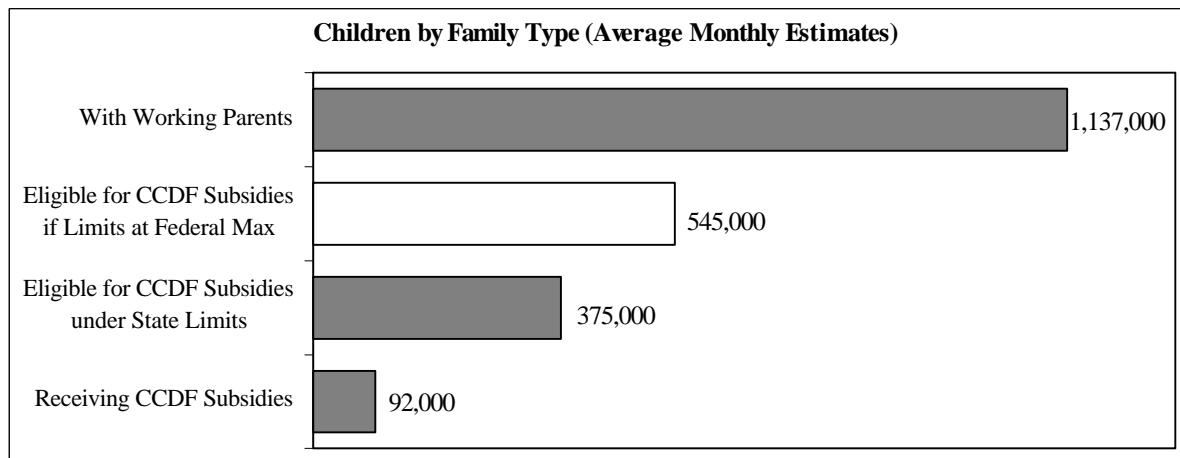


Child Care in Michigan: A Short Report on Subsidies, Affordability and Supply

This report summarizes recent child care information for the state of Michigan. The first section provides new information on child care subsidies, based on eligibility estimates generated by the Urban Institute and state administrative data reported to the U.S. Department of Health and Human Services (HHS). The second two parts, on affordability and supply, draw on state and local data collected by the Urban Institute during the summer of 1999 under contract with HHS. A companion document to the national report entitled "Access to Child Care for Low-Income Working Families," the Michigan report is one in a series of nine state reports.

I. Child Care Subsidies

Figure 1. Child Care and Development Fund (CCDF) Eligibility and Receipt in Michigan

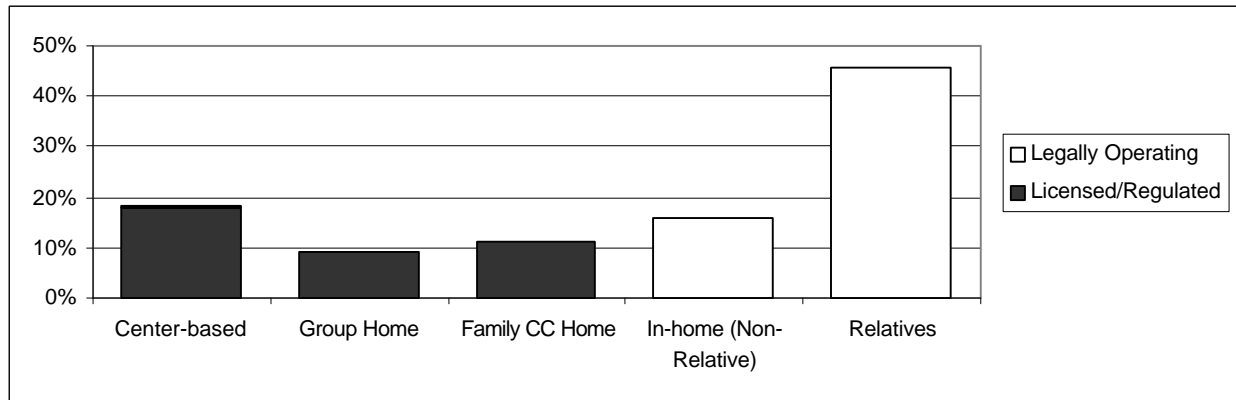


Sources: Urban Institute simulations and state administrative data reported to the Child Care Bureau.

