

## Department of Education

### Child Care - COVID-19

June 11, 2021

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#### New Federal Funding

Michigan has received \$1.4 billion in federal child care funding. The two new rounds of stimulus were passed through the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan Act (ARPA). This is in addition to the \$241.5 million Michigan receives annually in federal Child Development and Care program dollars specifically for child care.

In her Executive Recommendation, Governor Whitmer proposed how to spend CRRSAA funds, and this proposal reiterates and expands on those priorities.

Stimulus	Award in Millions	Type	Obligation Date	Expend by Date
CRRSAA CCDBG	292.1	One-time	09/30/2022	09/30/2023
ARPA CCDBG	437.2	One-time	09/30/2023	09/30/2024
ARPA Stabilization Grants	700.7	One-time	09/30/2022	09/30/2023
ARPA Child Care Entitlement	15.0	Ongoing	09/30/2023	09/30/2024

#### Investment Highlights

- **Stabilize child care Businesses**
  - **Raise child care subsidy rates by 20%** for providers to move closer to the market rate for child care.
  - **Provide business stimulus grants** to all child care providers to help them remain open and serving Michigan families.
- **Expand access to child care with grants to new and expanding sites in communities without adequate child care.** 10% of the ARPA stabilization grants is proposed to be set aside for this purpose.
- **Make child care more affordable for families**
  - **Increase income eligibility** from 150% of FPL, \$39,300 annually for a family of four, to 200% FPL or \$53,000 annually for a family of four from August 1, 2021 – September 30, 2023. This policy makes low or no cost child care available to an estimated 150,000 more children. Thereafter, income eligibility permanently increases to 160% FPL, \$41,920 annually for a family of four.
  - **Increase access to the child care subsidy for student parents enrolled in Michigan Reconnect and Futures for Frontliners** for a 12-month period. Individual student parents will leave the program per the exit requirements.
- **Support for early educators and child care professionals**
  - **Offer premium pay for child care professionals** in the amount of \$500 stipends paid quarterly through September 2022.
  - **Maintain mental health supports** provided by infant and early childhood mental health consultants for children enrolled in child care.

## ARPA Child Care Proposal

Policy	Projected Costs Through FY 2023 in Millions	Short Summary
Provide operational grants to child care businesses to keep them open and financially strong	\$645.6	The federal government mandates that 90% of ARPA Stabilization Grant funds are used for grants to providers. These grants will be implemented in alignment with federal guidance with the goal of helping existing child care providers reopen or remain open.
Pay child care subsidy based on enrollment and not attendance	\$133.7	In order to stabilize funding flowing to providers participating in the state's subsidy program, pay them based on the number of children enrolled, not hours they attend through September 2023.
Increase child care subsidy rates by 20%	\$154.9	Ongoing increase in rates paid to providers participating in the state's subsidy program. This increase will get subsidy rates closer to market rates encouraging more providers to participate in the subsidy program, and financially stabilize those who already do.
Create contracts for infant/toddler care in quality settings	\$38.3	This will fund a slot-based payment model for infant and toddler care in high-quality child care providers. This will help secure spots for children that have the highest cost to serve. Funding will target communities with limited access to infant and toddler care.
Expand the Child Care Innovation Fund to test and scale effective practices to improve child care	\$6.0	This funding will match a private investment from the W.K. Kellogg Foundation to support research and development in the child care industry. This private public partnership will be administered by the Early Childhood Investment Corporation and offer two years of funding to support regional and community projects to pilot common sense solutions that benefit families, businesses, and educators.
Provide start-up and facilities grants to new and expanding child care providers. Prioritize resources based on equity	\$113.8	Some communities in Michigan do not have the child care services needed for residents (sometimes called child care deserts). Grants will incentivize new businesses to fill the needs in these geographic locations. Also any technical assistance that is needed or IT infrastructure to support Michigan child care providers can be supplied. This funding can be used for administration purposes.
Provide technical assistance for child care starts ups (including family child care networks)		
Modernize data infrastructure (including licensing database and MiRegistry)		
Make more working families eligible for low or no cost care by increasing eligibility to 200% and waiving parent copays	\$178.9	Increase income eligibility from 150% FPL to 200% FPL through FY 2023. This will make 151,000 more children eligible for low or no cost child care. The state will also waive copays for families through September 2022.

