



Networks Northwest Regional Child Care Coalition | 14 Impactful Solutions

Regional Child Care Plan

“If the region wants to be desirable to young families there has to be a change.”—LEELANAU COUNTY PARENT

Solution
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[DOWNLOAD THE FULL PLAN HERE](#)

Introduction to the 14 Solutions

The following 14 Solutions arise from more than 100 distinct ideas generated by the Regional Child Care Planning Coalition

The following Child Care Solution module is one of 14 Solutions that comprise the Regional Child Care Plan of the Networks Northwest Regional Child Care Planning Coalition. The 49-member Coalition represents regional and community partners in the northwest-lower Michigan counties of Antrim, Benzie, Charlevoix, Emmet, Grand Traverse, Kalkaska, Leelanau, Manistee, Missaukee and Wexford.

The work of the Coalition is funded by a Regional Child Care Planning grant awarded and supported by Michigan's Early Childhood Investment Corporation (ECIC) Child Care Innovation Fund in order to understand and address the child care crisis and to expand equitable access to high-quality, affordable child care for working families. Grants were issued to 16 regional coalitions covering every part of Michigan.

Regional Child Care Planning grants were issued to ECIC by the Michigan Department of Lifelong Education, Advancement and Potential (MiLEAP), utilizing American Rescue Plan Act (ARPA) funds from the Office of Child Care, Administration for Children and Families, U.S. Department of Health and Human Services.

Each Solution Module:

Meets several criteria:

- **Impactful** – in the opinion of the Coalition, directly addresses one or more of the Root Causes impacting the regional child care system and will improve access, affordability and/or quality.
- **Vetted** – have proven to be successful regionally or elsewhere
- **Sponsored** – one or more regional entities or groups is presently committed to or leading implementation

Consists of five components::

- **Primary Root Cause** addressed
- **An introductory paragraph** summarizing the solution, why it can be beneficial and how it can be implemented
- **Background and Context** – relates why the solution may be needed or beneficial, along with some historical context where applicable
- **Examples and Priorities** – showcases examples of comparable approaches implemented within the region or elsewhere and then highlights implied priorities for implementation
- **Potential Near-Term Actions** – calls out near term actions that different groups of stakeholders can take in order to move toward implementation

The 14 Solutions are:

1. **State Investment** ★
2. **Local Public Funding**
3. **Policy Changes**
4. **Local Planning & Zoning**
5. **Provider Incubation**
6. **Community Facility Investments**
7. **Micro-Centers**
8. **Credential Pathways**
9. **Substitute Pools**
10. **Universal Preschool**
11. **Home-Based Universal Preschool Option**
12. **Employer Policies & Actions**
13. **Enhanced Family Navigation**
14. **Peer-to-peer & Community Collaboration**

State Investment

Enhance sustained state investment in child care

SOLUTION

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Making child care more sustainable for providers and their staff requires public investment from the State of Michigan. The free market and current federal programs are both currently insufficient to bridge the gap between the true cost of quality care and the amount that most working families are able to pay. Michigan policy makers wishing to strengthen the child care system should expand and sustain investment through contracts, child care scholarships or other means.

Background & Context

Child care needs outside investment to be more broadly sustainable so that providers can afford to keep their programs open, child care educators can afford to stay in the field and families can afford the care they need.

Although employers, local funders and local governments sometimes step in to help bridge the gap between the true cost of quality care and what working families can afford to pay, these approaches tend to be isolated and short term. Public investment at the state and federal levels has proven to be effective at closing the gap, especially when it is sustained, easy to access and broad-based in meeting family and community needs.

At the federal level, increased public funding has evolved over time since the federal government's initial involvement over 80 years ago. The Lanthan Act of 1940 provided grants to communities to provide care for the children of mothers who worked in the defense industries during World War II. The establishment of the Head Start program in 1965 under President Lyndon Johnson was a significant

federal milestone in increased public funding support. The Child Care and Development Block Grant (CCDBG) initiated in 1990 was another milestone providing subsidies to working families.

Michigan's child care system has recent evidence that enhanced investment can increase child care capacity while creating more affordability for families. When federal pandemic dollars were available, Michigan employed a number of approaches to fund direct grants to providers and enhanced child care subsidies/ scholarships for families.

