the access would have been under the current policy for setting maximum rates. In 2002, the actual access for child care centers would have been about one percentage point higher than shown because 68 counties did not have child care center maximum rates for at least some age categories. These counties did not have enough child care centers responding to the survey to set a maximum rate.

SOURCE: Office of the Legislative Auditor analysis of data from the Minnesota Department of Human Services.

By the time these maximum rates were implemented, however, access dropped below the 75 percent standard for child care centers. Data collection for the Fall 2001 survey was completed in December 2001, and new maximum rates were implemented in July 2002. By then, some providers had already increased their rates. By Fall 2002, 70 percent of child care center rates were at or below the maximums. While access also dropped for licensed family providers by this measure, it was still a little higher than the 75 percent level in the Fall of 2002.

After the 2003 Legislature froze the maximum rates for fiscal years 2004 and 2005, access declined. In early 2004, subsidized families had access to 51 percent of child care centers and 69 percent of licensed family home providers without paying more than their required co-payment.

It is important to recognize that access may have declined even more since the survey of early 2004. The 2004 survey reflected access during the first year of the two-year rate freeze. If child care rates continued to increase during the second

year of the freeze, access would be lower in 2005 than the levels shown for early 2004.

Under the Child Care Assistance Program, families have access to a slightly higher percentage of providers in outstate Minnesota than in the Twin Cities metropolitan area, as shown in Table 3.5. For example, in 2004, subsidized families had access to 60 percent of child care centers in outstate Minnesota without paying more than the required co-payment, compared with 49 percent in the Twin Cities metropolitan area. In addition, subsidized families had access to 71 percent of the licensed family home providers in outstate Minnesota, compared with 63 percent in the Twin Cities area.¹⁶

OTHER METHODS OF SETTING MAXIMUMS

Some legislators have been interested in reducing, or at least limiting any increase in, maximum reimbursement rates for subsidized care. For some, this interest in maximum rates comes from their desire to address state budget shortfalls by reducing expenditures. For others, a reduction in maximum rates could help maximize the number of children served by the Child Care Assistance Program.

Some legislators have expressed interest in setting a "blended" maximum rate that applies to both child care centers and licensed family home providers.

Some legislators and legislative staff have raised concerns about whether the maximum reimbursement rates for subsidized child care—particularly at child care centers—are too high. As mentioned earlier in this chapter, some have suggested that the state's child care programs provide an incentive for participants to select the highest priced care available. During the 2004 legislative session, one legislative proposal would have required that the Department of Human Services establish combined, rather than separate, maximum rates for child care centers and licensed family home providers. The combined maximum would be set at the 75th percentile of market rates for all licensed providers. The purpose of a "blended rate" proposal would be to eliminate the financial incentive to select the most expensive type of child care.

Other legislators have asked whether there are other ways to reduce maximum reimbursement rates. One possible method is to calculate a maximum rate based on a lower percentile than the 75th percentile of market rates. Alternatively, Minnesota could keep rates from rising by continuing the freeze on maximum rates.

The "blended rate" alternative has an advantage over other alternatives. It would substantially change the financial incentive of participants and cause them to consider the cost of child care across different types of care. However, there are significant feasibility and policy issues regarding the desirability of blended rates. First, it would be difficult to blend rates in a fair manner. In order to calculate a blended maximum rate for a particular age group, one would need to know what

¹⁶ These figures represent the average access to child care without payment of more than the required co-payment. However, they do not reflect the fact that there are differences within outstate Minnesota and the Twin Cities area. In addition, they do not consider access from an individual participant's perspective. A participant would be interested in whether there are affordable child care providers within reasonable driving distance from the participant's home or workplace.

rate represents the 75th percentile for both types of providers combined into one group. Because child care centers tend to have much larger licensed capacity than family home providers, a fair way to combine rates from both types of providers would be to weight each provider's rates by the provider's licensed capacity for that age group. Data are available on the capacity of child centers for each age group but are not available for licensed family home providers. Each licensed family home provider has an overall capacity but has flexibility to serve various age groups. Consequently, no information is available on the licensed capacity of family home providers by age group.

However, there are significant feasibility, policy, and legal issues regarding the use of "blended" maximum rates.

Second, it is unclear whether the use of blended rates would receive federal approval. The federal government requires subsidy programs to provide participants with equal access to various types of child care, including care at licensed child care centers. If rates were blended without regard to differences in licensed capacity, a blended rate approach would provide substantially unequal access in some counties. The problem would be of particular concern in Twin Cities metropolitan area counties because of the significant differences in market rates between centers and family home providers in those counties. Some outstate counties with large differences in rates, such as Olmsted County, would also be affected. In Ramsey County, blended maximum rates for preschool care would be equal or close to the current maximums for family home care and substantially less than the current maximums for child care centers. As a result, participants would be able to access fewer than 10 percent of the child care centers in Ramsey County without additional parental cost beyond a co-payment, while participants would be able to access about 75 percent or more of family home providers without additional cost.

Whether this difference in access would trigger federal rejection of a state's plan and cause a state to lose federal funding is not clear. Federal laws and rules require equal access but do not precisely define that concept. In addition, we are not aware of any cases in which a state has adopted a blended rate method and the United States Department of Health and Human Services has reviewed that method. As a result, we cannot provide any clear guidance on whether the blended rate proposal would be acceptable to the federal government.

Finally, it is difficult to predict what would happen to families currently using child care centers if a blended rate approach were adopted. Some families would most likely switch to lower cost providers. But others might leave the program if they cannot find alternative care or are unhappy with the options available to them. It is unclear whether their exit from the program would result in additional or longer enrollments in MFIP and greater costs to the state. Even if the adoption of a blended rate approach reduced the state's costs, some observers might question whether children taken out of care at a child care center would be receiving lower quality care. In addition, a significant increase in enrollment in licensed family home care could cause rates for that type of care to increase and reduce the potential savings to the state.

Other options for reducing or limiting the increase in maximum rates have been used in other states. The federal government has allowed some states to set maximum rates below the 75th percentile of market rates. In addition, the federal government has allowed some states to use out-of-date surveys to set maximum rates. These options, while potentially available to states, also raise some policy

issues. In particular, it is unclear how program participants would respond to lower maximum rates. The effects on workforce participation, future enrollments in MFIP, and school readiness of children are not entirely clear at this time.

A more direct way of addressing concerns about the cost of care used by participants would be to restructure the participant fee used in the Child Care Assistance Program. The methods for calculating maximum rates would not change, but the structure of participant fees would change to provide participants with a consistent financial disincentive to select higher-cost providers. In lieu of a fixed co-payment, participants would pay a percentage of the costs of child care. That percentage would apply to care provided at any rate, so that participants would have some disincentive to select care at higher costs. Under the current system, participants only face that disincentive if a provider's rate exceeds the state's maximum rate. To ease the burden on lower-income families, the percentage could vary depending on family income, although lowering the percentage would reduce the disincentive for participants to select care at higher rates. This option would not directly deal with the concern about participant use of child care centers by changing the maximum rate system. However, it would provide participants with an incentive to select less costly types of care, as well as less costly providers within each type of care.

While a percentage fee system may have some merit, it may not be allowable under current federal law. States are required to have a participant fee that is based on the income and size of the participating family.¹⁷ Federal rules allow the fee to be based on income and family size, as well as other "appropriate" factors.¹⁸ In adopting federal rules governing child care assistance programs in 1998, the Administration for Children and Families in the United States Department of Health and Human Services commented that basing fees on the cost or category of care would not be allowed.¹⁹ A percentage fee system would involve higher fees for higher-priced care and thus may not be allowable under federal law.²⁰

¹⁷ 42 U.S. Code, sec. 9858c. (c)(5), and 42 U.S. Code, sec. 9858n. (12).

