

INFORMATION BRIEF

Research Department
Minnesota House of Representatives
600 State Office Building
St. Paul, MN 55155

Danyell Punelli, Legislative Analyst
651-296-5058

Revised: December 2011

Funding to Support Child Care Assistance Federal and State Appropriations and Tax Expenditures

This information brief summarizes the following child care assistance programs and their funding sources: the Minnesota Family Investment Program child care assistance; the Basic Sliding Fee program; the Higher Education Child Care Assistance program; dependent care pre-tax accounts; and federal and state dependent care income tax credits. Also included are graphics detailing child care assistance funding for fiscal years 2008 through 2011.

The **Minnesota Family Investment Program (MFIP)** child care assistance program subsidizes the child care costs of families receiving MFIP cash assistance. It also provides child care assistance for eligible families for the first 12 months after the family leaves MFIP (known as transition year care). MFIP is funded through the state general fund, federal Child Care Development Fund (CCDF), and federal Temporary Assistance for Needy Families (TANF) funds.

The **Basic Sliding Fee (BSF)** program provides a child care subsidy to working families who are not receiving cash assistance through MFIP. BSF is funded through the state general fund, federal CCDF funds, federal TANF funds, and county contributions. Assistance through BSF is limited by available funding. Consequently, as of October 2011, there was a waiting list of 7,085 families waiting for BSF child care assistance.

The **Higher Education Child Care Assistance** program is administered by the Minnesota Office of Higher Education. Higher Education Child Care Assistance is a program that gives

This publication can be made available in alternative formats upon request. This document can be made available in alternative formats for people with disabilities by calling 651-296-6753 (voice); or the Minnesota State Relay Service at 711 or 1-800-627-3529 (TTY) for assistance. Many House Research Department publications are also available on the Internet at: www.house.mn/hrd/hrd.htm.

grants to eligible students to reduce the costs of child care while they are attending an eligible postsecondary institution. The maximum grant is set in statute at \$2,600 per child for a nine-month grant. A student may also receive a separate summer grant. This program is funded through the state general fund. Assistance is limited by the availability of state funding. For more information on this program, see the House Research short subject [Child Care Assistance for Postsecondary Students](#), August 2009.

Employer-provided **Dependent Care Pre-Tax Accounts** allow parents to direct a portion of their salary to an employer-sponsored pre-tax account used to pay for dependent care expenses. Families may set aside up to \$5,000 each year. Not all employers provide the accounts. There are no income limits on who may participate. Pre-tax accounts are authorized under federal law; amounts contributed are exempt from federal income and payroll taxes. Minnesota conforms by exempting the accounts from state income tax as well. These accounts are funded by state and federal tax expenditures—by allowing contributions to be exempt from income tax, the federal and state governments collect less in taxes than would otherwise be the case.

The **Federal Dependent Care Credit** is a nonrefundable tax credit equal to a percentage of qualifying child care expenses. The maximum credit is \$1,050 for one child and \$2,100 for two or more children. The minimum credit is \$600 for one child and \$1,200 for two or more children. The credit phases down for families with incomes over \$15,000, but all families regardless of income are eligible for the minimum credit. These credit parameters are in effect through 2012; after that the credit will revert to lower levels unless extended by Congress.

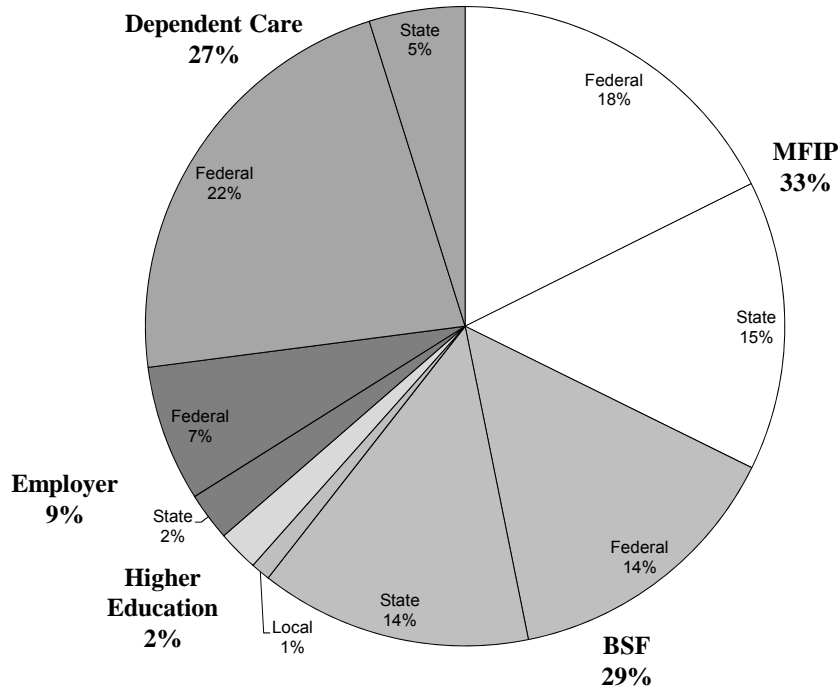
The **Minnesota Dependent Care Credit** is a refundable tax credit linked to the federal dependent care credit. Families with incomes above about \$37,000 for tax year 2011 and \$38,000 for tax year 2012, do not qualify for the credit; the maximum income is adjusted annually for inflation. The maximum credit is \$720 for one child and \$1,440 for two or more children. The Minnesota dependent care credit is funded by state tax expenditures and an open appropriation for amounts paid as refunds in excess of liability. For more information on both the federal and state credits, see the House Research information brief [The Minnesota and Federal Dependent Care Tax Credits](#), December 2008.

