Public Policy Associates

CHILD CARE POLICY LESSONS

Key Michigan Policy Results, 2015-2022

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Overview

When families have access to affordable high-quality child care, many short- and long-term benefits accrue to communities, families, and children in terms of their cognitive, behavioral, and socio-emotional development (Office of Child Care [OCC], 2024).

The Child Development and Care program, recently renamed the Child Development and Care (CDC) Scholarship, helps families afford quality child care. Families spend between 15% (two earners) and 36% (single earner) of their income on child care (Joughin, 2021), far beyond the 7% of a family's income recommended by the U.S. Department of Health and Human Services (HHS) (OCC, 2024). The CDC Scholarship is administered by the Michigan Department of Lifelong Education, Advancement, and Potential (MiLEAP), in coordination with the Michigan Department of Health and Human Services (MDHHS), which determines eligibility. The program is funded primarily by the federal Child Care and Development Fund (CCDF).

In a federally funded study, Public Policy Associates (PPA) partnered with MiLEAP and MDHHS to rigorously examine the effects of 17 policy changes on program participation, provider supply, access to quality care, the equity of access by geography and race/ethnicity, and the continuity of care with the same provider.[1] The policies studied fell into two major categories: (1) program eligibility and (2) child care provider payment and grants.

Over five years, multiple reports, presentations, and briefs were produced based on a substantial amount of secondary and primary data. This brief discusses the key results to inform future policy decisions.

STUDY DATA SOURCES:

Secondary Data:

- Bridges datasets
- Child care licensing records
- Great Start to Quality records
- American Community Survey results

Primary Data (collected annually):

- Policy Coordination Self-Assessments with state agencies
- Surveys of eligibility specialists
- Telephone interviews with providers
- Telephone interviews with parents

Program Eligibility

Families with children aged 13 or younger who meet the income limits, have an approved need reason (e.g., parental employment, family preservation), or fulfill other criteria are eligible for the program. In most counties, estimated eligibility for the CDC Scholarship ranges from 20% to 40% of the population. However, in 2022, on average, only about 11% had child care payments made through the program.

By expanding eligibility, the state aimed to increase child care affordability for more families. Between 2015 and 2022, Michigan increased its eligibility threshold four times. It shifted from 125% of the federal poverty level (FPL) to 200% of the FPL. Michigan moved from having the lowest eligibility threshold in the country in 2019 to a midway ranking in 2022 (CCDF Policies Database, 2019, 2022). In 2022, a Michigan family of four with an annual household income less than $55,500 (HHS, 2022) who met other criteria could get a CDC Scholarship.

In addition, Michigan instituted a longer eligibility period and graduated exit in 2015. These changes sought to reduce burden and ease families' financial transitions off the assistance without jeopardizing their gains.

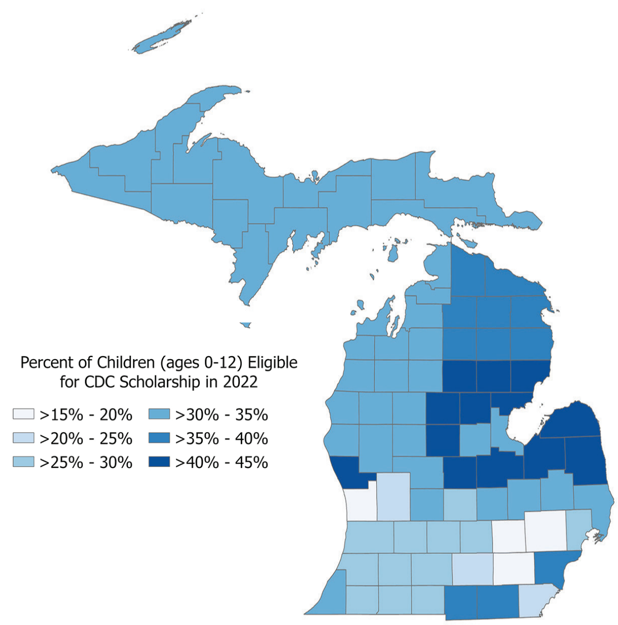

Figure 1. Percentage of Child Population (Ages 0-12) Estimated Eligible for the CDC Scholarship by County, 2022

EFFECTS OF ELIGIBILITY CHANGES

Overall, eligibility policies resulted in gains in program enrollment, reduced breaks in participation, and reduced program exits. Some families also saw greater access to quality care.

