

# Minnesota's Early Childhood Education Investments

## *Landscape Analysis of Minnesota's American Rescue Plan 2021 Investments Into Early Childhood Education*

Authors: Jennifer Valorose and Caitlin Hamrock



**S E P T E M B E R 2 0 2 4**

451 Lexington Parkway North, Saint Paul, Minnesota 55104  
651-280-2700 [www.wilderresearch.org](http://www.wilderresearch.org)

**Wilder  
Research®**  
Information. Insight. Impact.

# Contents

Introduction .....	1
Part 1: Minnesota’s investment in early childhood using ARPA funding .....	20
Description of the ARPA-funded grant programs and their reach .....	20
Description of programs and providers receiving ARPA-funded grants .....	25
Perspective of providers .....	28
Relationship between receipt of ARPA-funded grant and closure.....	35
Part 2: Comparison with other states’ early childhood ARPA investments .....	30
Comparison with how other states used funds .....	30
Changes in the size and wages of the child care workforce .....	35
Conclusions and implications .....	40
References .....	31
Appendix .....	34
A. Research methods.....	34
B. Data tables .....	36

## Figures

1.	Child Care Stabilization Base Grants, reach, September 2021 through June 2022 .....	20
2.	Summer Preschool, reach, 2021-2023 .....	23
3.	Summer Preschool, use of funds, 2021-2023 .....	23
4.	REETAIN bonuses, number and amount, state fiscal years 2019-2023 .....	24
5.	Number of types of ARPA-funded supports received, by program type, 2021-2023	26
6.	Distribution of funds by program type, 2021-2023 .....	26
7.	Distribution of funds by urbanicity, 2021-2023 .....	27
8.	Type of award by urbanicity, 2021-2023 .....	28
9.	Trend in number of family child care providers, 2019-2023 .....	35
10.	Trend in number of licensed child care centers, 2019-2023 .....	36
11.	Trend in number of Licensed Child Care Centers, 2019-2023 .....	36
12.	Percentage of programs that closed between 2021-23, by program type .....	37
13.	Percentage of programs that closed between 2021-23, by urbanicity .....	37
14.	Percentage of programs that closed between 2021-23, by receipt of ARPA funds ....	38
15.	Percentage of programs that closed between 2021-23, by number of ARPA awards...	38
16.	Percentage of programs that closed between 2021-23, by type of ARPA-funded program .....	39
17.	Comparison of use of ARPA funding for the early care and education workforce .....	31
18.	Number of people classified as teachers and child care workers in Minnesota, 2016-2023 .....	36
19.	Number of child care workers in Minnesota and four comparison states, 2016-2023 ..	37
20.	Median annual income of teachers and child care workers in Minnesota, 2016-2023 .	38
21.	Median annual income of child care workers in Minnesota and four comparison states, 2016-2023 .....	39

# Introduction

This landscape analysis describes how Minnesota invested federal funding from the American Rescue Plan Act (ARPA) into the early childhood workforce. ARPA, signed into law in March 2021, allocated child care funds to all states to “help stabilize the child care sector” after the COVID-19 pandemic, according to Child Care Aware of America (2024). This included:

- \$15 billion in discretionary funds from the Child Care and Development Fund to provide assistance to child care workers and discretionary funds to be determined by state agencies (through September 2024)
- \$24 billion in Child Care Stabilization Grants (through September 2023) that could be used for a wide variety of costs, including personnel, facilities, equipment, goods and services, or mental health supports

In June 2021, the Minnesota Legislature appropriated \$537 million in the Child Care and Development Fund from ARPA to child care, including investments that directly or indirectly contributed to the early care and education workforce. Part one of this report explores the following programs:

- \$304 million in direct payments to providers through the Child Care Stabilization Grant Program (administered by the Minnesota Department of Human Services, or DHS)
- \$22.5 million for Child Care Facility Grants for facility improvements, minor renovations, and related equipment and services (administered by DHS through a grant to First Children’s Finance)
- \$20 million in summer preschool funding for prekindergarten programs operating in summer 2021, with carryover funding for summer 2022 and summer 2023 (administered by Minnesota Department of Education)
- \$2 million for Teacher Education and Compensation Helps (TEACH) that provides scholarships to child care providers (administered through Child Care Aware of Minnesota)
- \$1 million for the Retaining Early Educators Through Attaining Incentives Now (REETAIN) program that provides bonuses to child care providers (administered through Child Care Aware of Minnesota)

Minnesota also directed additional investments from ARPA to support early childhood, though these investments were not included in this research because they were: 1) still in the development phase and data were not yet available by July 2023; 2) too small to be included; or 3) supported families rather than the workforce. This included the following:

- \$15 million to eligible families through the Child Care Assistance Program Basic Sliding Fee (administered by DHS)
- \$4.5 million to pay for certain Background Study Fees for child care providers

- \$3 million to develop [Child Care Wayfinder](#) launched in early 2023 to support individuals interested in starting or growing a child care business (administered through Child Care Aware local agencies)
- \$3 million to develop [Empower to Educate](#), launched in early 2023 as a resource for current and aspiring early childhood educators who are at least 16 years old (administered by Child Care Aware of Minnesota)
- \$3 million for Child Care Business Training and Consultation (administered through First Children's Finance)
- \$1.5 million in grants to community-based organizations to support Family, Friend and Neighbor caregivers (administered by DHS)
- \$499,000 to create the family child care ombudsperson position
- \$200,000 for a Shared Services Innovation pilot project for family child care providers
- \$59,000 to form the three-year Family Child Care Training Advisory Committee
- \$50,000 to develop a FAQ page for family child care providers
- Over \$16 million to DHS for administration, governance, and regulatory implementation and improvements related to child care licensing, Parent Aware, data sharing, and foster care

The ARPA funding expired in 2023 and provided much needed relief, as well as a unique opportunity to try novel approaches to solving a variety of challenges that exist in early care and education. The goal of this study, funded by the New Venture Fund's Early Childhood Governance and Financing Project, was to understand the impact of ARPA funds on increasing wages and retention of the early childhood education workforce to inform future investments. The questions guiding this study were:

- What was the reach of ARPA funds to the workforce?
- Who did/did not get an ARPA investment (by program type, geography, and/or demographics)?
- To what extent did the federal investments contribute to increased wages of the early childhood workforce?
- To what extent did the federal investments contribute to increased recruitment or retention of the early childhood workforce?
- To what extent did investing in the ECE workforce stabilize the child care sector?

This report is divided into two parts: 1) a description of how Minnesota invested ARPA funds into the early childhood workforce and potential contributions to wages and retention of the workforce and 2) a comparison of Minnesota's investment and workforce with five other states.

# Part 1: Minnesota’s investment in early childhood using ARPA funding

## Description of the ARPA-funded grant programs and their reach

### Child Care Stabilization Grants

By far the biggest investment from ARPA for child care was through the Child Care Stabilization Grant Program, administered by the Minnesota Department of Human Services (DHS). Child Care Stabilization Base Grants were administered monthly from September 2021 through June 2023. DHS also administered Financial Hardship Grants that were narrower in scope and not included in this report. Child care providers were eligible for base grants if they were licensed, certified, or registered; in good standing with DHS or their tribe; and open, operating, and serving children during the funding period. The grant required that 70% of the funds be used to increase compensation for staff regularly caring for children. Programs had discretion in how they chose to increase compensation, and could do so through wage increases, bonuses, contributions toward benefits, or other approaches.

Minnesota Management and Budget conducted a descriptive analysis of the Base Grant program to determine how the funding impacted staff compensation, closure rates, and providers’ enrollments and capacity. The full [descriptive analysis report](#) of the Child Care Stabilization Base Grants is located on the Minnesota Management and Budget website, a PDF file will open. In any given month, over 9,000 providers were eligible for a Stabilization Base Grant (Figure 1). Centers (both licensed and certified) had the highest rates of application, and licensed centers had the highest rates of acceptance (getting paid), though the majority of eligible family child care providers who applied were also accepted. There was less uptake among legal nonlicensed providers, who are family, friend, or neighbor caregivers who are registered to be able to receive Child Care Assistance Program (CCAP) funds.

### 1. Child Care Stabilization Base Grants, reach, September 2021 through June 2022

Reach of grants	Licensed child care center	Certified child care center	Licensed family child care	Legal nonlicensed providers
Approximate number eligible each month	6,700	560	1,800	180
Range in the % that applied	73%-79%	71%-87%	61%-73%	27%-35%
Range in the % that were paid	61%-73%	25%–81%	58%-70%	25%-33%

Source: Tuttle et al., 2023

In terms of the impact of the grants, the authors found that (Tuttle et al., 2023, p. 5):

- “Base grants were associated with a 5.5 percent increase in cumulative monthly compensation per staff hour worked for child care providers. Compensation increases tended to be concentrated in larger, center-based providers in the seven-county Minneapolis-St. Paul metropolitan area. Across the whole study period, family child care providers with staff—about 20 percent of family child care grant recipients—did not report increases in compensation, but this may be due to the way that family child care proprietors think about and report to DHS their own compensation.”
- “Family child care providers that received the grant had a lower risk of closure than non-recipients (26% of non-recipients closed vs. 5% of recipients).”
- Base grants did not increase “enrollment or capacity for providers,” and “the number of staff and staff hours did not meaningfully change during this period.”

Though the authors cannot claim that stabilization grants are the sole cause of any changes in compensation and program stability during this time, the findings suggest the program achieved its goals of increasing compensation and reducing the risk of closure in the time period studied. Importantly, the program had different benefits for different provider types. While increased compensation appeared to be the most salient impact for center-based providers, for family child care providers an increase in program stability during the study period was a primary outcome of the grants. The authors noted that more research was needed to understand the impact of the grants over the full period of the program through June 2023. Later sections of this report build on MMB's report.

While the Stabilization Grant Program ended in June 2023, the [Great Start Compensation Support Payment Program](#) is a permanent program started in fall 2023 that also supports the compensation and benefits of the child care workforce.

### ***Facility Revitalization Grants***

The Facility Revitalization Grant Program was administered by First Children's Finance through a grant from the Minnesota Department of Human Services. It included \$22.5 million in appropriations from Child Care and Development Fund ARPA funds, as well as an additional \$10 million in discretionary ARPA funds. Licensed and certified child care programs (centers and family child care), as well as license-exempt providers that are registered for the Child Care Assistance Program (CCAP) were eligible to apply. Grants could fund repairs or equipment, services, and services necessary to maintain licensing and for the health and safety of children, but not major renovations or additions. Grantees received 90% of their grant up-front and 10% upon completion, such that they would have the initial funding to start their project. To ensure the grants help maintain the supply of child care, recipients are required to continue operating at least two years following the completion of their revitalization project. First Children's Finance reported the following

information after eight rounds of funding from March 2022 through December 2023 (First Children's Finance, 2023):

- 2,725 child care businesses were awarded grants
- \$31,269,999 was awarded; the average grant award was \$9,370
- 58% of grant dollars were awarded to businesses in greater Minnesota
- 69% went to licensed family child care providers
- 15% of recipients identified as Black, Indigenous, or people of color
- Top investments included replacing flooring, fencing, and outdoor play areas

While these grants did not directly fund the workforce, they helped child care programs stay open and in compliance with the law which, in turn, keeps early educators stably employed. Participating programs noted that grants allowed them to invest their own funds in other ways, including reinvesting in their businesses or supporting staff. Some grantees also reported that the facility improvements contributed to improved morale among staff.

### ***Summer Preschool Funding***

Summer Preschool Funding was administered by the Minnesota Department of Education to support children who may have been unable to attend high quality early learning programs due to COVID restrictions and closures. This funding was available to a wide variety of program types with the goal of providing a high-quality early learning experience to children prior to kindergarten entry. Head Start programs, school districts, charter schools, and licensed child care programs (both centers and family child care) were all eligible if they had a Three- or Four-Star Parent Aware rating.

A total of \$20 million was awarded and those programs that did not use all their funding in summer 2021 were able to roll over remaining funds to summer 2022. Additional unspent funding (about \$1 million) was available to school districts and charter schools, whether they had been funded previously or not, for existing (not new) programs for programming in June 2023. In total, 546 unique programs were funded over the three years, serving over 14,000 (duplicated) children (Figure 2).



