

A Better Choice for Childcare

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Introduction

During my time in manufacturing, I met many young parents who had a desire to advance themselves. Often, these ambitious individuals could not pursue education beyond a high school diploma for one reason: the cost of childcare. Policies such as tuition free college assume that the only obstacle to higher education is the price of tuition. Through anecdotal evidence, I have found this assumption to be largely false among low-income families.

In Michigan, this assumption is proved invalid when examining the cost of tuition to community college and the cost of childcare. Before financial aid or subsidies, the cost of full-time tuition at Wayne County Community College is less than full-time childcare at a certified center¹.

Our economy is moving in the direction of globalization. The argument that globalization will result in lost jobs is used as a reason to oppose certain trade deals, or other international efforts. The World Economic Forum has shown² that “lost jobs” actually create new opportunities for higher paying, and higher skilled, jobs. The inability to acquire the new skills, is what will cause young parents working hourly jobs to feel the greatest pain over time.

Looking to the future, government spending is on track to raise debt owed by the public to nearly 155% of GDP by 2046³. The millennial generation will be responsible for this debt, and the only way to stop it from growing is to plan for spending reductions. There is one foolproof way to reduce future spending, and that is to stop spending money on government assistance programs. But can we as society simply halt government assistance programs with no other action? I say no. It is socially irresponsible, and halting assistance doesn't solve the problem the assistance programs were meant for.

The proposal that follows, is one that makes future government assistance programs irrelevant. It does not cut programs, but rather it helps prevent future dependence on government programs, thus making these programs irrelevant. By giving individuals the tools they need to succeed, and breaking down obstacles, we can reduce poverty and fill the workforce pipeline.

Poverty in Michigan

Impoverished and low income families must be a top priority for policymakers if we are to curb long-term spending and put us in a position to pay back our debt. Numerous research reports⁴ show that even a family with an income at 200% of the federal poverty level (FPL) are unable to completely support their core needs. These findings are demonstrated when discussing the eligibility for various government assistance programs.

¹ Wayne County Community College, Cost of Attendance

² WEF “Future of Jobs” Report, January 18, 2016

³ CBO Doc. No. 114th Congress-51129 (2016)

⁴ National Center for Children in Poverty

In Michigan, children with household income less than 185% of FPL are eligible for free or reduced price school lunches; 46.7% of Michigan's children were eligible in 2014⁵. There is a lower threshold for SNAP eligibility; 31.9% of Michigan's children age 0-5 were eligible for SNAP in 2014⁶. These are important statistics because they show that nearly half of Michigan youth are receiving government assistance.

The State of Michigan does not pay for SNAP or free/reduced price lunches out of state tax dollars. However, state tax dollars are used to fund our medicaid programs. In 2017 the state budget allocates nearly \$1.9 billion to medicare and medicaid⁷. In 2014, 39.2% of Michigan's children were insured by medicaid. When looking only at Detroit, this number jumps to 94.6% or 171,928 children⁸.

A common argument by opponents of assistance programs is that they enable individuals who choose to "game the system," and receive benefits without working. Such a statement is not valid for parents of young children. Of Michigan families with children age 0-5, in 66.9% of these families both parents work, in the city of Detroit that number 78.2%⁹.

In one of Michigan's largest counties, Wayne, 35.2% of children age 0-17 live in poverty¹⁰. The challenge for these children is to escape poverty. The cycle of poverty continues unless there is outside intervention. The cycle continues when parents are unable to get the education they need to advance in the workforce. As the cycle continues, the number of individuals dependent on government assistance grows exponentially.

There is a racial component to both poverty and teen pregnancy, both issues affect black and hispanic populations at a much higher rate than white populations. Michigan League for Public Policy states "such a concentration of social and economic disadvantage in counties and communities and among our largest racial/ethnic groups speaks to a pervasive need for a renewed commitment to comprehensive evidence-based prevention strategies that include economic opportunity."¹¹

⁵ Guevara Warren, Alicia S. Kids Count in Michigan Data Book 2016: Child & Family Well-Being in Michigan, Its Counties and Detroit. Lansing, Michigan: Michigan League for Public Policy.

⁶ Guevara Warren, Alicia S. Kids Count in Michigan Data Book 2016: Child & Family Well-Being in Michigan, Its Counties and Detroit. Lansing, Michigan: Michigan League for Public Policy.

⁷ State of Michigan. Rick Snyder, Governor. 2017 Budget. N.p.: n.p., 2016.

⁸ Guevara Warren, Alicia S. Kids Count in Michigan Data Book 2016: Child & Family Well-Being in Michigan, Its Counties and Detroit. Lansing, Michigan: Michigan League for Public Policy.

⁹ Guevara Warren, Alicia S. Kids Count in Michigan Data Book 2016: Child & Family Well-Being in Michigan, Its Counties and Detroit. Lansing, Michigan: Michigan League for Public Policy.

