



August 2021

Building a Better Child Care System in Michigan

Child care is essential for strong families, economies, and communities in Michigan. But prior to the pandemic, our child care market was failing - poor child care access cost Michigan [over \\$1 billion](#) annually in lost earnings, productivity, and tax revenue. The pandemic exacerbated many challenges, with child care access contributing to [203,000](#) Michigan women resigning or losing their job between February 2020 and July 2021. Child care inequity and its economic impact have renewed public attention to making Michigan a state where:

- Parents can work without worrying about finding or affording quality child care;
- Child care providers and workers can operate new businesses and thrive in communities where they are needed; and
- All children have the option to attend high-quality care that promotes their long-term academic, social, emotional, and professional success.

Public Responsibility for a Broken Child Care Market

Child care is a valuable public service requiring intensive labor and safe, quality environments, which means that quality child care demands substantial resources. But in Michigan and across the nation, the child care market is both inaccessible for families and unable to provide a dignified living for most child care professionals.

Parents can't afford to pay more, and providers can't afford to charge less, so the only way to fix this conundrum is through public investment. The American Rescue Plan and other federal acts have awarded \$1.4 billion in child care funds to Michigan, with additional action being considered that would send billions more to Michigan over the next 10 years. These trends reverse a period of chronic state underinvestment in child care, which in the past two decades has contributed to a [65% reduction](#) in children covered by a child care subsidy.

Public attention, coupled with federal and state investment, make possible long-overdue systemic reforms, including:

- Expanding access to quality, affordable child care, especially for families living in areas of high unmet need or who face additional challenges including odd hours or disability;
- Growing and retaining our child care workforce by making child care jobs competitive;
- Cultivating a diverse child care market that supports Family, Friend, and Neighbor (FFN) care;
- Expanding family income eligibility to build a stronger child care subsidy program; and
- Improving child care stability for families and relieving staff stress.

Building a Better Child Care System in Michigan

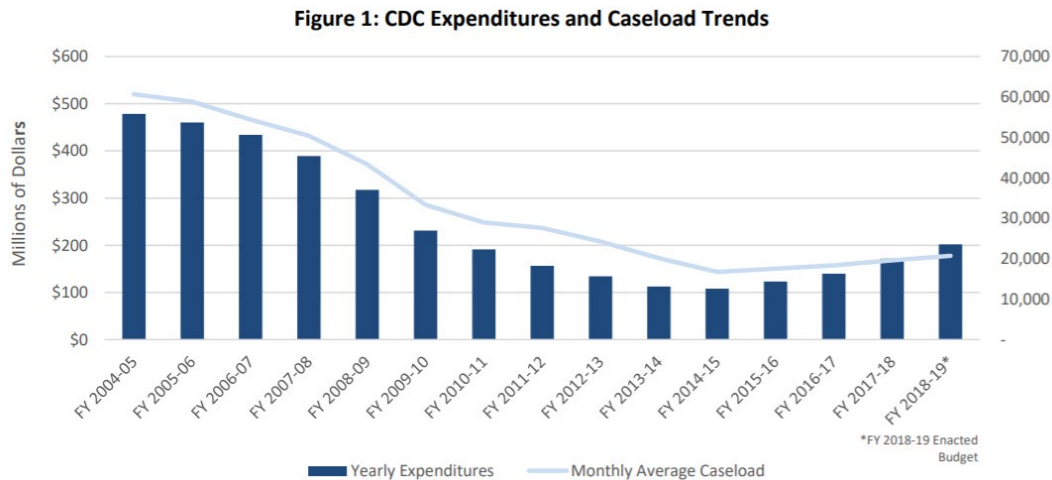


Figure 1: [Child Development and Care Program Fiscal Brief](#)

Why Quality, Affordable Child Care Matters

It is [well-documented](#) that brain development in the first years of life is crucial to a child's future mental health, academic potential, relationships and professional outcomes. Supportive, nurturing learning environments give children a foundation upon which to build their lives and careers. Child care plays a critical part in this, given that in Michigan [69%](#) of children 6 years and under live in households where all parents are working. High-quality child care has been [shown](#) to improve kids' readiness for kindergarten, which, as long as children get what they need in school, improves educational, postsecondary, and career outcomes.