## 2. Summer Preschool, reach, 2021-2023

Funded programs and children served by year	School district/ charter	Head Start	Child care center	Licensed family child care	Total
# of 2021 funded programs	148	10	168	171	497
# of programs that rolled funds forward to 2022	118	8	67	32	225
# of 2023 funded programs	133	Not eligible	Not eligible	Not eligible	133
# of 2023 funded programs, funded for the first time	49	Not eligible	Not eligible	Not eligible	49
<b>Total (unique) funded programs</b>	<b>197</b>	<b>10</b>	<b>168</b>	<b>171</b>	<b>546</b>
# children served in 2021	2,672	528	2,213	551	5,964
# children served in 2022	2,917	207	1,318	82	4,524
# children served in 2023	3,764	Not eligible	Not eligible	Not eligible	3,764
Total children served (duplicated)	<b>9,353</b>	<b>735</b>	<b>3,531</b>	<b>633</b>	<b>14,252</b>

Source: Minnesota Department of Education, Early Learning Services, *Summer Preschool Data Summaries from Summer 2021, Summer 2022 and Summer 2023*, Provided by request.

School district, charter schools, and Head Start programs were more likely to use the funds for new summer programming; thus, nearly all their funds were used in whole or in part to pay for teachers and staff (Figure 3). This may mean these programs created new positions or extended school-year positions for the summer. Licensed programs also used their funding for teachers and staff, though they were more likely to be operating year-round programs; thus, it is less likely new staff positions were created.

## 3. Summer Preschool, use of funds, 2021-2023

Use of funds	School district/ charter	Head Start	Child care center	Licensed family child care	Total
Start a brand-new summer program, 2021	60%	50%	12%	18%	29%
Pay for teachers and staff (in whole or in part), 2021	97%	100%	82%	66%	81%
Pay for teachers and staff (in whole or in part), 2022	98%	100%	66%	41%	80%
Pay for teachers and staff (in whole or in part), 2023	90%	Not eligible	Not eligible	Not eligible	90%

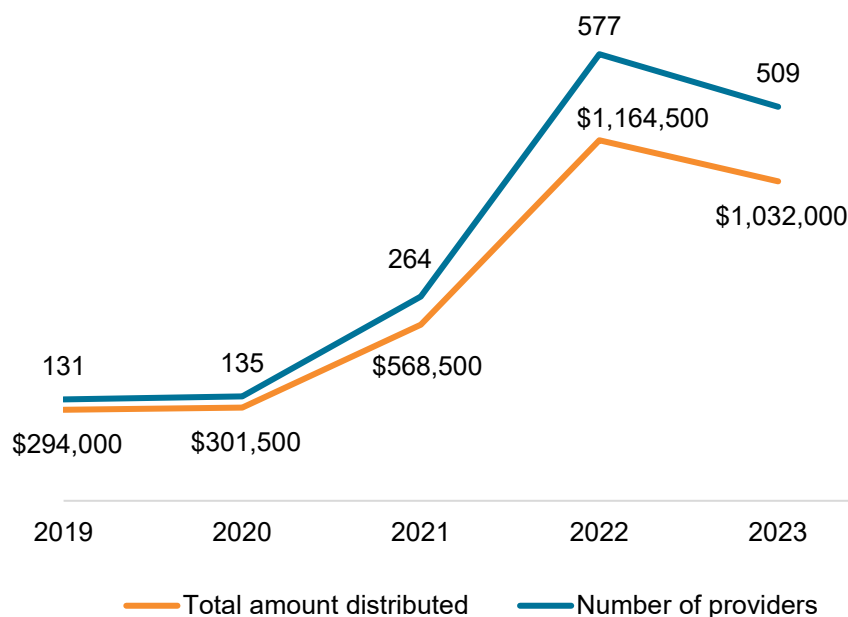
Source: Minnesota Department of Education, Early Learning Services, *Summer Preschool Data Summaries from Summer 2021, Summer 2022 and Summer 2023*, Provided by request

## REETAIN bonuses

The Retaining Early Educators through Attaining Incentives Now (REETAIN) bonuses are direct wage supplements provided to people working at licensed child care programs. To be eligible, providers must be licensed family child care providers or work for a licensed child care program, working at least 30 hours a week with an hourly wage of \$25/hour or less. The bonuses are administered through Child Care Aware of Minnesota. As the name suggests, a primary goal of the program is to retain early childhood educators in the field. A 2019 evaluation of the REETAIN program found that 55% of recipients reported the bonuses influenced their decision to stay in the field (Shaw et al., 2019).

While the program has been providing bonuses since 2004, the 2021 Minnesota Legislature infused an additional \$1 million into the program with ARPA funding. In fiscal years 2022 and 2023, almost \$2.2 million was given as bonuses to 1,086 early childhood educators – over \$2,000 per person in direct payments (Figure 4). This is two to three times as much total funding as each of the previous three years. Notably, all eligible family child care providers with complete applications received funding in December 2021, whereas in previous years fewer than half were funded (based on a points system) due to funding constraints.

### 4. REETAIN bonuses, number and amount, state fiscal years 2019-2023



Note: Full data table is available in [B1 of Appendix](#).

## TEACH Scholarships

[Teacher Education and Compensation Helps \(TEACH\) Early Childhood® Minnesota](#) is part of a national program that provides scholarships to early childhood educators, including family child care providers, to earn college credits and degrees that will help increase their education and, thus, their compensation and longevity in the field. The Early Childhood Educator Scholarship covers 85% of tuition and books for up to 18 credits a year. The program is for early childhood educators who: have a high school diploma, are working in a licensed child care program at least 20 years a week, commit to working at least a year after the contract, and are accepted into a degree program or pursuing a CDA. The scholarship recipient's employer commits to paying 5% of tuition and books and paying a bonus or raise upon completion of the educational program.

While the program has been providing scholarships since fall 2002, the 2021 Minnesota Legislature infused an additional \$2 million into the program with funding from ARPA. From fall 2021 through spring 2023, 350 early childhood educators (about 25% were family child care providers and 75% were staff at centers serving children birth through prekindergarten) have been awarded a scholarship, for a total of \$2.1 million in awards (\$1.3 million in FY2022 and \$0.8 million in FY2023).

## Description of programs and providers receiving ARPA-funded grants

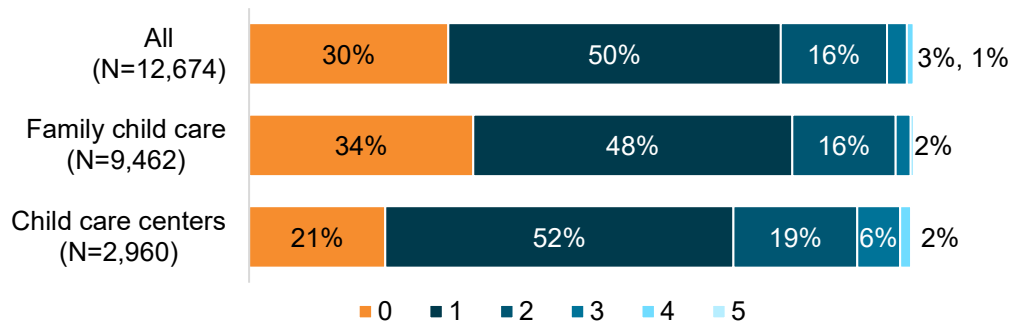
To address the research questions, data were combined across the agencies implementing the above-mentioned ARPA-funded programs. Throughout this section, references to child care centers include both certified and licensed child care centers. Over the course of the three years of the study, there were between 6,000 and 7,500 family child care providers open at any given point in time. The dataset analyzed for this report includes 9,462 family child care providers and 2,960 child care centers, including 731 certified centers and 2,239 licensed centers, that were active at some point in 2021 through 2023.

About 8,900 providers received at least one of the ARPA-funded supports described above, representing 70% of providers that were open across the state during the time period of analysis (2021-2023; Figure 5). One in five providers received at least two types of funding. The number of types of funding received may be undercounted, as TEACH and REETAIN were awarded to individuals, who may or may not have reported their employer's license number as part of receiving the funds. In addition, Summer Preschool funds were primarily given to school-based programs, which may or may not be licensed.

Among child care centers active during the time period, 79% received support from an ARPA-funded program; whereas 66% of family child care providers did so (Figure 5).

Possible reasons family child care providers may not have accessed funding may be lack of awareness of their eligibility, not wanting to share business data, or lacking the time to apply for funding.

## 5. Number of types of ARPA-funded supports received, by program type, 2021-2023

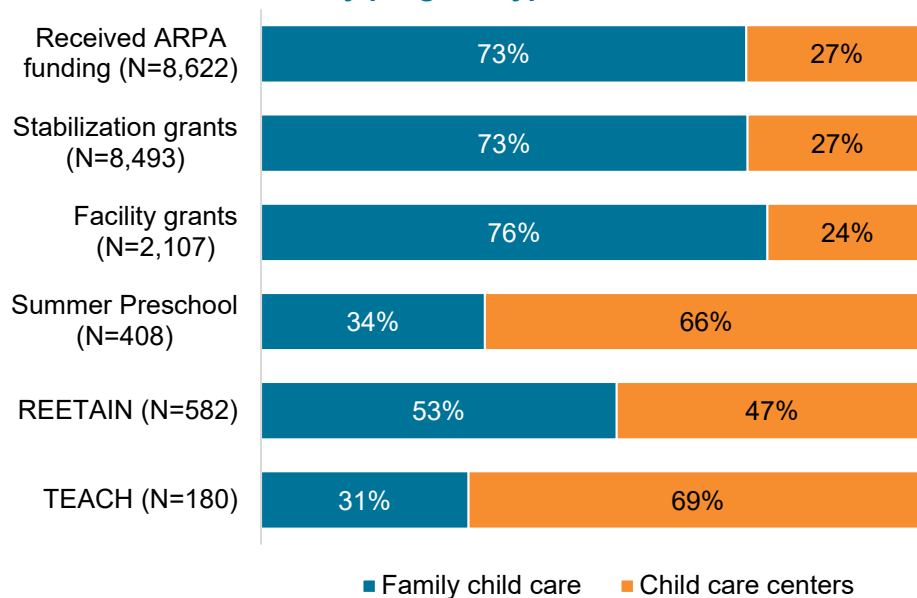


Note: For 252 records, the program type not identifiable.

Full data table is available in [B2 of Appendix](#).

Of the providers that received funding through an ARPA-funded program, 73% were family child care providers and 27% were centers (Figure 6), which about mirrors the distribution of programs overall (76% of programs are family child care). Stabilization and Facility Revitalization grants were distributed in similar proportions, with about 3 out of 4 awards going to a family child care provider and 1 out of 4 to a center. A higher percentage of programs accessing Summer Preschool Funding, however, were child care centers. This may be in part because some centers are associated with school or school districts and this funding was administered by the Department of Education.

## 6. Distribution of funds by program type, 2021-2023



Note: For 252 records, the program type not identifiable.

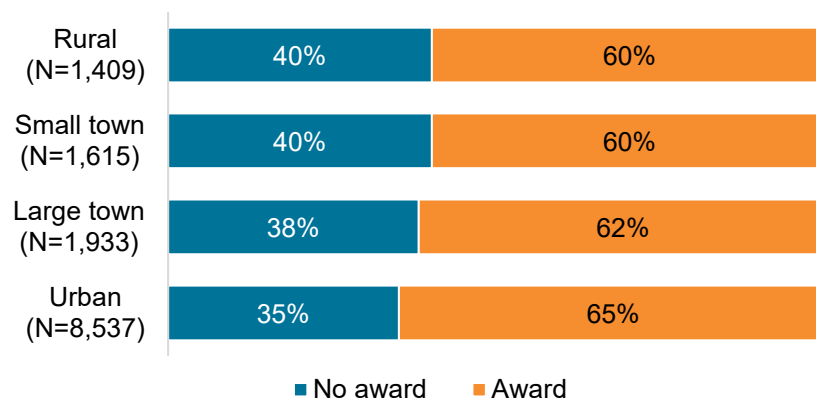
Full data table is available in [B3 of Appendix](#).

