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WHEN EARLY CHILDHOOD WORKS, WE ALL WORK

Southwest Michigan's
Comprehensive Childcare Plan

2024





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Executive Summary

In the wake of profound societal shifts catalyzed by events like the COVID-19 pandemic, the imperative to invest strategically in Michigan's Early Learning & Care (ELC) ecosystem has never been more apparent. Pulse, in collaboration with stakeholders across sectors, has embarked on a mission to address existing shortfalls and cultivate innovative solutions to support working-class families. At the heart of this endeavor lies the recognition that robust ELC infrastructure bolsters economic opportunities, stabilizes working families, and nurtures the long-term educational attainment and civic engagement of future generations.

Insights gleaned from family surveys and workforce data in this report shed light on the realities of the crisis facing early learning and care in the United States. The exodus of ELC workers, coupled with the economic toll on households¹ and businesses, underscores the urgency of needed systemic change. Addressing the root causes of affordability, workforce shortages, and limited supply demands concerted action at all levels.

In the midst of emerging opportunities for investment within Southwest Michigan's early learning and care system, Pulse and its partners advocate for reimagining and restructuring the vital workforce support of child care infrastructure. With data analysis and coalition-building, Pulse and its partners have developed both sector specific and cross sector recommendations for decision-makers based on national, state, and local data from a variety of sources. Root cause analysis and unique engagement strategies are key to the Pulse approach to advocating for intentional, strategic change within the ELC ecosystem.

This report, produced as a part of the Caring for MI Future Initiative, outlines actionable recommendations for coordinated systemic change. In addition to these sector specific recommendations, the report advocates for the creation of county level implementation teams—facilitated by Pulse trained advocates—to support long term cross sector investment in early learning and care. Implementation Teams will play a pivotal role in bridging the gap between policy intent and community realities, ensuring equitable access and support for all stakeholders.

Throughout the report, the deliberate use of the term "early learning & care" serves to capture the comprehensive nature of the diverse services within this crucial ecosystem.

¹Family Surveys and workforce data utilized in this report include data from March 2023 to March 2024



Each facet of the early learning & care spectrum is tailored to address specific needs within families. For instance, Head Start extends beyond preschool education, offering wrap-around support encompassing social work and parent education. Programs like Pre-K, Head Start, and the Great Start Readiness Program focus specifically on preparing four-year-olds for their transition to elementary school, ensuring students build skills needed for long-term academic success (including socio-emotional and practical skills.) Meanwhile, infant and toddler care emphasizes socialization and the nurturing of developmental milestones. By employing the umbrella term "early learning & care," the report acknowledges the varied objectives of the programs within this ecosystem. It allows for the discussion of the expansive landscape of early childhood services while recognizing that certain data and commentary may pertain specifically to "child care," aligning with prevalent survey and data terminology in the state of Michigan. This intentional linguistic choice provides a nuanced approach, enabling the discussion of the broader ecosystem comprehensively and more specific sectors as needed.

As Michigan prepares to implement Pre-K for All, it's essential to center the diverse needs of families and ELC business owners. This report is an invitation to key stakeholders to be a part of innovation and investment in Michigan's early learning and care system. With coordination and collaboration, business, government, developers, municipalities, families, and funders can be a part of generating economic opportunities for the working families in the state of Michigan.



WHY “IT” MATTERS Section 1

"CHILD CARE IS A TEXTBOOK EXAMPLE OF A BROKEN MARKET, AND ONE REASON IS THAT WHEN YOU PAY FOR IT, THE PRICE DOES NOT ACCOUNT FOR ALL THE POSITIVE THINGS IT CONFERS ON OUR SOCIETY. WHEN WE UNDERINVEST IN CHILD CARE, WE FORGO THAT; WE GIVE UP A HAPPIER, HEALTHIER, MORE PROSPEROUS LABOR FORCE IN THE FUTURE."

US TREASURY SECRETARY JANET YELLEN, 9/15/21




Everything Has Changed, Is Changing, and Will Continue to Change

The events of the past decade—most significantly, the COVID 19 Pandemic—have increased the collective awareness of ongoing social transformation. Whether it's the decline of engagement in social systems or shifts in service delivery, ongoing social transformation can be felt in every major socio-political ecosystem. Significant shifts in healthcare, education, public safety, and business can be felt by everyday community members as they navigate these ecosystems.

In the midst of social transformation and change, there is an opportunity to radically rethink and significantly invest in the Early Learning & Care (ELC) ecosystem. Such an opportunity would address current shortfalls, create innovative solutions, and support the working class in unprecedented ways. The Early Learning & Care (ELC) ecosystem—which has been in crisis prior to the beginning of the pandemic—impacts entire communities. Strategic and innovative investments would stabilize this vital ecosystem to ensure stable families, businesses, and communities while addressing current gaps in the ELC ecosystem.

Collective mobilization within this ecosystem could invigorate more than economic opportunities for investment. It also provides the opportunity to nurture the development and long term educational attainment for generations by providing high-quality, developmentally appropriate education for all of Michigan's youngest community members. **Young children who receive high-quality Early Learning & Care services show increased comprehension and skills performance throughout their lives.** Intentional, research-based, relationship-driven interactions in the years between birth and age five support the healthy brain development of tomorrow's most engaged, creative, and intelligent minds. Investment in the Early Learning & Care ecosystem is critical for long term civic engagement, economic output, and many other positive outcomes for communities.

Given the potential for community wide social change and potential economic growth, community level stakeholders who stand to benefit from (or lose out on) investment in the Early Learning & Care ecosystem must be involved in its transformation. Child Care Business Owners, families with young children, and early education intermediaries and advocates have long been calling for meaningful change to how ELC is delivered and paid for, and these stakeholders continue to be important and necessary for systems change. Other stakeholder groups with even closer ties to local economies—and perhaps greater power to effect change—include private funders, municipal officials, and local business leaders.



Over the last year, Pulse has engaged stakeholders of every stripe to participate in a planning effort to innovate, expand, and strengthen the Early Learning & Care ecosystem in Southwest Michigan (Region 8). Through opportunities made available through the Caring for MI Future’s Regional Child Care Planning Grants, Pulse also engaged with planners from across the state. Through these engagements, much has been learned about what is needed and what is possible, emboldening the participants to discover new ways of connecting seemingly disparate groups of people. They have developed a plan that considers the tools already within reach and those that need to be sourced elsewhere. The intent behind this plan is to stimulate and inspire new and different ideas across Michigan and beyond.

We have three decades of evidence that childcare is not working in the private market because it is growing increasingly unaffordable for families. Over the past 30 years, child care costs have increased more than housing, food, energy, medical care, and even prescription drugs. Without any type of classic market solution coming to save it, this means that child care is not going to suddenly right itself and become plentiful or affordable. It is only going to get worse in terms of who can afford child care and who can sustainably provide it. There’s no other direction for it to go without public intervention and public dollars. (Edwards & Michigan's Children, 2024)

Readers of this report likely know why affordable and accessible child care matters to families, businesses, and communities. The people who involve themselves in Early Learning & Care are most likely directly impacted by it: families with young children, child care business owners and intermediaries (regulatory and program personnel), and early education policy advocates. These stakeholders have a firm grasp on the importance of ELC to local communities because they live it every day. High-quality services cost more than childcare business owners are able to charge families. Because infants and toddlers require a high degree of one-on-one attention and care, Michigan allows no more than four infants per teacher. This helps ensure safe, quality care, but revenue from so few children is insufficient to cover operating costs and pay educators a living wage—even when families are paying so much.

Individually, these stakeholders struggle to effect lasting change given the current state of the Early Learning & Care ecosystem. **Influencing policy makers through collective, intentional social change takes sustained effort requiring time, effort, and buy-in.** Building such momentum can be difficult as families with young children watch their children age into school-age and many of the difficulties of accessing Early Learning & Care services become yesterday’s problem.



The COVID 19 Pandemic has put a spotlight on the struggles and lived realities of working class families in unprecedented ways. **The increased awareness of gaps and shortfalls within the Early Learning & Care ecosystem has provided unprecedented opportunities for the investment of time, effort, energy, and financial resources.** By increasing access to high-quality, affordable Early Learning & Care designed to meet the needs of today's working class families, communities in Michigan have the opportunity to drive workforce, economic, and community development and growth.

Alongside the opportunity to invest to create and sustain long-term change, there is also the risk of allowing the Early Learning & Care ecosystem to languish. Without strong cross sector engagement, honest assessments of current systems, and collaborative, solution-based innovation, the Early Learning & Care ecosystem will continue to negatively impact the Michigan economy and the stability of local communities.

You can't have an economy that works for working families without a strong child care system and right now, our child care system is just plain broken. I fought hard to create the child care stabilization program that supported 220,000 child care providers, and nearly 10 million kids, and prevented thousands of programs from closing their doors. But that funding recently expired, and our child care system is once again hanging on by a thread. If we don't act soon, the child care crisis is going to keep getting worse—and it will continue hurting our economy in the process. (Senator Patty Murray, 2023)

For purposes of real and meaningful change, **those tasked with policymaking, community building and investment, and political action must position themselves firmly in these issues because the social fabric of our communities demands it.** Employers will always have a need for a labor force composed of capable and well-adjusted people; they also need workers who are available and fully present at work because their children are safe and cared for. Likewise, community leaders will always have a need for families—people—who not only make a living and contribute to the tax base, but also are equipped to participate in the civic well-being of the community.

It matters that municipal and business leaders recognize their ability to meet and exceed growth and workforce goals by championing Early Learning & Care. It matters that private funders and local economic, community and workforce developers support Early Learning and Care businesses. It matters that these stakeholders read this report and seriously consider the recommendations it presents.

"PULSE FACILITATED A TRULY EXCEPTIONAL PLANNING PROCESS, ENSURING A MULTITUDE OF STAKEHOLDERS, PERSPECTIVES, AND REAL DATA WERE AVAILABLE TO INFORM OUR REGION'S CHILDCARE PLAN AT EVERY STAGE. IN PARTICULAR, WHAT I BELIEVE MAKES PULSE'S WORK STAND OUT MOST IS THE CAREFUL DETAIL AND INTENTION THEIR TEAM GAVE TO DEVELOPING AN EFFECTIVE IMPLEMENTATION STRATEGY. IN MY EXPERIENCE, TOO OFTEN REGIONAL PLANS STRUGGLE AT THE IMPLEMENTATION PHASE. I AM GRATEFUL AND OPTIMISTIC KNOWING THAT SOUTHWEST MICHIGAN HAS BEEN WELL-POSITIONED FOR SUCCESS UNDER PULSE'S LEADERSHIP."

STURGIS AREA COMMUNITY FOUNDATION EXECUTIVE DIRECTOR/CEO

LINDSAY RICHARDSON, 6/1/24



Introducing Pulse

Pulse, formerly known as BC Pulse, is a dynamic organization committed to improving outcomes for families with young children in Michigan. Founded in 2012, Pulse has evolved into a key partner, advocate, and coach in enhancing the lives of children across the state of Michigan. Co-Executive Directors Kathy Szenda Wilson and Maria Ortiz Borden lead Pulse's efforts, employing a child/family-centered and process-driven approach to drive positive changes within Michigan's Early Learning & Care ecosystem.

At the heart of Pulse's mission is the belief that communities thrive when children thrive. With this principle as their guiding force, Pulse works to ensure equitable access to quality early childhood experiences for all children in Michigan. Their vision is bold: by collaborating with key cross-sector partners and advocating for better policies and resource allocation, Pulse aims to create and improve learning environments while promoting the healthy development of children statewide. Here are a few key advocacy strategies that Pulse has led:

- Provided strategic advocacy to ensure \$60 million dollars was allocated to support the child care needs of Michigan child care workers.
- Connected Michigan policymakers and stakeholders with early learning and care advocates in other states who are working to create sustainable ELC models.
- Developed the Pulse Roadmap for Employers, a vital resource designed to support employers committed to workforce and business development by facilitating access to Early Learning and Care for their employees. This roadmap is a result of Pulse's advocacy efforts and their distinctive approach to nurturing ecosystems to foster ongoing strategic change. (See Appendix A to learn more about the Pulse Roadmap.)
- Provided testimony at a joint hearing of Michigan's House LEO Appropriations Committee and Labor Committee in support of the early childhood workforce (See Appendix B to learn more.)

As Pulse continues to champion the well-being of Michigan's children, their commitment to collaborative problem-solving and data-driven solutions remains steadfast. Through their collective wisdom and innovative approaches, Pulse is uniquely positioned to drive positive change and build a brighter future for generations to come.

The Pulse Systems Approach to Understanding the ELC Crisis

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Partners came together, committed to understanding the current early learning and care landscape and getting to the root causes of the crisis. **Pulse led a Systems Scan to provide the data necessary for a comprehensive understanding of the issue. Together we collected and analyzed data, and used that understanding to develop recommendations that are grounded in the root causes.** This root cause focused process incorporated the perspectives of the many sectors and stakeholders that have or should have a role in experiencing the crisis and/or the power to support solutions.

Resulting from that system scan was a comprehensive root cause analysis to guide a four-fold approach to systemic change which.

1. addresses deeply held beliefs that influence attitudes and actions,
2. increases quality connections and communication between stakeholders,
3. identifies stakeholders with decision-making power, authority, and influence, and
4. shifts rules, regulations, and priorities, targeting activities to address gaps, and allocating/distributing resources.

“See Appendix C for more information”

Using this approach, Pulse and its partners discovered the essential reality of the Child Care Crisis in Region 8: **families can't afford to pay and teachers (any childcare professional) can't afford to stay.** The underlying causes are market failure (a failed business model*), a workforce gap (due to historical under investment), and limited supply.

“We have a product that costs more to produce than most of the customers who need it can afford to pay. It's that simple,” she says. “You can't raise the wages of the staff without raising the fees to parents, and they're tapped out.” Linda Smith, Director of the Early Childhood Development Initiative at the Bipartisan Policy Center.

“People need to understand that child care is a business — with a failed business model. The nation needs to rethink whether child care is a shared responsibility, she says.

²A Systems Scan is a comprehensive examination and analysis of the various components, relationships, and factors within a specific system. This process involves collecting and analyzing data to understand the current state of the system, identifying root causes of challenges or crises, and exploring the perspectives of different sectors and stakeholders involved in or influencing the system.