- The 2015 implementation of a **12-month eligibility period and graduated exit** policy reversed declines in program enrollment and use of the CDC Scholarship slightly, with an average of 152 more cases per month and a 0.1% increase in use monthly. These changes also saw an increase in the length of time families participated in the program without a break, from about nine weeks to 10.5 weeks and a 10% decline in the likelihood of a break in participation.
- The 2017 **move to 130% of the FPL** (combined with increased payment rates) did not have a significant effect on program enrollment, use of the CDC Scholarship, or program breaks. The length of time before a break in participation did increase slightly.
- The increase **from 130% to 150% of the FPL** occurred during the pandemic, so it was difficult to isolate the effects of this change. However, it appears that it did contribute to a 78% increase in the number of families in the program for 2021 over 2020. However, overall enrollment was still lower than before the pandemic. Losses during the pandemic reversed all gains in participation made since 2016, although enrollment levels would recover by 2022.
- New families entering the program in 2021 were 10% less likely to exit the program and about 7% less likely to have a break in participation in their first 24 months. This group was also more likely to stay with the initial provider, offering greater continuity of care. No differences were found between 2019 and 2021 in CDC Scholarship use, length of time before a break, or provider quality.
- The **move from 185% to 200% of the FPL** occurred in July 2022 and has since been maintained. In 2022, the program gained an average of 600 new families every two weeks, compared to 400 in 2021. The study was unable to determine where these new families fell in the income eligibility range. This change in eligibility did not impact CDC Scholarship use.
- Black families benefited from the new threshold more than other groups, after having experienced a higher rate of program exit (31%) in 2020 compared to white families' decrease (22%) that same year. In addition, Black families were 10% less likely to exit the program after this eligibility increase. The gap in access to Great Start to Quality (GSQ) highly rated providers also got smaller for Black families in this period, although a gap remains.

TABLE 1. MICHIGAN CHILD CARE POLICY CHANGES STUDIED BY YEAR OF IMPLEMENTATION

	2015	2016	2017	2018	2019	2020	2021	2022
Payment-related policy			Rate increase		n/a	Approved hours for remote learning; Child Care Relief Fund grants; billing for children absent due to COVID-19	Rate increase; stabilization grants	Rate increase
Eligibility-related policy	12-mo eligibility; graduated exit		Threshold increase		n/a	Redetermination period extension	Threshold increase; family contribution waiver	Threshold increase
Other		Delinked provider assignment		Universal caseload model	n/a			

"You know that for that year, if you don't have any major changes, you're good for that whole year... It gives you a bit more comfort with your situation."

– Parent discussing the 12-month eligibility policy, 2020

"Since I'm a single parent and I'm the [financial] provider of the household, it gives me an opportunity to be able to do more, do better, and try to excel within the company [where I work] and make more money, but not have to fear losing the child care [CDC Scholarship] because [child care] is super expensive.

– Parent discussing the increased eligibility threshold, 2022

PROGRAM ENROLLMENT TRENDS

In the years before the COVID-19 pandemic, Michigan's program saw declines in enrollment that had begun to change course. However, the pandemic again impacted the program, with families and providers coping with closures, illness, and employment challenges. Although Michigan's COVID-19 cases rose in fall 2020, participation in the program remained relatively stable. The drop in families in the program started to level off around August 2020. Without policy intervention, the program may have seen a worse enrollment pattern. After 2021, the enrollment began to increase, putting program numbers back to pre-pandemic levels by 2022.

The program has a high level of turnover, with about a third of families being new each year and 18% of providers being new to receiving payments through the program. From 2013 to 2021, an average of 25% of providers and 36% of children exited permanently each year.

Most parents heard about the program through MDHHS or by word of mouth, according to those interviewed. More robust communication with families, providers, and others about the program and its policies was recommended each year of the study.

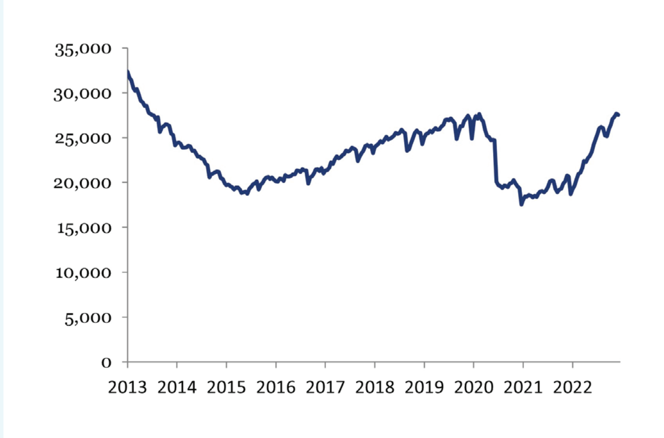

Figure 2. Number of Children Utilizing the Child Development and Care Scholarship, January 2013-December 2022

In 2022, it took families four weeks on average to start using their CDC Scholarship. No inequities in the time to use the CDC Scholarship were found.

