



Child Care and Expanded Learning Keep Parents Working and Kids Learning

Families need affordable, high quality child care for their young children and after-school and summer learning opportunities for their school-aged children – also known as expanded learning options – while parents work or are in job training. Access to high quality child care can ensure that young children are building the foundation they need to succeed in school and life. High quality expanded learning programs ensure school-aged children stay engaged in learning and remain academically on-track. The research is clear that these types of high quality options provide the greatest benefit to the state's most challenged children and youth, including children of color and children from low-income families, for optimal success in school. And, it allows parents to stay connected to their own skill building and employment so that they can build a stable foundation from which their families can flourish.

In fiscal year 2015, 29,600 children in Michigan ages 0-12 spent part or all of their day (and sometimes evenings or weekends) with a non-parent caregiver who received public child care assistance through the Child Development and Care (CDC) program. Unfortunately, access to high quality programs utilizing the state's low level of subsidy is very challenging and the quality of the programs families are able to purchase through the subsidy system vary significantly. At the same time, thousands of additional families with significantly limited incomes should be able to access care supplemented by the CDC program but have faced too many barriers to obtain or maintain their subsidy. These are the very children who can benefit the most from early childhood education and care, and additional opportunities for learning once they are in school. Policy solutions and public investment strategies that improve the quality of the child care and expanded learning system for young children and school-aged children that makes high quality settings more accessible to all families are essential.

High Quality Child Care Matters for Michigan's Future

- ✓ Over one-third of Michigan children begin kindergarten underprepared. Long-running studies on the impact of high quality early childhood care and education have proven that graduates of those programs are better prepared for kindergarten, more likely to be reading proficiently at third grade, achieve at higher levels throughout their k-12 education, are more likely to earn a high school and college degree, and achieve greater employment success in adulthood.
- ✓ Too many Michigan students begin behind, continue behind during the school year and lose even more academic gains during the long summer break, making their K-12 education experiences that much more challenging. Fortunately, Michigan's high quality expanded learning programs after school and in the summer have proven to help students retain academic skills from the previous school year, improve their performance in reading and math, increase participation and engagement, and promote development in other areas needed for success in school and life.
- ✓ Numerous studies back up common sense that suggests that access to child care subsidies is linked to improved employment outcomes for parents. Parents with access to affordable and dependable child care are able to work more hours and experience fewer disruptions in their employment, resulting in higher earnings.

Michigan's Current Policy Challenges and Opportunities

The federal government currently provides the main source of funding for child care (Child Care and Development Funds – CCDF) and expanded learning (21st Century Community Learning Centers – 21st CCLC). These funds support access to care and quality improvement efforts, but continue to fall well-below the amount needed to ensure all low-income children have access to high quality child care and expanded learning programs. The Michigan Legislature appropriates state dollars to the state's Child Development and Care (CDC) program that are leveraged to maximize federal child care funds. Unfortunately Michigan has failed to provide enough state funds resulting in federal CCDF child care money left on the table for the last several years – including \$20 million in FY2016 – that could have been used to improve access to high quality care. To ensure this doesn't happen again and that Michigan can better assist low-income families with accessing the highest quality care that best meets families' needs, the following policy and budget reforms must take place.

1. Shift the process for budgeting the state's child care program from the caseload consensus process to the MDE.
2. Restructure the child care subsidy reimbursement rate to reflect market standards.
3. Maintain unlicensed family, friend and neighbor providers as an integral part of the child care system.
4. Better support expanded learning opportunities for school-age children through CDC improvements and additional state investment.
5. Pass a series of child care tax credits that can increase access to care and improve the quality of the child care system.

REFORM #1: Shift the process for budgeting the child care program from the caseload consensus process to the MDE.

Challenge: Michigan's child care caseload has dropped significantly over the last decade due to state policies that result in limited subsidy for very low-income families – policies like low, hourly subsidy rates and limited support for unlicensed family, friend and neighbor care. Furthermore, the level of state funds appropriated for the child care system, and required for the state to access all of its federal child care funds in any given year, are not determined by family need but by a caseload estimate from the State Budget Office based on current policy parameters. If policies do not shift to strengthen the child care subsidy system, federal funds will continue to be unspent and state funds will continue to reflect current inadequate policies.

Opportunity: Michigan must remove the CDC program from the State Budget Office caseload consensus process. Instead allow the Michigan Department of Education to access the state's full federal CCDF allocation, and give MDE the flexibility to use those funds to increase families' access to high quality child care and expanded learning options.

REFORM #2: Restructure the child care subsidy reimbursement rate to reflect market standards.

Challenge: Michigan is one of only a few states that provides public child care assistance on an hourly basis, making support for families and child care providers inconsistent and challenging. The vast majority of states provide child care assistance on a weekly/monthly or part-time/full-time reimbursement rate that matches the child care market's payment structure. By paying an hourly, attendance-based subsidy, child care providers' revenues coming from subsidized families are often

inadequate, making it challenging for them to run their businesses and impossible to make improvements in their quality of care.

