

Child Care Business Sustainability Report

MICHIGAN



Introduction

Between April and June 2026, First Children's Finance conducted a survey to capture the state of child care businesses in Michigan. The findings reflect the state of child care businesses during 2025 and explore trends and changes since 2024. This report is intended to inform child care policy discussions and advocacy across Michigan. The findings will also be used to shape First Children's Finance's responsive business technical assistance in the year ahead.

A diverse range of topics related to business sustainability were captured from child care businesses. Child care businesses in Michigan continue to face an unstable landscape, rising costs, and deepening uncertainty about whether they can sustain operations. Providers continue to show up for the families they serve, but many are keeping their doors open through personal financial sacrifice and short-term workarounds rather than a stable business model.

At the same time, this year's results show some signs of improvement, especially among centers and family child care providers. Meanwhile, group home providers report worsening conditions across nearly every indicator, from financial stability and household financial losses to deferred facility maintenance and difficulty securing liability insurance. This report explores these pressures and signs of improvement and compares the 2025 results with the 2024 Michigan State of Child Care Survey.



Methodology

This report presents the 2025 State of Child Care Business Survey Michigan results, compared to the previous year's results. In total, FCF collected 314 usable responses from child care business owners in 2026, which represents four percent of all providers in the state of Michigan. The previous year, 681 responses were collected, representing nine percent of all providers.

FCF invited all Michigan licensed child care programs to participate in the survey through organizational subscriber lists and collaboration with CCR&Rs. Participation in the survey was voluntary and may not reflect the experiences of typical child care businesses in Michigan. However, the survey provides unique insight into what participating business owners are experiencing financially.

Among the 2025 survey respondents, 53 percent were identified as child care centers, 21 percent as group homes (GH) and 25 percent as family child care programs (FH). Participation largely mirrors the makeup of Michigan's child care sector, with slight underrepresentation of centers and overrepresentation of family child care providers and group homes. The 2024 composition of respondents was slightly different, as shown in the table below. Since we cannot confirm that participants in both years are identical, conclusions drawn from year over year comparisons should be interpreted with caution. This represents a limitation of this survey design.

Type of program	2024		2025	
	%	N	%	N
Child Care Center	51%	345	53%	165
Group Home	20%	135	21%	66
Family Child Care	30%	201	25%	79
Other	0%	0	1%	4
Total	100%	681	100%	314

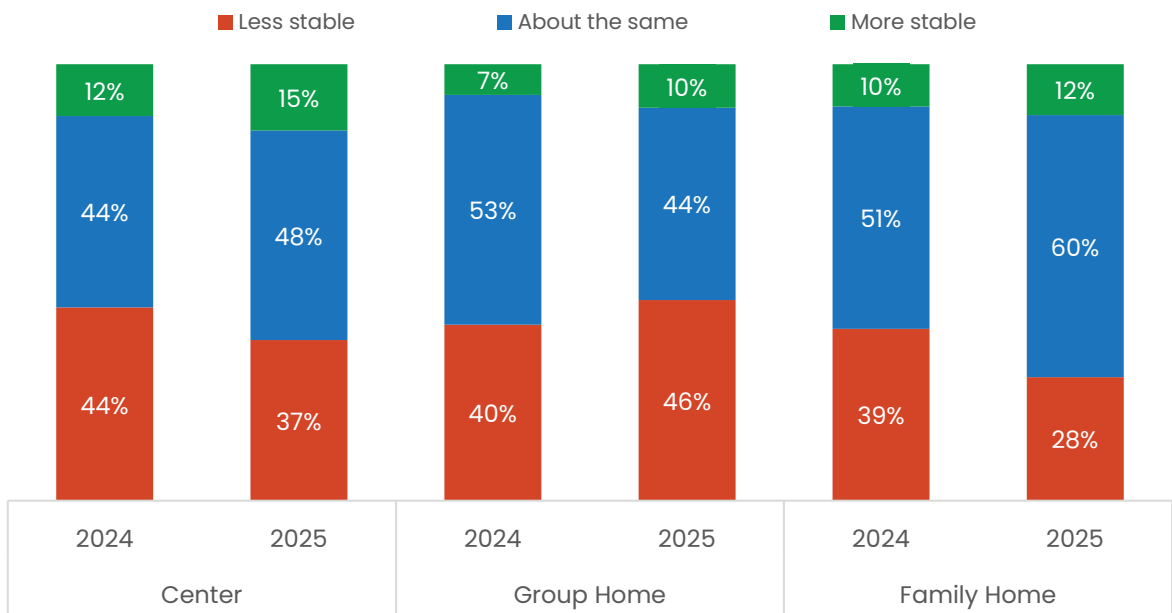
The State of the Sector: Provider Perceptions

The following section explores how providers perceived the state of their business and the child care sector in 2025.

Business and Household Financial Health

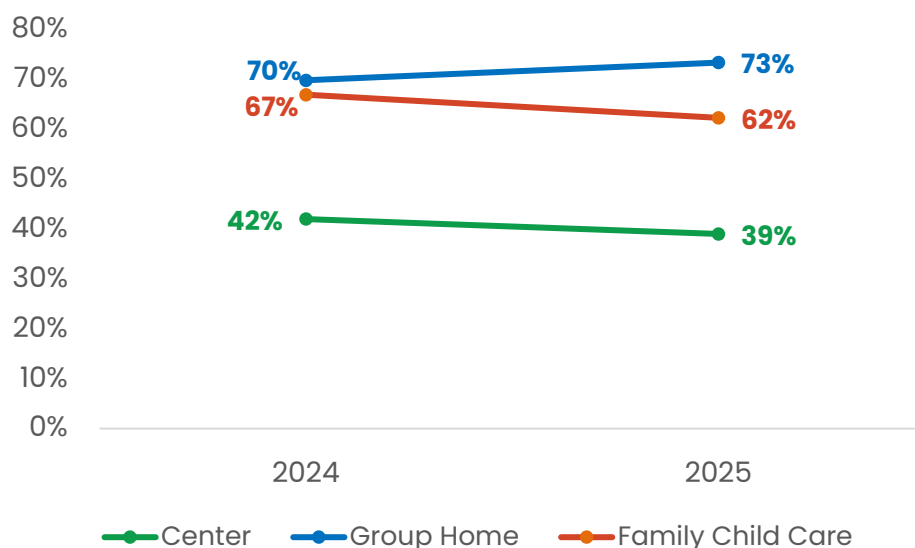
In the survey, more than one third of all providers report experiencing less financial stability compared to the previous year, with group homes being the most affected (46% for GH, 37% for centers and 28% of FH). Overall, there is a slight improvement on this measure when comparing to 2024 survey results. In 2024, almost 42 percent of all providers reported less financial stability than the previous year. However, this decrease is mainly experienced by centers and family child care programs, while group homes have slightly worsened in 2025.

