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Affordable, High Quality Child Care Keeps Parents Working and Kids Learning

Families need affordable, high quality child care that supports their children's learning and development while parents work or engage 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, and school-aged children can stay engaged in learning and academically on-track. And the research is clear that high quality child care provides the greatest benefit to the state's most challenged children and youth, including children of color and children from low-income families.

For years, Michigan has disinvested in our child care system and the result has been a child care system that ranks at or near the bottom of the list in most categories when compared to other states. Last year, the state of Michigan even turned away nearly \$20 million in available federal Child Care Development Funds (CCDF) because the Legislature and Governor were unwilling to come up with the \$7 million in state funds required for the match. After receiving harsh criticism and significant public pressure from numerous child advocacy organizations, led by Michigan's Children, Governor Snyder has proposed an increase in state general fund support to the Child Development and Care (CDC) Program in his fiscal year 2018 (FY18) budget proposal, which will allow Michigan to draw down the maximum in available federal funds.

Specifically, budget proposals from the Governor and House and Senate Appropriations Subcommittees include:

1. **Overall increase in CDC program:** The Governor and House include a \$29.4 million overall (\$8.4 million state general fund) increase to the CDC Program, which provides child care subsidies to Michigan's lowest-income working families with children birth to age 12, and up to age 18 in certain situations. This allocation allows Michigan to draw down its full federal Child Care and Development Fund allocation, which the state has failed to do in previous years. The Senate increased this appropriation slightly to \$29.6 million.
2. **Increase in reimbursement rates:** The Governor and the House include \$27.2 million to increase the child care subsidy reimbursement rate to move closer to the federal goal of the 75th percentile of the market rate so that families have more choice in terms of the type of child care they utilize. The Senate recommends slightly less funding, at \$23.8 million, and weights the reimbursement rate increases by star rating so that providers with higher stars would receive a proportionally higher increases. In all three recommendations, the subsidy would continue to be provided on an hourly rate.
3. **Support for monitoring visits:** All proposals include \$1.4 million to implement new federal Child Care and Development Block Grant rules requiring unlicensed and unrelated (friend and neighbor) child care providers to receive health and safety monitoring visits.

4. **Background checks:** All proposals include \$800,000 to do background checks including FBI fingerprinting of child care providers to follow federal CCDBG rules.
5. **Begin investments in FY2017:** The Governor also recommends \$1.7 million in a FY2017 supplemental to begin these changes sooner, but the House and Senate have not included that recommendation.
6. **Maintaining previous improvements to the CDC program:** The Governor and House proposals maintain previous program improvements including entrance income eligibility threshold at 125% of the Federal Poverty Level (FPL), exit income threshold at 250% FPL, providing 12-month continuous eligibility regardless of changes in life circumstances, and maintaining tiered reimbursement rates for families utilizing child care rated at a 2- star or above on Great Start to Quality. The Senate proposed raising the entrance threshold to 130% FPL and included \$5.8 million to fund that increase.

The proposed increases to the CDC program are a much needed first step in turning around Michigan's child care system. Increasing reimbursement rates to providers who serve children that are eligible for subsidies and providing support for providers and the state to comply with the new federal requirements is a good first step, but much more is needed to transform the child care system in Michigan and provide high-quality opportunities for all Michigan's Children.

Recommendations:

1. Support proposals to increase state funding and draw down our maximum federal allocation in order to increase rates and provide support to providers and the state to comply with federal regulation changes.
2. Increase the eligibility threshold for the CDC program to 150% FPL to make more families eligible for subsidies. At the very least, support the Senate proposal to increase the eligibility threshold for the CDC program to 130% FPL.
3. Shift the payment structure of the CDC program away from an hourly rate to a weekly or monthly, full-time or part-time slot allotment in order to match the standard way child care and afterschool or summer learning providers charge for care and make it easier for providers to take children eligible for the program and improve services.

For more recommendations to improve the state's child care system, please see our Issues for Michigan's Children, *Child Care and Expanded Learning Keep Parents Working and Kids Learning.*