¹⁸ 45 CFR sec. 98.42 (b).

¹⁹ 63 Fed. Reg. 39960 (1998).

²⁰ There may be other concerns about a percentage fee system even if it is permissible under federal law. For example, there may be concern that such a system would adversely affect the quality of care and the school readiness of children currently using child care centers. In addition, it is unclear whether a percentage fee system could be designed to provide sufficient incentives while also maintaining affordable fees for participants.

List of Recommendations

- When conducting surveys of market rates for child care, the Department of Human Services should take steps to ensure that rate information is collected from an adequate number of providers in each county. The department and its consultant need to review the rate information to determine whether child care resource and referral agencies are adequately performing their duties (p. 34).
- When calculating maximum reimbursement rates for child care centers, the Department of Human Services should rely primarily on the licensed capacity data available from its Licensing Division. In some cases, the department may need to supplement these data with information gathered during the survey (p. 36).
- The Department of Human Services should become more familiar with the different types of rates reported in the 2004 survey and work with child care resource and referral agencies to ensure consistency in how rates are reported in future surveys (p. 37).
- The Department of Human Services should discontinue using converted maximums and related conversion rules to calculate maximum reimbursement rates. The department should instead consider using converted rates to set an upper limit on maximum rates (p. 42).
- Along with using converted rates to set an upper limit on maximum rates, the Department of Human Services should consider using reverse converted rates to set a lower limit on maximum rates (p. 43).
- The Department of Human Services should seek changes in state laws that would clearly allow the department to implement maximum rates based on geographic areas larger than a single county (p. 49).
- The Legislature should review the advantages and disadvantages of setting regional and statewide maximum rates for child care centers and provide policy direction to the Department of Human Services (p. 49).
- The Department of Human Services should revise its requirements for the number of rates needed in each county in order to set maximum daily or weekly rates for licensed family home care (p. 52).

- The Department of Human Services should consider whether it would be feasible and cost effective for the department to perform the rate analyses currently conducted by a consultant. Even if the department retains its consultant, department staff should become more familiar with the rate information being reported and adequately review the work of the consultant and the child care resource and referral agencies (p. 53).
- The Department of Human Services should examine whether there is a problem in some counties with providers charging the Child Care Assistance Program a higher rate than they charge the general public (p. 63).



Minnesota Department of **Human Services**

December 21, 2004

James Nobles
Legislative Auditor
Office of Legislative Auditor
Centennial Building
658 Cedar Street
St. Paul, MN 55155

Dear Mr. Nobles:

The Department of Human Services (DHS) appreciates the opportunity to respond to your January 2005 report titled “Child Care Reimbursement Rates.” We found portions of the report contained useful analysis of the rate setting process for Minnesota Child Care Assistance Program (CCAP). To the extent that the report makes recommendations in these areas, we welcome the feedback and will look for opportunities to test recommendations and implement them as appropriate.

However, overall the Department is disappointed with the report. The report does not make the necessary connection between the details of the process for setting maximum rates and the impact of the resulting rates on low-income families participating in CCAP, child care providers, and the State budget. As a result, it is not very useful for policy makers who are considering rate-setting alternatives and want to understand the implications of their decisions.

Most importantly, the Department objects to and disagrees with the report’s characterization of some practices in the rate-setting process as inconsistent with state law. As detailed below, we believe the Department complied with the law in implementing regional rates in response to the 2003 legislation requiring a rate freeze. The claim that some rate conversion policies result in maximum rates that exceed the level allowed in state law is unsubstantiated.

The Department’s specific responses to identified “Major Findings” and “Key Recommendations” follow.

Major Findings

- ***The basic methods used by the Department of Human Services to set maximum reimbursement rates for the Child Care Assistance Program are reasonable.***

The Department agrees with this finding. These methods have been developed over six years working closely with a consulting firm. That firm has 20 years experience in providing technical assistance and conducting research and data analyses for state governments, and has worked with other states on setting rates for child care assistance programs.

- ***However, the Department sometimes uses complicated rate conversion procedures that ignore important information about market rates for child care. As a result, some maximum rates exceed the levels we think are allowed under state law.***

We agree that the conversion process used by the Department needs to be reviewed and we have begun such a review, but do not agree that some rates set by the Department exceed those allowed in state law. The process for arriving at 75th percentiles is not specified in the law. Rather, the Department is instructed to calculate the maximum rates based on a survey of market rates. Given the complexity of the market rate data in any given county, and the multiple possible methodologies that could be used to arrive at maximum rates, the conclusion that some rates set by the Department exceed the levels authorized in law is unfounded.

We are generally concerned with the approach the report takes in examining our methodology for converting rates. We understand this to be a compliance audit of the Department's policies for setting maximum rates. As such, we would expect to be measured by: whether we follow the law; whether we consistently implement our own policies; and, how our policies compare with best practices in use across the nation. Instead, the focus of the report is to compare our policies with a conversion methodology created by the report authors. While the methodology may have some merit, it is untested and has not been thoroughly analyzed for unintended consequences. The report presents several cases where the alternative methodology seems to work better than the Department's current methodology, but does not make a case for how the methodology would work if applied system-wide. This makes it difficult to assess the value of the analysis provided in the report, and calls to question the validity of the findings.

- ***We question whether the Department of Human Services complied with state laws in establishing regional and statewide maximum rates for child care centers in 68 counties in July 2003. The Department of Education's prior practice of paying a provider's rate without a maximum clearly violated state statutes.***

The Department set regional rates based on authority provided in administrative rule. We believe the administrative rule is a valid interpretation of state law. Regional rates were established to implement the freeze in maximum rates that was enacted into law in 2003.

At that point, many counties had the “pay provider rate” policy in place for child care centers. Moving to regional rates for those counties allowed us to control costs as anticipated under the legislated rate freeze.

- ***In some parts of the state, an unexpectedly high percentage of licensed family home providers have billed the maximum rate for subsidized care. The reasons for this are unclear, but the department needs to examine whether some providers are inappropriately billing the Child Care Assistance Program.***

We do not believe the report makes a very strong case that providers may be inappropriately billing CCAP, and are thus unsure why the report elevates the importance of this finding. The analysis looks at the tendency of providers to charge at the maximum allowable CCAP rate. We would expect the tendency of licensed family care to be somewhere between the tendency for licensed centers and legal non-licensed care, just as the analysis found. However, we are concerned at any suggestion of impropriety and will investigate this issue. We are also already in the process of developing case management protocols for counties that would address the issue of cross-checking rates before making payments.

- ***There is some evidence that subsidized families in Minnesota use child care centers—the most expensive type of care—more often than unsubsidized families. However the use of centers in Minnesota’s Child Care Assistance Program is much lower than that for subsidized programs in most other states.***

This finding is based on a 1999 study. While this is the best evidence currently available, the study was not designed to isolate families accessing CCAP. In March 2004 the Department initiated a follow up to the 1999 study. The new study includes an over-sampling of low-income families which may provide more reliable comparisons of types of care. This report will be released in the summer of 2005.

