



Making the Case for Fully Funding the Early Care and Education System in Michigan

The early childhood system must be funded at the true cost of care — or the baseline costs for a child care business to provide services, inclusive of adequately compensating the childhood system workforce — benefiting Michigan's economy and Michigan families.

We support the governor's budget recommendations. **However, the proposed 10% budget increase in subsidized child care rates isn't enough.** It's critical that subsidy rates are **restored to the 26%** that child care providers rely upon to support families who need access to these services, as well as a **commitment to fully fund the early care and education system** in Michigan over the next five years.

HERE'S WHY:

Underfunding child care is losing Michigan billions.

INVESTING IN MICHIGAN'S EARLY CARE AND EDUCATION IS GOOD FOR BUSINESS AND KIDS

- Economists have reported a **strong link** between early child care and education and state and local **economic growth and development**¹.
- Fully funding early care and education programs in the State of Michigan FY25 budget will allow parents*² to work, young children to thrive, support small businesses, and contribute significantly to the vitality of Michigan's economy.
- **Michigan is losing \$2.8 billion**³ a year from **inadequate early care and education** due to families leaving the workforce because of inaccessible child care. Child care facilities are closing due to high costs and the inability to recruit and pay employees a sustainable wage.

When kids don't get early care and education, it costs everyone in the future.

THE EQUITY CASE FOR SUPPORTING VULNERABLE FAMILIES

- The first five years of a child's life are some of the most critical in their development — **90% of the brain develops before age 5** — but the programs and systems that serve young children face persistent **underinvestment, leaving them less prepared** for pre-K and beyond.
- The amount of **lost revenue from inadequate early care and education will grow** over time as more child care businesses fold, making it harder for the state to invest funding and reap the economic benefits if we don't act now.
- Early childhood education and services result in **stronger families and significantly contribute to upward mobility** in the next generation — an indication that early childhood education can be an effective way to break the cycle of poverty.⁴

¹Penn Wharton University of Pennsylvania, [Economic Effects from Preschool and Childcare Programs](#).

²We refer to parents and families interchangeably to mean all adults with a primary role in caring. This includes biological, adoptive, foster, and stepparents, grandparents, and other caregiving kin, and legal and informal guardians. It could also include parents who do not live with the child and are still involved in raising the child.

³Michigan Chamber of Commerce report, [Untapped Potential in MI](#).

⁴[Intergenerational and Intragenerational Externalities of the Perry Preschool Project](#).

Unaffordable child care results in workforce shortages, leaving employers and parents without the support they need in an unstabilized market.

THE ECONOMIC CASE FOR SUPPORTING CHILD CARE PROVIDERS

- Providers cannot recruit and retain staff on existing wages and are forced to serve fewer families, rely on in-kind support and unpaid overtime, or close altogether — an unsustainable system.
 - According to the True Cost of Care Report⁵, Michigan **child care providers earned an average salary of \$23,020 in 2019 or about \$11/hour**, which is barely above Michigan’s minimum wage and rarely includes benefits, despite many providers’ experience and qualifications in the field, resulting in them **leaving the industry** for better-paying jobs elsewhere.
- Child care at current wages costs substantially more than Michigan’s child care subsidy rates cover.
 - Michigan child care subsidy rates reimburse child care providers \$5,592 less than it costs to provide center-based care for an infant.
 - Michigan child care subsidy rates reimburse family child care providers \$2,879 less than it costs to provide family child care for an infant or toddler and \$4,569 less than it costs to provide family child care for 3- and 4-year-olds.
- Families already pay more than what they can afford. According to the True Cost of Care Report:
 - The **average annual cost of center-based child care for an infant in 2022 was \$20,152**, frequently exceeding families’ mortgage or rent.
 - Child care expenses **already account for 35%-50% of earnings for low-income families**, so the answer is to increase public investment, not to ask families to pay more.
 - Parents are leaving the workforce — and Michigan — to care for their children due to their inability to find affordable child care providers, a move that has a negative financial effect on not only families but businesses and taxpayers, with more than **59,000 parents reported quitting a job, not taking a job, or greatly changing their job because of problems with child care.**⁶
- To stabilize Michigan’s child care market and grow a supply that meets the demand, the true cost of care must take into account the cost of paying child care providers a sustainable wage.
 - Michigan is **operating with a third of what’s needed** to provide child care access to all children in **working families at or below 200% of the federal poverty level**, with **Michigan needing an additional \$2.2 billion in funding**.

⁵True Cost of Care Report. <https://www.ecic4kids.org/policy-thinkbabiesmi/>

⁶Center for American Progress. Child Care and Early Learning in the United States. <https://www.americanprogress.org/data-view/early-learning-in-the-united-states/>.

CALL TO ACTION:

Restore the reimbursement rates beyond the proposed 10% to the full 26% in FY25 that was cut after the COVID relief funds provided by American Rescue Plan Act (ARPA) expired in 2023 and commit to developing a plan to fully fund the early care and education system over the next five years.

