



Date: March 7, 2024

To: Michigan Joint House Committee: House Labor Committee, Appropriations Subcommittee on Labor, Economic Development, and Lifelong Learning

Re: Support for significant new investment in the child care system

I'm Matt Gillard, the President and CEO of Michigan's Children, a non-profit child policy advocacy organization. Our goal is to pursue public policy in the best interest of children and families, from cradle to career. I have provided [a one-pager](#) to all committee members, and invite you to take a look at that. I want to thank the chairs and everybody here and thank all my colleagues who testified before me and shared a lot of great information

At the top of this page, there's three foundational truths that I think are important when we talk about child care. One, all children need care. We can't leave the babies and toddlers at home alone; this speaks for itself. Families will decide what care works best for them. I mean, that's understood. We heard that from some of the experts that testified before me. Families are going to make decisions. Sometimes that means dads quitting their jobs to stay home with their kids. Sometimes it means moms not going back to work after having children because of the issues around childcare. It might be moving closer to grandma and grandpa because they can provide better care. But families will ultimately make decisions about what the best care situation is for them and their families. The third one used to be controversial maybe 10 or 15 years ago, but it really isn't anymore. The **market-based model does not work for families or providers so the government must subsidize the system**. Countless economists from across the political spectrum have come to that same conclusion. Some of the best ones are right here in Michigan – Tim Bartik from the Upjohn Institute in Kalamazoo is a leading one. The Federal Reserve, and countless others, have done exhaustive research that shows the market-based model for child care as we heard today does not work for families or providers, so there is a role for government to subsidize this system.

So, let's talk a little bit about that. I want to just give a little bit of historical context around where government subsidy, government interest, or government support for the child care industry has been. Pre-pandemic, we were on a pretty good track. We were seeing fairly significant increases from the federal government in the support for child care. And there was bipartisan support for that, coming out of Washington. And then the pandemic hit, everything got blown up. We saw a lot of focus on child care in the pandemic, especially in the early stages, right around essential workers, and the need for child care. And the federal government directed a lot of resources, both under the Trump administration and then the Biden administration – a lot of federal resources specific to the pandemic for support for child care. Governor Whitmer and her team, Emily Laidlaw and Michelle Richards and others, did a good job

of getting those federal dollars out the door and to providers here in Michigan in a difficult environment to try to keep providers afloat, to keep the industry solvent in some way. Now those federal dollars have run out, and what we're seeing is other states really prioritizing state investments into child care, into their childcare system, to try to keep the system afloat and to move the system forward and to solve a lot of the problems that we heard today that are out there.

And so, on this page, I just listed a few. There are many others out there just in the past year of significant state investments that have been made around child care and investments in state general fund dollars or state revenues into their child care systems. There's a lot of good examples out there. People are doing this, other states are doing this, and it's putting Michigan further behind. Minnesota is a great example. Just last year alone they kicked over \$750 million of state funds into their child care and pre-K systems. So, what we're seeing in a lot of the states that are leading this is not just a singular focus on pre-K or 4-year-olds, like we seem to be emphasizing or prioritizing here at Michigan, but a more holistic approach towards child care in general that does include pre-K as well. And Massachusetts is really a leader in this, even just this fall. What Massachusetts is embarking on is really what we believe and I think what most folks who testified before me would believe is the key overall solution to do this.

Historically, this program has been based on a market-based model and market rates, so states have decided what rates are going to pay child care providers based on what the market rates are. Well, we know the market is not working. You just heard from Tyler, you heard from others. The market isn't working. But Massachusetts is switching to a "true cost of care model," where you determine what the true cost is to provide care for a child and then base your rate structure and your subsidy system on that true cost of care. Massachusetts is doing that with a significant state investment, just this fall

There's another one on this list here. I want to point out Vermont - \$125 million; it pales in comparison. But I think there's like seven kids in Vermont, right? *(laughter from audience)* And so, the other thing that's interesting in Vermont is that they dedicated, they implemented a new payroll tax under a Republican governor and dedicated that funding directly to their child care system. Similarly in Washington, they did a capital gains tax that's going to raise a bunch of money that goes to their overall total education system but also directs a significant portion of that specifically to child care. And so, really the point I want to make is that other states are doing this, states are prioritizing public investments, state dollars into their child care systems and Michigan is falling behind by not doing that.

Best,



Matthew Gillard,
President & CEO,
Michigan's Children