While we dispute most of the key findings, we agree with the general direction of most of the report’s recommendations. Specifically:

Key Recommendations:

- ***The Department of Human Services should revise the methods it uses to calculate maximum reimbursement rates, particularly the methods used to convert maximums from one time period to another.***

We agree on the need to review the outcome of some of the converted rates in our current methodology. And, we agree there is likely some merit to the recommendation to use

converted maximums to set upper limits; we are examining how this methodology would work. As stated above, we are concerned the alternative methodology has not been thoroughly analyzed and it is not clear whether it would work well if used system-wide. Initial analysis suggests that it results in “proportionality issues,” e.g., hourly rates that are disproportionately high compared to the daily or weekly rates. While there may be ways to mitigate this concern, it requires more analysis.

- ***The Department of Human Services should seek changes in state laws that would clearly allow the department to implement maximum rates based on geographic areas larger than a single county.***

We believe the Department operated within the authority allowed under rule and law when implementing regional and statewide rates. We will review the statute and rule and determine whether it would be helpful to codify some rule language into statute.

- ***The Department of Human Services should become more familiar with the information reported in rate surveys. Department staff should adequately review the work of the child care resource and referral agencies that collect rate data and the consultant that analyzes the data and calculates maximum rates.***

We agree that the Department should provide closer oversight of the survey conducted by Child Care Resource and Referral agencies, revise and tighten some instructions for data collection and work with contractor to review data in more depth to ensure completeness and consistency. The agency had already taken steps to improve the process between the 2001 and 2004 surveys.

- ***The Department of Human Services should examine whether there is a problem in some counties with providers charging the Child Care Assistance Program a higher rate than they charge the general public.***

As stated above, we do not believe the report has made a very strong case that this problem exists. However, we are concerned at any suggestion of impropriety and will investigate this issue. We are also already in the process of developing case management protocols for counties that would address the issue of cross-checking rates before making payments.

Thank you for the opportunity to review and respond to this report. Child Care Assistance is an important part of Minnesota’s efforts to support working families and support the healthy development of low-income children. While we disagree with many

James Nobles
Page 5
December 21, 2004

of the report's findings and are disappointed it did not provide a clearer roadmap for policymakers, we will seek to use the information in the report to improve our rate setting processes.

Yours sincerely,

/s/ Kevin Goodno

Kevin Goodno
Commissioner



December 22, 2004

Members
Legislative Audit Commission

We are pleased that the Department of Human Services is willing to reconsider some of the methods and procedures it uses to set maximum reimbursement rates for the Child Care Assistance Program. But we are concerned about some of the department's comments in the letter dated December 21, 2004. We think that the department's response misrepresents our report in several ways.

First, the department criticizes our report for comparing the department's rate setting method with an alternative method we created. The only reason we developed an alternative method was because we found significant flaws in the department's procedures for setting maximum rates. In some situations, the department's procedures do not reflect the market rates charged by child care providers. The department uses conversion formulas and procedures that make erroneous assumptions about what providers with hourly rates would charge on a daily or weekly basis. The method recommended in the report bases conversions on the actual rates reported by providers. We think it was appropriate to develop an alternative method once we found that the department's methods have significant problems.

Second, we agree with the department that any new method needs to be analyzed before being implemented. However, the department is holding our recommendation to a higher standard than their current method. The Department of Human Services—and prior to March 2003, the Department of Education—never carefully analyzed their methods for calculating maximums. As a result, neither department was aware of the problems that we found.

We are also concerned that the department may not fully understand the methods recommended in our report. The department says that its initial analysis of our recommendations suggests that they may result in hourly maximums that are disproportionately high compared with daily or weekly rates. It is not clear how the department has reached this conclusion. It seems inconsistent with our own analysis of rates and the alternative rate setting method. We think that the maximums should reflect rate practices in local markets. If the child care providers in a county or region offer a significant discount for daily or weekly care over hourly rates, then the maximums should reflect that discount. We are willing to work with the Department of Human Services to help them understand and analyze our recommendations.

Third, the department is misinterpreting our conclusions on whether existing conversion methods comply with state law. Minnesota Statutes, Sect. 119B.13, subd. 1, requires that a maximum rate “not exceed the 75th percentile rate for like-care arrangements in the county as surveyed by the commissioner.” It also requires the department to calculate hourly, daily, and weekly maximums. Frequently, the department sets an hourly maximum based on the 75th percentile of hourly rates in the county or region and then converts the hourly maximum into daily and weekly maximums. The problem with the department’s conversion method is that it ignores the daily and weekly rates reported by providers. Sometimes, ignoring that information results in daily or weekly maximums that exceed not only the 75th percentile of daily or weekly rates but also any daily or weekly rate charged in the area. We think the department’s conversion methods sometimes result in maximums that are higher than the Legislature may have intended when setting the 75th percentile as a cap on the maximum rates. However, because the department uses the 75th percentile for one of its maximum rates and the statutes do not anticipate the types of complicated conversions used by the department, we could not conclude that the department’s methods clearly violated state statutes.

Fourth, the department suggests that our report has inappropriately elevated the importance of the finding that an unexpectedly high percentage of licensed family home providers in certain counties charge the state the maximum rate for child care. We think that the report fairly and appropriately treats this finding. We clearly state that there are several explanations for this behavior. However, one possibility is that some providers could be charging the maximum rate even though they should be charging a lower rate. Because the department does not currently have a control in its automated payment system to prevent this kind of inappropriate payment, we felt an obligation to report our finding and recommend that the department investigate this concern more thoroughly. At this time, we do not have evidence of any impropriety. But we think the information in our report suggests the need for additional scrutiny in this area.

Finally, the department appears to misunderstand the reasons why the Legislative Audit Commission directed us to examine child care reimbursement rates. The Legislative Audit Commission asked us to examine the details of how the department calculates maximum rates because some legislators were concerned about the accuracy of the information they received from the department. As a result, our study focused primarily on an analysis of the department’s current rate setting methods.

The department expresses disappointment about the usefulness of our report for policy makers and appears to expect that we would recommend alternative rate setting methods that would control costs. In Chapter 3, we discuss some of the rate setting or co-payment methods that might better control costs. Because federal regulators may not allow the use of these methods, we did not recommend these options.

We recognize that policy makers will face a decision this session about whether to allow the freeze on maximum rates to expire on July 1, 2005 as called for under current law. As a result, we present information in the report about how the freeze has affected access to affordable care by program participants. But we deliberately avoided making specific recommendations about

how maximum rates should be set in the near future. The 2003 Legislature directed the Department of Human Services to make recommendations to the 2005 Legislature for containing future cost increases in the Child Care Assistance Program. We did not examine other rate setting options in detail because we did not want to duplicate the department's efforts.

We think that our report will be useful as policy makers consider how maximum rates should be set for the Child Care Assistance Program. We think that policy makers need to be aware that the basic methods used by the department are reasonable but that the department's conversion procedures result in maximums that sometimes exceed the 75th percentile of rates.

