

Overview

Minnesota’s child care assistance program (or CCAP) provides financial assistance to low-income families to help with the cost of child care while parents work or participate in educational or training programs. CCAP is a federal-state program; the state receives federal funding for the program and must comply with federal law and regulations. In March 2024, the federal government issued a final rule modifying the regulations governing child care subsidy programs, like CCAP.

The purpose of this brief is to provide an orientation to the final rule and explain how it may shape the CCAP proposals that the legislature considers in upcoming legislative sessions. Specifically, the brief explains how the final rule changes existing regulations governing child care subsidy programs, compares the status of CCAP with what is required or allowed under the rule, and discusses the timeline for implementing the rule in Minnesota.

Background

Federal funding for child care subsidies for low-income families is authorized under the federal Child Care Development Block Grant (CCDBG) Act and section 418 of the Social Security Act.¹ The various funding streams authorized under the acts are collectively referred to as the Child Care and Development Fund (CCDF). CCDF funding is allocated to states that administer their own child care subsidy programs within the parameters set out in federal law and regulations.² In Minnesota, the program that receives CCDF funding is the child care assistance program, or CCAP.³

Because states must comply with federal law and regulations to receive CCDF funding, that means state programs must adapt when federal law or regulations change. Many CCAP requirements are codified in Minnesota Statutes; as such, the legislature has a role in considering changes to the program. This will likely be the case for many of the changes required or allowed under the final rule issued by the federal government in March 2024 (referred to as the “final rule” or “rule” in this brief).⁴ The rule modifies regulations governing

¹ The CCDBG Act is codified at [United States Code, title 42, section 9858](#), et seq. Section 418 of the Social Security Act is codified at United States Code, title 42, section 618.

² CCDF funding is also allocated to U.S. territories and to Indian Tribes and Tribal organizations, but this brief focuses on how child care assistance is regulated and funded in states.

³ For general information about CCAP, see [Child Care Assistance Program: An Overview](#) (December 2024) or [The Child Care Assistance Program](#) (December 2024).

⁴ 2024 CCDF Final Rule, 89 FR 15366, March 1, 2024.

child care subsidy programs, like CCAP, by imposing new requirements, adding new state options, and clarifying existing requirements.

The Final Rule

The final rule modifies the existing regulations governing states' child care subsidy programs funded via the CCDF.⁵ In some cases, the rule establishes new mandatory requirements, and in other cases, the rule gives states new options or clarifies existing options under federal regulations. The table below describes many of the new requirements and options outlined in the rule⁶ and examines how current CCAP policies compare to what is required and allowed under the rule.

To the extent that complying with the final rule costs states money, states may use CCDF funding to pay for activities associated with compliance. However, the preamble to the rule provides that a state's compliance cannot be based on lower payments to child care providers (e.g., a state cannot reduce payments to providers to account for the 7 percent copayment cap), and the rule does not come with additional funding for states. As such, states are limited in how much CCDF funding they can use to comply with the required changes in the final rule.

The rule was effective April 30, 2024, but states may apply for a transitional waiver, which would give them up to two years to come into compliance with the rule. Only specified provisions are eligible for a waiver, and those provisions are identified in the table by an asterisk.

Selected Provisions of the March 2024 CCDF Final Rule and Application to Minnesota's CCAP

Category	Component of March 2024 CCDF Final Rule	Current CCAP Policy
Family Copayment	Requires states to cap family copayments at 7% of family income.* [45 C.F.R. §§ 98.45(b)(5); 98.45(l)(3)]	Caps family copayments at 14% of family income. [Minn. Stat. § 142E.15]
	Explicitly allows states to waive copayments for: <ul style="list-style-type: none"> ▪ families with income up to 150% FPL; ▪ children who are in foster and kinship care; ▪ children experiencing homelessness; 	Waives copayments for families with income less than 75% FPL. [Minn. Stat. § 142E.15]

⁵ The regulations are at Code of Federal Regulations, title 45, part 98.

⁶ The table does not include provisions from the final rule that either: (1) do not require state action; or (2) that require states to take only administrative actions and do not change how the program interacts with families and child care providers.

