

Making Child Care a Regional Priority

How Improving Access to High-quality, Affordable Child Care Can Attract and Retain Talent in Prosperity Region 2

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**PUBLIC SECTOR
CONSULTANTS**

Prepared by

Public Sector Consultants
Lansing, Michigan
www.publicsectorconsultants.com

Prepared for

Networks Northwest
Traverse City, Michigan
www.networksnorthwest.org

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WHY CHILD CARE MATTERS FOR REGION 2

As state and regional economies improve, businesses in Prosperity Region 2—comprising Antrim, Benzie, Charlevoix, Emmet, Grand Traverse, Kalkaska, Leelanau, Manistee, Missaukee, and Wexford Counties—are expanding operations and creating jobs. Despite this trend, employers across the area struggle to find qualified, skilled workers, while families weigh job opportunities against the availability and cost of child care. But the numbers are not adding up. In this region, over 11,600 children under the age of six live in a home where all available parents are working. Currently, there are 444 licensed child care providers with the capacity to serve 11,285 children from birth through age 12. If parents can locate care, it is often unaffordable. The median household in the area makes less than \$48,000 per year, while the estimated cost of child care for two young children (one infant and one preschooler) in the most affordable setting—home-based care—is \$1,160 per month, rivaling many mortgage payments (U.S. Census Bureau n.d.; Hoopes 2017).¹ These high costs mean families of all incomes must consider the child care math when weighing job opportunities.

Families have long factored child care costs into employment, living, and care arrangement decisions. While these decisions have traditionally been considered family matters, the growing demand and competition for talent has pushed the area's business and community leaders to consider access to quality, affordable child care as a central part of their talent and business attraction and retention strategies.

Recent projections estimate 5 percent job growth across all occupations in the region by 2020 (Networks Northwest 2015). These businesses need workers, but many of these workers need child care. When families have access to quality, affordable child care, they do not need to choose between making the right choice for their career and for their kids. Increased access not only reduces the likelihood of absenteeism from work due to child care breakdowns, but it also increases the size of the region's labor market.

In addition to benefits for current residents and businesses, a strong child care system can be a powerful attraction tool for families. The setting may vary—from a neighbor or grandparent to a home- or center-based provider—but all working parents need a reliable care arrangement to enter, and remain in, the region's labor market. When businesses look for expansion opportunities, they will do so elsewhere if they cannot recruit the best talent.

Beyond improving the local economy, access to high-quality, affordable care yields enormous benefits. When children are young, they experience a tremendous period of brain development, and valuable early experiences—like child care—promote healthy development and build the foundation needed to thrive in kindergarten, school, and life.

This report suggests that there are opportunities for action—both in Lansing and at the local level—that could improve child care access, affordability, and quality in Region 2, including supporting small business owners, recruiting and supporting a skilled workforce, implementing family-friendly policies, increasing public investment in child care, and considering child care in all regional efforts.

¹ This estimated cost is based off of the Michigan Association of United Ways' ALICE (asset limited, income constrained, employed) Project, which considers the survival budget for families in the region. This report notes that the cost of care rises significantly if families select a center-based provider. The report references the Michigan Department of Education's annual Child Care Market Rate Study.

BACKGROUND

To better understand the current state of child care in northwest lower Michigan and how the community can improve access and affordability, Networks Northwest partnered with Public Sector Consultants (PSC) to analyze available data and interview leaders across Prosperity Region 2—comprising Antrim, Benzie, Charlevoix, Emmet, Grand Traverse, Kalkaska, Leelanau, Manistee, Missaukee, and Wexford Counties—about how this region can become a child care leader.

PSC interviewed 12 individuals, including advocates, business leaders, child care providers, and policymakers, to inform this report. The full list of interviewees can be found in Appendix A. This work was also informed by an advisory team that offered feedback on draft recommendations and report text at several points during the process. The list of team members can be found in Appendix B. In addition to local information, PSC reviewed statewide research and data to fill gaps where local data were not available.