A Steering Committee & Workgroups—composed of relevant stakeholders and partners—were provided the opportunity to operate from a shared understanding of systems

through Pulse-provided training. This training highlighted what a system is, why it's critical to focus efforts on systems, and the importance of developing strategies that impact the root causes uncovered through the Systems Scan.

Using this framework, **Pulse partners developed strategies for systems change** that encompass the many issues impacting Michigan families; early learning and care professionals (including business owners); intermediaries; economic, workforce, community and small business developers; funders; policy makers and municipalities. As the Committee and Workgroups collectively unpacked each root cause, **they developed strategies that were reflective of each stakeholder's perspectives.** The goal was to ultimately ensure that identified **strategies were powerful, feasible and actionable** for the specific stakeholder group developing them. In other words, strategies were specific to what each group would commit to taking action on - not telling others what they should do or be doing (with the exception of recommendations for policy or advocacy.)

This holistic system approach included being intentional about promoting successful implementation strategies. Good ideas, even those grounded in addressing root causes, require a framework for change and an accountability mechanism to ensure the outcomes sought are reachable and measurable. **Pulse proposes county-level implementation teams, coordinated by Pulse-trained facilitators, that will work from a collectively-developed action agenda guiding cross-sector stakeholders as they work together** to continue to monitor the issue regularly (using data), co-developing solutions, supporting effective implementation and intentionally evaluating progress regularly.

**"FAMILIES CAN'T AFFORD TO PAY,
TEACHERS CAN'T AFFORD TO STAY."**

**PULSE, POLICY EQUITY GROUP & MICHIGAN TRANSFORMATION COLLECTIVE,
MARCH 2024**



Overview of Southwest Michigan Region 8's Early Learning & Care Ecosystem

Southwest Michigan is a region known for its picturesque landscapes, charming small towns, and vibrant cultural scene. The area is characterized by its proximity to the beautiful shores of Lake Michigan, which provides stunning views and recreational opportunities for residents and visitors alike. With its rich agricultural heritage, Southwest Michigan is also renowned for its wineries, orchards, and farmers' markets, offering an abundance of fresh produce and locally-made goods. Additionally, the region boasts a diverse range of outdoor activities, including hiking, boating, and fishing, making it a popular destination for nature enthusiasts.

Southwest Michigan is home to a diverse population representing a mix of urban and rural communities. The region has a growing economy with a range of industries, including manufacturing, healthcare, education, and tourism. The population includes a mix of age groups, with a significant presence of young families attracted to the area's quality of life, as well as a growing number of retirees drawn to the region's natural beauty and relaxed pace of living. The seven counties that comprise Southwest Michigan are Berrien, Branch, Calhoun, Cass, Kalamazoo, St. Joseph and Van Buren.

Over three-quarters of a million people live in SW Michigan, including nearly 400,000 in the total labor force and nearly **60,000 children under age 5**, highlighting the need for a strong ELC infrastructure to support our region's workforce. Although the population as a whole is largely White (82%), among children under 8, X% are children of color, representing a change in the region's demographics. The median household income in SW Michigan for those in the active labor force is \$54,400, while the average cost of child care is \$10,800/year for Infant Care, \$9,500/year for Toddler Care and \$8,890/year for Preschool Care. While currently only slightly less than 40% of the region's residents have an associate's degree or higher, we know that high-quality ELC services can increase our region's educational attainment by allowing parents to pursue educational opportunities as well as building strong brain architecture for our next generation of learners from the start.

While it's clear that Southwest Michigan is an excellent place to live, work and play, the data in this report indicates that in order to maintain and grow the proud SW Michigan communities, it is critical that municipalities, business support and entrepreneurial organizations, economic developers, and workforce developers are intentional and collaborative in order to cultivate a solid early learning & care infrastructure in Southwest Michigan and beyond.



In the subsections that follow, Michigan's Region 8's early learning & care current infrastructure will be explored using national and state level data. While there are factors and circumstances unique to Region 8's early learning & care ecosystem, local realities are part of larger trends in early learning & care.

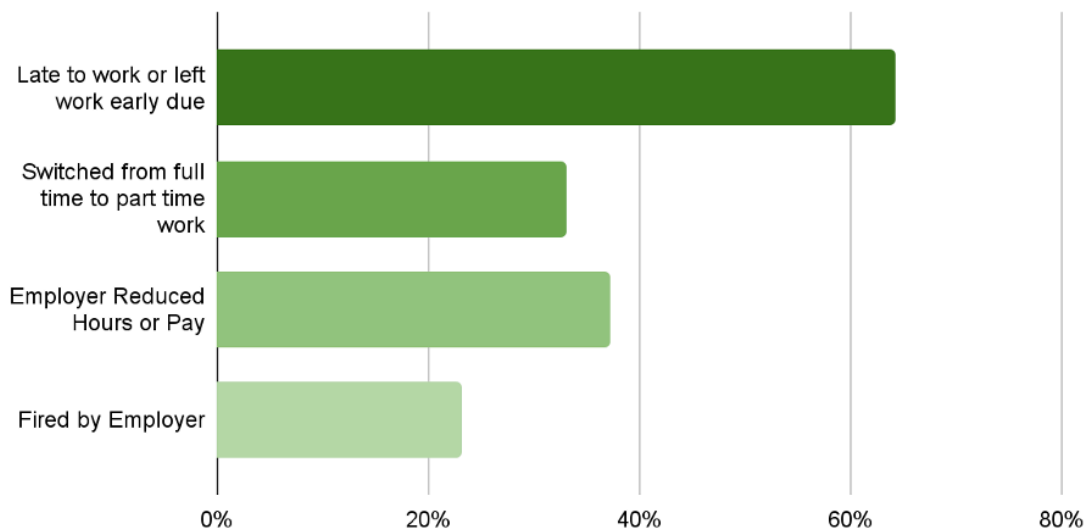




Impact of Childcare Affordability on Employment and Economic Activity

Economic data regarding lost revenue is backed by a national survey of parents, where 64% of respondents indicated that they had been late to work or left work early due to a child and exactly 1 in 3 respondents said they transitioned from full-time employment to part-time. Arguably more concerning, 37% of respondents had their hours or pay reduced by their employer as a result of schedule disruptions related to their child, and 23% had been fired or let go. While this survey was conducted for all parents, it is well documented that these employment and labor changes impact women disproportionately. In 2022, it was estimated that **women are five to eight times more likely to experience a negative employment outcome as a result of caregiving** than men. (Almeida & Salas-Betsch, 2023)

National Survey of Parents: Impacts of Lack of Affordable, Available Childcare



This issue is not a niche problem impacting only a small subsection of the American population. **“In 2021, 53% of working adults ages 25 to 54 were parents and 37% of those had young children.”** (Evans et al., 2022) Additionally, an estimated 26 to 28 million adults are shift workers, subject to unpredictable hours, night shifts, and last-minute changes that complicate their ability to identify and secure child care. (Lieberman et al., 2020) Based on the Bureau of Labor Statistics’ American Time Use Survey in 2018, **“19% of workers only find out their schedule less than one week in advance, making child care very difficult to coordinate.** Since 1990, child care costs have risen by 220%, which far outpaces the rate of inflation of the same period.” (Fillion, 2022).



When **nearly 1 in 5 children in Michigan live in poverty, nearly 1 in 3 children have parents who lack secure employment, and nearly 1 in 2 children live where there is insufficient access to child care**, it is nearly impossible to provide our children with the resources they deserve. The Department of Health and Human Safety deems child care affordable if a family spends no more than 7% of their household income on child care. **72% of households in the United States report spending more than 10% of their income on child care.** (Bishop, 2023) In Region 8, 54% of survey respondents pay more than 10% of household income on childcare, and 13% pay more than 30%.

In the state of Michigan...

 nearly 1 in 5 children in live in poverty

 nearly 1 in 3 children have parents who lack secure employment

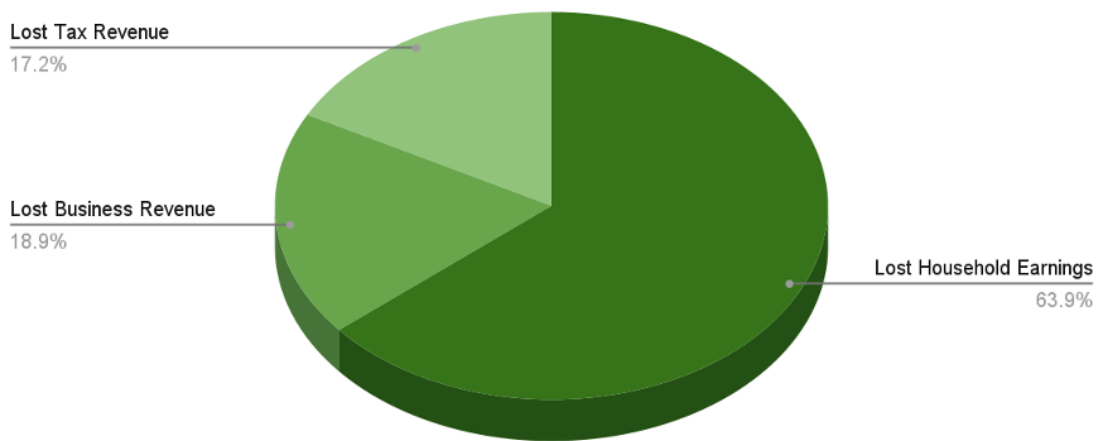
 nearly 1 in 2 children live where there is insufficient access to child care

US Economic and Labor Costs Due to Early Learning & Care Crisis

It is estimated that the current unattainable and unaffordable child care system we deploy in the United States **costs the economy \$122 billion annually**. A majority of that - \$78 billion - is estimated as lost household income because earnings are foregone after reducing hours or pay to care for children when child care cannot be found, or is too costly. An additional \$23 billion is lost in business revenue because of hiring costs associated with parents leaving the workforce and working fewer hours. The balance - \$21 billion - is a result of lost income and sales tax resulting from the reduced earnings of parents and as earnings are depleted and a higher proportion of household income is spent on child care, families consume and spend less in their communities.



Early Learning & Care Crisis Costs the US Economy \$122 Billion Annually



The **child care crisis costs Michigan \$3 billion a year** in economic activity (U.S Chamber of Commerce Foundation, 2023) **For nearly the same costs (\$3.5 billion), the State of Michigan could fully fund the statewide child care system.** In addition to the short-term economic losses, there are long-term impacts to the child care crisis. **Michigan ranks 42nd out of 50 states on education indicators**, such as 4th grade reading proficiency and 8th grade math proficiency (72% and 75%, respectively, are not proficient), and while it is easy to think of that as a K-12 issue, the development trajectory of our children starts much earlier (The Annie E. Casey Foundation, 2023). The lack of strategic investment in early learning and care infrastructure impacts the educational attainment of children in the state, therefore impacting the workforce of tomorrow.



Key Points

Impact of Childcare Affordability on Employment and Economic Activity

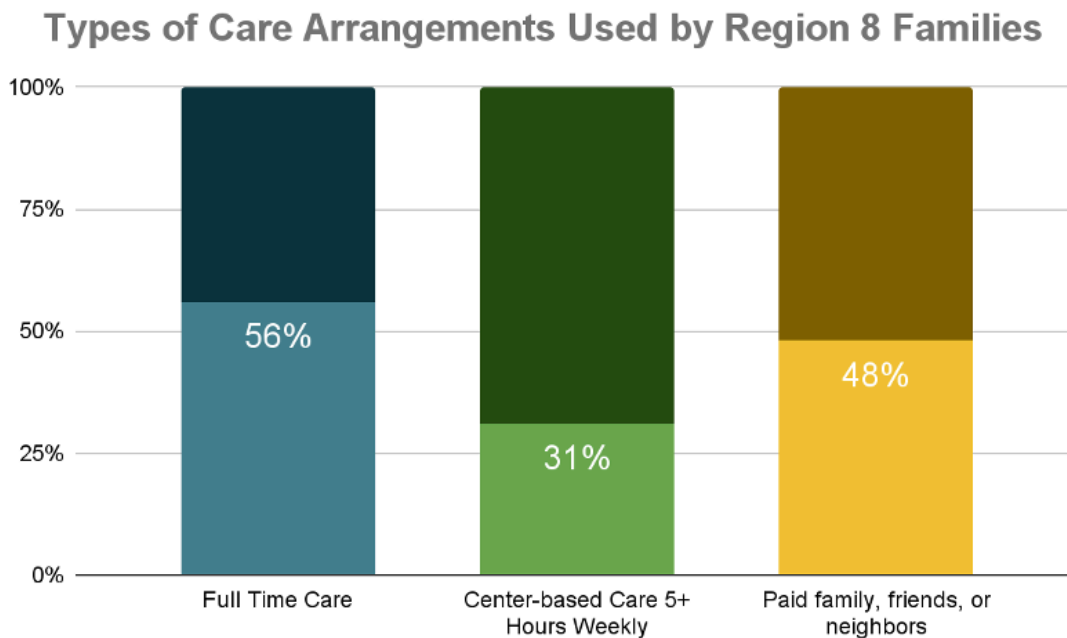
- **Employment Disruptions and Gender Disparity:** a significant portion of parents experience employment disruptions due to childcare issues, with 64% being late to work or leaving early, and 1 in 3 transitioning to part-time work. Women are disproportionately affected, being five to eight times more likely than men to face negative employment outcomes due to caregiving responsibilities.
- **Widespread Impact:** Childcare affordability and accessibility issues affect a substantial portion of the American population, with 53% of working adults aged 25 to 54 being parents, and 26 to 28 million adults being shift workers who face challenges in securing childcare.
- **Financial Strain on Families:** A considerable percentage of households spend a significant portion of their income on childcare, with 72% in the U.S. spending more than 10% of their income on childcare. In Region 8, 54% of respondents pay more than 10% of household income on childcare, with 13% paying more than 30%.
- **Economic Costs:** The unattainable and unaffordable childcare system in the U.S. costs the economy \$122 billion annually, with significant losses in household income and business revenue. In Michigan alone, the childcare crisis costs \$3 billion a year in economic activity.
- **Long-Term Educational Impact:** The lack of strategic investment in early learning and care infrastructure not only affects immediate economic outcomes but also impacts the long-term educational attainment of children, potentially hindering the future workforce.