## Location of providers receiving ARPA-funded grants

While a majority of the programs and providers receiving ARPA-funded grants were located in urban areas (65%), the majority of providers are also located in urban areas (63%). This aligns with demographic patterns, as about 73% of the state's residents live in an urban area (Egbert & Brower, 2017).

At least 60% of providers accessed ARPA funding regardless of their urbanicity (Figure 7). Providers in urban areas were only slightly more likely to have received awards than their counterparts in other communities.

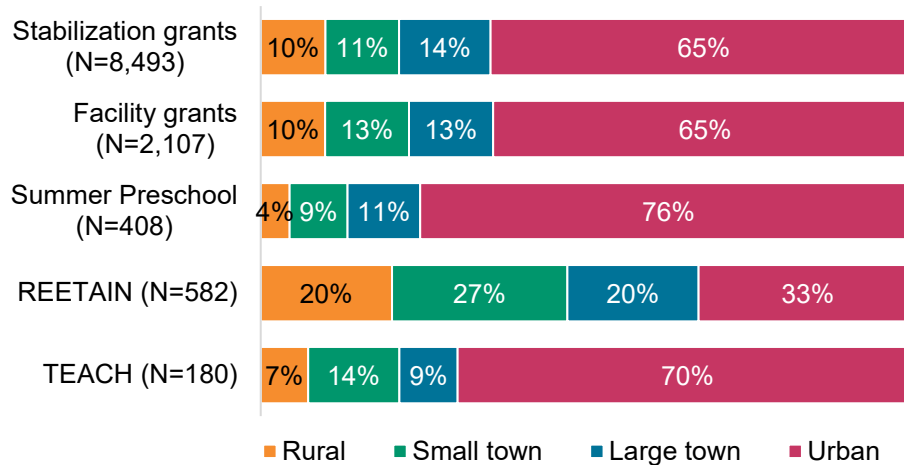
### 7. Distribution of funds by urbanicity, 2021-2023



Note: Full data table is available in [B4 of Appendix](#).

Among the two most common types of awards (Stabilization and Facility grants), the distribution of providers was quite similar across geography, and mirrors the distribution of providers themselves across geography (Figure 8). As previously mentioned, the other three types of grants were primarily awarded to individuals or providers affiliated with school districts, which means that the distribution pattern that appears in these graphs should be interpreted with caution, understanding that many recipients of these funds may not be represented in our data.

## 8. Type of award by urbanicity, 2021-2023



Note: Full data table is available in [B5 of Appendix](#).

## Perspective of providers

The following sections highlight themes identified across interviews with 24 providers who were selected at random to represent programs of various types and urbanities (details on the methods are in the appendix). On occasion, insights from one or two respondents are included with the possibility that other providers may have had similar experiences.

Overall, interviewed providers reported that grants from ARPA-funded initiatives helped cover their business expenses at a time when costs were rising and people were leaving the field for higher paying jobs. The grants supported them in staying open and continuing to provide stable, safe, and developmentally-appropriate care and education to their families.

### Child Care Stabilization Grants

#### Most helpful aspects

Providers were required to use a portion of the Child Care Stabilization Grants for compensation, and many used the monthly grants to support staff wages, which lead to increased retention. Child care centers could incentivize staff to stay without having to raise rates for families. Providers, both family and centers, also used these grants to offset rising costs. Providers were able to cover certain costs with these funds so their regular revenue could cover other costs (e.g., by using grant funds to pay staff wages or educational materials, providers were able to afford more nutritious food). Finally, the grants allowed many providers to address pandemic-related needs, such as having extra staff due to isolation protocols or staff to cover when others were out sick.

## Ease of access

Over one-half of interviewees did not experience challenges accessing the funds. Seven providers, primarily centers, noted the administrative burdens of collecting the information needed and the time required.

## Benefit to children and families

The Child Care Stabilization Grants helped child care centers stay in operation including retaining staff. Consistent staffing also provided the children and families with stability, avoiding a “revolving door” of staff. Family child care providers were able to afford things they may not have been able to otherwise. Examples included more nutritious food, new toys, art supplies, beds, sleeping pads, and supplies for family events.

*The Stabilization Grants helped by making sure we stayed open and could get access to the products like cleaning supplies and masks and cover the cost of loss of kids being out.*  
– Family child care provider

## Facility Revitalization Grants

### Most helpful aspects

By upgrading their facilities with Facility Revitalization Grants, child care programs were safer and more attractive to families. For some providers, the updates were necessary to stay in compliance with licensing requirements. Several centers put this funding toward developmentally-appropriate playgrounds or play sets. Others used it for needed updates to flooring, doors, or furniture.

*It allowed me to change out my flooring from carpeting to one that's easier to clean. It is so much better for sanitation.* – Family child care provider

*I believe that funding enlarged our playground and made it appropriate for all ages. It was previously an elementary school, so we were able to update it. That was a good outlet for us for children's large muscle and staff state of mind to be able to get outside. That was a springboard and we continue to add to the playground. It's used by our center and the community. A lot of playgrounds are for older kids.* – Child care center

## Ease of access

Some interviewees did not experience challenges accessing the funding, while others cited a great deal of administrative work, including challenges with the reimbursement process and poor communication. Providers that did not apply for this funding were either unaware of it or did not have a need.

## **Benefit to children and families**

Having upgraded facilities increased the level of safety for children and families, allowed for more developmentally-appropriate equipment for children, and increased the attractiveness to families, potentially having a positive impact on enrollment.

### **Summer Preschool funding**

#### **Most helpful aspects**

Centers used the Summer Preschool funding to provide enriching opportunities for children during the summer, such as field trips or bringing resources from the community to their site for summer preschool or camp. The one interviewed family child care provider who reported having received the funding used it to cover wages for staff for the additional months they were open.

#### **Ease of access**

The interviewed providers who did not access the Summer Preschool funding were not aware of it. Of those who received the grant, two providers felt the administrative burden was significant; one said they were displeased by the amount of money allotted; and another reported no challenges accessing the funding (note that this provider had staff at their district office to manage the administrative tasks).

## **Benefit to children and families**

Providers felt that these funds allowed children social interaction and educational opportunities prior to starting kindergarten. These children may not have had access to social interaction during the pandemic, and these summer programs provided educationally enriching activities that the children may not have been able to access otherwise.

### **REETAIN bonuses and TEACH scholarships**

#### **Most helpful aspects**

The TEACH scholarship assisted individual early childhood educators in attaining further education and, in some cases, earning lead teacher licensure. This helped child care centers meet required ratios in the classroom. The REETAIN bonus helped to retain staff by giving them an incentive to stay in their position, offering them flexible funds.

*The staff member said she appreciated that REETAIN was flexible and that TEACH helped her pay for school expenses that went beyond what we were able to pay in terms of professional development. – Child care center*



*The REETAIN bonus, we have several staff that apply every year and they like that it's for them. They can use it how they want. But it's kind of like a reward for people who have worked here longer and have the higher education levels. – Child care center*

## **Ease of access**

Most providers reported that accessing TEACH scholarships and REETAIN bonuses was fairly easy. One respondent reported that the requirement that someone holds a certain lattice level on the Minnesota Career Lattice is a barrier because it feels daunting to some to take the classes needed to be at the required level. There may also be a misperception that there is a cost associated with these classes, which may hinder staff from participating. Another respondent said it is often not practical for staff to go back to school while working, so they are not inclined to apply for the TEACH scholarship.

## **Benefit to children and families**

The benefits for TEACH scholarships and REETAIN bonuses are that they increase the accessibility of continuing education opportunities for early educators, and promote greater stability and consistency among staff and the workforce more broadly. Both outcomes can contribute to a better experience for children in child care. One respondent noted that the TEACH scholarship is important incentive for young people in the workforce to get their CDA certification and ECE degrees, leading them to “a more viable livelihood.”

## **Challenges faced by child care providers**

### **Finding qualified staff and meeting the demands of a changing workforce**

Following the height of the pandemic, many centers found it very difficult to find qualified staff to hire. Many staff were leaving the workforce to look for other job opportunities. It proved challenging to meet the state’s licensing requirements (e.g., having a lead teacher in every classroom).

*By 2021, I had a lot of staff that left. As families started to come back, it has been a challenge to hire people and is still a challenge to this day. – Child care center*

While the ARPA-funded programs, Child Care Stabilization Grants in particular, helped child care providers address staffing challenges, providers are still struggling to find and retain qualified staff. Providers described the workforce as both smaller and less stable since the pandemic. Employees are seeking more flexible schedules or particular hours, and asking for higher pay and benefits. Child care providers are often not able to meet the requests of new staff. One respondent described the hiring process as if the child care provider is being interviewed rather than the other way around.

*There are so many work-from-home jobs that people think grass is greener on that side. – Child care center*

*I've had three lead teacher positions open for two years. It makes it harder to accept new families or when families know they're going to have another baby it's not certain we'll be able to serve them. Staffing prevents us from bringing in more people. The requirements of a lead teacher makes it hard to find someone with all that. Someone with that kind of education is going to find a higher paying job. – Child care center*

## **Meeting new demands related to the pandemic**

The cost of operating a child care business increased with the increasing need for supplies to accommodate new practices and protocols related to health and safety. The number of masks, sanitary wipes, gloves, and bottles of bleach that were required, as well as the rising costs due to the supply chain issues and demand, presented new financial challenges for providers. In addition, identifying new schedules, enrollment policies, leave policies, and other protocols for health and safety was challenging for providers to develop and implement.

*It was tough finding all the products required for licensing. – Family child care provider*

The ARPA-funded programs, Child Care Stabilization Grants in particular, helped child care providers address these demands. In addition, many of these demands have lessened. Providers identified a new normal and eventually found their footing with new policies and protocols for staff and families post-pandemic. Several measures taken to ensure health and safety, such as isolation protocols, mask wearing, cleaning, and sick leave policies have now shifted to be more manageable and less costly.

## **Keeping up with the rising cost of goods**

Providers noted a significant increase in the cost of goods such as food and supplies (e.g., toilet paper, napkins, wipes) and the impact this had on their expenses. Many sites had to scramble to find ways to cover these new expenses. Some sites had to raise rates for families.

When asked about what challenges they currently face, the largest number of providers noted the continued rise in cost of material goods, food in particular, and the challenge to stay in operation given these expenses. Providers are reluctant to increase rates any further for fear of burdening or costing out families that would no longer be able to afford care.

## **Unstable enrollment**

During the pandemic, several providers also experienced a sharp decrease in enrollment. As families lost their jobs or were working from home, many families chose to keep their children at home rather than send them to care. Many families were also less willing or able to pay for the cost of care than they were in the past.

*We were having families not working and child care needs changed. It was a loss of income because people weren't working or were working from home and didn't send their kids to child care. At the very beginning, I had a two-week minimum to hold their spots, but after that everything kept getting prolonged. Now all the child care programs I knew of, their numbers were down as well. So families had no reason to continue to pay to hold a spot when there's not going to be trouble finding it (care) when you do need it.*  
– Family child care provider

The ARPA-funded programs helped providers minimize tuition increases, which may have indirectly helped stabilize enrollment. However, a few providers are still experiencing challenges with enrollment, particularly for family child care providers, while others either never saw a drop in enrollment or are no longer experiencing that issue.

Other current challenges mentioned by one or two respondents include changes in parent expectations (want more for their dollar, higher expectations), unprecedented behavior challenges among children, relicensing requirements, and burnout among staff. Some respondents, all family child care providers, noted that they are not currently experiencing any challenges related to the pandemic.

### **Current successes**

Providers shared a variety of notable successes. Some of the most common responses about current successes were related to high satisfaction among families with the care their children are receiving. Providers also commonly talked about observing academic or social emotional skill development among children they serve. Fewer providers shared that their staff are happy or that some of their staff have been there for a long time. Others commented on employees who are pursuing education to obtain their CDA certification.

*I have compliments from parents saying they notice their kids are learning a lot.*  
– Family child care provider

*The kids are doing amazing. Kids are more than ready for kindergarten.* – Child care center

### **Current financial status**

Overall, the majority of providers reported that their financial status is okay, yet they are still very much dependent on the Great Start Compensation Support Payment Program. Several respondents noted they would not be able to stay in operation without this ongoing financial support.