This report details the current state of care (including needs and challenges for families and child care providers), describes a potential vision for the region, and identifies specific, actionable recommendations to improve child care for both the regional community and Lansing.

CURRENT STATE OF CARE

While there are strengths in the current child care system, it often fails to effectively serve families and support providers. Stakeholder interviews and available data corroborate this position and further suggest that the system also comes up short when meeting local business needs.

Decades of research demonstrate that a child’s first years are critical for healthy development and that a safe, high-quality environment is key to building this foundation. Parents want the best opportunities for their kids, but with the rising costs of child care, housing, and healthcare, they often have to blend help from family members and friends with professional providers to meet their needs. Even families who can afford this care struggle to find it because of the significant gap between supply and demand, placing a heavy burden on parents as they try to navigate an often disconnected and siloed system. While reliable capacity data is challenging to collect, every county in the region experiences significant gaps between the number of children needing care and the number of slots available.

FAMILIES’ NEEDS AND CHALLENGES

Across the region, families are struggling to find care that meets their needs and budgets. According to statewide surveys conducted by the Michigan Department of Education (MDE) (2016), families want quality, affordable care where their child is safe, happy, healthy, and learning. They also want to trust their provider and for their provider to support early development. However, families must balance these goals with cost and availability. This trifecta—available, high-quality, affordable care—is missing in many of Region 2’s communities.

Types of Care

Region 2 families select from various child care settings: a licensed provider operating out of a private home (called a family or group home, which serves up to 12 children) or a center. Currently, there are 178 family homes, 96 group homes, and 170 licensed centers in the region.

EXHIBIT 1. Child Care Providers in Region 2 (2017)

County	Family	Group Homes	Centers	Total Providers
Antrim	11	3	11	25
Benzie	8	2	8	18
Charlevoix	12	13	14	39
Emmet	10	9	24	43
Grand Traverse	85	26	58	169
Kalkaska	8	4	7	19
Leelanau	11	5	12	28
Manistee	9	7	11	27
Missaukee	5	9	7	21
Wexford	19	18	18	55
Total	178	96	170	444

While there are 444 licensed providers with the capacity to serve 11,285 children under the age of 12, the number of licensed providers has decreased by nearly 30 percent in the last seven years, and there are over 11,600 children under the age of six who likely need care because all available parents work.

EXHIBIT 2. Child Care Providers in Region 2 (2010 and 2017)

County	Total Providers (2010)	Total Providers (2017)	Percent Change
Antrim	35	25	-29%
Benzie	45	18	-60%
Charlevoix	63	39	-38%
Emmet	48	43	-10%
Grand Traverse	205	169	-17%
Kalkaska	33	19	-42%
Leelanau	37	28	-24%
Manistee	36	27	-25%
Missaukee	35	21	-40%
Wexford	76	55	-28%
Total	613	444	-28%

Families may also have a family, friend, or neighbor care for their children; however, it is unknown how many in Region 2 receive this type of support, as the state generally does not collect this data. The only exception is if a family receives state assistance through a child care subsidy. Family, friend, or neighbor providers (called license-exempt providers by the state) can receive up to \$2.95 an hour for their services. The state maintains payment records for these individuals, but the data are not publicly available.

Interviewees reported that access is more challenging if a family needs part-time care or care during second or third shift—a finding consistent statewide. Data for the region are not available; however, only 16 percent of statewide providers report offering care after 6 PM; 9 percent on the weekend; and 7 percent overnight. According to the MDE’s Office of Great Start (2015), home-based providers are more likely to offer services during nontraditional hours than centers.

Interviewees also noted that the labor market is seasonal, but child care availability does not change accordingly. This means families who work seasonally often stitch together a series of informal arrangements to meet their needs. Interviewees explained many seasonal jobs are in industries that offer lower wages and limited benefits, making it more difficult to pay for quality care.