- ❑ **1,137,000** children under age 13 (or under age 19 if disabled) live in families where the family head (and spouse if present) is working or is in an education or training program, as shown in Figure 1. Children across all family income levels are included in this estimate. Most of these children (**1,092,000**) are under age 13 and living with working parents.¹
- ❑ **375,000** of these children, and 226,000 families, are estimated to meet Michigan's income guidelines for child care assistance under the Child Care and Development Fund (CCDF) October 1997 state plan. The eligibility estimate would be even higher – **545,000** children – if Michigan raised income eligibility limits to 85 percent of State Median Income, the maximum level allowed under Federal law.²
 - To be eligible under Michigan's October 1997 state plan, a family of 3 had to have income below **\$26,064**, or **59** percent of State Median Income.
 - Nearly all eligible children (91 percent) live in families with annual income below 200 percent of the Federal poverty threshold and more than one-third (37 percent) are living in poverty. One-fifth (20 percent) live in families that report receiving cash welfare.
 - Most (342,000) eligible children are under age 13 with working parents; the remaining children have parents in education/training programs or are disabled youth under 19.

- **92,000** children in Michigan received child care subsidies funded by CCDF in an average month in 1998. This estimate suggests that 25 percent of the eligible population under state limits (and 17 percent of children who would be eligible under the Federal maximum limits) were served with CCDF funds. In addition, Michigan’s state administrative data system indicates that 29,100 children were served with other Federal and state funds.³
 - In Michigan, relative care accounted for nearly half (46 percent) of child care settings receiving funds from CCDF in 1998, as shown in Figure 2. The next most common settings were center-based (18 percent) and in-home care by non-relatives (16 percent). The remaining settings include family child care homes (11 percent) and care in group homes (9 percent).⁴

Figure 2. Child Care Settings Subsidized by CCDF in Michigan



Source: State administrative data for April-September 1998 reported to the Child Care Bureau.

- The Child Care and Development Fund (CCDF) is the major source of Federal funding allocated to states to subsidize the child care expenses of low- and moderate-income families so they can work, or attend education or training programs. Using CCDF dollars along with state funds, Michigan has designed its own child care program within broad parameters specified under federal law. CCDF-funded subsidies, and the number of children that the state reported were served with these subsidies, are highlighted in this report because CCDF is a primary source of funding in most states. Also, CCDF administrative data is the most comparable source of child care data across states. It should be noted, however, that Michigan, like many other states, also uses other funding sources to provide child care subsidies.
- Currently there is **no waiting list** for government subsidies. The state of Michigan serves all eligible families who apply for care.⁵ However, both state staff and staff from Michigan child care resource and referral agencies believe that there are eligible families that do not apply for subsidies.

II. Affordability⁶

- Prices for child care vary considerably, by such factors as geographic area, type of provider and age of child. Figure 3 shows the average monthly prices for child care in Detroit and Lansing, Michigan. Given that these are average prices, it is clear that many families pay more or less than this amount.

- Centers in Detroit, Michigan charge an average of **\$384** per month for preschool care and **\$513** per month for infant care, as shown in Figure 3. This means that a family with \$15,000 in income and one preschool child in an average-priced center would spend close to one-third (31 percent) of its total monthly income on child care expenses. Average-priced infant care would represent an even higher share (41 percent) of monthly income for a family earning \$15,000.
- Centers in Lansing, Michigan charge even more per month for care. Average-priced preschool care costs **\$482** a month, or 39 percent of monthly income for a family earning \$15,000. If this low-income family had an infant, rather than a preschooler, in average-priced care, the **\$619** per month price would consume 50 percent of the family's total monthly income.

Figure 3. Child Care Prices and Co-Payments for Hypothetical Michigan Families of Three Earning \$15,000 with One Child in Care

	WITHOUT SUBSIDY		WITH SUBSIDY	
	Average Monthly Prices (Full Time Care)	% of Income (Family Income of \$15,000 Annually)	Monthly Co-Payments* (If receive subsidy)	% of Income* (Family Income of \$15,000 Annually)
FAMILY LIVING IN DETROIT, MICHIGAN				
INFANT (1 year)				
Center-based	\$513	41.1%	\$28	2.2%
Family child care home	\$395	31.6%	\$20	1.6%
PRESCHOOLER (4 years)				
Center-based	\$384	30.7%	\$22	1.8%
Family child care home	\$345	27.6%	\$20	1.6%
FAMILY LIVING IN LANSING, MICHIGAN				
INFANT (1 year)				
Center-based	\$619	49.5%	\$29	1.7%
Family child care home	\$454	36.3%	\$24	1.5%
PRESCHOOLER (4 years)				
Center-based	\$482	38.6%	\$24	1.5%
Family child care home	\$428	34.2%	\$24	1.5%

* State policy does not prevent providers from charging parents additional amounts, above the co-payment, if the providers' rates exceed the state reimbursement level. Figures in this table represent the minimum co-payment.

Source: Price data collected by the Urban Institute from the Office of Young Children and the Detroit-Wayne 4C, child care resource and referral agencies serving Lansing and Detroit, respectively, summer 1999. Co-payment data collected by the Urban Institute from the Michigan Family Independence Agency, the state child care agency, summer 1999.