Category	Component of March 2024 CCDF Final Rule	Current CCAP Policy
	<ul style="list-style-type: none"> ▪ children with a disability; and ▪ children enrolled in Head Start and Early Head Start. <p>[45 C.F.R. § 98.45(l)(4)]</p>	
Payments to Child Care Providers	<p>Requires states to pay child care providers in advance of or at the beginning of service provision.*</p> <p>[45 C.F.R. § 98.45(m)(1)]</p>	<p>Pays child care providers retrospectively, within 21 days of receiving a complete bill from the provider.</p> <p>[Minn. Stat. § 142E.17, subd. 9]</p>
	<p>Requires states to base payment on a child’s authorized enrollment (rather than attendance), which includes delinking payment from a child’s occasional absences.*</p> <p>[45 C.F.R. § 98.45(m)(2)]</p>	<p>Bases payments on a child’s authorized enrollment (rather than attendance), but only pays for up to 25 absent days each year, except under certain circumstances.</p>
	<p>Allows states to modify payment practices when a child care provider is suspected of financial mismanagement.</p> <p>[45 C.F.R. § 98.45(n)(4)]</p>	<p>Has processes in place to modify payment practices based on a child care provider’s actions.</p> <p>[Minn. Stat. § 142E.17, subd. 9]</p>
	<p>Clarifies that states may pay child care providers the established subsidy rate, even if it is more than the price charged to private-paying families.</p> <p>[45 C.F.R. § 98.45(g)]</p>	<p>Prohibits child care providers from charging a higher rate to CCAP families than what they charge private-paying families, but allows providers to provide discounts, scholarships, or other financial assistance to any clients.</p> <p>[Minn. Stat. § 142E.17, subd. 7]</p>
Availability of Child Care	<p>Requires that states use at least some grants and contracts with child care providers for each of the following populations:*</p> <ul style="list-style-type: none"> ▪ infants and toddlers; ▪ children with disabilities; and ▪ children in underserved geographic areas. <p>[45 C.F.R. §§ 98.16(z); 98.30(b)(1); 98.50(a)(3)]</p>	<p>Does not use grants or contracts with child care providers for any populations receiving CCAP.</p>

Category	Component of March 2024 CCDF Final Rule	Current CCAP Policy
	<p>Requires states to implement policies to increase the supply of CCAP-participating child care providers who care for children during nontraditional hours.</p> <p>[45 C.F.R. § 98.16(y)(1)]</p>	<p>Does not implement strategies to increase the supply of CCAP-participating providers who care for children during nontraditional hours.</p>
Eligibility Determinations	<p>Allows a state to presumptively determine a child eligible for a subsidy prior to full documentation and verification of the child’s eligibility. The presumptive eligibility period cannot be longer than three months.</p> <p>[45 C.F.R. § 98.21(e)]</p>	<p>Families that are experiencing homelessness are presumptively eligible for CCAP for three months from the date of application.</p> <p>[Minn. Stat. § 142E.11, subd. 3]</p>
	<p>Clarifies that the 12-month eligibility requirements apply when children in a family are newly added.</p> <p>[45 C.F.R. § 98.21(d)]</p>	<p>It is unknown whether current policy meets this requirement.</p>
Application Process	<p>Requires a state to implement eligibility policies that minimize disruptions and burdens for families.</p> <p>[45 C.F.R. § 98.21(f)]</p>	<p>It is unknown whether current policy meets this requirement.</p>
	<p>Requires a state to have both online and paper applications for assistance.</p>	<p>Current policy complies with this requirement.</p>
	<p>Allows a state to use family enrollment in a different public benefit program to verify the family’s eligibility for child care subsidies.</p> <p>[45 C.F.R. § 98.21(g)]</p>	<p>Does not use enrollment in a different public program as the sole way to confirm eligibility for CCAP.</p>
	<p>Allows a state to develop screening tools to help families determine if they are eligible for CCAP or other public benefits.</p>	<p>The Children’s Defense Fund – Minnesota operates a screening tool, Bridge to Benefits, that includes screening for CCAP eligibility, among other public benefits.</p>

Category	Component of March 2024 CCDF Final Rule	Current CCAP Policy
Background Studies	Clarifies that provisional employment eligibility decisions must be based on qualifying results of fingerprint checks, not after initiating the checks. [45 C.F.R. § 98.43(d)(3)(i)]	Current policy complies with this requirement.
	Clarifies that it is the role of the administering agency to determine a prospective staff member's eligibility for employment, not the child care provider's role.	Current policy complies with this requirement.
	Clarifies that all adjudications for child pornography (whether or not they are violent) are disqualifying for child care employment. [45 C.F.R. § 98.43(c)(1)(v)]	Current policy complies with this requirement.

Sources: 2024 CCDF Final Rule (89 FR 15366, March 1, 2024); [Minnesota Statutes, chapter 142E](#); CCDF Plan for Minnesota, FFY 2022-2024.

Notes: An asterisk denotes a component of the March 2024 CCDF final rule for which a state may apply for a transitional waiver.

Timeline for Compliance

As noted, the final rule went into effect April 30, 2024, which means states may implement the optional provisions under the rule any time from then. To the extent the Department of Children, Youth, and Family (DCYF), as the state agency that administers CCAP,⁷ needs legislative authority or state funding to implement any optional changes, the soonest the changes could go into effect is after the 2025 Legislature acts on the proposals.

For mandatory changes under the rule, states must make the change or apply for a transitional waiver. The waiver applications were due by November 30, 2024. Receipt of a waiver would give a state up to two years to implement the waived provisions. DCYF has indicated that it will apply for a transitional waiver.⁸ The details of the waiver—which provisions DCYF asks to waive and the timeline for full compliance—and the federal government's response to the waiver application will inform how CCAP will change, the timeline for the changes, and what the legislature will need to consider in terms of statutory changes for CCAP.

⁷ Historically, the Department of Human Services (DHS) administered CCAP, but program administration transferred to DCYF in July 2024.

⁸ Communication with staff from DHS's Children and Family Services unit, which transferred to DCYF in July 2024.



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