Financial Stability Perception Compared to Previous Year



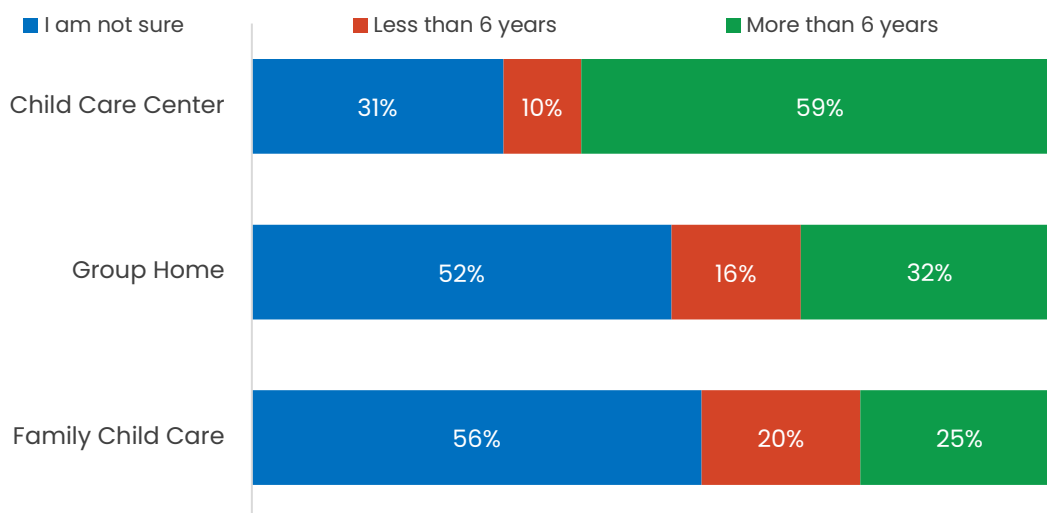
Additionally, the share of centers and family child care programs reporting that business losses have impacted their household income also saw a small decline compared to 2024. This decline is not seen in group home results. The highest impact in households is experienced by group homes, with 73 percent reporting financial losses impacting their households, followed by family child care programs (62%).

Household impacted by Financial Losses



In this context, 44 percent of business owners plan to keep operating their child care businesses for at least six years. While only 14 percent believe they will operate for less than that, a much higher percentage (42%) say the time is uncertain, which may reflect financial pressures that limit their ability to project their business. Additionally, centers (59%) are much more likely to report they plan to operate more than six years than group (32%) and family child care programs (25%).

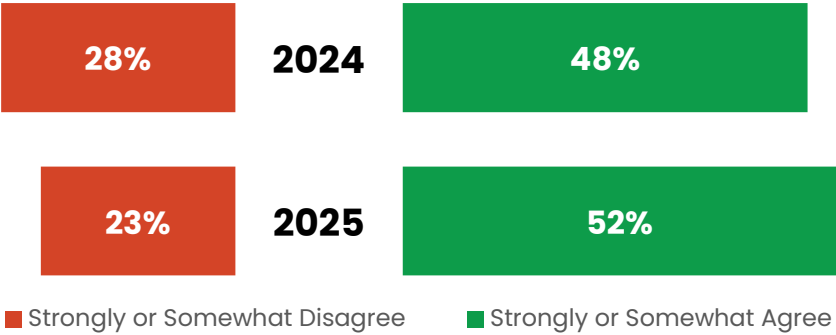
Plan to Operate Child Care Business



Business owners in Michigan demonstrate optimism and resilience even with a difficult landscape for child care businesses. While 23 percent reported not being optimistic about the future of their child care business, more than a half of providers share that they are optimistic about their business’ future. Centers (60%) and group homes (54%) show higher optimism rates than family child care programs (30%).

Provider Optimism Slightly Grew in 2025

Percentage of providers that agree/disagree with the statement: "I am optimistic about the future of my child care business"



Health of the Child Care Sector

When asked about the child care industry in general, similar to 2024, an overwhelming majority of providers (82%) agreed that the industry is in crisis, with family child care programss and group homes more likely to agree than centers (87%-86% vs. 79%). Provider perception of crisis is not unfounded—it reflects real operational strain that shows up in how businesses manage daily survival.

Regarding state support, 23 percent of all providers believe the state is making investments that increase the sustainability of child care businesses, a slight improvement compared to 2024 (19%). Family child care programs are more critical than centers and group homes (17% vs. 24%) and those not participating in public funding are more critical than those participating in public funding (16% vs. 23%).

When asked about whether the child care workforce is paid fairly, three out of four business owners believe it is not: 75 percent of all providers still believe the workforce is unfairly paid and there are no improvements from last year survey.

Concerns on the State of the Sector Persist

Percentage of providers that agree/disagree with the following statements:

"My state is making investments that are increasing the sustainability of child care businesses"



"The child care workforce is paid fairly"



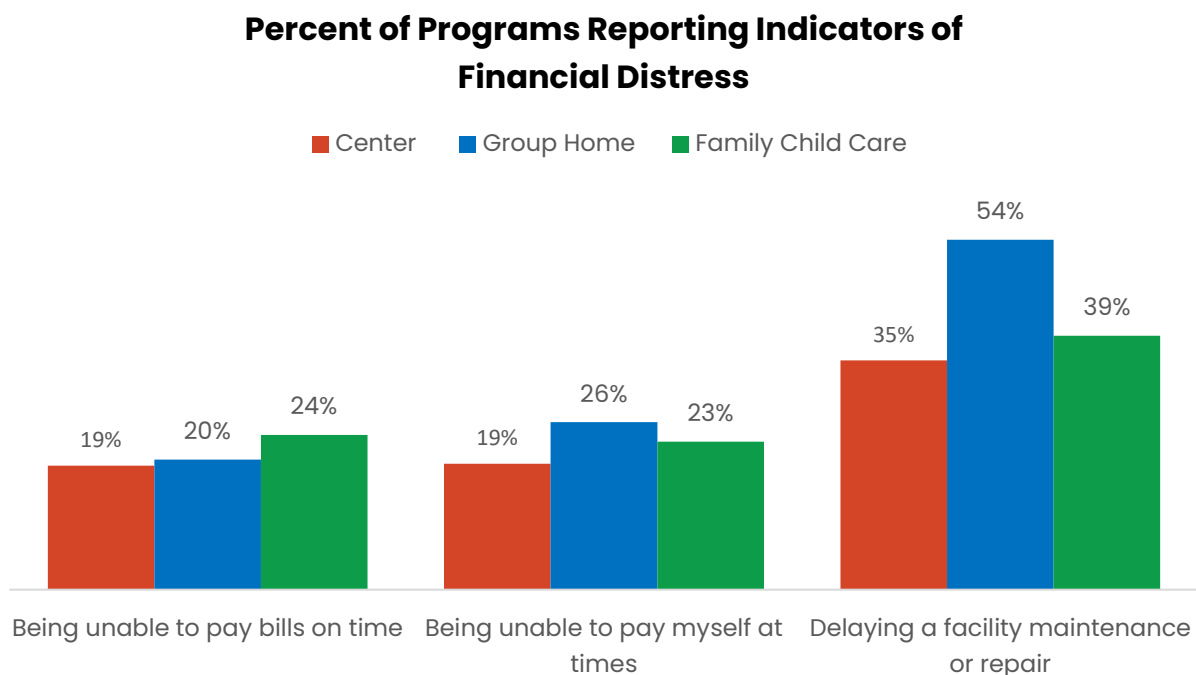
Strongly or Somewhat Disagree Strongly or Somewhat Agree