Access to Quality

As in most marketplaces, the quality of providers varies widely. In Michigan, licensing rules and regulations define minimum health and safety requirements for licensed providers. These include both federal and state mandates and are considered the baseline for quality.

Providers can also choose to participate in Great Start to Quality—Michigan’s child care rating and improvement system. Great Start to Quality rates providers on a scale of one to five stars based on staff qualifications and professional development; family and community partnerships; administration and management; environment; and curriculum and instruction. These ratings help families evaluate and select a provider and help providers identify areas for improvement.

Region 2 is far from having all children served by a quality provider. It is difficult, however, to pinpoint exactly how many slots or providers the region needs. This is because parental decision making about who will care for their child does not take place in a vacuum—there are many variables that affect their choice, including socioeconomic status, employer policies, proximity to licensed care options as well as family, and marital status. For example, in a household with one parent staying home with their child, that parent may prefer to work outside the home if they could find a suitable alternative or if the employer offered child care benefits. In this scenario, that child would not be counted as in need of care. Rising supply could end up uncovering previously unseen demand. While it is difficult to estimate demand for child care in a particular area, it is clear that Region 2 is far from having all children served by a quality provider.

With this limitation in mind, PSC used the best available data to analyze the number of infants and toddlers needing care and the number of spaces available for providers rated three stars or better to demonstrate gaps in the current system. Across Region 2, over 4,800 infants and toddlers need care, but only 1,600 spaces are available that meet these requirements. Due to limitations in how the state collects licensing data, there are not data available on the number of infant and toddler spaces available at a given site. Regardless of these limitations, the quality gap is clear.

EXHIBIT 3. Child Care Quality in Region 2 (2017)

County	Child Care Slots (Three Stars or Better)	Infants and Toddlers Needing Care
Antrim	221	330
Benzie	28	250
Charlevoix	36	370
Emmet	206	490
Grand Traverse	386	1,520
Kalkaska	84	280
Leelanau	174	280
Manistee	188	340
Missaukee	67	300
Wexford	216	660
Total	1,606	4,820

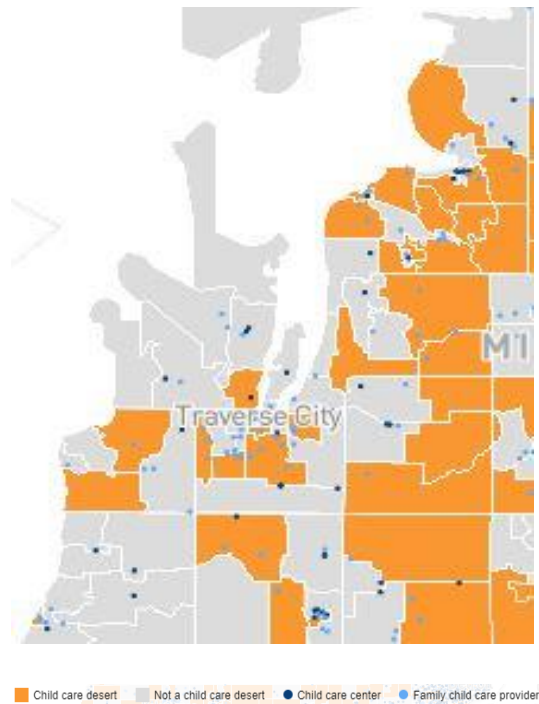
Source: Great Start to Quality. 2018. "Search for Programs." *Great Start to Quality*. Accessed September 10, 2018. <https://stage.worklivesystems.com/ReferralUpdate/UpdateReferral/1773629>

Many interviewees described the stress families endure when access to quality care is limited. Many parents end up on multiple waiting lists, while others must choose between remaining at home or finding other support options. These waitlists make it difficult for families to secure a spot that effectively aligns with their work schedules—especially if the parents often work late, part time or on second or third shift.