Family Perspectives on Early Learning & Care Arrangements in Region 8

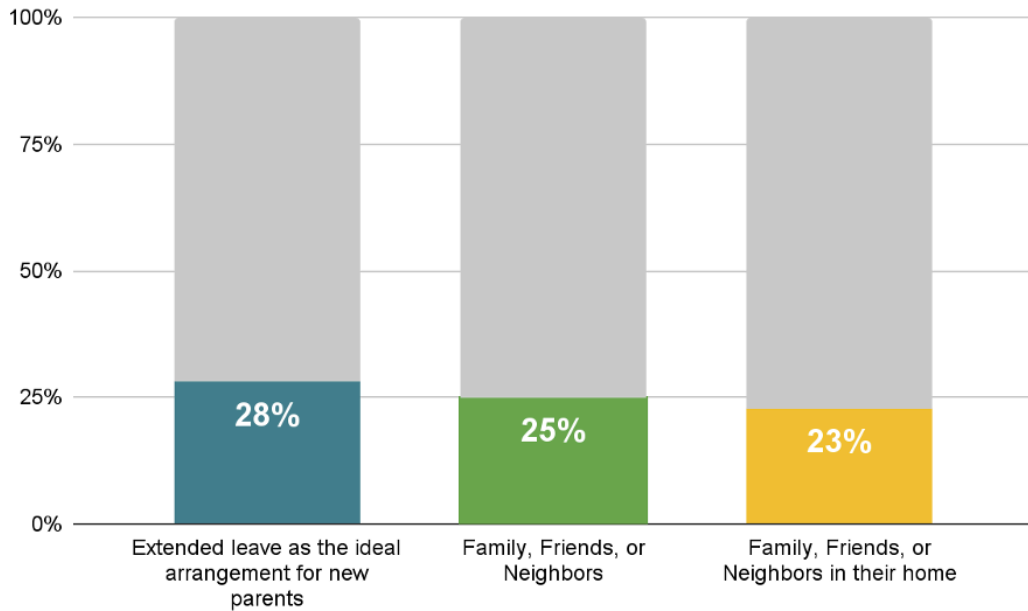
In 2023, Pulse was charged through a Regional Childcare Planning Coalition Grant (from ECIC - Child Care Innovation Fund through the Caring for MI Future Initiative) with developing a comprehensive Early Learning & Care Plan for Region 8 of Southwest Michigan, including Berrien, Branch, Cass, Calhoun, Kalamazoo, St. Joseph, and Van Buren counties. **Pulse partnered with the RAPID survey project at Stanford University to support the gathering of family voices** so that Early Learning & Care professionals, policymakers, funders, economic and workforce developers, intermediaries and business leaders can make recommendations reflective of what families say they need.

The graphs below offer insight into what child care arrangements families in Region 8 are utilizing and their preferences for various types of child care arrangements.



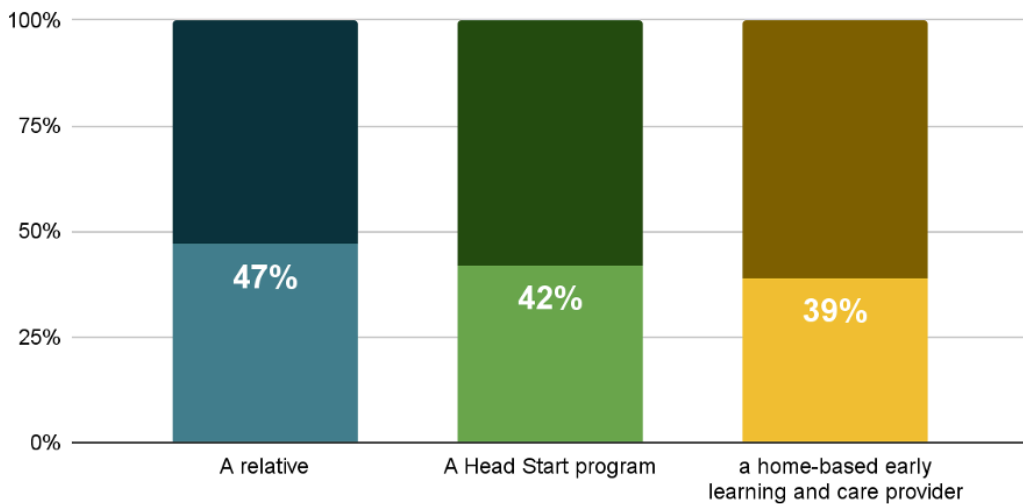


What would an ideal early learning & care arrangement look like for parents in SW Michigan?



What would an ideal early learning & care arrangement look like for parents in SW Michigan?

If all types of arrangements were equally priced and accessible, parents reported their top 3 ideal arrangements would be:





It should be noted that family, friend, or neighbor care arrangements can vary significantly. This is especially true in regard to the safety and quality of care that family, friend, or neighbor caregivers can offer. It is often impacted by family structure, when the care takes place (evening or overnight care especially), and both family and caregiver needs. Recent national data from the Bipartisan Policy Center suggests that only about 4% of families who use informal care use non-relative friends/neighbors (Smith, 2022). This indicates that parents and other relatives provide informal care for many families. In some cases, informal caregivers such as relatives, friends, and neighbors are less likely to have resources to fully support the care they offer.

Key Points

Informal Care Arrangements

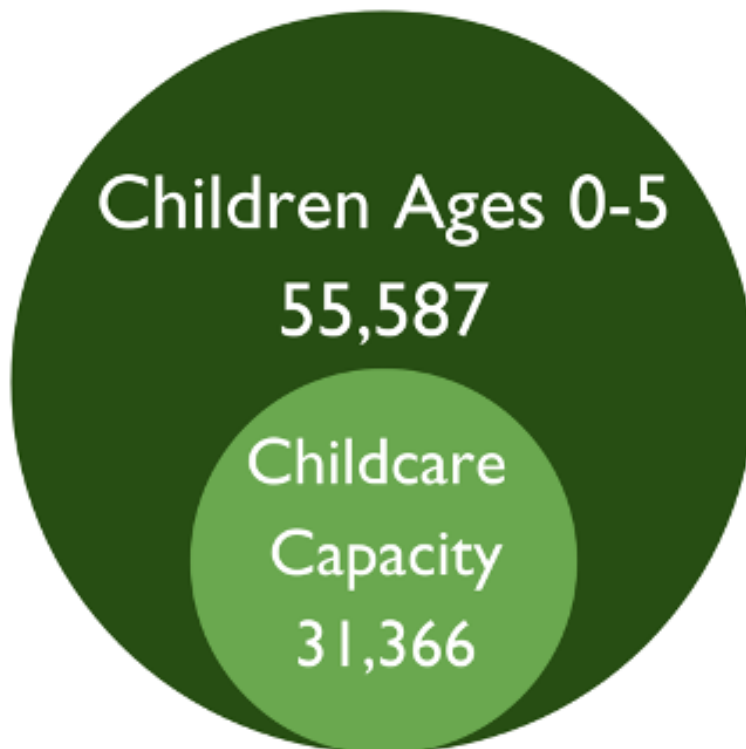
- **Understanding family preferences and challenges is essential for developing effective early learning and care policies.**
- **56% of Region 8 Survey respondents currently have children in full time child care with 48% indicating they use paid family, friend, or neighbor care.**
- **In addition to strengthening resources and support for community-based care, a comprehensive regional child care plan must also include considerations for informal caregiving.**
- **Informal caregiving support and resources could look like more generous workplace caregiver leave policies, financial resources for caregivers, and educational materials to improve the safety and quality of informal care.**



Childcare Capacity and Scholarship Access in SW Michigan

In Southwest Michigan, the Early Learning & Care Crisis is just as pervasive. **The Region (“Region 8”) only has child care capacity for 56% of the population aged 0-5.** This issue is more pronounced in rural counties, such as Cass County that only has child care seats for 23% of children. **There are currently 726 licensed child care facilities in Region 8 with capacity for 31,366 children, while there are an estimated 55,587 children aged 5 and under in the region.** Of these facilities, only 7% were open on Sunday and 5% open on Saturday. . due to labor shortages and increasing costs to operate child care facilities that are often untenable for parents, the State of Michigan has seen a rapid decline in licensed Child Care Business Owners over the COVID-19 pandemic period. There were 11,745 licensed Child Care Business Owners in July 2019, while there were only 8,016 licensed Child Care Business Owners in July 2022, representing a net closure rate of 3,728 facilities.

Region 8 (SW Michigan) Young Child Population vs. Childcare Capacity





Childcare Capacity by Region 8 (SW Michigan) Counties			
County	Child Population Ages 0-5	Licensed Capacity	Percentage of Children Served by Capacity
Berrien	10,540	4,632	43.95%
Branch	3,170	974	30.73%
Calhoun	9,781	5,550	56.74%
Cass	3,136	729	23.25%
Kalamazoo	18,775	12,846	68.42%
St. Joe	4,689	1,661	35.42%
Van Buren	5,496	2,774	50.47%

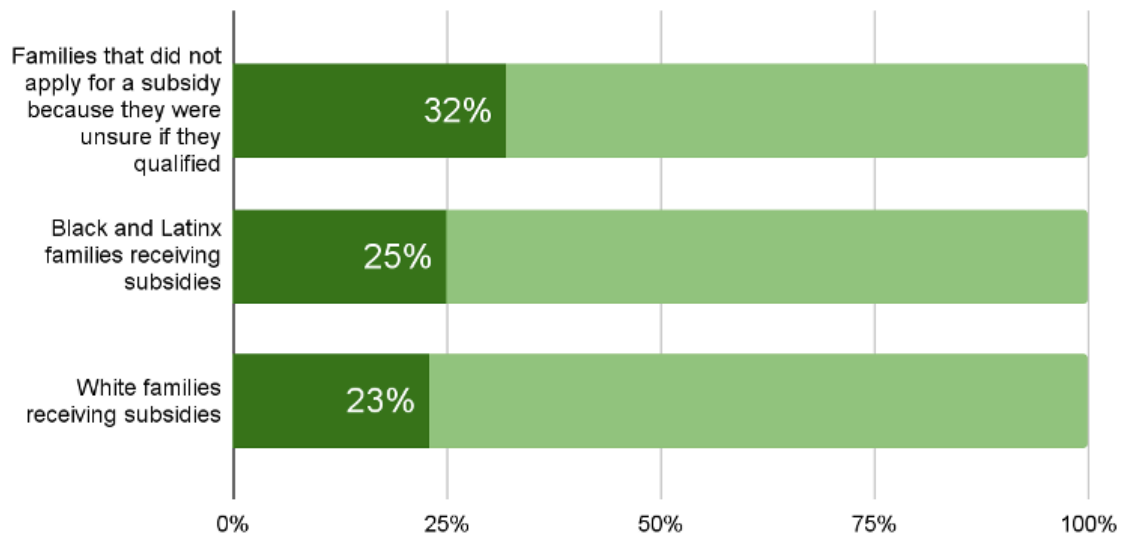
Access to Subsidies/Scholarships

According to the Michigan Department of Education, Advancement, and Potential, the Child Development and Care (CDC) Program offers financial assistance for child care to those in need, encompassing various circumstances such as employment, educational pursuits like high school completion classes and approved training, as well as treatment activities for health or social conditions. Eligibility extends to families with low income, licensed foster parents seeking care for foster children, individuals participating in treatment plans through MDHHS protective services, recipients of programs like FIP or Supplemental Security Income (SSI), and FIP applicants engaged in mandatory work participation programs (Michigan Department of Health and Human Services, 2024). The state child care scholarships are helpful, but some parents experience barriers despite the availability of scholarships.

Racial Disparities in Access to Scholarships/Subsidies

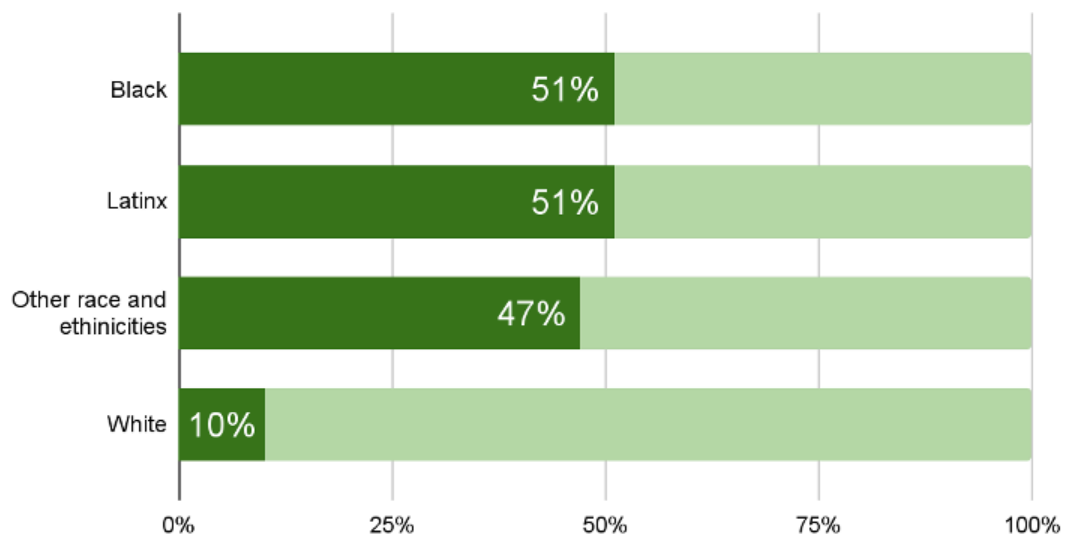
It is estimated that in Michigan, only half of the families eligible and approved for the Child Development and Care (CDC) subsidy are using it. In Region 8, **32% of families surveyed in April 2023 did not apply for a scholarship/subsidy because they were unsure if they were eligible.** Furthermore, This was the top reason given for not applying. More Black and Latinx families applied for a subsidy than white families. Yet, just over 60% of Black and Latinx families received a subsidy compared to 96% of white families.

State Subsidies: Barriers to Access Experienced by Region 8 Families



Respondents from the April 2023 survey noted that Black, Latinx, and other non-white parents had much more difficulty finding a provider to accept the scholarship/subsidy, than did white parents. However, **the October 2023 survey results reflected a decreased difficulty in finding subsidized care** (finding a child care business or nonprofit who accepts families whose source of payment is the state’s child care scholarship) among all respondents, with the exception of other non-white families (Asian, Native American, etc.) Please note that the subsample of Black, Latinx, and Other non-white families was smaller in the October 2023 survey, compared to the May 2023 subsample.

