Michigan's Children

Child Care Subsidy Funding Cliff Talking Points Aug 2023

Use these talking points to educate your state Senator and state Representative. Give them a call, send an email, or schedule a meeting to educate these elected officials.

What is the Child Care Subsidy Funding Cliff? How does it impact families in your district? The federal government boosted child care subsidy rates throughout the pandemic which brought subsidy payments closer to the cost that child businesses actually incur providing high quality early education, but this federal funding has reached an end, and state government did not pitch in sufficient state funding to maintain these subsidy rates. This is the child care subsidy funding cliff that Michigan's child care system is approaching on September 24th. The increased subsidy rates have kept child care businesses' doors open and allowed them to increase their teacher's wages and job retention. This progress will get wiped away when the rate decreases take effect in September. The FY 2023-24 budget missed an opportunity to intervene. A child care subsidy rate reduction will take away program's abilities to pay their teachers a higher wage and maintain stable, high-quality care for the young children in their programs. This rate reduction will force child care providers across the state to limit available slots, if not shut down completely, dramatically impacting the availability of child care for families in every community.

What's at risk if we don't act? During the pandemic, 637 child care providers were unable to stay in business. If the subsidy rate decrease takes effect, The Century Foundation projects that another 1,261 child care businesses will fold, leaving over 56,000 of Michigan's youngest without high quality early care and education.[1]

STEP ONE:
Provider Hourly Reimbursement Rates: pay period 122-208 (October 10, 2021 – April 9, 2022)
***Temporary* Rates based on the FY 2022 Budget**

Provider Type	Star Rating	Infant/ Toddler (Birth up to Age 2 ½)	Preschool (Age 2 ½ up to Age 5)	School Age (Age 5 and Over)
Child Care Center	Base Rate (Blank Star)	$8.40	$6.00	$5.80
	1 Star	$8.40	$6.00	$5.80
	2 Star	$8.95	$6.45	$6.30
	3 Star	$9.90	$7.45	$7.30
	4 Star	$10.35	$7.95	$7.75
	5 Star	$11.35	$8.95	$8.70
Group and Family Homes	Base Rate (Blank Star)	$6.75	$5.80	$5.65
	1 Star	$6.75	$5.80	$5.65
	2 Star	$7.30	$6.30	$6.10
	3 Star	$8.25	$7.30	$7.05
	4 Star	$8.70	$7.75	$7.60
	5 Star	$9.70	$8.70	$8.55
License Exempt Related and Unrelated	Base Rate (Level 1)	$3.45	$3.45	$3.45
	Level 2	$5.85	$5.20	$5.20

The Ask: **Urge your state Senator and state Representative to support supplemental funding to prevent this crisis and set child care reimbursement rates at their highest level, as reflected in this chart.** *If asked about funding need: share that this would be a wise investment of $130-160 million for Michigan's current and future prosperity.*

Share with your elected officials how this change will personally impact you as a child care business owner, early childhood teacher, parent, employer, etc. Remind them that the stability of Michigan's child care subsidy has reverberating impacts across our economy and education system.

[1] Michigan Child Care Providers Brace for September 30 Funding Cliff that Could Close Centers

If you'd like to take your advocacy a step further, send your state lawmakers [this link to the comprehensive child care cost study] and urge them to increase funding for the child care system in accordance with what this cost study prescribes.

Find your state lawmakers: [state Senator search] and [state Representative search.]

How does the lack of available child care impact working families? In 2021, 14 percent of children under 5 lived in families in which a parent made a job change when they were unable to find affordable, accessible child care close to home. Parents were forced to either quit a job, decline a job offer, or make significant changes to their current job.[2] Lack of access to child care negatively impacts the workforces of every industry in Michigan.

What is Michigan's child care subsidy? This subsidy provides minimal-to-no cost child care for low-income families who would struggle to pay child care tuition, which in Michigan averages nearly $9,000 annually for home-based and over $12,000 annually for center-based care.[3] Families are eligible for the subsidy based on their earnings. At the top end, those living at 200 percent of the federal poverty level – or $60,000 a year for a family of four – are eligible. Find more information about the child care subsidy here: [TBMI Child Care Subsidy Fact Sheet.]

Do the families or their providers collect the subsidy? Payments are made through the state's Child Development and Care program directly to the child care providers on behalf of eligible families. Set reimbursement rates, however, traditionally have fallen far below what providers charge private-pay families, and far below the cost of providing that care.

This has led to providers refusing to participate, and accept families enrolled in the subsidy program. Only 41 percent of providers accept the subsidy, making it hugely difficult for single-parent families and families earning minimum wages to find care while they're working or going to school.

Families are required to pay the difference between the cost of care and what the program will reimburse providers. **Copay payments** were suspended during the pandemic but this year families will be required to pay them once again. For those earning very low incomes, copays are not an inconsequential burden on limited family finances.

Why subsidy rates are going down on September 24th: The child care subsidy funding cliff scheduled for September 24th would reduce subsidy rates by 26%. Child care providers have relied on the increased subsidy rates to increase wages for their child care educators, who make on average $12 an hour in Michigan. Low pay for child care educators results in 53% of this workforce utilizing public assistance, and child care businesses have incredibly low profit margins, often just breaking even or forgoing paying themselves, so there is no wiggle room to increase wages without support from increased subsidy rates.

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[2] 2023 Kids Count Data Book

[3] First Five Years Fund: 2023 Child Care and Early Education in Michigan

Why do we need a highly trained workforce in a child's early years? 90 percent of brain development happens by the age of 5, so it is critical that we build an early childhood system in which the state invests public dollars in subsidy rates that make it possible for providers to increase wages and attract highly qualified child care educators. They are not just babysitters. It takes a highly skilled educator to provide the support young children need to prepare for kindergarten and become school-ready.

What does the research say? The First Five Years Fund reports: "Evidence shows that increased access to high-quality early learning and care programs results in short- and long-term benefits to individuals and society. Research shows that for every dollar invested in high-quality early childhood education, society gains up to $7.30 in economic returns over the long term."[4]

True cost of high quality early care and education: Currently, the subsidy rate that the state pays child care businesses does not cover the actual cost of providing high quality early care and education. Neither is it substantial enough to pay a living wage needed to retain qualified teachers, which is one of the most critical aspects of quality. A comprehensive report of Michigan's child care system by Think Babies Michigan found that in order to meet those two goals the state must significantly increase the subsidy rates paid to child care business owners. Find the breakdown of subsidy rates needed for high quality care here, starting on page 32.

Get involved and stay informed: The child care cost study was commissioned by Think Babies Michigan. Click this link to become a member, which will give you early childhood policy updates and advocacy opportunities. The Think Babies Michigan website has a treasure trove of fact sheets that you can use to educate your lawmakers about the child care crisis and what the state can do to invest in the kids and families who need support. Consider emailing some of these resources to your state lawmakers.

[4] Economic Impact: First Five Years Fund