Indicators of Financial Sustainability

Bills and Facility Maintenance

Some critical indicators of financial stability include business owners’ ability to pay bills and pay themselves a salary, the ability to manage facility maintenance, the types of actions used to manage the business, and changes in expenses, among others. The survey sought to capture these indicators to better understand the operational and financial experience of child care businesses.

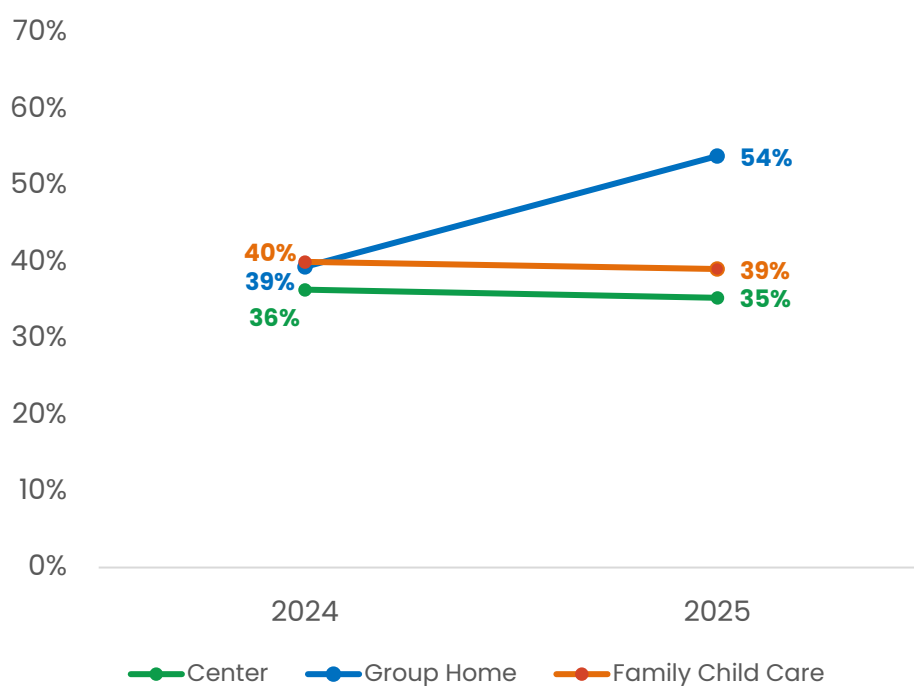
Among all respondents, one in five of all businesses report being unable to pay bills on time or to pay themselves at times. In both cases, group homes and family child care programs experience greater vulnerability than centers.



Facilities are critical to providing a safe and appropriate space for children, providing the physical infrastructure to deliver quality services. Child care businesses, especially group homes, are struggling with infrastructure issues. While the share of centers (35%) and family child care programs (39%) reporting delayed maintenance remained similar to the previous year, the percentage of group homes reporting delaying a facility maintenance experienced an important increase from 2024 to 2025. In 2024, 39 percent of group homes reported delaying facility maintenance, while in 2025, 54 percent did. This is a critical sign that group homes are increasingly experiencing financial difficulties.

These deferred costs are likely to grow over time, creating facility issues that will eventually demand attention and resources. Delaying repairs can lead to non-compliance with licensing requirements and create barriers to improving program quality, as environmental conditions are a core component of Michigan's Quality Rating and Improvement System (QRIS). They can also limit growth, since programs with unresolved maintenance issues struggle to qualify for facility upgrades or higher quality ratings. Health and safety standards form the foundation of high-quality care, and when providers are forced to delay necessary repairs, it can create a ripple effect across child safety, staff morale, family perception, and, licensing status.

