Public Policy Associates

Michigan's Child Care Market Rates

AN ANALYSIS OF PRICES FOR QUALITY CHILD CARE TO INFORM THE CHILD DEVELOPMENT AND CARE SCHOLARSHIP PROGRAM

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Public Policy Associates is a public policy research, development, and evaluation firm headquartered in Lansing, Michigan. We serve clients in the public, private, and nonprofit sectors at the national, state, and local levels by conducting research, analysis, and evaluation that supports informed strategic decision-making.

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Michigan Department of Lifelong Education, Advancement, and Potential, Office of Early Childhood Education
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Executive Summary

Michigan's Child Development and Care (CDC) program provides scholarships (formerly subsidies) to eligible low-income families that help them to afford high-quality child care. The program is overseen by the Michigan Department of Lifelong Education, Advancement, and Potential (MiLEAP) Office of Early Childhood Education (ECE). The market rate survey and associated study of costs to provide quality care help policymakers set scholarship payment rates that ensure families using the scholarship have equitable access to high-quality child care, as well as inform the State's plan for implementing the program and use of federal block grant funding.

OVERVIEW OF STUDY

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 currently in care, tuition rates, and other relevant fees and policies. In addition, Public Policy Associates used existing administrative data from MiLEAP and a variety of other sources and conducted in-depth interviews with 16 providers to inform an analysis of the cost to provide care.

KEY FINDINGS

Michigan Child Care Providers[1]

- Child care centers account for 57% of all licensed child care providers in Michigan, and care for 90% of the children enrolled in licensed child care.
- About 27% of child care providers offer grant-funded school-readiness programming, including the Great Start Readiness Program and Head Start.
- Half of Michigan's licensed providers have engaged in the Great Start to Quality continuous quality improvement process.

[1] The profile of Michigan child care providers presented in this report is based on market rate survey response data and data acquired from the State's child care licensing database at the time the survey was administered in November 2023.

Child Care Prices

- Providers most commonly charge weekly rates for full-time care and daily rates for part-time care.
- Prices are affected by the type of facility, 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.
- Two-thirds of providers charge fees for registration and other costs not covered by tuition.
- About 57% of providers offer discounts for families enrolling more than one child.
- Most providers charge families for the time a child is not in care due to illness, vacation, or holidays.

Scholarship Rates Compared to Market Prices

- Current CDC base scholarship rates[2] 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 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

- Half of Michigan's children live in areas with limited access to licensed child care (3 or more children for each available slot, based on licensed capacity).
- Two-thirds of Black and Hispanic/Latino children live in places with limited access to licensed child care.

[2] Scholarship rates increase for providers at higher quality levels. The base scholarship rate is the rate paid to providers at the Maintaining Health & Safety quality level. For additional information about quality levels and scholarship rates, see page 45.

- 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.[3]
- The proportion of providers currently caring for children with 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 and 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 or cover the cost of care. Increasing the amount allowed for registration fee reimbursement would also benefit families seeking care and offset additional costs for providers.

Despite the successful efforts of capacity-building initiatives, such as the Caring for MI Future initiative that helped add more than 36,000 new slots in child care programs throughout the state between May 2022 and November 2023 (MiLEAP, n.d.), additional child care slots are still 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.

[3] Consistent with federal guidelines, exceptional needs are broadly defined to include children with special needs (learning disabilities, food allergies, asthma, etc.), children experiencing homelessness, children from migrant families, and children who speak a language other than English at home.

Provider participation in the CDC program has increased since 2020. That expansion, along with the fact that CDC participation rates appear to be highest among providers at higher quality levels, means that families receiving CDC scholarships have increased access to high-quality child care. 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 child care scholarship eligibility-determination process.

Introduction

POLICY CONTEXT

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. Recognizing the importance of accessible high-quality child care, the federal government began a significant investment in improving access to child care among low-income working families with the passage of the Child Care and Development Block Grant Act (1990). The block grant provides states with funding through the Child Care Development Fund (CCDF) to subsidize the cost of child care for eligible low-income families. The recent implementation of the 2024 CCDF Final Rule further expands the federal government's commitment to improving access to child care. The final rule modifies CCDF regulations to reduce child care costs for families to enhance access and well-being, improve payment practices to child care providers to broaden care options and support operations, and reduce program bureaucracy to simplify family enrollment and overall program clarity.

The Michigan Department of Lifelong Education, Advancement, and Potential (MiLEAP) Office of Early Childhood Education (ECE) is responsible for administering federal and state child care subsidy funds through the Child Development and Care (CDC) program. Federal regulations require states receiving CCDF funding to conduct periodic child care market rate surveys. A market rate survey (MRS) is the collection and analysis of prices and fees charged by child care providers for services in the priced market. States are to use the MRS to set child care payment rates, which should be sufficient for families receiving subsidies to secure quality child care across the full range of provider services in the market.[4] In addition, because the market price many providers charge does not cover the full cost of high-quality child care, states must analyze the cost of providing child care, known as the narrow cost analysis, or cost of provider care.

The COVID-19 pandemic had a significant impact on the child care market nationally. In Michigan, the number of licensed providers—already on the decline—fell from 7,898 licensed providers in May 2019 to 7,155 providers in

[4] States wishing to use an alternative methodology in place of a market rate survey to set child care payment rates are required to obtain approval from the Administration for Children and Families for the proposed approach prior to conducting the study.

May 2022.[5] To stabilize the child care market, with assistance from the American Rescue Plan Act of 2021 (ARPA, 2021) and other federal stimulus funding, Michigan enacted several policies to help providers weather the financial challenges they faced. Measures included $700 million invested in stabilization grants to cover provider operating costs, a 30% rate increase for providers accepting child care scholarships (formerly subsidies), expansion of scholarship eligibility to 105,000 additional children, along with several temporary rate increases and grants for providers.

While Michigan has retained the 40% increase to scholarship rates over the September 2021 rates (Michigan Department of Education [MDE], 2022), many of the other federally funded grants and rate increases were temporary and have already ended. Many providers are also now competing with other employers to keep employees, who are drawn away by opportunities for better pay and work hours (see Center for American Progress, 2022). As child care providers and the families they serve continue to adjust to changing market forces, an analysis of child care prices and the costs of providing care offers an important opportunity to reflect on the payment rates paid to providers through Michigan's CDC program.

Beyond contributing to the state plan, this MRS provides critical information to state policymakers about implementation of the federal funds and ways to improve the CDC program access, effectiveness, and efficiency for providers and families involved.

STUDY OVERVIEW

Research Questions

Public Policy Associates (PPA) designed the study to answer the following questions:

- **Cost of child care in Michigan.** What are the prices for licensed child care across provider types, and how do prices vary across geographic regions within Michigan?

[5] PPA calculations based on data from Michigan Department of Licensing and Regulatory Affairs.

- **Access to high-quality child care.** To what extent is there equal access to child care across Michigan? How many providers do not accept or limit admissions of children who receive the CDC scholarship and why? What barriers exist (payment rates, practices, etc.) that prevent providers from serving CDC children? How could the CDC scholarship reimbursement process be improved to increase provider participation?
- **Differences between CDC scholarship rates and the price of child care.** Are there gaps between the CDC scholarship rate and market rates by age group, Great Start to Quality quality level, and provider type? If so, what strategies could be used to address these gaps? Do child care providers charge families more than the required family contribution? If so, what proportion of facilities charge families a higher amount and how much do they charge beyond the required co-payment?
- **The cost of providing high-quality child care.** To what extent are there gaps between the cost of high-quality care and the amount providers are collecting from parents and/or the CDC scholarship? What are strategies Michigan could use to reduce these gaps?

Methodology

PPA employed multiple methods to address the research questions, including collecting both qualitative and quantitative data. PPA surveyed more than 2,700 providers in Michigan to answer questions regarding the price of their care, access to child care, type of facility, hours of their operation, amount charged to families, and provider participation in the CDC program. To assess the cost of providing high-quality care that meets Michigan health and safety standards, PPA modeled annual provider revenue and expense summaries for a typical facility, and by facility type and quality level using the Provider Cost of Quality Calculator. Appendix A describes in detail the research data-collection and analysis methodology. Appendix B comprises copies of the survey and interview instruments used for data collection.

Michigan's Licensed Child Care Provider Profile

The 2023 Michigan Market Rate Survey was a census survey, meaning all licensed child care providers were invited to participate.[6] Although not licensed by the State, tribal providers were also invited and responded to the survey.[7] As of November 2023, the Michigan Department of Lifelong Education, Advancement, and Potential (MiLEAP) database of licensed child care providers included a total of 8,035 licensed and active providers; 2,738 of those providers responded to the market rate survey, for an overall response rate of 34%. Importantly, considering the study's focus on CDC scholarship (formerly subsidy) rates, the response rate among providers that received Child Development and Care scholarship reimbursements in November 2023 was 45%. Participation rates among centers (34%), family homes (35%), and group homes (35%) were comparable, and analysis comparing the sample of respondents to non-respondents showed the sample to be highly representative of the overall population of providers.[8]

Centers care for most of the children enrolled in licensed child care.

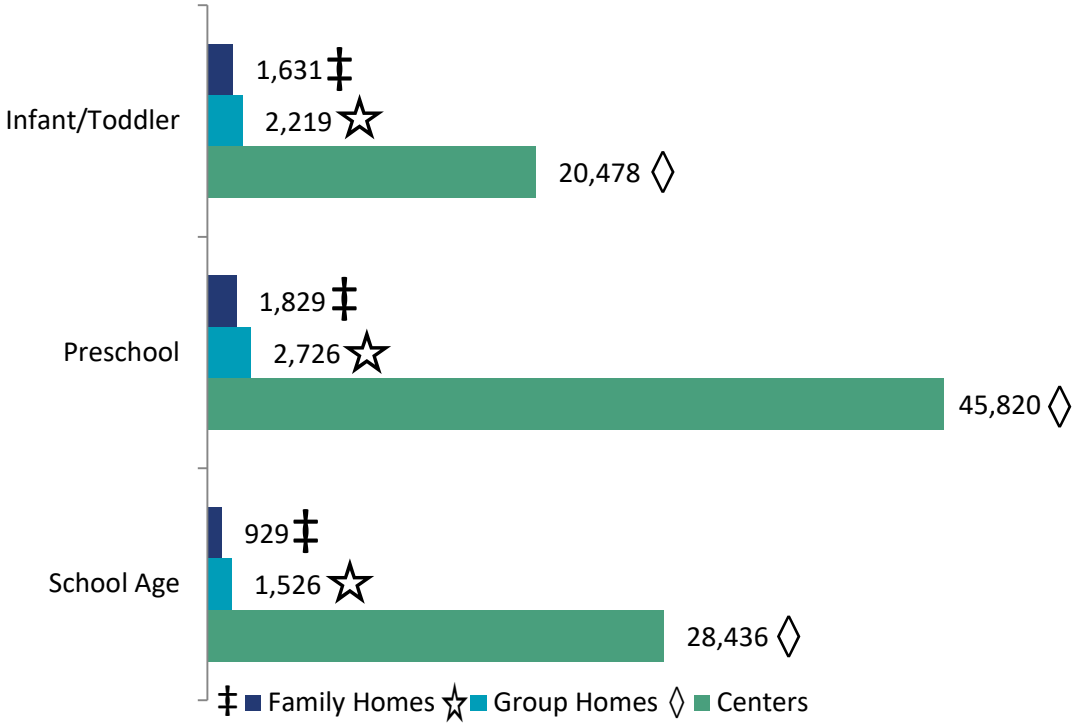
Child care centers account for 57% of all licensed child care providers in Michigan. Furthermore, as illustrated in Figure 1, centers are caring for 90% of the children enrolled in licensed child care.

[6] Unlicensed child care providers were not included in the survey's target population. These providers typically do not have an established price that they charge the public for services, and, therefore, are not generally considered part of the priced child care market.

[7] Four of the survey responses came from tribal providers. To protect confidentiality, those responses were not separated from other child care centers for the analysis presented throughout the report.

[8] See Appendix E for tables comparing the characteristics of the survey sample to the characteristics of all licensed providers at the time of the survey. To further strengthen the alignment between the sample of providers who responded to the survey and the overall population of child care providers in Michigan, the data were weighted on the basis of the facility type (center, family home, or group home) and the county. A detailed description of how weights were determined and applied to the analysis is provided in Appendix A.

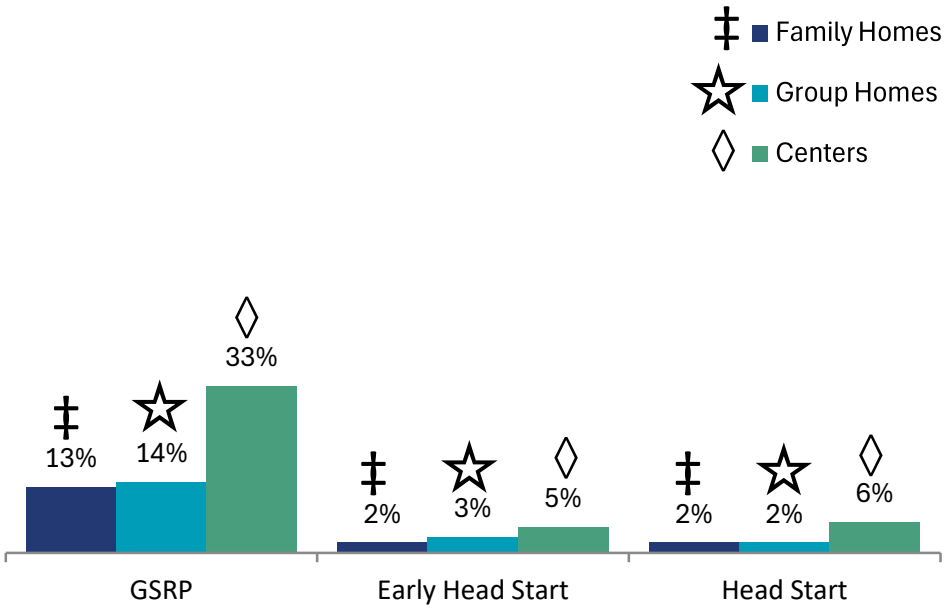
Figure 1. Number of Filled Child Care Slots by Age Group and Type of Provider



About 27% of child care providers offer grant-funded school-readiness programming.

Following a slight decrease in participation reported in the 2020 survey, the proportion of providers offering grant-funded programming aimed at promoting school readiness among children from low-income families (i.e., Great Start Readiness Program, Early Head Start, and Head Start) has returned to pre-pandemic levels of about 27%. Among the various programs, participation is greatest with the Great Start Readiness Program (GSRP), and the participation rate for all programs is higher among centers than among home-based providers (Figure 2).

Figure 2. Proportion of Providers Offering Grant-Funded School-Readiness Programs, by Provider Type and Program Type



Half of Michigan's licensed providers participate in Great Start to Quality.

Great Start to Quality (GSQ) is Michigan's quality recognition and improvement system. GSQ uses over 40 program quality indicators to measure the quality of early childhood programs across the following five categories:

- Staff qualifications
- Family and community partnerships
- Professional development
- Inclusive practices
- Curriculum, instruction, and learning environment

In addition to measuring a provider's current level of quality, these categories provide a framework for quality improvement. To support quality improvement efforts, programs and providers have access to expert coaching and consultation, as well as training and professional development opportunities, offered through the network of local GSQ Resource Centers located throughout the state.

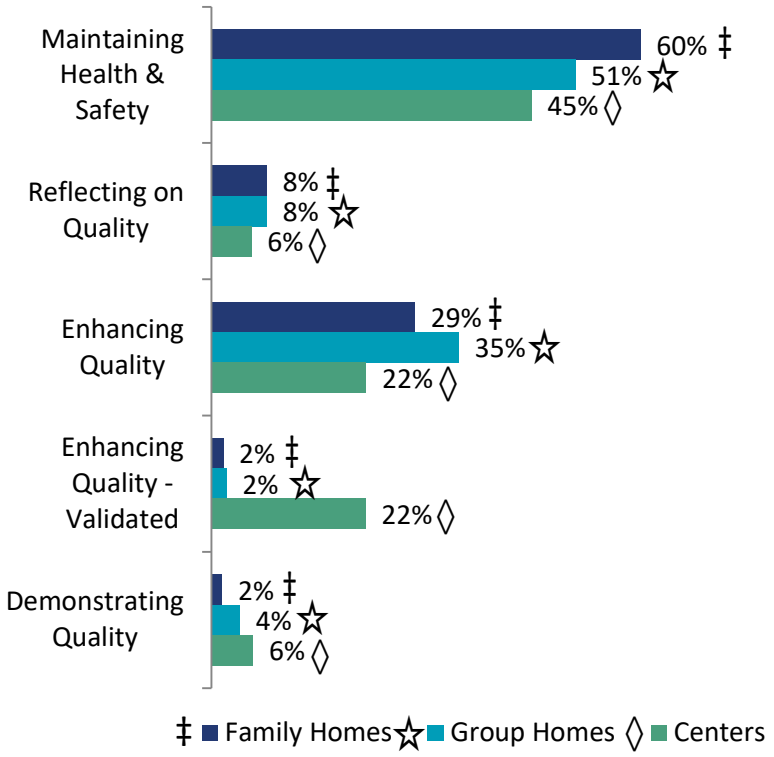
GSQ maintains a web-based, searchable database of program profiles for all licensed providers in Michigan (Great Start to Quality, n.d.) Based on participation in the quality improvement process and ability to demonstrate quality, providers are placed in one of five quality levels, as follows:

- *Maintaining Health and Safety* – Program is licensed but has not started the quality improvement process.
- *Reflecting on Quality* – Program is using the quality indicators to reflect on practices and compile evidence of the indicators currently met by the program.
- *Enhancing Quality* – Program has completed the self-reflection and is working toward at least one goal for quality improvement.
- *Enhancing Quality-Validated* – Program's self-reflection and corresponding evidence have been reviewed by an external Validation Team and results are shared publicly.
- *Demonstrating Quality* – Program has received an on-site observation from a trained assessor and has met the threshold scores for quality for the entire program.

Figure 3 shows the breakdown of GSQ quality levels among the provider types. Consistent with findings from the 2020 survey, the GSQ participation rate and the average quality level are higher among centers than among home-based providers. In addition to improving the overall quality of the child care options available to families, providers' participation in GSQ quality improvement process and their ability to improve their quality level can also increase the reimbursement rates they are able to receive for serving families receiving child care scholarships.[9]

[9] See the tables included on page 24 for additional details on CDC reimbursement rates by quality level.

Figure 3. Proportion of Providers Participating in Great Start to Quality, by Quality Level and Provider Type (Percentages may not total 100% due to rounding)



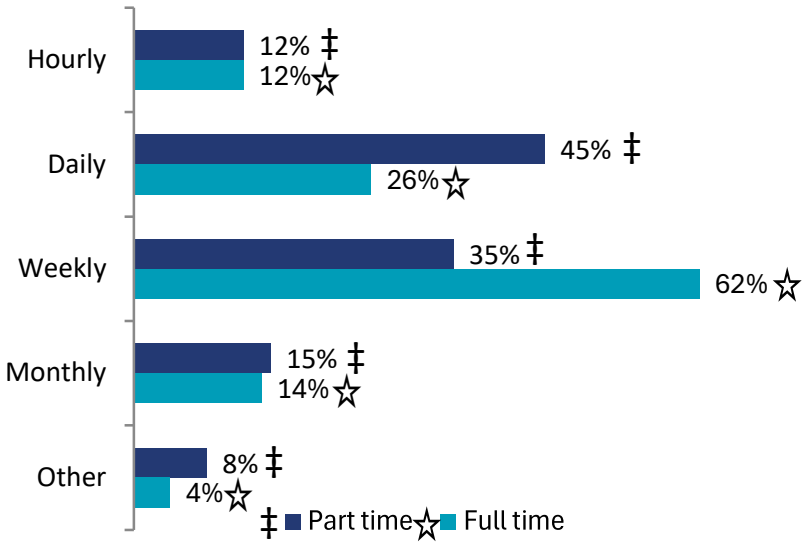
Child Care Prices

To understand how providers set their prices, the survey asked about the different ways they charge fees (such as hourly, daily, weekly) and the tuition fees they charge for each age group. Additionally, the survey inquired about any extra fees and discounts providers offer.

Providers most commonly charge weekly for full-time care and daily for part-time care.

Providers were asked to explain how they charge for full-time and part-time services for families not receiving any state or federal tuition assistance. If they used multiple billing methods, they were asked to specify the two most-commonly-used approaches. Sixty-two percent of providers reported they charge on a weekly basis for full-time care, while 45% of providers charge on a daily basis for part-time care (see Figure 4). This trend remained consistent across provider types.

Figure 4. Prevalence of Rate Structures for Full-Time and Part-Time Tuition



Child care prices differ by facility type, quality level, and location.

For most age groups, child care prices are higher among centers than among home-based providers. The exception is for school-age children, for which group homes charged a slightly higher price. Consistent with previous market rate studies, the most notable difference in price among provider types was observed

for infants and toddlers, with centers charging over $2.00 per hour more than family and group homes. Additionally, centers charged approximately $1.33 more than family and group homes for preschool children's care. Figure 5 shows the hourly[10] tuition rates by age group and provider types at the 75th percentile.[11]

Figure 5. Market Rates (75th Percentile), by Age Group and Provider Type

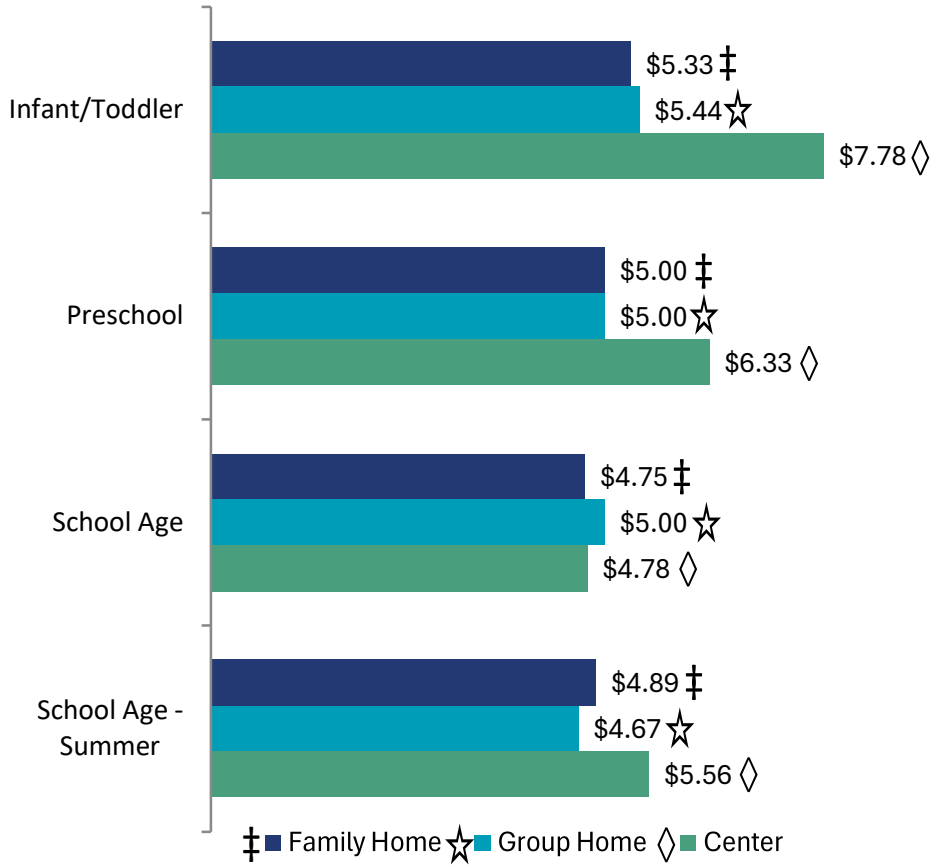


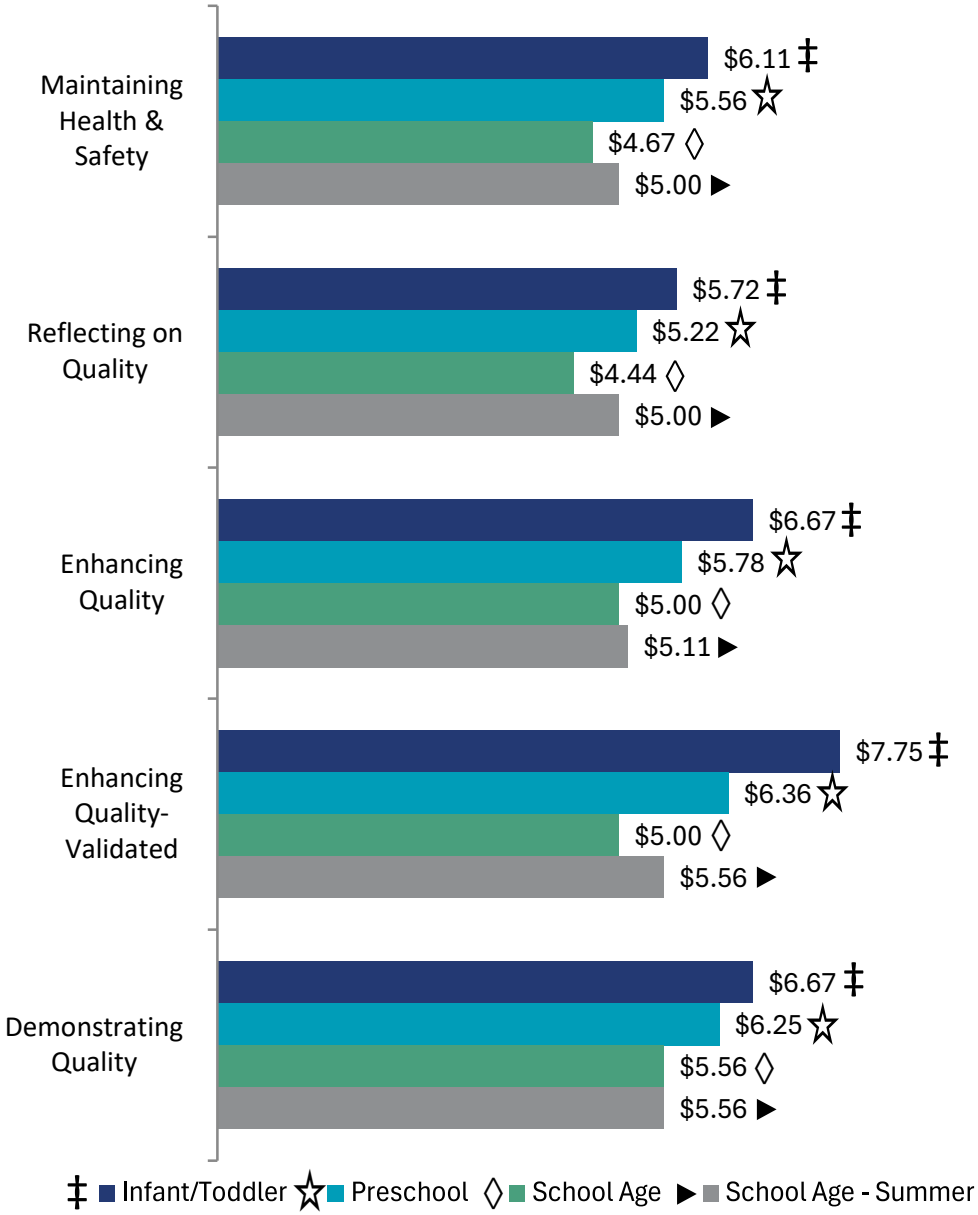
Figure 6 shows the hourly tuition rates for each age group based on the providers' Great Start to Quality (GSQ) quality level. Although rates do not

[10] The hourly rates indicated throughout this section of the report represent a blend of full-time and part-time rates quoted by providers. In most cases, including those where full-time and part-time rates were provided, the full-time rate was used. Part-time rates were used in cases where only part-time rates were provided. See Appendix A for a detailed description of the methodology used to convert daily, weekly, and/or monthly rates quoted by providers to an hourly rate.