For care to be accessible, not only does it need to be available, but it also needs to be located close enough to accommodate drop-off and pick-up times with parents' work schedules. In the region's rural areas, families face added pressure because there are fewer child care options, and they are often spread across significant distances, according to interviewees. Even if parents find an opening, it can still be difficult for them to get to work on time and handle child care emergencies, especially if they work in industries with nontraditional hours and irregular shifts.

These issues are further compounded by child care deserts, defined by the Center for American Progress (2018) as a "census tract with more than 50 children under age five that contains either no child care providers or so few options that there are more than three times as many children as licensed child care slots." According to their research, 46 percent of Michigan children live in these deserts. Across the 22 states they analyzed, they found that while these areas are common in urban and suburban neighborhoods, rural census tracts were the most likely to have this distinction. This trend held in Michigan, with the study showing that child care supply is especially low in rural areas, where 50 percent of families live in these deserts (Malik and Ham 2017). The study identified at least one of these areas in every county in the region, with several counties containing multiple. Given these findings, it is not surprising that families in northwest lower Michigan have difficulty finding care.

EXHIBIT 4. Region 2 Child Care Deserts



Key: Orange shading indicates a child care desert, while gray shading indicates not a child care desert. Dark blue dots note the locations of child care centers, while light blue dots note the location of family or group home child care providers.

Source: Center for American Progress. 2018. "Child Care Access in Michigan." *Center for American Progress*. Accessed September 10, 2018. <https://childcaresdeserts.org/?state=MI>

Also important to note is that communities with child care deserts, on average, have lower maternal labor force participation rates than those with greater access to care (Malik and Ham 2017). In communities where median family income is below the national average, like all counties in Region 2, this maternal employment gap widens significantly (Malik and Ham 2017).

Affordability

Across Region 2, and Michigan, the cost of care often exceeds families' budgets. The average cost of home-based care in northwest lower Michigan for an infant and a preschooler is nearly \$14,000 a year, which is more than the average mortgage payment and similar to tuition costs at an average public university (Zielak 2018; American Community Survey 2017). This is also a far cry from the U.S. Department of Health and Human Services' (2016) recommendation that affordable child care should not exceed 7 percent of a family's budget. To put that in perspective, a household with two children (one infant and one preschool) would need to earn approximately \$200,000 annually for the cost of care to be in line with this recommendation. These high costs, combined with rising housing costs, make it difficult for growing families to stay in the labor force or even in the area, even if they make substantially more than the median income.

EXHIBIT 5. ALICE Data by County, Region 2 (2015 Point-in-time Data)

County	Median Household Income	Annual Cost of Child Care (One Infant and One Preschooler)	Child Care Cost as a Percentage of Income (One Infant and One Preschooler)
Antrim	\$46,845	\$17,280	37%
Benzie	\$47,388	\$14,040	30%
Charlevoix	\$46,554	\$14,748	32%
Emmet	\$51,018	\$12,012	24%
Grand Traverse	\$55,013	\$14,748	27%
Kalkaska	\$40,534	\$12,792	32%
Leelanau	\$56,189	\$14,748	26%
Manistee	\$41,395	\$12,552	30%
Missaukee	\$41,098	\$14,748	36%
Wexford	\$41,534	\$11,532	28%
Region 2 Average	\$46,757	\$13,920	30%

Source: Stephanie Hoopes. 2017. *ALICE Asset Limited, Income Constrained, Employed: A Study of Financial Hardship in Michigan*. Michigan Association of United Ways. Accessed September 10, 2018. <https://www.uwmich.org/alice-2017/>

Some families receive state assistance to make child care more affordable. The Child Care Subsidy Program (formally called the Child Development and Care Program) is administered by the MDE and aims to make care more affordable for low-income working families. Program participants select a provider who then receives an hourly reimbursement for their services. The reimbursement rate varies from \$2.65 to \$5.50 based on age of the child, provider type, and quality of the program (MDE 2018). To qualify, families must have an income below 130 percent of the federal poverty level—\$32,630 for a family of four—and participate in a qualifying activity such as employment or education (Federal Register 2018). In 2017, 638 children in Region 2 were served by the subsidy—down 70 percent since 2007. This decline is consistent with changes statewide. In 2007, Michigan invested \$416 million in the program and served over 100,000 children; in 2017, it invested \$140 million and served 32,000 children (MDHHS 2017).

