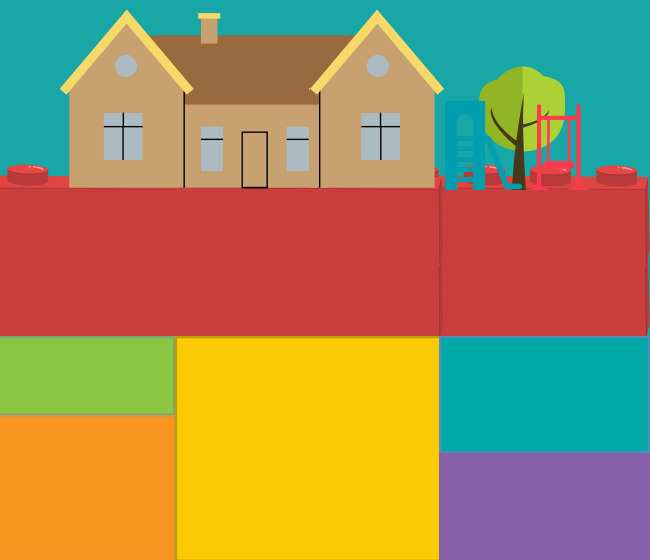




MICHIGAN'S EARLY CHILDHOOD FUNDING PUZZLE

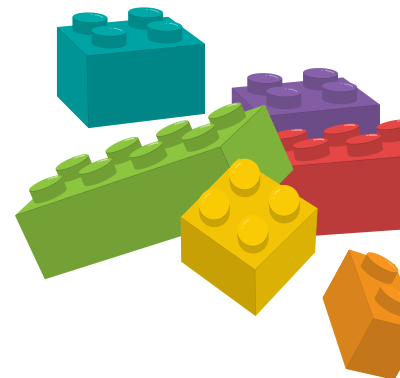
The Role of Blending and Braiding in
Supporting and Advancing the ECE System



THE
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FOUNDATION



MiLEAP
Michigan Department of Lifelong
Education, Advancement, and Potential



Michigan's Early Childhood Funding Puzzle

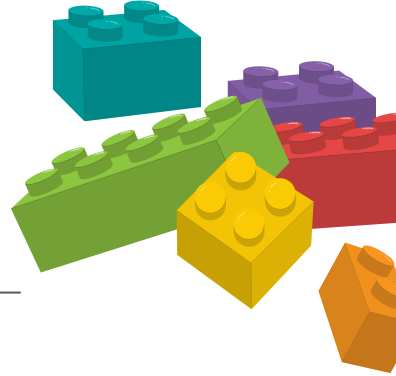
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Disclosure

This guide is intended as a resource for providers and stakeholders seeking to better understand early childhood funding and blending and braiding strategies. It does not replace current federal, state, or program-specific requirements or guidance. Funding rates, eligibility requirements, and allowable costs may change. Providers should refer to current program guidance and consult appropriate fiscal or program staff when making funding and cost-allocation decisions.

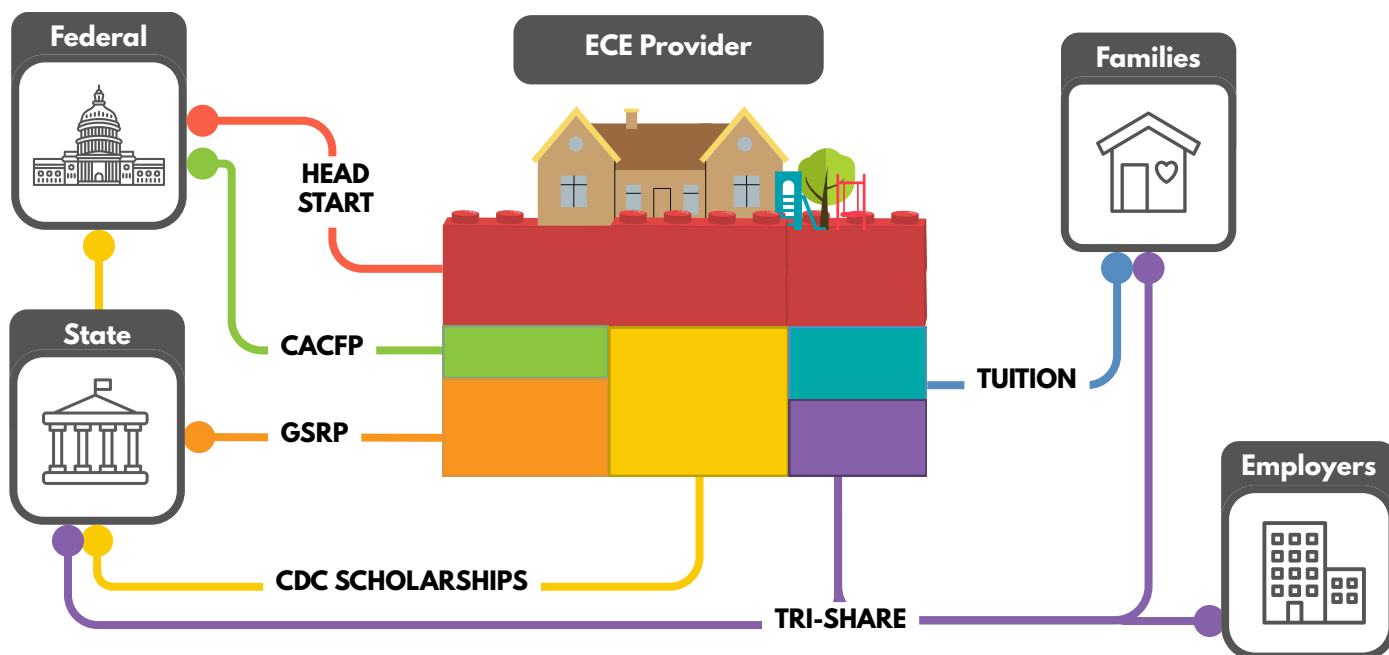
Michigan's Early Childhood Funding Puzzle



INTRODUCTION

Early care and education (ECE) providers often juggle multiple funding streams “flowing” from a variety of sources to support their child care programs (see **Figure 1**). In Michigan, ECE programs rely on a complex mix of federal and state funding sources, employer investments, and out-of-pocket tuition payments from families. Providers must navigate different eligibility rules, reporting requirements, and allowable expenses for each funding stream accessed.

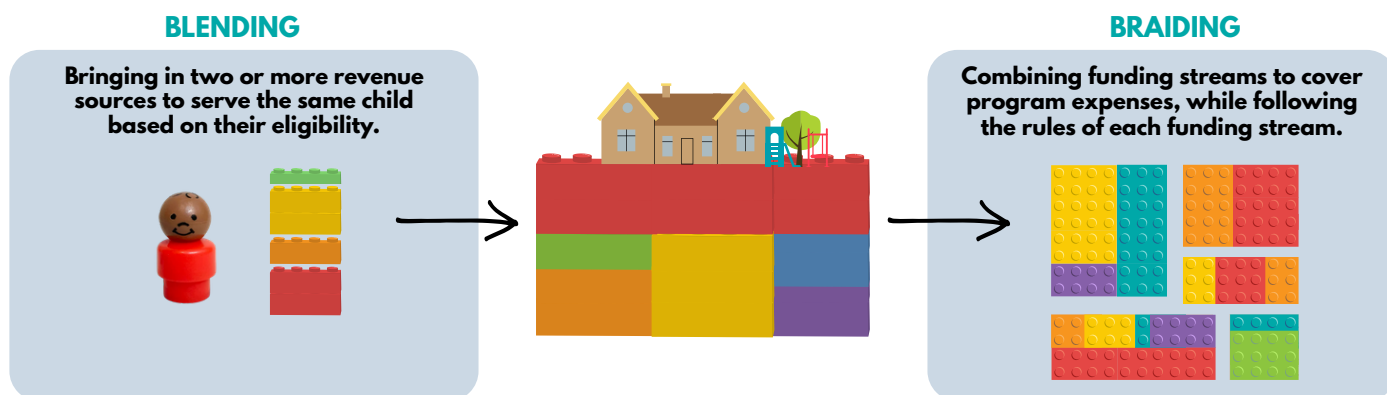
FIGURE 1. Flow of ECE funding in Michigan



What is blending and braiding?