Difficulties Finding Providers that Take State Subsidies by Race, April 2023



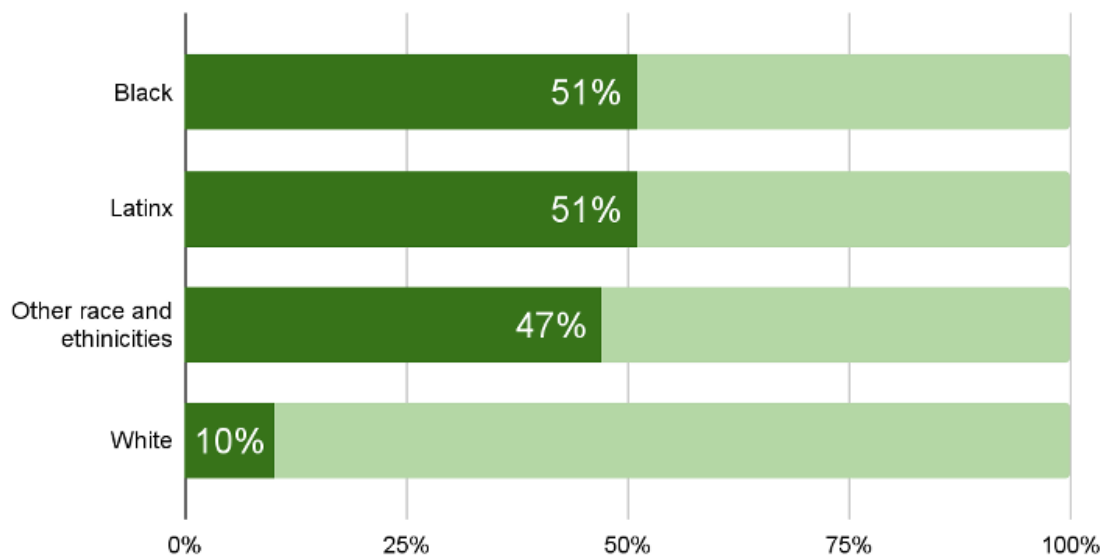


Key Points

Childcare Capacity and Scholarship Access in SW Michigan

- Region 8 currently has 726 licensed child care facilities with a **total capacity of 31,366 children, while the region has an estimated 55,587 children** aged 5 and under.
- Only a small percentage of these facilities operate on weekends, with 7% open on Sundays and 5% open on Saturdays, potentially limiting options for working parents.
- Understanding what subsidies, scholarships, and other financial supports are available and being utilized is a key starting point for improving availability and accessibility of supports for families struggling to pay for childcare.
- **Regarding racial disparities in accessing child care scholarships:** Pulse plans to monitor this trend in the next survey to make sense of whether this difference is due to decreased difficulties finding subsidized care or other factors. Furthermore, Pulse and its partners have engaged county-level DHHS leadership to monitor scholarship/subsidy access and further investigate underlying factors that might contribute to any disparities. Monitoring barriers to access in Region 8 could offer recommendations to Michigan DHHS leadership to address barriers.

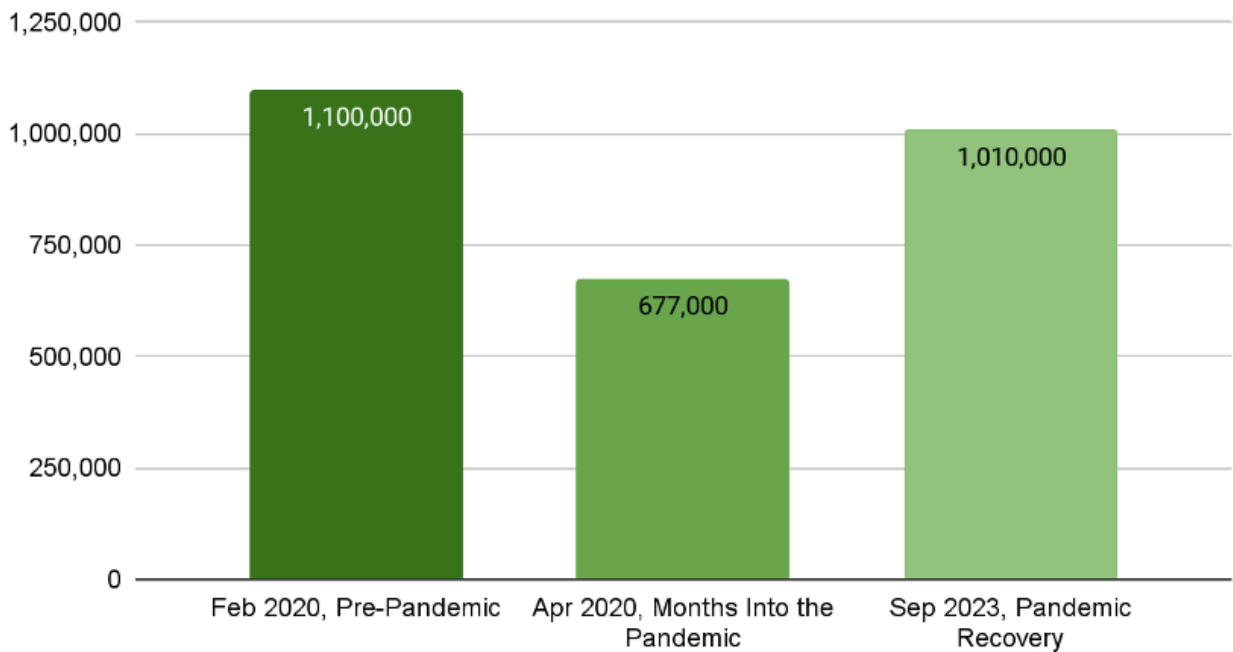
Difficulties Finding Providers that Take State Subsidies by Race, April 2023



Challenges Faced by the Early Learning & Care Workforce and Employers

In February 2020, before COVID-19-related lockdowns were imposed, the child care sector recorded 1.1 million workers. Like many industries during March and April 2020, the child care sector shed hundreds of thousands of jobs, dropping to 677,000 by April 2020. The workforce never fully recovered to pre-pandemic levels, as in September 2023, there were still only 1,010,000 workers in the child care sector. By June 2022, total nonfarm employment had passed its pre-pandemic high in the United States, while the child care sector is not expected to recover its pre-pandemic employment until September 2024. During the hyper-inflation environment following the COVID-19 pandemic, 10% of the child care workforce did not return to the industry. (U.S. Department of Labor, n.d.)

ELC Workers Employed and the Impact of COVID 19

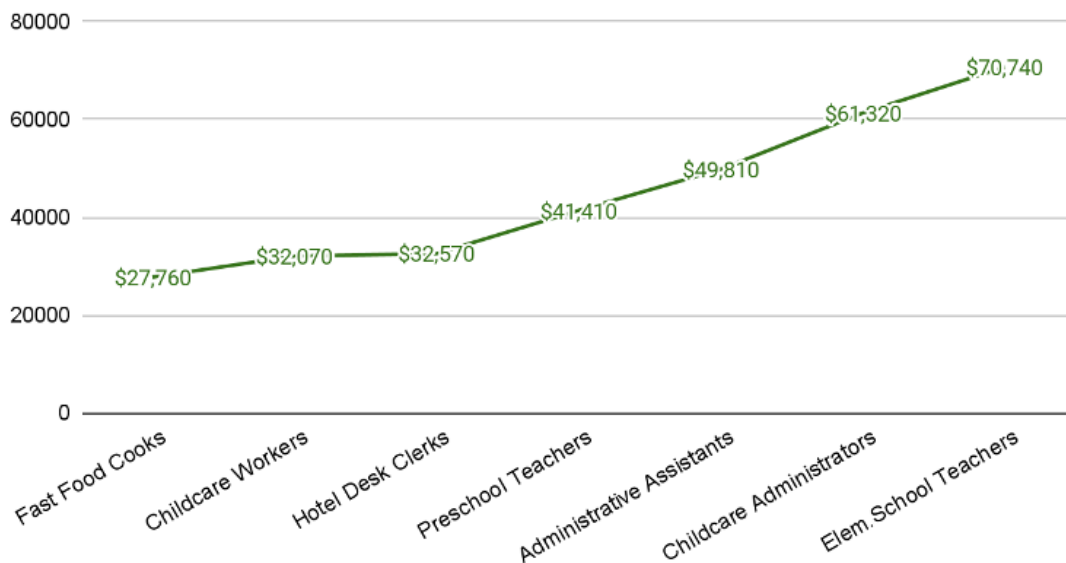


Early Learning & Care Workforce Earnings

The high cost of child care is certainly not a result of high profit margins and high wages for child care workers. In fact, 87% of total child care costs are spent on their labor force, but child care workers are paid on average \$32,070 in the United States. This is only marginally higher than the national average for fast food cooks at \$27,760 and ranks in the 2nd percentile of all occupational earnings in the country, meaning 98% of other occupations in the United States are compensated more than child care workers, despite the responsibility, background checks, and continuing education requirements of the job. (McLean et al., 2021) These wages are so low that 29% of child care workers experience food insecurity and more than half of child care workers are enrolled in at least one public benefit program, such as Medicaid, EITC, SNAP, etc. (Poo, 2022)



Worker Annual Mean Wage (May 2023)



(U.S. Department of Labor, 2023)

The issue of compensation creates a unique challenge to early learning and care business owners. Child care and early childhood education jobs are labor intensive, with understandably high levels of responsibility as educators and care providers are tasked with ensuring the safety and healthy development of children in their care. Because of the important work these staff undertake, staff member to child ratios are required with infant care staff providing care for up to four infants a day. While these ratios are reasonable and understandable, they present a unique business challenge. Other industries allow a staff member to serve a multitude of clients in a given day. In early learning and care, this is not possible.

ELC business owners also face a high level of turnover in their workforce due to the demanding nature of early learning and care and the meager earnings possible for staff. This means that ELC business owners are required to invest immense onboarding and training time into staff members that are likely to be with the business for only a short time. Furthermore, current ELC business models require heavy reliance on payments from families or DHHS childcare scholarships (which do not cover the actual cost of care) for the services they provide. This means that as costs rise (or if ELC business owners want to ensure livable wages for themselves and their staff), the high cost of care gets passed onto families who are already experiencing a high cost of living and stagnant wages. **Typical business models are not workable, sustainable solutions for providing the robust early learning and care infrastructure necessary for the Region 8 workforce. Early Learning & Care must be viewed as the critical infrastructure it is and funded accordingly.**



Key Points

Challenges Faced by the Early Learning & Care Workforce and Employers

- **Declining workforce:** The early learning and care sector faced a significant decline in employment since the onset of the COVID-19 pandemic, losing 10% of its workforce since 2020.
- **Low Earnings and Financial Strain:** Despite high responsibility and education requirements, child care workers earn low wages, ranking in the 2nd percentile of all occupational earnings in the U.S.

29% of workers in the Early Learning & Care industry experience food insecurity.

More than 50% of Early Learning & Care workers are enrolled in at least one public benefit program.

The average annual wage for an Early Learning & Care worker is \$32,070 (as of May 2023)

- **Unsustainable Business Models:** Current business models in early learning and care are not sustainable, as ELC business owners struggle to provide livable wages for staff while ensuring affordable care for families, indicating the need for innovative solutions.



Summary of the SW Michigan ELC Landscape

Southwest Michigan faces significant challenges in its Early Learning and Care (ELC) ecosystem, which is crucial for supporting the local workforce and fostering economic growth. The diverse population and dynamic economy of Southwest Michigan highlight the urgent need for a strong ELC infrastructure to support families and ensure that children have access to quality care and education.

Childcare affordability and accessibility are pressing issues that directly impact employment and economic stability. Parents often face disruptions at work due to childcare challenges, which disproportionately affect women and contribute to broader economic inefficiencies. The high cost of childcare places a significant financial burden on families, making it difficult for many to balance work and family responsibilities. This situation underscores the necessity of a robust ELC system that can provide reliable, affordable, and high-quality care options for all families.

The economic implications of the childcare crisis extend beyond individual households, affecting the broader economy by reducing productivity and hindering workforce participation. Investing in early learning and care is not only about supporting today's workforce but also about securing the future by ensuring that children receive the foundational education they need to succeed. A thriving ELC infrastructure is essential for building a skilled and educated future workforce, which in turn drives economic development and community prosperity.

Addressing these challenges requires a multifaceted approach that includes sector-specific adjustments and cross-sector collaboration. Municipalities, businesses, economic developers, and workforce developers must work together to create innovative solutions that support the working class and promote thriving communities. By prioritizing ELC infrastructure, Southwest Michigan can enhance the quality of life for its residents, attract and retain talent, and ensure that its communities continue to grow and prosper.

Ultimately, the goal is to create an environment where families can thrive, children can access high-quality education and care, and communities can flourish. In the following section, a host of sector specific and cross sector recommendations are offered to achieve these goals. This vision can only be achieved through a concerted effort to address the systemic issues within the ELC sector and foster collaboration across all sectors to support the shared goals of a vibrant, resilient Southwest Michigan.



RECOMMENDATIONS

Section 4

"WE ALL HAVE A ROLE TO PLAY."

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Recommendations and Considerations for Coordinated Systemic Change

One of the crucial components of our systems approach is holding tension between broader trends of the early learning & care (ELC) system as a whole and the examination of specific sectors that intersect (and are impacted by) this system. In addition to broader economic sectors, specific program offerings within the ELC system have unique considerations to examine. This section will “zoom in” to examine the specific role that particular sectors play in the ELC ecosystem and offer recommendations.

These recommendations were generated through a year-long engagement strategy (the Regional Child Care Planning supported by the Caring for MI Future initiative) that connected leaders within specific, critical sectors to the knowledge and people they would need to make informed recommendations about their sector’s role in solving the crisis facing our shared region. (A list of contributors can be found in Appendix F) Pulse provided systems thinking training, applied its action learning (define, design, do, learn) framework and convened this stakeholder group (the Steering Committee) regularly around data, learning and composing recommendations that were vetted by peers and additional stakeholders. In some instances, in-person and virtual workshops were held for specific groups (municipalities, economic developers, funders) where additional data was gathered. Once initial recommendations were drafted, a “road show” plan was implemented that sought input from the relevant communities and/or groups. This input was considered and the draft was updated to reflect new or added thinking.