EXHIBIT 6. Children Served by the Child Care Subsidy Program (Changes Over Time)

County	Children Served in 2007	Children Served in 2017	Percent Change
Antrim	165	25	-85%
Benzie	124	14	-89%
Charlevoix	130	51	-61%
Emmet	211	74	-65%
Grand Traverse	605	181	-70%
Kalkaska	168	71	-58%
Leelanau	70	20	-71%
Manistee	160	33	-79%
Missaukee	106	23	-78%
Wexford	416	146	-65%
Region 2 Total	2,155	638	-70%

Source: The Michigan Department of Health and Human Services provided this data to PSC and is from their *Annual Report of Key Program Statistics*.

Interviewees confirmed this trend—with many pointing out that few providers in the region accept state subsidy dollars. Providers cited increasing regulatory requirements and low reimbursement rates as reasons for not participating in the program. For those who do accept these payments, providers discussed the need to fundraise to cover the gap between subsidy payments and the actual cost of delivering high-quality care.

PROVIDERS' NEEDS AND CHALLENGES

Providers also face challenges in sustaining operations, as evidenced by the declining number of providers in the region over the past decade. In 2010, there were 613 providers; in 2017, there were 444. During this time frame, the number of home-based providers plummeted from 329 to 178—a 46 percent decline. Interviewees reported that regulatory burdens, staffing challenges, and the mismatch between price and cost make it increasingly difficult to operate a quality, sustainable child care business.

Regulatory Challenges

Because health, safety, and quality are critical factors in child care, providers are required to meet high standards and remain in compliance with a detailed regulatory framework to receive and retain their licenses from the Michigan Department of Licensing and Regulatory Affairs. Public Act 116 of 1973 defines three types of providers that must be registered or licensed: family child care providers (sites that serve one to six children in the provider's home), group child care homes (sites that serve seven to 12 children in the provider's home), and child care centers (sites that serve more than one child in a nonresidential facility). These rules vary slightly for family and group homes and centers; however, all providers must meet requirements related to staff credentials, staff-to-child ratios, food preparation, facilities, record maintenance, fire code, and more.

Though providers stress the importance of these rules, they also point out the financial burdens they impose on small businesses in navigating this complex and evolving regulatory framework. Interviewees often identified regulatory reform as the primary lever to improving the child care system. They noted the significance of maintaining healthy and safe environments but felt regulations were often too strict—increasing burdens on small businesses without improving health and safety.

Interviewees also noted that these regulations are particularly difficult for new providers to meet due to the high costs of securing and furnishing licensable space—all of which must be invested before enrollment can occur. These startup costs are significant barriers for new providers to enter the market interviewees said, even when there is a significant demand.

Staffing Challenges

In addition to meeting regulatory obligations, providers must recruit, train, and retain staff members who are credentialed and experienced in early childhood development. School readiness hinges on high-quality early learning settings, which are impossible without an equally qualified workforce.

With parent payments often as the only source of revenue for most programs, early learning providers are under incredible pressure to keep costs down, particularly labor costs, which are the largest component of their budget.

Furthermore, provider positions often come with low wages and no benefits, making hiring and retaining an educated workforce challenging. Providers have difficulty recruiting staff with the qualifications

necessary to meet state requirements. For example, a program director at a center must be at least 21 years of age, have a high-school diploma or GED, and have at least 60 credits of postsecondary education. Similarly, lead teachers must be at least 19 years of age, have a high-school diploma or GED, and have completed coursework in early learning and child development (State of Michigan Department of Human Services Bureau of Children and Adult Licensing 2014).