[11] The 75th percentile of hourly rates is the level at which 75% of child care slots may be purchased. For example, the 75th percentile of center-based infant care hourly rates is $7.78. That means that 75% of center-based providers charge $7.78 per hour or less for infant care.

increase consistently from one level to the next, prices for all age groups are higher at the top two quality levels compared to the bottom two levels. For most age groups, it appears that the biggest increase in prices occurs between the third and fourth levels, Enhancing Quality and Enhancing Quality-Validated.

Figure 6. Market Rates (75th Percentile), by Age Group and GSQ Quality Level



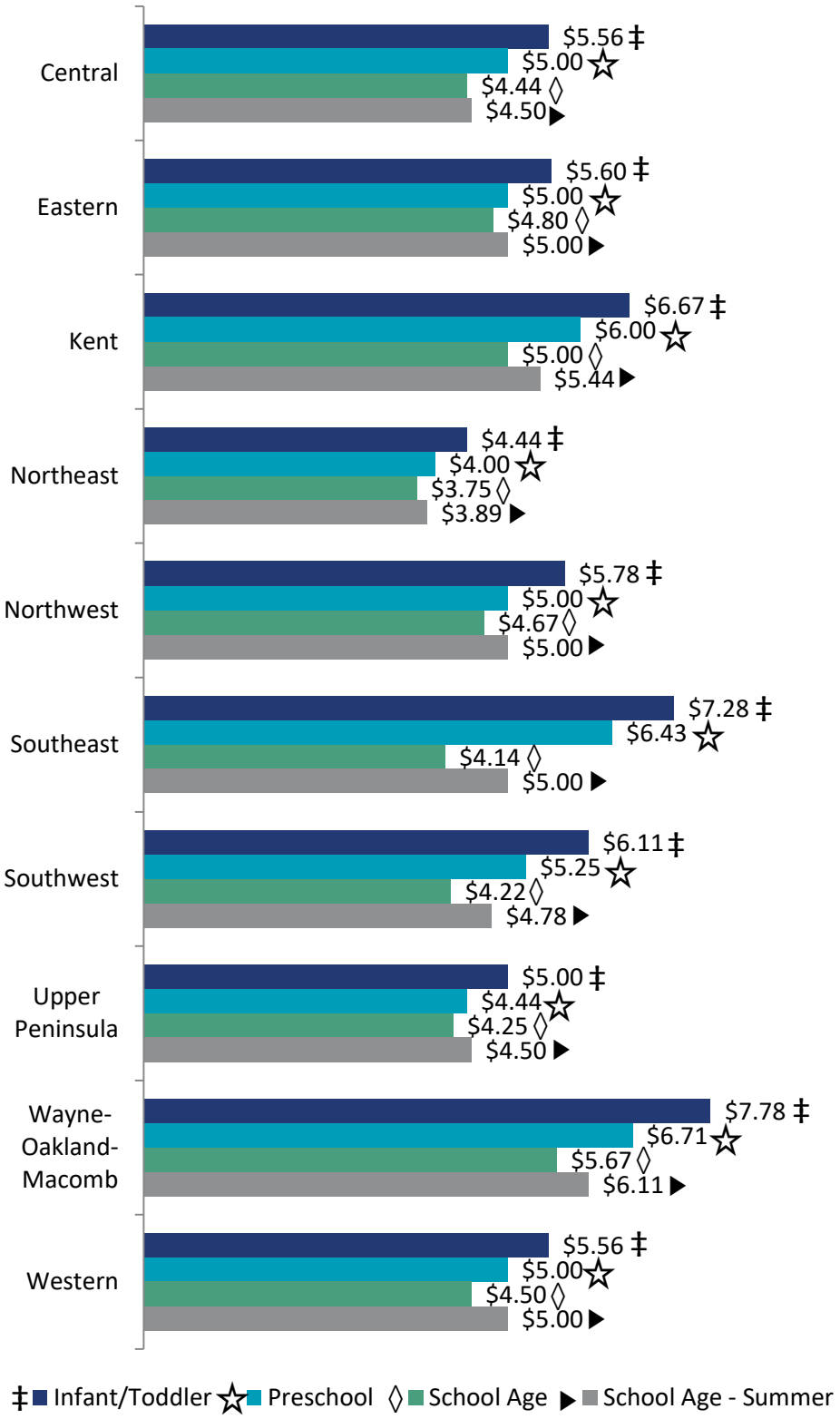
Child care prices are also impacted by location. Figure 8 shows market rates, by age group, for each GSQ Resource Center service area. A map of the regions is

included in Figure 7.[12] While prices are similar across many regions of the state, child care is more expensive in the more densely populated communities around Grand Rapids and the Detroit metropolitan area. Conversely, prices tend to be lower in the mostly rural regions in the northeast part of the state and the Upper Peninsula.

Figure 7. Great Start to Quality Resource Center Service Areas

[12] For the benefit of non-Michigan readers, we have re-labeled the GSQ Resource Center Kent County region to Grand Rapids Metro region and the Wayne-Oakland-Macomb region to Detroit Metro region.

Figure 8. Market Rates (75th Percentile), by Age Group and GSQ Resource Center Service Area



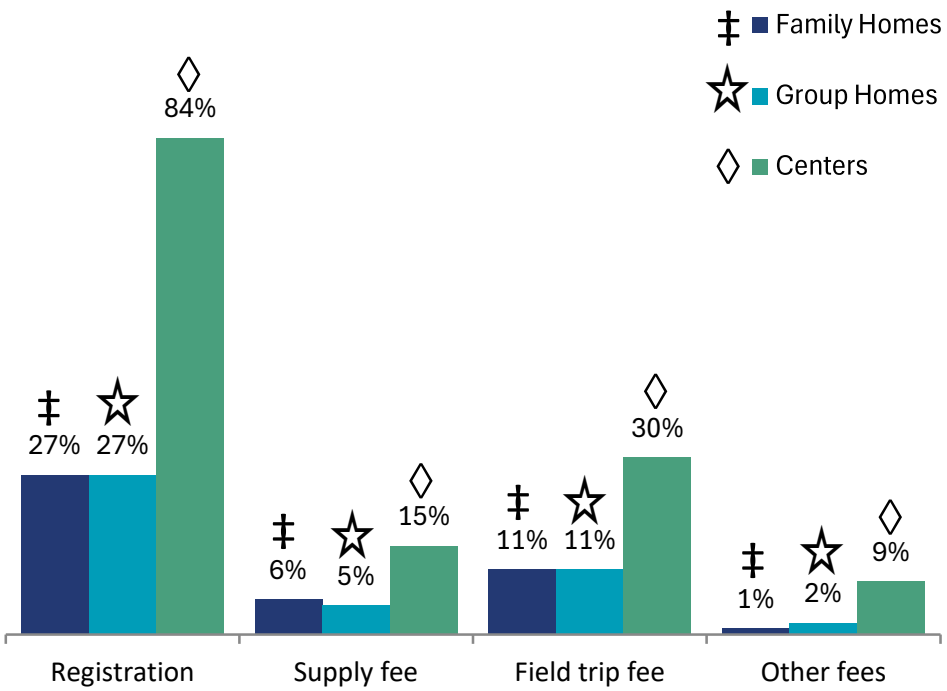
Additional fees and discounts impact the overall price for child care.

To thoroughly evaluate child care costs, it is crucial to consider factors beyond tuition fees. Additional charges such as registration fees, supply expenses, multi-child discounts, and absence policies can significantly influence the total amount parents pay for child care.

Most providers charge fees for costs not covered by tuition.

Approximately two-thirds of providers charge one or more fees in addition to tuition, with the most common being registration fees. Eighty-four percent of centers and 27% of home-based providers charge registration fees. Other types of fees include charges for field trips, supplies, transportation, security deposits, and fundraisers.[13] The proportions of providers who charge each type of fee are provided in Figure 9.

Figure 9. Proportion of Providers Who Charge Fees Beyond Tuition, by Type of Fee and Provider Type

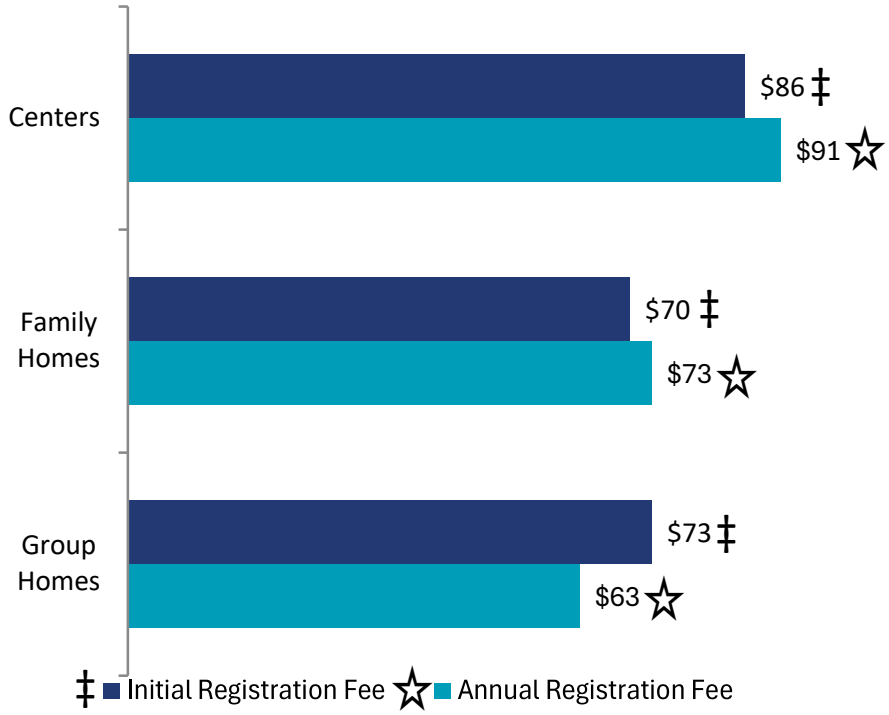


Among providers who charge a registration fee, 61% indicated that they charge a one-time fee at the time of initial registration, and 39% charge annual registration

[13] Fees for late pick-up, bounced checks, late payment, and other penalty fees were excluded from the analysis.

fees. Average registration costs by provider type are presented in Figure 10. It is important to note, though, that the figures below do not factor in multi-child, early registration, or other types of discounts that many providers indicated they offer.

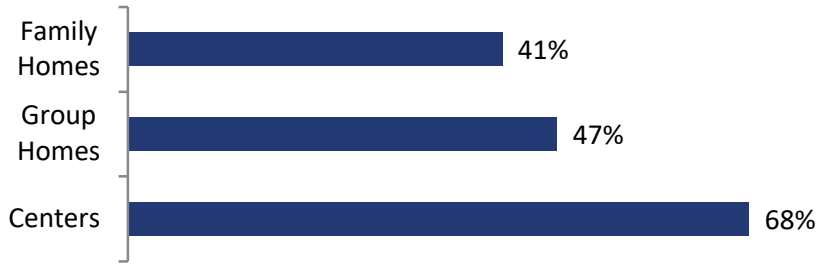
Figure 10. Average Price of Initial and Annual Registration Fees, by Provider Type



Many providers offer discounted rates to families with more than one child enrolled.

Fifty-seven percent of providers offer discounted rates for families enrolling more than one child. These types of discounts tend to be more common among center-based providers than among home-based providers.

Figure 11. Proportion of Providers Who Offer Family Discounts, by Provider Type



Most providers charge families for the time a child is not in care due to illness, vacation, or holidays.

The majority of providers have absence policies that stipulate parents must pay for some or all of the days when their child is absent, often at a reduced rate. As reflected in Table 1, parents typically incur full charges for days missed due to illness or holidays. These percentages remain consistent across different types of providers and full- and part-time care.

TABLE 1. PROVIDERS' POLICIES REGARDING CHARGES FOR ABSENCES FOR FULL-TIME CHILDREN (PERCENTAGES MAY NOT TOTAL 100% DUE TO ROUNDING)

PROVIDER POLICY	SICK DAYS	VACATION DAYS	HOLIDAYS
Parents never pay.	12%	19%	32%
Parents pay partial rate and/or receive a set number of days free.	15%	28%	9%
Parents always pay regular price.	73%	53%	60%

Comparison Between Scholarship and Market Rates

Since 2020, the gaps between CDC scholarship rates and market rates have gotten smaller and, in some cases, disappeared.

For families that qualify for Child Development and Care (CDC) child care scholarship (formerly subsidy) assistance, the State reimburses approved providers for the hours that a child is enrolled in care, up to a maximum number of hours approved for each child. The reimbursement rate is determined based on the age of the child, the type of provider, and the provider's Great Start to Quality (GSQ) quality level. Licensed providers receive part-time or full-time reimbursement rates based on the hours billed over a two-week period. The number of hours for part-time and full-time reimbursement are defined in Table 2.

TABLE 2. PART-TIME AND FULL-TIME REIMBURSEMENT FOR THE CDC PROGRAM

REIMBURSEMENT LEVEL	HOURS BILLED OVER TWO WEEKS	PAYMENT AMOUNT
Low-Hours Part Time	1 – 30 hours	30 hours x hourly rate
Part Time	31 – 60 hours	60 hours x hourly rate
Full Time	61+ hours	90 hours x hourly rate

Sample Scenario: A center is caring for two children whose families are receiving scholarships. Over a two-week period, one child was in care for 70 hours and the other for 80 hours. Despite the difference in hours of care, the center would receive the full-time reimbursement (calculated at 90 hours x hourly rate) for both children.

The current bi-weekly reimbursement rates for centers and home-based providers, as set by the state legislature, are provided in Table 3 and Table 4.

TABLE 3. CDC BI-WEEKLY REIMBURSEMENT RATES FOR CHILD CARE CENTERS

AGE GROUP	HOURS ENROLLED	BASE RATE/ MAINTAINING HEALTH & SAFETY	REFLECTING ON QUALITY	ENHANCING QUALITY	ENHANCING QUALITY - VALIDATED	DEMONSTRATING QUALITY
Infant/ Toddler	Low Hours	$186.00	$196.50	$219.00	$228.00	$250.50
	Part Time	$372.00	$393.00	$438.00	$456.00	$501.00
	Full Time	$558.00	$589.50	$657.00	$684.00	$751.50
Preschool	Low Hours	$132.00	$142.50	$163.50	$175.50	$196.50
	Part Time	$264.00	$285.00	$327.00	$351.00	$393.00
	Full Time	$396.00	$427.00	$490.50	$526.50	$589.50
School Age	Low Hours	$127.50	$139.50	$160.50	$171.00	$192.00
	Part Time	$255.00	$279.00	$321.00	$342.00	$384.00
	Full Time	$382.50	$418.50	$481.50	$513.00	$576.00

TABLE 4. CDC BI-WEEKLY REIMBURSEMENT RATES FOR GROUP AND FAMILY HOMES

AGE GROUP	HOURS ENROLLED	BASE RATE/ MAINTAINING HEALTH & SAFETY	REFLECTING ON QUALITY	ENHANCING QUALITY	ENHANCING QUALITY - VALIDATED	DEMONSTRATING QUALITY
Infant/ Toddler	Low Hours	$148.50	$160.50	$181.50	$192.00	$213.00
	Part Time	$297.00	$321.00	$363.00	$384.00	$426.00
	Full Time	$445.50	$481.50	$544.50	$576.00	$639.00
Preschool	Low Hours	$127.50	$139.50	$160.50	$171.00	$192.00
	Part Time	$255.00	$279.00	$321.00	$342.00	$384.00
	Full Time	$382.50	$418.50	$481.50	$513.00	$576.00
School Age	Low Hours	$124.50	$135.00	$156.00	$168.00	$189.00
	Part Time	$249.00	$270.00	$312.00	$336.00	$378.00
	Full Time	$373.50	$405.00	$468.00	$504.00	$567.00

The differences between the base CDC scholarship rates and market rates have decreased significantly since the last market rate survey was conducted in 2020. The average difference between the current base CDC scholarship rate and base market rate for full-time care across all age groups decreased by 41% ($203 to $119) among centers and decreased by 20% ($88 to $70) among home-based providers. Furthermore, for providers at higher quality levels, CDC scholarship reimbursement rates are now equal to or higher than market rates.

The following series of charts show how current reimbursement rates compare to statewide market rates by provider type and age group. Each chart includes two markers showing the range of market rates based on provider quality level. The base market rate, indicated by the solid blue line in each chart, reflects the 75th percentile of rates charged among providers at the Maintaining Health & Safety level. The high-quality-level market rate, indicated by the dashed turquoise line in each chart, reflects the 75th percentile of rates charged among providers at the Enhancing Quality – Validated or Demonstrating Quality level.[14]

Base CDC scholarship rates are lower than the market rate for centers at all age levels.

For centers, the base scholarship rates remain below the 75th percentile of the base market rates for all age groups. The largest gap is among the preschool age group, where the base reimbursement rate is 30% below the base market rate. The gap is smallest among the school age group, where the base reimbursement rate is only 10% below the base market rate. For centers at the Demonstrating Quality level, though, the reimbursement rates exceed market rates for all age groups by an average of 12%.

[14] More detailed breakdowns of market rates by county, as well as by age group and quality level, are included in the tables in Appendix D.

Figure 12. Comparison of CDC Scholarship Rates to Market Rate for Infant and Toddler Age Group – Centers

Figure 13. Comparison of CDC Scholarship Rates to Market Rate for Preschool Age Group – Centers

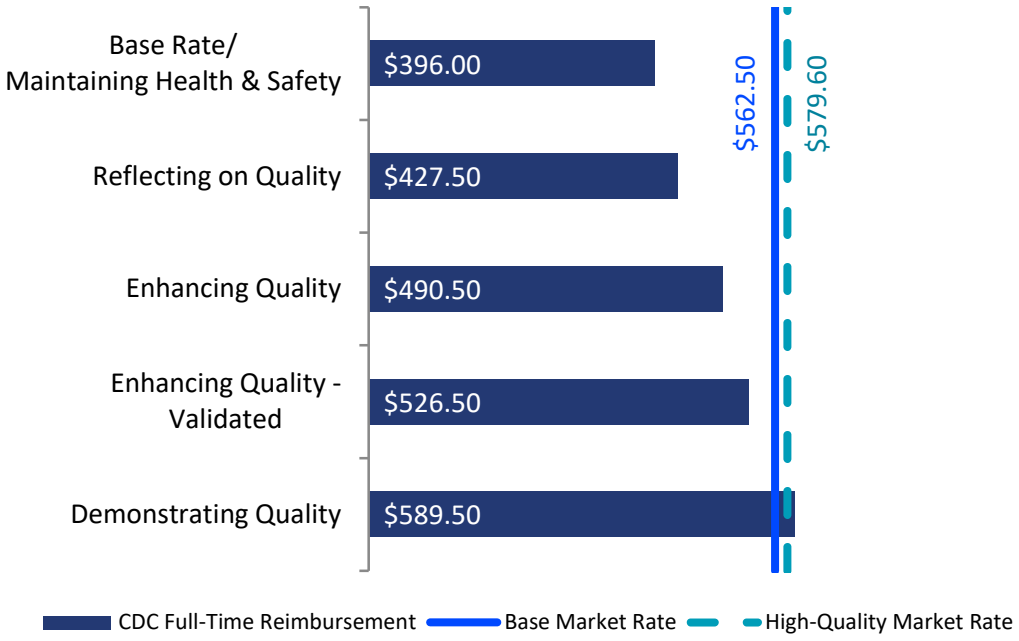
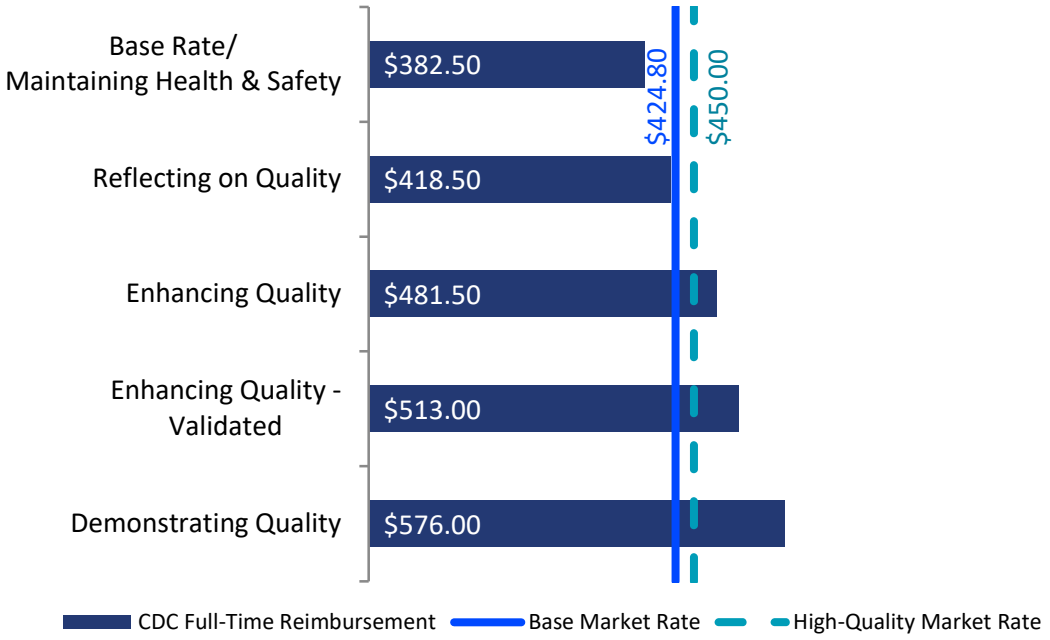


Figure 14. Comparison of CDC Scholarship Rates to Market Rate for School Age Group – Centers



Base scholarship rates for home-based providers are very close to market rates across all age levels.