PROVIDER SUPPLY TRENDS

Licensed provider supply in Michigan dropped by 28% between 2015 and 2021, representing a 7% decline in licensed child care slots. Between March 14 and December 31, 2020, the average number of providers receiving payment through the program declined by 20%. After seeing a rise in their participation between 2017 and 2019, license-exempt provider involvement dropped by 35% from 2019 to 2021—much more than all types of licensed providers. Of those interviewed in 2021, 75% (19) of the providers reported a decrease in income related to the pandemic.

The number of licensed Michigan child care providers increased in 2023 for the first time since before the pandemic. However, the gains were modest. The total number of licensed providers in Michigan was 7,994 as of April 2024.

Although the study covered an unusually volatile economic period, financial supports like the increases in payment rates and the stabilization grants helped to retain providers in the child care system, and that helped more families access affordable quality care.

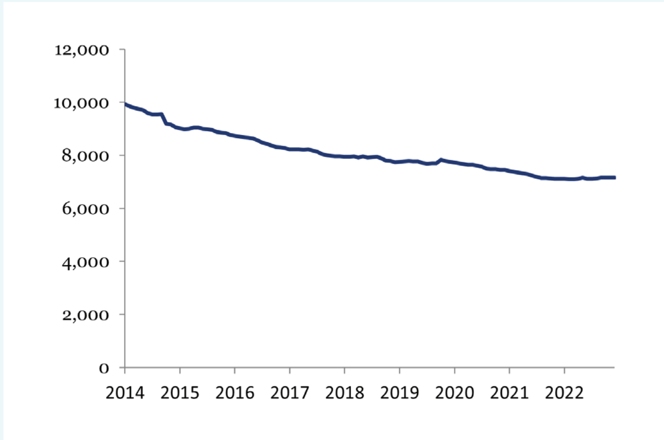

Figure 3. Trends in the Number of Licensed Providers, 2014-2022

Provider Payment and Grants

The study examined the effects of multiple changes to the provider payments rates, several billing changes, the Child Care Relief Fund grants, and the stabilization grants implemented between 2017 and 2022. All of these policies were intended either for the short or longer term to pay providers closer to the market rates for child care or to give providers financial boosts to help them stay in operation. The financial position of providers was already tenuous going into the pandemic, and that created substantial challenges for providers, like other essential-service businesses. Coming out of the pandemic, providers continued to report general difficulty with staying staffed and covering costs, sometimes sacrificing their own well-being so as not to pass along additional costs to low-income families.

As the payment rates increased, the program did get closer to paying market rates. According to the most recent Market Rate Study (Burroughs et al, 2024), on average, centers receive payments within 10%-30% of the market rates, depending on child age. The providers meeting the highest quality level (all types) receive payments above market rates. In 2020, payments were 34%-44% of market rates for centers (Burroughs et al, 2021).

The two types of grants issued in Michigan to providers differed in amounts, criteria, application, and distribution. For the stabilization grants, over 5,800 of Michigan's licensed providers received at least one grant in 2022. The Michigan stabilization grant funding recently passed for fiscal year 2025 totals $24 million, compared to the $530 million for the previous stabilization grants.