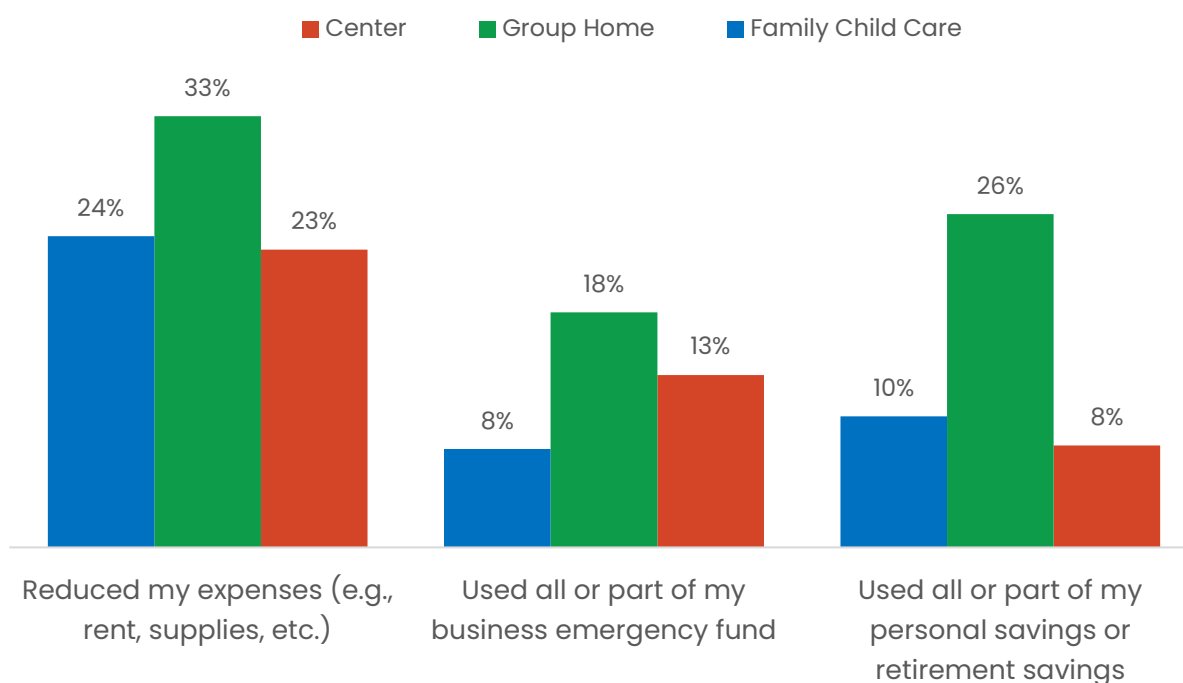
Reported Rates of Deferred Maintenance



Savings and Expense Management

Child care businesses take different approaches to managing their budget, with some approaches indicating higher risk to the child care business model. The action most commonly reported by respondents was reducing expenses, with one in four programs taking this more conservative, proactive approach. However, other actions signal the precarity providers, especially group homes, face: 18 percent of group homes and 13 percent of family child care providers reported using all or part of their emergency fund. Additionally, 26 percent of group home providers report using all or part of their personal or retirement savings. In essence, many providers are subsidizing unsustainable businesses with their own assets, a pattern that cannot be sustained indefinitely. A positive sign is that the rate of providers reporting taking out loans and using high-interest financing remains low, at 5%.

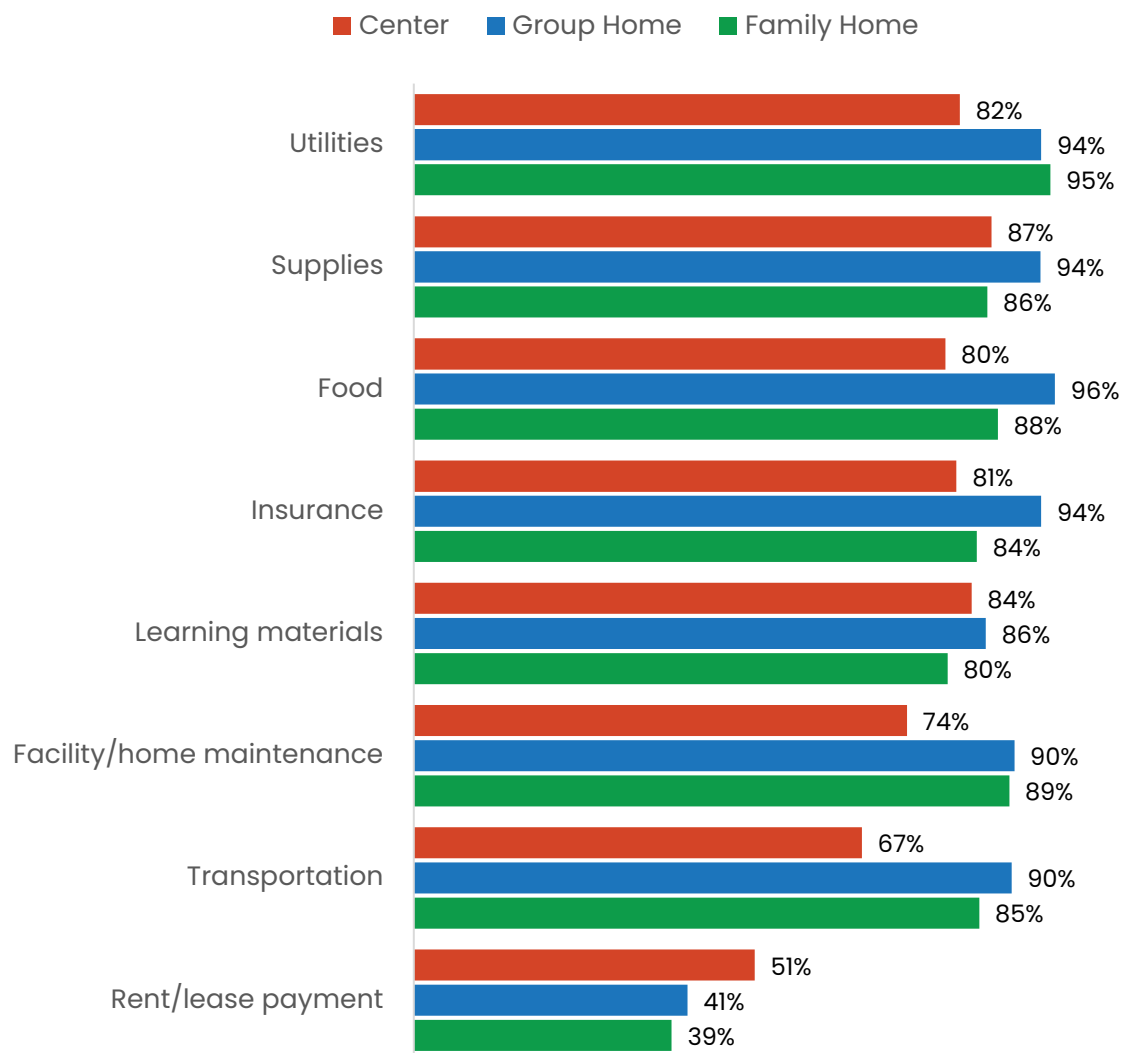
Percent of Programs Taking the Following Actions to Sustain their Business in 2025



Rising Costs

Utilities, supplies, food, insurance, and other expenses are meaningful costs for child care businesses. Across almost all expense categories in the survey, the vast majority of respondents reported modest or significant increases in cost. The only exception is rent, where 39 percent of all providers reported increases. Overall, group homes and family child care programs report higher rate of cost increases for almost every category.