These included:

- Child Care Relief Fund "stabilization" grants to keep providers open and providing child care; many providers in northwest Michigan used the receipt of these grants to provide staff members with bonuses and raises¹
- Facilities Improvement Fund grants for child care businesses to renovate and upgrade facilities
- Supplemental Child Development and Care (CDC) "child care scholarship" payments

PRIMARY ROOT CAUSE
ADDRESSED:

**Broken
Business
Model**

¹ Child Care Provider Interviews conducted January to April, 2024.

“Michigan’s actions to date do not yet fully address the broken business model across the mixed-delivery child care system.”

Combined, these approaches and other efforts allowed Michigan to open more than 1,000 new child care programs between May, 2022 and November, 2023.² Over the same time period, more than 2,100 home-based providers in Michigan expanded programs. Combined all programs added more than 36,000 new child care slots statewide.

But most of these grants and programs have already ended or will expire by September, 2024, and there does not appear to be meaningful will at the federal level to sustain or replace this funding. This is causing some providers³ to raise rates charged to families in order to sustain hourly wage increases that they gave to child care educators when they had the opportunity. This in turn caused some providers to ‘lose’ families who were unable or unwilling to pay the higher rates.

At least eleven states and Washington, D.C. have taken action over the last two years to address the “child care cliff” created by the end of these federal funds, investing state funds into directly supporting providers and the workforce.⁴ As one example among many, Minnesota has implemented legislation to invest \$1.3 billion over four years to lower child care prices for families across the mixed-delivery child care system.

2 <https://www.michigan.gov/mileap/early-childhood-education/ccbl/caring-for-mi-future>

3 Child Care Provider interviews

4 “With Arrival of Child Care Cliff, Some States Have Stepped in to Save the Sector,” Julie Kashen and Laura Valle-Gutierrez, The Century Foundation, <https://tcf.org/content/report/with-arrival-of-child-care-cliff-some-states-have-stepped-in-to-save-the-sector/>

In June 2024, the Michigan legislature passed the 2024-25 School Aid Budget which contains numerous provisions intended to strengthen one or more aspects of the early learning and care system in Michigan, including line items intended to support PreK for All and also supplemental child care scholarship funding that partially replaces the gap created by expiring federal pandemic funding.⁵

These investments are substantial and will likely both help some families in accessing affordable, high-quality child care and also help school-based and community-based child care programs offering the Great Start Readiness Program.

However, Michigan’s actions to date do not yet fully address the broken business model across the mixed-delivery child care system.

If Michigan policy makers wish to comprehensively close gaps in the child care system across the region and state, they should consistently invest in the child care system through child care scholarships, contracts or other means.

Solution 10: Universal Preschool, details the potential of Michigan’s Universal PreK program to benefit families and potentially move Michigan toward true universal publicly funded child care, an approach that is being offered in numerous countries. The following examples and priorities are about either implementing such an ambitious solution or, simply strengthening the existing mixed-delivery child care system.

5 https://www.senate.michigan.gov/sfa/departments/highlightsheet/hik12_web.pdf provides and overview of spending

Examples & Priorities

There are many approaches that Michigan and other states have used to invest in the mixed-delivery child care system.

For example, grants to providers were widely used during the pandemic. However, grants tend to be unequally applied across the child care system—favoring one type of provider or favoring providers who move early to apply for funding before budgets are depleted.

The most effective approaches to address the broken business model are comprehensive and equitable—that is, every provider across the mixed-delivery child care system is able to equally benefit over time, whether the provider is home-based, center-based, school-based or community-based.

Two of the most direct, comprehensive and promising approaches to public investment in child care are 1) enhanced child care scholarships or 2) direct contracts between the State of Michigan and child care providers.

Child Care Scholarship Payment Policies

Every state and territory receives federal funding through the Child Care and Development Fund (CCDF) to provide child care financial assistance



“Consistent investment utilizing scholarships, contracts and other innovative means is essential to close the child care gap.”

are paid to providers in response to billing for care provided. Families pay a family contribution and the State of Michigan supplements this with child care scholarship dollars.