Among home-based providers, the average difference between the base reimbursement rate and market rate across all age groups is 15%. Furthermore, for home-based providers at the Enhancing Quality level and above, reimbursement rates for all age groups are higher than the current market rate.

Figure 15. Comparison of CDC Scholarship Rates to Market Rate for Infant and Toddler Age Group – Homes

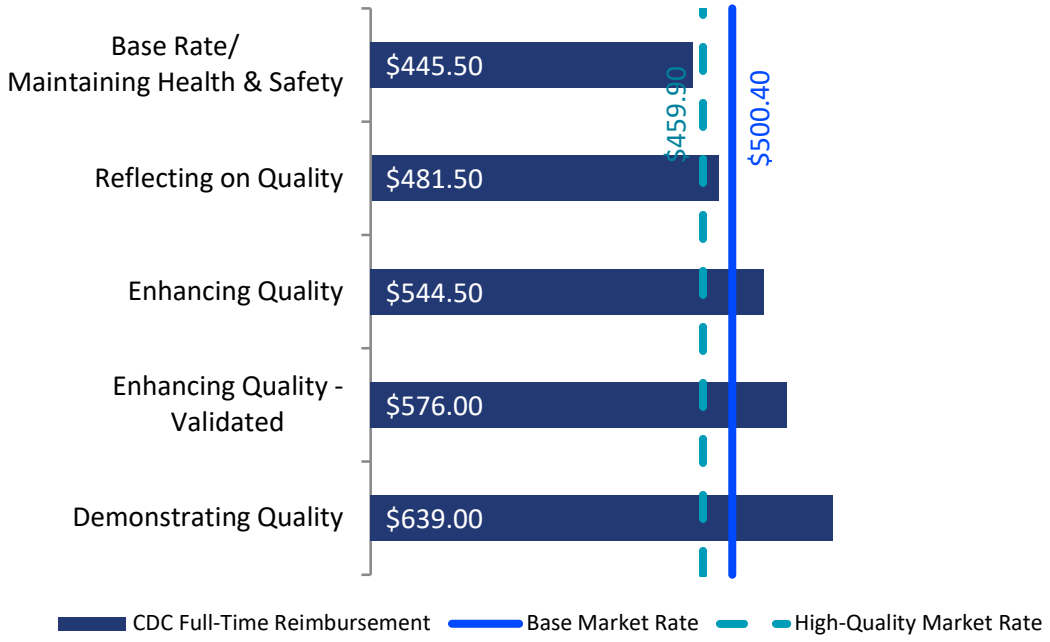


Figure 16. Comparison of CDC Scholarship Rates to Market Rate for Preschool Age Group – Homes

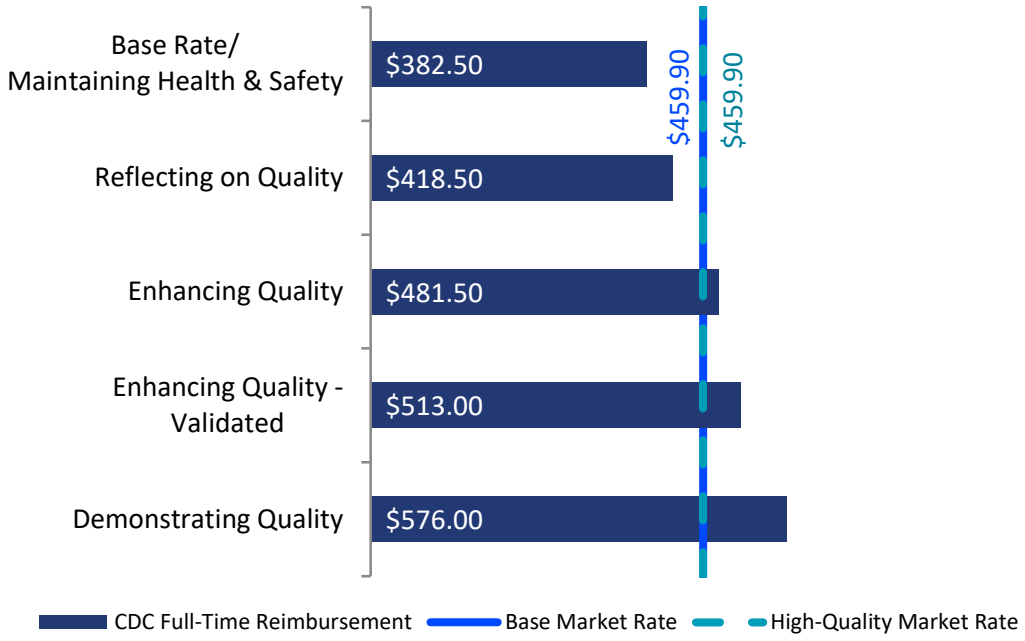
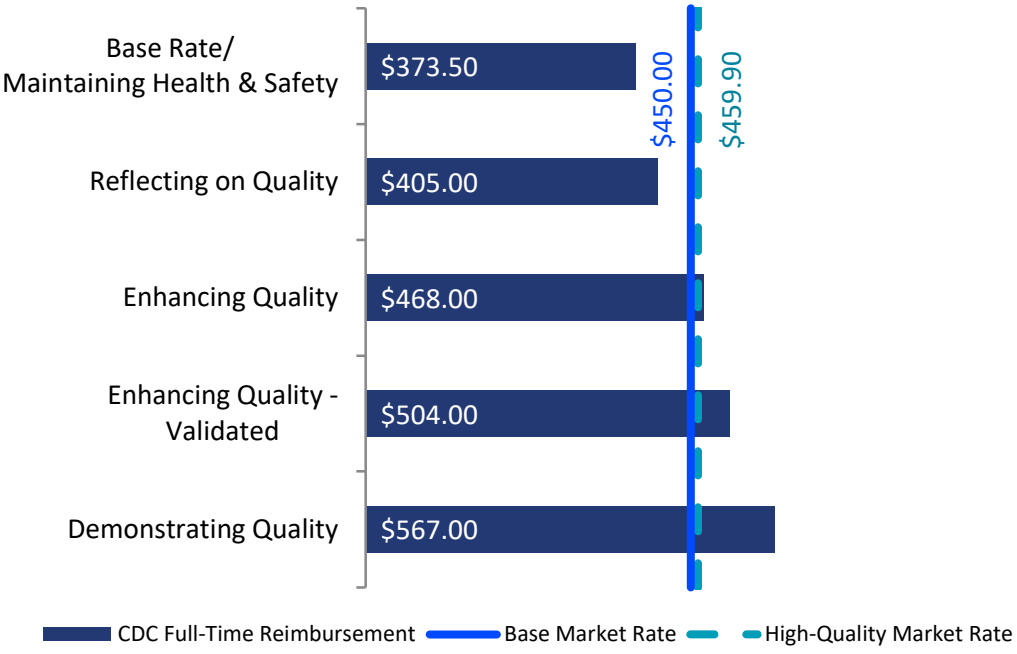


Figure 17. Comparison of CDC Scholarship Rates to Market Rate for School Age Group – Homes



The gap between scholarship and market rates tends to be larger in urban areas.

In the southeastern part of the state, CDC scholarship rates are typically at or below 70% of market rates, depending on the age group. Conversely, in the northern regions of the state, where it is more rural, CDC scholarship rates for many age groups exceed market rates.

Figure 18. Percentage of Market Rate Covered by CDC Base Rate for Infants/Toddlers – Centers

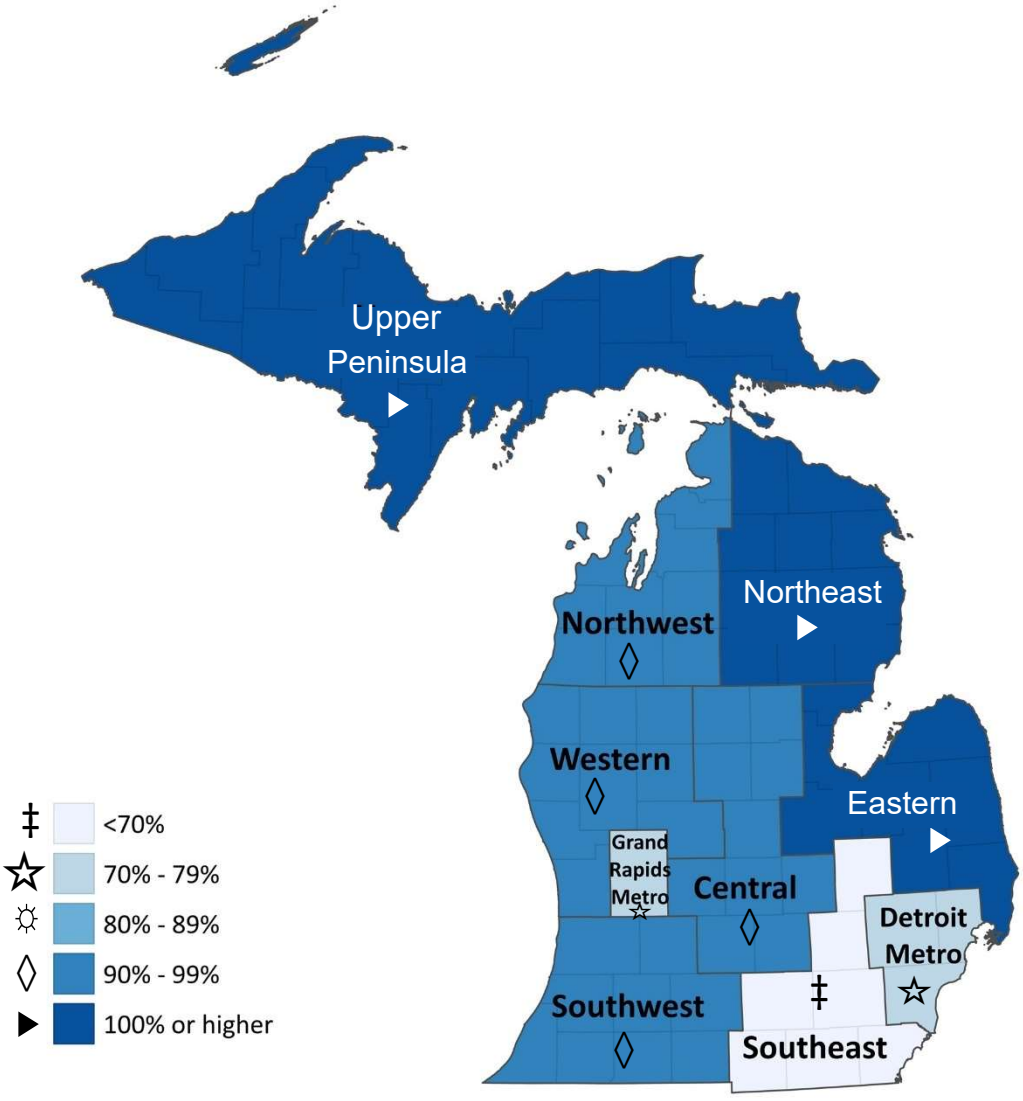


Figure 19. Percentage of Market Rate Covered by CDC Base Rate for Preschool Age Children – Centers

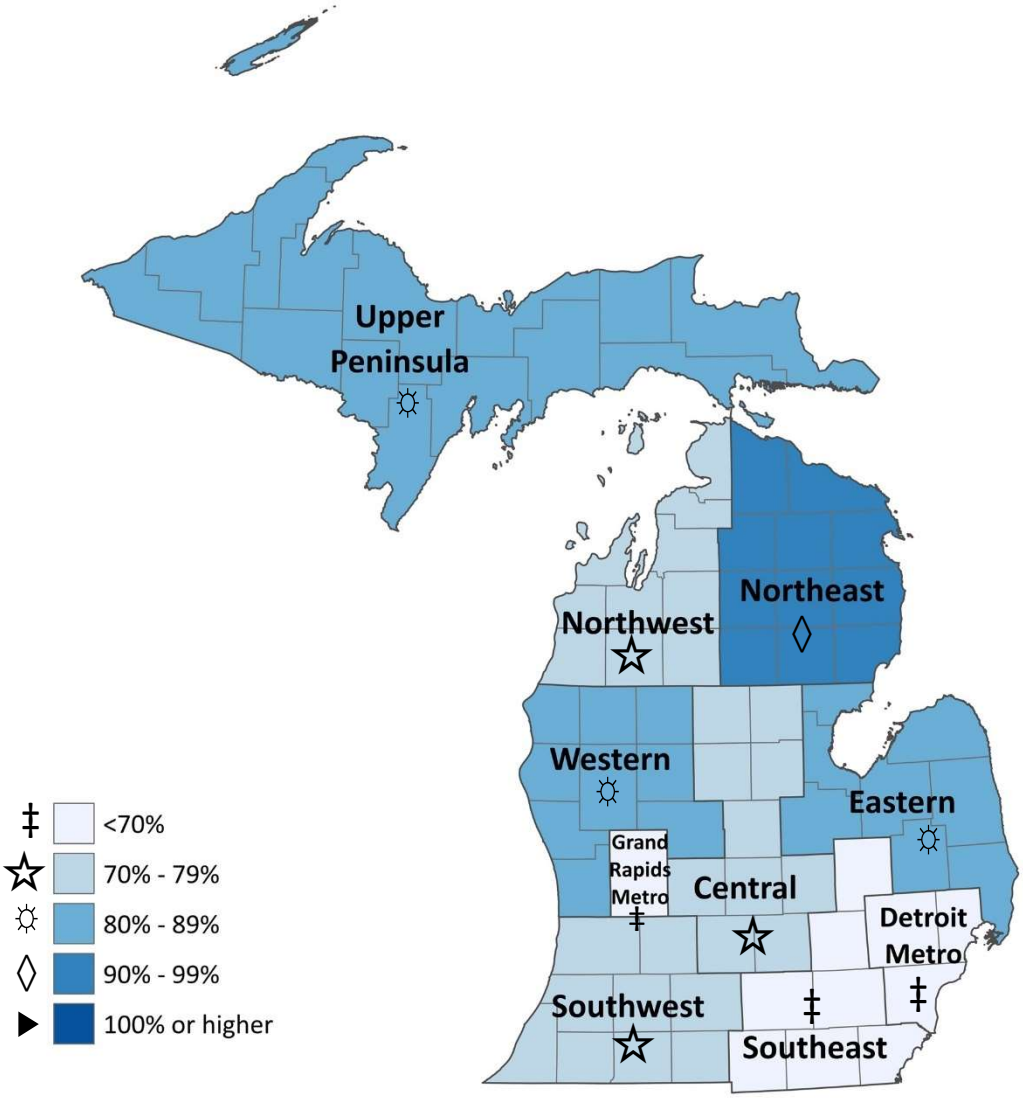


Figure 20. Percentage of Market Rate Covered by CDC Base Rate for School Age Children – Centers

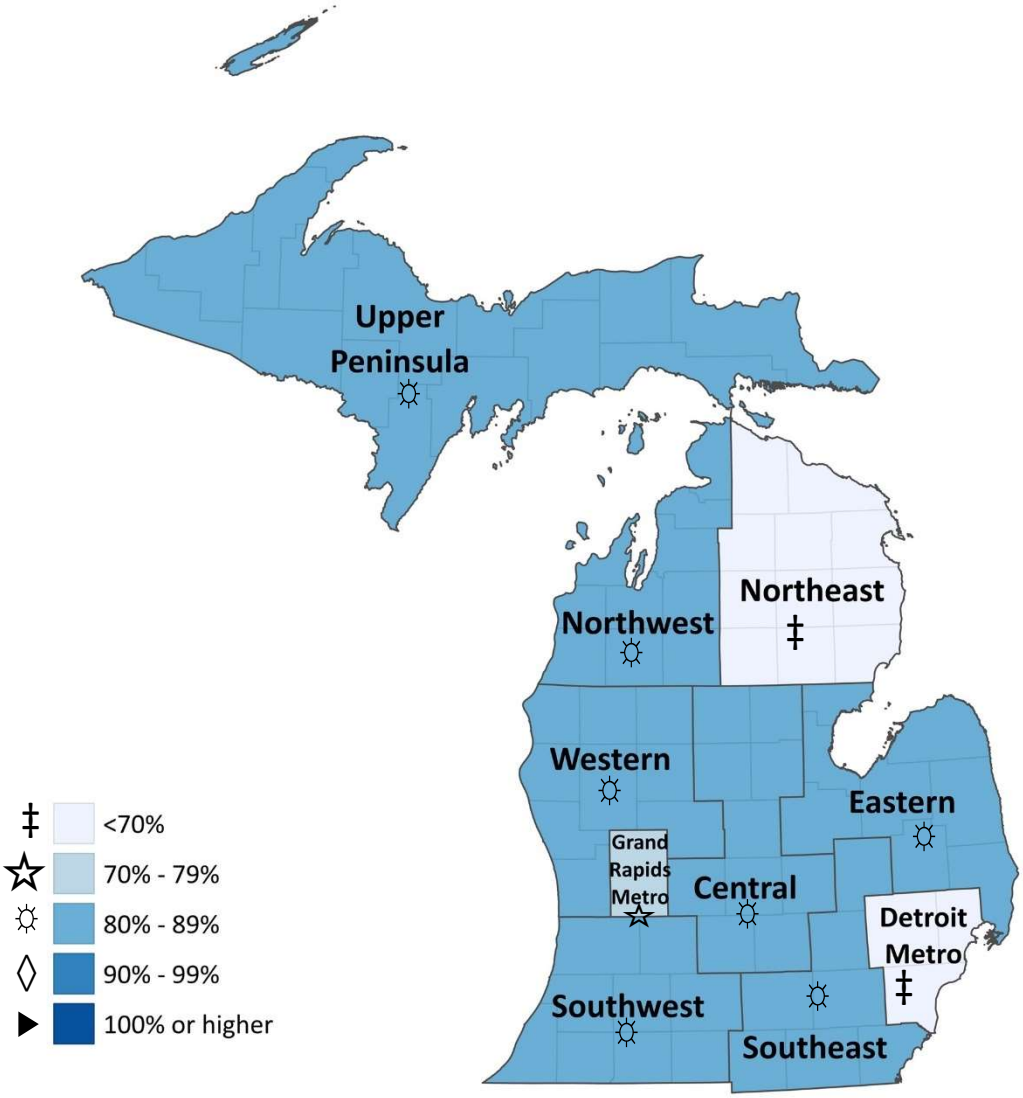


Figure 21. Percentage of Market Rate Covered by CDC Base Rate for Infants/Toddlers – Homes

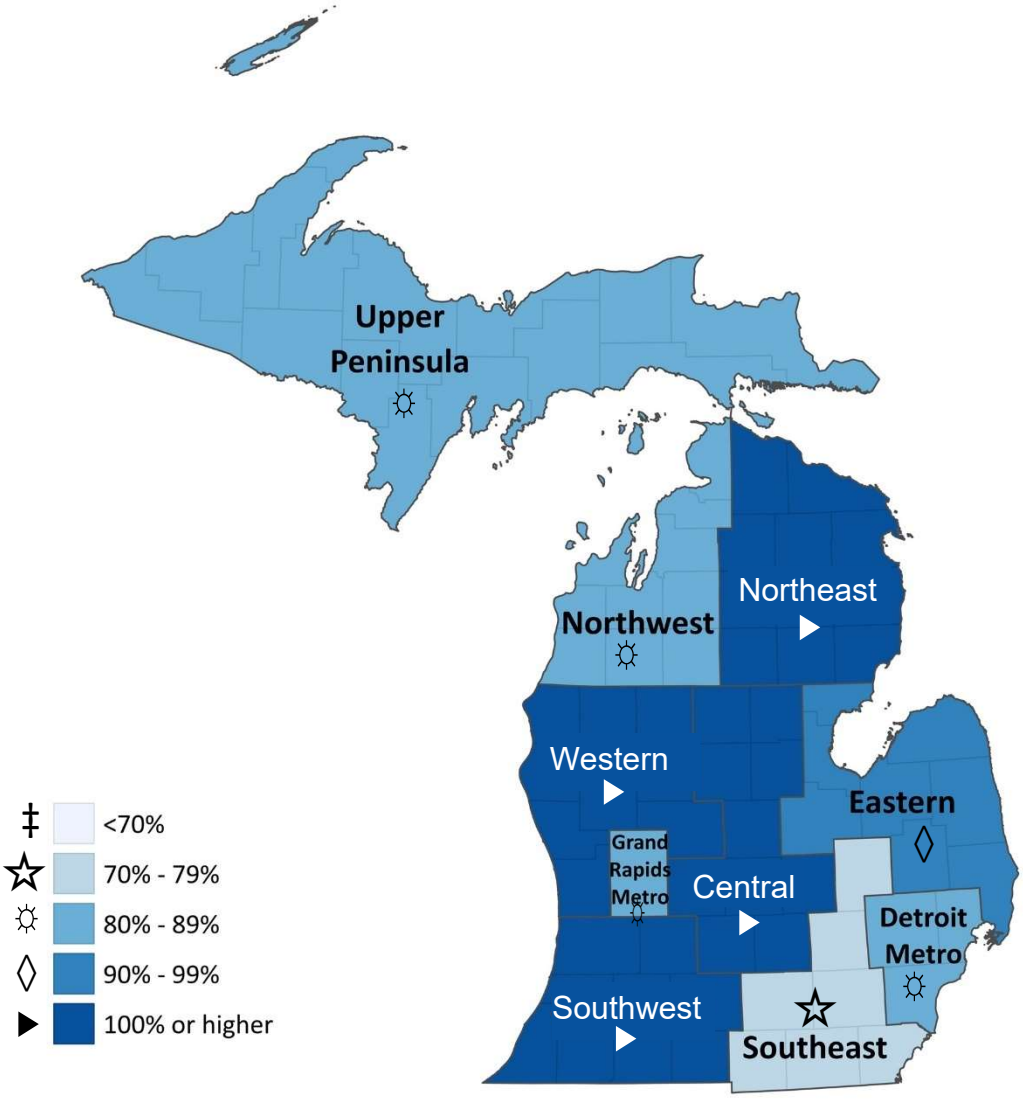


Figure 22. Percentage of Market Rate Covered by CDC Base Rate for Preschool Age Children - Homes