High-quality, affordable child care gives parents the peace of mind that their children are being cared for in a safe learning environment while they are at work. This enables parents to accept job offers and pursue a family-sustaining career that will benefit themselves and their children long-term. Child care located in a family's community or near places of work or study ensures that parents are close by if their child needs anything, and reduces their drop-off and pick-up travel time, which allows families to spend more quality time together before and after work.

To support Michigan's current and future professionals and change-makers, it is crucial that we pave the way for high-quality child care that working families and children can depend on.

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

Child Care Deserts Affect Families of All Ages, All Over

Child care is simply hard to find. About half of Michigan families live in a "[child care desert](#)" where licensed care is scarce. Just [one county in the state](#) had enough slots for children in 2020. For Michigan families with infants or toddlers, child care is harder to find due to increased associated costs, including the needs for more dedicated attention for each child and for pricey supplies like cribs. Just two in three Michigan providers accept infants, and 10 counties have [no licensed infant and toddler child care slots at all](#). As children enter school-age and adolescence, their families' demand grows for care in the form of out-of-school time learning opportunities, which are [proven](#) to help children and

Building a Better Child Care System in Michigan

youth participate more in school, discover exciting career paths, and promote healthy behaviors and social skills for success in school and life. However, over [50% of Michigan surveyed parents](#) cannot afford an afterschool program, an increase over 2014, and 40% of parents report no programs nearby, also a growing rate since 2014.

Special Populations Face Additional Barriers

A parent's educational status, work schedule and their child's disability introduce additional barriers to accessing quality, affordable child care. For student parents and [parents](#) working outside of the hours of 9 a.m. - 5 p.m., child care can be exceptionally scarce due to both the increased costs of caring for children at night programmatically and the difficulty for providers to justify working outside of traditional business hours without charging families even more.

For parents of children living with a disability, transportation and additional costs that providers must incur, such as increased staff attention and special equipment, form barriers to affordable, accessible child care. Parents themselves, if they can, assume those costs for their children. As a result, nearly [50% more parents of children with disabilities](#) had difficulty finding child care in 2016 than did parents of children without disabilities. Foster families face similar challenges [finding care for foster children](#), who have additional behavioral needs, with an added barrier of having to arrange care that works for both their foster children and any of their own children.

Opportunities for Building a Better Child Care System

- Contract 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.
- Provide dedicated funding for out-of-school-time learning programs for school-age children before- and after-school and in the summer months.
- Make funds available for facility improvements and for children's behavioral supports to boost the supply of child care for children living with disabilities.
- Expand *Early On* identification and services for developmental delays for infants and toddlers.
- Increase resources delivered directly to lower-income working families, student families, and foster families.
- Pursue additional strategies to support families and providers, including child care navigators, wrap-around service models for student parents of all skill levels and foster families, and child care located near places of work, study, and homes.
- Reduce other unnecessary barriers to programs utilizing the child care subsidy.

Reform #2: Increase reimbursement rates to help child care providers stay in business and pursue policies that enable all child care professionals to earn a living wage.

Low Child Care Wages

While families struggle to pay their child care bills, child care professionals struggle to pay all of their bills on an average wage of [\\$12 an hour](#). Low wages [force roughly half](#) of US child care professionals onto public assistance, which drives dedicated and experienced professionals to leave the child care workforce for industries with better pay and benefits to support their families. Between 2005 and [2020](#) the child care workforce decreased by 21%.