Blending and braiding are two strategies to help ECE programs combine multiple funding sources in their business model (see **Figure 2**). In practice, **blending** occurs at the child-level and relates to how money enters the program as revenue. **Braiding** occurs at the program-level and relates to how funding is allocated to cover specific program costs. These strategies allow programs to draw on multiple revenue sources while still meeting the spending requirements associated with each funding stream.

FIGURE 2. Blending and braiding to support program revenue and expenses



What are the benefits of blending and braiding?

Blending and braiding funding streams can generate meaningful benefits for both families and early childhood programs. In a chronically under-resourced sector where providers often operate on razor-thin margins and must compensate for a broken market that relies heavily on parent tuition, every dollar matters. Maximizing available public funding can help programs stabilize finances, better cover the cost of high-quality care, provide comprehensive wraparound services, and support long-term investments in educators.

Beyond financial stability, blending and braiding can foster more diverse learning environments. Historically, differing eligibility rules and program requirements tied to specific funding streams have contributed to early education being the most racially segregated schooling years. By aligning and combining funding sources, providers can enroll children from a broader range of backgrounds—creating classrooms that are racially, culturally, socioeconomically, and linguistically diverse, and where all children and families benefit from rich, inclusive learning environments.

Blending and braiding alone is not enough.

To achieve the ultimate goals of blending and braiding—financial stability for programs and equitable access to impactful ECE programs regardless of how a child's slot is funded—the field must navigate the deep complexities of the current system. Blending and braiding can help programs make the most of available funding, but additional solutions are needed to address the root causes and effects of a fragmented and under-resourced ECE system, including the flawed model of funding on a per-child basis. Both **downstream**, near-term policy improvements and **upstream**, longer-term bold system improvements are needed to strengthen and transform the financial stability of ECE providers.

PURPOSE AND SCOPE OF CURRENT WORK

This brief seeks to break down what blending and braiding looks like within Michigan's ECE system and offers both short- and long-term opportunities to support the financial stability of child care programs. While many stakeholders are working towards broader systems change and increased public investment, blending and braiding remain essential strategies in the current funding environment.

This work highlights two complementary approaches to supporting this process:

Upstream Approach

This approach focuses on changing the conditions of the landscape itself. Rather than asking providers to navigate increasingly turbulent waters, upstream strategies aim to simplify and stabilize the system. This could include consolidating funding at the state level rather than requiring providers to blend it program by program, aligning requirements across funding streams, easing restrictive rules, or shifting from per-child funding toward classroom- or program-level models. By addressing these structural challenges upstream, downstream waters become far calmer—making it easier for providers to operate stable programs and deliver high-quality care.

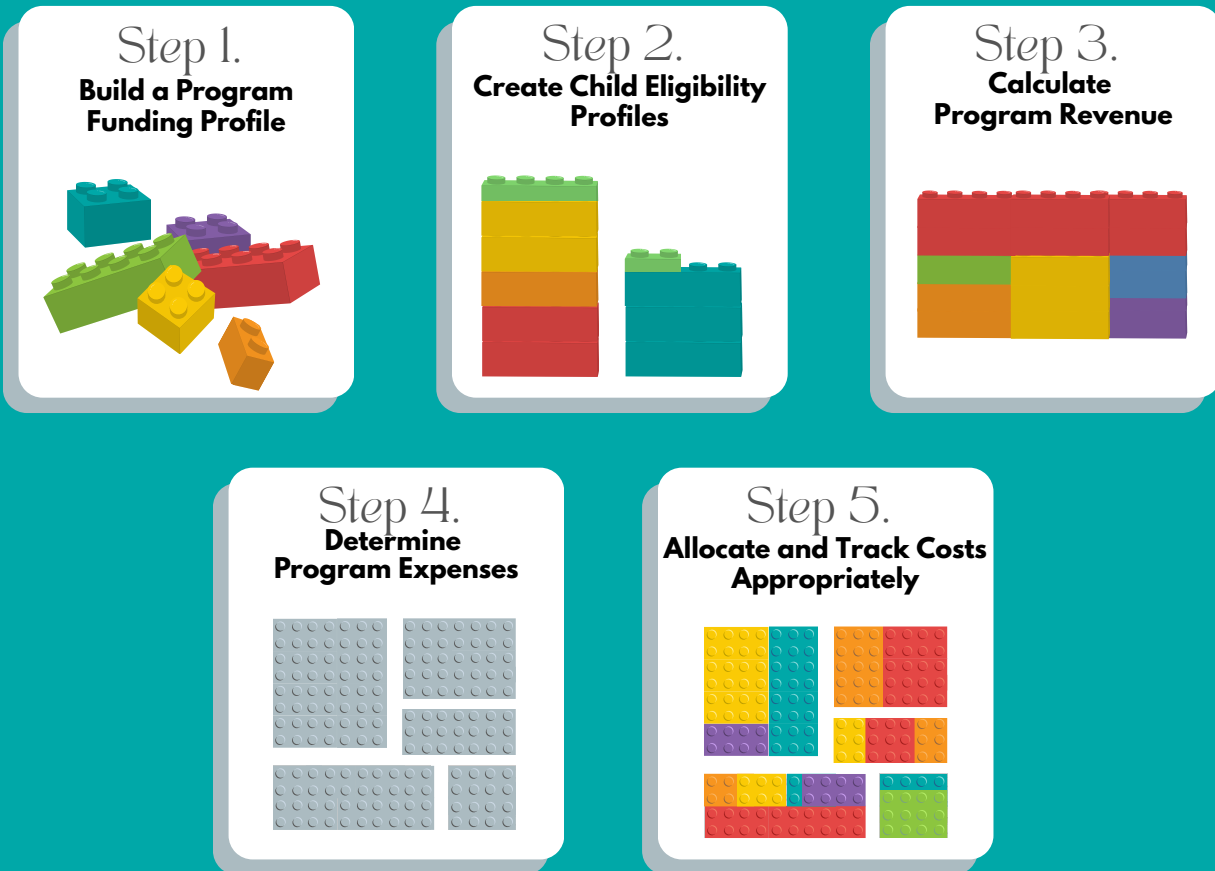
Downstream Approach

This approach focuses on equipping providers with the tools and resources needed to navigate the complexities of the current ECE funding landscape. Much like how the convergence of multiple streams—each with its own currents—can create choppy and unpredictable waters, the current system requires providers to manage overlapping rules, timelines, and funding requirements. In this environment, providers need rafts and maps: practical tools and guidance, to help them navigate these eddies and whirlpools and make the most of available resources.

What is included in this brief?