Sincerely,

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

Recent Program Evaluations

<i>Funding for Probation Services</i> , January 1996	96-01	<i>Affordable Housing</i> , January 2001	01-03
<i>Department of Human Rights</i> , January 1996	96-02	<i>Insurance for Behavioral Health Care</i> , February 2001	01-04
<i>Trends in State and Local Government Spending</i> , February 1996	96-03	<i>Chronic Offenders</i> , February 2001	01-05
<i>State Grant and Loan Programs for Businesses</i> February 1996	96-04	<i>State Archaeologist</i> , April 2001	01-06
<i>Post-Secondary Enrollment Options Program</i> , March 1996	96-05	<i>Recycling and Waste Reduction</i> , January 2002	02-01
<i>Tax Increment Financing</i> , March 1996	96-06	<i>Minnesota Pollution Control Agency Funding</i> , January 2002	02-02
<i>Property Assessments: Structure and Appeals, A Best Practices Review</i> , May 1996	96-07	<i>Water Quality: Permitting and Compliance Monitoring</i> , January 2002	02-03
<i>Recidivism of Adult Felons</i> , January 1997	97-01	<i>Financing Unemployment Insurance</i> , January 2002	02-04
<i>Nursing Home Rates in the Upper Midwest</i> , January 1997	97-02	<i>Economic Status of Welfare Recipients</i> , January 2002	02-05
<i>Special Education</i> , January 1997	97-03	<i>State Employee Health Insurance</i> , February 2002	02-06
<i>Ethanol Programs</i> , February 1997	97-04	<i>Teacher Recruitment and Retention: Summary of Major Studies</i> , March 2002	02-07
<i>Statewide Systems Project</i> , February 1997	97-05	<i>Local E-Government: A Best Practices Review</i> , April 2002	02-08
<i>Highway Spending</i> , March 1997	97-06	<i>Managing Local Government Computer Systems: A Best Practices Review</i> , April 2002	02-09
<i>Non-Felony Prosecution, A Best Practices Review</i> , April 1997	97-07	<i>State-Funded Trails for Motorized Recreation</i> , January 2003	03-01
<i>Social Service Mandates Reform</i> , July 1997	97-08	<i>Professional/Technical Contracting</i> , January 2003	03-02
<i>Child Protective Services</i> , January 1998	98-01	<i>MinnesotaCare</i> , January 2003	03-03
<i>Remedial Education</i> , January 1998	98-02	<i>Metropolitan Airports Commission</i> , January 2003	03-04
<i>Transit Services</i> , February 1998	98-03	<i>Preserving Housing: A Best Practices Review</i> , April 2003	03-05
<i>State Building Maintenance</i> , February 1998	98-04	<i>Charter School Financial Accountability</i> , June 2003	03-06
<i>School Trust Land</i> , March 1998	98-05	<i>Controlling Improper Payments in the Medical Assistance Program</i> , August 2003	03-07
<i>9-1-1 Dispatching: A Best Practices Review</i> , March 1998	98-06	<i>Higher Education Tuition Reciprocity</i> , September 2003	03-08
<i>Minnesota State High School League</i> , June 1998	98-07	<i>Minnesota State Lottery</i> , February 2004	04-01
<i>State Building Code</i> , January 1999	99-01	<i>Compensation at the University of Minnesota</i> , February 2004	04-02
<i>Juvenile Out-of-Home Placement</i> , January 1999	99-02	<i>Medicaid Home and Community-Based Waiver Services for Persons With Mental Retardation or Related Conditions</i> , February 2004	04-03
<i>Metropolitan Mosquito Control District</i> , January 1999	99-03	<i>No Child Left Behind</i> , February/March 2004	04-04
<i>Animal Feedlot Regulation</i> , January 1999	99-04	<i>CriMNet</i> , March 2004	04-05
<i>Occupational Regulation</i> , February 1999	99-05	<i>Child Care Reimbursement Rates</i> , January 2005	05-01
<i>Directory of Regulated Occupations in Minnesota</i> , February 1999	99-05b	<i>Gambling Regulation and Oversight</i> , January 2005	05-02
<i>Counties' Use of Administrative Penalties for Violations of Solid and Hazardous Waste Ordinances</i> , February 1999	99-06	<i>Community Supervision of Sex Offenders</i> , January 2005	05-03
<i>Fire Services: A Best Practices Review</i> , April 1999	99-07	<i>Energy Conservation Improvement Program</i> , January 2005	05-04
<i>State Mandates on Local Governments</i> , January 2000	00-01	<i>Nursing Home Inspections</i> , February 2005	05-05
<i>State Park Management</i> , January 2000	00-02	<i>Workforce Development Services</i> , February 2005	05-06
<i>Welfare Reform</i> , January 2000	00-03		
<i>School District Finances</i> , February 2000	00-04		
<i>State Employee Compensation</i> , February 2000	00-05		
<i>Preventive Maintenance for Local Government Buildings: A Best Practices Review</i> , April 2000	00-06		
<i>The MnSCU Merger</i> , August 2000	00-07		
<i>Early Childhood Education Programs</i> , January 2001	01-01		
<i>District Courts</i> , January 2001	01-02		

Evaluation reports can be obtained free of charge from the Legislative Auditor's Office, Program Evaluation Division, Room 140, 658 Cedar Street, Saint Paul, Minnesota 55155, 651/296-4708. Full text versions of recent reports are also available at the OLA web site: <http://www.auditor.leg.state.mn.us>

Cost of Child Care

Legislative Report on Cost Containment Options in Child Care Assistance

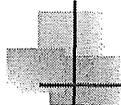
[http://www.dhs.state.mn.us/main
/groups/children/documents/pub/
DHS_id_008779.hcsp](http://www.dhs.state.mn.us/main/groups/children/documents/pub/DHS_id_008779.hcsp)

Minnesota Department of Human Services
January 2005

2003 Legislative Directive

- Evaluate the cost of child care
- Examine metropolitan/rural differences
- Make recommendations that comply with federal regulations
- Track the impact

Legislative Report on Cost
Containment Options in Child Care.
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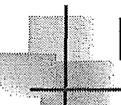


Child Care as a System

Child care is a complex system. Each component has very few discretionary resources.

- Families: Little in the way of discretionary income.
- Child care providers: Extremely modest financial margins.
- Government units: Mindful of tight dollars.

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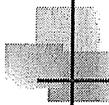


Public Values

The enhancement of one of several competing public values probably comes at the expense of another.

- Cost containment
- Economic stability for families
- School readiness for children
- Access to care
- Price sensitivity

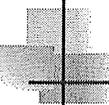
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Child Care Assistance Program

- CCAP provides child care subsidies to support economic stability for families and school readiness for children.
- Income eligibility guidelines -- 175% FPG entry, 250% exit or \$27,423 - \$39,174 for a family size of three.
- Families pay a copayment which increases as their income increases.

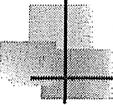
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Child Care Assistance Program

- DHS sets maximum provider rates that can be paid through CCAP at the 75th percentile of reported rates for like care.
- Maximum rates are currently frozen and are based on market survey conducted in 2001.
- CCAP will pay 100% of a provider's rate, less the copayment, up to the maximum rate.

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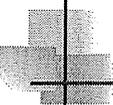


Child Care Market

Families accessing CCAP are a relatively small part of the private child care market.

- Six percent of licensed family child care slots
- 10.2 percent of of licensed center slots

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Parent Choice

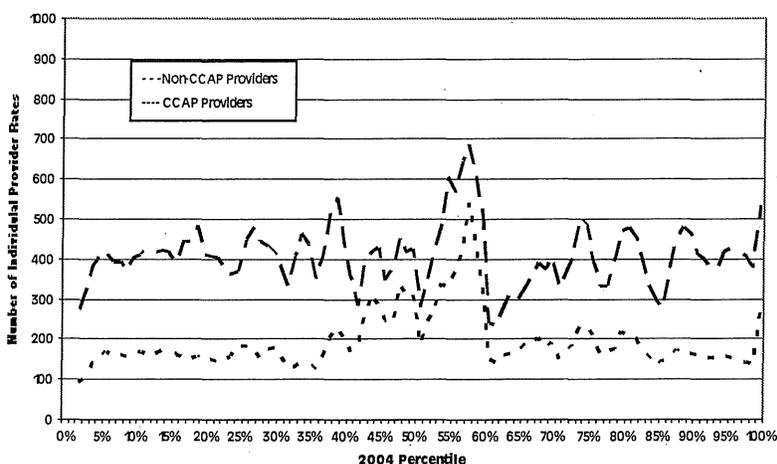
CCAP families choose providers with similar charges to those chosen by private pay families.