**Funding to Support Child Care Assistance
 Federal and State Appropriations and Tax Expenditures**

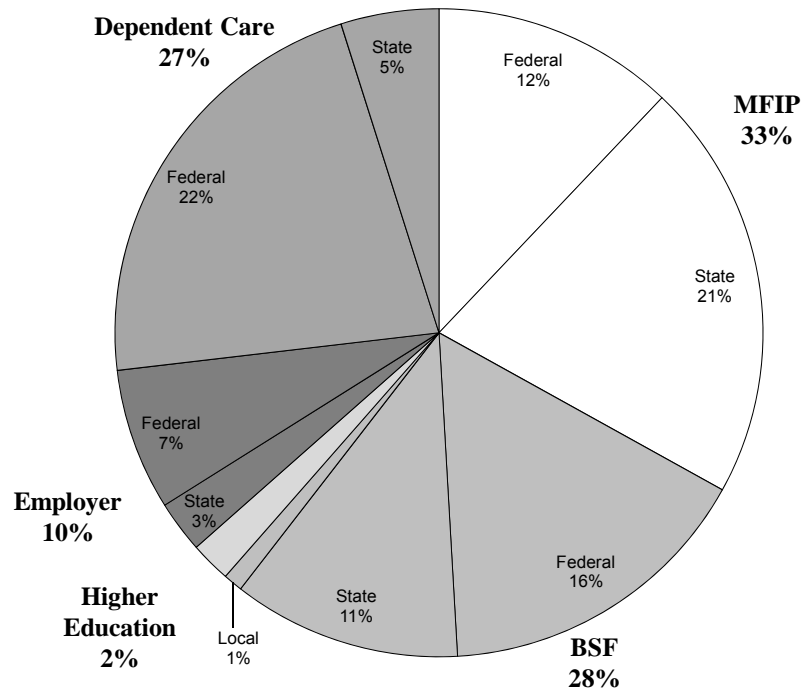
Child Care Program	Minn. Stat. Citation	Source of Funds	FY08	FY09	FY10	FY11	Type of Expenditure
MFIP Child Care Assistance	119B.05	MFIP Federal	\$52,808,887	\$36,887,347	\$ 56,397,854	\$ 71,729,122	Federal CCDF and TANF
		MFIP State	43,865,691	64,024,018	5 1,655,796	4 1,331,628	State general fund
Basic Sliding Fee Child Care Assistance	119B.03	BSF Federal	43,474,633	48,942,564	46,413,055	69,855,643	Federal CCDF and TANF
		BSF State	41,153,450	34,827,982	3 8,967,529	3 5,754,708	State general fund
		BSF Local	2,941,235	2,941,235	2, 940,974	2, 941,235	Local property tax
Higher Education Child Care Assistance	136A.125	Higher Ed. State	6,184,000	6,184,000	6,684,000	6,684,000	State general fund
Employer-Provided Dependent Care Pre-Tax Accounts	290.01, subd. 19b	Employer State	7,300,000	7,900,000	10,500,000	10,600,000	State tax expenditure
		Employer Federal	20,600,000	21,600,000	27,800,000	2 8,000,000	Federal tax expenditure
Child and Dependent Care Credit	290.067	Dependent Care Federal	66,469,000	6 7,052,000	63,469,000	Not Available	Federal tax expenditure
		Dependent Care State	14,513,000	14,930,000	1 3,900,000	1 4,400,000	State tax expenditure
		Total State General Fund	91,203,141	105,036,000	9 7,307,325	8 3,770,336	
		Total State Tax Expenditures	21,813,000	22,830,000	2 4,400,000	2 5,000,000	
		Total Federal Allocations	96,283,520	85,829,911	1 02,810,909	1 41,584,765	
		Total Federal Tax Expenditures	87,069,000	8 8,652,00	91,269,000	Not Available	
		FY Total	299,309,896	302,347,911	318,728,208	Not Available	

NOTE: Expenditures for child care development and referrals are not included.
 School-age child care is an eligible use of child care assistance but does not receive a separate general fund appropriation.
 The employer-provided pre-tax account and state child and dependent care credit numbers are estimates from the Department of Revenue.