From 2021 to 2024, Michigan used supplemental CCDF funding provided through the American Rescue Plan Act (ARPA) to increase the upper-level income threshold for participation in the CDC program, including paying all of the family contribution for the program from April 1, 2021 to September 30, 2022. This increase in funding allowed many more families to participate. Several providers in northwest Michigan report that this enhanced funding both helped improve child care affordability for families and made their child care operations more sustainable, allowing them to pay themselves and staff a higher hourly wage.⁷

Recognizing that the “child care cliff” was coming when these funds would no longer be available, the Michigan legislature acted in Spring 2024 to restore some funding back to the program to improve access for moderate-income, working families. This is important and valuable for the child care system. However, the funding still represents a step down from 200 percent of Federal Poverty Level in 2021-24 to a 130 percent “entry” threshold at present,⁸ which means both providers and families are adjusting to try to replace the net loss in funding.

To more significantly support the child care system, Michigan policy makers should consistently maintain and expand the enhanced CDC scholarship funds made available from 2021-24, both raising the family income limit necessary to qualify for scholarship and reducing or eliminating the copay families are required to pay.

Increasing CDC scholarship funding would help address the broken business model of child care, but it is not 100 percent comprehensive and there are some other issues with this approach. Not all providers participate in the CDC scholarship program. As one provider put it, the administrative requirements “take work and time and [are] sometimes not straight-forward.”⁹ Furthermore, not all families who qualify for CDC scholarships want to go through the income verification and other qualification requirements necessary to obtain scholarship funds. Finally, participating families who experience an improvement in financial circumstances (e.g. receiving a raise at work) can become ineligible for the CDC scholarship, creating a stressful ‘catch-22’ for working families.

For these reasons, child care contracts may provide even more consistent and widespread positive impacts on the child care system.

to eligible low-income families.⁶ CCDF scholarship funds help families pay for care and can improve viability for providers by supporting higher rates for care than the marketplace can otherwise support.

States have wide latitude in how they implement CCDF funding and the extent to which they supplement the funding. Michigan uses CCDF funds through its Child Development and Care (CDC) scholarship program to subsidize child care slots for lower income working families that meet certain criteria, such as income thresholds and work or training requirements. CCDF funds

⁶ <https://childcare.gov/consumer-education/get-help-paying-for-child-care>

⁷ Child Care Provider interviews

⁸ “CDC Income Eligibility Scale and Provider Rates” RFT 270, extracted from Michigan Department of Health & Human Services <https://dhhs.michigan.gov/OLMWEB/EX/RF/Public/RFT/270.pdf>

⁹ Child Care Provider interviews.

Child Care Contracts

A “child care contract” is an agreement that outlines the terms and conditions under which a child care provider will offer services to families receiving state-subsidized child care and under which the state will pay for that care. Several states have used child care contracts as a supplement or alternative to child care scholarships.

Child care providers need stable revenues over sustained periods of time to be able to invest in quality and plan for the future. **Direct contracts between the State of Michigan and child care providers can provide stable revenues that make the child care business model more sustainable.** Simultaneously, contracts can be used as a tool to advance quality and expand the availability of infant and toddler care.

Key components of successful child care contract programs:

- The state (or a third-party representative) enters into a multi-year or annual contract with child care providers and pays an upfront rate for a specific number of slots; the amount may be paid in advanced or in predetermined installments—this ensures that providers don’t have to bill for reimbursement—speeding the cash-to-cash cycle and are not penalized when children are absent
- Providers are freed from having to submit reports before they are reimbursed, closing the “cash to cash” cycle of providing care before it

is reimbursed; Michigan has already switched to a system of making on-time payments based on enrollment rather than attendance, which addresses this need

- The rate of reimbursement for care reflects the true cost of care and is sufficient to allow providers and their staff a living wage, e.g. a reimbursement rate of \$18,000 for an infant slot in 2024-25
- Participating providers meet quality standards and commit to quality improvement (in Michigan, participating in Great Start to Quality)
- Participating providers agree to accept child care scholarship funds as a policy, and there should be no requirement limiting the number of families actually using CDC scholarships in a given child care program
- May focus on more acute needs, such as care for infants and toddlers, where the need for child capacity is even more acute than in the overall system

Michigan experimented with an Infant Toddler Quality Grant Pilot Program in 2023 and 2024.

The focus of the program was to support infant and toddler care. Providers wishing to participate in the program were required to 1) already be licensed to provide infant and toddler care, 2) already have accepted CDC scholarship funds, and 3) currently serving children with special needs.