- Families accessing CCAP are selecting providers across all percentiles, mirroring the private market.

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Market Research

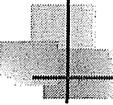
All Family Child Care and Center Rates
CCAP & Non-CCAP Provider Rates



Changes in Market Rates

Metropolitan and non-metropolitan providers both increased weekly prices at similar rates in the last six years. The majority of rural family child care providers charge by the hour and saw an inflation-adjusted decrease in rates.

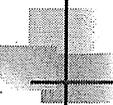
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Market Research

- Average Annual Change from 1998-2004
 - Metropolitan Areas
 - Center weekly rates (5.7% or 3% adjusted for inflation)
 - Family child care weekly rates (5.5% or 2.8% adjusted)
 - Rural Areas
 - Center weekly rates (6% or 3.3% adjusted)
 - Family child care hourly rates (1% or -1.7% adjusted)

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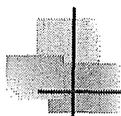


Child Care Rates

Child care prices are primarily influenced by local economic factors including:

- fair market rent
- center capacity
- average weekly earnings
- median income
- metropolitan status
- CCAP expenditures

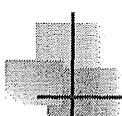
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Cost of Providing Center Care

- **Child care sites are operating on the edge.**
- On average, centers statewide are operating at a profit of almost one percent. This is not statistically different than zero.
- In family child care, estimates are that an average hourly provider wage is \$4.95 in the metropolitan area and \$2.83 in rural areas.

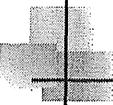
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Minnesota & National Context

- Minnesota policies on a statewide basis are consistent with minimum requirements established in CCDF regulations.
- While federal regulations should provide parameters for assessing future changes, state policy should be assessed on the degree to which it supports policy goals.
- Changes in other states are similar to Minnesota. 65% had not changed rates from 2002 to 2004.

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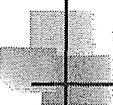
Access to the Market

The rate freeze has reduced access below what it would be if rates were not frozen.

Based on 2004 rate survey:

- 68.4 percent of family child care providers
- 56.8 percent of child care centers are covered by the existing maximums.

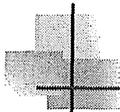
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Other DHS Programs

While there may be lessons to be learned from the experience of other units in DHS with rate-setting or cost-sharing strategies, because of the different public/private market distributions, direct applicability is not apparent.

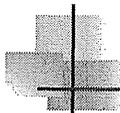
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Economic Stability

State policy goals for promoting economic stability are supported most when parents have access to affordable child care that supports their employment.

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School Readiness

Access to child care that meets established standards may foster significant improvement in school readiness for children from low income families.

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Tax Policy

Tax policy has an impact on some families' ability to purchase child care.

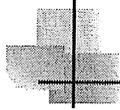
- Pre-tax accounts work better for families with incomes 200-250% FPL
- Dependent Care Tax Credit works better for families at 150% FPL
- Cash flow problems can reduce utilization
- Pre-tax accounts serve a role in extending eligibility for the Earned Income Tax Credit
- Families who already access tax options maximize them before they lose eligibility for CCAP

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Cost Containment Recommendations

- Program refinements
 - Limit absent day payments
 - Establish a registration fee maximum

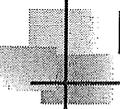
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Cost Containment Recommendations

- Program restrictions
 - Cap year to year increases to help control growth by balancing the need for cost containment with the measured impact on client access to care.

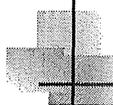
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Cost Containment Recommendations

- Systemic changes
 - Consider a process to establish contracts or service agreements with providers who meet characteristics designed to promote school readiness or economic stability.

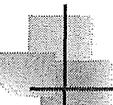
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Cost Containment Recommendations

- Connections to other systems
 - Data match with the Department of Revenue
 - Improve access to pre-tax accounts
 - Focus resources to support economies of scale

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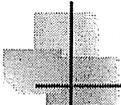


Basic Sliding Fee allocation Recommendations

The department is recommending that the BSF allocation formula not be changed at this time.

- Due to significant changes and the impact on county expenditures, it's too unstable to predict how formula changes should be implemented.
- Once the environment and spending stabilize, additional research and analysis could be completed.

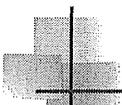
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Tax Policy Changes to Consider

- Encourage the use of pre-tax accounts
- Study ways to reduce the risk to families who use pre-tax accounts
- Consider extending the tax benefits to the level necessary to ease the transition off CCAP
- Consider policy changes that might ease cash flow burdens

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Containment Options in Child Care
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Tracking the Impact of Recommendations

- Monthly average cost per family
- BSF Waiting List
- CCR&R Program Report
- Family Profile
- Reasons for MFIP Application
- Type of care selected
- Percent of county providers accessible

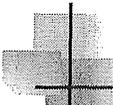
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Conclusions

- Child care is a complex system
- Many changes over the last two years need continued assessment
- Report offers a balanced perspective of policy options that should be considered in containing costs and supporting program goals

Legislative Report on Cost
Containment Options in Child Care
Assistance



Questions & Comments

For more information, please contact:

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Legislative Report on Cost
Containment Options in Child Care
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Child Care Reimbursement Rates



Office of the Legislative Auditor
State of Minnesota



Child Care Reimbursement Rates

January 11, 2005

OLA Focus of Study

- Methods used by DHS to set maximum reimbursement rates for the Child Care Assistance Program
- Not a broad evaluation of the program
- Not an evaluation of the program changes made by the 2003 Legislature

Child Care Reimbursement Rates

OLA How Maximum Rates Work

- DHS sets maximum reimbursement rates (based on provider rates reported in rate surveys).
- Families make a co-payment on a sliding fee basis and pay any charges over the maximum rate.
- The state pays the cost of care up to the maximum rate less the participant's co-payment.

OLA Maximum Reimbursement Rates

- DHS contracts with child care resource and referral agencies to collect rate information and with an out-of-state consultant to analyze the data and set maximum rates.
- 28 maximum rates in each county
 - Three types of providers
 - Four age groups
 - Hourly, daily, and weekly maximums
- Maximums for child care centers based on center rates
- Maximums for licensed family home providers based on licensed family rates
- Maximums for legal non-licensed care are based on but less than the maximums for licensed family home providers

Child Care Reimbursement Rates

OLA Calculation of Maximum Rates

- State law says that the maximum rate should "...not exceed the 75th percentile of rates for like-care arrangements in the county as surveyed by the commissioner." Minn. Stat. (2004) §119B.13, subd. 1.
- Generally, DHS sets maximum rates at the 75th percentile of reported rates.
- For child care centers, DHS uses licensed capacity to weight the reported rates.
- For licensed family home providers, DHS calculates the 75th percentile without weighting for capacity.
- Current maximums are based on the Fall 2001 survey of market rates.