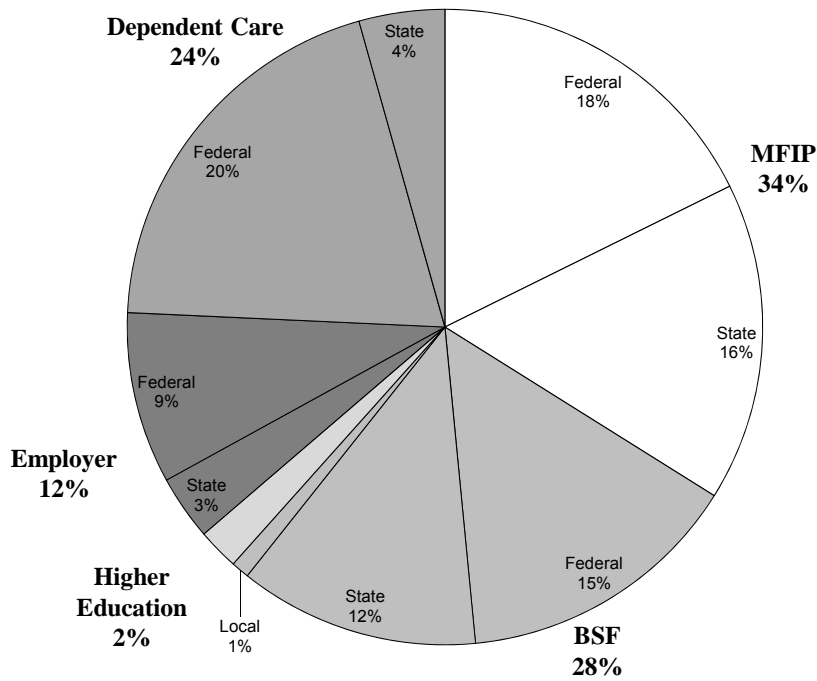
Child Care Assistance Funding FY 2008



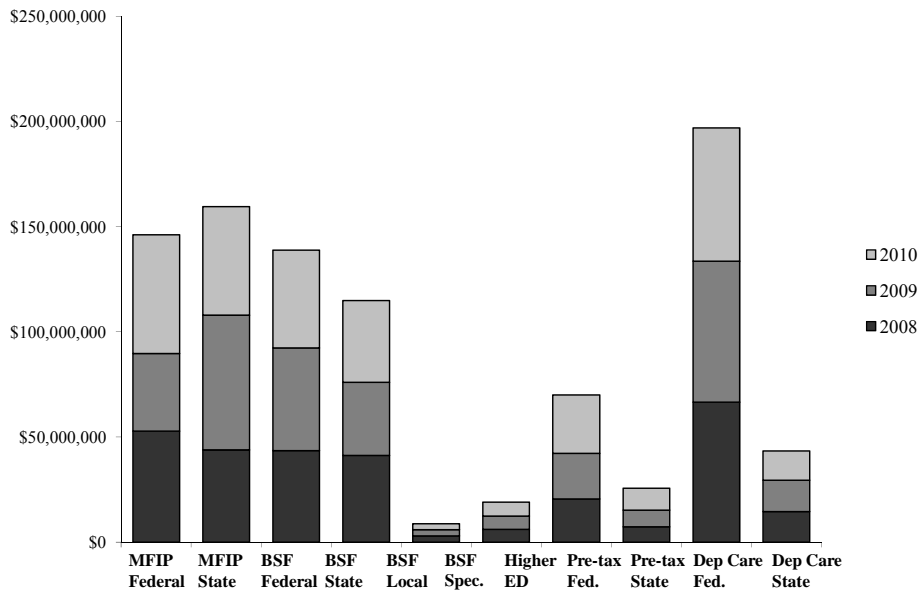
Child Care Assistance Funding FY 2009



Child Care Assistance Funding FY 2010



Child Care Assistance Funding FY 2008 - 2010



For more information about child care assistance, visit the health and human services area of our website, www.house.mn/hrd/hrd.htm.