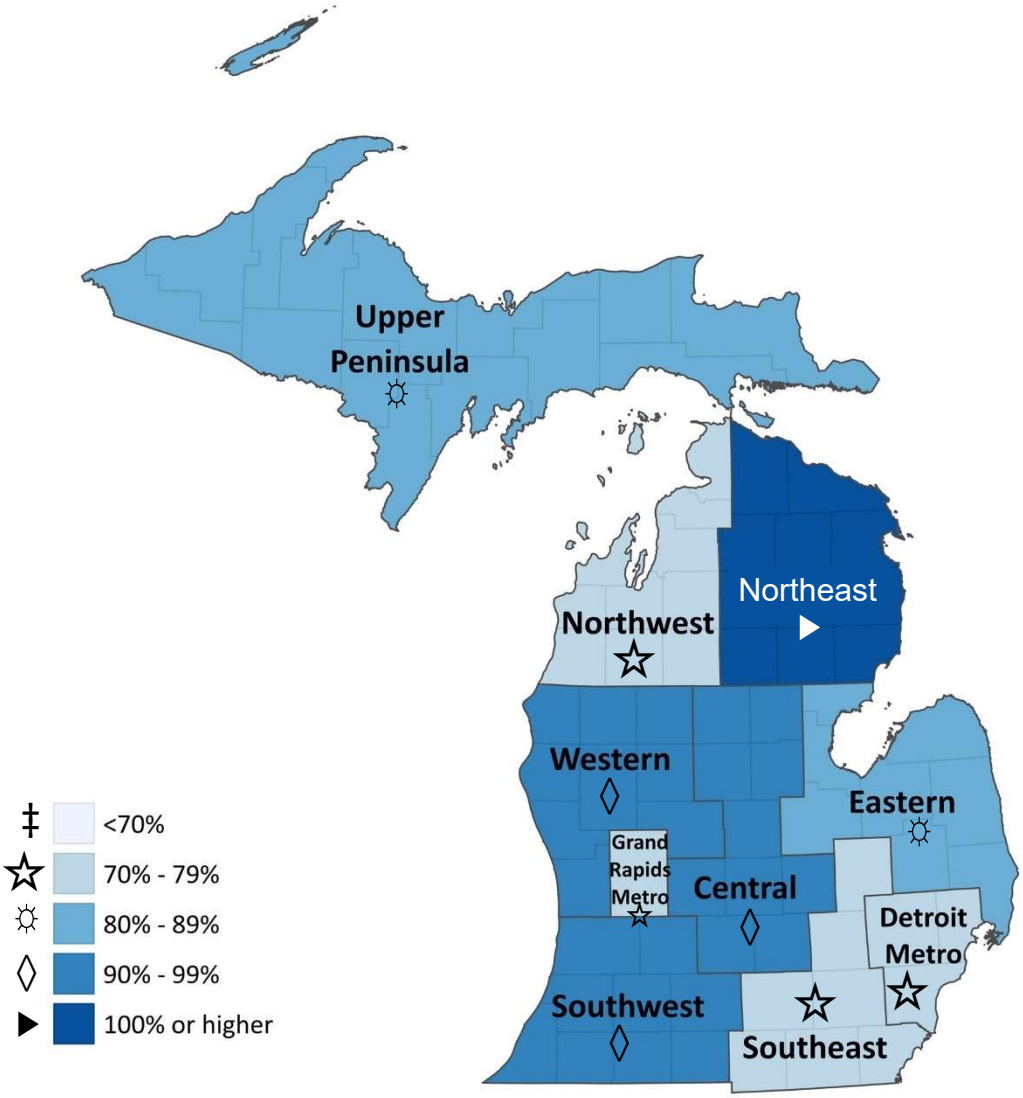
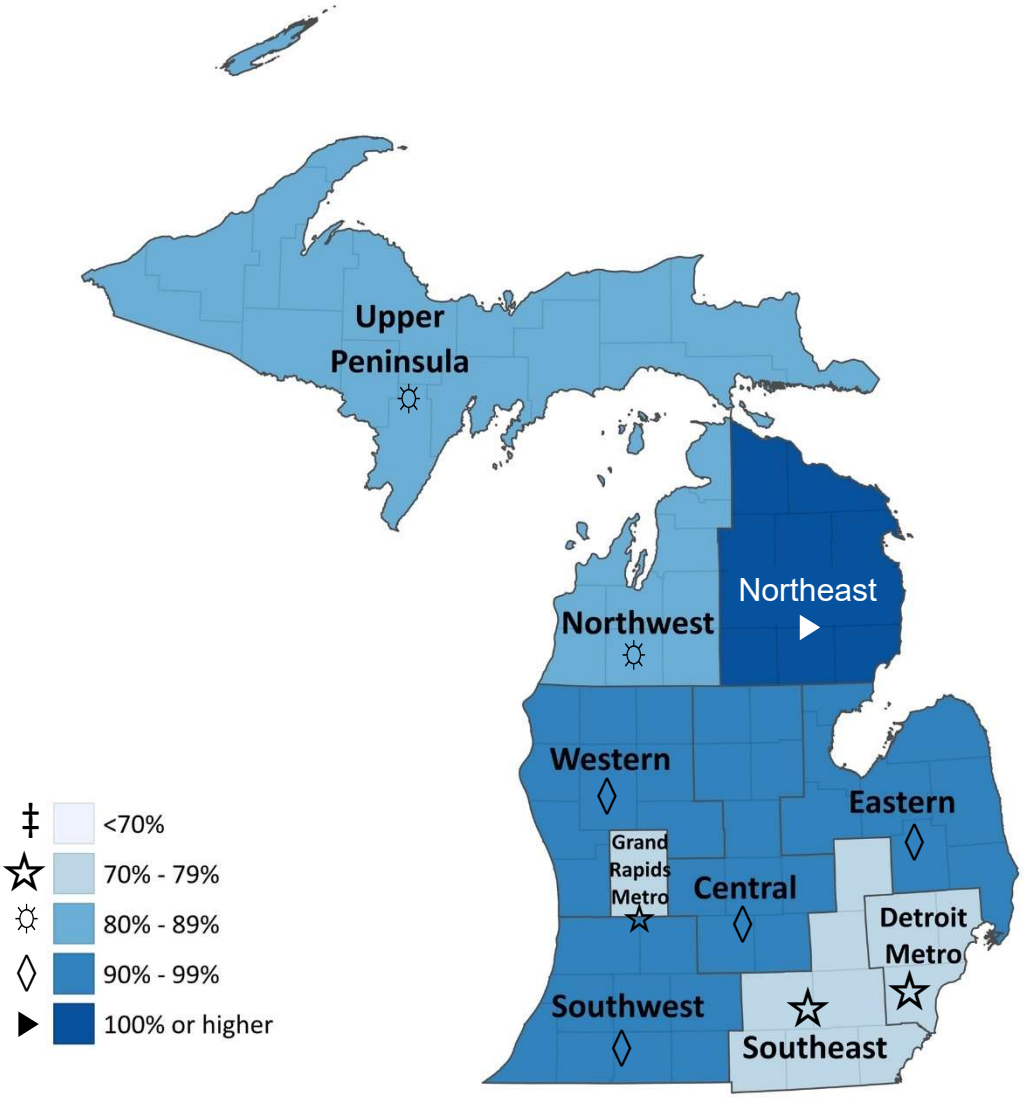


Figure 23. Percentage of Market Rate Covered by CDC Base Rate for School Age Children – Homes



About 68% of providers charge families the full difference between the CDC scholarship and tuition cost.

When the CDC reimbursement rate does not cover the full price of a child's care, a provider may charge parents directly for the remaining balance or a portion of the balance.[15] In addition to most providers charging families the full difference between the actual price and the scholarship rate, 5% charge families a portion of the difference. An additional 6% indicated that decisions about whether to charge families when the CDC scholarship does not cover the full price and/or the amount to charge are made on a case-by-case basis. Nineteen percent of providers indicated that they do not charge families receiving scholarships anything beyond the amount covered by the CDC scholarship.

[15] Based on CDC program rules, some families who are eligible for child care scholarships are required to pay a monthly family contribution that reduces the amount of the scholarship paid to the provider. Whether or not a family is responsible for a family contribution through the CDC program, the parent(s) may still be charged by the provider for any child care costs not covered by the scholarship.

Equitable Access to Quality Child Care

To fully assess the extent to which there is equal access to high-quality care across Michigan, it is important to examine child care prices and CDC scholarship (formerly subsidy) rates within the context of other factors that influence access. Those factors include geographic proximity to care, access to care that is responsive to the individual needs of children and families, and access to subsidized care.

Half of Michigan's children live in areas with limited access to licensed child care.

To illustrate the availability of child care based on a family's location, the map below shows how the number of children under age 10[16] for each available child care slot varies by census tract throughout the state.[17] Based on data from the U.S. Census Bureau (Federal Interagency Forum on Child and Family Statistics (2017), approximately one-third of children, ages 0 – 11, when not in school, regularly spend time in the care of someone who is not a relative. Therefore, parents may begin to have trouble locating child care when children in the community outnumber available child care slots by more than three to one. Compared to a similar analysis conducted for the 2020 market rate study, the statewide ratio of the number of children under age 10 to the total number of licensed child care slots has improved from about four to one to about three to one. However, while the overall number of licensed child care slots has increased since the end of the COVID-19 pandemic, available slots are not evenly distributed throughout the state. While there are some locations where child care slots outnumber children, there are other locations where there are more than 100 children for each child care slot. Throughout the state, just over half (55%) of

[16] While CDC eligibility extends through age 12, the age groupings used by the U.S. Census Bureau to report population estimates by census tract combine ages 10 through 14 into a single group. Rather than include older children that are no longer eligible for scholarships, this analysis only includes children under age 10.

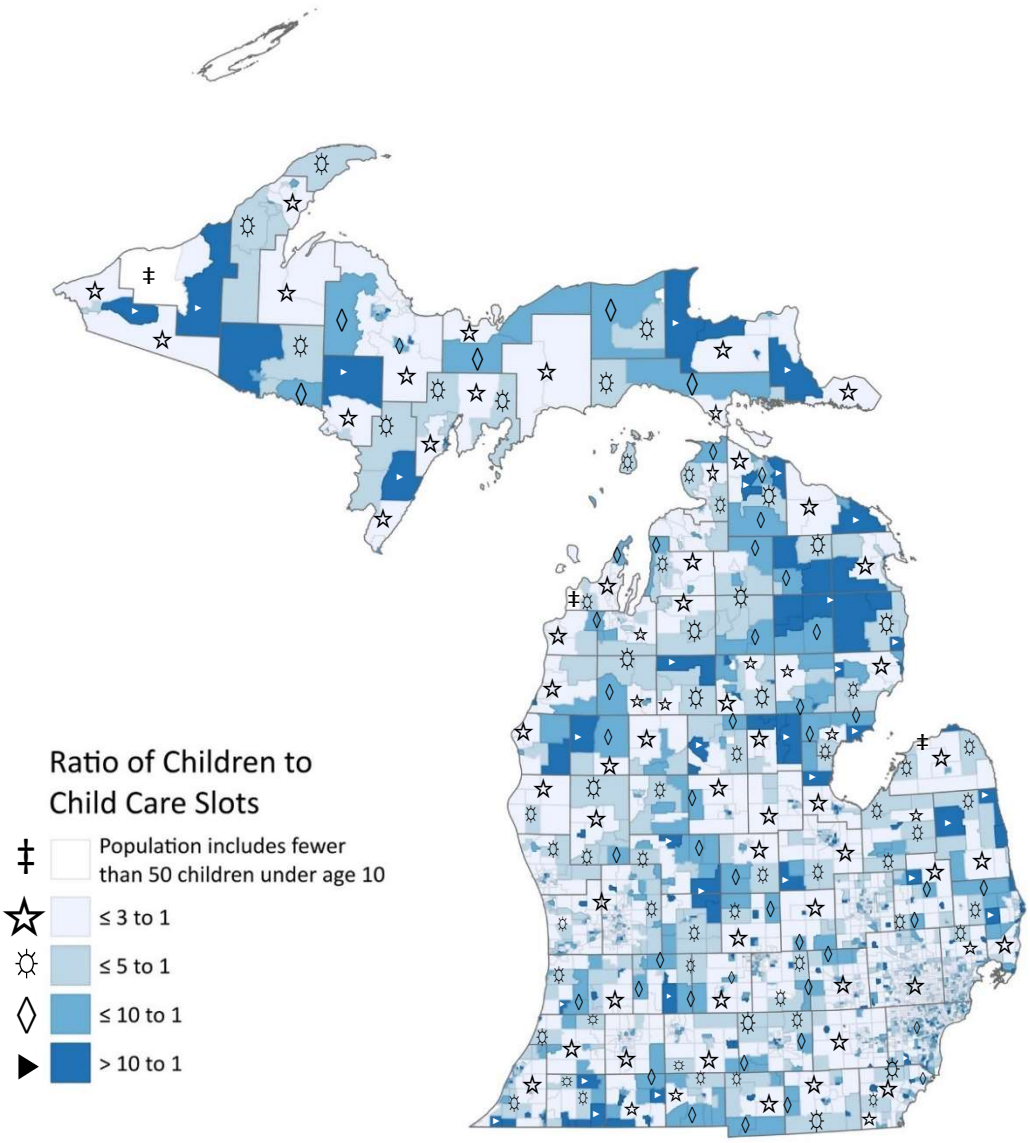
[17] The methodology for this analysis was guided by research on child care access conducted by the Center for American Progress (see Malik et al., 2018). To calculate the ratio of available slots to the population of children for each census tract, each provider's total capacity was divided proportionally among the census tracts within a five-mile radius for centers and a one-mile radius for home-based providers.

children under age 10 live in census tracts where there are an estimated three children for each available child care slot, and about one-third (32%) of Michigan's children under age 10 live in census tracts where there are five or more children for each slot.[18]

Additional maps with detailed views of the state's major metropolitan areas are provided in Appendix F.

[18] The findings presented here on geographic proximity to child care are based on a point-in-time analysis of MiLEAP child care licensing records from November 2023 and U.S. Census Bureau American Community Survey population estimates from 2022. Up-to-date maps and analysis of child care access throughout the state are available online from the Michigan State University, Community Evaluation Programs Child Care Mapping Project.

Figure 24. Ratio of Children Under Age 10 to Available Child Care Slots in Close Proximity, by Census Tract

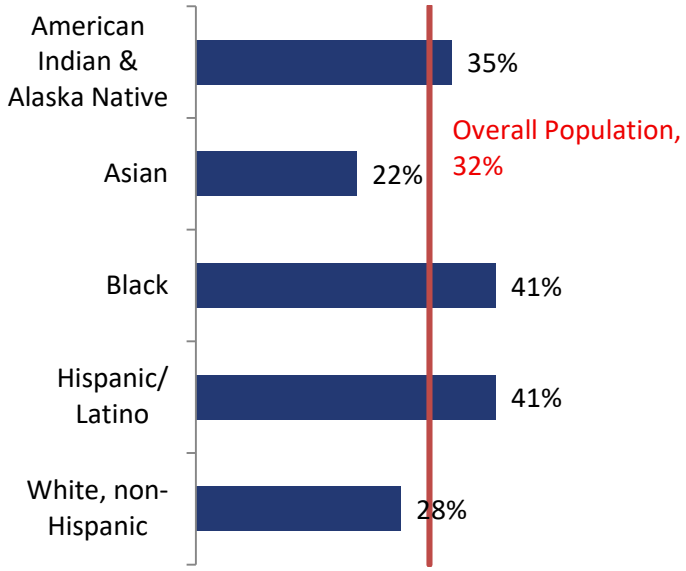


Black and Hispanic/Latino children are more likely to live in places with few licensed providers in close proximity.

Between 2020 and 2023, the proportion of Michigan children under the age of 10 living in high-need census tracts, where the ratio of children to child care slots is greater than five to one, decreased from 51% to 32%. The improvement is reflective of the recent concerted efforts of state government and local entrepreneurs to increase child care availability across the state. For instance, MiLEAP's Caring for MI Future initiative, a statewide grant program to help child care providers open and expand child care programs, led to the creation of 1,089 new child care programs between May 2022 and November 2023 (MiLEAP,

n.d.). Although geographic proximity appears to have improved across all racial and ethnic groups, disproportionate numbers of Black and Hispanic/Latino children still live in areas with limited access (see Figure 25).[19]

Figure 25. Proportion of Children (under Age 10) Living in Census Tracts Where the Ratio of Children to Child Care Slots Is Greater than 5 to 1, by Race/Ethnicity



Nearly one in five providers have reduced their normal operating hours over the past two years.

Although the overall number of child care slots available across the state has increased since 2020, there have been many anecdotal reports that, due to ongoing staffing shortages and other lingering impacts of the COVID-19 pandemic, many providers have been forced to reduce their operating hours. To measure the extent of the issue, the survey asked providers about any reductions in operating hours in the last two years and the reasons for the reductions.

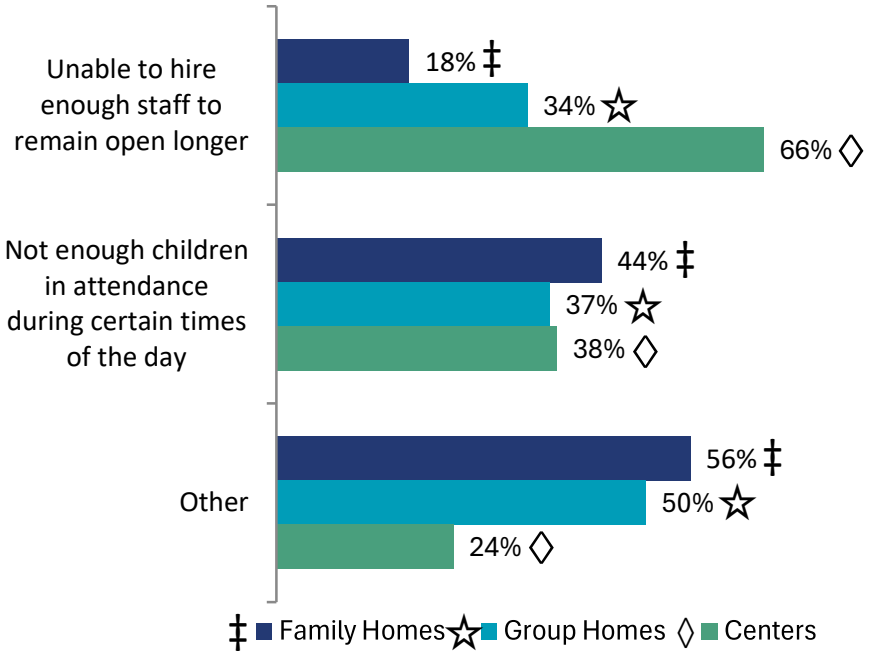
Overall, 18% of providers indicated that they had reduced their normal operating hours within the past two years. Furthermore, while the reduction was temporary for some of those providers, 77% of the providers who reported

[19] Analysis on the impact of Caring for MI Future investments on reducing disparities in access to child care is forthcoming from the Michigan State University, Community Evaluation Programs Child Care Mapping Project.

reduced operating hours (14% of providers overall) are currently operating with reduced hours.

As reflected in Figure 26, among providers who reduced operating hours, nearly half cited staffing shortages as the primary reason, while 39% pointed to changes in need among the families they serve. Among the other reasons described by providers, COVID-related factors, such as sanitation requirements, limited class sizes, and quarantine protocols, were the most common. Many home-based providers indicated that stress, burnout, and long working hours prompted them to reduce the hours they provide care.

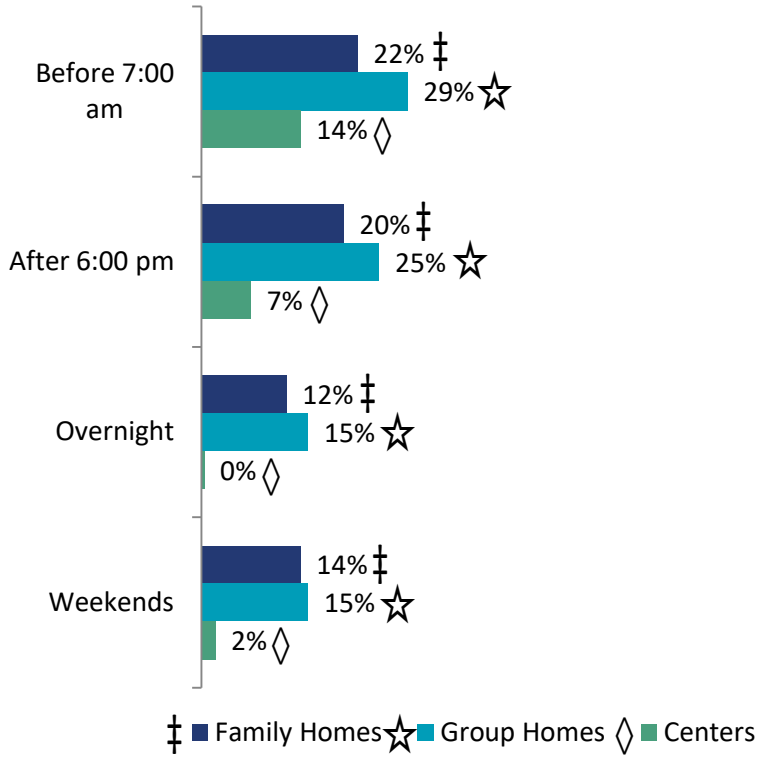
Figure 26. Reasons Cited for Reducing Normal Hours of Operation, by Provider Type



About one-quarter of providers offer care during non-traditional hours.

Consistent with findings from previous market rate studies, only 25% of providers indicated that they provide care outside of traditional hours. Non-traditional-hour care is particularly rare among centers. As a result, parents who work in the early morning, evening, overnight, or during the weekend may have a hard time finding a licensed provider that offers care when they need it.

Figure 27. Proportion of Providers Offering Care During Non-Traditional Hours



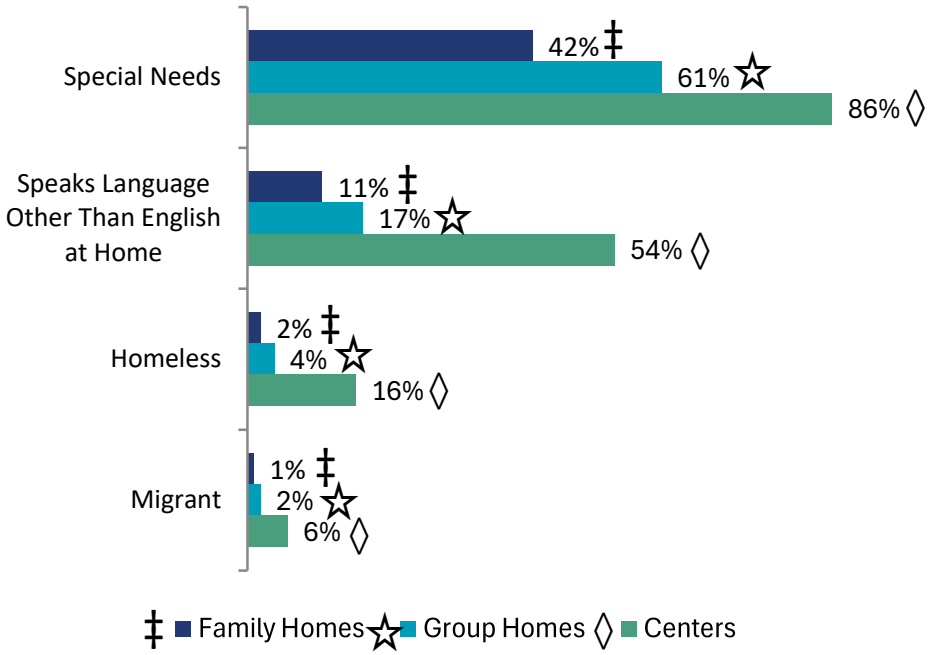
Three-quarters of providers are currently caring for at least one child representing a special population.

The survey asked providers to indicate whether any of the children currently in their care have any of the following characteristics:

- Special needs (learning disabilities, food allergies, asthma, etc.)
- Homeless
- Migrant
- Speaks a language other than English at home

Overall, 69% of providers indicated that they are currently serving children with special needs, 35% are serving children who speak a language other than English at home, 10% are serving children who are homeless, and 4% are serving children from migrant families. Figure 28 provides a breakdown of providers serving children with exceptional child care needs by type of provider.

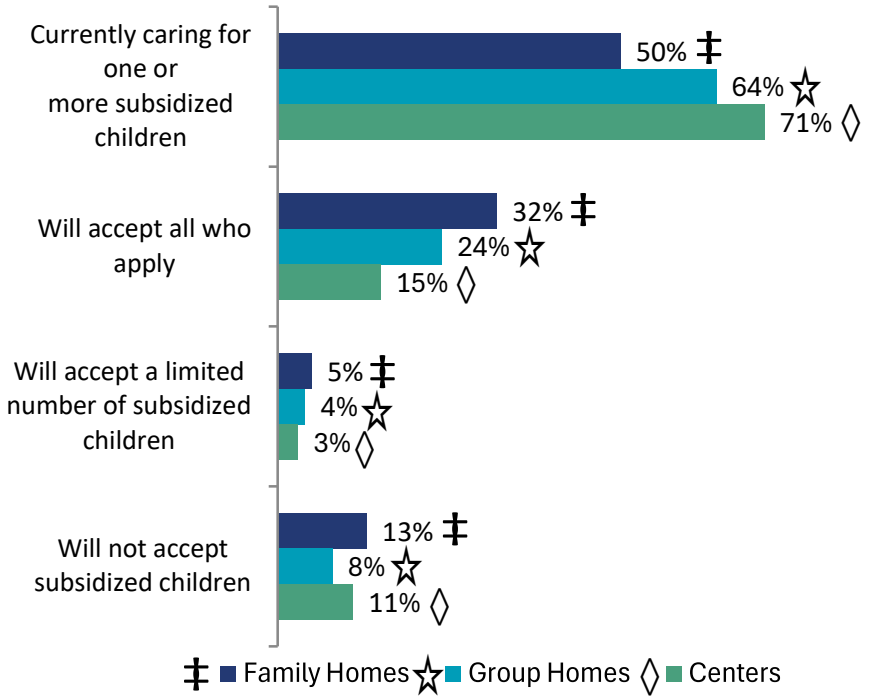
Figure 28. Proportion of Providers Currently Caring for Children with Exceptional Child Care Needs, by Category of Need and Provider Type



Most providers are willing to provide child care for families receiving CDC scholarships.

To be able to use Child Development and Care (CDC) benefits, eligible families must be able to find providers who are willing and approved to care for children receiving CDC scholarships. Consistent with findings from the previous market rate survey, only 11% of providers indicated that they will not serve families receiving CDC scholarships. However, the proportion of providers who indicated they are currently caring for children with CDC scholarships increased to 64% from 41% in 2020. Although centers were still more likely than home-based providers to indicate that they are currently caring for children receiving scholarships (Figure 29), the gap is significantly smaller compared to the prior survey.

Figure 29. Proportion of Providers Currently Serving or Willing to Serve Families Receiving Child Care Scholarships, by Provider Type



Although the difference appears to be small, the data suggest that willingness to serve families receiving CDC scholarships increases as quality level increases. This pattern is also consistent with findings from the previous market rate survey and suggests that Michigan's policy to pay higher CDC scholarship rates to providers at higher quality levels and/or the Great Start to Quality focus on inclusive practices have encouraged providers at higher quality levels to serve more families receiving CDC scholarships. The result is that families receiving CDC scholarships gain increased access to high-quality child care.