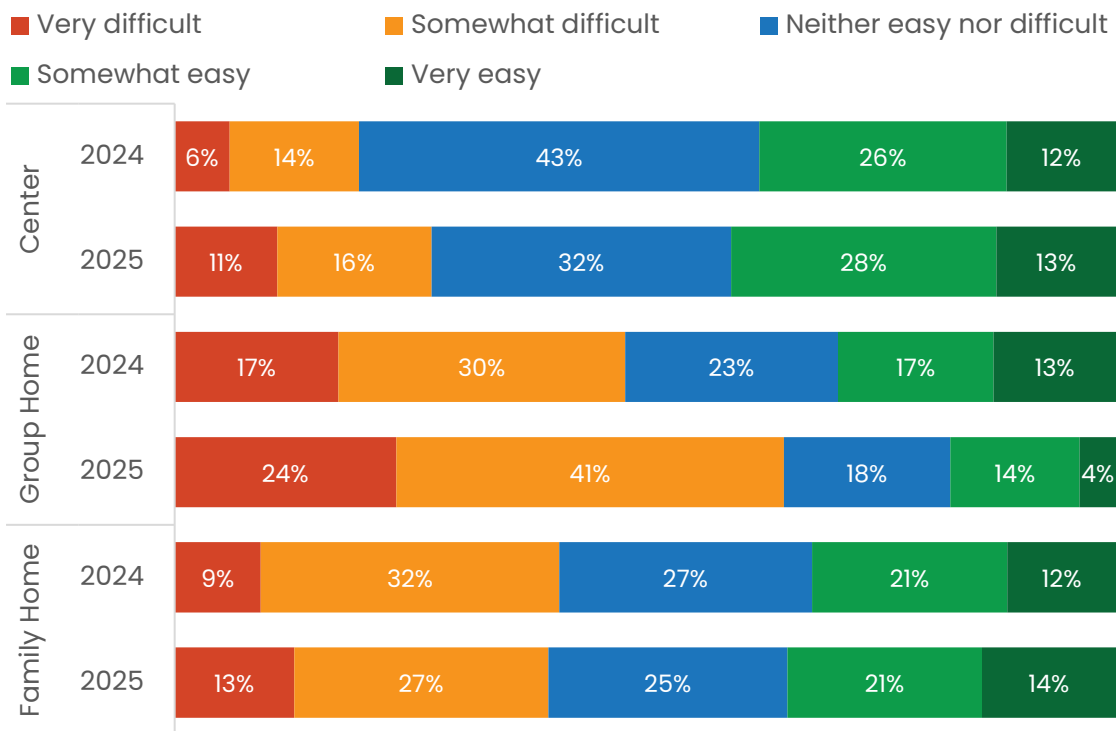
Percent of Programs Reporting Increases in Expenses



Insurance

Liability insurance has been a particular source of struggle for child care businesses nationwide, and for Michigan businesses, the situation is no different. The survey found that 39 percent of all programs find it difficult to secure liability insurance, with group homes being the most affected (65%), followed by family child care programs (40%) and centers (27%). While for family child care programs the situation has remained stable, compared to 2024 results, there has been an increase in the share of centers and group homes experiencing this difficulty. Furthermore, 39 percent of all providers are a little or very concerned about their policy being canceled, with more than half of group homes reporting this concern. Home-based programs have shared difficulty securing or maintaining their liability insurance when caring for more than six children, limiting the impact of recent licensing variances intended to increase child care supply by allowing family homes to care for up to seven children and group homes to care for up to 14.

Reported Level of Difficulty Securing Liability Insurance

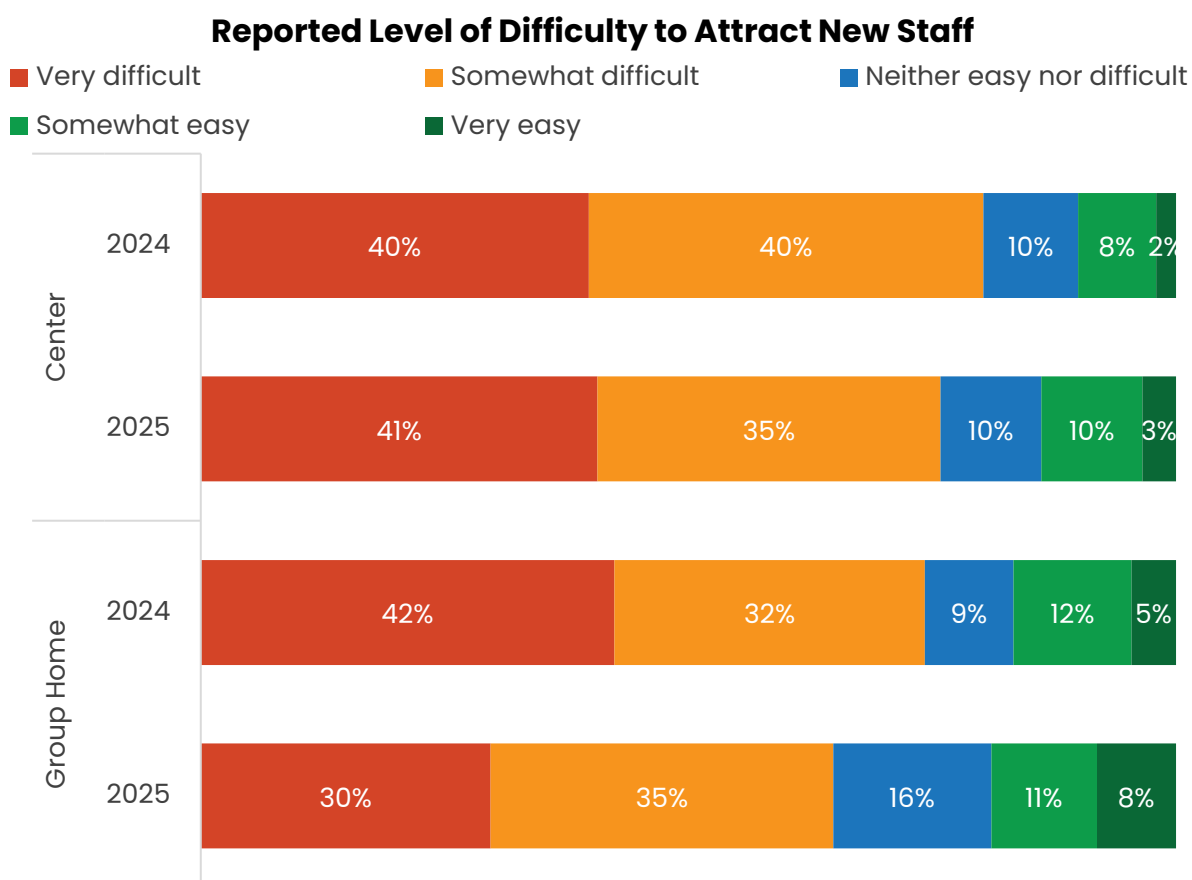


Staffing and Benefits

Another significant source of struggle, mainly for centers, is staffing. Hiring and retaining quality teaching staff is a key element of a quality program. However, 76 percent of centers and 65 percent of group homes report some level of difficulty in finding qualified employees. This represents an overwhelming majority of centers facing these difficulties. However, the share of group homes that report difficulties attracting new staff in 2025 is 9 percentage points lower than 2024.

Only 17 percent of family child care programs report having employees, with most operating as solo entrepreneurs. Homes with employees report more varied experiences attracting new staff, which could reflect hiring of family, friends, and community members rather than engaging with the more formal labor market.