This brief breaks down for advocates and policymakers what blending and braiding looks like within Michigan's ECE system, addressing downstream and upstream elements. In **Part I**, the Guide walks through the five steps of blending and braiding (see **Figure 3**) and provides clarity on the various rules and uses of funding streams.

FIGURE 3. Five steps to implement a blending and braiding approach

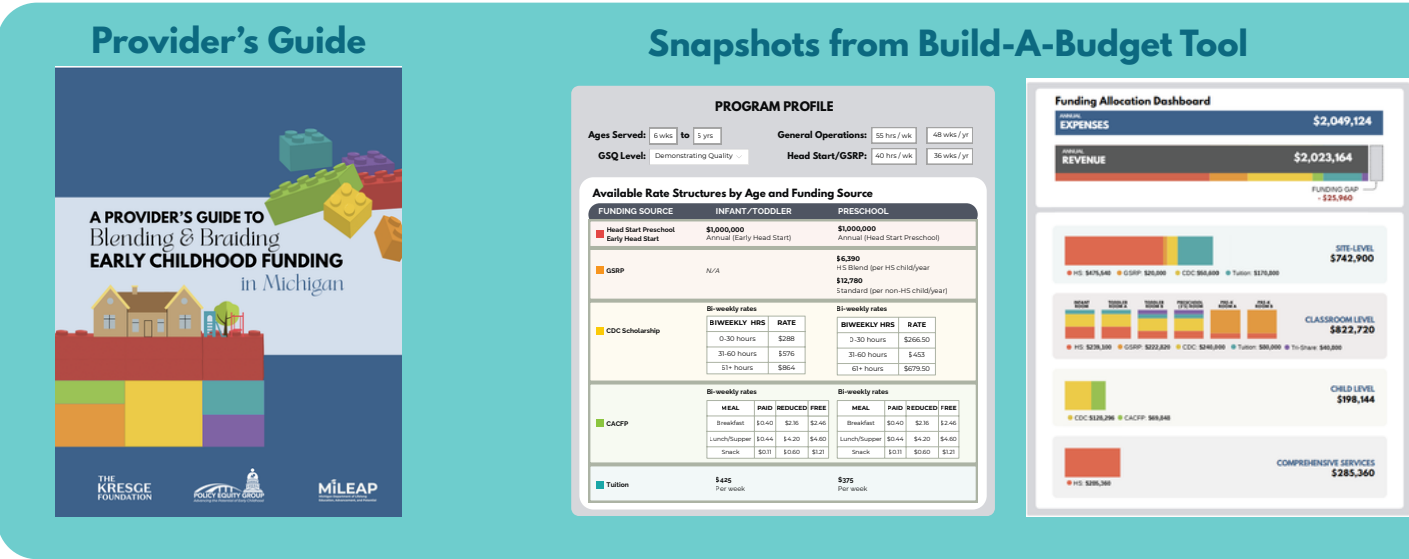


In **Part II**, the Guide delves into an upstream perspective, beginning with a case study of blending and braiding lessons learned from the Marygrove Early Education Center in Detroit, Michigan. The Guide then explores key challenges in implementing a blending and braiding approach and identifies short-, mid-, and long-term opportunities to strengthen Michigan's early childhood financing system.

No single fix will strengthen and transform the early childhood financing system for sector-wide sustainability. Instead, the field will need to pursue both upstream and downstream approaches simultaneously.

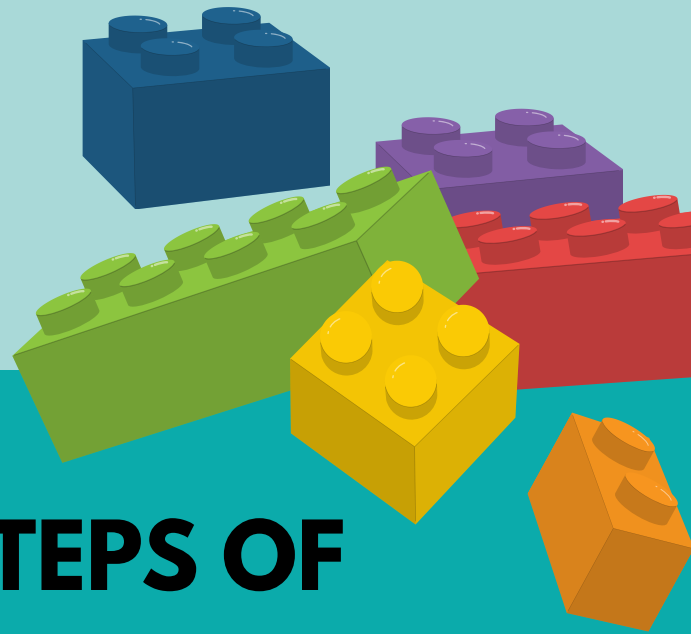
The information presented in this brief is an abbreviated version of **A Provider's Guide to Blending & Braiding Early Childhood Funding in Michigan**, which walks child care providers through the step-by-step process for their program. A forthcoming resource, the **Build-A-Budget** tool (see **Figure 4**), provides additional downstream support by allowing providers to enter key program information, plan budgets, and experiment with different scenarios.

FIGURE 4. Blending and Braiding Supports for Providers



The Provider Guide and Build-A-Budget tool help providers:

- Identify funding sources available to their program,
- Clarify child eligibility and available funding combinations,
- Estimate program revenue,
- Identify and categorize program expenses, and finally,
- Understand how to allocate and track costs across funding sources.



PART I: THE FIVE STEPS OF BLENDING AND BRAIDING

Step 1: Building a Program Profile

To figure out how an ECE program can make the most of available funding, programs start by creating a “program profile.”

Step 1a.

Identifying which funding streams can be accessed

Michigan has several funding “buckets” that may support early childhood programs, each with its own requirements. There are six* major funding streams, including:



Head Start/
Early Head Start



Great Start
Readiness
Program



Child Development &
Care Scholarships



Child & Adult
Care Food
Program



Tuition



Tri-Share

ECE programs may or may not be able to draw from funding “buckets” depending on program and child eligibility factors. See examples below:



GSRP

The Great Start Readiness Program (GSRP) is the state-funded preschool program.

To receive GSRP funding, programs must:

- operate through an intermediate school district (ISD) or approved consortium
- comply with GSRP program standards and monitoring.



CACFP

The Child and Adult Care Food Program (CACFP) is a federal program that reimburses child care providers for serving nutritious meals and snacks to eligible children.

To receive CACFP, programs must:

- Be a licensed center, group home, or family child care home
- Follow USDA meal pattern requirements
- Maintain records
- For-profit centers must serve at least 25% children who are low-income or receiving child care subsidies

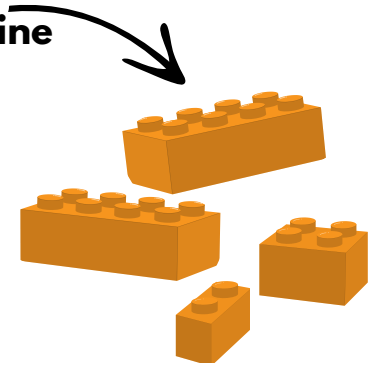
**There are other funding sources (e.g., philanthropic contributions, Strong Start, Idea Part C and B, Section 619).*

Step 1: Building a Program Profile

Step 1b.

