



Executive Summary: Building a Better Child Care System in Michigan

Child care is essential for strong families, economies, and communities. But poor child care access cost Michigan's pre-COVID economy [over \\$1 billion](#) annually. Child care is a valuable public service requiring intense labor, which means that quality care demands resources. But Michigan's child care market is both inaccessible for families and unable to provide a dignified living for most child care professionals. Public investment is the only way to fix this conundrum and grow Michigan's economy. The following public policy reforms aim to do that.

Reform #1: Expand access to quality, affordable child care statewide for more Michigan families, especially those who face high levels of unmet need.

About half of Michigan families live in a "[child care desert](#)". For families with infants or toddlers, just two in three providers accept infants. For school-age children and youth, over [50% of surveyed parents](#) cannot afford an afterschool program. A parent's educational status, work schedule and their child's disability or behavioral needs introduce additional barriers to accessing care. We recommend expanding access by:

- Contracting with providers upfront to reserve slots for subsidy-eligible children where we know there is significant unmet need, including for infants and toddlers, children in foster care, student parents, and for care outside the hours of 9 a.m. - 5 p.m.;
- Dedicating funding to increase availability of out-of-school-time learning programs;
- Eliminating barriers to families utilizing the child care subsidy and accessing care.

Reform #2: Increase provider reimbursement and child care professional compensation.

While families struggle to pay child care bills, child care professionals struggle to pay all their bills on an average wage of [\\$12 an hour](#), driving many to leave the workforce. Safe facilities and quality materials take up roughly 30% of a provider's budget, so wages are often squeezed to poverty-levels to keep care affordable for families. Families who rely on Michigan's Child Development and Care ([CDC](#)) program struggle to find providers who accept the subsidy, because Michigan's reimbursement rates cannot pay for all that's needed for quality care. We recommend:

- Increasing the CDC reimbursement rate to reflect the cost and value of high-quality care;
- Enacting public wage subsidies, retention and sign-on bonuses, insurance and benefits, and business start-up grants to recruit and retain child care professionals;
- Offering child care professionals free training, education, and professional development.

Reform 3: Cultivate a diverse child care market including Family, Friends, and Neighbors.

Many families [rely on Family, Friends and Neighbors \(FFN\) for care](#). FFN caregivers who want to grow into a business should be supported to do so because it adds to their quality of care for children. When unlicensed FFN caregivers become [license-exempt providers \(LEPs\)](#), they complete skill-building activities such as [health and safety training](#) which improves a child's

experience in care. But becoming and remaining an LEP comes with unnecessary burdens. LEPs are reimbursed between [\\$1.75 and \\$3](#) an hour, and they experience additional regulatory measures, including background checks and regular monitoring visits which are necessary but whose cost, borne by the providers themselves, often prevent providers from serving additional families and children. Even with reforms, there will always be unlicensed, or informal, child care. The best way to ensure quality informal FFN child care is to support each individual provider's economic well-being and skills for caring for children. We recommend:

- Expanding [family child care networks](#) to support high-quality LEP and FFN care, and increasing LEP reimbursement, wages, and benefits in parity with the rest of the child care system;
- Paying LEPs for completing key trainings, instead of requiring them to pay the cost of those trainings;
- Permanently increasing the [Child Tax Credit](#) and [Earned Income Tax Credit](#), including for childless individuals, and enacting paid leave policies to meet family's caring needs;
- Establishing [resource centers](#) that offer child development-focused learning and skill-building for families and relatives, as well as access to materials.

Reform # 4: Increase the number of families eligible for support to afford child care.

The high cost of child care is well-documented. Infant care rivals the cost burden of rent, annual mortgage, and college tuition at [\\$10,287](#) a year for center-based care. This forces hard choices such as rationing necessities, including food, to make ends meet. Michigan's income eligibility for a CDC subsidy was the second lowest in the nation, 130% of the federal poverty level (FPL) until 2021 when it was [raised](#) to 150% FPL, (\$39,300 for a family of four). The increase still falls well below most states, which support eligibility up to and beyond 185% FPL. Child care subsidy co-pays [disproportionately affect families attending low-rated](#) providers which is unnecessarily punitive since families have limited provider options. We recommend:

- Increasing the income eligibility threshold for the CDC program from the current 150% of FPL to 200% FPL (\$52,400 for a family of four);
- Continuing to waive family co-pays through September 2022 and re-implement a co-pay system on an income-based sliding scale to fairly share the burden of child care costs.

Reform #5 - Provide supports to improve child care stability and relieve staff stress.

Any child care disruption can threaten a parent's job stability. Child care expulsions harm children by cutting off an opportunity to develop crucial social skills. Pre-pandemic, Michigan child care expulsions were [alarmingly common](#), and behavioral challenges have increased among children who experienced recent disruption or trauma. Child care professionals likewise have recently experienced increased stress and trauma. Michigan's Infant and Early Childhood Mental Health Consultation (IECMHC) program is proven to help providers and families build their skills to help children work through behavioral and emotional challenges, however the program has not expanded beyond its initial pilot covering [18 counties](#). We recommend:

- Increasing funding for the IECMHC program to ensure full statewide access.

Read our full report and recommendations for [*Building a Better Child Care System in Michigan*](#).