*They still have the Great [Start] Compensation Support [Payment Program], so if I didn't get that I'd probably be struggling. Without it, I might not continue with daycare. I still need a lot of cleaning supplies, etc.* – Family child care provider

*We're doing okay. I know we still get the Great Start [Compensation Support payments]. That one, if it were to go away, would be detrimental. With the support of the ones that are still in process, we're fine. I would worry about losing families because we would have to raise the rates too much.*  
– Child care center

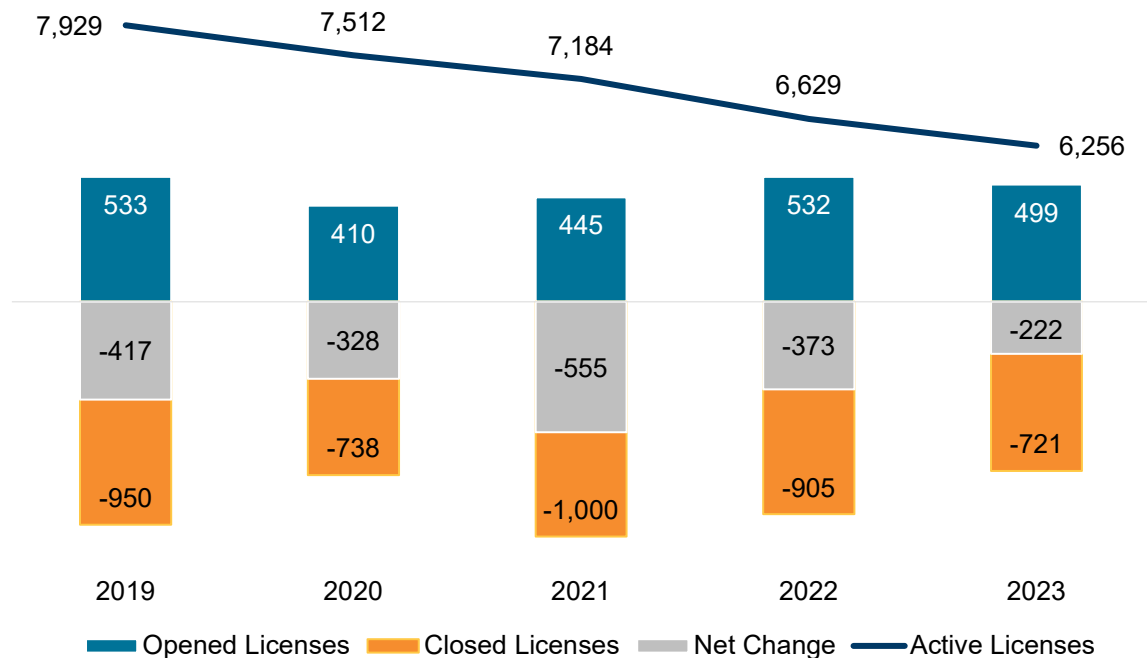
*We're back on our feet financially, but our rates are extremely high. We had to keep up with the cost of staffing. Employee pay has risen. We're part of the Minnesota Great Start [Compensation Support Payment Program]. That's picked up where the other funds left off. We're still using those to have competitive wages. – Child care center*

## Relationship between receipt of ARPA-funded grant and closure

Nearly 4,000 child care providers and centers have closed since the pandemic (between 2020 and 2023), though new programs have also opened. The net change varies by type of program.

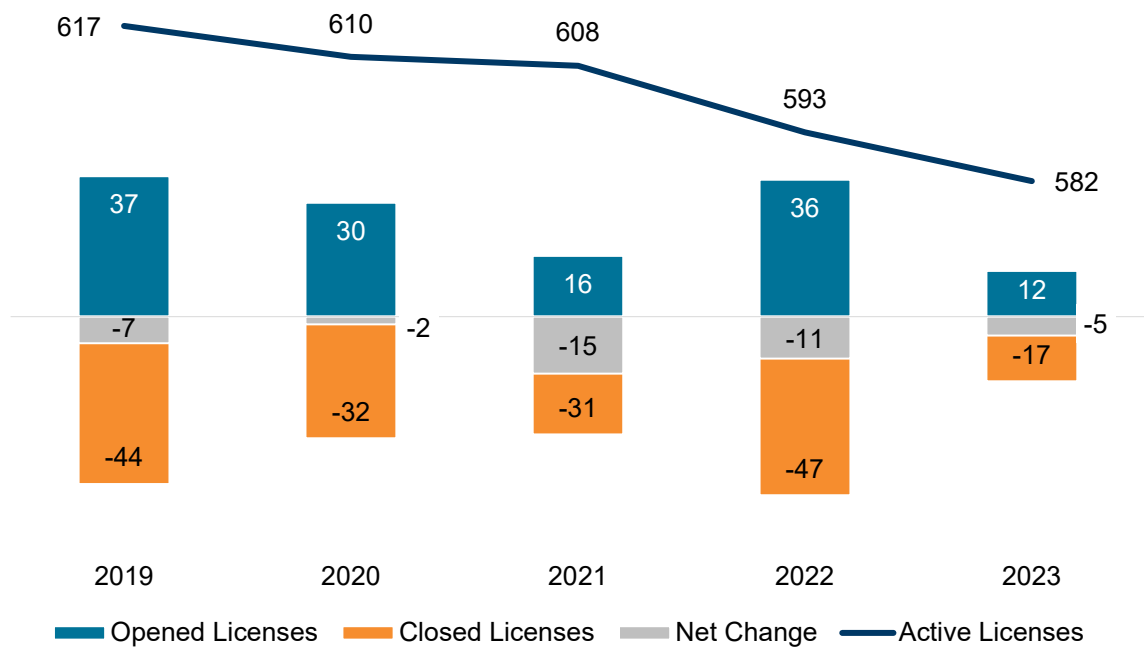
The number of active family child care licenses has decreased since the pandemic, with a larger number of net closings in 2021 compared to previous years (Figure 9). There was also a larger decrease in number of certified child care centers in 2021 than prior (Figure 10). In contrast, the net change in number of active child care center licenses had been increasing prior to the pandemic, and then saw a decrease in 2021, before rebounding in 2022 (Figure 11).

### 9. Trend in number of family child care providers, 2019-2023



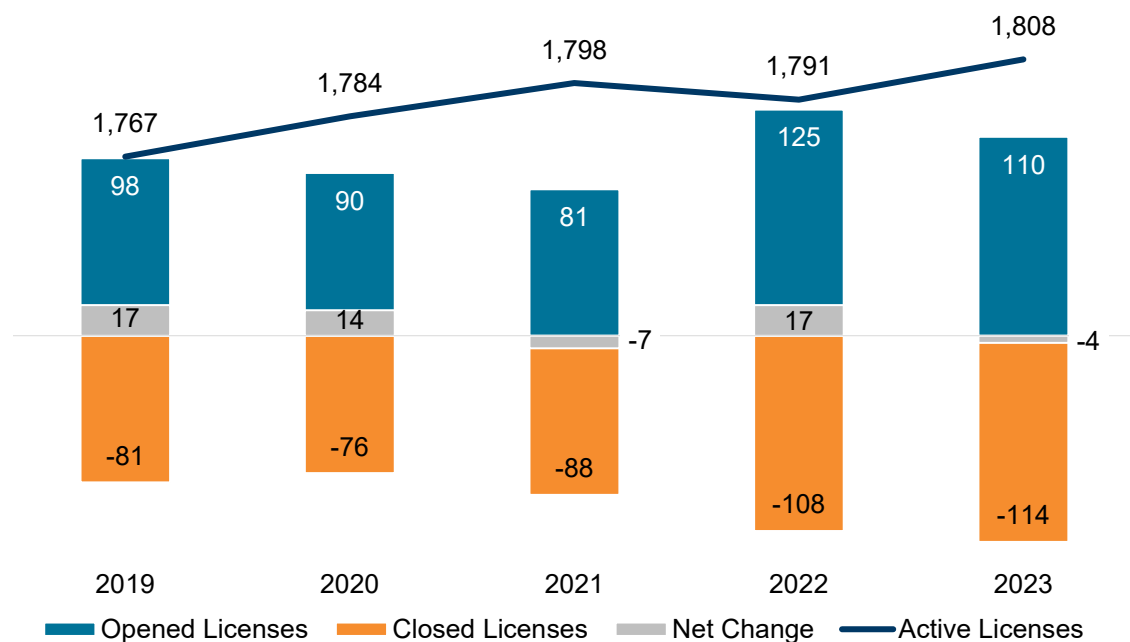
Note: Full data table is available in [B6 of Appendix](#).

## 10. Trend in number of licensed child care centers, 2019-2023



Note: Full data table is available in [B7 of Appendix](#).

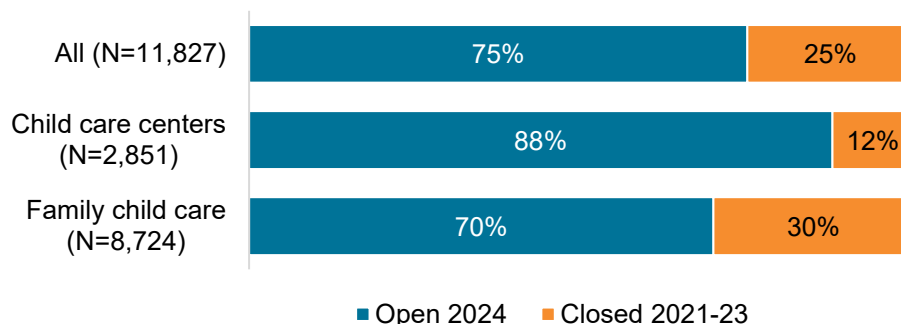
## 11. Trend in number of Licensed Child Care Centers, 2019-2023



Note: Full data table is available in [B8 of Appendix](#).

A larger percentage of family child care programs closed compared to child care centers (30% vs. 12%; Figure 12). (Note: These data reflect closures at the provider level and do not reflect how the availability of child care slots changed during this time.) However, closures did not appear to be concentrated in any particular type of city, with just over a quarter of programs closing (see Figure 13).

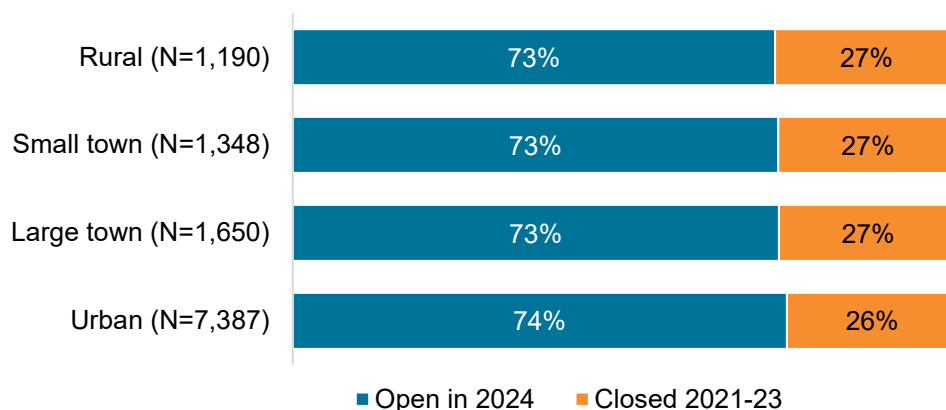
## 12. Percentage of programs that closed between 2021-23, by program type



Note: For 252 records, license type was not identifiable.

Full data table is available in [B9 of Appendix](#).

## 13. Percentage of programs that closed between 2021-23, by urbanicity



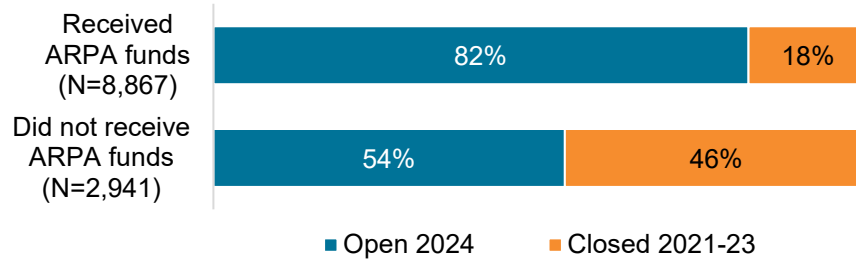
Note: For 252 records, urbanicity was not identifiable.

