

Leftover child care money gives a boost to cash-strapped Michigan providers

The \$105 million payout comes from federal funds that weren't spent because of COVID

By Koby Levin | Jul 27, 2021, 6:09pm EDT



Preschoolers participate in a painting activity at a child care center in Detroit in April 2021. | Emily Elconin for Chalkbeat

Michigan child care providers who serve low-income communities are set to receive an influx of federal child care dollars that went unused during the pandemic.

Gov. Gretchen Whitmer signed a bill this week that will send \$105 million to child care centers and homes, effectively giving them a retroactive 40% increase in state payments for their work over the last year.

The bill also requires the state to pay providers based on enrollment rather than daily attendance from June to September 2021, a measure that advocates say will provide some added financial stability to an industry where razor-thin margins are the norm.

The money isn't coming out of the federal COVID relief packages enacted by Congress during the pandemic. Michigan has roughly \$1.4 billion in relief funds to spend on its child care system — a potentially transformative sum, advocates say — but lawmakers left for their summer recess with the money unallocated.

Instead, child care providers are receiving funds that weren't used because of low enrollments during the pandemic. If the money isn't distributed by the end of September, Michigan would have to return it to the federal government. That has happened before, said Gilda Jacobs, president of the Michigan League for Public Policy and a former state lawmaker.

She cheered state lawmakers for passing the bill, which went through with bipartisan support. Nearly half of Michigan families live in areas with child care shortages, according to MLPP research, and it appears that COVID has made the situation even worse.

“A big part of the reason so many people haven't gotten back into the workforce — especially moms, and Black and brown moms — is because of a lack of child care,” Jacobs said. “They are a group of folks who really have their lives improved when these child care businesses get back on their feet.”

Providers say they desperately need more funding to pay qualified staff. Despite the well-documented importance of early education and the training needed to work with young children, Michigan child care workers make \$12.30 an hour on average — less than housekeepers and parking attendants.

The financial strain is greatest on providers in low-income communities who serve families that rely on Michigan's subsidized child care program, which pays some of

the lowest rates in the nation.

“Under the current structure and the amount we’re paying them it’s next to impossible for them to compete for employees,” said Matt Gillard, president of Michigan’s Children, an advocacy group.

Even before the pandemic, Michigan’s child care subsidy program, known as Child Development and Care, was largely funded by the federal government. The state has three years to spend the money it receives each year. But with enrollment down, there was a lot left over.

For child care programs closed due to declining enrollment, the retroactive funds are arriving too late. Gillard said that the state should have moved more quickly to distribute the surplus funds.

Money has been tight throughout the pandemic at Christios Child Care and Academy, a group of two child care centers in Romulus and Detroit. Together, the centers enrolled 135 children pre-pandemic, almost all of whom rely on the state subsidy program.

These days, daily attendance hovers around 34 with COVID fears looming in communities that have low vaccination rates, such as Detroit.

Enrollment — the number of students signed up for child care at the center — is significantly higher, but with parents spending more time at home and COVID fears rising due to the delta variant, attendance is spotty, said owner Princess Dobbins.

Currently, she is only paid for the hours students actually spend at her center. But under the new law, she’ll be paid based on enrollment through September.

Even more significantly, Christios will receive a 40% retroactive boost on the state payments she received throughout the 2020-2021 fiscal year. She said she doesn’t know how much money to expect from the new law, but she thinks it will make a big difference.

“At this point any money is a blessing because our enrollment is still down,” she said. “I’ll continue to strive, and hopefully by the time the school year starts we’ll

start seeing a little increase in enrollment.”