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BILL ANALYSIS

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Senate Bill 311 (Substitute S-1 as reported by the Committee of the Whole)
Sponsor: Senator Rosemary Bayer
Committee: Housing and Human Services

CONTENT

The bill would enact a new law to require reimbursements made to a child care provider under the Child Development and Care Program (Program) to be adjusted for inflation annually using the Detroit-Warren-Dearborn Consumer Price Index (CPI).

Specifically, every July 1, the Department of Lifelong Education, Advancement, and Potential (MiLEAP) would have to determine the average percent change to inflation for the preceding year of the CPI. Beginning October 1, 2027 and every October 1 after, MiLEAP would have to adjust payment rates under the Program made to a child care provider for the corresponding fiscal year by the average percent change to inflation if the determination from the CPI resulted in an increase in payment rates and if MiLEAP had not adjusted payment rates for the corresponding fiscal year.

BRIEF RATIONALE

According to testimony, Michigan's child care industry is struggling, and some believe that the State is not doing enough to address the needs of working parents and childcare providers. Reportedly, 14% of family members have left the workforce to take care of their children due to the cost of child care. Requiring reimbursements rates made to the Program's child care providers to be adjusted by the CPI would enable providers to employ staff at adjusted wages while allowing families access to child care that they can afford.

Legislative Analyst: Jessica Gebbie

FISCAL IMPACT

The bill would not have a fiscal impact on State revenue but would affect State spending by way of requiring increased annual spending on provider rates in the Program. In the current fiscal year (fiscal year 2025-26), the State's appropriation for the Program is $543.3 million, of which $380.8 million in spending comes from Federal assistance and the remaining $162.5 million comes from the State's General Fund. Consumer price indexes can increase or decrease from year to year, though they most often go up from one to five percentage points per year. The Detroit-Warren-Dearborn index, with its current version established in 1984, averages an annual increase of 2.64% per year. At that rate, the annual increase in child care spending required under the bill would be $14.3 million in the first year, $14.7 million in the second, $15.1 million in the third, etc. The increased appropriations for these adjustments likely would come from the General Fund, as currently the State is maximizing its usage of Federal funds for childcare.

Indirect fiscal impacts could include a more stable child care marketplace statewide, which also could have a positive impact on the child care workforce and on income tax revenues from working parents. These impacts are indeterminate.

Date Completed: 5-20-26

Fiscal Analyst: Michael Siracuse

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