Figure 30. Proportion of Providers Who Indicated They Are Either Currently Serving or Willing to Serve Families Receiving Child Care Scholarships, by Quality Level

To better understand providers' experiences, the survey asked providers about the challenges faced when serving families receiving CDC scholarships. The responses are summarized in

Table 5. Eighteen percent indicated that they have not experienced any challenges. Among the challenges cited, the most common were related to the length of the eligibility determination process and poor communication from the State regarding case status. In open-ended comments, some of the other challenges identified by providers included difficulty navigating the billing system, families not following provider policies, and eligibility requirements that exclude too many families who need assistance.

TABLE 5. PROVIDERS' PERCEPTIONS OF CHALLENGES WITH SERVING FAMILIES WHO RECEIVE SCHOLARSHIPS

CHALLENGES	PROPORTION OF PROVIDERS
It takes too long to receive an eligibility determination from the State.	50%
Communication from the State is poor (e.g., I don't know when families are dropped).	45%
The payment rates are too low.	39%
It is difficult to collect co-payments from families.	36%
There is a limit on the number of hours that can be reimbursed.	36%
Scholarships pay for care after service is provided rather than before.	32%
The attendance tracking requirements are too much work.	23%
There are not many families in my area who qualify for scholarships.	19%
The scholarship billing rules do not match my billing policy.	15%
Other	13%
I have experienced none of these challenges.	18%

Table 6 summarizes the most common themes among open-ended responses from providers when asked to suggest ways to improve the CDC program. At the top of the list, approximately one-third of the responses described the eligibility determination and case management process as an important area for improvement. Specifically, provider recommendations included improving communication with families and providers regarding determination status, increasing the speed of communication when families are no longer eligible, and making it easier for families and providers to contact a Michigan Department of Health and Human Services caseworker directly when there are questions or concerns.

In addition, many providers noted a need for increased CDC scholarship payment rates to help cover the increased costs for staffing, supplies, and/or facilities. Related to payment, providers recommended ways to speed up reimbursements, including streamlining the billing process, allowing billing to happen in advance of providing care, and/or providing payment based on enrollment rather than attendance. Provider recommendations also included adjusting reimbursement policies regarding what expenses can be reimbursed (e.g., absences, back billing for time waiting on eligibility determinations) and how reimbursement rates are set (e.g., pay all providers the same high rates regardless of quality level, eliminate family contributions). Separate from the CDC scholarship reimbursements, providers also frequently requested the State provide more supports and resources, including access to grants and other

means of financial support, as well as free training and professional development opportunities.

Some providers also observed a need to widen eligibility criteria to allow more families to qualify for scholarships, as well as increase the number of hours families are approved for subsidized care. Commenters cited both the hardship to working families and loss of revenue for providers when families cannot afford care for the hours needed to maintain a job.

A smaller, but still notable, proportion of provider comments explained how it would be helpful to them if caseworkers provided families additional education about the CDC scholarship program. In addition to providing potentially eligible families with needed information about how to apply for assistance, comments emphasized the need for caseworkers to clearly communicate the benefits and co-payment responsibilities for families participating in the program.

TABLE 6. MOST IMPORTANT THINGS TO DO TO IMPROVE SCHOLARSHIP PROGRAM FOR PROVIDERS

RECOMMENDATIONS	PERCENTAGE *
Increase the speed and ease of the eligibility determination process, including improved communication with providers and parents.	32%
Increase scholarship reimbursement rates.	20%
Increase supports and resources for providers.	12%
Broaden program eligibility criteria and/or increase approved hours covered by the scholarship.	9%
Streamline the billing process for faster reimbursement or allow for payment prior to providing care.	5%
Modify reimbursement policies to cover more of the actual costs to providers.	5%
Educate families on program and expectations.	3%

*Percentages in this table are based on 1,791 providers who offered comments.

Cost of Providing Quality Child Care

PPA utilized the Provider Cost of Quality Calculator (PCQC) tool to assess the expenses borne by providers and their alignment with established market rates. This analysis involved evaluating revenue and expenditure expectations across various contexts to estimate the profitability of child care providers in Michigan. Inputs for the PCQC calculations were drawn from multiple secondary data sources, including the MiLEAP child care licensing database and child care stabilization grant applications submitted during summer 2022, as well as from interviews with a sample of providers. See Appendix A for a detailed description of the data sources and methods used for assessing the cost of providing high-quality child care.

Personnel costs are the highest expense for providers.

According to PCQC estimates, about 49% to 59% of child care centers' operating costs are associated with personnel costs. These expenses include salaries, essential benefits (such as worker's compensation and unemployment insurance), and paying substitutes during staff absences. Centers at the highest quality levels have some of the highest personnel costs because of regulations on maximum group sizes and child-to-staff ratios, as well as the level of qualifications needed of staff to deliver developmentally suitable care and ensuring children's safety and health. Similarly, the stabilization grant data confirmed these estimates, revealing that personnel salaries made up, on average, 53% of providers' total expenses.

Most providers reported that it was 'somewhat difficult' or 'very difficult' to find qualified staff. Many providers recognized the role that compensation plays in recruiting and retaining staff; they expressed dissatisfaction with the wages and benefits they were currently able to provide to staff.

Centers strive to remain competitive by offering hourly rates higher than Michigan's minimum wage. Among the centers interviewed for the cost analysis, the rates they offer staff vary based on the center's quality level, ranging from $11 to $17. Additionally, some centers offer benefits such as paid vacations and holidays. Despite these efforts, providers still experience turnover issues.

Participation in the Child and Adult Care Food Program (CACFP) and charging fees boost revenue.

By participating in the CACFP and charging registration and other types of fees, like for field trips and supplies, providers can offset costs and increase their revenue.

This impact is felt by providers regardless of quality level and provider type. For example, in scenarios modeled where providers ask parents to pay the difference between CDC scholarships and tuition but do not charge any additional fees nor participate in CACFP, the net revenue estimates were 4%-8% lower, depending on provider type and quality level, than revenue estimates that include charging additional fees and CACFP participation.

Higher quality levels increase revenue, but also increase costs.

According to the PCQC models, home providers benefit more from progressing to higher quality levels compared to centers. For centers moving from a quality level of 'Enhancing Quality' to 'Enhancing Quality-Validated,' there is only a marginal boost in their revenue because increases in revenue are offset by the increase in salaries for staff. Without the additional staffing costs, home providers are likely to experience more of a net revenue boost at higher quality levels.

Interviews with providers revealed that they recognize the value of improving quality. However, many providers find this endeavor challenging due to associated costs. These costs may include expenses for additional training, classroom materials, and curriculum.[20] Centers often have the additional burden of recruiting new staff with the qualifications and experience needed to achieve a higher quality level. Some providers expressed uncertainty about whether they had the funding to move to the next quality level, while others were concerned about passing on the additional costs to parents. Additionally, moving to a higher quality level would require providers to dedicate time to completing required documentation and trainings. Many providers shared that this

[20] Following the February 2023 revisions to Great Start to Quality, the focus of the system has shifted away from quality ratings to a stronger focus on the quality-improvement process. While having the types of items described in this section (e.g., curriculum, classroom materials, staff training) may help a provider achieve the highest level of quality, they are not required elements of a quality scoring system.

documentation process is cumbersome and time-consuming, often requiring more than one full day of work.

Conclusions and Recommendations

The survey results show that, since 2020, the gap between the base CDC scholarship (formerly subsidy) rates and market rates decreased by 41% for centers and 20% for home-based providers. Furthermore, for all types of providers at higher quality levels, the CDC scholarship rates are higher than market rates. Certainly the increase in scholarship rates since the prior market rate survey puts high-quality child care within reach for more low-income families. Despite the increases, though, the base CDC scholarship rates still fall below the 75th percentile of the market for all age groups and for all provider types. With half of all providers represented at the base level, the value of the base CDC scholarship remains a key factor in ensuring equal access to quality child care.

The data also show that, while the number of providers and available child care slots have increased significantly since 2020, the capacity falls short of meeting the need in many areas of the state. In addition, due to staffing shortages and other provider challenges, some providers have been forced to reduce the hours that they offer care, thus further limiting the available capacity for families.

Meanwhile, the proportion of providers currently caring for children receiving CDC scholarships has increased significantly, most offer care to children with special needs, and a large proportion are participating in the Great Start to Quality continuous quality improvement process. Michigan should continue building on these strengths to continue efforts to make the Child Development and Care (CDC) program as fair and accessible as possible.

Recommendations include:

- Increase base CDC reimbursement rates to meet the 75th percentile of the market. Continue to reimburse for part-time and full-time enrollment rather than actual hours of attendance in care, and continue to offer rate differentiation by provider type, quality level, and child age groups.
- Engage providers, child care workers, and others in developing holistic strategies to grow and support the state's child care workforce.
- Increase the registration allowance to align with current fee averages.

- Provide additional incentives for providers adding capacity in communities with high proportions of Black and Hispanic/Latino families, as well as rural communities.
- Continue to examine ways to improve communication and reduce administrative burden for providers and families participating in the CDC program, especially related to the eligibility determination process.

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Appendix A: Methodology

SAMPLING FRAME

The sampling frame for the market rate survey was developed from Michigan Department of Lifelong Education, Advancement, and Potential (MiLEAP) child care licensing records and the Early Childhood Investment Corporation/Great Start to Quality data (ECIC data).[21] The information gathered included license number, provider name, contact information, location, provider type, quality level, services offered, and licensure status over time. Data from these sources were combined to generate as many methods of contacting each provider as possible.

It is important to note that sometime in spring 2023, following data system updates, many existing provider email addresses were dropped from the ECIC database. By fall 2023, when data were pulled for the market rate survey, many providers had updated their program profiles with current email addresses, but email addresses were still missing for about half of the providers. To fill that gap, Public Policy Associates (PPA) imputed missing email addresses using data pulled from the website prior to the system updates. Approximately 40% of the email addresses included in PPA's survey dataset were imputed from prior datasets.

An initial provider information file was compiled in early September 2023 for the purpose of pre-survey provider outreach (see page 2 for a description of outreach activities). An updated data set was compiled in early November 2023 for the survey distribution. The final sampling frame contained 8,035 unique provider records.

All the records included mailing addresses and phone numbers, and 83% (6,649) of the records had an email address. Several telephone numbers and several email addresses were associated with multiple child care facilities. To avoid the potential of contacting one individual an unacceptable number of times, 779 programs (10%) that had email addresses associated with six or more other programs were not entered into the direct email survey lists but were instead reserved for the hard-copy mailing and direct dialing lists. For telephone

[21] MiLEAP publishes a dataset of all licensed providers daily at https://www.michigan.gov/mileap/early-childhood-education/cclb/parents/panel-collapse. ECIC data can be accessed using the "Find Programs" query tool on the Great Start to Quality website, https://greatstarttoquality.org/.

numbers associated with multiple programs, only one of the programs with the common telephone number was identified for direct dialing. In those cases, when completing the survey over the telephone, the individual responding was given the option to respond for that one program or all of the programs associated with that contact.

PRE-SURVEY PROVIDER OUTREACH

In preparation for fielding the survey, PPA worked in collaboration with the MiLEAP to notify providers of the survey and the importance of provider participation. PPA mailed each licensed provider an introductory postcard that explained, simply and persuasively, the purpose of the impending survey, and the benefit to children, families, and providers of completing it. In addition, general brief notices were distributed through existing MiLEAP networks, as well as various child care resource and referral agencies and provider networks, including the Great Start to Quality Resource Centers and ECIC (e.g., newsletters, email listservs, social media, and website posts). The notifications included information about the timing of the survey, as well as details about informational webinar participation opportunities, which are described below.

PPA prepared and conducted three live informational webinars to inform all interested partners and providers about the importance of the survey, how it would be conducted, and how they could participate. In total, over 600 individuals registered to attend a webinar.

PILOT TESTING

PPA used the 2020 market rate survey instrument as the base for the 2023 instrument and worked with MiLEAP to identify any necessary changes or updates to address current information needs. In addition, due to the cultural diversity among Michigan's child care providers, as well as wide variation among providers related to price structures, number of children served, and other key elements of market rate calculations, it was critical that the survey be designed and worded to maximize accessibility and ensure the consistency and accuracy of information supplied by providers. Therefore, prior to fielding, PPA tested the survey instrument through cognitive interviews with a sample of six providers, including three center-based providers and three home-based providers. A purposive sampling design was used to ensure diversity. In addition to responding to the survey questions, as written, interviewees were asked follow-up questions about how they interpreted and responded to each question. The interview responses were analyzed to identify common themes and patterns that might indicate potential issues with language use, response options, and overall survey design. Based on the results, PPA made minor

changes to the wording of a couple of questions. Otherwise, the cognitive interview responses suggested that the survey questions were clear and providers were likely to interpret the questions as intended.

PAPER SURVEY

In an effort to maximize the response rate, a paper version of the survey was included as an additional response option along with the online and telephone options. A survey packet was mailed to each provider address. The survey packets included a letter describing the purpose of the survey and instructions, along with a postage-paid return envelope for submitting completed responses. In cases where more than one license number was associated with a single address, only one survey packet was sent to the address. Therefore, the instructions included directions for accessing the online survey to enter responses for additional license numbers. In total, 6,650 paper surveys were mailed during the week of November 20, 2023.

ONLINE SURVEY

The online survey included both an anonymous version distributed through child care listservs in Michigan and a targeted version using the contact information from the sampling frame. The survey vendor, Dynata, began the process by distributing email invitations to all providers with a valid email address on November 13, 2023.

Due to increased sensitivity among email platforms for detecting and blocking potential spam, initial tests conducted by Dynata revealed that a substantial proportion of direct email invitations were likely to be blocked or filtered into junk email folders. Therefore, at the same time the direct email invitations were sent, MiLEAP and its partners distributed the anonymous survey link through various listservs.

Respondents completing the survey through the anonymous link were asked to key in their license number, and the survey software conducted a search of the data for the matching business. Where located, business information (street address, name, county, etc.) was placed on the screen for respondents to confirm and/or update. Where respondents did not have their license number (or mis-keyed it), respondents were asked to supply the business name, address, county, and type of facility—group home, family home, or child care center.

Online options remained open even after telephone follow-up began.

TELEPHONE FOLLOW-UP

Telephone follow-up began on December 4, 2023. For named respondents associated with multiple child care facilities, interviewers asked if the multiple sites all charge the same prices and offer similar experiences, and if the respondent was able to provide the total number of enrollees and slots available for all locations combined. If all these questions were answered with "yes," the interviewer completed the survey once for all locations. If prices or programs differed or the respondent could not access system-wide information on enrollment, the interviewer selected one location and directed the respondent to focus on that location only.

Dynata and PPA worked together to monitor completion rates by facility type, region of Michigan, and quality level. Online and telephone data collection concluded on January 16, 2024. The final paper surveys were received by the end of January 2024.

DATA CLEANING

Data Merging

At the conclusion of online and telephone data collection, Dynata provided PPA with an electronic data file containing 2,316 response records, and PPA received an additional 758 returned paper surveys.

Close-ended response data from the paper surveys were scanned into an Excel spreadsheet using Remark Office OMR software, and open-ended response data from paper surveys were manually entered by PPA staff. The data-entry process was tracked and monitored to ensure quality. Once data entry for the paper surveys was completed, the data were merged with the online and telephone response data to create a single data file containing 3,074 records.

Inaccurate and Missing License Numbers

Problems with license numbers emerged from the online surveys accessed through the generic web link, as well as the paper surveys, for which providers were asked to enter their license number when available. Several completed surveys had no license number, and several had an improperly keyed license number. Fifteen surveys ultimately could not be used because no provider matching the license number, business name, and/or street address provided by the respondent could be identified in the MiLEAP child care licensing database.

Duplicate Surveys

Many providers completed more than one survey. Out of the 3,059 surveys submitted with valid license numbers, 251 duplicate license numbers were identified. PPA established a protocol for determining which duplicate responses to retain. Any identical entries were deleted, retaining only the most recent submission. For any duplicate but incomplete entries, the most complete entries were retained, with priority given to web and phone submissions over paper, and to the most recent submissions. Through this process, 261 submissions were removed, leaving 2,798 survey respondents.

Closed Providers

The next cleaning step was to remove any providers that indicated that they were not open and providing care at the time of completing the survey. Of the 2,798 responses remaining, 60 reported not being open. These responses were also removed, leaving 2,738 survey respondents.

PARTICIPATION RATE

The final analytic data set included 2,738 unduplicated responses from open and active facilities. Determining the response rate depends on the assumptions made about the appropriate sample population and sample universe. As described above, the identified target population included a total of 8,035 providers at the time the survey was fielded. This yields a response rate for open providers of 34%. Response rates were above 30% for all three types of providers, including 34% for centers and 35% for both family homes and group homes.

WEIGHTING

The final dataset was weighted by provider type and geography to ensure the appropriate representation of providers and geography in Michigan. The weights were created by determining the number of providers in each American Community Survey (ACS) Public Use Microdata Area (PUMA)[22] by type, such as the number of home providers in a Macomb County PUMA. These counts were used to calculate the percentage of each case (i.e., provider type and PUMA area) within the sample compared to the percentage of each case within the total sampling frame. For example, if 6% of family home provider cases are in Macomb County and 5% of cases in the total sampling frame are family home providers in Macomb County, the weight is calculated as 0.6/0.4, resulting in a

[22] PUMAs were used because they group providers from smaller, like-minded counties together based on similarity in demographics.

weight of 1.5. This would mean that when conducting analysis, each facility of this type in the geographic region would be counted as 1.5 providers, rather than simply 1, so that final estimates would reflect the balance of provider types and geography in the state as a whole.

IMPUTING HOURLY RATES FROM OTHER REPORTED RATE STRUCTURES

The survey asked providers to select the most common method of charging full-time and part-time fees (e.g., daily, hourly, weekly, monthly, or other) for each age group: infants, preschoolers, school-aged children, and school-aged children during the summer. Each entry type was converted into an hourly rate based on a nine-hour day, which was chosen due to its stability as determined in past market rate studies. Some providers incorrectly responded to this question by providing a rate that reflected a different charging method than the one selected (e.g., providing a monthly amount instead of an hourly rate). In these cases, the correct charging method was selected on behalf of the respondent.

To identify potential response errors and mitigate the impact of extreme responses, PPA first checked whether the same rates were used for different care periods. If the rates were the same for both shorter and longer care periods, the rates for the shorter period were recoded as missing. Outliers were then identified by calculating the interquartile range. Rates more than three times greater than the interquartile range were coded as outliers and re-coded as missing data. If a part-time rate was listed and the full-time rate was missing for an age group, the part-time rate was used. The final rates were determined by selecting the highest hourly rate from the most common charging method for each age group.

STATISTICAL RELIABILITY AND VALIDITY

The U.S. Department of Health and Human Services, Administration for Children and Families has established a set of standards for assessing the statistical reliability and validity of child care market rate surveys. As noted in the regulatory language, these standards were derived predominately from the *Study of Market Prices: Validating Child Care Market Rate Surveys from the Oregon Child Care Research Partnership* (2008). The standards are paraphrased below, and for each, we assess the 2023 Michigan Market Rate Survey process and results relative to the standard:

1. Includes the priced child care market. The survey includes providers that charge a price established through an arm's length transaction, i.e., not relatives or friends.

The 2023 Michigan Market Rate Survey targeted the priced child care market as recommended.

2. Provides complete and current data. The survey is based on a comprehensive sampling frame that fully captures providers in the priced market. The survey reflects up-to-date information for a specific time period.

   The 2023 Michigan Market Rate Survey was based on a sampling frame of all open licensed child care providers in the priced market. The survey was conducted over a three-month period with results promptly reported.

3. Represents geographic variation. The survey includes providers from all geographic parts of the state and reports price data by sub-state regions.

   The 2023 Michigan Market Rate Survey included providers from every county and price data are reported by Great Start to Quality region.

4. Uses rigorous data-collection procedures. The survey uses quality procedures, regardless of the method (mail, telephone, or web survey), or administrative data. The data includes a response from a high percentage of providers (65% or higher is desirable and below 50% is suspect). Understanding that response rate is only one aspect of survey reliability and validity, the sample design should be strong and the impact of nonresponse bias should be carefully examined to ensure the full universe of providers is reflected in the findings. Surveys should be conducted in languages other than English, and other steps taken to reach key subgroups.

   While every effort was made to ensure quality data-collection processes within the scope of time and resources available to the team, the overall participation rate for the 2023 Michigan Market Rate Survey was 34%—well below the target response rate.

   When response rates are less than what best practices recommend, analysts should examine the respondents in comparison to non-respondents to try to identify any systematic differences between the groups. Previous analysis using 2017 market rate survey data suggests that while survey respondents are more likely to participate in the scholarship (formerly subsidy) program, have larger total capacity, and have been in operation for longer, differences in rates were not statistically significant and not consistent in terms of which rate was higher. As such, PPA determined that no bias (related to prices) was introduced by differences in the characteristics of responding providers versus non-responding providers.

5. Analyze data in a manner that captures market differences. The survey should examine price per child care slot as larger providers serve more families. Samples should be weighted, and price data should be collected and analyzed separately for different age groups and categories of care.

   Estimated rates were weighted by geographic region based on aggregated PUMAs and provider type, and results were analyzed separately by quality level (where available), age group, and type of care. As in past years, calculating price per slot was complicated by ambiguities in reported capacity. Licensing records have one data point for capacity—total permitted capacity at any single time. While survey questions asked providers to identify the number of slots for children in each of the four age groups, PPA found that reported slots, in aggregate, were substantially greater than known capacity. For example, a provider might have a state-reported capacity of 100 and report 30 slots for infants, 45 slots for toddlers, 45 slots for preschool, and 30 slots for school-aged children, totaling 150. While we believe the discrepancies are a function of part-time attendance and specialty programs (i.e., a report of 100 half-time preschoolers is compatible with a capacity of 50), the data are inadequate to fully disentangle which children are being served full time and which are being served part time, which is the data needed to allocate total capacity to the varied age groups.

   If we were to weight reported rates for infants, toddlers, preschoolers, and school-aged children alike by the single capacity in licensing records, we would have been assigning the full capacity of any facility to each age group—a real distortion if one considers the differences between three centers with capacity of 100, the first of which serves children across the age ranges, the second of which specializes in preschool, and the third of which specializes in part-time service and cannot accommodate families with parents working full time.

PROVIDER COST-ANALYSIS METHODS

To assess the cost of quality care to meet the health and safety standards in Michigan, PPA used a pre-programmed model: the Provider Cost of Quality Calculator (PCQC) developed for the U.S. Administration for Children and Families' Office of Child Care by Andrew Brodsky and Simon Workman at Augenblick, Palaich and Associates and Anne Mitchell at the Alliance for Early Childhood Finance. The PCQC is a dynamic web-based tool that calculates the estimated cost of the inputs used by providers to deliver services at various levels of quality. The PCQC model considers hypothetical expenditures and revenues for child care centers and home settings separately.

To determine what impact various factors thought to be cost drivers could have on the bottom line for operating costs, the model was used to create multiple scenarios by systematically altering several of these factors. This is a sensitivity analysis. Cost drivers that were manipulated for assessment include:

- Quality level
- Quality activities such as additional professional development time and conducting screenings
- Child-to-teacher/caregiver ratios
- Enrollment as a percentage of capacity
- Percentage of families receiving the CDC scholarship
- Participation in the Child and Adult Care Food Program and mix of eligible children

Data Sources

While the PCQC provides default values for center and home expenditures, the user guide provides direction to refine those data with more accurate values to better reflect the current costs in Michigan. To accomplish the task of gathering more accurate data to use in populating the PCQC scenarios, PPA first determined what model questions could be answered using secondary data sources.

An important source of secondary data was data compiled by ECIC from child care stabilization grant applications submitted during summer 2022. In response to the challenges created by the COVID-19 pandemic, the Michigan Department of Education (MDE) made child care stabilization grants available to providers throughout the state. As part of the application process for those grants, providers were asked to provide detailed estimates of their average monthly operating expenses covering various categories such as personnel costs, physical space overhead expenses, health and safety practices, equipment and supplies, goods and services, and mental health services.

Through a data-sharing agreement established with MDE and ECIC, PPA was able to obtain cost data from applications submitted by over 5,000 providers in summer 2022.

After cleaning the data and removing outliers, statistical tests confirmed that the 4,307 remaining applications were representative of Michigan providers across facility types, regions, and quality levels. Average monthly expenses were then calculated across providers. To derive per-site, per-classroom, and per-child costs, average expenses were categorized by quality level and facility type.

The stabilization grant data and other secondary data sources used for the study are summarized in Table 7.