¹⁰ Guevara Warren, Alicia S. Kids Count in Michigan Data Book 2016: Child & Family Well-Being in Michigan, Its Counties and Detroit. Lansing, Michigan: Michigan League for Public Policy.

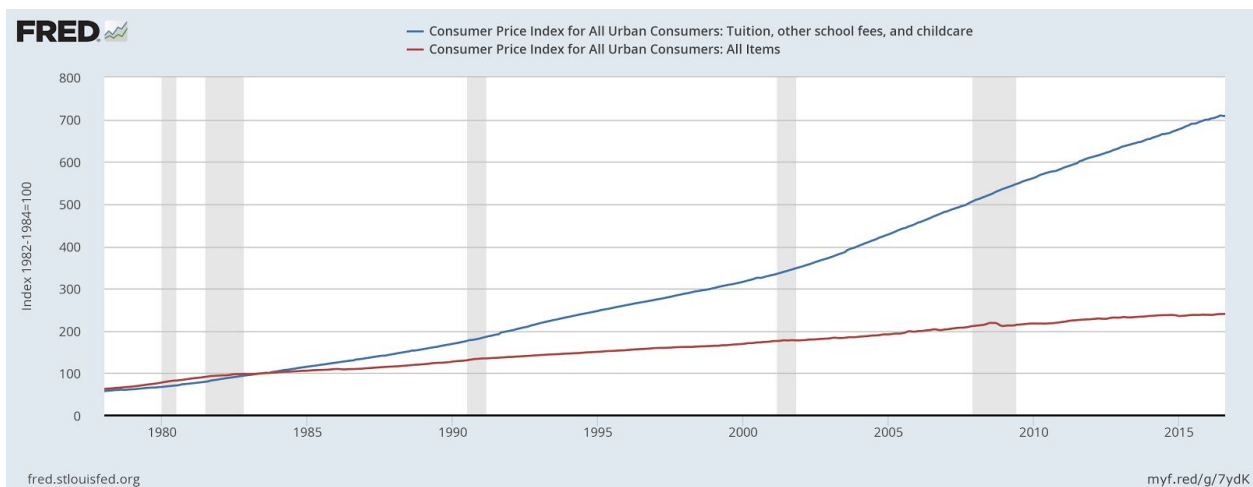
¹¹ Guevara Warren, Alicia S. Kids Count in Michigan Data Book 2016: Child & Family Well-Being in Michigan, Its Counties and Detroit. Lansing, Michigan: Michigan League for Public Policy.

Any government program that spends money, has an impact on taxpayers. In Michigan, a single mother with two children could receive assistance valued at close to \$29,000. For ease of argument, I make the assumption that the children are twins. This family, could receive assistance of nearly \$520,000 over 18 years. With the understanding that children growing up in poverty are likely to stay in poverty we can calculate the cost of poverty to taxpayers over generations. This is simply the direct cost to taxpayers in the form of assistance programs. For three generations, each with two children per family, the cost is \$3.64 million.

This cost can be prevented by breaking the cycle. We can break the cycle by opening opportunities to those caught in it. We should focus our spending on programs that have a clear return on investment for maximum impact. By reducing the total number of Michiganders facing poverty or low-income situations we are being both fiscally and socially responsible.

The Cost of Childcare

Since 1978, based on the consumer price index (CPI) for urban consumers, childcare, and other school fees has gone up by more than 1232%¹². In that same time period, costs of all other items based on the CPI has gone up only 383%. Based on the graph, the cost of caring for and educating our nation's youth will continue to rise at an incredible pace.



In 2015 the Michigan Office of Great Start conducted a market-rate study of child care costs¹³. Results of the study showed that at the 75th-percentile, cost of care at a center was \$5.33/hr for infants/toddlers and \$4.47/hr for pre-k. The subsidies available from the office of Child Development and Care (CDC) range from \$3.75-4.50 for infants/toddlers and \$2.50-3.25 for pre-k.

¹² Federal Reserve Bank of St. Louis

¹³ State of Michigan. Michigan Department of Health and Human Services. Office of Great Start. Child Care Market Rate Study. N.p., 2015. Web.

A typical parent might work 40 hours each week, with two weeks of paid vacation each year, and have a 30 minute commute each way. The annual cost of care for a child of this parent at a childcare center that charges at the 75th-percentile is shown in Table 1.

According to the National Center for Children in Poverty, 44% of Michigan’s youth live in low-income households. Children living in families with incomes below 200% of the federal poverty level—\$48,016 for a family of four with two children in 2014¹⁴—are referred to as low income.

Based on 2,080 hours of work per year, the hourly wage of both parents averages \$11.54/hr. This is not an atypical wage for jobs that do not require education beyond a high school diploma according to the Bureau of Labor Statistics.

With the maximum available child care subsidies from CDC, if both children require care, 44% of households in Michigan could be forced to spend nearly 20% of their pre-tax income on childcare.