- Family child care homes in Detroit, Michigan charge an average of **\$345** per month for preschool children and **\$395** per month for infants. This means that a family with \$15,000 in income and one child in an average-priced family child care home would spend 28 percent of its monthly income on care for a preschool child or 32 percent for an infant. A family in Lansing with the same annual income using average-priced care would spend 34 percent of

its monthly income (**\$428** per month) for preschool care or 36 percent (**\$454** per month) for an infant in a family child care home.

- ❑ Families who receive child care subsidies usually pay much smaller monthly **co-payments** rather than the full market rate. Such co-payments are established under a sliding fee schedule, and are based on family size, income and the state maximum reimbursement rate for the type of care used. In Michigan, co-payments range from 5 to 70 percent of the maximum reimbursement rates for the type of care used. Maximum reimbursement rates vary by region.
 - For example, a family with \$15,000 in income and one preschooler in an average-priced center in Lansing, Michigan would be charged a monthly co-payment of \$24, or less than 2 percent of monthly income, as shown in Figure 3.
 - In Michigan, families participating in the welfare-to-work program (Family Independence Program), Food Stamp-only families, families in protective services, foster care families and child-only welfare cases are not required to make co-payments.
- ❑ State policy does not prevent providers from charging parents additional amounts, above the co-payment, if the providers' rates exceed the state reimbursement level. For example, the maximum CCDF rate for infant center care in Lansing, Michigan is \$575* per month⁷, which is \$44 less than the \$619 average price shown in Figure 3. If the \$44 differential is paid by the family, the total cost to the family is \$73 per month, or more than twice the official co-payment of \$29 shown in Figure 3. If the fee is not charged to the family, the provider loses \$44 per month for providing service to a subsidized child. The differential could be much larger than \$44 for some child care centers, including accredited centers and other centers with higher than average rates.

III. Gaps in Child Care Supply⁸

- ❑ Not all providers in Michigan accept children who receive subsidies. Of the providers listed in a statewide child care resource and referral agency database, only 47 percent of centers, 54 percent of family child care homes, and 53 percent of group child care homes accept subsidies.
 - According to the state plan for 1997-1999, the state of Michigan calculates different maximum CCDF reimbursement rates, set at the 75th percentile of the local market rate, for six regions in the state. Providers may be unwilling to accept subsidized children, or may limit their enrollment, when the state reimbursement rates are lower than their prices (see the example in section II). As a result, families receiving subsidies may have limited choices of caregivers.
- ❑ A report written by the Michigan 4C Association, a statewide child care resource and referral agency, finds a critical shortage in the supply of licensed, non-relative care. The report concludes that statewide there are only enough child care slots to serve 80 percent of the children needing licensed, non-relative care. Staff from the statewide agency, and from resource and referral agencies serving Lansing and Detroit, report shortages in the supply of

* This calculation assumes that a child is in care for 45 hours per week. If the child is in care for 50 hours per week, the maximum reimbursement rate would be \$639.

infant/toddler care, care during odd hours, and care for children who have special needs or are ill. Specifically:

- Parents of **infants and toddlers** often call the state administrator, as well as resource and referral agencies serving Lansing and Detroit, for additional child care referrals. Vacancy checks by the agencies reveal few available slots for infants and toddlers.
- **Care for sick children** is not permitted in licensed/regulated facilities in Michigan. In a study conducted by Public Sector Consultants (February 1999), 42 percent of parents surveyed in Michigan reported having trouble finding care when their child was ill.
- Among parents of **children with special needs** in Michigan, the Public Sector Consultants report found 35 percent have trouble finding care for their special needs children.

Sources

¹ Estimate based on microsimulations using the Urban Institute's TRIM3 model, guidelines in the state's 1997-99 CCDF state plan, and three years of Current Population Survey data (calendar years 1995-97).

² *Ibid.*

³ Estimates based on state administrative data reported to the Child Care Bureau and adjusted to reflect children funded through CCDF only. 1998 figures based on April-September 1998.

⁴ *Ibid.*

⁵ Waiting list data were obtained and compiled by the Urban Institute from the Michigan Family Independence Agency, the state child care agency.

⁶ Information in this section was obtained and compiled by the Urban Institute from the Michigan 4C Association, a statewide child care resource and referral agency, the Office of Young Children (a child care resource and referral agency serving Lansing), and the Detroit-Wayne 4C (the resource and referral agency serving Detroit).

⁷ State maximum rates were obtained and compiled by the Urban Institute from the Michigan Family Independence Agency, summer 1999.

⁸ Information in this section was obtained and compiled by the Urban Institute from the resource and referral agencies serving the state of Michigan and the cities of Lansing and Detroit, see note 6.