Building a Better Child Care System in Michigan

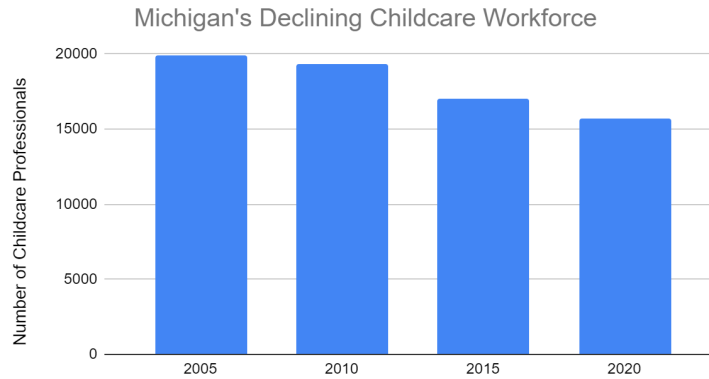


Figure 2: Data from [US BLS, Occupational Employment and Wage Statistics](#)

A Difficult Business Model

To provide a quality experience, providers must invest in age-appropriate learning materials and toys, nutrition, rent, and facility expenses, including bathroom supplies, utilities, and maintenance. Wages make up the rest of expenses, at [around 65%](#) of a provider's budget. It wouldn't serve kids or their families to cut costs by greatly increasing staff-to-child ratios, because kids require dedicated time and attention. There is no cutting corners for quality child care, but child care professionals usually find their wages squeezed to poverty-levels to keep individual families from paying even more than they do already. The resulting staff turnover from low wages costs providers significant time and money for training and reduced capacity to safely care for more children. The tenuous nature of the Michigan child care industry caused [671 providers](#) to close between May 2019 and June 2021.

Families eligible for Michigan's Child Development and Care ([CDC](#)) program struggle to find providers willing to accept their child care subsidy, because the state's reimbursement rates do not nearly pay the costs for what's needed to provide quality care. Reimbursement rates vary based on a child's age, provider type, and their [quality rating](#), but fall [consistently below](#) market standards. This is a strong disincentive against serving families with subsidies, and has contributed to [nearly half of families with children who are eligible for the state's child care subsidy not using it](#), in no small part due to the difficulty of finding a provider willing to serve them. Providers can't charge families any more, and they cannot cut expenses without reducing the quality of their care.

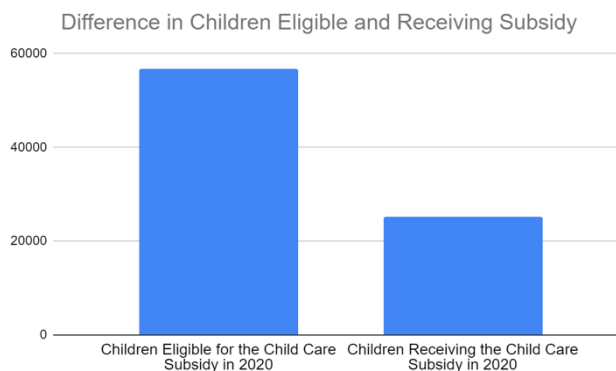


Figure 3: [Data from US BLS, Occupational Employment and Wage Statistics](#)

Building a Better Child Care System in Michigan

Opportunities for Building a Better Child Care System

- Increase the CDC reimbursement rate to reflect the true costs that child care providers incur to provide high-quality care for each child.
- Recruit and retain child care professionals by enacting public wage subsidies, retention and sign-on bonuses, and insurance and benefits to ensure a living wage and make the industry an attractive career option.
- Fund business start-up grants and operational grants for child care providers to increase Michigan's supply of providers and enable struggling providers to keep their doors open.
- Offer child care professionals free training, education, and professional development to improve their ability to provide quality, nurturing care, and to start their own businesses.

Reform 3: Cultivate a diverse market of child care providers that includes high-quality Family, Friend, and Neighbor care.

Many families, including those who work nontraditional hours, [rely on family, friends and neighbors \(FFN\) for care](#). This often can look like families, friends, or neighbors helping one another out during periods of crisis, and almost always grows from trusting relationships. Often, FFN caregivers begin their work unlicensed and maybe without health or safety training. When they choose to attain the status of a [license-exempt provider \(LEP\)](#) to receive state payments, they are required to pay to attend useful [health and safety trainings](#) and other skill-building activities that improve a child's experience in care. However, becoming and remaining an LEP comes with unnecessary burdens, beginning with FFN paying out-of-pocket for health and safety training. LEPs receive an extremely low reimbursement rate through the state subsidy system. Despite recent increases, LEPs are paid between [\\$1.75 and \\$3](#) an hour if they serve subsidy-eligible children. A child's parents receive the payment on behalf of the LEP, not done for any other provider class, and there have been cases where these funds do not pass on to the LEP.

