



MICHIGAN'S CHILD CARE MARKET RATES

An analysis of prices for quality child care to inform the child development and care subsidy program

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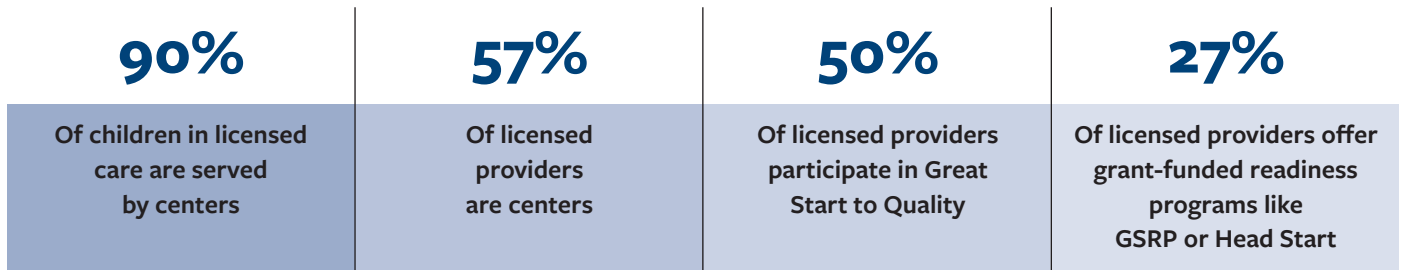
Access to affordable, reliable, and safe child care is essential for thriving children, families, business, and communities. Yet, for many low-income working families, child care is far from affordable. The Michigan Child Development and Care (CDC) program helps families afford quality child care by providing scholarships (formerly subsidies) to eligible low-income families. To understand current child care costs in Michigan and inform policymaking related to CDC implementation, Public Policy Associates (PPA) conducted a child care market rate survey and study of costs to provide high-quality child care near the end of 2023. This paper summarizes the study results.



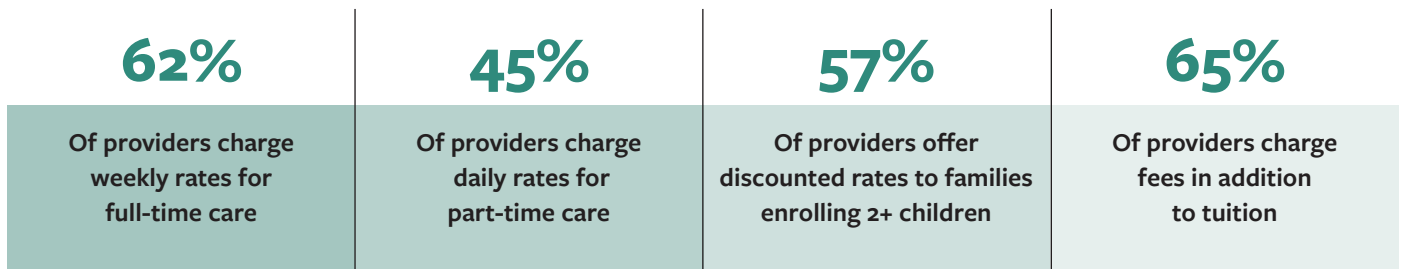


Key Findings

PROFILE OF MICHIGAN CHILD CARE PROVIDERS



COST OF CHILD CARE



- Prices are affected by the facility type, age of child, location, and quality level. Center-based care tends to cost more than home-based care, the infant and toddler age group is the most expensive, prices are higher in urban areas, and prices generally increase as quality of care increases.
- Most providers charge families for the time a child is not in care due to illness, vacation, or holidays.



