



Testimony Presented to the House Appropriations Subcommittee on Education

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March 18, 2015

Good morning, Chairman Potvin and subcommittee members. I am Gilda Jacobs, President and CEO of the Michigan League for Public Policy. The League has been advocating for low-income families and children in Michigan for more than 100 years, and I am happy to have the opportunity to address the Governor's proposed budget today.

We are very pleased that the governor's budget recognizes child care as a critical component of Michigan's P-20 educational system, which he appropriately defines as "prenatal to age 20." By including child care quality improvements in his third grade reading initiative, the governor acknowledges the irrefutable scientific evidence that learning begins at birth, and children's experiences in the earliest years of life affect their development and achievement.

As you are aware, two of every \$3 spent by the Department of Education is federal, with the federally funded Child Development and Care program now accounting for nearly 40% of the MDE budget. The number of families receiving a child care subsidy in Michigan has dropped by nearly 75% since 2003, to an average of 17,500 in the current year.

While changes in the economy, including high unemployment, undoubtedly had some impact, policy decisions—including Michigan's continuing low child care subsidy eligibility levels and provider payments—have been major contributors.

The precipitous decline in the number of families receiving help with child care costs also reduced total spending for child care subsidies. As a result, Michigan now has federal Child Care Development Fund dollars to "use or lose." Given the long-term underfunding of child care in Michigan, we hope that you will invest those dollars in ways that help parents with young children find and retain jobs.

For 2016, we urge you to consider the following:

Expand child care eligibility and access: At 121% of poverty (\$23,880 for a family of three), Michigan's child care eligibility levels are the second lowest in the nation and have been in place since 2003.

To improve access we recommend:

- **Support the governor's proposal to create 12-month eligibility for child care.** Once eligible, families would have child care they can rely on for at least one year, improving job stability and security. Their children would have the continuity needed to form relationships with providers.

- **Support the governor’s proposal to eliminate the “child care cliff” created by Michigan’s low eligibility guidelines.** The governor’s recommendation to move the “exit” eligibility guidelines to 250% of poverty will help parents hold on to lower-wage jobs that don’t provide them with enough income to pay for child care. You heard testimony by the department that under our current income scale, a single mother of two children earning \$11 per hour who received a 50-cent raise would lose child care assistance, and her child care costs would jump from \$2,925 to \$18,044 annually. This is beyond a work disincentive. It is a complete barrier.

Address child care costs: Michigan has some of the lowest child care payments in the country, with payments for toddlers currently the 10th lowest in the nation. The federal government recommends a standard of the 75th percentile of market rate, which means families receiving subsidies could afford 75% of the care in their area. Michigan rates are currently between the 3rd and 30th percentile, depending on the type of care and the age of the child.

To improve affordability and quality we recommend:

- **Support the governor’s proposal to increase child care payments for higher-quality child care providers.** High-quality child care is unaffordable for many families. At more than \$10,000 per year, the average annual cost of child care for an infant in a center is 48% of the income of a single mother earning the median wage. A low- or moderate-income parent with two children in center care faces an insurmountable child care bill of more than \$18,000.
- **Shift child care payments from an hourly to a weekly basis, adjusting for full- and part-time care.** Michigan is one of only three states that pay providers on an hourly basis. The tracking of hours is a burden for providers and parents and can be a disincentive for providers to accept children who receive state subsidies. Most states follow reimbursement policies that are standard for the field, with part-time (25 hours or less per week) or full-time (26 hours and up) payments.

Ensure compliance with basic health and safety regulations: The recent supplemental budget bill (now P.A. 5 of 2015) appropriated \$11.8 million in federal funds for some of the governor’s child care recommendations, including eligibility and rate changes in his 2016 budget. Still to be decided is the governor’s request to spend \$5.7 million in federal funds to ensure that there are enough child care inspectors to guarantee that all children are in care that meets minimum health and safety standards.

This is a critical issue for Michigan that has resulted in negative national attention. Several federal audits and reports have found huge shortcomings in Michigan’s ability to ensure children are safe. In unannounced visits, auditors found child care providers that hadn’t been checked for previous criminal or protective services violations, as well as dangerous chemicals within the reach of children and unattended toddlers.

The primary reason for these failures according to auditors was the insufficient number of child care inspectors.

To improve basic and health and safety for young children in care we recommend:

- **Support the governor’s recommendation to expand the number of child care inspectors—at no cost to the state.** The governor’s proposal would raise the number of inspectors from 70 to 105, reducing caseloads from one inspector for every 153 licensed centers and homes to 1:93—the national average. To ensure safety and meet state standards, child care inspections must be thorough. On-site inspections of centers can take up to 15 hours, depending in part on required travel time. Because inspectors are spread out over 83 counties, travel times can be as high as 60 minutes one way in south central lower Michigan to 200 miles in the Upper Peninsula.

Michigan is already failing to ensure that licensed child care centers and homes are properly inspected, and new federal law and regulations soon will require more oversight. Beginning in 2016, Michigan will be required to step up its efforts to include pre-licensure inspections of all child care homes, yearly unannounced visits and annual inspections of unlicensed providers.

The health and safety of children in child care is a necessary baseline for quality, affecting *all* parents who are trying to work to support their children. We can do better for our youngest children at no cost to the state. Now is the time to do so.

Thank you.