LEPs experience additional important [regulatory measures](#) to ensure that they are providing a safe environment. However, these measures often lead to unnecessary financial strain. Non-relative LEPs undergo FBI fingerprinting and must care for a child outside of their own residence and accept monitoring visits intended to ensure the health and safety of those in their care. Often, these barriers prevent providers from taking on additional families and children in their care, resulting in fewer families served.

FFN caregivers who want to grow into a business or an LEP should have access to start-up supports. But due to the nature of FFN care, there will always be unlicensed, or informal, care for a multitude of reasons and of varying durations. Unlicensed child care will always be part of our society and economy. And because informal care is by definition out of the licensed system, the best way to ensure quality FFN child care is to support each individual provider's economic well-being and skills for caring for children.

Opportunities for Building a Better Child Care System

- Establish and expand [family child care networks](#) to support caregivers to become high-quality LEPs or to move towards full licensure.

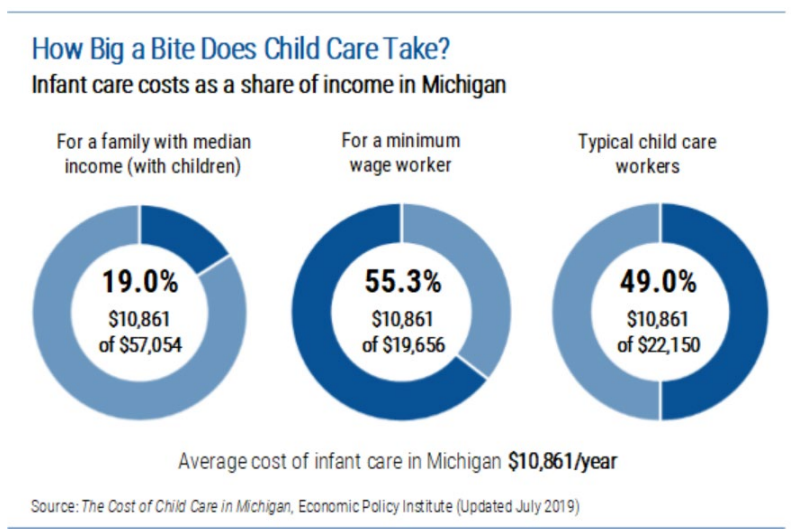
Building a Better Child Care System in Michigan

- Utilize public funds to increase LEP reimbursement, wages, and benefits in parity with the rest of the child care system.
- Pay LEPs for completing key trainings, instead of making them pay out-of-pocket, to build skills that will only improve the health and safety of people around them.
- Permanently increase the [Child Tax Credit](#), and permanently increase eligibility and the overall amount of the [Earned Income Tax Credit](#), including for childless individuals.
- Enact paid leave policies that better meet the caring needs of individuals and families.
- Support the establishment of [resource centers](#) that offer child development-focused learning and skill-building for families and relatives, and that provide affordable or free access to education materials, hygiene products, healthy snacks, and technology.

Reform # 4: Increase the number of families eligible for help to afford child care through the Child Development and Care subsidy program.

Child Care is an Immense Cost Burden for Families

The high cost of child care is well-documented. Federal law defines “affordable” child care as 7% of a family’s income, and yet in 2020 [single parents with a median income spent 36% of their earnings \(\\$8,959\) on center-based child care for a 4-year-old](#), rivaling the cost burden of rent, annual mortgage, and college tuition. Compared to care for a preschool-aged child, infant care is [61%](#) more expensive, at [\\$10,287](#) a year for center-based care. This cost burden forces hard choices like rationing basic necessities such as food to make ends meet. Michigan’s income eligibility for a child care subsidy was the second lowest in the nation, at 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.