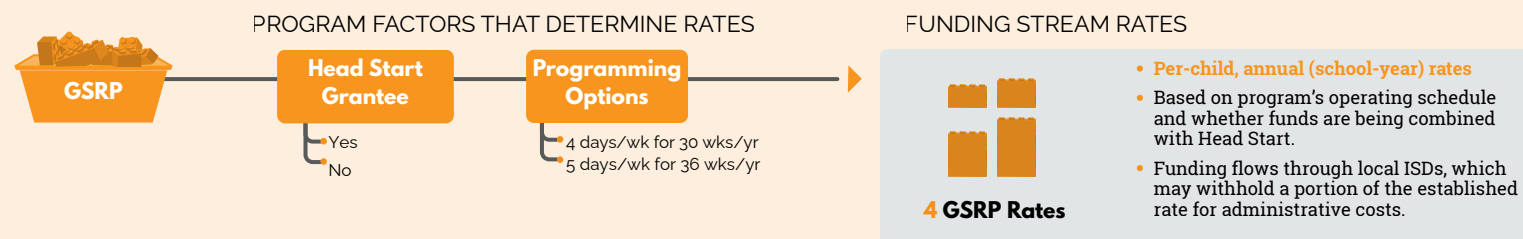
Defining program-level parameters that will determine funding rates

Within each funding stream, programs can receive different revenue rates based on certain program characteristics—like different block sizes within the different colored buckets. These factors include, for example, Great Start to Quality rating, programming schedule, meals offered, and tuition rates.

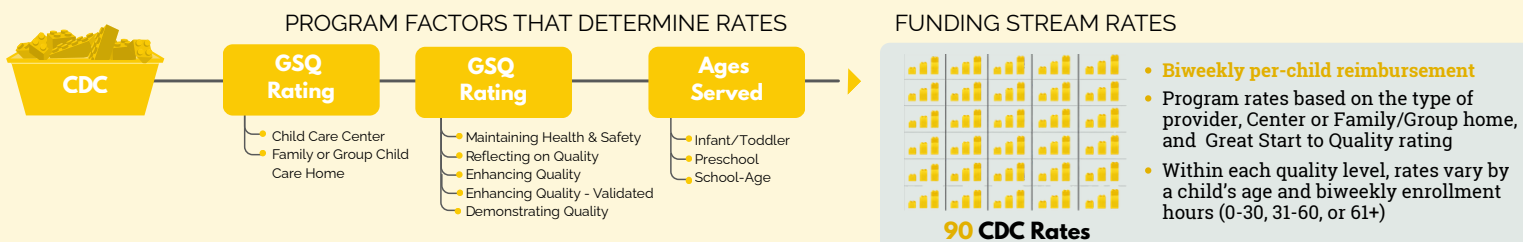


See below for examples of program-level parameters that can determine a program's funding rate for different “buckets”:

GSRP



CDC Scholarship



Key Takeaway

Child care programs must map the entire landscape of federal, state, and private funding sources, each governed by its own rules and rate structures. This upfront complexity results in **over 1,000 different funding profiles** for child care programs in Michigan, meaning that it is especially hard to provide technical assistance or tailored support since there is no “one size fits all” approach.

Step 2: Creating Child Eligibility Profiles

Programs create “child eligibility profiles” using whatever “blocks” (funding streams and rates) are available to the program.

Step 2a.

Identifying which programs a child qualifies for →

Programs first identify which funding sources each child qualifies for. This step determines which buckets a child can draw from—but not yet what size blocks (funding rates) a child is eligible for. See below for examples.

Tri-Share

Child Age	Household Income AS % OF FEDERAL POVERTY LINE	Family Circumstances	Parent Work Status	Geographic Requirements
0 – 17 years	200 – 400% FPL	Income-eligible or waiver-approved and not otherwise eligible for CDC	Parent’s employer must participate in Tri-Share	Employer, family residence, and provider in Michigan.

Head Start

Child Age	Household Income AS % OF FEDERAL POVERTY LINE	Family Circumstances	Parent Work Status	Geographic Requirements
Prenatal – 3 years EARLY HEAD START 3 – 5 years¹ HEAD START PRESCHOOL	≤ 100% FPL	May be eligible if homeless, in foster care, receiving TANF, SNAP, SSI, or other eligibility factors	—	Typically reside in program’s service area

CDC Scholarship

Child Age	Household Income AS % OF FEDERAL POVERTY LINE	Family Circumstances	Parent Work Status	Geographic Requirements
0 – 13 years ²	< 200% FPL	Foster care, children’s protective services, family preservation, migrant, or homeless	Parent is engaged in work, school, or other approved activity ³	Must reside in Michigan

¹ Not yet in kindergarten.

² Up to age 18 if child needs constant care “due to a physical/mental/psychological condition or a court order.”

³ Participant requirements include: family preservation programs; high school completion programs; employment; licensed foster parent caring for an eligible child; other approved activities.

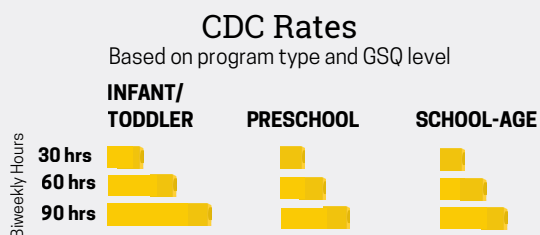
Step 2: Creating Child Eligibility Profiles

Step 2b.

Determining which rates apply and how funding sources can be combined.

Child eligibility factors like income, hours in care, and age also determine the specific rates that apply for each child. For example:

Program Funding Profile



Child Funding Profile Rates are determined by...

- **Child age:** each age band has a different hourly rate.
- **Billed hours:** hours a child is enrolled during a two-week period (not to exceed child's authorized hours).
- **Block payments:** billed hours are rounded to 30, 60, or 90 hours, and appropriate hourly rate is applied.

When a child is eligible for multiple programs, funding streams can be combined to support their care. Like blocks, these sources can be stacked—but only in certain ways—so programs must follow specific “stacking rules” for children’s funding profiles. For example:

- Head Start/EHS**
- GSRP** – blended rate must be used with Head Start Preschool
 - CDC or Tuition** – can be used only for hours outside HS/EHS programming (before/after care, summer, etc.) *
 - CACFP** – to cover eligible food costs