The purpose of these recommendations is to provide a multifaceted approach to nurturing the early learning & care ecosystem. This is important due to the vast diversity of familial ELC needs. In order to ensure a comprehensive network of ELC programs and initiatives will be necessary to ensure long term sustainability and efficacy. Furthermore, a cross sector approach offers the opportunity to build systemic infrastructure to support growth within the ELC ecosystem. It is critical to address the way sectors work with one another and within their respective sector. This will add agility to cross sector coordination and collaboration, allowing the ELC ecosystem to be more responsive to ongoing change.

Each of these sectors, Child Care Business Owners, families, and Michigan communities have much at stake in the Early Learning & Care Crisis. Therefore, it is vitally important to bring together a diverse pool of talent, connections, leadership, and policy acumen to address the crisis. Representatives from these sectors must work together to support this important endeavor.



Implementation Teams And Advocacy

To address the challenges that include **mindsets** (folks unsure of their role in addressing the child care crisis), **connections** (siloed approaches to community/economic/workforce development) and **resources** (knowledge gaps, inadequate funding, etc.), we recommend that **a comprehensive, cross-sector Implementation Team be developed in each county** that includes active representatives from key sectors including those listed here. These teams will be facilitated by dedicated staff trained by Pulse and provide opportunities for networking, learning, action and accountability.

Pulse is ideally situated to provide the training given its successful approach to systems change in Battle Creek (as evidenced by improved outcomes) as well as their role in training Great Start Collaboratives from across the state through a contractual relationship with the Early Childhood Support Networks. These networks are “designed to provide development of, and facilitate access to, a coordinated, easy-to-navigate early childhood system for providers and families that addresses the needs of the whole child” (Great Start to Quality, 2023)

Through these Implementation Teams, Pulse will:

- Implement strategies that address these **root causes** by aligning existing supports and overlapping initiatives/strategies that will provide for a comprehensive and holistic approach.
- Work from a collectively-developed **action agenda** guiding cross-sector stakeholders as they work together.
- Monitor the Early Learning & Care Crisis regularly (using data), **co-developing solutions**, supporting effective **implementation**, and intentionally **evaluating progress** regularly.
- Learn from regional experts who’ve been holistic and comprehensive in their support of thriving communities.
- Leverage technology to gather Implementation Team members from all over the county who have line of sight to the diversity of ELC needs (i.e. rural community needs)

Implementation Teams and their respective action agendas will be supported by a strong cohort of specially trained facilitators. These facilitators will be equipped with the skills and tools needed to support long term systemic change in their community and statewide early learning & care ecosystem. It is understood that each county will have



unique challenges and opportunities as Implementation Teams work together to create and sustain this change. Facilitators who understand each county's early learning & care landscape and have support in place will be critical to the success of these teams.

It will be vital that this effort be organized in a way that leads to advocacy at the local, state and federal levels to increase the public and political will necessary to create substantive systemic and lasting change. This includes developing tools and opportunities for leaders to advocate for changes that increase investment and create sector-specific policies and practices that prioritize the diverse needs of families in culturally responsive ways. By embedding advocacy learning and opportunities into the Implementation Teams action agendas, we can provide the advocacy leadership needed to advance our collective goals. These may include increasing local, state and federal funding sources to strengthen the sector and provide the resources necessary to effectively implement the recommended strategies. By educating and engaging policy makers at multiple levels, advocacy plays a key role in connecting on-the-ground realities with decision-making.

Additionally, it will be crucial to attend to the ongoing development of a strong advocacy infrastructure and voice for early learning and care in Southwest Michigan. This includes providing advocacy leadership (through partnership with policy experts), developing business and community leader champions for early learning and care, representing southwest Michigan in statewide advocacy partnerships to support early learning and care as a priority with state policymakers, and developing the (advocacy) tools necessary to sustain advocacy efforts.

Lastly, to ensure a cohesive, well-supported process that empowers Implementation Teams to fully engage their Action Agendas, Pulse trained facilitators will need ongoing coaching and support. The role of Pulse trained facilitators cannot be overstated. To allow Implementation Team members to focus on action, trained facilitators can focus on creating communication, engagement, and coordination processes that support Implementation Team work.



The Role of Pre-K for All in SW Michigan's Early Learning & Care System

In light of Governor Whitmer's plan to implement Pre-K for all by the end of 2024, SW Michigan must simultaneously prepare for its launch while addressing challenges we know to be present in our communities. Pulse and their partners have learned that each family has unique early learning & care needs based on their work/commute schedules, finances, composition (number of children, ages of children, etc.), cultural needs and each child's development. Most of all, Pulse has heard families emphasize the need for care from a reliable, caring provider who offers consistent and safe care so their family can thrive.

Families may have multiple considerations to balance as they seek appropriate care and learning for their children. There are families who feel that current Kindergarten readiness programs do not meet the needs of their family or their child's unique needs. Their families may want an alternative to such programs that are a better fit for such needs. Other families may have multiple children of varying ages and limited transportation access. Having all of their children in care at the same location may be most important to them. Still other families may prefer that their children receive care in a home environment rather than center/school based programmatic approach.

An additional consideration for families in need of early learning & care is the community in which they live. Families in rural communities or in cities that are geographically spread out may have unique transportation needs to consider. Parents and caregivers who commute must decide if early learning & care in the community they work in or the community they live in would be the best fit for their family. Families with children with learning and developmental disabilities may have to consider access to specialized supportive services in their county as they make decisions about early learning & care.

As we consider the implementation of this incredible opportunity (which is estimated to save families a potential \$10,000 per year) we want to be sure that we are keeping the diversity of family needs central to our approach. Furthermore, we will also want to consider the needs of the critical home based Child Care Business Owners as Pre-K for All is implemented. This segment of the early learning & care ecosystem plays a pivotal role in providing care to children ages birth to 5.

The proposed implementation teams play a key role in fully understanding the diversity of family needs in their local communities and guide the implementation of Pre- K for all to support these needs. In doing so, the Pulse-trained implementation teams will increase the positive impact that Pre-K for All has on the ground in local communities.




Early Learning & Care Business and Workforce Development

Early Learning & Care business owners and leaders are pivotal in guiding transformative change in Michigan’s early learning & care ecosystem. They possess a profound understanding of the intricate web of factors influencing child care accessibility and quality, recognizing that financial considerations are interwoven with social, political, economic, and regulatory constraints. Their knowledge must be expansive to handle everything from budgeting to staff management to developmentally appropriate practice. They oversee employees who are likely to experience housing and food insecurity due to low wages while providing a nurturing environment for children to grow and learn. Low wages and a high stress working environment has led to significant turnover in the industry. This means that child care employers must invest in training and onboarding staff that may not be employed for very long. All of this places immense stress on employers as they manage dedicated employees and attempt to create a healthy work environment in the midst of these challenges. Their expertise and commitment lay the foundation for crafting meaningful and sustainable reforms, essential for nurturing a robust ELC ecosystem.

Based on the survey data (provided in Appendix D), along with the qualitative input from Child Care Business Owners comments, the following draft recommendations are some **actions that business owners themselves might be willing to undertake** at the local level with minimal support from state policy and regulatory agencies or other intermediary groups:

- **Distribute information** to current and prospective families about things Child Care Business Owners already know to raise awareness and shift mindsets:
 - Hallmarks of high-quality care (what to look for when seeking child care)
 - Availability of state scholarships (subsidies) and how to apply
 - Importance of caregiver relationships to healthy child development
 - Staffing challenges
- **Pro-actively engage licensing consultants** for advice and support—and to strengthen the provider-consultant relationship:
 - Get tips on streamlining recordkeeping and other compliance matters
 - Inquire about other local Child Care Business Owners to learn if support or training groups exist (or could be developed)
 - Make them aware of specific needs or challenges so they can identify trends

- 
- **Seek support and engagement from local schools, colleges, extension, and business affinity groups** to see if resources are available for networking and awareness-raising (Intermediate school districts, Chambers of Commerce, community colleges, United Way, workforce/economic development organizations, 4-H and Scouts, YMCA/YWCA, etc.)
 - **Start a local child care “community of practice”** via email with other Child Care Business Owners, to informally network and share ideas.

Several more draft recommendations would require the involvement of other stakeholders but might be attainable in the short term:

- **More communication and personal outreach from licensing consultants.**
- **Engagement from municipal agents and workforce/economic development organizations,** with offers of support and desire to understand what is helpful.
- **Advocacy on Child Care Business Owners’ and parents’ behalf** for policy changes leading to increased investment from the public, private, and nonprofit sectors.



Municipalities

In the early learning and care ecosystem, municipalities can be dynamic innovators with the potential to profoundly impact their communities. Regardless of size, these entities possess the power to champion early learning initiatives, thus fortifying families and local businesses. Noteworthy initiatives, such as Kalamazoo's innovative Tri-Share model³, exemplify municipalities' capacity to pioneer solutions that transcend traditional boundaries. By identifying and disseminating such innovations, municipalities can collectively shape a future where every community thrives on the foundation of early learning support.

Build Engagement, Build Capacity, Create Action

A primary factor to achieve increased municipal engagement is to build on opportunities that embed early learning and care into the framework of what municipalities are already doing. At the basic level, we recommend elevating education and discussion regarding connections between local government and the overall health of a community as it relates to early learning and care, lifting up the role that access to affordable, quality early learning and care has on the ability for a community to thrive socially and economically. This exposure to municipal leaders can be offered at annual municipal leadership association conferences such as ICMA (International City/County Management Association), MAP (Michigan Association of Planning), etc.

Review, Test, and Amend Zoning Language

Municipalities should consider reviewing and amending zoning language to help ensure that zoning regulations do not artificially place stringent restrictions on child care uses. The intent is to promote the following goals:

- To encourage the establishment of a sufficient number and a variety of child care services in safe and convenient locations throughout the municipality in order to accommodate the growing demand while meeting the physical standards.
- Continue to review state child care licensing rules to eliminate unnecessary, duplicative, and/or outdated licensing rules and address barriers to obtaining or retaining a child care license.
- To allow for child care family and group homes to be located in residential, commercial, and industrial surroundings as a permitted use by right.

Municipalities with the capacity to do so can consider **zoning stress-tests** to assess the impact and effectiveness of their zoning policies.

³More information on the Tri-Share model can be found at <https://www.kalamazoocity.org/News-articles/City-Helps-Expand-Childcare-Access-through-Tri-Share-Program>



Embed Early Learning and Care into Existing Frameworks/Efforts

Other opportunities to embed early learning and care into existing municipal frameworks including the **Consolidated Plan and Redevelopment Ready Communities**. A Consolidated Plan is designed to help local jurisdictions assess affordable housing and community development needs and market conditions, and to make data-driven, place-based investment decisions. This creates an opportunity **for strategic planning and citizen participation** to take place in a comprehensive context to address community needs rooted in effective coordinated strategies. It is recommended that municipalities **be intentional about soliciting community feedback** specific to child care and incorporate that feedback to inform future service delivery/programs and funding determinations to support and build the supply of child care. **It is also recommended that municipalities factor in potential creation of new child care centers when developing incentive analysis for potential development projects.** Even if this step does not result in the creation of new centers, it can help to bring awareness to a community's need for investment in child care infrastructure.

Redevelopment Ready Communities (RRC) are Michigan communities that are ready for development. This involves planning for new investment and reinvestment, identifying assets and opportunities, and focusing limited resources. RRC's attract and retain business, offer superior customer service and have streamlined development approval processes. There are many facets of RRC designation, being intentional about incorporating items specific to supporting and strengthening child care would be impactful. Pulse prompted a conversation with the Michigan Economic Development Corporation about the embedding of early learning and care into the Redevelopment Ready Communities framework that has led to a published Request for Proposal and selection of a consultant charged with writing a child care supplement for the Redevelopment Ready Communities framework which has now resulted in a publish draft.

Municipalities as Employers

Many municipalities in our region are also large employers. It is recommended that they **utilize the Pulse Roadmap** (see Appendix A) to identify opportunities to support their workforce around their issues of early learning and care. This includes a diverse range of opportunities from reviewing their policies to assess for family friendliness to financially supporting care.



Workforce, Economic, and Business Development

Early learning and care has a unique impact on the three distinct yet interrelated spheres of community, workforce, and economic development. The importance of housing, placemaking, and the availability of essential services such as child care are pivotal to attracting talent and supporting business development. Recognizing this opportunity, programs such as Redevelopment Ready Communities combine investments in early learning and care while marketing communities as appealing locations for other forms of development. Such efforts recognize that infrastructure including transportation and early learning and care are critical to the success of both business attraction and retention.

As the evolution of development continues, disconnection and misalignment challenge the effectiveness of cross-sector action on building essential infrastructure that nurtures development. Distrustful mindsets, insufficient coordination, a lack of collective responsibility, and limited resources continue to impact attaining the long-term vision of investing in vibrant communities where members can live, work, play, and learn.

Duplicative efforts—especially in working with employers—present a unique challenge to changing mindsets and resource allocation. For example, employers may work with Economic Development Organizations to address barriers to workforce development while also developing a working relationship with Michigan Works! to address the same needs. This creates situations where each entity is providing employers with conflicting or competing solutions, rather than working together to provide a unified approach to workforce development options.

In addition to the mindsets influencing development sectors is a deeply held cultural bias that frames early learning and care as a “woman’s issue.” The impact of this bias is most keenly felt in interactions with employers who claim that they don’t have issues with care because their workforce is majority male, overlooking the important role that men play in the care and education of their children.

In conclusion, the impact of early learning and care extends beyond individual spheres, intertwining with community, workforce, and economic development. Essential services offered by community-wide infrastructure form the backbone of vibrant communities conducive to business attraction and retention. Addressing the challenges to investing in key infrastructure—especially early learning and care—are crucial steps towards fostering collaborative, inclusive, and sustainable development practices for the benefit of all stakeholders. The following specific recommendations are offered to begin addressing these challenges:



Align & Coordinate Employer Facing Supports

- Leverage existing spaces where sectors meet (such as workforce development task forces, economic development events, business roundtables, Chamber of Commerce events, service organizations, etc.) and embed early learning & care into agendas.
- Provide training to employer-facing staff so tools (like the Pulse Roadmap) can be implemented effectively.
- Explore opportunities to bring training (& awareness) to state-level convenings hosted by MEDC, MML, Business Leaders for Michigan, MEDA, etc.