According to the U.S. Department of Labor’s Bureau of Labor Statistics’ (May 2017) data, child care workers in northwest lower Michigan make on average \$11.16 an hour for a child care teacher or aide and \$21.12 an hour for a director.² These wages fall far below the median for the region—\$15.92 an hour—and directors’ wages are low given the education requirements for the position. In Michigan, these low wages make it difficult for workers to support their own families. In fact, 49 percent of these workers and their families receive public assistance, (such as the Earned Income Tax Credit, Medicaid, food stamps, or cash assistance) compared to 21 percent of the workforce as a whole (Center for the Study of Child Care Employment 2018).

In the wake of these challenges, new—more expansive—background check requirements in 2018 will also hinder recruitment efforts. Currently, federal law requires all directors, staff, unsupervised volunteers, and adults in a child care home to have a background check; however, the new law will require more a more comprehensive check in addition to more fingerprinting. Providers will have to cover the costs associated with these changes, and many expect the new regulations to shrink the already shallow pool of providers. It is expected that some current providers or staff will be ineligible for this type of employment, and some family homes will close because adults who are not performing any caregiving tasks may not pass a background check. Reducing the already limited supply will likely increase costs for parents, make it more difficult to find care, and result in more parents either leaving the workforce or relying on unlicensed care.

A REGIONAL VISION: BE A LEADER IN CHILD CARE

Despite the challenges of the current system, interviewees see tremendous opportunity to create a system where all families can afford and find high-quality care. They envisioned a future where the region is a leader in these efforts, where children receive proper care, and where care is not a barrier for parents seeking or sustaining employment. Providing this type of access would serve as an effective recruiting tool for not only businesses, but also for talented workers.

Across the region, interviewees said there must be a network of care that addresses the unique challenges of families and communities, including financially sustainable providers as well as staff who are passionate and earn a living wage. To bring this vision into reality, interviewees highlighted the need for the region to undergo a significant cultural shift that recognizes the importance of child care as a strategy for promoting healthy development—not just babysitting.

OPPORTUNITIES FOR ACTION: LOCAL AND LANSING

This regional vision requires many policy changes, and likely significant investment, to achieve. There is no single solution that will fix the region’s child care system; however, the opportunities detailed here

² The U.S. Bureau of Labor Statistics defines this region using the same ten counties described in Michigan’s Prosperity Region 2.

identify actionable steps local leaders could take to improve access to high-quality, affordable care in Region 2.

SUPPORT SMALL BUSINESS OWNERS

Child care providers are considered small business owners, and the region can use a variety of tools in its economic development toolbox to assist them. While child care subsidy dollars are the primary avenue for public investment in child care, they are not the only public funding available.

Local Opportunities

Leaders in Region 2 should consider how local resources can be deployed to support child care businesses. They could do so through the following strategies:

- **Offer technical assistance to start-ups.** Starting any new business is daunting, especially one that is highly regulated like child care. The region could offer startup assistance to help new providers navigate local and regional requirements.
- **Connect providers with facilities.** Interviewees reported that access to licensable facilities is a challenge for new providers as well as current ones looking to expand. Communities could help them find and fund facility needs. Alternatively, local partners could purchase and retrofit facilities and lease these spaces to providers.
- **Create a shared services network.** Child care providers typically have limited administrative capacity. Across the country, communities are exploring how shared services arrangements can increase administrative capacity and promote financial sustainability. For example, a shared services alliance could offer human resources, bookkeeping, and group purchasing services. The Opportunities Exchange is a national organization supporting communities as they explore feasibility and funding for these arrangements. At the state level, the Early Childhood Investment Corporation is exploring how to support shared services in Michigan.

