

Investing in the Early Years: Child Care

Michigan's Child Development and Care (CDC) Scholarship program subsidizes the cost of child care for eligible families with lower incomes so parents can attend work or school. However, current reimbursement rates paid to child care businesses fall far below the actual cost of care. As a result, Michigan's early childhood educators currently earn an average of \$13.88 per hour, with 86% of the workforce earning below \$15. Operating at mere 1-2% profit margins, businesses can't afford to increase wages without cutting other critical supports, such as quality improvement measures.

Low reimbursement rates are also impacting families statewide, as they seek child care in a state where 87% of its zip codes are infant and toddler care deserts. When an open slot is available, it then becomes a question of affordability, as the state's infant and toddler care averages between \$9,000 to over \$16,000 per year. Between the high costs and the scarcity of available care, Michigan families are facing the difficult reality of whether they can remain in the workforce.

These complex challenges require multi-pronged solutions to stabilize the state's child care businesses, support its high-credentialed workforce, and increase affordability and access to care for families.

CDC Rates

Increasing CDC Scholarship reimbursement rates allows child care businesses to raise staff wages and improve program quality for children, while boosting business stability to keep doors open and serve local families. The CDC Scholarship program is voluntary for child care businesses, and increasing reimbursement rates enables more businesses to participate, thereby expanding early learning opportunities for children in lower-income households.

In recent years, the CDC scholarship reimbursement rates have not kept pace with increasing inflation and costs of living. In fact, rates currently sit 15% lower than in 2023 even without inflationary adjustments.



86%

of the workforce makes below \$15 an hour

87%

communities in Michigan are infant and toddler care deserts

FY 2024

Reimbursement rates decreased by 30% due to the expiration of temporary pandemic increases, and no new funding was allocated to maintain those rates.

FY 2025

Reimbursement rates increased by 15%.

FY 2026

Reimbursement rates unchanged.

FY 2027

Executive budget recommendation did not include a rate increase.

CDC Contracts

Child care contracts are agreements between the State and child care businesses to reserve a certain number of child care slots for underserved populations, such as infants and toddlers or children with disabilities.

Michigan piloted this strategy through its 2024 Infant Toddler Quality Improvement (ITQI) grants, which funded infant and toddler contracts across 195 child care businesses statewide.



40%

of previously waitlisted infants and toddlers were able to enroll in programs

The pilot demonstrated tremendous success in stabilizing care availability, as well as strengthening staff recruitment and retention. In fact, only four months into the pilot, educator wages increased by an average of \$1.44 per hour and nearly 40% of previously waitlisted infants and toddlers were able to enroll in programs. These outcomes reflect the promise of child care contracts as a sustainable, statewide solution to expand access for Michigan's most vulnerable children while strengthening the workforce that serves them.

Workforce Wages

Early educator compensation is the single largest cost facing child care businesses. Average salaries barely clear minimum wage, leaving 41% of the state's early educators dependent on public safety net programs. They are a workforce crisis – one that drives high turnover, shrinks capacity, and closes the door on early learning opportunities during the most critical window of brain development a child will ever have.

Evidence from Michigan's own wage pilots have demonstratively positive impacts. When early educators are paid more fairly, the entire system improves – recruitment rises, access to benefits expand, and professionals stay in their careers. Families gain access to the stable, high-quality care their children need and that is required for parent workforce participation. These are not aspirational outcomes – they have already been demonstrated here in Michigan. What's missing is the sustained, dedicated funding to scale them.

**Michigan
has already
seen what is
possible.**

Raising CDC Scholarship reimbursement rates, expanding child care contracts, and investing in workforce wages are interconnected and targeted investments that work. When reimbursement rates reflect the true cost of care, businesses stay open. When contracts stabilize revenue, child care businesses can recruit and retain skilled educators. When educators are paid fairly, families gain access to the consistent, high-quality care their children deserve and their own workforce participation demands. An investment in child care is an investment in Michigan's workforce, its economy, and importantly, its future leaders.



Michigan

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