MICHIGAN LEAGUE FOR PUBLIC POLICY | WWW.MLPP.ORG

Figure 4: [MLPP, Child Care Financing Reform](#)

Building a Better Child Care System in Michigan

Co-pays are a Burden to Families Attending Low-Rated Providers

Co-pays for families using a child care subsidy provide additional cost barriers that disproportionately affect families who attend child care providers that have low Great Start to Quality ratings. These payments range from [\\$30 to \\$372 a month](#) depending on family income. For example, a family with three kids making \$51,456 pays \$3,432 a year in co-pays for subsidized child care. Prior to a pandemic measure that waived all co-pays, [families that attended a no-star, 1-star, or 2-star rated child care provider were obligated to pay co-pays](#), while families that attended a 3-, 4-, or 5-star rated provider were exempt from paying co-pays. It is punitive to put a cost burden on families attending low-rated centers; given the scarce stock of child care providers, families often have limited choices in which provider their child attends.

Opportunities for Building a Better Child Care System

- Increase the income eligibility threshold for the CDC program from the current 150% of FPL to 200% FPL (\$52,400 for a family of four).
- The CDC program should support families who have been negatively impacted by the pandemic by heeding the Governor's plan of waiving all family co-pays through September 2022. Long-term, the program should re-implement a co-pay system on a progressive sliding scale based on income to ease more of the cost for working families with the lowest incomes. Co-pays should continue to be waived for families with TANF benefits, children in protective services, foster children, families with SSI benefits, migrant farmworker families, homeless families, and families who earn less than 100% of the federal poverty level.

Reform #5 - Provide Supports to Improve Child Care Stability and Relieve Staff Stress.

When a family has child care, any disruption to care can threaten a parent's job stability and increase family stress. Child care suspensions and expulsions harm children too by cutting off an opportunity to develop the very social skills that will help them thrive in school and beyond. Child care professionals cite challenging behaviors from children as a significant stressor, and [studies show](#) that the stress early childhood professionals experience increases the likelihood of children being suspended or expelled.

Children and Providers Have Been Through A Lot

Pre-pandemic, Michigan child care expulsions were alarmingly common, occurring at a rate [13 times greater](#) than that in K-12 schools. Behavioral challenges have increased among children who experienced great disruption or trauma from the pandemic, and child care professionals likewise experienced increased stress and trauma during the pandemic, with many choosing to leave the profession altogether. Michigan cannot allow the effects of the pandemic to upend more child care arrangements and careers.

Help is Available but Limited

Michigan's Infant and Early Childhood Mental Health Consultation (IECMHC) program is proven to help providers and families build their own skills to help children work through behavioral and emotional challenges. IECMHC "coaches" recommend developmentally appropriate methods for handling potential stressors, including activity transition periods and meal times, so that providers and families can create more supportive environments for all kids to thrive. Proven [benefits of IECMHC](#) include

Building a Better Child Care System in Michigan

reductions in problematic behavior, [expulsions](#), parental job disruptions, and professional stress, and improvements in staff-to-child and child-to-child interactions and teaching effectiveness.

IECMHC is based on a defunct program whose funding was cut during the mid-2000s Recession. Since IECMHC's initial introduction as a pilot [in 18 counties](#) using federal Race to The Top Early Learning Challenge grant funds, state leaders have pieced together funding in the meantime to maintain access to the program in its pilot counties, totaling 13 consultants. Statewide expansion of this program is the next step.

Opportunities for Building a Better Child Care System

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

A Call to Action!

A strong child care system ultimately benefits every Michigan citizen, but kids, families, and child care providers alone have shouldered the burden of our system's failures for far too long. This post-pandemic moment is ripe for change.

Public investment will help ease the burden of the cost of child care so individual families can remain strong, and families who face additional challenges, like student parents, foster parents, parents of kids with disabilities, and parents of infants and toddlers, can find quality care for their needs. Public investment will help child care professionals earn a living wage and benefits while keeping providers' doors open. It's up to citizens to demand the solutions, and to decisionmakers to make them a reality.