OLA Licensed Family Home Providers: 75th Percentile

<u>Provider</u>	<u>Hourly Rate</u>	
1	\$3.50	
2	3.25	← 90 th Percentile
3	3.25	← 80 th Percentile
4	3.00	← 70 th Percentile
5	3.00	
6	2.85	
7	2.75	
8	2.70	
9	2.65	
10	2.50	

\$3.25 is the 75th percentile. (At \$3.25, participants could access at least 75% of the providers without paying more than the required co-payment.)

Child Care Reimbursement Rates

OLA Percentage of Providers with Rates Equal to or Less than the Maximum Rate

	<u>Fall 2001</u>	<u>Fall 2002</u>	<u>Early 2004</u>
<u>Centers</u>			
Twin Cities	80%	69%	49%
Outstate	<u>86</u>	<u>73</u>	<u>60</u>
Statewide	82%	70%	51%
<u>Licensed Family</u>			
Twin Cities	81%	72%	63%
Outstate	<u>84</u>	<u>79</u>	<u>71</u>
Statewide	83%	77%	69%

OLA Evaluation Questions

- Does DHS use appropriate methods in conducting surveys of child care rates?
- Does DHS set maximum rates that are consistent with state laws?
- Do providers raise their rates to the maximum rates? Do providers charge the state the maximum rates?
- Do subsidized families tend to select more expensive care than unsubsidized families?

Child Care Reimbursement Rates

OLA Findings: Rate Surveys

- The 2001 rate survey collected rates from 81% of child care centers and 68% of licensed family home providers.
- Insufficient information collected in several counties in 2001.
- There were also problems collecting information from child care centers on licensed capacity for school-age children.
- Some problems were corrected in 2004. But new problems emerged with the use of a new software system.

OLA Findings: Calculation of Maximum Rates

- The basic methods used by DHS are reasonable.
- But DHS uses complicated conversion procedures that ignore the discount often available for daily or weekly service.
- As a result, maximums sometimes exceed the 75th percentile or even exceed all market rates.

Child Care Reimbursement Rates

OLA DHS Method of Calculating Maximum Rates

- DHS often converts a maximum for one time period into a maximum for another time period.
 - Daily Maximum = 10 times the Hourly Maximum
 - Weekly Maximum = 5 times the Daily Maximum or 50 times the Hourly Maximum
- The converted maximum can override actual rates that are lower than the maximum.

OLA Example: Region 2 Toddler Rates

<u>Provider</u>	<u>Licensed Capacity</u>	<u>Rates from the Survey</u>		
		<u>Hour</u>	<u>Day</u>	<u>Week</u>
1	20	\$4.00	\$22.50	NR
2	14	3.00	NR	NR
3	14	2.50	NR	\$112.50
4	11	2.35	23.00	NR
5	21	NR	19.00	NR
6	13	NR	NR	115.00
DHS Maximum Rates		\$4.00	\$40.00	\$200.00

Child Care Reimbursement Rates

OLA Example: McLeod County School-Age Rates

<u>Provider</u>	<u>Licensed Capacity</u>	<u>Rates from the Survey</u>		
		<u>Hour</u>	<u>Day</u>	<u>Week</u>
1	NR	\$4.25	NR	\$105.00
2	NR	4.25	NR	\$105.00
3	45	2.50	NR	NR
4	38	2.45	NR	NR
5	NR	2.25	NR	NR
6	NR	NR	NR	95.00
DHS Maximum Rates		\$4.25	\$42.50	\$212.50

OLA Maximums Calculated Inappropriately

	<u>Percentage</u>
Child Care Centers	29%
Licensed Family Home	9
Legal Non-Licensed	13

Child Care Reimbursement Rates

OLA Legal Issues

- Prior to July 2003, CCAP used a “pay provider rate” system for child care centers in 68 counties that did not set maximum rates as required by statute.
- In July 2003, DHS replaced the “pay provider rate” system with “regional and statewide” maximum rates.
- The use of regional and statewide maximum rates caused payment rates to decrease for some centers.
- The use of regional and statewide maximum rates was not authorized by state law.

OLA Legal Guidance on Maximum Rates

- “...provider rates determined under Minnesota Statutes, section 119B.13, for fiscal year 2003 and implemented on July 1, 2002, are to be continued in effect through June 30, 2005.” Laws of Minnesota (1Sp2003), ch. 14, art. 9, sec. 34.
- The maximum rate should “...not exceed the 75th percentile of rates for like-care arrangements in the county as surveyed by the commissioner.” Minn. Stat. (2004) §119B.13, subd. 1.
- “When the number of providers in a county or in a provider category is too small to determine the 75th percentile provider rate, the commissioner may establish child care provider rates based on like care arrangements in similar areas or categories.” Minn. Rules (2003) ch. 3400.0130, subp. 1.

Child Care Reimbursement Rates

OLA Provider Response to Maximum Rates

- Most centers do not seem to change rates in response to changes in the maximum rate.
- In some counties, a higher than expected percentage of licensed family home providers charge the maximum rate.
- Because most legal non-licensed providers do not have rates, most charge the maximum rates.

OLA Licensed Family Home Providers

- In 7 of the 39 counties examined, the share of payments made at the maximum rate was at least 20 percentage points higher than the share of providers with rates that high.
- Some providers may set their rates at the maximum because they primarily serve CCAP families.
- Some providers may charge the maximum rate even though they charge private-pay customers a lower rate.

Child Care Reimbursement Rates

OLA Participant Selection of Providers

- Data from a 1999 survey suggests that CCAP participants use child care centers more than the general public.
- But this evidence is, in part, contradicted by a 1997 survey.
- Data from a 2004 survey will soon be available and could be used to examine this issue.
- CCAP participants use child care centers less than subsidized families in other states.

OLA Key Recommendations for DHS

- Revise methods for calculating maximum rates
- Use the Licensing Division's information on the licensed capacity of child care centers
- Adequately review the consultant's work or use existing staff to analyze rates and set maximums
- Ensure that adequate rate information is collected in each county and that agencies use consistent methods of collecting and recording rate information
- Seek changes in state law that would provide clearer authority to set regional maximum rates
- Examine whether providers are charging the correct rates for subsidized care

Child Care Reimbursement Rates

OLA

**The *Child Care Reimbursement Rates*
report is available at:**

www.auditor.leg.state.mn.us

Cost of Child Care

*Legislative Report on
Cost Containment Options in the
Child Care Assistance Program*



Minnesota Department of **Human Services**
January 2005

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I. Resources used to develop report

In preparing this report the Minnesota Department of Human Services built on existing projects to make efficient use of resources. Funding sources included the Child Care Development Fund, the U.S. Department of Health and Human Services, a special federal research grant through the Child Care Bureau (Project Number 90YE0010) and in-kind donations by community members. The department gratefully acknowledges the efforts of legislators and their staff, county staff, staff from the Child Care Resource and Referral Network, child care providers and families who have offered insight into the issues addressed. The report is solely the product of the Department of Human Services.