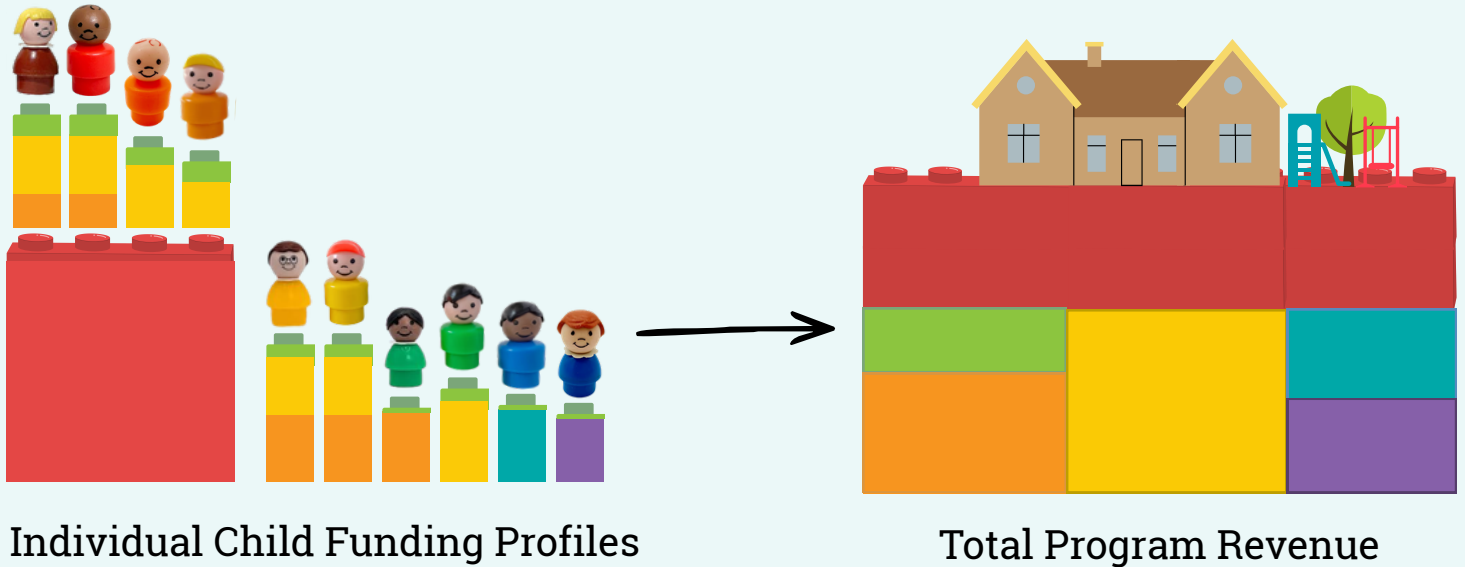
- Tuition**
- GSRP** – family pays for any care outside GSRP programming
 - CDC** – family pays for any care outside authorized hours
 - CACFP** – to cover eligible food costs

Key Takeaway

Programs must navigate individual child-level eligibility and stacking rules to determine which funding streams a child qualifies for. This is imperative for programs to get right to both avoid leaving funding on the table and remain in compliance with each funding stream’s rules.

Step 3: Calculate Program Revenue

Once all child eligibility profiles have been created, they can be aggregated into the program's total revenue.



The revenue associated with each child is combined (along with any program-level funding such as Head Start or philanthropic dollars) into the overall program revenue.

Key Takeaway

Although K–12 schools may draw from multiple funding sources, their core funding formulas are generally much simpler—often based on a per-pupil rate multiplied by enrollment. In contrast, child care centers must piece together revenue across children, programs, and funding streams, each with different rates and rules, making it extraordinarily complex to calculate and project total revenue.

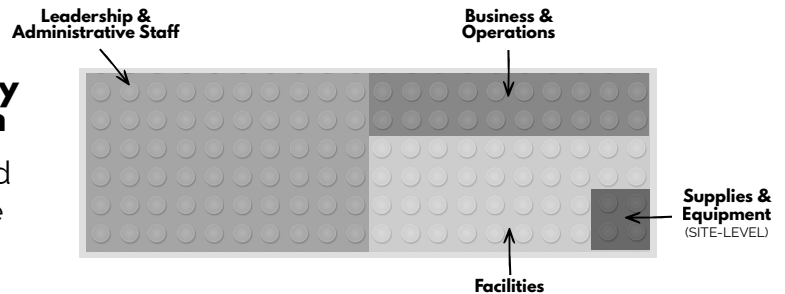
Step 4: Determining Program Expenses

To understand how funding can support the program, the next step is identifying the full range of expenses required to operate a program. Because of expenditure rules, it helps to classify expenses as site-level, classroom-level, and child-level expenses.

Site-Level Expenses

Leadership, administration, and facility costs that support the overall program

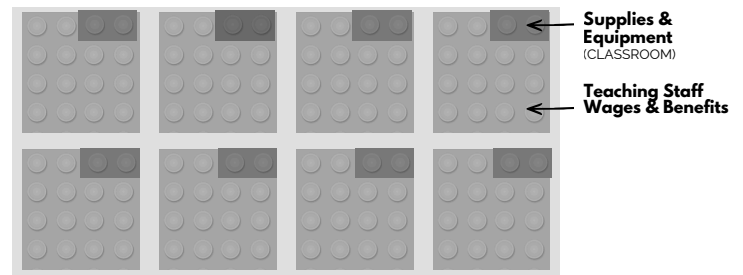
- These costs are largely fixed and shared across classrooms, so they change little as enrollment fluctuates.



Classroom-Level Expenses

Staffing and materials needed to operate each classroom

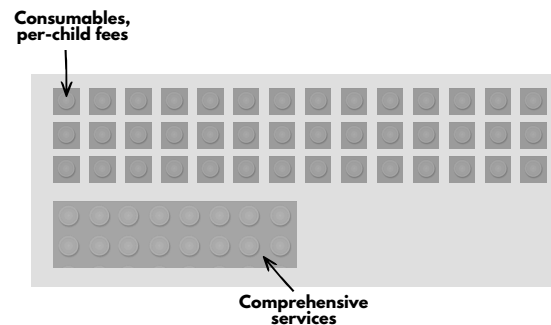
- Expenses generally increase when new classrooms are added, rather than with each additional child.



Child-Level Expenses

Consumables and services that vary with the number or needs of children served

- Most child-level costs scale directly with the number of children enrolled (e.g., food, diapers, per-child subscription fees).
- For comprehensive services (e.g., disabilities, health/mental health, family services), costs may rise with enrollment of eligible children, but typically increase in steps as programs add staff or service capacity.



Key Takeaway

Although most early childhood funding is generated at the child level, most program expenses are not. The largest costs—such as staffing, facilities, administration, and classroom operations—are largely fixed costs that programs must cover regardless of small changes in enrollment. This creates a fundamental mismatch: revenue can rise or fall with individual children, while many of the costs required to operate a classroom or program remain the same.

Step 5: Tracking and Allocating Expenses

Finally, programs allocate and track funding across expenses. Cost allocation involves distributing the cost of shared resources, goods, or services across multiple programs that benefit from them.

The goal is to ensure that each funding source pays only its fair share and that federal funds are used only for the program they are intended to support. Federal guidance—particularly under Head Start and federal grant management rules—emphasizes several core principles.

Core Principles:

Costs must reflect benefit received.

Each program should pay for the portion of a cost that benefits that program.

Costs cannot be double-charged.

The same cost cannot be charged to more than one funding source.

Allocation methods should be reasonable and consistent.

Programs should use a logical and documented method to divide shared costs.

Documentation is required.

Programs must maintain records explaining how costs were allocated and the rationale behind the method used.

Common Allocation Methods

Programs may allocate shared costs using methods such as:

- Number of children served
- Number of classrooms
- Staff time devoted to each program
- Square footage of facilities used by each program
- Percentage of program enrollment

The method chosen is often the simplest approach that reasonably reflects how programs benefit from the cost.

Typically, for organizations receiving multiple funding streams, they must maintain a **Cost Allocation Plan** that:

- describes shared costs
- explains the allocation method used
- documents how costs are distributed across programs

This plan helps ensure compliance with requirements and supports financial transparency.

Best Practices for Allocating Costs Across Funding Streams

While compliance rules set guardrails, programs also make strategic decisions about how to allocate costs to promote financial stability.

Start with the most restrictive funding sources

Many programs begin by allocating costs to funding streams with the most specific requirements, such as Head Start or CACFP. This approach helps ensure that restricted funds are used for their intended purposes before allocating more flexible funding streams.