Full data table is available in [B10 of Appendix](#).

Providers who received a grant through an ARPA-funded program were more likely to be open as of January 2024 than those who did not (see Figure 14). Among those that were open as of January 2024, 82% had received funding from at least one type of ARPA-funded initiative, and 28% had received two or more awards (see Figure 15).

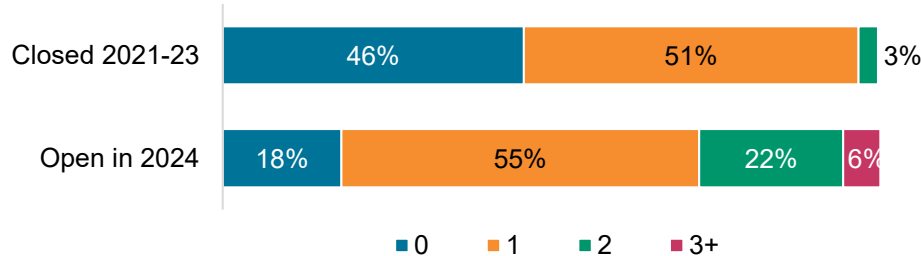
However, this is not necessarily causal. Providers who are already struggling with the challenges exacerbated by the pandemic may not have had the time nor desire to access the additional funds. Alternatively, the ARPA funds may not have been sufficient to overcome the multitude of challenges brought by the pandemic (dropping enrollment, difficulty finding and retaining staff, changes in the provider's personal life due to the pandemic).

#### 14. Percentage of programs that closed between 2021-23, by receipt of ARPA funds



Note: Full data table is available in [B11 of Appendix](#).

#### 15. Percentage of programs that closed between 2021-23, by number of ARPA awards



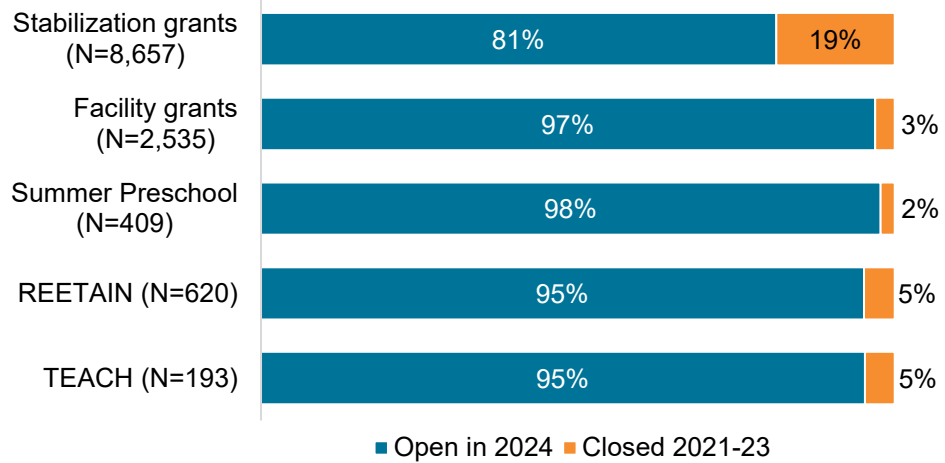
Note: Percentages total to greater than 100% due to rounding.

Full data table is available in [B12 of Appendix](#).

Among providers who benefitted from ARPA-funded programs, the highest rates of closure were among recipients of Child Care Stabilization Grants (Figure 16). A very large number of providers accessed this grant program, which is why the closure rate may more closely match the overall closure rate in the state. Similar to the previous figure, this is not necessarily causal. The other financial support programs did not necessarily lead directly to lower closure rates. To receive Child Care Stabilization Grants, programs needed to be open and serving children, whereas the other programs required programs to meet other requirements, such as offer summer programming, enroll in education, or make capital improvements. Thus, providers opting to apply for those funds may have been more invested in staying in the field. In addition, those types of funding that were more competitive to access may have been more accessible to those providers who had the capacity or resources to invest in applying for them.



**16. Percentage of programs that closed between 2021-23, by type of ARPA-funded program**



Note: Full data table is available in [B13 of Appendix](#).

## Part 2: Comparison with other states' early childhood ARPA investments

### Comparison with how other states used funds

As noted above, ARPA allocated funds to all states to “help stabilize the child care sector” during the COVID-19 pandemic. According to the White House, “All 50 states, Washington, D.C., and four US territories operated Child Care Stabilization programs,” though how they administered their programs may have differed (The White House, 2023). This report is focused on how ARPA funding supported Minnesota’s early care and education workforce, as the Minnesota Legislature directed funding specifically for that purpose. Not all states had that focus. For example, Minnesota was one of 23 states that required stabilization grants to be used to support the early care and education workforce, either as a percentage of the grant or a dollar amount (Basloe, 2022). It was also one of six states that expanded their TEACH or WAGE\$ programs (REETAIN is Minnesota’s WAGE\$ program) to provide scholarships or bonuses to the workforce.

Below is an overview of how four comparison states used ARPA funding, both Stabilization and additional Child Care and Development Fund funding, to support the early care and education workforce (Figure 17). These four states were chosen because of their socio-demographic similarity or proximity to Minnesota, as well as their similarity in terms of their child care licensing models.

Most states prioritized workforce stabilization, as intended, to keep facilities open through increased wages, benefits and professional development of staff, and operating costs. According to a 2022 review by the Child Care Services Association (CCSA), Minnesota and Wisconsin were the only two (among these five) that required Stabilization grants to be used for the early care and education workforce (Basloe, 2022).

While a few states provided funding intended to lower tuition or keep it from increasing, this did not appear to be a top priority during or after the pandemic. Following the table is a further description of how each comparison state used ARPA funding for the early care and education workforce.

## 17. Comparison of use of ARPA funding for the early care and education workforce

State	Description <sup>a</sup>	Use of ARPA Stabilization Grants <sup>b</sup>	Use of CCDF Discretionary
<b>Colorado</b>	5.7 million people \$51 billion in real GDP Top industry: Real estate Democratic governor	Child Care Stabilization and Workforce Sustainability Grants (through June 2023) - \$286.2 million - 3,860 child care programs - up to 313,000 children	Community Innovation and Resilience for Care and Learning Equity (CIRCLE) Grants
<b>Illinois</b>	12.5 million people \$109 billion in real GDP Top industry: manufacturing Democratic governor	Strengthen and Grow Child Care Grants (through June 2023) - \$796.3 million - 7,305 child care programs - up to 332,600 children	Early Childhood Access Consortium for Equity (ECACE) Scholarships
<b>Iowa</b>	3.2 million people \$32 billion in real GDP Top industry: manufacturing Republican governor	Child Care Stabilization Grants (through June 2023) - \$227.6 million - 2,155 child care programs - up to 73,900 children	Child Care Challenge Grants Child Care Business Incentive Grant Program Recruitment and Retention Bonus Program
<b>Wisconsin</b>	5.9 million people \$59 billion in real GDP Top industry: manufacturing Democratic governor	Child Care Counts Stabilization Payment Program (through March 2023) - \$357.0 million - 7,895 child care programs - up to 326,700 children	TEACH scholarships REWARD bonuses Partner Up!
<b>Minnesota</b>	5.7 million people \$53 billion in real GDP Top industry: manufacturing Democratic governor	Child Care Stabilization Grants (through June 2023) - \$324.2 million - 8,640 child care programs - up to 222,000 children	Summer Preschool Facility Revitalization Grants TEACH scholarships REETAIN bonuses

<sup>a</sup> Sources: Population: <https://worldpopulationreview.com/states>; GDP; Top industry: Forbes. (May 19, 2022). *The biggest industry in every state of 2022*. <https://www.forbes.com/sites/andrewdepietro/2022/05/19/the-biggest-industry-in-every-state-of-2022/>

<sup>b</sup> Amounts came from Administration for Children and Families Office of Child Care, 2023.

## Colorado

### Colorado's Child Care Stabilization Grant

Administered by Colorado Department of Early Childhood, licensed providers and programs that were open and operating as of March 11, 2021, were eligible to apply for a [Child Care Stabilization Grant](#) to cover operating expenses. In addition to getting funds to pay for current expenses, programs could be reimbursed retroactively for expenses going back to January 31, 2020. Applications were accepted January through September 2022, and programs were paid out monthly, for up to 9 months, through September 2023. Providers were encouraged to use the grants to lower tuition or prevent tuition increases.

Within the Child Care Stabilization Grant program, programs could apply for Workforce Sustainability Grants to support retaining and recruiting staff and employees, including compensation, benefits, health or mental health resources, professional development, and the cost associated with hiring new staff.

### Colorado's Community Innovation and Resilience for Care and Learning Equity (CIRCLE) grants

The [CIRCLE grant program](#) provided funding to both early care and education providers, as well as other community, education, and governmental partners to pursue an individual, innovative project to address early childhood challenges. The program distributed \$22.5 million from both ARPA and Coronavirus Response and Relief Supplemental Appropriations (CRRSA) for 226 projects (Early Milestones Colorado, n.d.). The funding was short term (up to a year), yet organizations could use the funding for a broad array of projects to test new ideas. The majority of the projects' goals focused on supporting Colorado's early childhood workforce.

## Illinois

### Illinois' Strengthen and Grow Child Care Grants

Licensed and operating child care programs (both centers and in-home providers) in Illinois were eligible for Strengthen and Grow Child Care grants. The grant program ran for six quarters from February 2022 through September 2023 (Gateways to Opportunity, n.d.-b). The program required the funds be used to invest in the early care and education workforce (50% of the grant amount), through wage increases, bonuses, benefits, new positions, or professional development (Gateways to Opportunity, 2021). Though the program has ended, Illinois is continuing with grants to support child care centers and homes through the Smart Start Transition Grants that will operate similar to the Strengthen and Grow grant program, though a larger share of the grant must be invested in personnel (Gateways to Opportunity, n.d.-a).

## **Illinois' Early Childhood Access Consortium for Equity (ECACE) scholarships**

The Early Childhood Access Consortium for Equity (ECACE) is a group of higher education institutions that is working to provide access to formal training (degrees and credentials) for the early care and education workforce in Illinois. The group was created by the Illinois Legislature in 2021. While the Consortium is working behind the scenes to align curricula across institutions, Child Care and Development Fund discretionary funds from ARPA were used to establish the [ECACE Scholarship Program](#) for current members of the workforce who are accepted into higher education institutions to pursue a degree (Hanlon, 2022).

## **Iowa**

### **Iowa's Child Care Stabilization Grants program**

Iowa invested \$220 million in a Child Care Stabilization Grants program for licensed and registered child care providers. Grants or stipends ranged from \$5,000-\$50,000, depending on the size of the program, and were awarded over the course of three rounds to registered or licensed child care programs that had existed prior to the pandemic. Launched in 2022, the first two rounds were for programs that had a financial loss due to the COVID-19 pandemic or with at least 25% of their children receiving child care assistance (Iowa Department of Human Services, 2022). The third round extended into 2024 and was less restrictive.

Child care programs in Iowa could use the funding for personnel costs or operating costs. According to the U.S. Department of Health and Human Services, Iowa child care centers most commonly used funds for staffing, whereas in-home programs primarily used the grants to pay for rent or mortgage payments (Administration for Children and Families Office of Child Care, 2022).

### **Iowa's Child Care Challenge Grant program**

ARPA funds were used to fund Iowa's Child Care Challenge Grant to create new child care spots. In 2022, out of a total of \$37 million invested, \$6.7 was from ARPA (Future Ready Iowa, 2022b). The program funded 102 projects in 2022 to support the construction or rehabilitation of child care facilities to create 4,800 new slots for children in communities across Iowa (Future Ready Iowa, 2022a). Though this was not directly a workforce initiative, the creation of new slots likely led to more people entering the early care and education workforce.