TABLE 7. SUMMARY OF SECONDARY DATA SOURCES AND THEIR USE IN THE PCQC MODEL

SOURCE	TYPE OF DATA ACCESSED	USE IN PCQC MODEL
Bureau of Labor Statistics (BLS)	2023 salary estimates for child care workers in Michigan	Estimate personnel costs
Michigan Department of Lifelong Education, Advancement, and Potential (MiLEAP)	Current CDC scholarship rates, by age group in care, provider type, and quality level	Estimate revenue from scholarships
Center for Educational Performance and Information (CEPI)	Base rates for free and reduced lunches for kindergarten	Estimate revenue from Child and Adult Care Food Program (CACFP) participation
2023 Michigan Child Care Market Rate Survey	Full-time weekly tuition rates and enrollment data	Adjust child-to-teacher ratio
Early Childhood Investment Corporation (ECIC)	Child Care Stabilization Grant applications, Summer 2022	Estimate per child, per classroom, and per site costs

As a means of testing and further refining the PCQC input values, PPA conducted interviews with 16 child care providers. Providers were selected using a stratified random-sampling scheme, with licensed providers stratified by provider type (centers, family homes, and group homes) and quality level. Separate interview tools were developed for centers and home-based providers, which are included in Appendix B. The questions in both instruments focused on each provider's estimates of annual operating costs, including both personnel and non-personnel costs. Cost components were grouped in a manner that would allow PPA to ask providers fewer questions about the cost items, while still being able to enter accurate estimates into the PCQC tool. The interviews also provided the opportunity to collect provider input on the factors that most influence tuition rates, the impact of current regulations on costs, and the costs associated with providing quality child care and in meeting health and safety requirements. Interviewees received $50 for their participation.

Model Inputs and Assumptions

PPA utilized the PCQC model to evaluate the expenses associated with maintaining health and safety standards in Michigan. Developed by Andrew

Brodsky, Simon Workman, and Anne Mitchell, the PCQC is a web-based tool endorsed by the U.S. Administration for Children and Families' Office of Child Care. This dynamic model estimates the costs incurred by child care providers across different quality levels. By adjusting key factors within the model, PPA generated various scenarios to gauge the potential impact of different cost drivers on overall operating expenses.

Classroom information.

For the PCQC the following age groups were used:

- Infant/toddler – birth to 30 months
- Preschool – 31 months through age four
- School-age – kindergarten or 5 years old but less than 13 years

The model assumes all age groups attend full time, even school-age children instead of after-school care.

The maximum group size for centers adhered to State of Michigan definitions. In cases where the maximum group size was not specified for center preschool and school-age children, the number of children in the ratio was doubled.

TABLE 8. STAFFING RATIOS AND MAXIMUM GROUP SIZES FOR CENTERS

AGE	CHILD CARE STAFF-MEMBER-TO-CHILD RATIO	MAX GROUP SIZE	CLASSROOMS
Infants & Toddlers until 30 months	1 to 4	12	1
Preschoolers (31 months-age3)	1 to 8	16	2
School age	1 to 18	36	1

For group homes, the average number of children reported in the market rate survey was used; and number of classrooms was also based on the State of Michigan definitions.

For the cost scenarios, the PCQC default enrollment efficiency rate of 85% was used. This rate refers to how effectively a provider's actual enrollment matches their maximum staffed capacity for enrollment.

Personnel Costs

Staffing. Salary levels were taken from BLS data for Michigan, increased as quality levels increased, and varied by provider type. In general, positions in programs at the enhancing quality level fell at the 50th percentile, while positions in programs at lower quality levels were at the 25th percentile, and positions at programs at higher quality levels were at the 75th percentile. Administrative assistant salaries were maintained at the median level, while program assistants at the lowest two quality levels were positioned at the 25th percentile, due to their expected lower educational qualifications.

TABLE 9. SCENARIOS, BY POSITION AND QUALITY LEVEL

POSITION	MAINTAINING HEALTH & SAFETY	REFLECTING ON QUALITY	ENHANCING QUALITY	ENHANCING QUALITY – VALIDATED	DEMONSTRATING QUALITY
Director	$38,380	$38,380	$38,380	$53,280	$53,280
Lead Teacher	$29,030	$29,030	$29,030	$39,030	$39,030
Asst Teacher	$23,770	$23,770	$23,770	$29,680	$29,680
Admin Assist	$31,860	$31,860	$31,860	$48,420	$48,420

The majority of centers in Michigan do not have an educational coordinator, as administrative responsibilities are typically overseen by a single director. Therefore, for consistency with last year's methodology, educational coordinators were omitted from the scenarios. Similarly, health consultants were excluded from the scenarios as school nurses are not commonly employed outside of a school district setting.

In accordance with State of Michigan licensing regulations, full-time staff requirements are based on the operating hours of the center per day. Consequently, all center-based scenarios in our analysis included a full-time director. Additionally, an administrative assistant was included in scenarios where there were 40 or more enrolled students.

For home providers, the hours worked per week were set at 45 hours per week.

Benefits. Other personnel costs include applying Michigan's minimum wage of $10.10 for substitutes and assistants for homes. Worker's compensation was established at $0.61, reflecting the average employer cost per $100 of covered wage in the State of Michigan for the year 2020. The unemployment insurance

tax rate was fixed at 2.7%, mirroring the liability rate applicable to new employers in the State of Michigan. Additionally, the maximum dollar amount taxed per employee for unemployment insurance was capped at $9,500.

No additional benefits were inputted, and disability was set to zero. For per-teaching-staff costs, PCQC's default of 20 hours and 20% of additional teaching staff time were used for centers.

Non-Personnel Costs

Per-child, per-classroom, and per-site costs by quality level and facility type were derived mainly from the Summer 2022 Child Care Stabilization Grant application data.

The types of costs included within each category are:

Per-child costs:

- Food and food preparation
- Kitchen supplies
- Educational supplies
- Classroom supplies
- Office supplies and equipment
- Medical supplies
- Insurance
- Advertising
- Child assessment tool
- Development screening tool
- Curriculum

Per-classroom costs estimates 80 square feet per child and assumes that a classroom has an average of 16 children.

- Rent, lease, or mortgage (including property tax if relevant)
- Utilities
- Building insurance
- Maintenance, repairs, and cleaning

Per-site costs are fixed and do not vary by classroom or number of children.

- Transportation
- Telephone and internet

- Audits and legal fees
- Licensing fees and permits
- Professional services and fees
- Accreditation fees
- Professional memberships and subscriptions

Overall, the estimated average annual per-classroom cost for centers was $21,847, with average per-child costs at $729, and per-site costs at $32,623.

Expenses for home-based providers are categorized into two groups: those incurred solely for the child care business, representing 100% business use, and those shared with the residential use of the home, denoting shared business use. Expenses for 100% business use include:

- Advertising
- Vehicle expenses
- Depreciation of equipment
- Insurance (e.g., liability, accident)
- Interest on business debt
- Legal and professional fees
- Office supplies
- Repairs and maintenance for child care
- Supplies (e.g., arts and crafts, toys)
- Food and food-related supplies
- Telephone and internet
- Training and professional development
- Professional membership fees
- Licensing and permits

Per-child cost expenses include:

- Child assessment tool
- Development screening tool

For home-based providers it was assumed 50% of time-space percentage. This rate determines that amount of home space used for child care; this is then used to calculate the percentage of home expenses that can be attributed to child care services.

Revenue

Scholarship and tuition rates by age group and quality level were based on responses from PPA's market rate survey. The following are tables for the weekly rate by provider type and quality level.

TABLE 10. WEEKLY TUITION RATE ESTIMATES FOR CENTERS, BY QUALITY LEVEL AND AGE

POSITION	INFANTS/TODDLERS	PRESCHOOLERS	SCHOOL AGE
Maintaining Health & Safety	$353.00	$281.25	$212.50
Reflecting on Quality	$340.00	$275.00	$200.00
Enhancing Quality	$350.00	$290.00	$224.00
Enhancing Quality-Validated	$355.00	$290.00	$225.00
Demonstrating Quality	$400.00	$288.00	$125.00

TABLE 11. WEEKLY TUITION RATE ESTIMATES FOR HOME PROVIDERS, BY QUALITY LEVEL AND AGE

POSITION	INFANTS/TODDLERS	PRESCHOOLERS	SCHOOL AGE
Maintaining Health & Safety	$250.00	$230.00	$225.00
Reflecting on Quality	$205.00	$200.00	$184.13
Enhancing Quality	$225.00	$225.00	$200.00
Enhancing Quality-Validated	$230.00	$230.00	$230.00
Demonstrating Quality	$281.25	$281.25	$275.00

The percentage of children receiving a CDC scholarship varies by provider type and quality level, and these were derived from the market rate survey. For centers, the proportion of children receiving CDC scholarships at each quality level was: Maintaining Health & Safety (1)-12%, Reflecting on Quality (2)-28%, Enhancing Quality (3)-53%, Enhancing Quality-Validated (4)-54%, and Demonstrating Quality (5)-59%.

Scenarios were conducted for when providers charge the difference between scholarship and tuition and when they do not, as well as for participation in the Child and Adult Care Food Program. Data from the CEPI for kindergarteners were used to estimate eligibility for free meals (<130% poverty) and reduced-price meals (130%-185% poverty). According to the data, 53% of kindergarteners are eligible for free meals, while 4% are eligible for reduced-price meals.

For other sources of revenues, registration fees and other types of fees applied most frequently by providers from the market rate survey were inputted by type

of provider. The industry standard of 3% was used for the uncollected revenue rate.

Appendix B: Data-Collection Instruments

The following pages include copies of the market rate survey and provider cost interview instruments. These materials are provided for reference only and are not meant to be filled out.

Michigan Child Development and Care (CDC) Market Rate Survey 2023

Introduction

Thank you for taking the Child Development and Care (CDC) market rate survey. This survey should take less than 15 minutes to complete.

Information you share about the prices you charge for child care will help guide the State in setting future child care subsidy payment rates. Your individual answers will remain confidential. Public reporting of results will only include information combined from all providers who respond (i.e., "50% of providers charge daily rates").

If you have questions or need assistance with completing the survey, the survey team can be reached at 1-844-985-1290 or ppa@publicpolicy.com. (The survey is being conducted by Public Policy Associates, a firm located in Lansing.)

For multiple-choice questions, please mark the bubble that corresponds with your response.
Please mark responses like this: ● Not like this: ⊘ ⊗

Section 1 – Program Information

1. Enter your license number below. Write each letter/digit on a separate line and fill in the corresponding bubble under each line. If you do not know your license number, leave it blank.

D									
C	0	0	0	0	0	0	0	0	0
F	1	1	1	1	1	1	1	1	1
G	2	2	2	2	2	2	2	2	2
	3	3	3	3	3	3	3	3	3
	4	4	4	4	4	4	4	4	4
	5	5	5	5	5	5	5	5	5
	6	6	6	6	6	6	6	6	6
	7	7	7	7	7	7	7	7	7
	8	8	8	8	8	8	8	8	8
	9	9	9	9	9	9	9	9	9

2. Business name: _____

3. Facility type:
   - O Center
   - O Group Home
   - O Family Home

4. Program Site Address: _____

5. County: _____

6. Is this child care facility currently open and providing care?

O Yes ⟶ SKIP to question **7.**

O No

6a. Please describe why you are not currently providing care:

_____

_____ ⟶ SKIP to question **45.**

7. Which days of the week are you open for business? *Select all that apply.*

O Monday	O Thursday	O Saturday
O Tuesday	O Friday	O Sunday
O Wednesday		

8. What are your program's usual hours of operation?

Open at: _____	O AM	O PM
Close at: _____	O AM	O PM

9. Within the past two years, have you reduced your program's hours of operation during a typical week?

O Yes

O No ⟶ SKIP to question **11.**

10. What caused you to reduce your program's hours of operation? *Select all that apply.*

O Unable to hire enough staff to remain open longer

O Not enough children in attendance during certain times of the day

O Other, please describe: _____

11. Are your current hours of operation still reduced from where they were two years ago?

O Yes

O No

12. Do you provide any of the following programs? *Select all that apply.*

- O Great Start Readiness Program
- O Early Head Start
- O Head Start
- O 21st Century Community Learning Center
- O None ⟶ SKIP to question **14.**

13. In addition to the program(s) you marked in question 12, do you also provide wraparound child care or other child care services that are not grant funded?
(Note: "Wraparound" means child care that occurs before and/or after a program like Head Start.)

- O Yes
- O No ⟶ SKIP to question **45.**

IMPORTANT IF YOU ANSWERED YES to question 13: In the rest of this survey, we will be asking about your child care program—the rates you charge, your waiting list, any registration fees you charge, and more. **When answering these questions, please do not include time spent in Early Head Start, Great Start Readiness Program, Head Start, or 21st Century Community Learning Center as part of your child care program.** For example, if you charge a weekly fee for child care that takes place before and after Head Start, and we ask how many hours a child attends for that fee, you would not include the Head Start hours. You would only include the before-and-after child care hours for which parents pay a fee.

Section 2 – Capacity and Enrollment

14. When you are fully staffed, what is the total number of children you are able to serve at any one time (regardless of their ages)? _____

15. Please enter the number of full-time and part-time slots currently filled in each age group:

Note: The age ranges listed below and throughout the survey are based on the age ranges used to determine subsidy rates and may differ from age ranges used for licensing or other purposes.

	Full-Time Slots	Part-Time Slots
Infant/Toddler (0 to about 2 ½ years)	_____	_____
Preschool age (about 2 ½ to about 5 years)	_____	_____
School age (kindergarten or 5 years to about 12 years)	_____	_____

16. Are you holding any slots for children who are currently enrolled/registered but are not attending regularly?

O Yes O No ⟶ SKIP to question **17.**

0a. How many slots are currently being held by children who are not regularly attending in each of the following age groups?

Infant/Toddler (0 to about 2 ½ years): _____
Preschool age (about 2 ½ to about 5 years): _____
School age (kindergarten or 5 years to about 12 years): _____

17. How many slots do you currently have open for each of the following age groups?

Infant/Toddler (0 to about 2 ½ years): _____
Preschool age (about 2 ½ to about 5 years): _____
School age (kindergarten or 5 years to about 12 years): _____
Slots available but not assigned to an age group: _____

18. Do you currently have a waiting list?

O Yes O No ⟶ SKIP to question **19.**

18a. Please enter the number of children on your current waiting list in each age group:

Infant/Toddler (0 to about 2 ½ years): _____
Preschool age (about 2 ½ to about 5 years): _____
School age (kindergarten or 5 years to about 12 years): _____
Age is unknown: _____

19. How does the current number of children in your care compare to the number of children in your care at this same time last year?

O There are fewer children in care now.
O There are more children in care now.
O There are about the same number of children in care.

20. Do any of the children currently in your care have these characteristics? *Select all that apply.*

O Special needs (learning disabilities, food allergies, asthma, etc.)
O Homeless
O Migrant
O Speaks a language other than English at home
O None of the children have these characteristics

Section 3 – Tuition Rates and Other Fees

21. Do you currently care for one or more children full time?

O Yes O No ⟶ SKIP to question **26.**

For the next set of questions, please think about the children you care for full time.

22. How do you charge your full-time rates for families that pay for child care out of their own funds (meaning, they do not receive any state and/or federal tuition assistance)? *In the first column below, select the most common way you charge. If you charge your full-time rates multiple ways, select the second-most common way you charge in the second column.*

	Select first option for how you charge:	If applicable, select second option for how you charge:
Mark only one option in each column.	O Hourly	O Hourly
	O Daily	O Daily
	O Weekly	O Weekly
	O Monthly	O Monthly
	O Other, specify: _____	O Other, specify: _____

23. For the option(s) selected in question 22 (i.e., hourly, daily, weekly, etc.), what is the standard, full-time rate you currently charge per child for the following ages? *If you do not serve a child of the stated age, please enter "none" for that age group.*

Infant/Toddler: (0 to about 2 ½ years)	$_____	$_____
Preschool age: (about 2 ½ to about 5 years)	$_____	$_____
School age during school year: (kindergarten or 5 years to about 12 years)	$_____	$_____
School age in summer:	$_____	$_____

24. For the charge(s) listed in question 23, how many hours does a full-time child spend in care *on average* for the period of care?

If the charge is hourly or daily, please provide the average hours per day.

If the charge is weekly, please provide the average hours per week.

If the charge is monthly, please provide the average hours per month.

If the charge is for another time frame, please provide the average hours for the time frame you specified above.

_____ hours, on average

_____ hours, on average

25. Sometimes children miss days because of illness, a vacation, a holiday, or a program closure. How do you usually charge parents in those situations for full-time children? *Select one response for each column.*

	Sick child	Vacation	Holidays	Program Closures
Parent pays for all days missed	O	O	O	O
Parent is allowed a set number of days missed without paying and pays for day(s) beyond the number allowed	O	O	O	O
Parent does not pay for the day(s)	O	O	O	O

If you would like to share any more information about how you charge in these situations, please do so here:

_____

_____

26. Do you currently care for one or more children part time?

O Yes

O No ⟶ SKIP to question **33.**

27. For the purpose of setting rates, how do you define part time? _____

_____

For the next set of questions, please consider only those children you care for part time.

28. Do you charge parents of children in care part time a different rate than you charge parents of children in care full time? For example, do you charge a daily rate for children in full-time care and an hourly rate for children in part-time care?

O Yes

O No ⟶ SKIP to question **33.**

29. How do you charge your part-time rates for families that pay for child care out of their own funds (meaning, they do not receive any state and/or federal tuition assistance)? *In the first column below, select the most common way you charge. If you charge your part-time rates multiple ways, select the second-most common way you charge in the second column.*

	Select first option for how you charge:	If applicable, select second option for how you charge:
Mark only one option in each column.	O Hourly	O Hourly
	O Daily	O Daily
	O Weekly	O Weekly
	O Monthly	O Monthly
	O Other, specify: _____	O Other, specify: _____

30. For the option(s) selected in question 29 (i.e., hourly, daily, weekly, etc.), what is the standard, part-time rate you currently charge per child for the following ages? *If you do not serve a child of the stated age, please enter "none" for that age group.*

Infant/Toddler: (0 to about 2 ½ years)	$_____	$_____
Preschool age: (about 2 ½ to about 5 years)	$_____	$_____
School age during school year: (kindergarten or 5 years to about 12 years)	$_____	$_____
School age in summer:	$_____	$_____

31. For the charge(s) listed in question 30, how many hours does a part-time child spend in care *on average* for the period of care?

If the charge is hourly or daily, please provide the average hours per day.

If the charge is weekly, please provide the average hours per week.

If the charge is monthly, please provide the average hours per month.

If the charge is for another time frame, please provide the average hours for the time frame you specified above.

_____ hours, on average

_____ hours, on average

32. Sometimes children miss days because of illness, a vacation, a holiday, or a program closure. How do you usually charge parents in those situations for part-time children? *Select one response for each column.*

	Sick child	Vacation	Holidays	Program Closures
Parent pays for all days missed	O	O	O	O
Parent is allowed a set number of days missed without paying and pays for day(s) beyond the number allowed	O	O	O	O
Parent does not pay for the day(s)	O	O	O	O

If you would like to share any more information about how you charge in these situations, please do so here:

_____

_____

33. Do you charge a registration or application fee? *Please do not include deposits collected at the time of registration that are refundable or go toward the regular cost of tuition.*

O Yes O No ⟶ SKIP to question **34.**

33a. When do you charge a registration fee? *Select all that apply.* For each instance selected, please also provide the amount charged.

O At initial registration
Amount: $_____ O per child O per family

O Twice per year
Amount: $_____ O per child O per family

O Once per year
Amount: $_____ O per child O per family

O Other – specify: _____
Amount: $_____ O per child O per family

If registration fees vary by child's age or other circumstances, please explain:

_____

_____

34. In addition to the standard tuition rates you charge for child care, do you charge any of the following fees? *Mark all that apply.* For each type of fee selected, please also provide the additional detail requested.

O Do not charge any fees separately from tuition

O Supply fee

Amount: $_____ Charged:
- O Weekly
- O Monthly
- O Annually
- O Other

O Field trip fee

Charged:
- O Flat fee for the year
- O Individually by trip

O Other type of fee (but NOT late fees, bounced-check fees, etc.)

Describe: _____

Amount: $_____ Charged:
- O Weekly
- O Monthly
- O Annually
- O Other

O Other type of fee (but NOT late fees, bounced-check fees, etc.)

Describe: _____

Amount: $_____ Charged:
- O Weekly
- O Monthly
- O Annually
- O Other

If fees vary by child's age or other circumstances, please explain:

_____

_____

35. Do you offer a discount on your rates to families who enroll more than one child in your program?

O Yes, please describe: _____

O No

36. Do you offer "after-hours" care? *Select all that apply. NOTE: By after-hours care, we mean care offered at non-standard times. This does not include when parents are late picking up their children.*

- O No after-hours care ⟶ SKIP to question 38
- O Early morning (before 7:00 a.m.)
- O Evening (after 6:00 p.m.)
- O Overnight
- O Weekend

37. Do you charge different rates for "after hours" care?

- O Yes, please describe: _____
- O No

Section 5 – Subsidies

The Child Development and Care (CDC) program offers funding or subsidies to help qualified parents pay for child care. If you accept subsidy payments, you get paid by sending an invoice to the State of Michigan's CDC program.

38. How many children with subsidies do you have enrolled currently in the following age groups? If no children with subsidies are enrolled, enter 0.

Infant/Toddler (0 to about 2 ½ years): _____

Preschool age (about 2 ½ to about 5 years): _____

School age (kindergarten or 5 years to about 12 years): _____

39. Sometimes, providers who accept payments from the State find that the State payments do not cover the full bill. How do you handle the following situation?

John and Maricela have their daughter enrolled in your child care full time. They receive State funding for care. Your standard weekly rate is $275, but the State payment only amounts to $225, leaving a balance of $50. What do you do about the $50?

- O John and Maricela pay the full $50.
- O John and Maricela pay some portion of the $50.
- O John and Maricela do not pay any of the $50.
- O Other solution; please describe: _____

_____

40. Will you accept families receiving State child care funding in the future?

- O Yes, will accept everyone.
- O Yes, will accept these families, but will place a limit on the number accepted.
- O No, will not accept these families.

41. In your experience, are any of the following challenges to accepting families with subsidies? *Select all that apply.*

- O The payment rates are too low.
- O There is a limit on the number of hours that can be reimbursed.
- O The attendance tracking requirements are too much work.
- O Subsidies pay for care after service is provided rather than before.
- O Communication from the State is poor (e.g., I don't know when families are dropped).
- O I do not have a computer and/or internet to access the online system.
- O There are not many families in my area who qualify for subsidies.
- O The subsidy billing rules do not match my billing policy.
- O It takes too long to receive an eligibility determination from the State.
- O It is difficult to collect co-payments from families.
- O I have not had any of these challenges.
- O Other, please specify: _____

42. Do you receive reimbursements, through the Child and Adult Care Food Program (CACFP), for food for any of the children you serve?

- O Yes
- O No

43. What are the most important things the State of Michigan could do, overall, to improve this program for child care providers like you?

_____

_____

_____

44. Do you have any additional comments about the rates you charge for child care or about the Child Development and Care (CDC) program?

_____

_____

_____

Section 6 – Submission Instructions and Incentive Opportunity

45. Thank you for taking the time to complete this survey! We truly value the information you have provided. Your responses will help guide the State in setting future child care subsidy payment rates.

    Please return your completed survey to Public Policy Associates, 119 Pere Marquette Drive, Suite 1C, Lansing, MI 48912-1231 using the postage-paid return envelope provided.

    If you would like to be entered into the drawing for a $150 Visa gift card, please print your name and give a phone number where you can be reached if you are selected.

    First and Last Name: _____

    Phone Number: _(____)_____

Hello, my name is _____, from Public Policy Associates. I am part of a research team that is studying the child care market rates in Michigan.

Before we begin, we would like to thank you for your time. The purpose of this call is to help the Michigan Department of Education (MDE) better understand factors that may be driving the costs for you to deliver quality child care.

The questions we have for you will help identify where you are spending the most time and resources to function, and how regulations (such as licensing requirements) may influence your spending. If we do not cover an area that you think is an important aspect of your operating cost, please raise those at the end of the interview.

The interview should last no more than 45 minutes to an hour. Your answers today will only be viewed by our staff at Public Policy Associates. When we issue our report to the Michigan Department of Education, your name and the name of your center will not be used in any way. The information you provide will be grouped with that from other providers so you cannot be identified.

There are no penalties or risks to you for participating or choosing not to participate in this interview, and your participation is completely voluntary. You are under no obligation to join in other activities for this project. We will provide you a one-time $50 e-gift card by email for completing the interview.

If it's okay with you, I will be making an audio recording of our conversation. This is only for the purpose of cleaning up our notes. The recording will not be shared beyond the research team. If you want us to turn off the recording at any time we are happy to do that. Is recording okay with you?

Do you have any questions for me before we begin?

1. Let's begin by discussing your annual operating costs. Overall, how much do you estimate it costs to operate your child care business in a year?

2. And that's for how many children enrolled in your program?

3. Now, I'm going to ask you about the costs that go into that figure. Let's start with personnel. How many staff do you employ?

4. About what percentage of your annual operating costs are associated with compensating staff for your center? This includes wages and benefits.

5. About what percentage of your annual operating costs are associated with training new staff, professional development, or consultant expenses?

6. On a scale of one to five, with five being very difficult, how hard is it for you to find qualified staff?

7. On a scale of one to five, with five being very satisfied, how satisfied are you with the wages and benefits you are currently providing to staff?