Align stable funding with fixed costs

Funding streams that provide predictable or contract-based funding—such as Head Start grants or GSRP classroom funding—are often best aligned with fixed program costs, including:

- staff salaries and benefits
- facilities and site-level costs
- program administration

These costs do not fluctuate significantly with enrollment and benefit from stable funding sources.

Use variable funding streams for per-child expenses and to fill gaps

More enrollment-dependent revenue—such as CDC scholarships or tuition—can be better suited to covering child-level costs that fluctuate with enrollment, such as:

- meals and snacks
- classroom supplies
- transportation
- extended hours of care

This approach can help programs reduce financial volatility when enrollment changes.

Maintain consistency across time

Once programs select an allocation method, they should apply it consistently unless program operations change significantly.

Key Takeaway

Effective cost allocation ensures each funding source pays only for its allowable uses, while maximizing allowed flexibility across multiple funding streams. Beyond compliance, smart allocation is a strategic choice to anchor stable funding (e.g., Head Start, GSRP) to fixed costs and flexible funding for costs that may swing with enrollment.



PART II: CHALLENGES, LESSONS LEARNED, AND NEXT STEPS

Part II walks through a case study of the Marygrove Early Learning Center, exploring lessons learned from a program committed to implementing blending and braiding to support integrated classrooms.

This section also outlines key challenges inherent in blending and braiding and explores implications for the field. These range from immediate, practical supports that help providers manage the complexities of blending and braiding funding, to longer-term opportunities to strengthen Michigan's early childhood financing system.

The **Marygrove Early Education Center**, operated by Starfish Family Services, opened in Detroit in 2021 as a demonstration site designed to support socioeconomically and racially integrated early learning. The center is designed to model best practices in facilities, operations, programming, and financing. It is the foundational program for the Marygrove Learning Community, Detroit's first cradle-to-career educational campus, designed to provide a streamlined birth-through-college-and-career experience intended to serve as a catalyst for population growth, retention, and economic development.

It is also an outgrowth of Hope Starts Here: Detroit's first early childhood framework, which engaged tens of thousands of Detroiters and elevated high-quality facilities as a key priority. The Marygrove Early Education Center was designed to be a manifestation of community priorities in the Hope Starts Here framework - demonstrating how innovative practices can become reality, ranging from full-day, full-year programs to access to outdoor play and natural light, or from integrating services for the whole child and whole family to embedding high-quality curricular and professional development supports.

Perhaps most importantly, however, the Marygrove Early Education Center sought to demonstrate the opportunity for culturally and socioeconomically integrated, blended classrooms. Due to the complexity of federal, state and private funding streams, early care and education programs around the country often separate students by funding source – thus, income levels. At times, this looks like separate facilities and programs for Head Start, versus private pay. At other times, it looks like separate classrooms based on funding source within the same building.

With five years of operational experience, Marygrove offers valuable lessons to the field on what it takes to support long-term, sustainable, and scalable blending and braiding.

THE MARYGROVE MODEL

Marygrove enrolls children across six infant/toddler (age 6 weeks through age 3) classrooms and six preschool (age 3 through 5) classrooms. The program operates year-round, with programming available from 7:00 a.m. to 6:00 p.m.

Marygrove embraces a whole-child focus, ensuring that all children and families enrolled receive the same, high-quality comprehensive services, including high-quality early education, physical and mental health services, disability services, nutrition, and family engagement/leadership opportunities. Intentional blending and braiding allows Marygrove to place children enrolled through different funding streams within integrated classrooms.

To support integrated classrooms, Marygrove blends and braids multiple funding streams, including:

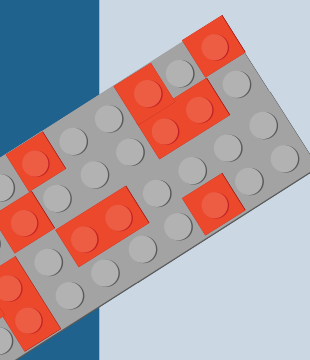


OPERATIONAL COMPLEXITY AND A \$2M FUNDING GAP

While Marygrove operates with an ideal vision of integrated classrooms that meet the breadth of child and family needs, the model comes with significant administrative challenges that ultimately limit long-term financial stability. Marygrove currently estimates a \$2 million funding gap, which is being addressed through philanthropic and other private support.

Marygrove leadership offered two examples that illustrate the real challenges of navigating fragmentation within the, while leaning into their vision for integrated classrooms.

Implementing “Head Start for All”



The Marygrove Center is committed to providing every family with the same high-quality comprehensive services core to Head Start, reflecting its belief that equitable early education requires these supports for all children. While Head Start grants cover these services, other funding sources, including CDC, GSRP, and private tuition, do not cover the full cost, if at all. Marygrove, therefore, absorbs the funding gap for non-Head Start students to ensure all children receive the same level of support.

Embracing PreK for All Expansion



The expansion of free *PreK for All* in Michigan has required providers, including Marygrove, to adapt their program models. While Marygrove's 4-year-olds receive comprehensive services and guaranteed entry into its highly regarded kindergarten, many families must opt for no-cost GSRP slots. To meet this demand, Marygrove has converted 4-year-old Head Start slots to GSRP, and increased 3-year-old Head Start enrollment. While the expansion increases access to no-cost, high-quality PreK for families, Marygrove's experience illustrates the financial and operational adjustments providers may need to make as they participate in a growing mixed-delivery system.

As a result of these implementation challenges and others, Marygrove relies on substantial philanthropic funding to close the gap between public funding levels and the true cost of delivering comprehensive, year-round services.

ADAPTATIONS AND LESSONS LEARNED

In response to funding pressures, Marygrove has made several adjustments to support sustainability while preserving their core operating philosophy.

Along with transitioning 4-year-old Head Start slots to 3-year-olds to increase GSRP programming, Marygrove also modified its Head Start grant to align with the GSRP calendar. Marygrove now offers an optional 6-week summer session to reduce their number of unfunded operating days, while preserving flexibilities for families who wished to take a break without risking their fall slot. All eligible families now apply for CDC scholarships to ensure coverage for before- and aftercare, and through the summer weeks.

Strong leadership and administrative capacity are critical in tracking funding, allocating expenses, and meeting eligibility and reporting requirements of each funding stream. Program staff create annual funding profiles for each classroom based on how each student's slot is funded. Significant changes in enrollment can happen over the year, let alone month to month. As such, Starfish Family Services, which operates at Marygrove and 13 other early learning sites, dedicates substantial administrative capacity to Marygrove to cover the significant planning, staffing, and other flexibilities necessitated by their model. Currently, the substantial philanthropic investment needed to sustain Marygrove makes a pure replication of the model challenging for other communities.

BENEFITS AND IMPACT

Despite implementation challenges, Marygrove demonstrates the potential of blending and braiding to advance equity within early childhood programs. Marygrove ensures that access to comprehensive services and high-quality instruction are afforded to all students and families enrolled. Racially and socioeconomically integrated classrooms are achievable when funding streams are intentionally aligned, internal operational capacity is strong, and programs have access to flexible funding to meet the cost of providing high-quality care.

For families, Marygrove's model provides flexible policies that align with their lived realities. When a family's financial situation or employment status changes, Marygrove adjusts how the child is funded to maintain their enrollment, reducing disruptions for children and preserving classroom sustainability for all.

Marygrove offers an important example of how aligned funding can support inclusive, high-quality care for all.