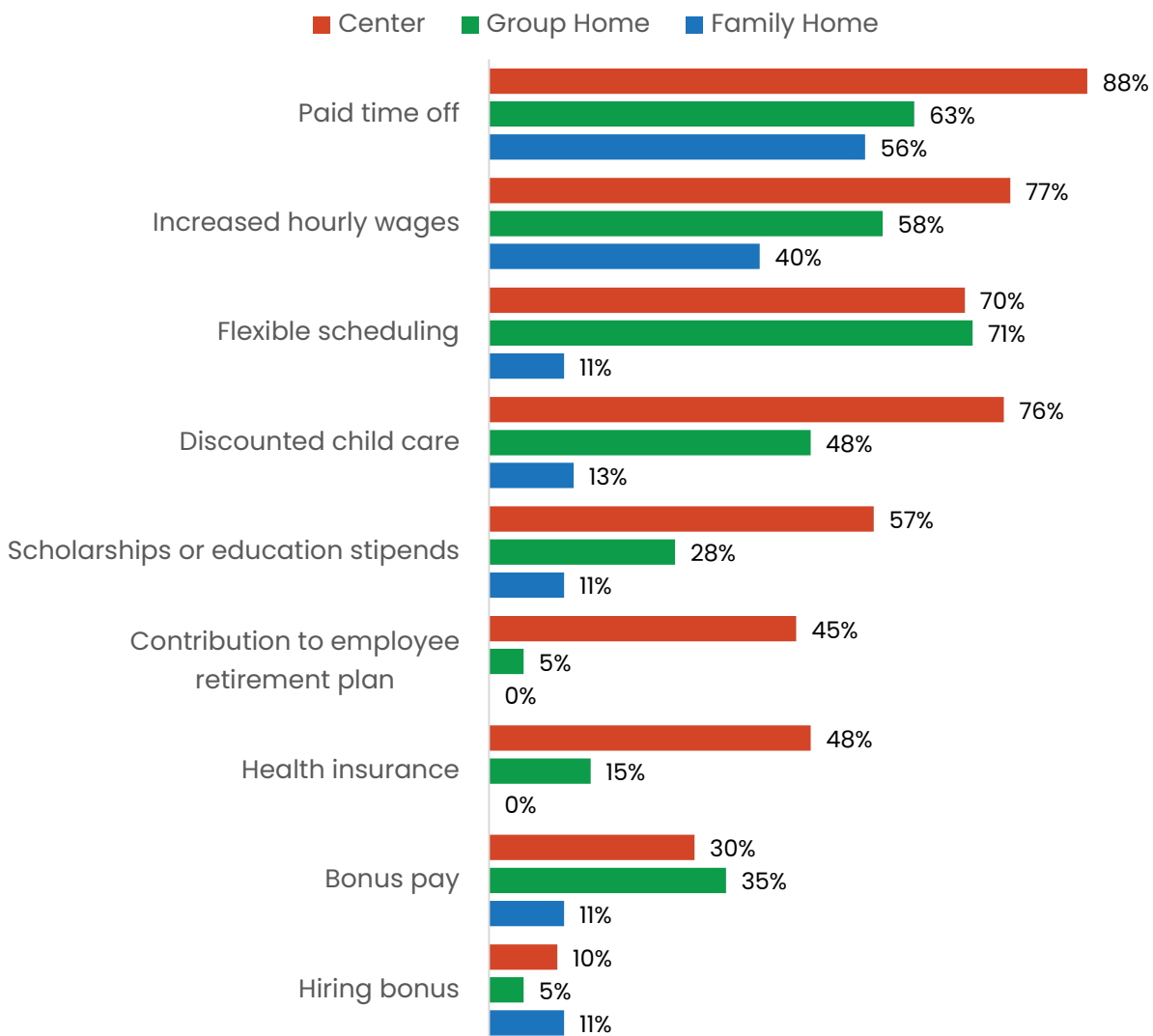
Regarding retention, 49 percent of centers and 48 percent of group homes reported experiencing some level of difficulty retaining staff in 2025.



Staffing struggles can have an impact on capacity and enrollment. Among child care centers, on average, 5.5 slots are left unfilled specifically because of the lack of teaching staff. For group homes, the average is much lower, with less than one slot left unfilled due to lack of teaching staff.

Paid time off, increased hourly wages, flexible scheduling and discounted child care are the most commonly offered benefits, provided by over half of all providers. Centers offer considerably more benefits than group and family child care programs with the majority providing scholarships, in addition to the other benefits mentioned. While a majority of group homes offer PTO, increased wages, and flexible scheduling, the only benefit that is offered by a majority of family child care programs is PTO.

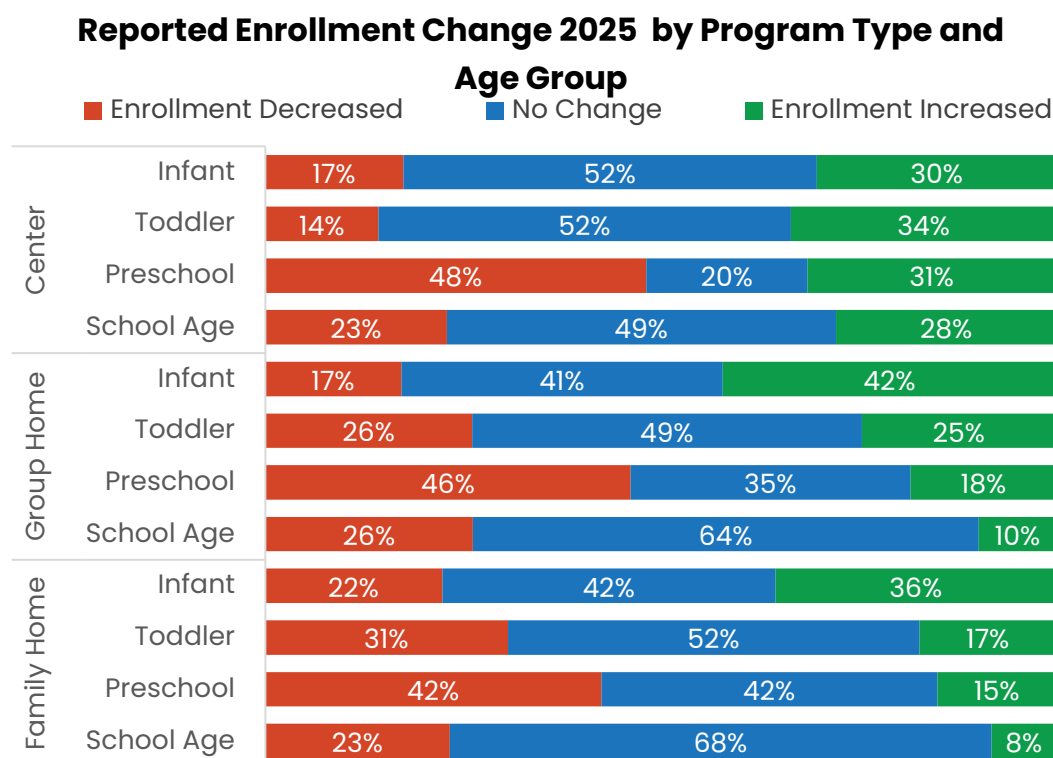
Percent of Programs Offering and Adding Reported Benefits in 2025



Revenue: Enrollment, Tuition and Public Funding

The other side of child care business sustainability is revenue. Steady and strong child enrollment is the foundation of a sustainable child care business. According to the survey, 64 percent of all providers are fully enrolled.¹ While there are differences between type of program, with group homes presenting the highest rate of fully enrolled programs (67%), followed by centers (64%) and family child care programs (62%), the difference is small. While there is still room for growth, these numbers suggest that close to two-thirds of all programs are experiencing enrollment levels that support their financial sustainability.