8. How much turnover do you typically have in a year?

9. Is there time when you or your staff are performing activities to maintain the quality of child care that are not part of your or their paid time? Can you tell me more about that? What activities are they doing?

10. If yes, on average, how much time is unpaid?

11. Are there any regulations associated with hiring and staffing to meet health and safety regulations that contribute to higher operating costs? Can you tell me more about that? What is your cost to comply with this regulation? Does this impact how you set your tuition rates?

12. Next, let's talk about your expenses beyond staff. About what percentage of your annual operating costs are associated with your facility? This includes rent, utilities, cleaning, and maintenance.

13. About what percentage of your annual operating costs are associated with serving meals and/or snacks to the children?

14. About what percentage of your annual operating costs are associated with supplies and materials for the classrooms?

15. About what percentage of your annual operating costs are associated with office materials or equipment? This does not include telephone and internet; however, this does include mailings, copies, or advertising.

16. About what percentage of your annual operating costs are associated with your internet and phone, credit card processing fees, and other fixed costs for your business as a whole (e.g., transportation, audits, franchise fees, or payroll costs).

17. Apart from personnel issues, are there other requirements related to health and safety regulations that contribute to higher operating costs? Can you tell me more about that? What is your cost to comply with this regulation? Does this impact how you set your tuition rates?

18. When your child care license is up for renewal, about how many hours do you spend to complete the necessary paperwork?

19. Do have an estimate of how much you spend on inspections and other requirements for maintaining your license? Can you tell me more about that? What would make the licensing renewal process easier?

20. Are you also accredited? If yes, what is the time and cost associated with accreditation? How often do you incur those costs?

21. If you were to meet the standards necessary to qualify for the next quality level, what do you estimate that would cost you? What sort of activities would you need to do?

22. Would moving to the next quality level lead you to increase salary and/or benefits for staff? Would it lead you to have smaller teacher to child ratios for any age group? Would it lead you to decrease the maximum group size for any age group?

23. Would moving to the next quality level change the way you conduct your business in any other way?

24. If you were to try and meet the standards for the next level of quality, do you anticipate that the costs of doing so would exceed the revenue you are able to collect at your current tuition rates?

25. At your current quality level, does the revenue you collect from tuition cover the full cost of delivering quality care?

26. We are almost done. I just have a few more questions. Taking into account all of the cost factors discussed today, what factor(s) drive the tuition rates you charge?

27. When was the last time you raised your tuition rates?

28. If the State of Michigan decided to raise the minimum wage, at what hourly rate would you see an impact on your staffing costs and would you have to raise your tuition rates?

29. Is there a factor that we have not yet discussed that contributes a significant amount to your annual operating costs?

That's everything we have for you today. Is there anything else you would like to add?

Okay. Thank you again for your time today! We really appreciate your willingness to help!

As a thank you for participating in today's interview, we will be sending you a $50 e-gift card in the next two weeks.

Child Care Centers Pre-Interview Operational Cost Worksheet

Thank you for agreeing to be interviewed regarding your center's operational costs to provide quality child care. In order to get an idea of what you are spending your resources on, we have broken down operational cost into several areas of potential expenses. We will ask for these numbers during the interview.

This worksheet is to give you advanced notice of some of the specific areas we will ask about so you can take some time to review your financial or tax records in order to provide this information. You do not need to be exact in your breakdown of percentages—estimated figures are fine.

Overall, what does it cost to operate your child care business in a year? $ _____

☐ About what percentage of your annual operating costs are associated with staffing your center? This includes wages and benefits.

☐ About what percentage of your annual operating costs are associated with training new staff, professional development, or consultant expenses?

☐ About what percentage of your annual operating costs are associated with your facility? This includes rent, utilities, cleaning, and maintenance.

☐ About what percentage of your annual operating costs are associated with serving meals and/or snacks to the children?

☐ About what percentage of your annual operating costs are associated with supplies and materials for the classrooms?

☐ About what percentage of your annual operating costs are associated with office materials or equipment? This does not include telephone and internet; however, this does include mailings, copies, or advertising.

☐ About what percentage of your annual operating costs are associated with your internet and phone, credit card processing fees, and other fixed costs for your business as a whole? This can also include transportation, audits, franchise fees, or costs to do payroll.

All boxes should add to 100%.

Hello, my name is _____, from Public Policy Associates. I am part of a research team that is studying the child care market rates in Michigan.

Before we begin, we would like to thank you for your time. The purpose of this call is to help the Michigan Department of Education (MDE) better understand factors that may be driving the costs for you to deliver quality child care.

The questions we have for you will help identify where you are spending the most time and resources to function, and how regulations (such as licensing requirements) may be influencing your spending. If we do not cover an area that you think is an important aspect of your operating cost, please raise those at the end of the interview.

The interview should last no more than 45 minutes to an hour. Your answers today will only be viewed by our staff at Public Policy Associates. When we issue our report to the Michigan Department of Education, your name and the name of your center will not be used in any way. The information you provide will be grouped with that from other providers so you cannot be identified.

There are no penalties or risks to you for participating or choosing not to participate in this interview, and your participation is completely voluntary. You are under no obligation to join in other activities for this project. We will provide you a one-time $50 e-gift card by email for completing the interview.

If it's okay with you, we will be making an audio recording of our conversation. This is only for the purpose of cleaning up our notes. The recording will not be shared beyond the research team. If you want us to turn off the recording at any time we are happy to do that. Is recording okay with you?

Do you have any questions for me before we begin?

1. Let's begin by discussing your annual operating costs. Overall, what does it cost to operate your child care business in a year?

2. Now, I'm going to ask you about the costs that go into that figure. Let's start with personnel. How many hours do you work in an average week? Please include time that you are spending on business activities outside of spending time with the children, such as purchasing food or bookkeeping.

3. Do you issue yourself a regular paycheck or do you draw your salary from your profits?

   a. If a paycheck, is this included in the number you gave me as part of annual operating cost? Do you also include the cost of your health insurance and other benefits in your annual operating cost?

   b. What percentage of your annual operating costs goes toward your salary?

4. Do you employ any assistants?

   a. If yes, about how many hours a year does your assistant(s) work?

   b. Do you pay your assistant(s) minimum wage or higher?

   c. Is your assistant's salary included in the number you gave me as part of annual operating cost? What about benefits?

   d. What percentage of your annual operating costs goes toward your assistant's salary?

   e. On a scale of one to five, with five being very difficult, how hard is it for you to find qualified assistants?

   f. On a scale of one to five, with five being very satisfied, how satisfied are you with the wages and benefits you are currently providing to your assistant?

   g. How often do you have turnover with your assistant?

   h. If the State of Michigan decided to raise the minimum wage, at what point would that impact your costs with your assistant so that you would have to raise your tuition rates or otherwise make changes to your business?

5. Is there time when you (or your assistant) are performing activities that go toward your quality star rating? Some examples of activities are parent education, or community partnerships, or additional trainings. Can you tell me more about that? What activities are being done? On average, how much time is unpaid?

6. Are there any regulations associated with caregiver responsibilities to meet health and safety regulations that contribute to higher operating costs? Can you tell me more about that? What is your cost to comply with this regulation? Does this impact how you set your tuition rates?

7. Next, we will ask about your business expenses. As you are probably aware from your tax records, operational costs are divided into the direct expenses from running a child care business and those expenses that are a proportion of sharing your home expenses with a business. About what percentage of your annual operating costs are associated with the direct child care business expenses? These are the expenses that exclusively come from the operation of the child care business—such as food for children's meals and snacks, educational materials, office supplies, transportation, advertising, liability

insurance, fees to accountants/tax prep/or credit card processing, professional development, professional membership dues, and licenses or permits.

8. About what percentage of your annual operating costs are associated with the shared use of your home? These are the annual home expenses—such as mortgage and property taxes/or rent, insurance, utilities, repairs and home maintenance, and cleaning supplies—that have been attributed as a proportion of your home's use as the child care business.

9. Apart from personnel issues, are there other requirements related to health and safety regulations that contribute to higher operating costs? Can you tell me more about that? What is your cost to comply with this regulation? Does this impact how you set your tuition rates?

10. When your child care license is up for renewal, about how many hours do you spend to complete the necessary paperwork?

11. Do have an estimate of how much you spend on inspections and other requirements for maintaining your license?

12. Are you also accredited?

    a. If yes, what is the time and cost associated with accreditation? How often do you incur those costs?

13. If you were to meet the standards necessary to qualify for the next quality level, what do you estimate that would cost you? What sort of activities would you need to do?

14. Would moving to the next quality level change the way you conduct your business in any way, such as smaller ratios or conducting assessments?

15. If you were to try and meet the standards for the next level of quality, do you anticipate that the costs of doing so would exceed the revenue you are able to collect at your current tuition rates?

16. At your current quality level, does the revenue you collect from tuition cover the full cost of delivering quality care?

17. We are almost done. I just have a few more questions. Taking into account all of the cost factors discussed today, what factor(s) drive the tuition rates you charge?

18. When was the last time you raised your tuition rates?

19. Is there a factor that we have not yet discussed that contributes a significant amount to your annual operating costs?

That's everything we have for you today. Is there anything else you would like to add?
Okay. Thank you again for your time today! We really appreciate your willingness to help!

As a thank you for participating in today's interview, we will be sending you a $50 e-gift card in the next two weeks.

Child Care Pre-Interview Operational Cost Worksheet for Home-Based Providers

Thank you for agreeing to be interviewed regarding your business's operational costs to provide quality child care. In order to get an idea of what you are spending, we have broken down operational cost into several areas of potential expenses. This worksheet is to give you advanced notice of the specific areas we will ask about so you can take some time to review your financial or tax records in order to provide this information. You do not need to be exact in your breakdown of percentages—estimated figures are fine.

Overall, what does it cost to operate your child care business in a year? $ _____

Do you include your salary and benefits in the annual operating cost above? Yes / No

If yes, your salary is in the annual operating cost:

☐ About what percentage of your annual operating costs goes toward your salary and benefits?

Do you employ one or more assistant? Yes / No
Is your assistant's salary and benefits included in the annual operating cost above? Yes/No

If yes to both employing an assistant and including their salary in the annual operating cost:

☐ About what percentage of your annual operating costs goes toward your assistant's salary and benefits?

☐ About what percentage of your annual operating costs are associated with the shared use of your home? These are the annual home expenses—such as mortgage and property taxes/or rent, insurance, utilities, repairs and home maintenance, and cleaning supplies—that have been attributed as a proportion of your home's use as the child care business. This is the expenses for the square footage of the house used for child care out of the whole house. In tax language, this is "Business use of home expenses".

☐ About what percentage of your annual operating costs are associated with the direct child care business expenses? These are the expenses that exclusively come from the operation of the child care business—such as food for children's meals and snacks, educational materials, office supplies, transportation, advertising, liability insurance, fees to accountants/tax prep/or credit card processing, professional development, professional membership dues, and licenses or permits. In tax language, this is "100% business use expenses".

All boxes applicable to your situation should add to 100%.

Appendix C: Response to Public Comment

A draft of this report was posted on the Michigan Department of Lifelong Education, Advancement, and Potential (MiLEAP) website for public review and comment between April 12, 2024, and May 10, 2024. In total, 18 individuals submitted written comments. In addition, MiLEAP met with the CCDF State Advisory Council and hosted virtual public hearings on April 26 and 30, 2024, with a combined attendance of 50 individuals, to review the report and collect comments. The comments collected online and during the public hearings are listed in the table below, along with the authors' responses. Similar comments have been grouped together with a single response. Some comments have been edited for length and clarity. In addition, several comments suggesting specific wording changes in the report are not listed below, but the suggestions were considered, and changes were made, as appropriate.

TABLE 12. PUBLIC COMMENTS

COMMENTS	AUTHOR RESPONSES
• [Child care providers] don't get close to minimum wage. I make $5.70 per hour for a high-quality program with a curriculum. I have to try to stay at capacity to make enough to pay a $500 weekly grocery bill to feed my group childcare. Please increase our wage to a livable amount. • [To increase child care supply] you need to increase the wages so we can maintain a living wage, and give us some money to pay an employee so we can afford the help. Quality care comes with more workers. • Offer a living wage to workers, offer benefits etc. • States that are making progress on increasing child care supply go above the minimum MR required by Federal law – 85% and above. 75% does not cover child care business costs and only perpetuates the current supply issues in MI. Shift recommendation to – Increase base CDC reimbursement rates to meet the true cost of staffing with adequate and fair wages. • When the rates were temporarily increased [during the pandemic], the cost of care was covered for families. Now that they lowered the pay again, it does not cover all of the cost of care. Also, our prices do not lower for 2.5 year olds, and what CDC pays for 2.5 year olds is a huge difference in what we charge. Our rates do not lower until the child is 3. • Why don't the scholarships pay the full amount? You should pay the full amount. Increase the reimbursement rate to pay everything.	*This feedback is consistent with many of the comments entered by survey respondents and is reflected in the report's findings and recommendations. In Michigan, the state legislature is responsible for setting reimbursement rates. While the findings in this report will help inform that process, we encourage providers and other stakeholders to take advantage of available opportunities to continue to educate others about what it costs to deliver high-quality child care.*

COMMENTS	AUTHOR RESPONSES
• Increasing base CDC payments will bring subsidy payments closer to market rates for sure. My concern is what about high quality programs where rates are closer to survey findings? In 2023, with the extra subsidy funding, many of us were able to increase staff wages. When that funding ended payroll became a struggle. Quality staff deserve a living wage. My concern is there is no recommendation to increase subsidy rates for quality rated programs? • [Based on recommendation to increase the base subsidy rate to meet the 75th percentile] it seems that the lower your quality level, the more of a raise you will get. It looks like the reimbursement rates for some providers at higher quality levels are already meeting the 75th percentile, does this mean that those already reaching this percentile at higher quality levels would not receive an increase and only those at the lower levels receive the benefit?	*While the data from the market rate survey show that scholarship reimbursement rates exceed the 75th percentile of prices charged by providers at higher quality levels, the cost analysis also found that the rates providers are able to charge for care often do not cover the full cost of providing care, and the costs of providing care increase as quality increases. It is for those reasons that the recommendation to increase the base reimbursement rate includes the recommendation to continue to differentiate reimbursement rates by quality level. As noted above, the state legislature is responsible for setting reimbursement rates. Based on the current reimbursement rate structure (see p. 22), which reflects the state's commitment to support providers' efforts to increase quality, it is likely that an increase to the base reimbursement rates would result in rate increases across all quality levels.*
• I charge $60 per day per kid. This is not enough to really sustain my business. I will either have to increase prices or close down within the next year. • The study does not examine whether "prices" include adequate and fair compensation for child care workers and staff in centers or salaries for family child care. Michigan must move to an alternative cost methodology. • Curious if there is any consideration of pursuing an alternative methodology in the future. Could you please share why MI decided to use the market rate study process rather than seeking approval for a process allowed by the Office of Child Care?	*We recognize that an analysis of the rates charged for child care is not sufficient to provide a complete and accurate picture of what it costs providers to deliver high-quality child care. However, federal rules require states seeking approval to conduct an alternative methodology in place of a market rate survey to meet 10 requirements. Due to the timing of the release of the 10 requirements, there was not enough time to meet the requirements, seek approval for an alternative methodology, and complete the study prior to the deadline for submitting the state plan on July 1, 2024. Going forward, though, we fully support taking the steps necessary to meet the federal requirements and to prepare providers to participate in an alternative methodology based on a cost-estimation model prior to the next state plan deadline in 2027.*

COMMENTS	AUTHOR RESPONSES
• We need to be able to have the parent/children cases processed within seven days. If they don't allow us to speak with the caseworker, then we should have someone that we can call. When we have to wait beyond seven days, that hinders our business and the parents' ability to know if they have care for the child. In addition, the parents' cases should not be cut on and off the way that they have been doing now. • When [scholarship eligibility ends], don't do it in the middle of a pay period, because then providers work all the hours with no pay. The parents never pay the balance, and we're just out the income with no notice. • Communication with the State should be available, open, and very active. Why are providers having a hard time connecting with the State? This is a huge problem. • I cannot stress how important it is to reduce the administrative load on providers. Between licensing, business development, food programs, CDC program, Great Start to Quality, etc., I've got way too many disjointed people and organizations to deal with to run my business. The biggest thing we need is less administrative stuff, more collaboration among the multiple organizations we interface with, and more support and trust.	*Again, this feedback is consistent with many of the comments entered by survey respondents and is reflected in the report's findings and recommendations. During the public hearings, MiLEAP expressed an ongoing commitment to understanding the challenges and working with the Michigan Department of Health and Human Services and other stakeholders to find solutions.*

COMMENTS	AUTHOR RESPONSES
• I think the survey lacks participation with the 34% rate. You should have made it mandatory for providers to fill out the survey. The survey should have been connected and available through child care licensing, which is a centralized location for all providers. • I wish more providers would have participated for a more accurate consensus. • For greater transparency regarding representativeness of the sample used to identify the key findings, a table could be included in the report that compares the known characteristics of Michigan licensed child care providers from licensing data to the known characteristics in the study sample. A 34% response rate raises concerns about the representativeness of the sample.	*As described in the methodology section, numerous efforts were taken to maximize the survey response rate, including robust pre-survey provider outreach and provision of paper, online, and telephone-based response options. Although the 34% response rate was below the target of 65%, analysis comparing the sample of respondents to the universe of providers showed that the survey sample was very similar to the overall population. For reference, as suggested by one commenter, tables have been added to Appendix E showing the distribution of key characteristics among both the survey sample and full universe of providers. To further increase confidence in the representativeness of the results, the final dataset was weighted by provider type and geography (see p. A-5). Therefore, while higher response rates may be preferable, we are confident that the results are reasonably representative of Michigan's child care market.*
• Rate differentiation by quality recognition level only increases the inequities between higher recognized programs and programs with lower recognition. • What is the rationale for [the recommendation to] differentiate by provider type? • Why is linking "quality status" to reimbursement rates still recommended?	*The recommendation to continue differentiating scholarship rates by provider type, quality level, and child age groups is based on the study's findings that those factors influence the prices charged by providers, as well as the costs of providing care. Therefore, to ensure that families using scholarships can access care across the full market, it is important that reimbursement rates also account for those factors.*
• For supporting providers in rural areas, is there support for investing in building space and other startup costs for meeting licensing standards? There are currently no programs available for this and hasn't been anything since CFMF closed earlier than expected. • How are we helping rural areas that do not even have childcare centers or daycares or afterschool programs or camps?	*This report, as well as ongoing analysis by the Michigan State University Child Care Mapping Project, highlight the need to increase child care capacity in rural communities. One example of a current strategy to address this issue that is worth noting is the Caring for MI Future Initiative regional planning grants, which bring together economic development, employers, municipalities, parents, and early childhood leaders together in regional coalitions to develop regional plans for accelerating the growth of affordable child care capacity.*

COMMENTS	AUTHOR RESPONSES
• Regarding the issue of adding capacity, during the pandemic, some home-based providers were able to add 1 or 2 to their numbers by getting a variance to licensing rules. However, insurance companies canceled their homeowners policy, so the providers had to go back to original numbers. • I also had a problem with my homeowners insurance dropping me when I got the variance to add slots. It took me months to find another homeowners insurance and cost me over a thousand dollars more.	*MiLEAP is aware of and is working to identify potential solutions to these types of insurance issues that arose as an unanticipated consequence of the efforts to allow home-based providers to increase the number of children in their care.*
• Has any thought been given to an increased subsidy rate for special needs children?	*The new rules enacted in 2024 for CCDBG implementation include a requirement that states offer additional grants and contracts to enhance care for special populations, including children with disabilities, children living in underserved areas, and infants and toddlers. MiLEAP will be seeking input from providers and others on how best to structure those grants and contracts in the coming months.*
• My number one recommendation would be to offer scholarships to employees with children. Childcare is a low paying field and many of our employees with children come to us expecting discounts or free childcare. We own several facilities, including one with over 100 students and they're spending over $100,000 a year on discounts for staff children.	*We appreciate this recommendation, which provides a good example of the creative solutions that are worth considering as part of the broader strategy to grow and support the state's child care workforce.*
• Why does CDC scholarship make job-seekers ineligible even if they income qualify? Why aren't we aligned with GSRP?	*Eligibility rules are set by federal and state law. Part of the state planning process, though, includes identifying and prioritizing potential policy changes to improve the CDC program. Visit the state plan page for more information about how to submit comments about this and other policy-change recommendations.*

COMMENTS	AUTHOR RESPONSES
• I wanted to comment that the change to eliminate the Friend of Court barrier has been helpful to many of our families that are now utilizing scholarships.	*We appreciate this example of one of the ways state government has listened to the concerns raised by providers and families and adjusted policy to better meet the needs of families using the scholarship.*

Appendix D: Market Rate Breakdown

TABLE 13. MARKET RATES (75TH PERCENTILE), BY PUBLIC USE MICRODATA AREA (PUMA)[23] AND AGE GROUP

PUMA	COUNTY	INFANT/TODDLER RATE	PRESCHOOL RATE	SCHOOL-AGE RATE
100	Baraga	$5.56	$5.00	$4.44
100	Dickinson	$5.56	$5.00	$4.44
100	Gogebic	$5.56	$5.00	$4.44
100	Houghton	$5.56	$5.00	$4.44
100	Iron	$5.56	$5.00	$4.44
100	Keweenaw	$5.56	$5.00	$4.44
100	Marquette	$5.56	$5.00	$4.44
100	Ontonagon	$5.56	$5.00	$4.44
200	Alger	$4.56	$4.25	$4.00
200	Chippewa	$4.56	$4.25	$4.00
200	Delta	$4.56	$4.25	$4.00
200	Luce	$4.56	$4.25	$4.00
200	Mackinac	$4.56	$4.25	$4.00
200	Menominee	$4.56	$4.25	$4.00
200	Schoolcraft	$4.56	$4.25	$4.00
300	Alcona	$4.00	$4.00	$3.82
300	Alpena	$4.00	$4.00	$3.82
300	Cheboygan	$4.00	$4.00	$3.82
300	Crawford	$4.00	$4.00	$3.82
300	Montmorency	$4.00	$4.00	$3.82
300	Oscoda	$4.00	$4.00	$3.82
300	Otsego	$4.00	$4.00	$3.82
300	Presque Isle	$4.00	$4.00	$3.82

[23] To reduce potential bias in rate calculations for small-population counties with few child care providers represented in the sample, the rate data presented in the table were calculated for the American Community Survey (ACS) Public Use Microdata Area (PUMA) areas. PUMAs are geographic units of at least 100,000 residents that observe political boundaries. High-population counties with much more than 100,000 residents are divided in the ACS into multiple PUMAs. For the purpose of this study, PUMAs within a county (e.g., Wayne and Kent) are aggregated to create a county-level identifier.

