

## Over 1,200 childcare facilities in Michigan could close as federal aid comes to end

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In this MLive file photo, children play with kinetic sand at a child care center in Battle Creek.

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Childcare is a costly expense for most families, but experts in Michigan fear the worst is yet to come for parents and childcare providers alike.

A federal program that allocated money to states for childcare during the COVID-19 pandemic is set to expire Saturday, Sept. 30. The loss is expected to have devastating impacts on an already burdened childcare industry, potentially causing facilities to close and children to lose care.

“The childcare sector is one that runs on very thin margins. The entire industry was hit hard during the pandemic, and so those stimulus funds were critical in ensuring that we stayed in operation during the challenging times, which in turn, ensured we were able to provide care to American families when they needed it most,” said Dada London, regional vice president of KinderCare. KinderCare operates more than 1,000 daycare and early childhood learning centers across the country, including in Michigan.

In 2021, the Biden Administration distributed \$39 billion from the American Rescue Plan to U.S. states and territories to address a crisis in childcare – it is hard to afford, difficult to access and for providers, a struggle to staff, all problems exacerbated by the pandemic and related disruptions. The money was divided into two pots: \$24 billion for stabilization grants to help childcare facility operations and \$15 billion to provide more affordable childcare for families through an increase in state’s childcare subsidies.

Michigan received over \$1.1 billion of the funding. Impacting up to 290,500 children, 6,465 Michigan childcare programs received stabilization support, according to [the U.S. Department of Health and Human Service’s Office of Child Care](#).

The Century Foundation, a progressive think tank, [projects over 1,200 childcare facilities in Michigan could close](#) with the loss of funding, affecting more than 56,000 children.

Heidi McFadden, executive director of Gretchen’s House Child Care Centers, which serves about 1,000 families in the Upper Peninsula and Washtenaw County, said they used the funding to attract and retain workers when they were struggling with staffing during the pandemic.

They were able to offer employees salary increases, bonuses and better benefits. Additionally, they began [a student loan repayment program](#) last year.

Quality early childhood educators are hard to come by, McFadden said. This is why about 70% of their budget goes towards staffing to keep the business running.

“Even in a program like ours, childcare since the pandemic has become less consistent,” McFadden said. “Five years ago, we would never have had to close a classroom because of illness... there are times, even now, when too many staff get COVID. We can’t run a program without having that continuity of care.”

Parents and caregivers need childcare to be able to work and provide for their families, McFadden said. That need hasn’t changed in the last few years, even as more parents and caregivers transitioned to work from home, she added.

“Families in every industry need childcare, and even people who don’t have children need it... for the people that they want to be working in their doctor’s offices, working at a store, working wherever it is that they need to get services,” she said.

Liz Bayer of Oakland County is mother to a 7-year-old son and a 3-year-old daughter. Her family doesn’t qualify for government aid, but with daycare costs rising, it’s become increasingly difficult to afford, she said. The weekly \$185 payments required for her daughter to attend daycare twice a week are about the same as they were when her son attended daycare five days a week at the same age.

Her daughter’s daycare is also adding biannual price increases, so “it’s not just asking for money, it’s asking for more money more often,” Bayer said.

As a perinatal counselor, she frequently has conversations with moms about the financial hardship's childcare brings and what options are best for their situations.

"Everyone needs to work, of course, and there (are) reasons why we all work, but sometimes it's almost like you're better off financially not going with childcare because the costs are so high," Bayer said.

Subsidies are vital for thousands of children from Michigan's low-income families enrolled in childcare programs.

The state pays childcare subsidies directly to providers on behalf of eligible families. Depending on a variety of factors, like family size or income, a family's out-of-pocket costs are either reduced to smaller copayments or cut altogether. Because of the state's biweekly pay schedule for childcare subsidies, copayments resumed Sept. 23, before the official end of the American Rescue Plan aid.

KinderCare has about 650 families who rely on subsidies and without a way to bridge the gap "that cost now is going to be passed onto the families," London said.

"You could be talking about upwards of \$400 additional a month per child that they're now paying," he said.

Data from Michigan's Children, a statewide advocacy group, shows the loss of childcare subsidy funding would reduce subsidy rates by 26%.

Despite pleas from childcare providers and advocates, Michigan lawmakers didn't increase funding for the subsidy program in the most recently passed state budget.

The state did make investments in other early childhood education initiatives, like the Great Start Readiness Program, but even the most well-intentioned programs won't help families if they don't have access to childcare in their areas, McFadden said. She specifically mentioned the Tri-Share program, which allows the state, childcare providers and families to split childcare costs.

"When funding is cut that allows programs to be open, it takes away that access," she said. "So it doesn't matter what we do to help families subsidize care if they can't get the care at all."

Gretchen's House was able to stretch the money for future short-term use, but McFadden said she's unsure what that means for their operations "five years down the road."

Working with Michigan's Children, London said childcare networks like KinderCare have been asking state lawmakers to appropriate \$160 million to sustain the current subsidy reimbursement rates. Some states have already moved to bridge the funding gap, he said, but the general impression amongst Michigan legislators is that the money wasn't meant to be a long-term solution.

“We’ll be put in a tough spot if, you know, lawmakers in Michigan don’t do something to continue to support the childcare industry,” London said.