### **Iowa's Child Care Business Incentive Grant Program**

Iowa's Child Care Business Incentive Grant Program provided funding to businesses to support the creation of new child care slots for their employees either on-site or within their communities. The program was funded in part by ARPA (Office of the Governor, 2022). Over the course of two rounds of funding in 2022 and 2023, 28 projects with 78

employers were funded to create over 1,800 slots (Future Ready Iowa, 2022a). While not a direct workforce support program, opening new child care programming does create new jobs in the early care and education workforce.

### **Iowa's Recruitment and Retention Bonus Program**

Iowa's Recruitment and Retention Bonus Program invested \$30 million in a recruitment and retention bonus program (Iowa Department of Health & Human Services, 2024). Administered by the Iowa Department of Health and Human Services, the program provided \$1,000 and \$2,000 bonuses, starting in February 2022, to employees at child care centers and child development homes (Iowa Department of Health & Human Services, 2023). Recruitment bonuses were available to new workers after 90 days of employment, and retention bonuses were available to workers with at least 6 months of employment in the industry.

### **Credentials for Child Care Careers (C4) Grant**

The C4 Grant program in Iowa provides grants, of up to \$15,000 a year for two years, to school districts to partner with child care centers to help high school students earn Child Development Associate (CDA) credentials (CBJ News Staff, 2024). The initial \$1 million investment came from ARPA. This grant will directly support new people entering the early care and education workforce.

## **Wisconsin**

### **Wisconsin's Child Care Counts Stabilization Payment Program**

The [Child Care Counts Stabilization Payment Program](#) (PDF file will open) was started by the Wisconsin Department of Children and Families in 2020 as a response to the COVID-19 pandemic to help child care providers stay open. Initially funded by the CARES Act (round 1), the program continued with funding from ARPA, and is currently in round four with round five anticipated to complete in June 2025. Payments were paid out monthly, though providers in Wisconsin applied for a block of time, rather than a new application each month. Providers could apply under program A for operating expenses or program B for staff. While maintenance costs could be covered, neither new construction nor major renovation was allowed.

As of February 2023, the program had paid out \$308.6 million to 4,248 child care providers/programs (Wisconsin Department of Children and Families, 2023). The Institute for Research on Poverty at the University of Wisconsin – Madison conducted a study of rounds one and two of the program, and concluded that “the CCC Stabilization program appears to have provided much-needed monetary relief to child care programs across the state during the time of the COVID-19 pandemic” (Shager et al., 2023, p. 93). Programs used funds primarily to cover staff payroll and benefits, bonuses, and physical operating expenses.

The authors speculate that providers may have been less likely to fund permanent wage increases knowing that the funding pay be temporary.

### **Wisconsin's Partner Up! Grant program**

The [Partner Up! grant program](#), funded by ARPA and administered by the Wisconsin Department of Children and Families, were for private businesses with two or more employees to pay their employees to access child care. While not a direct workforce program, Partner Up! may have helped stabilize the workforce; when parents have a consistent source of income to pay for care, programs can maintain staff levels with less fluctuation.

### **Dream Up! Child Care Supply-Building Grant Program**

While not directly a workforce initiative, [Wisconsin's Dream Up! Child Care Supply-Building Grant Program](#) used ARPA funding (in combination with funds from a Preschool Development Grant) to develop and implement action plans designed to sustain and expand child care programs in communities. Increasing the number of programs would likely lead to increases in the workforce. Over the course of three funding cohorts, 37 communities received \$75,000 grants to support strategic planning.

### **The REWARD Wisconsin Stipend Program and TEACH scholarships**

Similar to Minnesota's REETAIN grant program, REWARD provides stipends to early childhood educators, ranging from \$250-\$950, depending on their level of qualifications (Wisconsin Early Childhood Association, n.d.). Wisconsin's Early Childhood Association also administers the national TEACH scholarship program, in which Minnesota also participates. Both programs existed prior to the pandemic, and like in Minnesota, the Wisconsin State Legislature allocated additional funds to the program using ARPA funding.

## **Changes in the size and wages of the child care workforce**

This section explores how the child care workforce changed across Minnesota and the four comparison states, during and after the pandemic. Early childhood educators work in a variety of contexts and may consider themselves family child care providers, child care center staff, preschool teachers, or a myriad of other variations on these labels. The Bureau of Labor Statistics (BLS) tracks the number of workers who identify in specific roles. In this data set, "child care workers" are typically those that work in private centers, caring for children birth through kindergarten, whereas preschool teachers are more often (but not always) embedded within school systems. Whereas family child care providers are classified as "self-employed" or business owners, grouped with all the many types of businesses that individuals might own and operate. Thus, comprehensive data on the number of educators in all parts of the early care and education workforce are more difficult to come by. The field is estimated to include over 40,000 early childhood educators in Minnesota, including

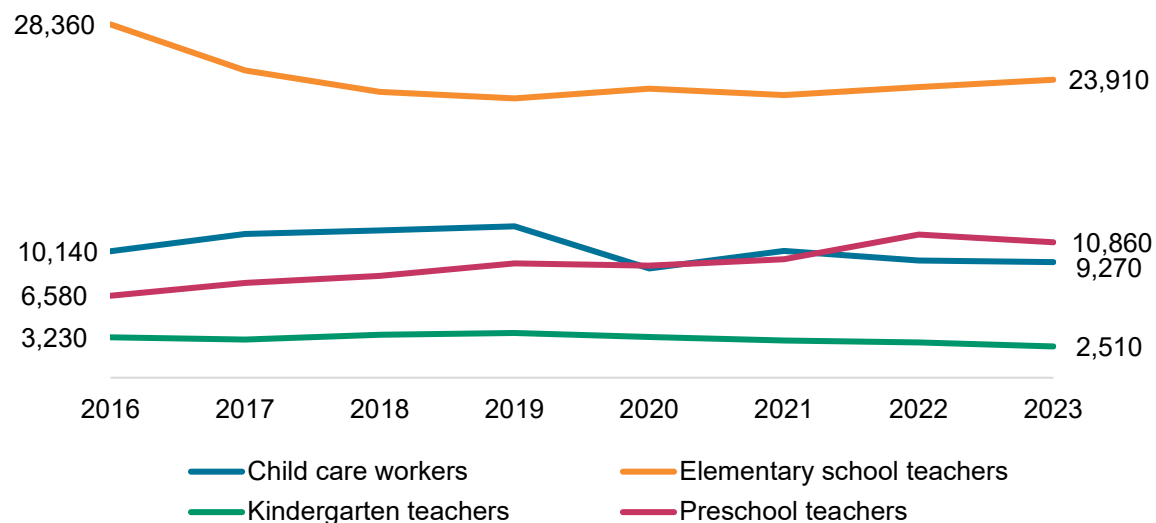
staff at licensed child care centers, licensed family child care providers, Head Start and Early Head Start programs, and license-exempt (both certified or uncertified) child care programs that serve children prior to kindergarten entry (Valorose et al., 2023). Data on kindergarten and elementary teachers is included as a further comparison of a similar field.

### Size of the workforce

In Minnesota, based on BLS data, the number of people classified as “child care workers” has not changed significantly from 2016 to 2023 (Figure 18). Teachers are included here as a comparison group in a similar field. In 2016, Minnesota had about 10,000 child care workers, similar to the number of child care workers in 2023. While there was growth in the number of child care workers from 2016 to 2019, there was a disruption in 2020 coinciding with the pandemic. In the years following the pandemic (2021-2023), the size of the workforce stabilized, though it has not gotten back to the pre-pandemic levels of 2019. As of May 2021, the child care industry still had 17% fewer employees than it did in May 2019.

While not captured in the BLS data, the number of licensed family child care providers has been decreasing for over a decade, from over 10,700 in 2011 to under 6,300 in 2023, a 42% decrease in 12 years (Valorose et al., 2023).

#### 18. Number of people classified as teachers and child care workers in Minnesota, 2016-2023



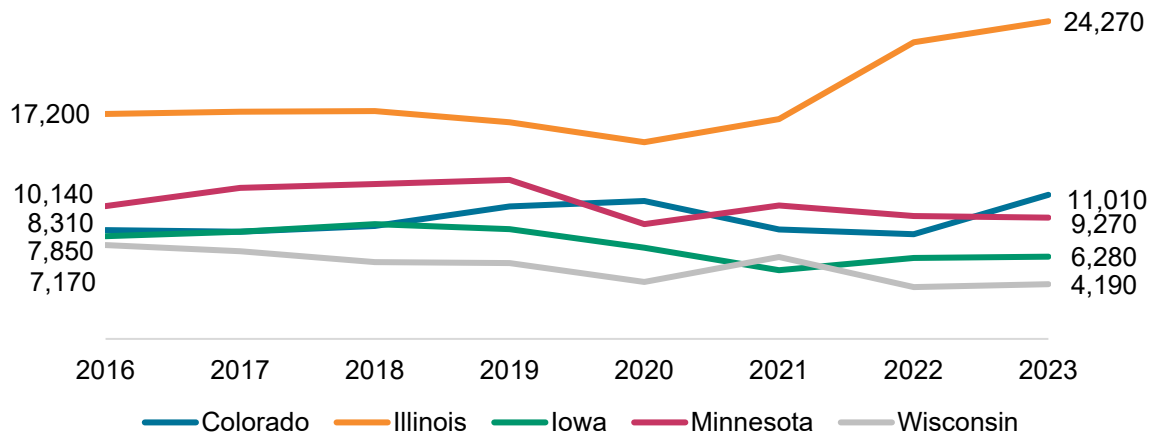
Source: Bureau of Labor Statistics .

Note: Full data table is available in [B14 of Appendix](#).



Relative to other states, Minnesota was able to hold somewhat steady in terms of the number of child care workers (as classified in the BLS data) during the pandemic (Figure 19). Wisconsin appears to be steadily losing child care workers during this period, but this decline predates the pandemic. Colorado has seen some growth in the number of child care workers. Illinois shows a stark increase in the number of child care workers during this time.

### 19. Number of child care workers in Minnesota and four comparison states, 2016-2023



Source: Bureau of Labor Statistics

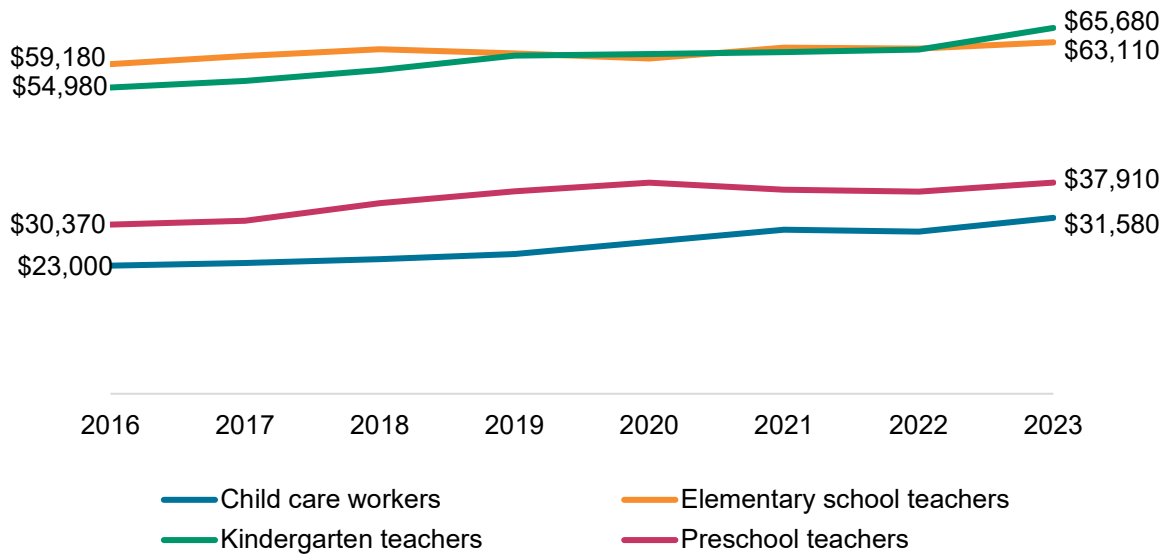
Note: Full data table is available in [B15 of Appendix](#).