PUMA	COUNTY	INFANT/TODDLER RATE	PRESCHOOL RATE	SCHOOL-AGE RATE
400	Antrim	$5.11	$4.71	$4.50
400	Charlevoix	$5.11	$4.71	$4.50
400	Emmet	$5.11	$4.71	$4.50
400	Kalkaska	$5.11	$4.71	$4.50
400	Missaukee	$5.11	$4.71	$4.50
400	Wexford	$5.11	$4.71	$4.50
500	Benzie	$6.11	$5.56	$5.17
500	Grand Traverse	$6.11	$5.56	$5.17
500	Leelanau	$6.11	$5.56	$5.17
500	Manistee	$6.11	$5.56	$5.17
600	Lake	$4.75	$4.44	$5.00
600	Mason	$4.75	$4.44	$5.00
600	Newaygo	$4.75	$4.44	$5.00
600	Oceana	$4.75	$4.44	$5.00
700	Muskegon	$5.75	$5.00	$5.00
803	Ottawa	$6.53	$5.56	$4.67
900	Allegan	$6.00	$5.33	$4.89
1005	Kent	$6.67	$6.00	$5.00
1100	Ionia	$4.82	$4.00	$3.89
1100	Mecosta	$4.82	$4.00	$3.89
1100	Montcalm	$4.82	$4.00	$3.89
1100	Osceola	$4.82	$4.00	$3.89
1200	Clare	$4.44	$4.11	$3.78
1200	Gratiot	$4.44	$4.11	$3.78
1200	Isabella	$4.44	$4.11	$3.78
1300	Arenac	$4.51	$4.00	$3.75
1300	Gladwin	$4.51	$4.00	$3.75
1300	Iosco	$4.51	$4.00	$3.75
1300	Ogemaw	$4.51	$4.00	$3.75
1300	Roscommon	$4.51	$4.00	$3.75
1400	Bay	$5.58	$5.00	$4.44
1400	Midland	$5.58	$5.00	$4.44
1500	Saginaw	$6.11	$5.11	$5.00
1600	Huron	$4.59	$4.44	$4.00
1600	Sanilac	$4.59	$4.44	$4.00
1600	Tuscola	$4.59	$4.44	$4.00
1705	Genesee	$5.78	$5.00	$4.85
1705	Lapeer	$5.78	$5.00	$4.85
1705	Shiawassee	$5.78	$5.00	$4.85
1803	Ingham	$6.86	$5.82	$5.56
1900	Clinton	$5.33	$5.11	$4.00

PUMA	COUNTY	INFANT/TODDLER RATE	PRESCHOOL RATE	SCHOOL-AGE RATE
1900	Eaton	$5.33	$5.11	$4.00
2000	Barry	$5.56	$4.78	$4.00
2000	Calhoun	$5.56	$4.78	$4.00
2103	Kalamazoo	$6.67	$5.56	$4.22
2200	Branch	$4.33	$3.78	$3.67
2200	St. Joseph	$4.33	$3.78	$3.67
2300	Cass	$5.56	$5.00	$3.33
2300	Van Buren	$5.56	$5.00	$3.33
2400	Berrien	$5.56	$4.89	$4.44
2500	Hillsdale	$4.44	$3.89	$3.33
2500	Lenawee	$4.44	$3.89	$3.33
2600	Jackson	$5.56	$4.83	$4.00
2704	Washtenaw	$10.00	$7.78	$5.56
2800	Livingston	$7.22	$6.40	$4.67
2909	Oakland	$8.86	$7.35	$6.11
3007	Macomb	$7.94	$6.67	$5.70
3100	St. Clair	$5.56	$4.89	$5.33
3214	Wayne	$6.71	$6.11	$5.00
3300	Monroe	$6.11	$5.56	$4.50

TABLE 14. COMPARISON OF SCHOLARSHIP RATES TO MARKET RATES (75TH PERCENTILE) AMONG CENTERS, BY QUALITY LEVEL AND AGE GROUP

QUALITY LEVEL	INFANT/ TODDLER: SCHOLARSHIP RATE	INFANT/ TODDLER: MARKET RATE	PRESCHOOL: SCHOLARSHIP RATE	PRESCHOOL: MARKET RATE	SCHOOL-AGE: SCHOLARSHIP RATE	SCHOOL-AGE: MARKET RATE
Maintaining Health & Safety	$6.20	$7.84	$4.40	$6.25	$4.25	$4.72
Reflecting on Quality	$6.55	$7.56	$4.75	$6.11	$4.65	$4.44
Enhancing Quality	$7.30	$7.77	$5.45	$6.44	$5.35	$5.00
Enhancing Quality-Validated	$7.60	$7.89	$5.85	$6.44	$5.70	$5.00
Demonstrating Quality	$8.35	$8.89	$6.55	$6.40	$6.40	$2.78

TABLE 15. COMPARISON OF SCHOLARSHIP RATES TO MARKET RATES (75TH PERCENTILE) AMONG HOME-BASED PROVIDERS, BY QUALITY LEVEL AND AGE GROUP

QUALITY LEVEL	INFANT/ TODDLER: SCHOLARSHIP RATE	INFANT/ TODDLER: MARKET RATE	PRESCHOOL: SCHOLARSHIP RATE	PRESCHOOL: MARKET RATE	SCHOOL-AGE: SCHOLARSHIP RATE	SCHOOL-AGE: MARKET RATE
Maintaining Health & Safety	$4.95	$5.56	$4.25	$5.11	$4.15	$5.00
Reflecting on Quality	$5.35	$4.56	$4.65	$4.44	$4.50	$4.09
Enhancing Quality	$6.05	$5.00	$5.35	$5.00	$5.20	$4.44
Enhancing Quality-Validated	$6.40	$5.11	$5.70	$5.11	$5.60	$5.11
Demonstrating Quality	$7.10	$6.25	$6.40	$6.25	$6.30	$6.11

Appendix E: Comparison of Survey Sample to Universe of Licensed Providers

TABLE 16. COMPARISON OF SURVEY SAMPLE TO PROVIDER UNIVERSE, BY TYPE OF PROVIDER

PROVIDER TYPE	PROPORTION OF LICENSED PROVIDERS	PROPORTION OF SURVEY SAMPLE
Centers	56.25%	57.09%
Family Homes	24.69%	24.52%
Group Homes	19.06%	18.39%

TABLE 17. COMPARISON OF SURVEY SAMPLE TO PROVIDER UNIVERSE, BY QUALITY LEVEL

PROVIDER TYPE	PROPORTION OF LICENSED PROVIDERS	PROPORTION OF SURVEY SAMPLE
Maintaining Health & Safety	38.73%	49.88%
Reflecting On Quality	8.01%	6.60%
Enhancing Quality	34.93%	25.84%
Enhancing Quality-Validated	13.57%	13.19%
Demonstrating Quality	4.75%	4.49%

TABLE 18. COMPARISON OF SURVEY SAMPLE TO PROVIDER UNIVERSE, BY GSQ RESOURCE CENTER SERVICE AREA

PROVIDER TYPE	PROPORTION OF LICENSED PROVIDERS	PROPORTION OF SURVEY SAMPLE
Central	9.40%	10.18%
Eastern	11.45%	7.19%
Kent	8.38%	8.24%
Northeast	3.29%	2.61%
Northwest	3.47%	3.96%
Southeast	10.94%	13.48%
Southwest	10.86%	11.28%
Upper Peninsula	3.77%	3.51%
Wayne-Oakland-Macomb	28.75%	30.84%
Western	9.69%	8.71%

Appendix F: Detailed Maps of Child Care Availability in Major Metropolitan Areas

Figure 31. Ratio of Children Under Age 10 to Available Child Care Slots in Close Proximity, by Census Tract, Detroit

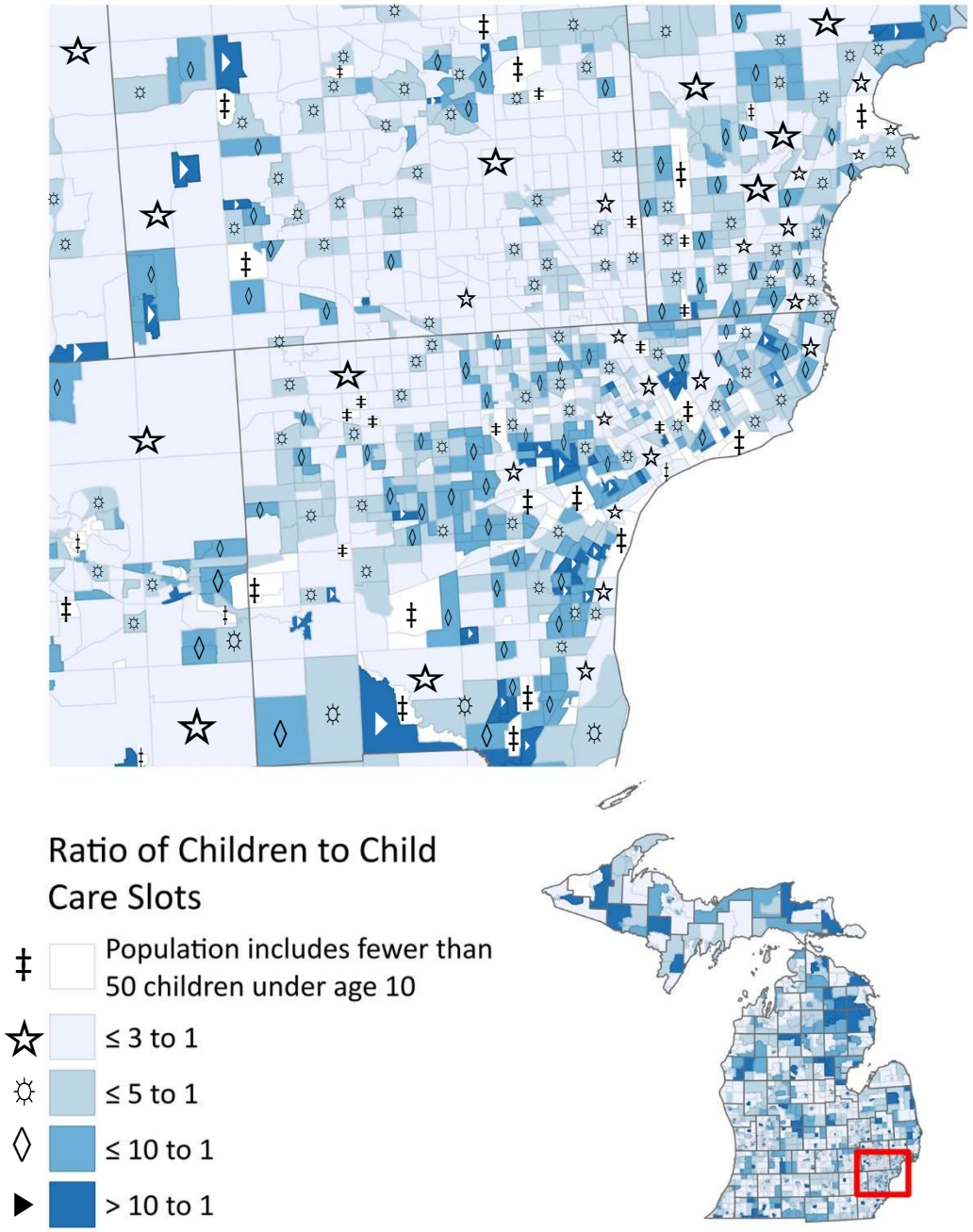


Figure 32. Ratio of Children Under Age 10 to Available Child Care Slots in Close Proximity, by Census Tract, Flint

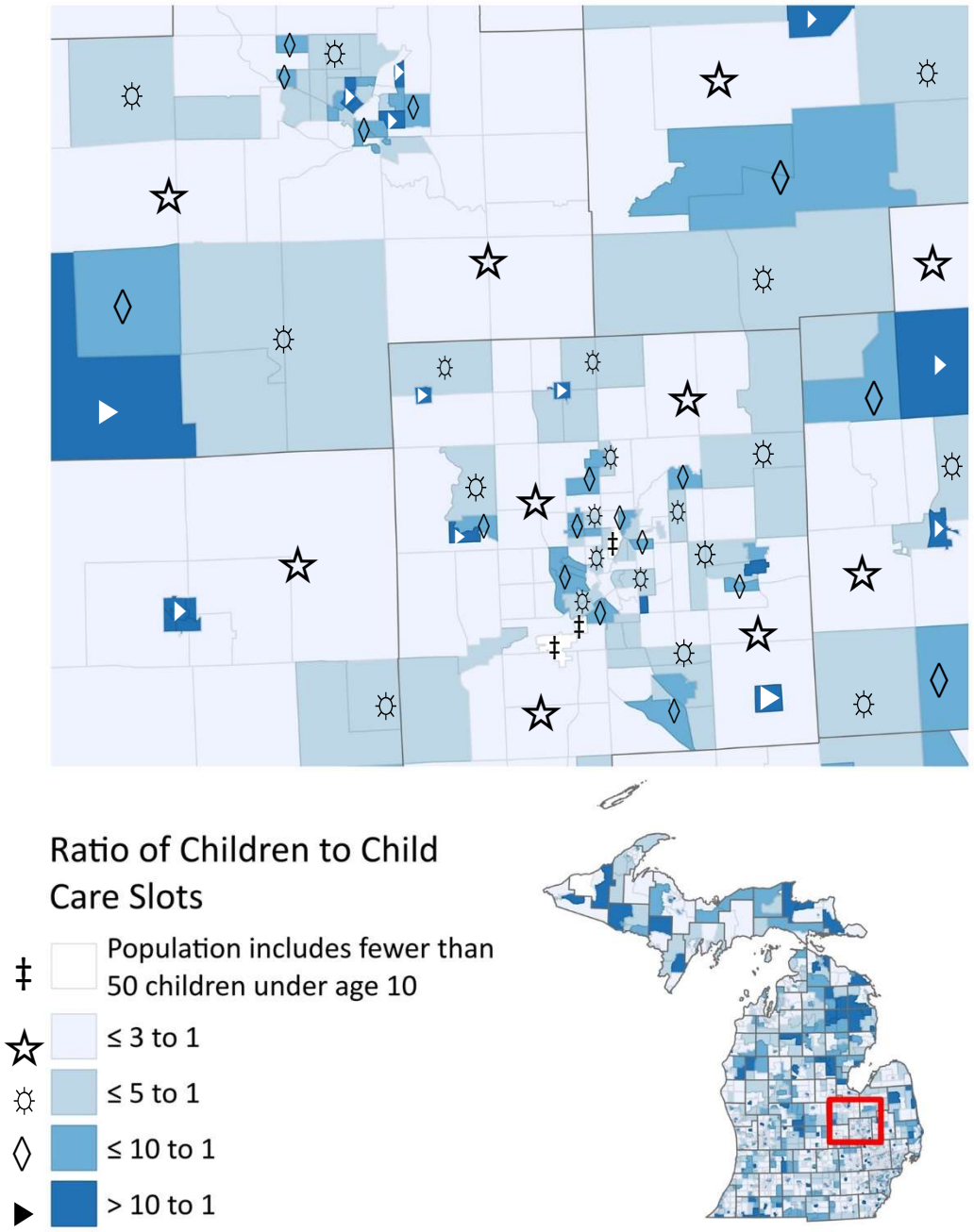


Figure 33. Ratio of Children Under Age 10 to Available Child Care Slots in Close Proximity, by Census Tract, Grand Rapids

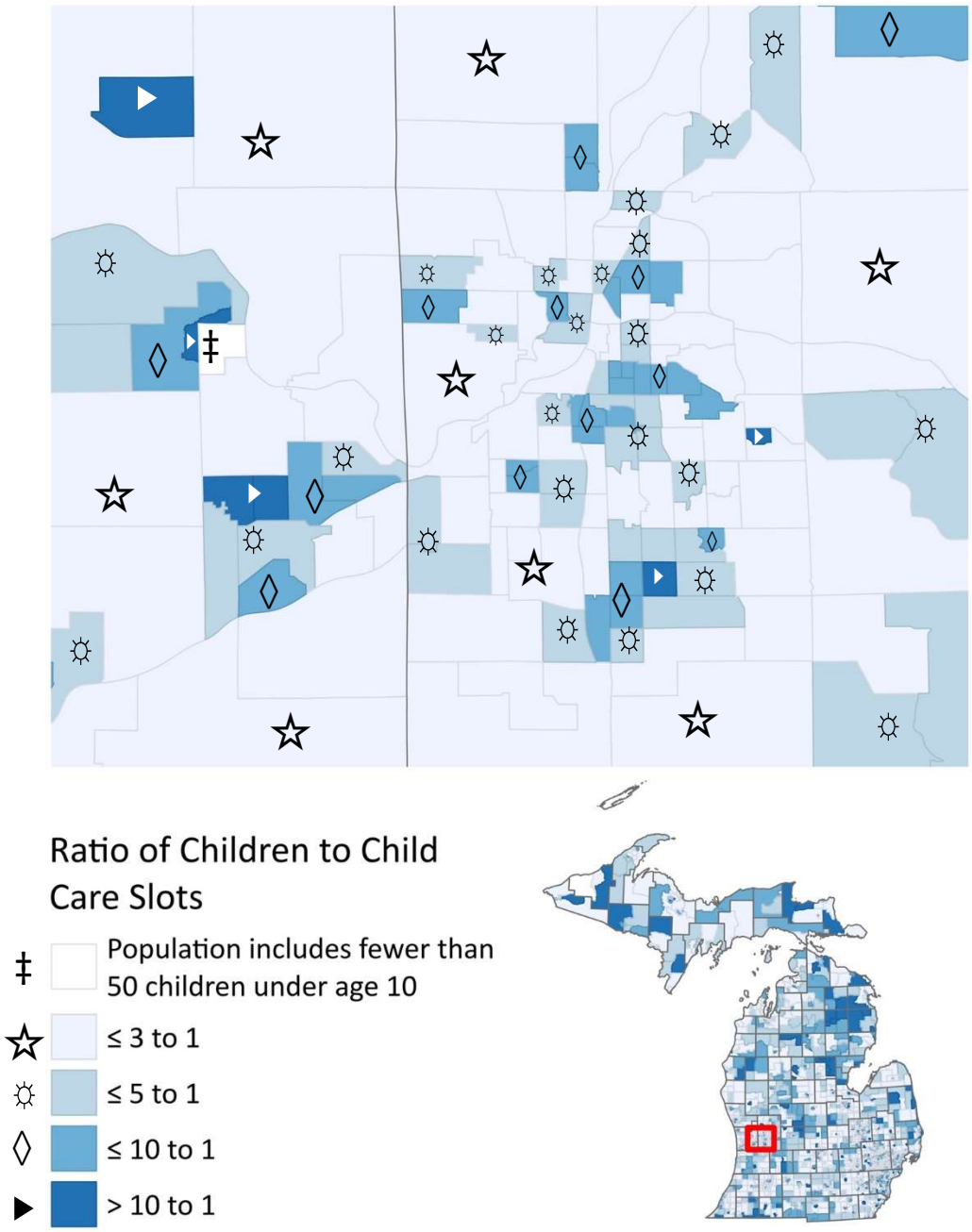


Figure 34. Ratio of Children Under Age 10 to Available Child Care Slots in Close Proximity, by Census Tract, Kalamazoo

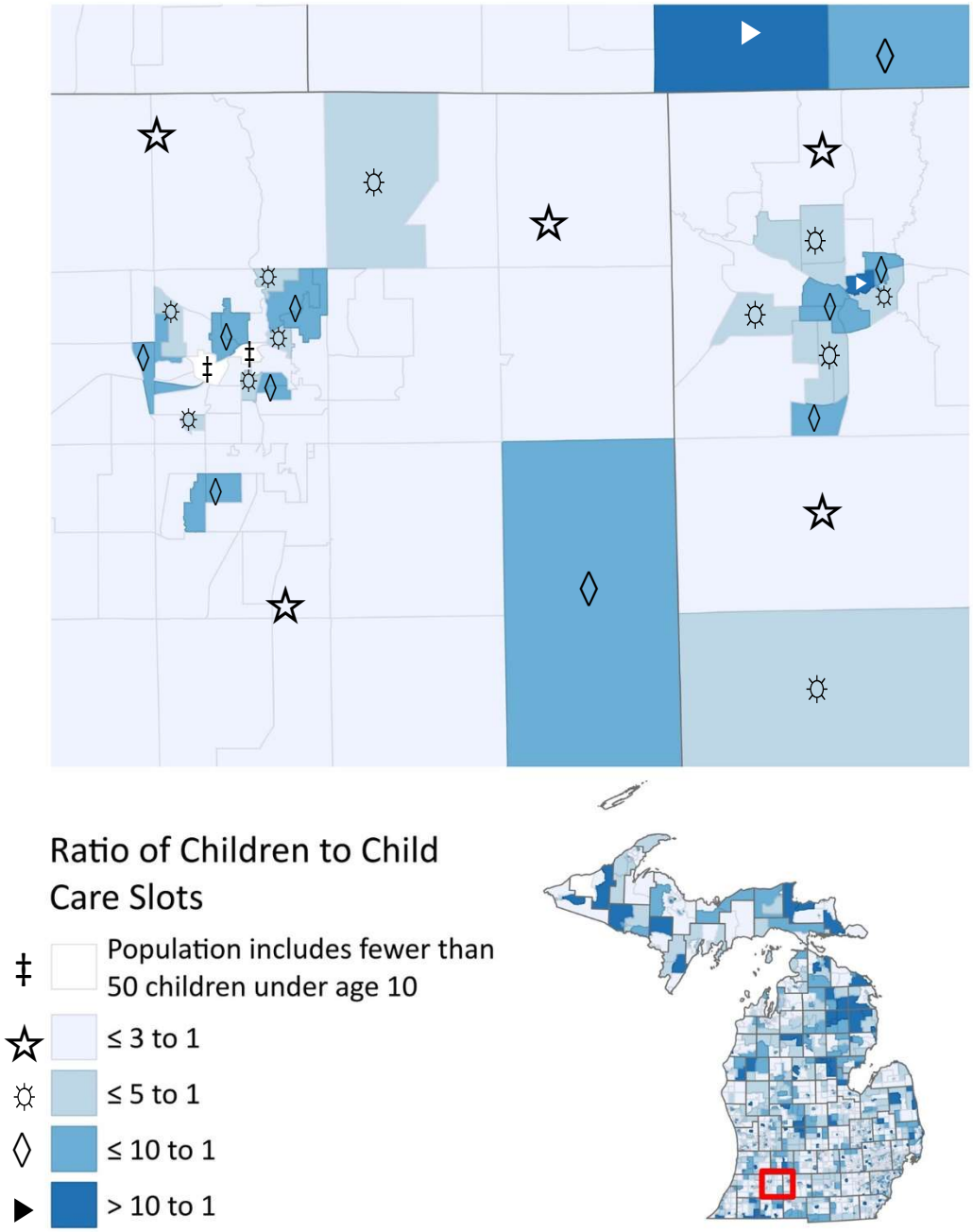
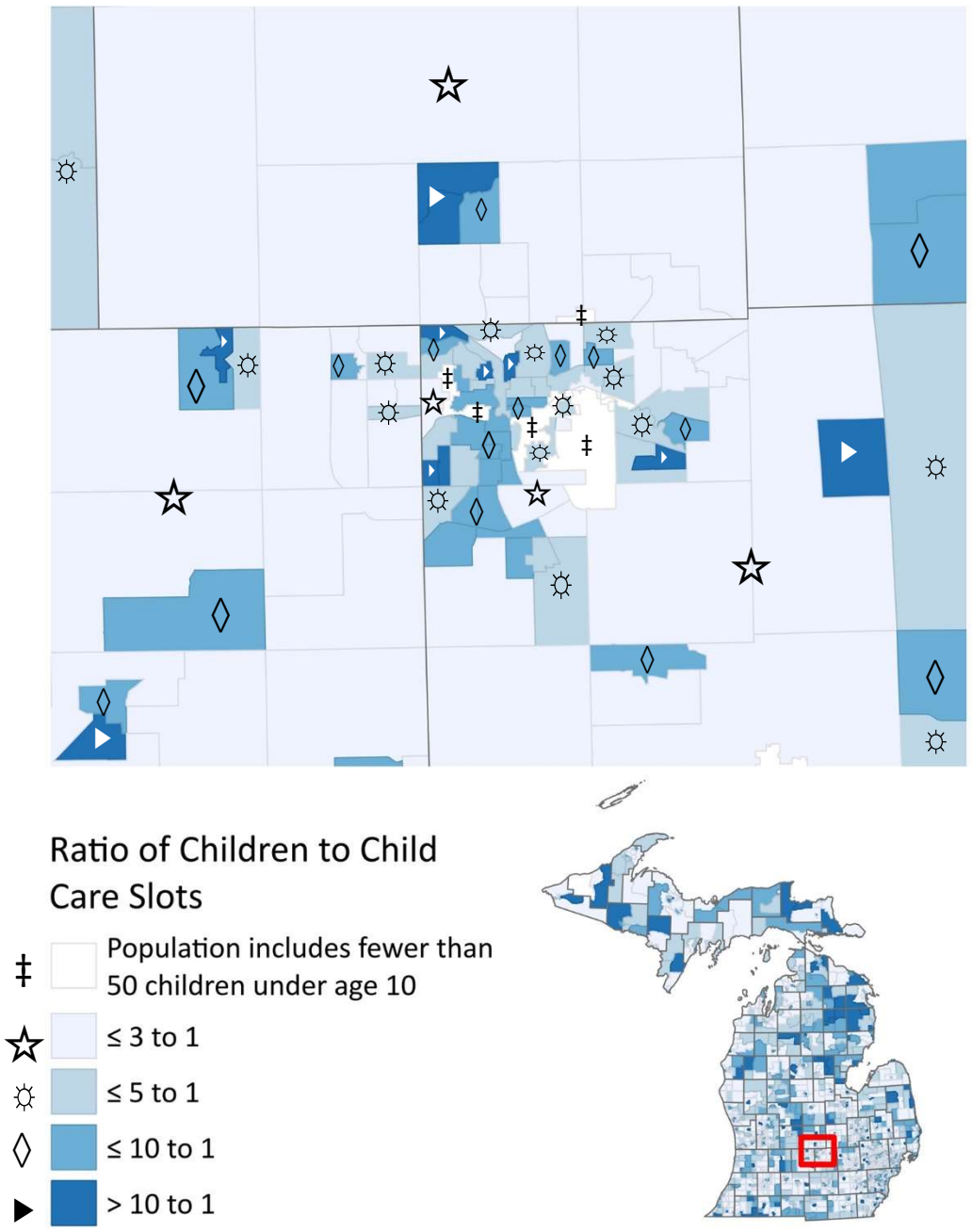


Figure 35. Ratio of Children Under Age 10 to Available Child Care Slots in Close Proximity, by Census Tract, Lansing



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Michigan's Child Care Market Rates

AN ANALYSIS OF PRICES FOR QUALITY CHILD CARE TO INFORM THE CHILD DEVELOPMENT AND CARE SCHOLARSHIP PROGRAM

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June 2024