These requirements limited the number of providers who were able to participate in the program, but ear-



ly returns have shown that Michigan is easily capable of implementing the administrative, oversight and quality improvement components of this system.

The CCDF Final Rule¹⁰ that went into effect April 30, 2024 requires states to implement grants or contracts for care. Michigan has currently been issued a waiver to implement.

To more broadly invest in the child care system, Michigan policy makers should implement a broad-based child care contract program that is available to all licensed child care providers. This program can be a substitute for or an enhancement of child care scholarship programs.

¹⁰ 2024 CCDF Final Rule: Improving Child Care Access, Affordability, and Stability in the Child Care and Development Fund: Final Rule Regulatory Changes

“As a society we are comfortable with state investment in health care, emergency services and critical infrastructure...Investing in our child care system benefits our families, our communities and our economy.”

Other Approaches

Some states and territories have experimented with annual or hourly wage supports to bring child care workers into some level of parity with other fields. For example, The District of Columbia’s Early Childhood Pay Equity Fund provides supplemental payments of up to \$14,000 per year to eligible early childhood educators, assistant teachers, and home providers in licensed programs.¹¹

Illinois’ ExceleRate Pilot program¹² used a combination of wage supports and targeted funding to cover release time for early childhood educators to plan, reflect and work on advanced credentials, leading to higher retention rates and greater participation rates in college courses.

Other states have programs to pay the child care costs of child care workers, providing a powerful incentive for parents of young children to work in child care. Kentucky used ARPA funds to expand child care access for the ECE workforce by providing employees in licensed programs (including non-teaching staff) eligibility for child care subsidies.¹³

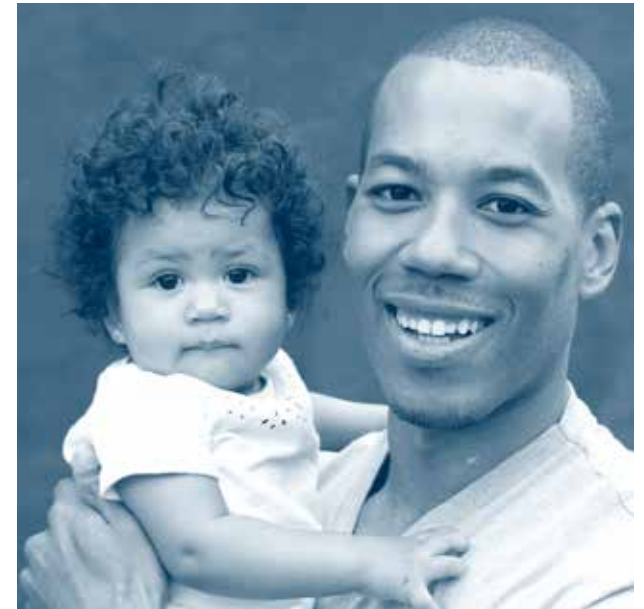
Solution 8: Credential Pathways details approaches that can be effective in subsidizing and supporting child care educators to earn credentials and advance through the child care career pathway.

These approaches appear to work best when used in conjunction with a more widespread approach to investing in child care through child care scholarships or child care contracts.

Potential Near-Term Actions

Michigan policy makers seeking comprehensive and enduring improvement across the mixed-delivery child care system should build a coalition of support for enhanced child care scholarship and/or child care contract funding. Because stability and predictability of funding is so critical to providers, a broad and bipartisan coalition of support is ideal.

Advocacy organizations focused on improving child care capacity and affordability in Michigan should focus their efforts on one or both of these widespread funding solutions.



Parents, caregivers and community members wishing to close gaps in the child care system should advocate for enhanced state funding of child care. As a society we are comfortable with state investment in health care, emergency services and critical infrastructure, in addition to K-12 and higher education. Investing in our child care system benefits our families, our communities and our economy. The child care system is critical infrastructure and should be a funding priority.

¹¹ See the Washington D.C. Office of the State Superintendent of Education <https://osse.dc.gov/ecepayequity>

¹² See Center for Early Learning <https://celfe.org/resources/how-the-excele-rate-pilot-is-strategically-funding-quality-improvement-in-early-learning-in-illinois/>

¹³ See Kentucky Youth Advocates <https://kyyouth.org/celebrating-new-benefits-for-child-care-employees/>

Networks Northwest Coalition

Regional Child Care Plan 2024