Opportunity: Reform the CDC subsidy reimbursement to a weekly/monthly or part-time/full-time rate instead of the current hourly rate to match the standard way child care providers charge for care.

Challenge: Federal law outlines that child care assistance is supposed to give families choice in terms of the child care that they want for their children. Thus, federal regulations recommend that the child care subsidy reimbursement be sufficient to allow families to access 75 percent of the child care market in their community. However, Michigan's reimbursement level currently does not allow most families to access 75 percent of their market, limiting families' choice in the type of child care that best fits their needs.

Opportunity: Increase the CDC reimbursement amount to the 75th percentile of the market, which would allow families to have true choice to access the high quality child care that best fits their needs.

REFORM #3: Maintain unlicensed family, friend and neighbor providers as an integral part of the child care system.

Challenge: Part of Michigan's significant decline in child care subsidy caseloads is due to policy shifts that impacted families who utilize unlicensed, family, friend and neighbor care – primarily families who live in communities without many licensed child care options, parents who work nontraditional hours, or parents who prefer to have someone they trust and share cultural beliefs with to care for their children. In addition to the subsidy rate being extremely low for this type of child care, unlicensed providers are required to do a basic training before they can access the subsidy. Now, with new federal CCDF regulations, unlicensed providers will also have to undergo FBI fingerprinting, and for non-relative providers, monitoring visits will soon be required that are intended to help increase the health and safety of those care settings. However, past experience in Michigan shows us that these types of policy shifts will likely result in additional families losing their child care subsidy due to these increased barriers for family, friend and neighbor providers.

Opportunity: Ensure that any new policies do not provide undue hardship on unlicensed family, friend and neighbor care like ensuring the newly mandated FBI fingerprinting is free-of-charge to providers. And, when new policies are implemented, MDE should collaborate with trusted community partners as part of the process to maintain unlicensed family, friend and neighbor providers as an integral part of the child care system.

REFORM #4: Better support expanded learning opportunities for school-age children through CDC improvements and additional state investment.

Challenge: The child care subsidy is currently available to families with children up to age 12 (and age 18 for children with significant challenges who need continuous supervision), and this school-aged group of children makes up 40 percent of the CDC caseload. However, these "expanded learning" providers are unable to access some of the benefits that providers of care to young children can access and too many child care policy conversations are absent the needs of school-aged children. For example, this is evidenced in Michigan's Quality Rating and Improvement System that provides a star-rating system based on quality and allows for increased reimbursement rates for higher quality providers. While Michigan's QRIS includes providers of young children, a school-aged QRIS is still not yet up and running.

Opportunity: Ensure that expanded learning receives the same prioritization as care for young children and that any reforms made to the CDC system also support the needs of school-aged children.

Challenge: In addition to the federal CCDF funds, the federal 21st Century Community Learning Centers (CCLC) program provides \$38 million to Michigan for the lowest-income communities to provide high quality expanded learning programs through school-community partnerships. While this program has proven, evaluated, Michigan-specific outcomes as it relates to the achievement gap including eliminating summer learning loss and improving reading and math performance; this program funds fewer than half of the best programs applying. At one point, Michigan invested \$17 million in state funds to support these programs, but state funding for 21st CCLC has not been available in X years.

Opportunity: Supplement the state's federal 21st CCLC funding to ensure additional high quality expanded learning programs are available.

REFORM #5: Pass a series of child care tax credits that can increase access to care and improve the quality of the child care system.

Challenge: In addition to providing direct resource into the child care system to support parents' access to high quality care that meets their needs, tax credits are another opportunity to incentivize high quality child care while continuing to help the lowest-income families reduce their cost-burden. Tax credits also provide an opportunity for child care providers to off-set some of their high costs and low pay. While President Trump has laid out a child care tax credit plan, without a refundable option and more targeted strategies, his plan has no impact on low-income families who face the most significant challenges with access to high quality care.

Opportunity: Increase the quality of the entire child care system by passing a series of child care tax credits that support low-income families, child care providers, child care teachers and directors, and businesses. Learn more about child care tax credits by reading our [Issues for Michigan's Children publication](#)

Too many Michigan families continue to face challenges when it comes to accessing child care and expanded learning options that best meet the needs of their families, particularly for families who rely on the CDC subsidy system or should be able to access it. Recent improvements to the system have been small and incremental and fall short of the significant overhaul needed by our subsidy program. Our state remains an outlier when it comes to the way our child care subsidy system is structured and funded, which poses challenges for families, child care providers, and employers as their employees face child care challenges. The current structure of our system results in Michigan continuing to be one of only a handful of states not spending all of its federal child care funds at the same time that we know the need for that support is growing and when the research is clear about the benefits of quality programming.

For Michigan's economy to continue to improve and for our state to take advantage of the skills and productivity of all of our residents, it is imperative that the state adequately invest in its child care system so that parents can stay employed and so the next generation of workers can be better prepared. High quality child care beginning at birth and expanded learning opportunities during the school years can prevent and mitigate gaps in academic achievement and other areas of success that too often impact the children and families in our state facing the largest social, emotional and economic challenges.