The following is a summary of the costs of preparing this report, as mandated by the Laws of 1994:

State staff salary costs:	\$80,000
Printing costs:	\$1,400
Total costs:	\$81,400

II. Executive Summary

In 2003 the Minnesota Legislature adopted reforms to the Child Care Assistance Program, including changes to focus funds on the lowest income working families and control future growth while also helping balance the state budget. To better manage costs in the future, the Legislature directed DHS to study the differences of child care costs in rural and metropolitan areas and to make recommendations to the Legislature for containing future cost increases in the Child Care Assistance Program (CCAP). Some legislators also expressed interest in the distribution of child care rates in the private market compared with the rates of providers caring for families receiving child care assistance. Legislators also wanted to know about the relationship, if any, between the CCAP expenditures and rates charged by providers. This report is intended to describe more fully some of the dynamics involved at work in the cost of child care, cost containment, tax policy to support working families, and an equitable allocation formula for the Basic Sliding Fee. This report is organized accordingly. We end with conclusions. Along the way, we delved into many – though by no means all – of the details of the child care system, and arrived at some interesting findings that we hope will assist policy makers.

As we proceeded, we were reminded the extent to which contemporary child care is a system. It's made up of different parts that function interdependently and dependently. Changing the way any system component interacts with another component has an impact on the lives of children and their parents.

Child care is, in fact, a fairly complex system, with many variables that impinge on its basic components. Families who seek child care for their child(ren) have a set of challenges; child care providers, whether in homes or centers, have a different set of issues; government units that fund or regulate some aspect of that system have a list of concerns.

A key characteristic of the child care system is that each component has very few discretionary resources. Families benefiting from CCAP have little in the way of discretionary income. The research showed that most child care providers have extremely modest financial margins. Government units are mindful of tight dollars and are monitoring cash flow very carefully. That no component of the system has much latitude is an important theme throughout this report.

Because parents, child care providers and government units have so little discretionary money or time, the enhancement of one of several competing public values probably comes at the expense of another. This is particularly true in the case of CCAP where care is subsidized through public funds and purchased in the private market. Cost containment, economic stability for families and school readiness for children, access to care, and price sensitivity are among the several high-priority values in contemporary American child care.

A brief overview of the Child Care Assistance Program is in order before providing an overview of our key findings. The purpose of CCAP is to provide financial subsidies to help low-income families pay for child care in the private market so that parents may pursue employment or education, leading to employment. It also helps to ensure that children from low-income families are well cared for and prepared to enter school ready to learn.

Families earning 175 percent of the federal poverty level (FPL) or less, or receiving benefits through the Minnesota Family Investment Program (MFIP), are eligible for CCAP. Families are no longer eligible for the programs when their earnings are 250 percent of FPL. All families with incomes above 75 percent of the federal poverty level have a copayment as their share of child care costs. Copayments increase as family income increases.

The department sets maximum provider rates that can be paid through the Child Care Assistance Program at the 75th percentile of all reported rates for like care: the specified type of care (licensed family child care or licensed center), age (infant, toddler, preschool and school age) and time category (hourly, daily and weekly). Currently the 75th percentile is based on rates from the survey conducted in 2001 as a result of the rate freeze imposed by the Legislature through June 30, 2005. CCAP will pay 100 percent of a provider's rate, less the family's copayment, up to the maximum rate. If the provider's rate for private pay families is below the maximum rate established by DHS, the provider is paid their rate less the copayment. If the provider's rate exceeds the maximum rate, the parent may pay the difference in addition to the co-payment.

In the course of the last eighteen months, DHS sought the input of child care providers, legislators and community leaders. We examined the financial dynamics of child care in some detail. We examined the experiences of other states that have made adjustments in the ways they provide public support for child care. A thorough review of the academic literature on this topic was done. Several key findings emerged from this research:

Key findings

- 1 Families on CCAP are a relatively small part of the private child care market. Families on CCAP are accessing child care center slots at a higher percentage than family child care slots. Additional information on this topic may be available in a report to be released summer of 2005. Our analysis of licensing data from March 2004 suggests that approximately six percent of licensed family child care slots and 10.2 percent of licensed center slots in Minnesota were filled by children funded, at least in part, through CCAP. CCAP may or may not be the impetus for these decisions. Other mitigating factors may be families' need for certain hours of care and transportation issues.
- 2 CCAP families choose providers with similar charges to those chosen by private pay families. The distribution of all provider rates in the market approximates a bell curve with slightly more providers in the middle of the distribution than at the ends. Families accessing CCAP are selecting providers across all percentiles, mirroring the private market.
- 3 Metropolitan and rural providers both increased weekly prices at similar rates in the last six years. The majority of rural family child care providers charge by the hour, however, and saw an inflation-adjusted decrease in rates. There was a gradual upward pattern across all age groups and for expensive and inexpensive care between 1998 and 2004 statewide. In rural Minnesota 65 percent of family child care providers charge by the hour. After controlling for inflation, this sector of the market experienced a 1.7 percent decline per year from 1998-2004. Rural family child care providers who charge by the week (35

percent) experienced a 2.3 percent annual increase after controlling for inflation during the same time period.

- 4 Child care providers are operating on the edge. On average, centers statewide are operating at a profit of almost one percent. This is not statistically different than the point at which cost and revenue is equal. Family child care providers are also operating with modest resources. Dividing average family child care provider IRS taxable income by 3,000 hours of work per year calculates an average hourly provider wage of \$4.95 in the metropolitan area and \$2.83 in rural Minnesota based on department estimates.
- 5 Child care prices are primarily influenced by local economic factors, although CCAP expenditures do influence prices to some degree. Licensed child care rates are positively correlated with fair market rent, center capacity, average weekly earnings, median income and metropolitan status. CCAP expenditures do influence prices to some degree although fair market rent has a larger impact. Applying 1998-2004 state level historical trends to Hennepin County child care centers serving preschoolers, after controlling for inflation, the weekly rate is approximately \$1.30 higher per year, or a total of \$6.50 higher at the end of the time period, due to the 44 percent increase in CCAP expenditures. A 3.3% increase over six years represents approximately six-tenths percent increase per year.
- 6 Minnesota policies on a statewide basis are in line with minimum requirements established in Child Care Development Fund (CCDF) regulations. Other states have made changes in eligibility and rate policy over the last two years that are similar to those in Minnesota. An analysis of trends in state eligibility policies conducted by the Child Care Bureau for 2004-05 identified several trends in eligibility parameters. Twenty-six states reported income eligibility ceilings expressed as a percentage of State Median Income (SMI) that are lower than those reported in the FFY 2002-03 CCDF Plans. Twelve states reported income eligibility ceilings that are higher than those reported in the FFY 2002-2003 CCDF plans. Average income entrance eligibility is at 59 percent of SMI in 2003. Minnesota is below this level at 44 percent SMI for income entrance, but slightly above it at 63 percent SMI for its exit point. Minnesota is ranked 33rd comparing entry eligibility and seventh comparing exit points ranked by the Federal Poverty Level as reported in the 2003 federal plans.
- 7 The rate freeze has reduced the percentage of providers with rates below the CCAP maximum rates below what it would be if rates were not frozen. In 2004, 68.4 percent of family child care providers and 56.8 percent of child care centers were covered by the maximum rates based on 2001 rates. This compares to the 82-83 percent of provider's rates that would be below the maximum if the 75th percentile of the 2004 market was implemented.
- 8 While there may be lessons to be learned from the experience of other units in DHS with rate-setting or cost-sharing strategies, because of the differences in the kinds of marketplaces that other DHS programs operate in, direct applicability is not apparent. The changes in Minnesota's private child care market prices are in the same direction as increases in other service-based industries costs and prices. It most closely tracks with nursing care facilities and adult day care services. While both child care and nursing home funded

programs are concerned with quality, the markets in which care is purchased differs significantly based on the public-private distribution.