Change the Regional Landscape by Embedding Early Learning & Care into the Fabric of Organizations/Agencies

:

- Include the Pulse Roadmap (see appendix A) on organizational websites
- Identify & support internal (early learning & care) experts and connectors
- Embed Early Learning & Care into MEDC's Redevelopment Ready Communities Framework
- Include Pulse as a member of the Regional Partners Team
- EDOs: support early learning & care businesses by providing assistance around zoning, tax abatement and site searches
- Community Developers can include early learning & care into their evaluation rubric for supporting projects
- Co-create a Developers Roadmap on the Pulse Roadmap (which is currently focused on employers)

Support Employers by Addressing the Technical Assistance Limitations

Consider a shared (cross-sector) Business Development Specialist position and/or braided funding to build capacity to provide direct support to employers exploring and implementing Pulse Roadmap opportunities. Pulse is well-positioned to serve in this role (with expanded capacity) and to provide necessary training for others. Business Development Specialists shift employer focus from standard benefits like PTO, medical, and retirement plans to exceptional offerings, enhancing their effectiveness in the community. By discussing the impact of addressing early learning and care on employee retention, performance, and attraction efforts, backed by data and case studies, specialists bring this issue to the forefront. This can secure buy-in from upper management, crucial for real organizational change, highlighting early learning and care as key factors in becoming an employer of choice.



ELC Specific Workforce Development Recommendations

Early childhood career development is disjointed in Region 8. While relationships among staff exist, the systems that drive programs such as the Child Care Resources' Apprenticeship Program (regional), Community Action's Early Learning Education Collective (Calhoun County), and the Edison Early Childhood Education Career Pathway (Kalamazoo) are not well coordinated. Each has limited individual success and program providers can refer applicants to other career development programs as needed. However, each program experiences different levels of funding and strategic support leaving them misaligned and limiting their efficacy.

Regional workforce partners primarily assist job seekers and employers with services like resume writing and interview skills. However, their involvement in early learning and care career development has historically been minimal, with many struggling to grasp the significance of early learning and care or their role in developing career opportunities in the field. Some offer barrier-removal support, including access to child care assistance. Despite the impact of workforce development activities like talent identification and training, regulatory barriers hinder their engagement in the early learning and care sector. Additionally, low wages for early childhood professionals and the prioritization of certain federal funding requirements limit their ability to form meaningful partnerships, hampering efforts to stabilize the early learning and care field.

The following recommendations are offered to address the current limitations on ELC workforce development:

Address Compensation Shortfalls in the Early Learning and Care Workforce

With a long-term goal of increasing overall wages within and across the sector, we must also find ways to immediately alleviate the financial strain experienced by our critical workers in early learning and care. **For the 1,837 childcare workers in Southwest Michigan, it would cost \$11,231,315 per year to get every childcare worker in Region 8 to a livable wage that just supports themselves, with no children. It would cost \$143,600,380 per year to get every childcare worker in Region 8 to a livable wage to support 2 children in a one adult household.** Additional data and in depth analysis can be found in Appendix E. Identifying funding sources and workable long-term solutions will be key to increasing wages within the sector.

Access to Child Care Scholarships

To address the compensation inequities experienced by early childhood professionals, we recommend following Kentucky's lead and provide **automatic/presumptive eligibility to the state's child care scholarship for all early childhood professionals**, regardless of income. While we continue advocating for higher wages, we can provide some financial burden-lifting that will help them support themselves and their families, support higher workforce retention and increase our usage of the scholarship allocations.



Access to Health Care

Most early learning and care workers lack access to healthcare benefits. This leads to medical debt, unhealthy outcomes and absenteeism. Battle Creek's Early Childhood Leaders and Advocates attempted to address this gap through private funding and came up against too many legal hurdles. Pulse suggests considering options such as an effort innovated in Nevada that provides free dental and vision coverage, an Employee Assistance Program (EAP), unlimited telemedicine calls, ten teletherapy sessions and an optional Whole Life insurance policy for Early Learning & Care professionals in the state. Additionally, income tax credit against health insurance costs of workers should be considered. The average benchmark health insurance premium in Michigan in 2021 was \$347 per month, based on the second-lowest-cost silver plan. This is an annualized estimate of \$4,164. **In order to cover insurance premiums for all 1,837 childcare workers in Region 8, it would cost \$7,649,268 per year, on average.**

Integration of Elements from National Programs

Local partners are actively engaged in both the National Job Quality Academy Standards (Department of Labor) and the Centering the ELC Workforce in Policy and Programming and Partnerships and Pathways Communities of Practice (Build Initiative). Principles and elements from these distinct bodies of work should/will be integrated into our existing programming. **By leveraging these lessons strategically, our region will experience the impact of these national efforts** and may serve as a best practice example of what's possible.

Leverage and/or Braid Funding

Early Learning & Care programmatic leaders should be brought together with local workforce support partners to 1) assess access to existing workforce funding; 2) explore ways to leverage and/or braid existing workforce funding; 3) consider collective funding requests that illustrate the region's systemic approach to building our workforce

Learning Opportunities

Early Learning & Care networks can **learn from key initiatives in the region** to help identify scalable ideas, and support their development and implementation in other communities. For example, Battle Creek Public Schools successfully launched a Housing Incentives Program that supports Early Learning & Care professionals by providing housing assistance for a period of time. This is intended to provide the critical folks doing this work the opportunity for some financial breathing room, ultimately leading to more professional engagement and long-term commitment.



Apprenticeships

One possible initiative that should be explored is **the use of a “learn and earn” apprenticeship model to develop the ELC workforce**. While Region 8 does have an Early Childhood Education Registered Apprenticeship Program, there is ample opportunity to improvise and expand apprenticeship opportunities in early learning and care in the region. Apprenticeship programming could be expanded and built upon, using the successes and challenges of collaborative efforts of initiatives such as the Edison Early Childhood Education Career Pathway (Kalamazoo) as a starting point.

Significant education and outreach would be needed to ensure that the ELC community and possible apprenticeship program participants (both center and home-based Child Care Business Owners) better understand the impacts and benefits of apprenticeship. Clear objectives, expectations, and processes would need to be implemented to organize the program for effectiveness. To ensure sustainability of such an initiative, it will be important to gather feedback from apprenticeship administrators and participants to see what adjustments need to be made on an ongoing basis. Partnership with community colleges and other learning communities would be helpful to supporting an apprenticeship model.

Expand Reach of Existing Programs

To **create a No-Wrong Door approach to outreach by existing programs**, technology should be carefully considered to create a shared portal (possibly repurposing/utilizing an existing site) for early childhood careers in the region that will connect with existing programs and provide an easy entry to folks looking to explore this as a career path. Customized approaches that include strategic partnerships for outreach (such as with local colleges and universities) will need to be developed to meet the unique needs of each county and the communities within it (such as rural areas.) Pulse has had limited success with local community colleges and Western Michigan University in exploring ways to support the development of early learning and care professionals that prioritizes collaboration and alignment with overall goals for the ELC sector. Further development and innovation is needed to build out existing program outreach and implementation.

Shared Measurements Across Programs

Shared measurement tools should be created and early learning & care career program administrators should commit to using such tools to collectively assess the effectiveness and impact of our regional efforts. The resulting data would provide the foundation for the leads of these programs to come together regularly to analyze the data and make strategic decisions based on what’s learned. It will also allow for reflection on the impact these programs are having on the workforce as a whole.



Funders

The early learning and care ecosystem in Michigan, particularly in Region 8 (SW Michigan), faces several challenges as identified by funders invested in the sector. Acknowledging the absence of a cohesive, regional strategy for funding early learning and care initiatives, stakeholders within Region 8 recognize the imperative for a more coordinated approach. This involves broadening the definition of funders to encompass not only local entities but also regional, state, and national partners, essential for enhancing investment and collaboration. Moreover, funders emphasize the necessity for diversifying funding mechanisms and tools to effectively support early learning and care initiatives. Highlighting a crucial gap in knowledge resources, stakeholders stress the importance of understanding the full spectrum of available resources and the requisite tools necessary to maximize their impact within the ecosystem. It is recommended that funders:

Organize

Bring funders together around early learning and care by:

- developing & actively engaging in a Region 8 Early Learning & Care Affinity Group that includes the expanded definition of “funder”
- supporting the convening of early learning & care funders state-wide
- encouraging and providing tools (see below) for the embedding of Early Learning & Care into existing funders’ group agendas (where applicable)
- aligning & coordinating funders’ efforts with county-level Implementation Teams

Develop & Share Implementation Supports

Create tools that will support funders’ active engagement both internally and externally in early learning & care by:

- developing a webinar highlighting the different funding tools available to support early learning & care
- co-developing a Funders’ roadmap (to be included on the Pulse Roadmap) that highlights best practices, innovations and possibilities
- creating and committing to a regional funders’ process for sharing data specific to early learning & care investments in order to bring visibility to the resources available (to other funders AND to those who need the funds) and to creating opportunities for leveraging and pooling funds, collaboration, etc.



Policy and Regulatory Recommendations

Policy and Regulatory Support of the Early Learning and Care Ecosystem

Policymakers and state regulatory agencies play a unique role in the early learning and care ecosystem in the state of Michigan. Ensuring the safety and quality of early learning and care while not overburdening child care business owners with administrative and bureaucratic processes must be held in tension as policymakers make key decisions. The recommendations offered below are strategic policy and regulatory shifts that could support the expansion of the supply of early learning and care services in local communities in Michigan. By identifying ways to strategically invest in families with children 0-5 through targeted universalism ensures the impact of any policy changes or funding allocation will be felt by families with the highest need first.

Policy and Regulatory Recommendations for the ELC Ecosystem:


- Develop a **statewide collaborative philanthropic strategy** to enable the environment necessary for a thriving early learning experience for each child in Michigan.
- **Identify and eliminate barriers to accessing the state child care scholarships** and align the scholarship with the recommendations from the Comprehensive Fiscal Analysis of the Prenatal to Five System in Michigan Early Childhood Investment Corporation (ECIC)⁴

Policy and Regulatory Recommendations for Licensed Care

- **Identify the appropriate wage necessary to pay early learning and care educators teachers** a thriving wage – and base the appropriations off of this wage scale and the statewide cost of care study. A tool that is helpful to this end is the Interactive Wage Calculator. Created as part of the Balancing the Scales report, a collaboration between ECIC’s Child Care Innovation Fund and TalentFirst, this interactive calculator can generate equitable and competitive wages for any early educator based on their location, role, and qualifications. The calculator leverages the systemwide, unifying wage scale proposed within the ‘Balancing the Scales’ report to bring early childhood educator wages on par with comparable jobs requiring similar skills and credentials⁵.
- Leverage lessons learned from the current Family Childcare Network being implemented by Child Care Resource and Referral Organizations to ensure sustainable engagement and **support for the region's home-based childcare business owners**. The hub would provide access to business-solutions systems

⁴https://www.ecic4kids.org/wp-content/uploads/2023/07/23_ML_Report_FINAL_webv2.pdf

⁵<https://talentfirst.net/publication/balancing-the-scales/>



that allow providers to focus on what they do best with access to a local network of providers, professional development opportunities, and services available to licensed programs. The hub should operate as an independent 501c3 in order to provide wage and health insurance supplements supported by direct-grants from private funds.

- Identify and publicize **community- based resources which could reduce the cost of business for licensed providers** like access to diaper banks, facilities/maintenance contractors, grocery stores providing free food delivery, etc
- **Align and fully-fund locally-based training, coaching, curriculum, and materials for licensed providers.**
- **Develop a statewide or regional management services organization** so every licensed child care provider in Michigan can have access to centralized business services including centralized HR including staffing resources, statewide pool of open positions/workers looking, part-time respite/aides, sick/vacation coverage, pooled health care, etc.
- **Fund a full-time regional child care licensing navigator** to assist current licensed-exempt and new licensing applicants in understanding and navigating the state child care licensing process, local permitting process, and will ensure utilization of available public funds for space, start-up grants, staffing concerns and business supports.
- **Collaborate with licensed-exempt and Friend, Family and Neighbor (FFN) care providers to develop more robust support and resources** to ensure quality care for each child. This would build on the current LEP provider process with the aim of increasing access to programs and services, providing information about developmental screenings, and connecting caregivers with resources for food and diapers.
- Develop **recommendations for municipal government** to eliminate barriers to licensing and share with EDOs statewide.
- Modify Michigan child care licensing regulations (as well as other state department requirements) that restrict expansion and growth. **Without addressing licensing regulations, state program policies, and other such requirements, the expansion of early learning and care services will be significantly hampered.** It is recommended that the state of Michigan investigate how other states (such as Tennessee) have modified child care licensing guidelines and processes to support growth and expansion. For example, Pulse’s research with child care business owners indicates that **enabling child care directors to manage multiple licensed centers could significantly improve expansion and growth.**



Support Early Learning and Care Workers

- **Income Tax Credit Against Health Insurance Costs of Child Care Workers:**
- The average benchmark health insurance premium in Michigan in 2021 was \$347 per month, based on the second-lowest-cost silver plan. This is an annualized estimate of \$4,164. In order to cover insurance premiums for all 1,837 childcare workers in Region 8, it would cost \$7,649,268 per year, on average.
- **Classify all licensed child care providers as eligible for the state child care scholarship** (regardless of household income).

Support Families

- **Expand funding for local programs** targeted to low-and-moderate income families which increase access to stable child care.
- **Expand the State's Children's Savings Account appropriation and scope** to include Family Development Accounts that could support a 2-Generation approach to access to wealth.
- **Incentivize programs to participate in a searchable publicly accessible website & database** that provides timely information in an accessible manner to parents seeking child care options. Tools such as the Great Start to Quality search tool could be improved upon for ease of access for families seeking care. In particular, solutions are needed to ensure that any database web tool is developed with significant feedback from families and employers to ensure any barriers to access are addressed. Those involved in the proposed Implementation Teams will be a valuable resource in exploring and innovating a workable, sustainable solution.