## Earnings

Child care workers, as defined within the BLS data, have the lowest median annual earnings when compared to other educators, followed by preschool teachers (Figure 20). Interestingly, these two groups saw larger increases in their annual earnings during the period of the pandemic relative to elementary and kindergarten teachers remained stable. The gap in annual income is shrinking, as the median annual income of child care workers has increased 37% from 2016 to 2023 compared to 7% for elementary teachers.

As small business owners, family child care providers' wages and incomes are not captured in the BLS data. The 2023 Minnesota Child Care Cost Modeling Report found that the take home pay of family child care providers ranges from \$28,789 in rural areas to as much as \$56,871 in urban areas (Department of Human Services, 2023).

## 20. Median annual income of teachers and child care workers in Minnesota, 2016-2023

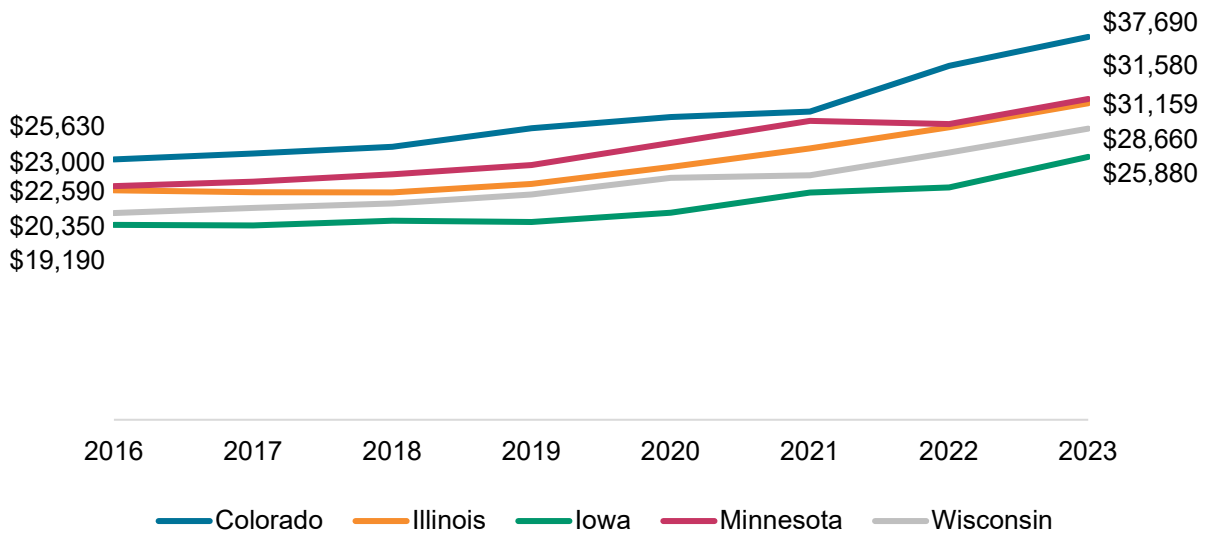


Source: Bureau of Labor Statistics

Note: Full data table is available in [B16 of Appendix](#).

The pattern of increase in the earnings of child care workers was also apparent across the four comparison states (Figure 21). Earnings remained steady during 2016-2019 and then increased during and following the pandemic (2020-2023). The median earnings of child care workers in Minnesota remained near the top of this group of states throughout the duration of this analysis, below Colorado, and above the other states across all years.

**21. Median annual income of child care workers in Minnesota and four comparison states, 2016-2023**



Source: Bureau of Labor Statistics.

Note: Full data table is available in [B17 of Appendix](#).

## Conclusions and implications

The \$537 million that Minnesota received from ARPA to support child care and early childhood education was directed to a broad array of providers across Minnesota through several initiatives administered by DHS and MDE. Over 8,700 licensed and certified child care providers, or their staff, received funding from programs funded with the federal ARPA funding. Funding from these programs was proportionally distributed across providers in urban, rural, small, and large towns.

Minnesota invested similarly compared to other states, in part because the ARPA Child Care Stabilization Grant was somewhat prescriptive. Use of ARPA's influx of CCDF Discretionary Funds did vary, with Iowa investing in the creation of more child care slots and Colorado's CIRCLE grant program that invested in innovation. There was significant growth in the number of child care workers in Illinois. While their programs were similar to Minnesota's, they did receive nearly double the ARPA Child Care Stabilization funding and have twice as many people.

The funding helped providers navigate challenges related to the pandemic that persisted in 2021, including hiring and retaining qualified staff, increasing the education of staff (to meet licensing requirements), upgrading facilities to maintain their license, and offsetting the rising costs of tangible items. All of this enabled providers to minimize tuition raises for families, while also continuing to provide quality and stable care for children. This likely contributed to fewer program closures than Minnesota would have experienced otherwise.

The number of child care workers has increased since dropping in 2020, though it has not returned to pre-pandemic levels. The number of preschool teachers has grown, indicating some growth in the total early care and education workforce. (Note: This does not include family child care providers who are typically self-employed.) Median annual earnings for child care workers has increased since 2020, and remained stable for preschool teachers.

External economic factors continue to put pressure on the early care and education workforce. The employment rate is low and workers are in high demand across many industries, thus people have many job opportunities available to them. The ARPA investments likely mitigated workforce reductions and contributed to wage stabilization; however, early childhood educators can likely find better paying and less demanding jobs in other industries. Interviewed providers noted that staffing continues to be a top challenge.

The early care and education workforce was struggling prior to the COVID-19 pandemic. Minnesota's investment of ARPA funding to support the workforce kept programs open, and staff employed and compensated, as they came out of the height of the pandemic and continued to face challenges related to staffing, enrollment, and supplies. The new Great Start Compensation Support Payment Program is necessary ongoing support to keep early care and education programs operational going forward.

## References

- Administration for Children and Families Office of Child Care. (2022). *Iowa ARP Child Care Stabilization fact sheet*. U.S. Department of Health and Human Services. <https://www.acf.hhs.gov/occ/map/arp-act-stabilization-funding-state-territory-fact-sheets>
- Administration for Children and Families Office of Child Care. (2023, June). *ARP Child Care Stabilization Funding state and territory fact sheets*. U.S. Department of Health and Human Services. <https://www.acf.hhs.gov/occ/map/arp-act-stabilization-funding-state-territory-fact-sheets>
- Basloe, M. (2022, January 24). *State investments in the child care workforce*. Child Care Services Association. <https://www.childcareservices.org/2022/01/24/state-investments-in-the-child-care-workforce/>
- CBJ News Staff. (2024, March). *Reynolds announces \$1 million to support Credentials for Child Care Careers grant program*. Corridor Business Journal. <https://corridorbusiness.com/reynolds-announces-1-million-to-support-credentials-for-child-care-careers-grant-program/>
- Child Care Aware of America. (2024). *American Rescue Plan Act (ARP)*. <https://www.childcareaware.org/our-issues/public-policy/american-rescue-plan-arp-act/#infographic>
- Department of Human Services. (2023). *2023 Minnesota child care cost modeling report*. <https://edocs.dhs.state.mn.us/lfservlet/Public/DHS-7180A-ENG> (PDF file will open)
- Early Milestones Colorado. (n.d.) Critical Investment at a Critical Time: How the CIRCLE Grant Program Can Inform the Future of Early Childhood in Colorado. [https://earlymilestones.org/wp-content/uploads/2023/11/EM-003-Circle-Grant-Report\\_fa\\_screen\\_singles.pdf](https://earlymilestones.org/wp-content/uploads/2023/11/EM-003-Circle-Grant-Report_fa_screen_singles.pdf) (PDF file will open)
- Egbert, A., & Brower, S. (2017). Greater Minnesota refined & revisited. Minnesota State Demographic Center. [https://mn.gov/admin/assets/greater-mn-refined-and-revisited-msdc-jan2017\\_tcm36-273216.pdf](https://mn.gov/admin/assets/greater-mn-refined-and-revisited-msdc-jan2017_tcm36-273216.pdf) (PDF file will open)
- First Children's Finance. (2023). *Minnesota child care facility revitalization grant: Impact report*. <https://www.firstchildrensfinance.org/app/uploads/2024/01/FRG-Impact-Report-2023.pdf> (PDF file will open)

- Future Ready Iowa. (2022a). *2022 Future Ready Iowa child care awards*. <https://workforce.iowa.gov/media/1986/download?inline> (PDF file will open)
- Future Ready Iowa. (2022b). *Governor Reynolds awards \$36.6 million in child care grants* [Press release]. <https://workforce.iowa.gov/press-release/2022-01-12/governor-reynolds-awards-366-million-child-care-grants>
- Gateways to Opportunity. (n.d.-a). *Smart Start Transition Grants*.
- Gateways to Opportunity. (n.d.-b). *Strengthen and Grow Child Care Grants*.
- Gateways to Opportunity. (2021). *Strengthen and Grow Child Care Grants frequently asked questions*. <https://www.ilgateways.com/docman-docs/financial-opportunities/covid-19-relief/sgcc-grant/2208-sgcc-faq> (PDF file will open)
- Hanlon, T. (2022). *Helping solve Illinois' early childhood teacher shortage*. University of Illinois Urbana-Champaign, College of Education. <https://education.illinois.edu/about/news-events/news/article/2022/02/16/helping-to-solve-illinois%27-early-childhood-teacher-shortage>
- Iowa Department of Human Services. (2022). *Iowa DHS Child Care Stabilization Grants frequently asked questions*. <https://hhs.iowa.gov/media/6768/download?052720221343=> (PDF file will automatically download)
- Iowa Department of Health & Human Services. (2023). *Iowa HHS recruitment and retention bonus: Frequently asked questions*. <https://hhs.iowa.gov/media/6769/download> (PDF file will automatically download)
- Iowa Department of Health & Human Services. (2024). *DHS announces \$30 million recruitment and retention bonus program for Iowa child care workforce*. <https://hhs.iowa.gov/news-release/2022-01-13/dhs-announces-30-million-recruitment-and-retention-bonus-program-iowa-child>
- Office of the Governor. (2022). *Gov. Reynolds announces \$25M Child Care Business Incentive Grant Program* [Press Release]. <https://governor.iowa.gov/press-release/2022-05-18/gov-reynolds-announces-25m-child-care-business-incentive-grant-program>

- Shager, H., Hostetter, L., & Bauer, Z. (2023). *Study of the Child Care Counts Stabilization Payment Program final report*. Institute for Research on Poverty. <https://www.irp.wisc.edu/resource/study-of-the-child-care-counts-stabilization-payment-program-final-report/>
- Shaw, S., Hilty, R., Lloyd, C. M., Nagle, K., Pschall, K., Warner-Richter, M., Moron, L., & Tout, K. (2019). *Evaluation of R.E.E.T.A.I.N: Minnesota's child care workforce retention program: Final report*. Child Trends. [https://cms.childtrends.org/wp-content/uploads/2018/12/Evaluation-of-REETAIN-Final-Report\\_ChildTrends\\_Jan2019.pdf](https://cms.childtrends.org/wp-content/uploads/2018/12/Evaluation-of-REETAIN-Final-Report_ChildTrends_Jan2019.pdf) (PDF file will open)
- The White House. (2023). *Fact sheet: Historic Biden-Harris Administration investments in child care recovery lowered costs for millions of families, helped speed the return to work of hundreds of thousands mothers, and grew the child care workforce*. <https://www.whitehouse.gov/briefing-room/statements-releases/2023/11/07/fact-sheet-historic-biden-harris-administration-investments-in-child-care-recovery-lowered-costs-for-millions-of-families-helped-speed-the-return-to-work-of-hundreds-of-thousands-mothers-and-grew-t/>
- Tuttle, C., Kotasek, K. Loesch, Y. Alur, A., & Merrick, W. (2023). *Child care stabilization base grants descriptive analysis: Final report*. Minnesota Management and Budget. [https://mn.gov/mmb/assets/final\\_report\\_20230228\\_tcm1059-560081.pdf](https://mn.gov/mmb/assets/final_report_20230228_tcm1059-560081.pdf) (PDF file will open)
- Valorose, J., Kinoglu, S., & Peterson, A. (2023). *Minnesota's early childhood educators: 2023 statewide study of the demographics, workforce supports, and professional development needs of the early care and education workforce*. Wilder Research. [https://www.wilder.org/sites/default/files/imports/EarlyCare\\_EducationWorkforce\\_Minnesota\\_Report\\_12-23.pdf](https://www.wilder.org/sites/default/files/imports/EarlyCare_EducationWorkforce_Minnesota_Report_12-23.pdf) (PDF file will open)
- Wisconsin Department of Children and Families. (2023). *Child care counts: Stabilizing and sustaining the early care and education industry*. <https://dcf.wisconsin.gov/files/press/2023/budget-ccc.pdf> (PDF file will open)
- Wisconsin Early Childhood Association. (n.d.). *Reward Wisconsin FAQs*. <https://wisconsinearlychildhood.org/programs/reward/faq/>

# Appendix

## A. Research methods

### *Analysis of administrative data on programs receiving ARPA funds*

The Minnesota Department of Education (MDE), the Minnesota Department of Human Services (DHS), and Child Care Aware of Minnesota provided administrative data on the grant programs they administered through five different programs that used ARPA funds: TEACH scholarships, REETAIN bonuses, Summer Preschool Funding, Facility Revitalization Grants, and Child Care Stabilization Grants. While each agency or organization who administered an ARPA-funded grant may have done a review of their granting efforts, the goal of this study was to look at patterns across the portfolio of ARPA-funded grant initiatives to determine how the ARPA funding collectively supported child care providers post-pandemic. Some of the data sources were limited due to the way the programs were administered – namely that awards were not given to the types of providers that are central to this analysis (Summer Preschool), or the funds were given to individuals rather than organizations and administrative records did not contain an employer license number for all individuals (TEACH and REETAIN).