Extend eligibility for the child care subsidy to all parents enrolled in Michigan Reconnect	\$81.7	Support college completion by extending child care services for families participating in Michigan Reconnect or Future for Frontliners. Participating students would have 12 months to enroll and would exit the subsidy per the existing exit criteria.
Expand the innovative Tri-Share Pilot Program (through the LEO budget)	LEO Budget	The approach of making child care affordable by having the cost shared between businesses, families, and the state. This program is not funded with federal stimulus dollars.
Offer premium pay to child care professionals	\$124.8	Workforce shortages limit child care providers' ability to serve all families needing care. To recruit and retain employees, give child care professionals across the state, through their employer, a \$500 retention bonus once every three months through September 2022.
Offer sign on bonuses for new staff	\$18.0	Assist in recruitment efforts by offering sign on bonuses for new child care professionals to bring more people into the profession.
Provide tuition-free education and training to child care professionals by expanding the TEACH program	\$10.0	Cover the tuition of child care professionals to further their education in a relevant field.
Expand support for child mental health by expanding a network of infant and early childhood mental health consultation	\$3.0	Continue support for infant and early childhood mental health consultation (or social emotional consultants) in 18 Michigan counties. These services are for children enrolled in child care.
Department supports	\$7.3	Funding for MDE administration to implement all of the programs listed above.
<b>Total</b>	<b>\$1,516.0</b>	

### Executive Recommendation Proposal

The Governor's Executive Recommendation contained a child care proposal with all of the policies above highlighted in blue. At that point only CRSSAA had been passed by the federal Government so the scale of the Executive Recommendation investment was much smaller. Many items ended sooner such as paying providers on enrollment and not attendance only ran until December 2021 but now in the ARPA proposal runs through September 2023. Operational grants to child care businesses was a \$55 million investment as opposed to \$645.6 million.

Policy	ARPA Proposal	Exec Rec
Provide operational grants to child care businesses to keep them open and financially strong	\$645.6	\$55.0

Pay child care subsidy based on enrollment and not attendance	\$133.7	\$44.0
Increase child care subsidy rates by 20%	\$154.9 (20%)	\$79.6 (10%)
Make more working families eligible for low or no cost care by increasing eligibility to 200% and waiving parent copays	\$178.9	\$176.9
Expand support for child mental health by expanding a network of infant and early childhood mental health consultation	\$3.0	\$1.5
Department supports	\$7.3	\$2.8
<b>Total</b>	<b>\$1,123.4</b>	<b>\$359.8</b>

With the passage of ARPA, it has allowed for an expansion of the policies in the Executive Recommendation as well as adding new items such as paying bonuses to child care workers, start up grants for new child care providers, and contracting for slots with providers for the highest cost children.

### Goals Being Addressed

Main goals the Governor wants to address are consistent year to year. Michigan families, businesses, and child care professionals are all valuable and this proposal seeks to support all of them.

1. All families have access to quality, affordable care that meets their needs - Implement policies that help make child care more attainable for all Michigan families with a focus on low income families served through the state’s child care program. By expanding income eligibility to 200% FPL, an estimated 150,000 more children will become eligible for low cost child care services. Increasing provider rates, start up grants, the Tri-Share Pilot program, child mental health network, and the child care innovation fund all serve this goal. Some by expanding child care opportunities, others by increasing the quality of care for our children.
2. Ensure access to child care by supporting Michigan child care businesses – Placing a true value and support on the business that begin the education of Michigan children. The pandemic has hit child care providers hard and providing financial support to remain open or reopen is vital. Also, to give more financial security such as paying providers on children enrolled, increasing hourly provider rates, and business support grants will all accomplish this purpose.
3. Honoring child care professionals – Recognizing the frontline impact these residents have had during the pandemic but also during normal time on the education and well being of children. By providing sign on bonus for new staff we aim to quickly recruit the needed workforce, \$500 bonus pay every 3 months and given 5 times to reward and retain these professionals, and allow for a tuition free continuation of early childhood education through the TEACH program.