MINNESOTA BUDGET PROJECT
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Funding for Early Learning Scholarships declines, making child care harder to afford

Child care is one of the biggest expenses families with young children face. Affordable child care means parents can go to work or school, children can have stable and supportive environments, and employers can find and keep the workers they need.

Early Learning Scholarships are one essential tool the state has to bring down the costs of child care for families with young children across the state. In the 2025 Legislative Session, Minnesota policymakers chose not to invest additional funds into Early Learning Scholarships. Because of this, funding will decline in the new two-year budget cycle (FY 2026-27) and fewer families will have the resources they need to survive and thrive.[1]

State loses ground in affordable child care through 2025 budget decisions

Despite the urgent need for affordable child care all across the state, the recently passed state budget takes us backwards. Child Care Assistance and Early Learning Scholarships are two major state policies that bring down the cost of care. This legislative session, policymakers made small investments in Child Care Assistance but did not continue the funding increase Early Learning Scholarships received in the last budget.

During the 2023 Legislative Session, Minnesota policymakers recognized the importance of Early Learning Scholarships with a one-time funding increase of $126 million a year for FY 2024-25. Because Minnesota policymakers did not renew this funding when they set the budget this year, Early Learning Scholarship funding will decline by about $100 million for FY 2026-27.[2]

In FY 2024, Early Learning Scholarships served 16,100 children.[3] Recent data show an estimated 4,900 children are on the waiting list.[4] The funding decrease means Early Learning Scholarships will likely have to reduce services available to low-income children and families, increase the number of children on the waitlist, and leave more families without much needed support.

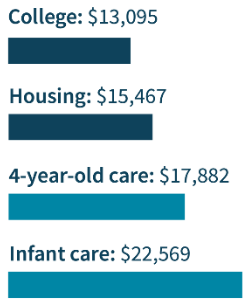
A lack of affordable child care is a serious problem for families

The decline in child care investments compounds a clear and urgent problem for families across the state: child care is both too expensive and not accessible enough to meet their needs. Early Learning Scholarships and the Child Care Assistance Program (CCAP) are both underfunded, which means that not all families who are eligible can get the help they need.

Child care is one of the most expensive costs families face. Both the state of Minnesota and the federal government recommend that child care costs not exceed 7 percent of a family's income.[5] Following this guideline, only about 6 percent of families in Minnesota can afford infant child care, according to the Economic Policy Institute. Child care for an infant and a 4-year-old combined in Minnesota costs about $40,000 a year. For a median-income Minnesota family of four earning about $120,000 a year, those child care costs would take up about 33 percent of their income.[6]

Along with child care being costly, there is a statewide shortage of child care slots and providers in Minnesota. This shortage means that families have fewer choices and less ability to find the care that meets their needs. Minnesota currently has an estimated shortage of approximately 90,000 child care slots.[7]

Child care is one of the largest annual expenses for Minnesota families



Source: Economic Policy Institute. 2025. "Child Care Costs in the United States: Minnesota."

One factor contributing to the shortage is that child care is a challenging industry, and it can be difficult for providers to sustain their business. A survey of child care providers in Minnesota found that 86 percent of respondents agreed there is a crisis.[8] The high cost of providing infant care, difficulties with attracting and retaining staff, and not making enough revenue to cover the true cost of care are a few complicating factors.[9] The declining number of child care providers has worsened the shortage of available slots.[10]

A lack of affordable, reliable child care makes it hard for parents to succeed at work and support their families. In Minnesota, 76 percent of young children have all available parents working. Either both parents in a two-parent household are employed, or the sole parent in a one-parent household is employed. The remaining 24 percent of Minnesota children have one parent who is not in the workforce – they are either a stay-at-home parent by choice or are actively looking for work.[11] Because of inadequate child care options nationwide, between 1.2 and 1.5 million workers each month have to work part time or miss work due to child care problems. The lost wages put stress on family budgets.[12]

Stable and supportive environments that meet children's health and developmental needs are critical to ensure our youngest Minnesotans can thrive. The shortage of affordable care limits access to the benefits of those environments. Research shows that consistent, quality care can help reduce achievement gaps, increase school readiness, and lead to higher earnings and graduation rates when those children become adults.[13] Investments in child care are investments in a better future for the well-being of Minnesotans, as well as the state's economy.

When families have affordable child care, employers can find and retain the workers they need

Having enough quality, affordable child care in every community is essential for the health of our state's economy. Nationally, issues with child care cost businesses an estimated $57 billion each year from lost earnings, productivity, and revenue.[14] Minnesota businesses agree; in a survey by the Minnesota Chamber of Commerce, 62 percent of respondents ranked affordable child care as a barrier to finding employees.[15]

With a tight labor market, Minnesota can't afford to have workers sitting on the sidelines because they can't find affordable child care. From 2019 to 2023, Minnesota's workforce grew for people aged 16 to 54, but not enough to counteract the decline in labor force participation of Minnesotans over 55 years old.[16] More affordable child care would increase options so that more parents could reliably participate in the labor force in the way that works best for them.

Early Learning Scholarships are an important resource for children across the state, but their reach is limited by underfunding

Early Learning Scholarships are one of the ways the state of Minnesota lowers families' monthly child care bills. To qualify, families must either have an annual income that is less than 47 percent of the state median income (roughly $65,000 or less for a family of four) or be enrolled in other select assistance programs. Scholarships are awarded to children with ages from birth to age 5, and those children keep their scholarship until they age out or are enrolled in kindergarten. The dollar amount that a family is awarded varies by the child's age, provider type, county where the provider is located, and the provider's ranking within the state's quality rating system.[17]

Children in especially vulnerable positions are prioritized for Early Learning Scholarships. This includes children of teen parents, kids in foster care, children receiving child protective services, situations where the family has experienced homelessness in the previous 24 months, and other adverse circumstances.[18]

In FY 2024, Early Learning Scholarships served 16,100 children, but thousands more qualify but don't get the support they need. Think Small estimates that there are another 15,000 eligible children that are not being served.[19]

Affordable child care allows children to grow up in supportive settings, parents to succeed in work or education, and employers to have a stronger and more dependable workforce. The funding decline of about $100 million to Early Learning Scholarships means fewer families will have the resources they need to afford child care.

By Jessie Luévano

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