What else might legislators and their constituents want to know?

Preparing for Capitol Day 2024

If child care really costs so much to provide, why should taxpayers have to bail them out of an unsustainable business model? They should charge more or find another business model.

For Michigan's economy to thrive, we need a reliable workforce, and that requires parents to have safe, affordable child care. Child care is a necessary component of a functioning economy; it is infrastructure — just like roads — that enables local, regional and state economies to flourish.

What's the problem with people quitting the workforce to stay home with their children? Many people would love the opportunity to be home with their kids.

This sentiment disproportionately affects women in the workforce. Mothers unable to find a child care program were significantly less likely to be employed than those who found a child care program, whereas there was no impact on fathers' employment. More mothers would increase their earnings and seek new job opportunities if they had greater access to reliable and affordable child care, according to the Center for American Progress⁷.

Is this really that big of an issue? Kids all go to school eventually, anyway.

There's an opportunity for more Michigan children to start school better prepared. Because early childhood care and education programs in Michigan are underfunded, children don't have the foundation needed to succeed when kindergarten begins.

How can I (lawmaker) personally help you move forward to increase or fully fund programs in Michigan?

Currently, Michigan is investing a third of what's needed to ensure early care and education for every low-income working family. As a first step, the legislature needs to restore 2023 funding levels.

Share personal experiences:

Professionals' story:

Share how persistent underinvestment in the early childhood system has impacted your ability to remain in the field of early childhood.

How has low subsidy rates affected the number or types of families you are able to serve? For instance, do low subsidy rates prevent you from serving families using child care financial assistance?

How has the workforce crisis impacted you and your work?

Have you had difficulty retaining and recruiting staff?

How many professionals do you know who live in poverty or utilize public assistance for their own family due to low wages and/or poor benefits?

Parents' story:

Share how low investment in early childhood programs have impacted your family.

How has this impacted the availability of services for your family, and the impact that it had on your family? (e.g. has it affected your ability to find or retain a job?)

What challenges have you experienced when trying to access early childhood services?

⁷ <https://www.americanprogress.org/article/child-care-crisis-keeping-women-workforce/>

Funding Early Care in Education in Michigan

\$2.8 BILLION¹ in lost economic activity

as a result of a lack of accessible early care and education, which will continue to grow.

Child care at current wages costs substantially more than Michigan's child care subsidy rates cover and more than families can afford.

SUBSIDY SHORTFALL PER CHILD:

\$5,592 center-based provider for infants.

\$2,879 family care for infants and toddlers.

\$4,569 family care for 3- to 4-year olds.

\$23,020 or \$11/hr

Average salary of **child care providers earned** — despite being a **skilled trade** — making it difficult to find and retain employees.



1,261

child care business closures

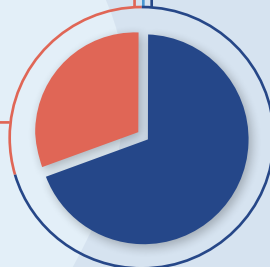
and nearly **57,000** young children without stable care outside the home as a result of the 26% cut in federal funding in September 2023².



Michigan faces workforce readiness and infrastructure disadvantages when industries consider locating in Michigan.

CURRENT INVESTMENT

is **one third of what it costs** to provide early care and education to **working families who need it.**



Low-income families³ often use 35%-50% of their earnings for child care, often more than housing.



59,000

Parents in Michigan **reported quitting a job, not taking a job, or greatly changing their job because of problems with child care.**⁴

Often relying on other state support programs.



When kids don't get early care and education, it costs everyone in the future.



90% OF A CHILD'S BRAIN DEVELOPS BY AGE 5

When kids miss out on critical early child development, **they are less prepared for pre-k** and the rest of their education, limiting upward mobility and contribution.

ADDITIONAL INVESTMENT

is **needed to serve low-income families** in Michigan who need it and **keep them in the workforce.**

HOW CAN WE SHOW COMMITMENT TO INVESTING IN CHILD CARE INFRASTRUCTURE TO SUPPORT MICHIGAN BUSINESSES + FAMILIES?

Restore the reimbursement rates beyond the proposed 10% to the full 26% in FY25 that was cut after the COVID relief funds provided by American Rescue Plan Act (ARPA) expired in 2023, and commit to developing a plan to fully fund the early care and education system over the next five years.

¹Penn Wharton University of Pennsylvania, [Economic Effects from Preschool and Childcare Programs](#).

²<https://www.secondwavemedia.com/features/101823fundingcliff.aspx#:~:text=As%20ARPA%20funding%20ends%2C%20it,will%20close%2C%20impacting%2056%2C648%20children.>

³Low income is defined as working families at or below 200% of the federal poverty level. The federal poverty level can be found at <https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines>.

⁴Center for American Progress. Child Care and Early Learning in the United States. <https://www.americanprogress.org/data-view/early-learning-in-the-united-states/>.