



# LEGISLATURE APPROVES LARGEST INCREASES IN EARLY CHILDHOOD SERVICES IN DECADES

October 2021

With strong bipartisan support, the Michigan Legislature agreed with the governor on the largest increase in child care funding in Michigan history, along with significant expansions in both state-funded preschool and early intervention.

## Child care:

In February of 2021, the governor recommended a large temporary increase in the income eligibility threshold for child care assistance from 150% of poverty to 200%—at a cost of \$46.4 million in the 2021 budget year, and \$92.8 million in 2022. In addition, the governor recommended a 10% increase in child care subsidy rates, a temporary waiver of family contribution copays, and payments to providers based on enrollments rather than attendance.

**Final budget:** In a historic move forward, lawmakers and the governor agreed to invest \$1.4 billion in child care over two budget years—beginning October 1, 2021 through September 30, 2023, including:

- **Grants for child care providers.** The budget agreement includes \$700.7 million for grants to child care providers to help them keep their doors open. Even prior to the COVID-19 public health crisis, small child care businesses were struggling to stay open, and many are now on the brink of closure. Providers are eligible if they are currently operating or have temporarily closed due to COVID-19. The grants will include a base rate of payment reflecting the number of licensed slots, the type of provider (center or home-based), and whether or not they serve infants and toddlers. Additional bonus payments will be made for those serving children with subsidies, children with special needs, offering care during non-traditional hours like nights and weekends, or having a published quality rating through Great Start to Quality.
- **Help for parents trying to find child care they can afford.** The agreement includes \$108.1 million to increase in the income eligibility threshold for the state's child care subsidy from 150% of poverty (currently \$39,750 for a family of four) to 185% of poverty (\$49,025), as well as \$13 million the waive parent copays. These changes will provide much-needed child care assistance to thousands more Michigan families. Child care for one infant in Michigan can consume 19% of the income of a family at the state's median income of \$57,054, but is devastating for minimum wage workers—accounting for 55% of annual income.
- **Rate increases for child care providers caring for children receiving state subsidies.** Lawmakers and the governor agreed to provide \$158 million for a permanent 30% rate increase for providers caring for children who receive child care subsidies, making it more possible for them to open slots for children from families with lower incomes. An additional \$222 million is provided for a temporary rate increase. Subsidy rates are currently substantially below market rates, making it difficult for many providers to accept children with subsidies.

- **Changes in how child care businesses are paid to secure a steady stream of income.** The budget includes \$117.4 million to pay providers based on enrollment rather than attendance for both the 2022 and 2023 budget years. This helps smooth out the income of providers and makes it possible to weather periods of low enrollment—a problem that worsened during the pandemic.
- **Strategies to shore up the supply of child care.** The agreement includes \$100 million for start-up grants for new or expanding child care businesses, including funds for technical assistance and facility improvements. Half of the funds are to be used for technical assistance or support for start-up costs, with the remaining half dedicated to facility improvements.
- **Funds to address the dire shortage of child care for infants and toddlers.** The budget includes \$36.5 million over three years to contract with providers to create more spaces for infants and toddlers. The care of infants and toddlers is more hands-on and requires additional staff, making it more costly. As a result, only two of every three providers offer care for infants and toddlers, and 10 Michigan counties have no licensed child care center slots for these very young children.
- **Bonuses to help ensure that child care businesses can attract and retain child care workers.** The agreement includes \$30 million to provide bonuses to one of the state’s most underpaid workforces, with median wages of just \$11.13 per hour. Low wages are the primary reason for staffing turnover rates as high as 25-30%, with many child care workers finding better wages and benefits in fast food and other traditionally low-wage jobs.
- **Continuation funding for mental health consultation in child care settings.** The final budget includes \$1.5 million for mental health consultation in both the 2022 and 2023 budget years to help providers deal with difficult behaviors of children in care, and avoid child care suspensions and expulsions.

### **The Great Start Readiness Preschool Program (GSRP):**

In February, the governor recommended the first increase in per-child payments for the GSRP since 2014. While Michigan expanded funding for the GSRP by \$130 million between 2014 and 2015, per-child payments have remained stagnant. The governor proposed an increase of \$32.2 million to raise the allocation for a full-time preschool slot by \$1,025 to a total of \$8,275—mirroring the minimum K-12 per-pupil payment, and increasing GSRP spending from \$249.6 million to \$281.8 million.

**Final budget (K-12 School Aid budget approved in July 2021):** The final budget includes a 67% increase in funding for the GSRP, including \$121 million in federal relief funds, to increase the allocation per child from \$7,250 to \$8,700 for a full-day program to align with the K-12 per-pupil payment.

### **Michigan’s Early Intervention Program (Early On):**

In her initial 2022 state budget proposal, the governor recommended flat state funding for Early On, the state’s program to identify and serve young children ages 0-3 with developmental delays or disabilities.

**Final budget (K-12 School Aid budget approved in July 2021):** The final budget doubles state funding for Early On. It includes new funding of \$7 million, bringing total state funding for Early On to \$14.2 million.