When asked about changes in enrollment during 2025, more than half of all programs report no changes in toddler and school-age enrollment (52% of toddler, and 59% of school-age). Slightly fewer report no changes in infant enrollment (48%). For programs experiencing strong enrollment, this steady enrollment may signal strength and health. However, for programs experiencing low enrollment, the concern about the current revenue gap can be intensified by the persistence of under-enrollment over time.

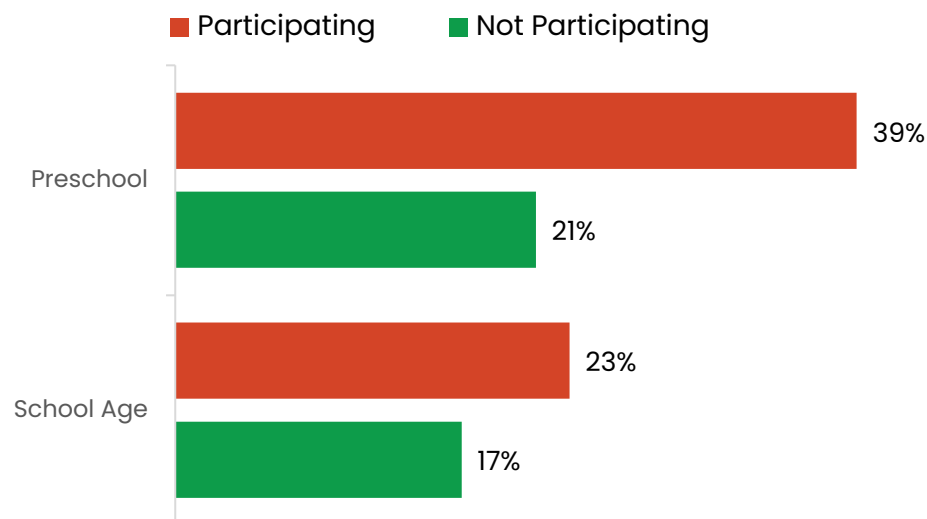


¹ Full enrollment is defined here as enrollment at or above 85 percent of staffed capacity, a commonly used benchmark for fiscal sustainability. Staffed capacity is current enrollment plus the open slots a program reported it could fill without hiring additional staff. It is used in place of licensed capacity, which includes slots a program is licensed to operate but cannot fill in practice due to staffing constraints or its own operating decisions.

Preschool enrollment shows the highest share of programs reporting enrollment decreases (46%). This is an issue of similar magnitude among centers (48%), group homes (46%) and family homes (42%), however, centers present the highest rate among the three of preschool enrollment increases (31%).

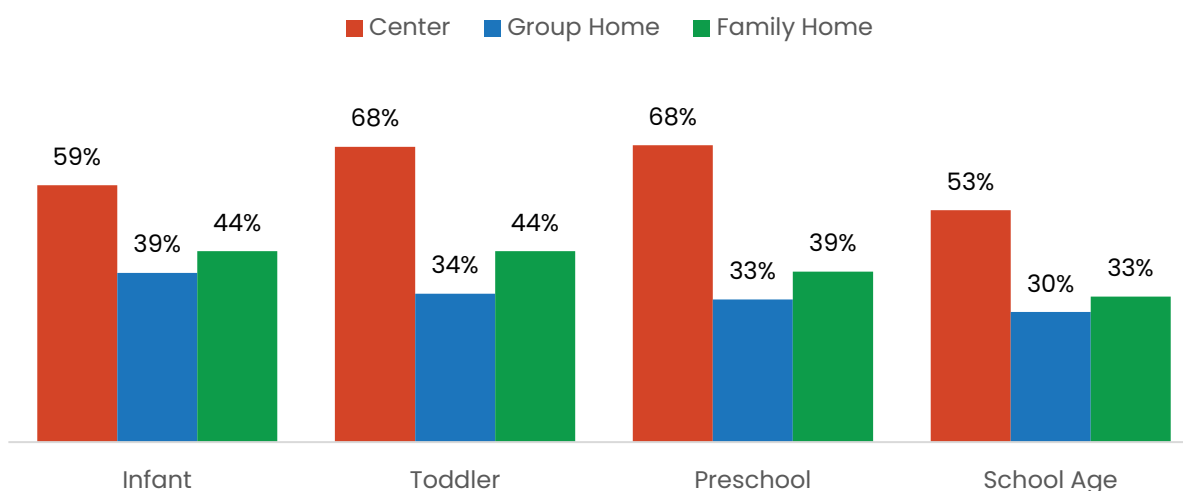
Public program participation emerges as a relevant driver of these enrollment shifts. Programs participating in Great Start Readiness Program (GSRP) or Strong Beginnings Partnership, two public preschool programs, report preschool enrollment increases at much higher rates than non-participating programs. 39 percent of participating programs report enrollment increases compared to 21 percent for non-participating – an 18-percentage point gap. This trend extends beyond preschool enrollment, with the percentage reporting increases in school-age enrollment showing a similar pattern (23% compared to 17%). These patterns suggest that child care providers not participating in public preschool programs are losing ground in preschool programming, due to competition from center or school-based preschool options. However, those who are taking the opportunity to participate in public preschool programs are managing to maintain and increase preschool enrollment and potentially retain families into out-of-school time care.

Percent of Businesses Reporting Enrollment Increases by Participation in Public Preschool Programs



Tuition increases are a way to keep up with the cost increases mentioned previously; however, many child care businesses struggle to raise their rates, as families can't afford them. According to survey results, between 42% and 52% of all providers reported increasing tuition in 2025, depending on the age group, with a clear, significant difference between centers (53–68%), group homes (30–39%) and family child care programs (33–44%). Tuition rates for toddlers and preschoolers were the most likely to see increases by centers, while infant rates were the most likely in group and family child care programs. School age rates were the least likely to have increases across program type. Among those who raised tuition rates, two thirds increased it by less than 5%. This reflects a core industry constraint: providers face mounting costs but are limited in how much they can raise rates without pricing families out entirely.