	Infants/Toddlers 0-2.5 years	Pre-K 2.5-5 years (not in kindergarten)
Cost at 75th Percentile	\$11,992.50	\$10,057.50
CDC Subsidy Lower and Upper Bounds	Lower: \$8,437.50	Lower: \$5,625.00
	Upper: \$10,125.00	Upper: \$7,312.50
Cost to Parent with Subsidy Lower and Upper Bounds	Lower: \$1,867.50	Lower: \$2,745.00
	Upper: \$3,555.00	Upper: \$4,432.50

Table 1: 2015 Market Rate Study of Childcare Costs at Center

¹⁴ US Department of Health and Human Services, Poverty Guidelines, 1/25/2016

The Proposal

Quite simply, I propose that for parents who wish to pursue education at community college, trade school, or graduate school, the state of Michigan covers the cost of childcare.

To be eligible for this program a parent must:

1. Have a child that is not eligible for kindergarten
2. Be enrolled in a community college*, trade school, or graduate school
 - a. *Each county would determine what 5-10 programs would be eligible for this assistance, with the goal of creating a workforce pipeline that can service the current and future needs of the county.
3. Work or volunteer no less than 20 hours and no more than 40 hours each week.
4. Full assistance is provided for three years, and 50% assistance is be available in years four and five.
 - a. In year 2 a parent must sign a contract with the state, with confirmation from the education institution stating that the parent is in good standing and on track to graduate.
 - i. Much like the US service academies, parents will be allowed to opt out of the program at this point with no penalty. Once the contract is signed, the parent is obligated to graduate or pay back child care assistance received, this obligation may be voided in extreme circumstances.
 - b. Assistance will only be paid to licensed and certified care providers.
 - i. These providers could be pre-schools, churches, family members, or anyone who goes through the licensing and certification process.
5. Expected cost is approximately \$11,000 per child annually at full assistance (45 hours per week)
6. All other subsidies for childcare will end five years after this program takes effect. If the program does not work as intended, the subsidies can remain and the program be terminated.

Expected Outcomes

It is expected that upon completing the selected program at a community college, trade school, or graduate school, the parent will be hired to a job that pays more than 200% of FPL to both provide for core needs and no longer qualify for government assistance. The benefits of having a more skilled workforce extend beyond the paragraphs below, though to map out every benefit would make this proposal much longer than anyone would care to read.

Tax Dollars Saved

As referenced previously, the value of government assistance provided to a family of three (one parent, two children) is just under \$29,000 annually. Over the course of 18 years, the total value would be close to \$520,000. Under this proposal, the maximum cost per child is \$44,000 over five years. The minimum cost for a parent who completes their educational pursuit expeditiously is \$11,000 per child.

For the parent with two children needing care for five years the cost of childcare plus the value of annual assistance is \$232,360. For the parent with two children needing care for one year, the cost of childcare plus the value of annual assistance is \$50,872. The expected time to complete education and require childcare is three years. In that scenario, the cost of childcare for two children plus the value of annual assistance is \$152,616.

One generation of cost savings ranges from \$287,640 - \$469,128 or 55.3%-90.2%. Simply add \$520,000 per one parent/two children families in each subsequent generation to determine multi-generational savings.

Businesses Expanding

Businesses will benefit and expand in Michigan as a result of this proposal. When trade leaders such as the Michigan Chamber of Commerce can forecast the volume of a talent pipeline, they can better pitch the State of Michigan as a fertile land for growth and expansion of businesses.

The State will have data on program usage, and therefore can guide businesses to areas rich with talent. This is why the program will result in jobs. If Wayne County chooses to include "Manufacturing Technology" in its programs, then businesses will know there will be X qualified applicants to work on automation and robotics. Wayne County will then be a place for advanced manufacturing to grow in Michigan.

Given that most graduates will complete their programs in three years, businesses will have three years to plan and execute expansion in the state.

Conclusion

Childcare is one thing parents cannot neglect and, from my observations, has gotten in the way of advancing careers and acquiring the skills necessary for future jobs. When individuals dependent on government can't gain additional education or additional skills, they will find it difficult to gain independence. As a state we have two responsibilities that this proposal addresses, social and fiscal.

Our social responsibility is to protect children and end the cycle of poverty. This proposal is not meant to be all-encompassing. This proposal is meant to address one obstacle in the way of independence and freedom and break the cycle of poverty. Based on this intention, the proposal accomplishes its goal. Once implemented, we can further evaluate the number of people who use the program and their post-graduation success.

Our fiscal responsibility is to protect taxpayer dollars, and increase our ability to pay down debt by reducing spending. This proposal will reduce spending on assistance programs by 55.3-90.2% in a single generation. It also enriches the State's ability to attract new business and expand existing businesses. Reducing spending and increasing economic activity meets our fiscal responsibility.

When we stop listening, we forget the challenges others face in their daily lives. While not all of these challenges can be overcome through government intervention, an obstacle such as childcare in the way of education, can. This proposal is an investment in the future.