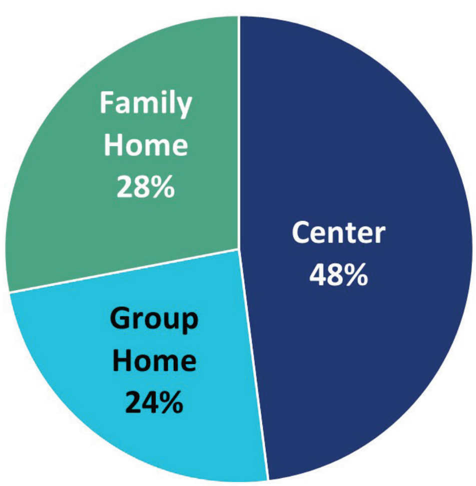

Figure 4. Percentage of Grants Awarded by Type of Provider

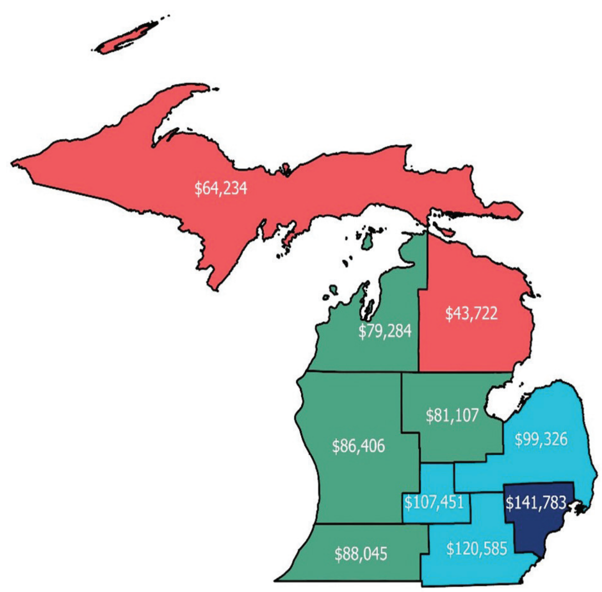

Figure 5. Combined Spring and Summer Stabilization Grant Funding Per Provider by Prosperity Region

EFFECTS OF PAYMENT RATE CHANGES AND GRANTS

Overall, the payment rate increases and grants resulted in greater program enrollment, lower program exits, improved care continuity, better pay for staff at receiving providers, cost savings for families with the CDC Scholarship, and general provider supply stabilization.

- The **2017 payment rate changes** were not found to have had an impact on enrollment, continuity, use, or quality of the provider. Providers said in interviews that the payment increases were welcome but were not large enough.

> **"I have more income coming in, so I pay my staff more money. I am allowing them to work more hours. All of my staff, as well as myself, are full time, which is better for each [of us since] there are more adults per child. It's more one-on-one."**
>
> – Provider discussing the increased payment rates, 2021

- Along with several other **pandemic-related policies from 2020** implemented close in time, the Child Care Relief Fund grants, increased absence hours allowance, and billing for school-aged children while learning remotely were associated with more stability in program participation, but not continuity of care or higher provider quality. No differences were seen among different racial/ethnic groups on these measures between 2019 and 2020.
- The **2021 30% increase in payment rates** for all providers was followed by phased, temporary increases on top of the new base rates. Forty-four percent (11) of the providers interviewed passed the increase directly on to families by reducing or eliminating the amount they owed (the difference between tuition cost and CDC Scholarship amount). A quarter of them (6) increased their staffing or raised the wages of existing staff. In anticipation of the rates going back down, providers expected to raise tuition and other fees (8); reduce staff, wages, or hours (6); or make cuts to expenses and services (5). Families in the first 16 weeks of 2021 were significantly less likely to exit the program, and children were also significantly more likely to remain enrolled with their first provider.
- The **stabilization grants** went to providers proportionally by geography, license type, and CDC Scholarship family demographics. Providers with one of these grants had 10 times more children in the program per month than those who did not receive a grant.

> **"The stabilization grant was—that's what saved our business, let's be honest."**
>
> – Provider discussing the stabilization grants, 2022

- When controlling for region, time in operation, and license type, providers who did not receive a stabilization grant were about three times more likely to close between June 2022 and December 2022 than those who did get a grant. This effect was short-lived, however, and the grants did not impact provider supply in the Upper Peninsula, Southwest, or Southeast regions of the state like other areas. Some regions saw growth in program enrollment by families. No effect was detected on continuity of care.

Where Provider Supply and CDC Scholarship Use Meet

One of the focal points in the final year of data collection was trying to understand why families did not use the CDC Scholarship, even after being approved.

- Of families approved for a CDC Scholarship in 2022, nearly half (48%) did not use it within the year, which is similar to the proportions each year since 2017. Of this group, about half of parents (22 of 48) interviewed in 2023 said they were on waitlists or providers lacked capacity to take their children.
- The highest areas of non-use were in the state's heavily rural areas (Northwest, Northeast, and Upper Peninsula regions), and the lowest instances of non-use were in urban areas (Metro Detroit and Eastern regions). This pattern matches the areas where child care supply is highest and lowest.

A lack of child care supply is compromising families' ability to use their CDC Scholarship.

Without adequate slots available, at providers that meet family needs, the CDC Scholarship is less useful, despite increased eligibility and payment rates.