Key Challenges in Blending and Braiding

While blending and braiding can help programs make the most of available funding streams, the process is often difficult to implement in practice. The current early childhood financing system was not designed to operate as an integrated whole. As a result, providers attempting to blend and braid funding must navigate a number of structural challenges.

1. ADMINISTRATIVE COMPLEXITY ACROSS FUNDING STREAMS

Each funding stream operates with its own eligibility criteria, reporting requirements, allowable expenses, and payment timelines. For example, some funds are allocated at the program level (such as Head Start grants), while others are tied to individual children (such as CDC scholarships), and others are calculated per meal (such as CACFP reimbursements). Payment cycles also differ widely—ranging from annual or school-year allocations to biweekly reimbursements and provider-defined tuition schedules.

This patchwork of rules requires providers to maintain multiple systems for tracking eligibility, enrollment, billing, and allowable expenses. As a result, blending and braiding often requires significant administrative capacity that many programs—particularly smaller providers—do not have.

2. HIGHLY VARIABLE FUNDING PROFILES FOR CHILDREN AND PROGRAMS

Because funding streams have different eligibility rules and rate structures, programs must develop detailed funding profiles both for their program and for each individual child. Even within a single program, children may generate very different revenue amounts depending on factors such as age, family income, hours in care, and eligibility for specific programs.

In Michigan, the number of funding streams and their associated eligibility requirements create **over 1,000 possible funding profiles**, making the system difficult to navigate and provide technical assistance to individual programs. The range of funding combinations also raises a broader question of equity. The Center for Early Learning Funding Equity describes the current funding landscape as “lumpy,” with funding concentrated more strongly in some programs than others, making it difficult to ensure comparable and equitable experiences for children across programs.

3. REVENUE VOLATILITY DRIVEN BY PER-CHILD FUNDING MODELS

Blending and braiding rely heavily on assembling program revenue one child at a time. As a result, program budgets are highly sensitive to both enrollment levels and the specific funding profiles of enrolled children. A single change—such as a family losing subsidy eligibility, a child transitioning to kindergarten, or an open slot in a classroom—can significantly affect program revenue. This volatility is particularly challenging because most program expenses, such as staffing, facilities, and classroom operations, remain relatively fixed regardless of enrollment. When revenue fluctuates but costs remain stable, even small changes in enrollment can create substantial budget gaps.

4. FRAGMENTED FUNDING FOR CONTINUOUS CARE

Many early childhood funding streams are structured around specific program hours rather than the full day of care that families need. For example, Head Start and GSRP typically fund a set number of hours during the school day, while care outside those hours must be supported through other funding sources such as CDC scholarships or family tuition.

In practice, however, a child's experience is continuous: they remain in the same classroom with the same teachers throughout the day. Yet providers must divide this continuous experience into separate funding segments and track them accordingly. Funding structures tied to specific hours of care create administrative complexity while often failing to cover the true cost of care.

Example in practice:

Consider a child who attends a program from 7:00 a.m. to 5:00 p.m. year-round and is eligible for both GSRP and a CDC scholarship. GSRP may fund programming from 8:00 a.m. to 3:30 p.m. for 36 weeks of the year, while CDC must cover the remaining hours.

During the school year, the provider must bill CDC only for the 2.5 hours per day not covered by GSRP, resulting in reimbursement at a 30-hour biweekly rate. During the summer months when GSRP is not operating, the same child's full attendance must be billed to CDC instead, triggering a different reimbursement rate and additional administrative work.

Despite the child attending care continuously, the provider must repeatedly adjust billing structures throughout the year. Furthermore, even though the child attends continuously and the program's fixed costs remain largely unchanged, **revenue for that child drops by about \$2,034** (27% per biweekly period) over the 16 non-GSRP weeks because the program must rely on CDC alone.

This fragmented approach increases reporting complexity, makes revenue less predictable, and obscures the true cost of providing a stable classroom experience for children.

6. FIXED RATES, UNEVEN IMPACTS

Finally, fixed reimbursement rates can affect programs differently depending on their structure. Rates such as those used in CDC or GSRP are set statewide, but the real cost of delivering care varies across programs based on factors such as:

- program size and economies of scale
- the proportion of infants and toddlers served
- the concentration of publicly funded children
- facility costs and staffing structures
- geographic location.

As a result, the same funding rate may fully cover costs in one program while leaving substantial gaps in another.

Implications

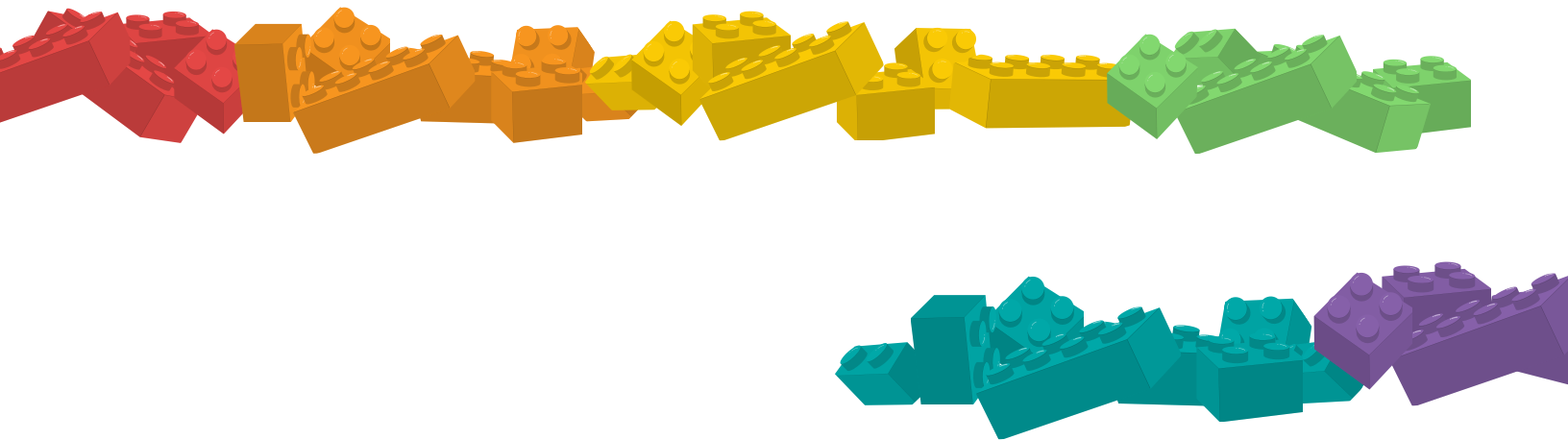
What's Next?

This brief explores how providers can use blending and braiding to support financial stability while offering care that meets families' needs. These strategies have emerged in response to a complex early childhood financing system with multiple funding streams, requirements and payment structures.

As a result, providers navigate a range of challenges, including:

- Administrative complexity across funding streams
- Highly variable funding profiles for children and programs
- Revenue volatility driven by per-child funding
- Fragmented funding for continuous care
- Fixed rates with uneven impacts across providers

But the early childhood financing system does not have to operate this way. The guide identifies opportunities across the near-, mid- and long-term to make the system easier to navigate, strengthen provider sustainability and better align funding with the needs of children, families and programs. The following section highlights opportunities across all three approaches.



NEAR-TERM: REDUCE FRICTION IN THE CURRENT SYSTEM

1. Use the Build-A-Budget Tool to help providers navigate the current system.

The forthcoming tool is designed to help providers navigate the current funding landscape by operationalizing the five steps of blending and braiding. The tool can help reduce administrative burden, make funding combinations more visible and support providers as they plan and manage their budgets. Ultimately, however, this strategy does not address upstream fragmentation that created the funding maze in the first place. Specific technical assistance and training are critical to help providers use and implement learnings from the tool.