The dataset set includes providers who were open at some point between January 2020 and March 2024, a total of 12,583 providers.

### *Analysis of employment data (BLS, DEED)*

Data from the Bureau of Labor Statistics (BLS) about the child care workforce was analyzed to describe patterns of employment and earnings in the years leading up to and during the pandemic.

To first understand the landscape of this industry, the number of child care workers in the field during 2016-2023 was compared to other similar professions, including kindergarten and elementary teachers. While not a direct comparison, it provides context to the data about the child care workers within the most similar profession for which BLS data are available.

### *Analysis of interview data*

In April and May 2024, Wilder staff invited child care providers across Minnesota to participate in a 15-20-minute phone interview about the funding they received from ARPA-funded initiatives from 2021-2023.

Wilder staff contacted both licensed child care centers and licensed family child care providers via email and phone, using multiple attempts to make contact. Wilder aimed to reach providers from a variety of geographies (rural, small town, large town, and urban). In addition to reaching providers



who had received funding, Wilder also attempted to reach providers that had not received COVID-19 relief funds.

Providers were asked questions about challenges they experienced in 2021, coming out of the pandemic; which grants they received; what was most helpful about those grants; and whether they had any trouble accessing the funds. They were also asked about current challenges and successes for their organization and the families they serve. Respondents received a \$50 gift card as a thank you.

### ***Characteristics of participating child care providers***

Wilder conducted interviews with 24 licensed child care providers (12 child care centers, 12 family child care providers). All participants were in good standing with DHS or had active licenses. Nearly all participants received the Child Care Stabilization Grants and nearly 3 in 4 received Facility Revitalization Grants. Fewer had received Summer Preschool Funding and TEACH scholarships and/or REETAIN bonuses for themselves or their staff (Figure A1).

#### **A1. Characteristics of child care providers interviewed (N=24)**

<b>Provider type</b>	<b>%</b>	<b>#</b>
Family child care	50%	12
Child care center	50%	12
<b>Location</b>		
Rural	17%	4
Small town	21%	5
Large town	33%	8
Urban	29%	7
<b>Grant types received</b>		
Child Care Stabilization Grants	92%	22
Facility Revitalization Grants	71%	17
Summer Preschool Funding	33%	8
TEACH scholarships or REETAIN bonuses	8%	2
<b>Number of funding sources received</b>		
0	4%	1
1	17%	4
2	50%	12
3	25%	6
4	4%	1

## B. Data tables

### B1. REETAIN bonuses, number and amount, state fiscal years 2019-2023

Number and amount of REETAIN bonuses	2019	2020	2021	2022	2023
Number of providers	131	135	264	577	509
Total amount distributed	\$294,000	\$301,500	\$568,500	\$1,164,500	\$1,032,000

### B2. Number of types of ARPA-funded supports received, by program type, 2021-2023

Program type	0	1	2	3	4
All (N=12,674)	30%	50%	16%	3%	1%
Family child care (N=9,462)	34%	48%	16%	2%	0%
Child care centers (N=2,960)	21%	52%	19%	6%	2%

### B3. Distribution of funds by program type, 2021-2023

Type of ARPA funds	Family child care	Child care centers
Received ARPA funding (N=8,622)	73%	27%
Stabilization grants (N=8,493)	73%	27%
Facility grants (N=2,107)	76%	24%
Summer Preschool (N=408)	34%	66%
REETAIN (N=582)	53%	47%
TEACH (N=180)	31%	69%

### B4. Distribution of funds by urbanicity, 2021-2023

Urbanicity type	No award	Award
Rural (N=1,409)	40%	60%
Small town (N=1,615)	40%	60%
Large town (N=1,933)	38%	62%
Urban (N=8,537)	35%	65%

### B5. Type of award by urbanicity, 2021-2023

Type of ARPA funds	Large town	Rural	Small town	Urban
Stabilization grants (N=8,493)	14%	10%	11%	65%
Facility grants (N=2,107)	13%	10%	13%	65%
Summer Preschool (N=408)	11%	4%	9%	76%
REETAIN (N=582)	20%	20%	27%	33%
TEACH (N=180)	9%	7%	14%	70%

**B6. Trend in number of family child care providers, 2019-2023**

Year	Active licenses	Opened licenses	Closed licenses	Net change
2019	7,929	533	-950	-417
2020	7,512	410	-738	-328
2021	7,184	445	-1,000	-555
2022	6,629	532	-905	-373
2023	6,256	499	-721	-222

**B7. Trend in number of licensed child care centers, 2019-2023**

Year	Active licenses	Opened licenses	Closed licenses	Net change
2019	617	37	-44	-7
2020	610	30	-32	-2
2021	608	16	-31	-15
2022	593	36	-47	-11
2023	582	12	-17	-5

**B8. Trend in number of Licensed Child Care Centers, 2019-2023**

Year	Active licenses	Opened licenses	Closed licenses	Net change
2019	1,767	98	-81	17
2020	1,784	90	-76	14
2021	1,798	81	-88	-7
2022	1,791	125	-108	17
2023	1,808	110	-114	-4

**B9. Percentage of programs that closed between 2021-23, by program type**

Program type	Open 2024	Closed 2021-23
All (N=11,827)	75%	25%
Child care centers (N=2,851)	88%	12%
Family child care (N=8,724)	70%	30%

**B10. Percentage of programs that closed between 2021-23, by urbanicity**

Urbanicity type	Open 2024	Closed 2021-23
Rural (N=1,190)	73%	27%
Small town (N=1,348)	73%	27%
Large town (N=1,650)	73%	27%
Urban (N=7,387)	74%	26%

**B11. Percentage of programs that closed between 2021-23, by receipt of ARPA funds**

Receipt of ARPA funds	Open 2024	Closed 2021-23
Did not receive ARPA funds (N=2,941)	54%	46%
Received (N=8,867)	82%	18%

**B12. Percentage of programs that closed between 2021-23, by number of ARPA awards**

Open or closed	0	1	2	3+
Open in 2024	18%	55%	22%	6%
Closed 2021-23	46%	51%	3%	0%

**B13. Percentage of programs that closed between 2021-23, by type of ARPA-funded program**

Type of ARPA funds	Open in 2024	Closed 2021-23
Stabilization grants (N=8,657)	81%	19%
Facility grants (N=2,535)	97%	3%
Summer Preschool (N=409)	98%	2%
REETAIN (N=620)	95%	5%

**B14. Number of people classified as teachers and child care workers in Minnesota, 2016-2023**

Type of worker	2016	2017	2018	2019	2020	2021	2022	2023
Child care workers	10,140	11,550	11,830	12,150	8,770	10,190	9,400	9,270
Elementary school teachers	28,360	24,670	22,940	22,420	23,200	22,680	23,330	23,910
Kindergarten teachers	3,230	3,070	3,440	3,590	3,280	2,980	2,830	2,510
Preschool teachers	6,580	7,610	8,180	9,180	8,990	9,520	11,490	10,860

**B15. Number of child care workers in Minnesota and four comparison states, 2016-2023**

State	2016	2017	2018	2019	2020	2021	2022	2023
Colorado	8,310	8,200	8,620	10,110	10,550	8,370	8,000	11,010
Illinois	17,200	17,370	17,400	16,550	15,030	16,800	22,660	24,270
Iowa	7,850	8,200	8,770	8,390	6,980	5,250	6,190	6,280
Minnesota	10,140	11,550	11,830	12,150	8,770	10,190	9,400	9,270
Wisconsin	7,170	6,710	5,880	5,800	4,360	6,260	3,960	4,190

**B16. Median annual income of teachers and child care workers in Minnesota, 2016-2023**

Type of worker	2016	2017	2018	2019	2020	2021	2022	2023
Child care workers	\$23,000	\$23,450	\$24,150	\$25,080	\$27,240	\$29,430	\$29,120	\$31,580
Elementary school teachers	\$59,180	\$60,670	\$61,830	\$61,080	\$60,210	\$62,140	\$61,980	\$63,110
Kindergarten teachers	\$54,980	\$56,140	\$58,140	\$60,680	\$60,970	\$61,360	\$61,800	\$65,680
Preschool teachers	\$30,370	\$31,060	\$34,200	\$36,320	\$37,900	\$36,620	\$36,280	\$37,910
Child care workers	\$23,000	\$23,450	\$24,150	\$25,080	\$27,240	\$29,430	\$29,120	\$31,580

**B17. Median annual income of child care workers in Minnesota and four comparison states, 2016-2023**

State	2016	2017	2018	2019	2020	2021	2022	2023
Colorado	\$25,630	\$26,200	\$26,880	\$28,690	\$29,800	\$30,350	\$34,830	\$37,690
Illinois	\$22,590	\$22,410	\$22,380	\$23,220	\$24,890	\$26,730	\$28,780	\$31,159
Iowa	\$19,190	\$19,130	\$19,580	\$19,460	\$20,370	\$22,380	\$22,860	\$25,880
Minnesota	\$23,000	\$23,450	\$24,150	\$25,080	\$27,240	\$29,430	\$29,120	\$31,580
Wisconsin	\$20,350	\$20,850	\$21,300	\$22,170	\$23,810	\$24,060	\$26,320	\$28,660

## Acknowledgments

The authors would like to thank the following people for contributing data and advising on methods and findings:

Angela Butel, DCYF  
Peder Garnaas-Halvorson, DHS  
Alyssa Dotson, DHS  
Stephanie Hogenson, MMB  
Weston Merrick, MMB  
Jenny Moses, MMB  
Dawn Pauls, Child Care Aware of MN  
Suzanne Pearl, First Children's Finance  
Krista Seiboldt, DCYF  
Cody Tuttle, MMB  
Amanda Varley, DCYF  
Tammy Wickstrom, DEED

Thanks also to the following Wilder Research staff who contributed to this research:

Anna Alba  
Jen Collins  
Anna Grantias  
Katherine Harter  
Justin Hollis  
Heather Loch  
Faith Opakunle  
Amanda Peterson  
Kerry Walsh

Wilder Research, a division of Amherst H. Wilder Foundation, is a nationally respected nonprofit research and evaluation group. For more than 100 years, Wilder Research has gathered and interpreted facts and trends to help families and communities thrive, get at the core of community concerns, and uncover issues that are overlooked or poorly understood.

451 Lexington Parkway North  
Saint Paul, Minnesota 55104  
651-280-2700 | [www.wilderresearch.org](http://www.wilderresearch.org)

**Wilder Research®**

Information. Insight. Impact.

**m1** DEPARTMENT OF CHILDREN,  
YOUTH, AND FAMILIES

