

# The True Cost of High-Quality Early Childhood Care and Education in Michigan

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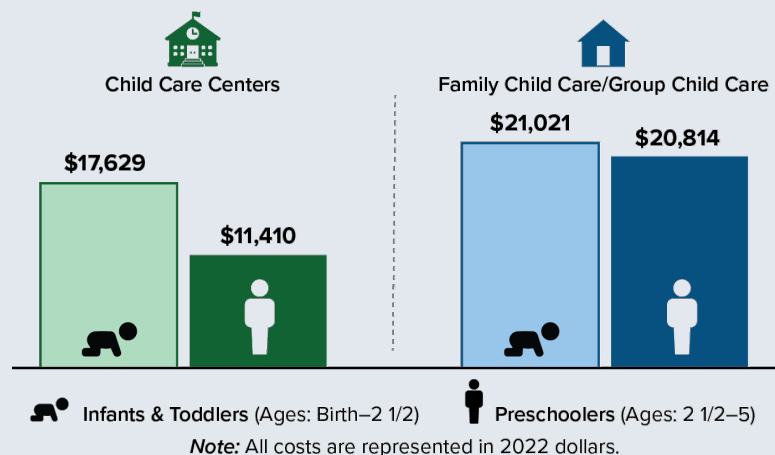
In 2020, as a part of the Preschool Development Grant Birth through Five renewal grant, the Michigan Department of Education partnered with the American Institutes for Research® (AIR®), to conduct a study to better understand the features and true costs of high-quality early childhood care and education (ECCE) in Michigan. A needs assessment showed that families reported high out-of-pocket expenses and that the rates charged by providers did not necessarily cover the true cost of providing high-quality ECCE because the rates are influenced by how much families can afford to pay.

## Data and Methods

Using multiple data sources from a diverse sample of 45 ECCE programs identified as high quality, AIR estimated the per-child cost of providing high-quality ECCE by age, setting, and region.

**Estimated costs for high-quality ECCE in Michigan were between \$11,000 and \$21,000 per child per year, depending on age, setting, and location.**

On average, the costs to provide high-quality care are higher for home-based ECCE than for center-based care. For centers, it costs more to serve infants and toddlers than preschool aged children, but this is not true in home-based programs.



Note: All costs are represented in 2022 dollars.

**The cost of providing quality care and education varies across Michigan: Costs are highest in Detroit and the northeast region and are lower in the southeast region (excluding Detroit).**

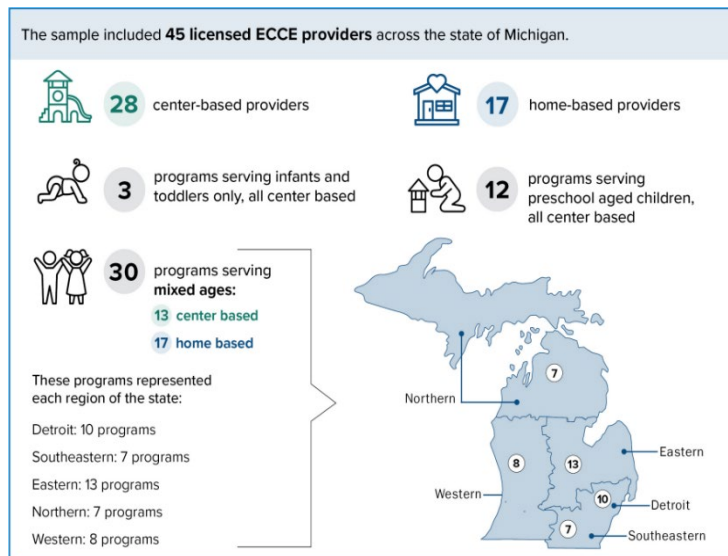
**Personnel costs are the largest cost driver for high-quality ECCE in homes and centers.**

Although personnel account for most costs, compensation varies significantly between center- and home-based facilities, with overall costs for personnel being higher in homes but personnel costs accounting for a larger proportion of costs for centers.

Most providers operate their programs by braiding state and federal funds in complex ways, and providers must be resourceful to find ways to cover the true cost of high-quality child care.

## Data Collection and Sample

Data collected for this study included 90-minute interviews conducted with program directors or owners, analyses of budget documents, surveys of teachers and caregivers, and extant pricing information.



## Challenges

- Providers noted that hiring and retaining qualified staff and having consistent and adequate funding are the two greatest challenges ECCE providers face in providing high-quality ECCE in Michigan.
- ECCE providers are also challenged to afford the costs of mandatory state licensing fees.
- Providers cannot charge higher tuition fees to families to make up the difference in costs. When asked about passing on the increasing costs of ECCE to families, directors reported that families struggle to afford the cost of ECCE at its current price

## Policy Lessons and Recommendations

There is a strong need to increase investment in the ECCE workforce, in Michigan and nationwide. Some recommendations for doing this in Michigan include the following:

- Coordinate the Great Start Readiness Program online teacher certification program and MiRegistry because many ECCE staff are required to participate in trainings offered in both systems.
- Move toward salaries that are commensurate with public school teachers, which would require higher subsidy rates and overall investment in ECCE.

Future research should include more information about the resources needed to move toward higher quality care (an adequacy-based approach) to reduce inequities and better inform state policy on child care subsidy rates.

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