2. Expand flexibilities and program alignments at the state-level.

This is an initial step to increase the feasibility of blending and braiding for providers. When possible, aligning eligibility rules, reporting requirements, and allowable expenses at the state-level eases the burden on programs. Especially in mixed-funded programs, these policy adjustments can be impactful and can support more programs in leveraging public funding sources.

GSRP Flexibilities. MiLEAP recently updated braided-funding guidance to explicitly allow GSRP funding to support some classroom-level costs when even only one child in the room is GSRP-eligible. MiLEAP also created a GSRP-Head Start blend waiver process to align requirements across the two funding streams. These changes can reduce administrative barriers for mixed-funded classrooms and make it easier for providers to leverage available public funding to support children and families.

Unified Standards Across Publicly Funded Programs. In 2012, Louisiana passed legislation requiring aligned accountability and program standards across publicly funded early learning programs, including child care subsidy, Head Start, and public PreK. A similar policy can be found in Chicago, where all programs funded by the city must meet a unified set of standards. These common frameworks make it easier for child care programs participating in multiple programs to operate blended classrooms while meeting program expectations.

MID-RANGE: CHANGE FUNDING STRUCTURES

3. Better align funding with the full day and year of care families need.

A key reform opportunity would be to stop dividing children's care into separate funding periods and requirements.

Several policy adjustments could move Michigan in this direction:

Head Start

While federal rules establish minimum service duration requirements, programs could propose grant amounts that support longer hours and more weeks of care. Federal policy and funding levels could better enable grantees to provide full-day, full-year services aligned with family needs.

GSRP

The current "extended program option" is defined as "at least the same length of day as a district's first grade program or a minimum of five days per week for 36 weeks per year." This should be expanded to better reflect working families' schedules, with funding levels adjusted to support full-day, full-year programming that better reflects family schedules.

CDC Scholarships

Child care scholarships should function as a primary funding source for eligible children's care, rather than merely providing wraparound coverage for school-day programs. Michigan's move toward block-based authorizations (30, 60, and 90 hours) is an important step away from hour-by-hour reimbursement. This approach could be further strengthened by simplifying the structure into part-time and full-time categories, aligning payment rates with the fixed costs of operating classrooms, and ensuring that subsidy funding more fully supports children's participation in full-day programs.

If CDC were not primarily used to fill gaps left by part-day programs, existing funding could stretch further—serving more children while supporting reimbursement rates that better reflect the cost of care.

Aligning early learning financing with the schedules families actually need would reduce administrative complexity, improve program stability, and ensure that public investments more effectively support continuous care for children.

4. Finance different layers of program cost intentionally.

A related approach would be moving toward financing approaches that allow funding streams to contribute to different layers of quality and services, which would better reflect how early learning programs actually operate and how families experience care. The EHS-CCP model below provides an example of models already demonstrating how funding streams can intentionally support different layers of cost without carving up the day. This structure works because it funds different components of the program intentionally, rather than requiring providers to assemble them informally through wraparound care arrangements.

EHS-CCP Model. Michigan implements Federal Head Start guidance describing a three-layer approach: child care funds can cover the core full-day/full-year care model; EHS-CCP funds can cover program enhancements needed to meet higher quality standards; and partnership funds plus other state/local/philanthropic dollars can support individual child and family services. That model is powerful because it funds different layers of cost intentionally rather than requiring providers to coordinate multiple funding sources on their own.

5. Explore classroom-based funding approaches for publicly funded PreK.

As Michigan expands PreK for All for 4-year-olds, the current child-based funding structure for GSRP may not always align with the way preschool classrooms operate. While GSRP guidance allows programs to use GSRP funds for classroom-wide costs when even one GSRP child is present, the total funding available still depends on how many GSRP children are enrolled.

This can create challenges for programs operating blended classrooms. If a classroom is temporarily under-enrolled or includes a mix of GSRP and non-GSRP children, programs may receive less funding than is needed to support the full set of quality requirements associated with a GSRP classroom, including staffing and curriculum.

A classroom-based funding model would better support stable program operations. Under this approach, GSRP would fund the full cost of operating a high-quality preschool classroom, while child-level funding streams such as CDC scholarships or CACFP could continue to support wraparound care and meals. As PreK for All expands and more children become eligible for GSRP, this approach would also reduce administrative complexity for providers.

LONG-TERM: TRANSFORMING THE FINANCING ARCHITECTURE

6. Explore opportunities to streamline and coordinate ECE funding.

The core idea of this strategy is to move the work of blending and braiding upstream, so programs are not the primary site of complex funding coordination. Instead of assembling multiple funding streams on their own, providers would receive streamlined funding aligned with the services they deliver. Streamlining could be state-run, regional, or intermediary-based. State and federal dollars, philanthropic and business contributions, and local funds could flow into one coordinated fund that issues simple, flexible contracts to providers.

The strategy would reduce unnecessary and duplicative administrative burden for programs and support access to predictable funding, allowing providers to focus their energy on providing care to children. For families, this model would help streamline access to programs.

A Single Birth-5 RFP. New York City Department of Education moved many birth-to-five contracted services under one system that issues a single Birth-to-Five RFP. In their proposal, providers can choose a combination of infant/toddler, 3-K, PreK, school-day/year, and extended day/year models.

While this approach does not fully integrate financing, it represents a meaningful example of how government can coordinate funding and program models rather than requiring providers to coordinate multiple funding streams independently.

7. Explore funding models that better support foundational program costs.

This strategy represents a transformation in early childhood financing.

A foundational contract covers fixed costs for programs, such as staffing, facilities, and core operational expenses. This contract would prevent programs from needing to rely on inconsistent enrollment and reimbursement processes to cover fixed operating costs. This “fund” could be public, private, or a mix of funding. Other funding streams would supplement through targeted roles. For example:

- **Foundational/public contract funding:** core operations and workforce
- **CDC scholarship:** affordability and duration of care
- **HS/EHS:** comprehensive child and family services
- **CACFP:** meals
- **Local/philanthropic dollars:** targeted enhancements, innovation, transition costs

Foundational contracts create a clearer, more sustainable architecture, with each funding stream playing a clear role, rather than partially funding every program expense.

Conclusion

Michigan child care providers play a critical role in supporting children, families and communities. In addition to providing high-quality early learning experiences, partnering with families and supporting early educators, providers manage complex financial and administrative responsibilities across multiple funding streams.

As this brief detailed, providers manage as many as six core funding streams, alongside other programs such as Strong Start, IDEA Part C and Part B (section 619), and philanthropic contributions. These funding sources were rarely designed to work together. Each comes with its own eligibility rules, reporting requirements, and allowable expenses, creating layers of complexities.

Blending and braiding can help providers make the most of available resources while meeting the requirements of each funding source. The five-step approach outlined in this guide can help providers understand available funding, assess eligibility, plan revenue, identify program costs, and allocate and track expenses appropriately.

At the same time, the experience of providers highlights opportunities to make Michigan's early childhood financing system easier to navigate. Continued collaboration can help align funding requirements, reduce administrative burden, expand flexibility and strengthen the sustainability of early childhood programs.

When providers have the resources and support they need to operate strong programs, families have greater access to high-quality early learning and care, and children have greater opportunities to learn, grow and thrive.



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