Michigan Child Tax Credit

While there is still uncertainty for the future of the expanded child tax credit on a federal level, multiple states have enacted their own child tax credit programs to assist families in the cost of raising and caring for children. States that have successful child tax credits include Vermont, where eligible taxpayers with an adjusted gross income (AGI) of \$175,000 or less and with children 5 years of age or under at the end of the tax year are eligible for \$1,000 in tax credits per eligible child. This tax credit was enacted on May 27, 2022 and is a permanent benefit.

As of July 2022, there were an estimated 10,077,325 persons in Michigan, and an estimated 534,098 persons were under the age of 5 years old. There were an estimated 2,548,560 family households in Michigan in 2022. Of these family households, 42.0% made more than \$100,000 per year. The median income dollars for all households in Michigan was \$66,986 and for family households was \$85,865 for family households.



If Michigan were to enact a Child Tax Credit of \$1,000 per child under the age of 5 years old for households that make less than \$100,000, and assuming an even distribution of children under the age of 5 years old for all family households across the state, it is estimated that 43.0% of family households would be eligible for the tax credit, covering 229,662 Michigan children. The state of Michigan, in Fiscal Year 2022, received \$40.1 Billion in tax revenue, and 32.6% of that was a result of personal income tax (\$13,072,600,000).

Assuming a normal distribution of children under the age of 5 years old to across family households in all income brackets, at the most expensive, this would only cost 1.8% of total personal income tax revenue to the State of Michigan. However, it is assumed that some households will have state income tax liability that is far lower than their eligible tax credit, and as a nonrefundable tax credit, this would reduce the effective scope of costs of implementing the child tax credit.

“IN 2021, CHILD POVERTY DROPPED 46% TO THE LOWEST LEVEL EVER RECORDED. “DUE TO THE FACT CHILD TAX CREDIT EXPANSION, IT JUMPED 41% ONCE PAYMENTS ENDED.”

US CENSUS BUREAU; SUPPLEMENTAL POVERTY MEASURE DATA



The Role of Private Equity in the ELC Ecosystem

Private equity and venture capital's encroachment into the child care industry raises significant concerns and challenges for Michigan's child care ecosystem. While private investment can bring financial resources, it also poses risks to the quality, accessibility, and equity of early learning and care services. Drawing insights from experiences in Massachusetts and Vermont, along with broader analyses of the impact of private equity in various sectors, it's essential to craft policies that prioritize the well-being of children and families, ensure equitable access, and safeguard against profit-seeking behavior detrimental to the industry's integrity (Harris, 2024; Perez, 2024).

Opportunities:

- **Financial Resources:** Private equity investment can provide financial resources to expand and improve child care infrastructure.
- **Innovation and Efficiency:** Private investment may drive innovation and efficiency in service delivery, potentially enhancing the quality of care.
- **Expanded Access:** Increased funding could lead to expanded access to child care services, benefiting families across Michigan.

Risks:

- **Profit-Seeking Behavior:** Private equity firms prioritize short-term profits, potentially compromising long-term sustainability and quality of care.
- **Financial Extraction:** Private equity may burden child care providers with debt and extract excessive fees, diverting funds away from improving services and staff wages.
- **Quality Concerns:** Research suggests that for-profit child care chains, often backed by private equity, tend to offer lower-quality care compared to nonprofit providers, impacting children's development and well-being.
- **Equity Issues:** Private equity's focus on profit may exacerbate existing inequities in access to high-quality child care, particularly for low-income families.
- **Long-Term Sustainability:** Private equity's focus on short-term profits may undermine the long-term sustainability and stability of the child care industry, jeopardizing the well-being of children and families.



Policy Recommendations to Protect the Michigan ELC Ecosystem:

Guardrails Against Profit-Seeking Behavior: Implement robust regulations to prevent profit-seeking behavior by private equity-backed child care providers. This could include:

- Mandating transparency in financial operations and grant usage.
 - Establishing conditions for grant recipients, such as prioritizing enrollment of low-to-moderate-income families and investing in educator compensation.
 - Setting limits on the percentage of public funding that private equity-backed chains can capture.
- **Quality Standards and Oversight:** Strengthen quality standards and oversight mechanisms to ensure that child care providers deliver high-quality, developmentally appropriate services. This may involve:
 - Revising minimum staff qualifications and ratios
 - Conducting regular inspections and assessments of provider performance.
 - Providing support and resources for professional development and training.
 - **Equitable Access:** Prioritize equitable access to child care services, particularly for underserved communities and low-income families. Strategies may include:
 - Targeting funding and resources to areas with limited child care options.
 - Offering subsidies and financial assistance to families in need.
 - Supporting the development of culturally responsive and inclusive child care programs.
 - **Public Investment in Nonprofit Providers:** Direct public investment towards nonprofit child care providers, which have been shown to offer higher-quality services compared to for-profit chains backed by private equity.
 - **Community Engagement and Input:** Ensure that policies are developed in consultation with stakeholders, including child care providers, families, educators, and advocacy groups. This can help address community-specific needs and concerns.

Michigan policymakers should prioritize policies that promote high-quality, accessible, and equitable early learning and care services while safeguarding against the potential risks associated with private equity investment. By investing in nonprofit providers, strengthening quality standards, and ensuring transparent and accountable use of public funds, Michigan can create a child care system that truly serves the needs of all families and supports the healthy development of children.



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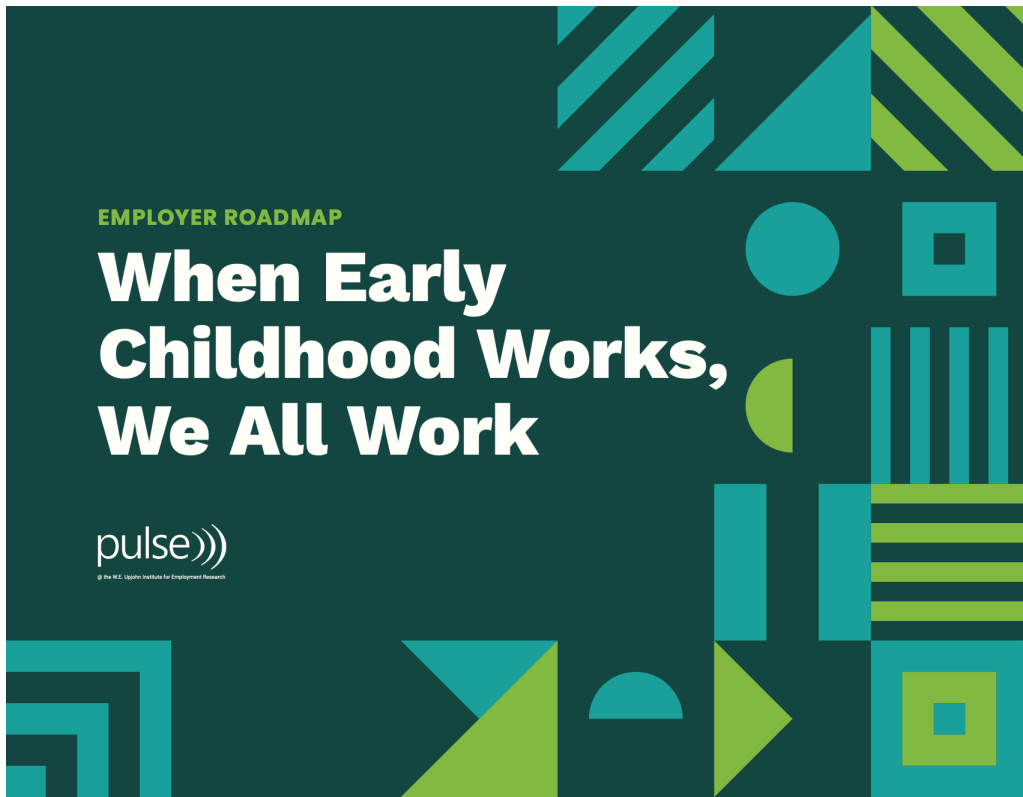
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Appendix A: the Pulse Roadmap

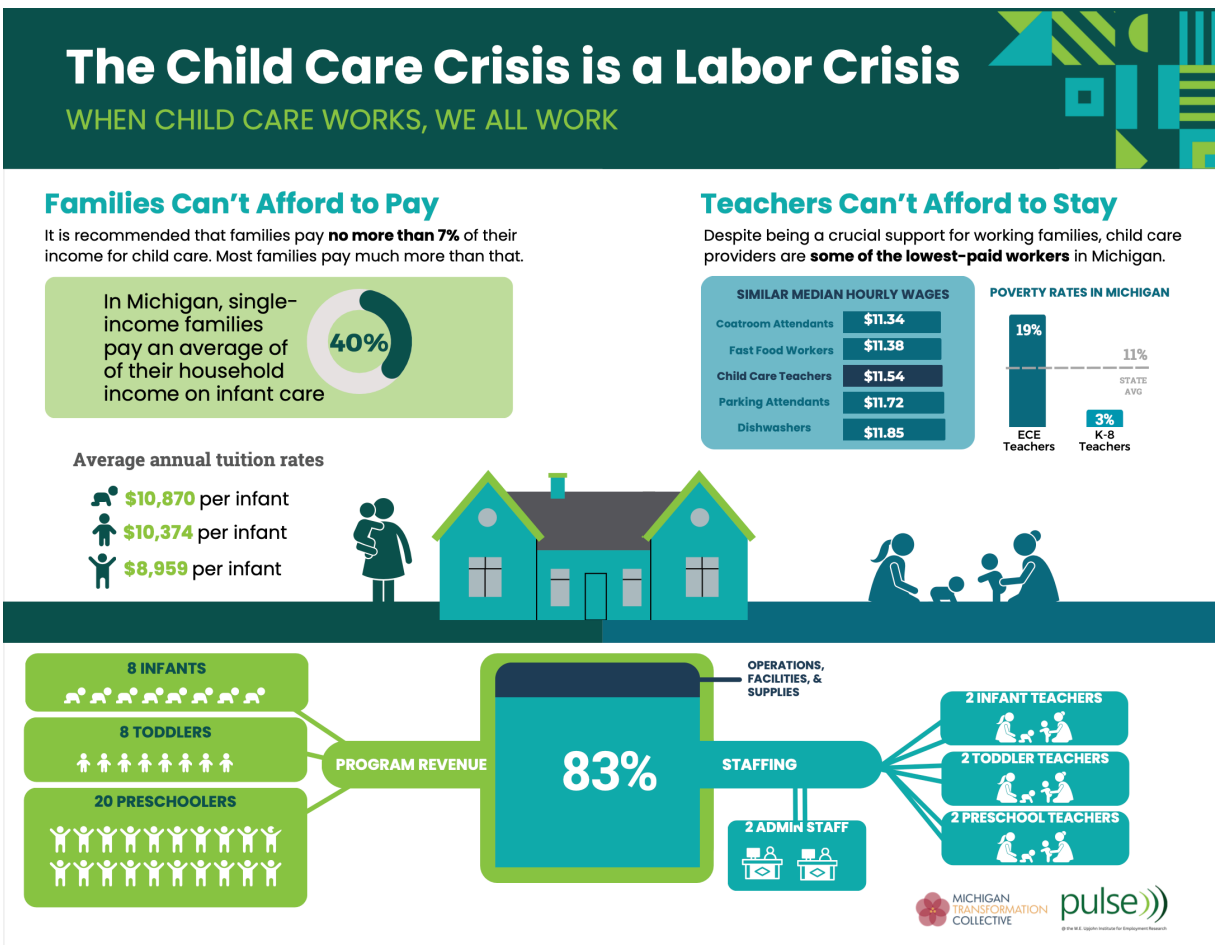
[https://pulseroadmap.org/#:~:text=Continue-,OPPORTUNITIES,- Employer%20Roadmap](https://pulseroadmap.org/#:~:text=Continue-,OPPORTUNITIES,-Employer%20Roadmap)



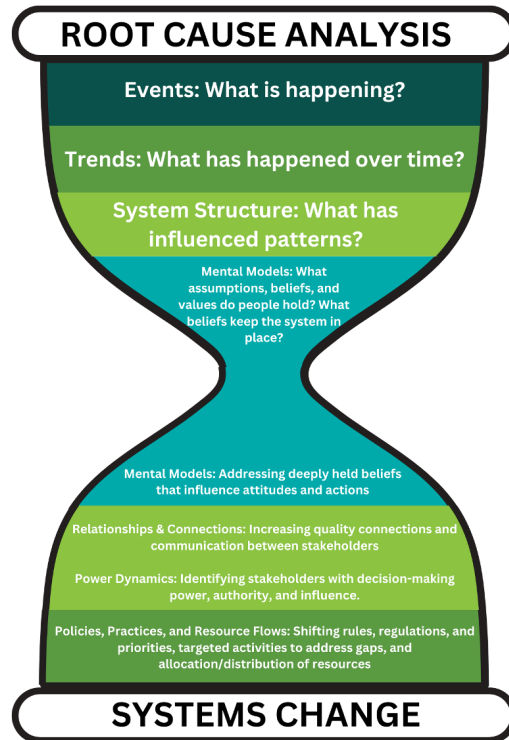
Appendix B: The Child Care Crisis is a Labor Crisis

Link to document: The Child Care Crisis is a Labor Crisis.pdf

<https://drive.google.com/file/d/1b8RGW1yQGWLbGmstt149ftwuZ7jqNERw/view?usp=sharing>



Appendix C Root Cause Analysis and Systems Change Conditions



ROOT CAUSE ANALYSIS of Region 8 Family Feedback

EVENTS: What is happening?

- Many SW Michigan families struggle to access childcare that is affordable, quality & aligned with needs
- The cost of childcare is too expensive for both childcare business owners and families

TRENDS: What trends have there been over time?

- Not enough slots
- A decreasing (vulnerable) workforce, including leaders
- Flawed business model
- Many communities have a lack of physical space for childcare
- Too few supports to pay for care (subsidies, employer supports, etc.)
- Families struggle to find care

SYSTEM STRUCTURE: What has influenced the patterns?

What are the relationships between the parts?

- Inadequate funding & investment results in a lack of business development supports for ELC entrepreneurs
- Lack of cross-sector support for childcare business development and sustainability
- Too few tools for development professionals and employers to apply and engage
- Lack of a collective voice for the ELC workforce
- Too few cross-sector advocates
- Misalignment between brain science and current practice and policy

MENTAL MODELS: What assumptions, beliefs and values do people hold about the system? What beliefs keep the system in place?