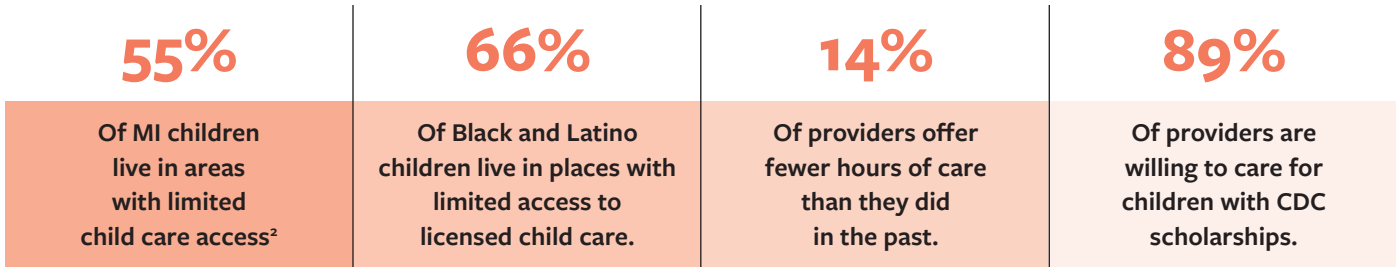
SCHOLARSHIP RATES COMPARED TO MARKET RATES



Current CDC base scholarship rates¹ fall below what 75% of providers charge parents for care across all age groups. However, the difference between the base scholarship rate and market rate decreased by 41% among centers and 20% among home-based providers since the last market rate study was conducted in 2020.

- The average difference between the base scholarship rate and the market rate across all age groups is 19% among centers and 15% among home-based providers.
- The gap between scholarship rates and market rates tends to be larger in urban areas.
- About 68% of providers charge families the full difference between the scholarship and tuition cost.

ACCESS TO CARE



- About 14% of providers are currently offering fewer hours of care than in the past, due to staffing shortages, changing needs among families, or their own personal or family needs.
- One-quarter of providers offer care outside of traditional hours.
- Three-quarters of providers are currently caring for one or more children with exceptional needs.
- The proportion of providers currently caring for children receiving scholarships increased to 64% from 41% in 2020. Nearly 90% of providers indicated that they are willing to care for children receiving scholarships.

COST OF PROVIDING CARE

- The largest expense for providers is staffing.
- Participation in the Child and Adult Care Food Program (CACFP) helps boost providers’ bottom line.
- Improving the quality of care increases revenue but also increases costs.



Key Observations

While increases to scholarship rates since 2020 have substantially decreased the gap between the base scholarship rates and market rates, further increases to base scholarship rates are needed to meet the 75th percentile of market rates. Increasing the amount allowed for registration-fee reimbursement would also benefit families seeking care and offset additional costs for providers.

Additional child care slots are needed to meet demand in many parts of the state. To address current inequalities, efforts to build capacity should prioritize communities with high proportions of Black and Hispanic/Latino families, as well as rural communities.

Increasing and maintaining capacity will also require developing new strategies to grow and support the state's child care workforce.

While provider participation in the CDC program has increased, to maintain broad participation, it is important to continue efforts to improve communication between the State and providers and to reduce administrative burden for providers and families, especially related to the eligibility-determination process.



ABOUT THE STUDY

The purpose of the market rate survey and associated study of costs to provide quality care is to help policymakers set scholarship payment rates that ensure equitable access to quality child care, as well as inform the State’s plans for the program and use of federal funding.

The 2023 Michigan Market Rate Survey included a survey of the universe of 8,035 licensed child care providers operating across the state. Providers received a postcard announcing the survey, an email invitation, and a mailed paper survey. Providers could complete the survey on paper, online, or over the telephone. The response rate to the survey was 34%, overall, and 45% among providers currently serving families receiving scholarships.

The survey asked about the number of children providers were able to serve (capacity), how many children were in care, tuition rates, and other relevant fees and policies. In addition, PPA used existing data from the Michigan Department of Lifelong Education, Advancement, and Potential (MiLEAP) and a variety of other sources and conducted in-depth interviews with 16 providers to inform an analysis of the cost to provide quality care.

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- ¹ Scholarship rates increase for providers at higher quality levels. The base subsidy rate is the rate paid to providers at the Maintaining Health & Safety quality level.
- ² Areas of limited child care access are defined as Census tracts where the estimated number of children under the age of ten outnumber available child care slots by more than three to one.

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