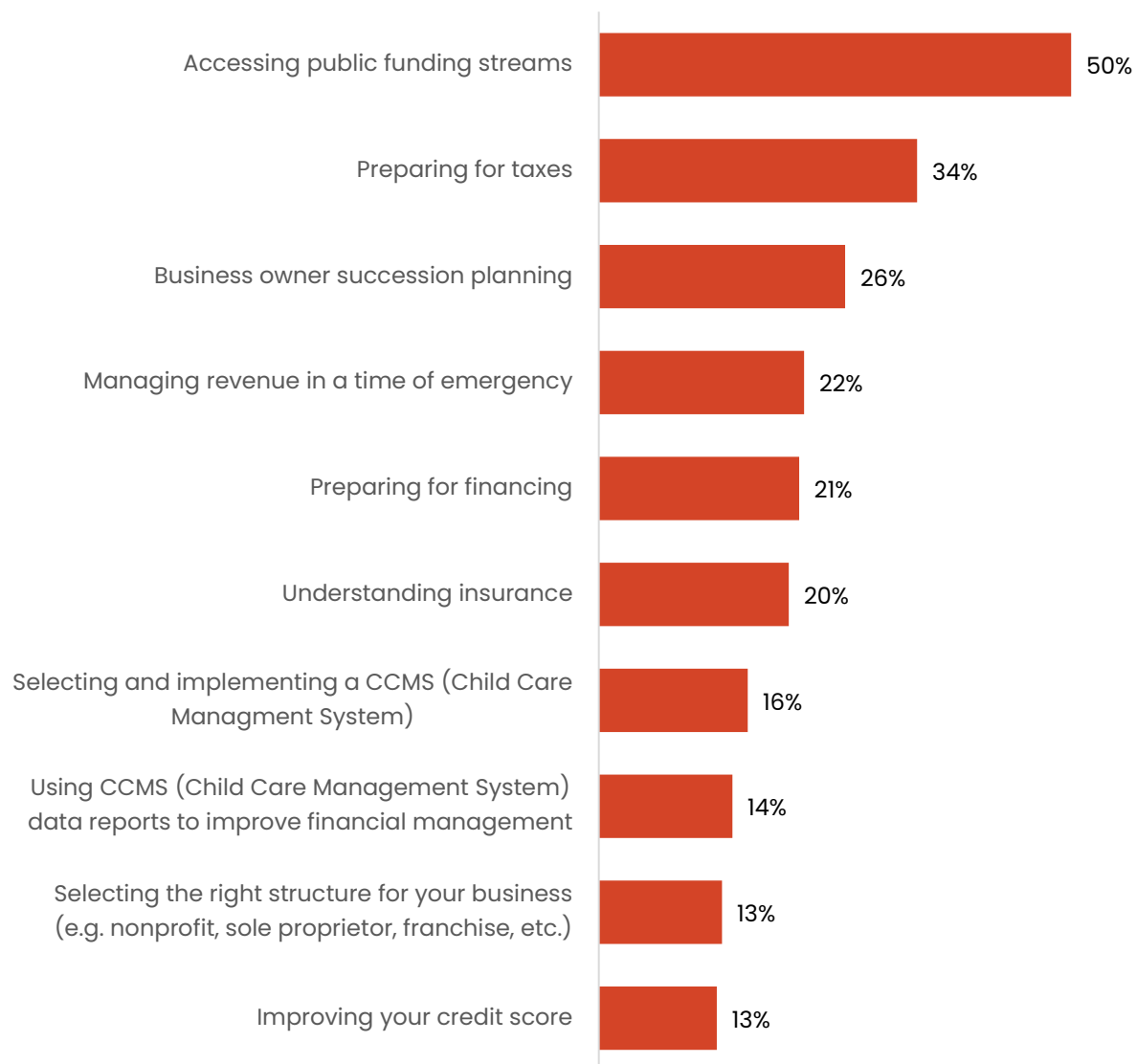
Percent of Programs That Raised Tuition by Age Group



Public funding is an important source of income for many child care businesses in Michigan, with 79 percent of centers, 94 percent of group homes, and 86 percent of family child care programs that participated in the survey reporting accessing at least one public funding source. The survey asked about four specific funding streams, including Child Development and Care Scholarships (Child Care Subsidy), CACFP Food Program, GSRP or Strong Beginnings Partnership and Head Start or Early Head Start Partnership, and a “Other” option. CACFP and the child care subsidy are the most widely used: 57 and 55 percent of respondents reported accessing it, respectively. Among those who did not access public funding, the main reason was not being qualified for the available sources (43%), followed by the lack of knowledge of available funding sources (39%).

Access to public funding is widespread, yet, as noted, many providers are unaware of the existence of these funding opportunities. Moreover, when asked about potential training or technical assistance interest, the most cited topic was accessing public funding streams, mentioned by half of all providers. Other topics such as tax preparation, business succession planning, managing revenue in a time of emergency , and preparing for financing were shown as high interest by providers. These results highlight possible ways of supporting Michigan child care providers' financial sustainability according to their needs.

Percent of Programs Reporting Interest in Business Support Topics



Conclusion

The providers in this survey are still operating, still innovating, and still serving families. Many pay themselves irregularly, delay facility maintenance, and draw down emergency funds or personal and retirement savings to keep their doors open. Compared to 2024, centers and family child care program show modest improvement across several measures of financial stability, but group homes have moved in the opposite direction. They are now the most likely to report household financial losses, deferred maintenance, and experience trouble securing liability insurance. This experience of group homes is an important consideration for future policy and program efforts.

Revenue tells a similar story of partial progress. Close to two thirds of programs meet the enrollment efficiency benchmark. Providers participating in public preschool programs are holding on to and growing preschool enrollment while others lose ground. Tuition increases are widespread but modest, with two thirds of increases under five percent, leaving providers squeezed between mounting costs and what families can afford. Access to public funding is already broad, yet only 23 percent of providers believe the state is making investments that increase the sustainability of their business, and among those outside these funding streams, 39 percent simply did not know the opportunities existed. The agenda that follows is twofold: closing the information gap for providers who are eligible but disconnected and improving the adequacy of the funding that reaches those already participating.

The challenges documented in this report point to a sector showing some bright spots of stability and growth, but one still navigating rising costs, staffing pressures, and revenue gaps that providers' personal sacrifice alone cannot close. These findings aim to contribute to broader policy conversations in Michigan about how to build a more sustainable child care sector, one where providers can continue showing up for families without putting their own financial well-being at risk.

Connect with Us

The FCF Michigan Office is dedicated to increasing the supply and business sustainability of child care through business and financial training, coaching, consulting, and access to capital.

To learn more and access our services, email us: infoMI@firstchildrensfinance.org and visit our website at firstchildrensfinance.org/Michigan.