

Child care subsidies support working caregivers and allow for affordable early learning for kids

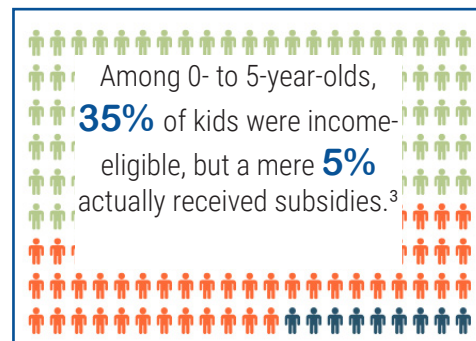
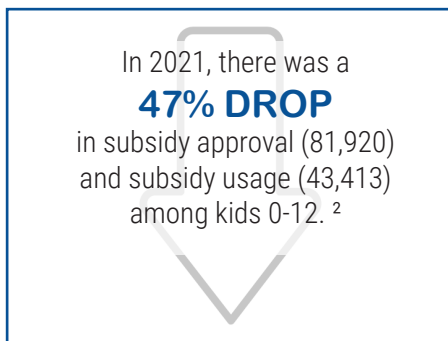
Kids Count in Michigan | March 2023

What we know

Child care is an important learning opportunity for young children.

Child care is an important opportunity for early learning for kids and an economic driver for providers and parents. However, it relies on parents' ability to pay. While child care expenses should account for no more than 7% of income to be considered affordable, minimum wage and middle income families both pay well above that for one infant in a licensed child care setting, at 54% and 19% respectively.¹

Despite recent increases in income eligibility, the state's subsidy system isn't reaching all eligible families.



The current subsidy system isn't financially feasible for child care providers either. State reimbursement rates don't match market rates, don't cover the cost of providing care and pay based on attendance.⁴ This forces providers to turn low- and moderate-income families away or take a loss to already low margins. For example,

- Parent co-pays help providers make up the difference between tuition and subsidy reimbursement, but hurt affordability and access: about **62% of providers charge families the full difference.**
- Though federally recommended market rates don't reflect the true cost of providing care, **Michigan's subsidy reimbursement rates fall well below market rate:** 44% below for preschoolers and 34% below for infants and toddlers.
- Low reimbursement rates disincentivize provider participation. About **41%** of providers are currently caring for children with subsidies and **11% will not serve** families receiving subsidies.
- Other providers (48%) say they are willing to accept subsidies in the future.⁴

Recommendations

To support early learning for kids, a thriving workforce for providers, and participation in the workforce and school for caregivers, Michigan should:

Maximize investments: Sustain and expand the historic federal investment in child care:

- Maintain family eligibility for subsidy at 200% of the federal poverty level and fund an information campaign to reach and enroll all eligible families;
- Ensure providers are prospectively reimbursed based on the true cost of care analysis and based on eligible child enrollment rather than attendance; and,
- Provide funding to support implementation of an infant-toddler contract model.
- Provide automatic eligibility of early care and education providers into the Child Development and Care subsidy program for their own children to attend child care.
- Increase funding to intermediaries, including Child Care Resource & Referral, Early Childhood Support Networks, and other institutions of trust for child care providers.

Provide support through social emotional consultation: Expand funding for Infant and Early Childhood Mental Health Consultation for early educators and families.



Sources

1. Perdue, Kelsey. *2021 Kids Count in Michigan Data Book: A Better Future is Possible*. Michigan League for Public Policy, 2021.
2. Annual Table 41: Child Development and Care (CDC) Annual Information Fiscal Year 2021. Michigan Department of Health and Human Services, 2021.
3. Isaacs, Yona. *Birth through Five Fact Sheets: Michigan*. Michigan League for Public Policy, 2021.
4. *Michigan's Child Care Market Rates: An Analysis of Costs for Quality Child Care for the Child Development and Care Subsidy Program*. Public Policy Associates Inc., 2021.

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