- Lack of public & political will
- Bias about who is responsible for the work of caring for children
- Failure to appreciate the interconnected nature of care and the economy and community/social health



Appendix D: Sample Comments From Region 8 (SW Michigan) Early Learning & Care Provider Survey

In April 2023, Pulse and its partners surveyed child care business owners in the MEDC's Region 8 (Berrien, Branch, Cass, Calhoun, Kalamazoo, St. Joseph, and Van Buren counties). In addition to their inclusion in a planning grant initiative, the survey was also intended to gather information about their ability to meet demand for child care services in the region. In every way—county of operation, provider type, licensed capacity, ages served, and number of years in business—the survey respondents prove to be representative of all providers in the region.

Relationship with Local Agencies

- A closer relationship with local businesses opens up the door for resources not typically offered to child care. It obviously gives us more access to funding, but also provides a means for finding volunteers and advocates.
- As we are reopening our child care facility, I believe community connections can help us get our name out there to show parents what we offer.
- I am unsure of what this means and what they would offer our program. We are part of a school district, so we have a board overseeing our program.
- I believe if we all knew, it would be a great asset to us and help us work together as a team.
- I don't understand what they could do to benefit my Child Care Home. But I am interested in finding out.
- I feel like daycares have always been stereotyped as “baby sitters” so the fact that we're really pushing it as early learning is new to people. I think the more our community talks about us, perhaps the more people will recognize the importance of it.
- **Current Challenges**
- By far the biggest problem is not being able to pay my staff what they deserve.
- Continued grant funding needs to happen in order to sustain ongoing child care needs for staff and families.
- DHS/CDC child care subsidy accounts for 85-90% of our income. State of Michigan is ratcheting DOWN our support, every 6 months, while the cost to do business keeps going up. The next drop is in September [2023], its \$2.00 hour drop per hour, per child. I can't afford to take in any less, SO that will create LARGE copay for DHS families (\$2 per hr drop X 40 hrs for full time care = \$80 per week copay x 4 wks in month = \$320 per month copay for DHS family, per child. That's the size of car payment—for DHS/ALICE family—that's not happening. So, daycare providers serving in low-income areas and DHS families are going to close OR parent is going to quit their job to take care of kids, adding to work force shortage because they can't afford child care OR find child care— because, no daycares will accept DHS. I have already instituted a policy—Out of pocket families go to the top of the list for child care slots. DHHS families aren't

- going to be able to afford daycare in 3 months anyway. I need to stabilize my income stream or close (add to lack of child care slots).
- Early Childhood Professionals are essential and should be treated as so.
- Individuals do not want to work in child care centers due to the low wages. Stop building centers, we have room! We do not have individuals that can afford to work in child care. It IS hard work and very important. Early Childhood Profession needs to be recognized and valued!
- Feel like we are just hanging by a thread.

Who Should Be Involved?

- As long as child care centers continue to struggle yet find a way to remain open, top leaders will continue to bury their heads in the sand not fully understanding the struggle.
- Ask the people actually dealing with child care. The providers and the employers are often in the thick of it and can offer good ideas and solutions.
- Because we have to be licensed by the state, they need to be involved. They need to help providers get better, not just come to their home to inspect and do write ups.
- Federal and State have no clue or have forgotten what it is like to actually be on the ground providing care/service every minute of the day.
- I previously worked in the public schools for over 20 years and made a shift into private early childhood education five years ago—primarily because I felt divided in my beliefs and what I was asked to do in my classroom. I worry that the autonomy I have as a director of an early childhood school may be compromised if outside agencies gain too much control.
- I think EVERYONE needs to be involved in this process. Literally, everyone benefits from families being able to care for their children and those children receiving a quality early learning experience. There is social change that could be impacted by eliminating some of these stresses and barriers for families.
- If we can't get adequate recognition for child care staff/teachers we won't have enough employees. If we can't get more funding for child care to help my families out they aren't able to get adequate child care.

Ideas for Enhancing Access and Quality in the Region

- All families should be able to access quality child care. Staff need to be able to take off time in order to save their mental health, but also to keep up with required training. We need some sort of Substitute Teacher Support that allows for child care providers to have a list of subs to contact. This needs to be a free or very inexpensive program. We need easy access to those who have been finger-printed so we can ensure that the proper steps for child safety for staffing is followed. Some kind of program that subs have to be pre-ID'ed as qualifying subs.
- Child care is being paid for by families. Families can only provide so much compensation. Funding needs to come from the government or another source

Appendix E : Addressing the ELC Staff Compensation Issue

Adjust Michigan New Jobs Training Program (MNJTP) Model to Work for Child Care

The Michigan New Jobs Training Program (MNJTP) is a state-wide program that promotes the training and development of new hires across the state **by capturing the state income tax associated with the new employees' wages**. This program is successful in that it is agnostic to employer size or industry, however the program is lacking in that it is limited to new hires that make 175% of Michigan minimum wage. This provision, requiring wages of \$18.08 per hour in 2024, has made the program inaccessible to a critical industry such as the child care industry, where prevailing wages were \$13.33 per hour in Southwest Michigan in 2023. **If the MNJTP framework was amended to exempt the child care industry from the wage provision of the program, it is estimated that the \$1,143.50 cost of a Child Development Associate (CDA) could be covered for up to 2,175 new child care workers, just through the organic growth of the industry over the next decade.** Reducing the barriers to entry for new child care workers, in part by funding the training costs associated with the industry, is imperative for the long-term vitality of the industry.

As of the first quarter 2023, there were 1,837 child care workers in Region 8, contributing a total labor impact of \$50,922,934 to the region. If the MNJTP framework is amended to start capturing the payroll withholding tax of 4.25% in Michigan for all new childcare workers in Region 8 from the baseline of 2023, and assuming 2% employment growth in the industry, **it is estimated that there will be an additional 358 new childcare workers in the region from the 10-year period between 2023- 2032.** Assuming standard 3% wage growth in the industry, these new 358 employees over the decade would contribute an additional \$12,965,175 to the labor economy by the year 2032. These 358 new employees over 10-years would result in **an increase of approximately \$2,487,841 in payroll withholding tax from these new workers and associated wage inflation over the 10-year period.**

Child Care Worker Wage Impact Analysis	
2023 Employees	1,837
2023 Wage Impact	\$50,933,397
Estimated 2032 Employees	2,195
Estimated 2032 Total Wage Impact	\$79,421,706
Estimated 2032 Labor Impact of 1,837 Base Employees (assuming 3% Wage Growth)	\$66,456,530
Estimated 2032 Labor Impact of Employee Growth	\$12,965,175
Estimated 2032 Total Wage Impact	\$79,421,706
10-Year Total Wage Impact	\$642,431,759
10-Year Wage Impact of 2023 Base Employment	\$583,894,314
10-Year Wage Impact of New Employees	\$58,537,445
Estimated Payroll Withholding Tax of New Employees	\$2,487,841



Year	Estimated Employment	Net Growth
2023	1837	0
2024	1874	37
2025	1911	74
2026	1949	112
2027	1988	151
2028	2028	191
2029	2069	232
2030	2110	273
2031	2152	315
2032	2195	358

The cost of three credit hours at Kellogg Community College to prepare for the Child Development Associate (CDA) credential for a non-resident student, and the cost of the credential itself, is \$1,143.50 per prospective child care worker. **The total \$2,487,841 in increase of payroll withholding tax above the 2023 baseline over 10 years would be enough to train 2,175 new child care workers in Region 8 alone.**

Use Livable Wage Rates to Inform Subsidies, Instead of Prevailing Wages

The average wage of the 1,837 estimated childcare workers was **\$13.33 an hour** in the 1st quarter of 2023, which is an annualized average of \$27,726, assuming the standard work year of 2,080 hours. In Michigan, the average livable wage is \$33,842 for a single adult with 0 children. The livable wage for a 1 adult household with two children is \$105,914. The livable wage for 2 adults and one child, where one adult works, is \$65,582 per year. The livable wage for a two adult household where both adults work with two children is \$57,117. **For the 1,837 childcare workers in Southwest Michigan, it would cost \$11,231,315 per year to get every childcare worker in Region 8 to a livable wage that just supports themselves, with no children. It would cost \$143,600,380 per year to get every childcare worker in Region 8 to a livable wage to support 2 children in a one adult household.**

	1 Adult, 0 Children	1 Adult, 2 Children	2 Adults (one works), 1 Child	2 Adults (both work) 2 Children
Livable Hourly Wage (\$/Hour)	\$16.27	\$50.92	\$31.53	\$27.46
Branch County	\$333,000	\$4,622,385	\$2,222,062	\$1,718,230
Cass County	\$559,839	\$6,282,086	\$3,079,940	\$2,407,803
Van Buren County	\$1,278,101	\$12,604,490	\$6,266,288	\$4,935,887
St. Joseph County	\$976,526	\$13,236,174	\$6,375,725	\$4,935,703
Calhoun County	\$1,582,863	\$22,436,939	\$10,767,082	\$8,317,556
Berrien County	\$2,323,837	\$26,872,910	\$13,135,348	\$10,251,806
Kalamazoo County	\$4,158,565	\$57,526,812	\$27,662,156	\$21,393,505
Region 8	\$11,231,315	\$143,600,380	\$69,527,186	\$53,979,074

Basing subsidies and cost of care estimates in Michigan on prevailing wage rates of \$13.33 per hour in Region 8 is in part the reason why wage rates have fallen far short of national averages, and why it is increasingly difficult to attract and retain workers into the industry. Using a “true cost of care” analysis, or at least using the livable wage rate to support one adult with no children in Michigan to base subsidies to the child care industry off of would alleviate some of the workforce challenges in the industry, and address the poverty that is experienced by workers in the industry.

Cover the Cost of Child Care for Child Care Workers in Michigan

Kentucky, in an attempt to combat the shortage of child care workers in the wake of the COVID-19 pandemic, covered the costs of child care for all Child Care Business Owners in the state. Within a year, this resulted in 3,600 new children receiving subsidies as a result of their parent being a child care employee.



The average cost of childcare in 2022 in Michigan for non-infants was \$8,890 and for infants was \$10,861. The base subsidy rates for Michigan in 2022 are defined in the table below.

Base Subsidy Rate (Blank Star)	
Infants	\$11,700
Toddlers	\$11,700
3-Year Old	\$10,010
4-Year Old	\$10,010
School Age	\$5,850


Given the prevailing wage of child care workers likely making the eligible for subsidies, and given Governor Whitmer’s expansion of eligibility for free or low-cost child care to 40% of Michigan’s working families, **the creation of a program to cover the cost of child care for all child care employees is not expected to have a great material economic impact on the State of Michigan. However, it would dramatically impact the ability of child care facilities to attract and retain talent.**

Increase Employers’ Exposure to 45F Employer-Provided Child Care Tax Credit

The American Taxpayer Relief Act of 2012 made the Internal Revenue Code (IRC) Section 45F Tax Credit permanent, after initially being enacted on a temporary basis in 2001. This credit is rarely used and often overlooked by employers evaluating childcare options for their employees. The 45F credit allows businesses to reduce their income tax liability by up to \$150,000 per year, and is calculated as 25% of qualified child care expenditures plus 10% of qualified child care resources and referral service expenditures incurred by the business per year. These expenditures include the cost of acquiring, construction, rehabilitation, or expanding property for a child care facility and the cost of operating the facility, or the costs of contracting with a qualified child care facility to provide child care. The expenses incurred to help employees find child care services are subject to the 10% limit. Childcare facilities may also use this credit, given that at least 30% of the enrollees at the childcare facility are the employees’ dependents. This credit is nonrefundable, but the credit can be carried back by 1 year or forward by 20 years, to offset past or future tax liabilities.

Enact a Child Tax Credit at the State Level

While there is still uncertainty for the future of the expanded child tax credit on a federal level, multiple states have enacted their own child tax credit programs to assist families in the cost of raising and caring for children. States that have successful child tax credits include Vermont, where eligible taxpayers with an adjusted gross income (AGI) of \$175,000 or less and with children 5 years of age or under at the end of the tax year are eligible for \$1,000 in tax credits per eligible child. This tax credit was enacted on May 27, 2022 and is a permanent benefit.



As of July 2022, there were an estimated 10,077,325 persons in Michigan, and an estimated 534,098 persons were under the age of 5 years old. There were an estimated 2,548,560 family households in Michigan in 2022. Of these family households, 42.0%

made more than \$100,000 per year. The median income dollars for all households in Michigan was \$66,986 and for family households was \$85,865 for family households. If Michigan were to enact a Child Tax Credit of \$1,000 per child under the age of 5 years old for households that make less than \$100,000, and assuming an even distribution of children under the age of 5 years old for all family households across the state, it is estimated that 43.0% of family households would be eligible for the tax credit, covering 229,662 Michigan children. The state of Michigan, in Fiscal Year 2022, received \$40.1 Billion in tax revenue, and 32.6% of that was a result of personal income tax (\$13,072,600,000).

Assuming a normal distribution of children under the age of 5 years old to across family households in all income brackets, at the most expensive, this would only cost 1.8% of total personal income tax revenue to the State of Michigan. However, it is assumed that some households will have state income tax liability that is far lower than their eligible tax credit, and as a nonrefundable tax credit, this would reduce the effective scope of costs of implementing the child tax credit.

Income Tax Credit Against Health Insurance Costs of Child Care Workers

The average benchmark health insurance premium in Michigan in 2021 was \$347 per month, based on the second-lowest-cost silver plan. This is an annualized estimate of \$4,164. In order to cover insurance premiums for all 1,837 childcare workers in Region 8, it would cost \$7,649,268 per year, on average.



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Appendix G: Stanford Rapid-EC Data Briefing

<https://pulseroadmap.org/wp-content/uploads/RAPID-SW-Michigan-Data-Briefing-1-23-24.pdf>



Appendix H: PreK for All Roadmap

<https://www.michigan.gov/mileap/-/media/Project/Websites/mileap/Documents/Early-Childhood-Education/PreK-For-All/PreK-For-All- Roadmap.pdf?rev=3e3787419ca5402a8e389219db3577a3&hash=397AD3E5956EA07 DF68DA5CD475865>





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