- 9 State policy goals for promoting economic stability are supported most effectively when parents have access to affordable child care that supports their employment needs. A review of the substantial academic literature on the links between job and child care stability reinforced other findings we made showing that child care subsidies operate within the local market. This means that parents across all income groups need to be able to find and afford child care while they work. State level policy needs to reflect this local context for families accessing CCAP. Parents' ability to pay child care costs (including copayments) is sensitive to the percent of earnings expended to access care. The level of support available to parents as they leave welfare impacts their ability to remain off of welfare in the future. For families with children under six, help paying for child care was the most common reason cited on the "Reasons for Application to MFIP" study.
- 10 Access to child care that meets established standards may show significant improvement in school readiness for children from low income families. Quality early learning opportunities exist in child care centers, licensed family child care homes and with family, friends or neighbors. Quality early learning experiences are most likely to occur in environments that have intentional curriculums and stable, responsive providers with formal training or education in early childhood development. A recent study by DHS showed that children from low income households whose parents had lower education levels but who attended an accredited child care center had school readiness ratings at the same levels as children from households with higher incomes. This speaks to the need for parents to have access to alternatives for child care and the need for parents to have access to information on quality child care when they are making their decision.
- 11 Tax policy has an impact on some families' ability to purchase child care. The report focused on the Dependent Care Tax Credit (DCTC) and pre-tax expenses accounts. DHS staff analyzed how families would experience each tax policy by developing tax scenarios for different families. Variables considered were county, type of care and income. For families with income at 200-250% of the FPL, use of pre-tax accounts produces better tax benefits than use of the DCTC. For families at 150% of FPL, the use of the DCTC produces better tax benefits. Cash flow problems can reduce the utility of both options for low-income families. Pre-tax accounts serve a role in extending eligibility for the Earned Income Tax Credit (EITC). Tax policy does not necessarily ease the transition off CCAP. Families who already access tax benefits maximize them before they lose eligibility for CCAP. The information that follows provides further background on these themes, findings, and recommendations.

The exact policy needs to balance the need for cost containment with measured impact on client access to care. No doubt this report will raise further questions that merit review. Our child care system is more complex than one might initially assume. We welcome that review and we hope this report furnishes some useful findings that lead to a fair and sustainable policy for children, parents, providers and counties in Minnesota.

Based on these key findings, the department makes the following recommendations.

Cost containment recommendations

The department recommends that a combination of strategies be considered for cost containment in SFY 2005 and 2006.

*Strategies to consider implementing immediately:***1. Program refinements**

Limit absent day payments and establish a registration fee maximum for all counties. These changes both serve to align decision making in the child care assistance program more closely with the decision making pressures that private pay families face. While the cost savings are minimal, they serve to begin the transition for families receiving assistance to the market decisions they will be facing when they move off of CCAP.

2. Program restrictions

The department recommends that year to year increases be restricted to help control growth in CCAP expenditures. The exact policy should balance the need for cost containment with the measured impact on client access to care. The department should use market surveys to assess the extent to which maximum rates allow access to the network of care available to private pay families, including differences in access in different parts of the state.

3. Systemic changes

Consider setting aside a limited amount of funds to promote access to providers who meet characteristics designed to promote school readiness for low income children or economic stability as identified under the option "Establish Contracts or Service Agreements." Outcomes from funds invested should be tracked and used to inform future policy and cost containment decisions. Efforts should be made to ensure that all provider types are considered for inclusion in the test.

4. Connections to Other Systems

The department has authority to match data with the Department of Revenue to improve access to tax credits for families on MFIP. This would include families who are on MFIP and participate in the Child Care Assistance Program. The state should consider changes in legislation to expand this permission to families who are on the Transition Year and Basic Sliding Fee programs. While the benefits of accessing child care tax credits are limited, it appears that access to the Earned Income Tax Credit would have significant related benefits for many low income workers.

Focus some of the resources available for infrastructure development under the CCDF on exploring support of administrative structures that would take advantage of economies of scale to reduce costs and working hours and improve profit margins for family child care providers and rural based center providers. Examples include: administrative activities such as accounting, billing, tax preparation; group purchasing for items such as insurance, supplies and flexible staffing, and resource development pools including substitutes, assistants and professional development. In addition, explore changes in licensing statutes that would allow increased economies of scale through satellite management of family child care homes.

Basic Sliding Fee allocation recommendations

The significant policy changes of the past year and the effect of these changes on county expenditures, both in transition and as an on-going situation, have created an environment that is too unstable to predict how a formula change would affect expenditures. Because of this instability, the possible formula changes analyzed do not appear to more accurately align demand and resources. Therefore, the department is recommending that the BSF allocation formula not be changed at this time. When the child care assistance environment and spending are more stable, additional research and analysis could be completed to determine if one of these formula changes, or some other change, should be implemented.

While the advantages of regional allocation are not insignificant, the disadvantages must be addressed before moving forward. Statewide implementation of an electronic child care assistance information system must occur before allocations can extend beyond county boundaries. In addition, dialogue must occur with counties about administrative resource issues. Therefore, the department is not recommending a switch to regional allocations at this time but will reconsider the possibility when an electronic information system is implemented.

Tax policy changes to consider

The state could encourage use of the pre-tax accounts and study ways to limit the risks facing families who use them.

The following would require changes at the federal level to be meaningful for families:

- Tax policy changes could be considered to extend the benefits to the level necessary to ease the transition off the Child Care Assistance Program.
- Families are required to cash flow their child care expenditures to some degree under both the dependent care tax credits and pre-tax accounts. This is an area which policy changes might be made to ease the cash flow burden.

Consideration of these changes should include an awareness of the magnitude of changes in Minnesota tax policy relative to the magnitude of federal tax benefits. It should also address the state policy goal of tax simplification and consistency with federal tax policy.

Tracking impacts of recommendations

The department has identified options for tracking the impact of future changes to CCAP in the report. To the extent possible, with existing resources, mechanisms to measure outcomes based on policy goals will be developed and tested during this time period. The information gathered from this analysis will be used to inform future cost containment decisions.

Conclusion

The Child Care Assistance Program has experienced a multitude of changes over the last two years and the impact of these changes has yet to be fully assessed from a policy perspective. The November 2004 forecast shows that costs are down. The policy changes related to cost containment in 2004 which capped maximum rates, increased copayments, eliminated accreditation bonuses, and changed to hourly



payments for legal non-licensed providers certainly had an impact on the average payment per family in the child care assistance program. The change in eligibility to 175% of poverty level has targeted funds available to the lowest income families.

Other unanticipated changes in the program are beginning to appear. Families who are currently eligible for child care assistance and who were previous program participants are no longer participating and other families who would be eligible for the Child Care Assistance Program are not applying. It appears that the families are still working or participating in other authorized activities but they are not using the Child Care Assistance Program to the degree expected to subsidize their child care costs. We do not know how their children are being cared for or whether and how the parents are paying for the care. Additional work is needed in this area to determine if the state's policy goals are being met. Access to the provider market is more limited, but we don't know at what point this will have an effect on job stability for families or school readiness for children.

Minnesota is at a crossroads. We have an opportunity to consider how the funds in Minnesota that are invested in children through the child care system can be used most effectively to support important public policy goals: contain costs; support economic stability for families and school readiness for children; provide access to care; and create price sensitivity. We believe this report will inform those decisions and allow the state to make decisions that will strategically support both the workforce of today and tomorrow in the most cost effective way.