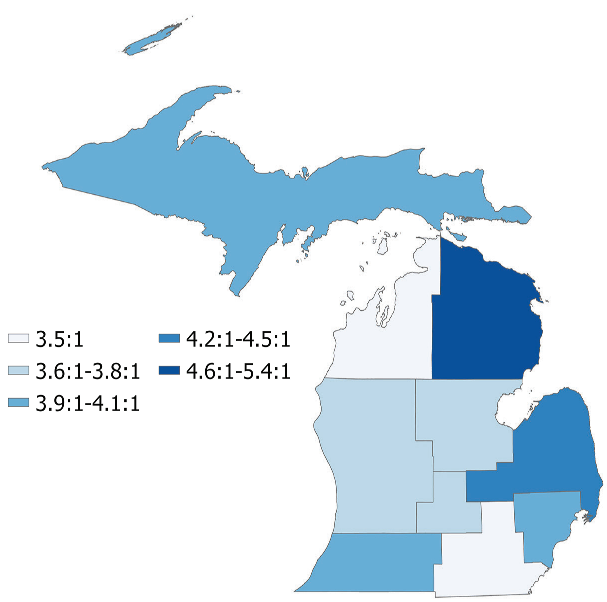

Figure 6. Ratio of Number of Children Under 13 to Licensed Capacity

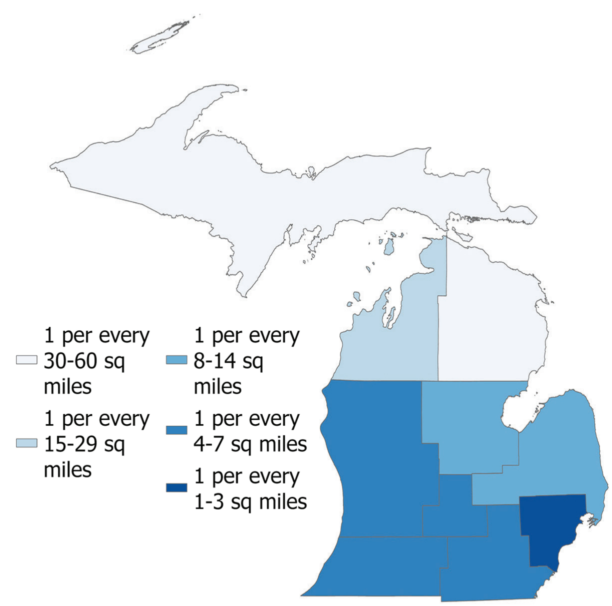

Figure 7. Number of Providers per Square Mile

- When parents could not find suitable child care with the CDC Scholarship, they resorted to arranging informal care with friends, relatives, or babysitters (48%); cared for their children on their own (44%); and/or paid for child care out of pocket (23%). A few parents (10%) reported that they lost their jobs, quit their jobs, or did not seek work as a result of not having access to child care.
- While controlling for region, Asian families in 2021 and 2022 were 60% more likely and Black families 45% more likely to not use the CDC Scholarship compared to white families. The reasons for this are unknown but warrant further exploration.

The vast majority of parents interviewed were highly satisfied with the program overall, their approved hours for subsidized care, and their providers' quality. Provider availability and their approved hours were the major factors in parental satisfaction with the child care funded through the program.

Policy Implications

Based on the study results, the research team recommends that Michigan consider the following policy measures to continue to strengthen the effectiveness of the CDC Scholarship program in ensuring quality care is available to families:

- Support increased slots and provider supply through state investments in early care and education, being mindful of the impact of universal preschool for the variety of provider types valued by families.
- Maintain eligibility at no less than 200% of the FPL and examine how graduated exit policy is affected with this latest and any future increases.
- Bolster provider financial stability—and thus child care market stability—through payment rates that reflect the cost to provide quality child care; business technical assistance; and workforce supports.
- Continue to explore regional variations in access to the CDC Scholarship and program enrollment.
- Help families connect to child care by building awareness of the GSQ website, the CDC Scholarship, and navigation of provider-to-family connections based on real-time provider openings.
- Study further the reasons for not making use of the CDC Scholarship, specifically examining differences and similarities by race/ethnicity.

For more about the results of this study, visit www.publicpolicy.com/MICCPRP-2019.

ABOUT THE STUDY

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1 The policies in the scope of the study were determined with the state agency partners. Policies had different durations; some were intentionally temporary, whereas others were superseded by a new policy or have remained in place. Also, because many policy changes were implemented close together, like during the COVID-19 pandemic, policies could not always be examined independently of other policies. In those cases, PPA studied clusters of policies.

2 The current income threshold at 200% of the FPL for a family of four in Michigan is $62,400.

Public Policy Associates provides evaluation, research, and strategic consultation to help clients make smart policy and programmatic decisions that improve lives, enrich communities, and strengthen institutions. We believe that policies and programs should be informed by many voices, especially the people most affected. It is our goal to combine academic rigor with authentic community engagement to provide as complete a picture as possible. We transform data and information into actionable and relevant recommendations that make a difference in the lives of real people.

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