Lansing Opportunities

Interviewees frequently cited the need for regulatory reform to improve child care in the region. Because child care licensing is a state function, leaders in Region 2 could advocate for streamlined regulations that balance the needs of children, families, and providers together. Specifically, leaders could adopt the following strategies:

- **Work with local providers to identify specific regulations that hinder growth and share those findings with state partners.** Across Michigan, providers report difficulty meeting state rules and regulations; however, there has not been a comprehensive, reliable review of the entire regulatory framework that has identified the specific changes that could help providers without sacrificing children's health and safety.
- **Advocate for regulatory reform.** While some of Michigan's child care licensing rules are federally mandated, the state does have considerable control over them. Local leaders could call for changes, and, depending on the rule, these changes could be made administratively or may require legislative action.
- **Advocate for increased support from licensing consultants.** Local leaders could advocate for increased support during the licensing process. State-funded licensing consultants provide technical

assistance to providers as they complete the requirements; however, their caseloads create capacity issues and limit their ability to provide personalized support.

RECRUIT AND SUPPORT A SKILLED WORKFORCE

Recruitment, training, and compensation are vexing problems for the child care industry. There are no clear answers for how to address these barriers—especially wages. Providers make very little, but care is already unaffordable for many. Communities across Michigan and the nation are struggling with similar challenges. There are actions, however, that local leaders can take to make measurable improvements in the local child care labor market. These are described in more detail below.

Local Opportunities

Leaders in Region 2 can take steps to make it easier for residents to enter, and stay in, the early care and education business through the following strategies:

- **Collaborate with community colleges to support credentials for early education and care.** Region 2 leaders could partner with higher education leaders to identify and implement strategies for increasing enrollment and completion of credentials for child care workers. For example, leaders could ensure courses are offered at times convenient for these workers or consider offering more online programs. In addition, leaders could establish tuition scholarships and microgrant programs that can help ensure emergency expenses do not derail degree completion.
- **Foster a regional learning community.** Providers report that the profession can be isolating, especially for those offering services in their homes. Region 2 leaders could use tools like the Great Start Collaborative and social media to build a stronger professional network to increase quality, build skills, and foster resiliency.
- **Build and administer a regional substitute pool.** While cost is a significant barrier to pursuing professional development, it is also challenging to find substitute child care workers to fill in when staff are in training or sick. Washington state has worked to address this barrier by developing a statewide substitute pool. The state developed regional pools as part of its phased implementation approach, which suggests that this effort could be organized at a regional level as well.

Lansing Opportunities

Tuition is one barrier to child care workers pursuing a postsecondary credential. Through the Teacher Education and Compensation Helps (T.E.A.C.H.) scholarship, child care workers receive tuition assistance from the state to pursue postsecondary education while continuing employment. This program supports credential and degree attainment in the child care field specifically. More broadly, those pursuing a postsecondary education also benefit from all state and federal tuition assistance programs. Leaders in Region 2 could address these challenges through the following strategies:

- **Advocate for increased investment in T.E.A.C.H. scholarships.** In the FY 2019 budget, lawmakers allocated an additional \$2.5 million for T.E.A.C.H. scholarships. This funding could be increased in future years.
- **Support efforts to lower or eliminate tuition.** While the T.E.A.C.H. scholarship targets resources for child care workers, most efforts to provide tuition assistance for Michigan residents will also help these workers. For example, 16 states now offer free or debt-free community colleges to eliminate financial barriers to postsecondary education. Communities across Michigan are also

designated as Promise Zones, allowing them to create public-private partnerships that aim to make college free for every high-school graduate—the Kalamazoo Promise is the most popular example in Michigan.

IMPLEMENT FAMILY-FRIENDLY POLICIES

Local leaders, especially business leaders, can help parents navigate child care costs and challenges with policy changes. This starts by connecting residents and employees with information about providers and available assistance. These efforts can also extend to implementing family-friendly policies. Leaders in Region 2 could employ the following strategies:

- **Offer flexible schedules.** Employers can help parents by allowing flexibility in work schedules to address child care challenges on short notice (last-minute cancellations or sickness). Having policies like these in place can help parents balance work and family responsibilities.
- **Schedule employees for consistent shifts.** Roughly 17 percent of the workforce is assigned to irregular, on-call, or split shifts (Economic Policy Institute 2015). For these individuals, finding care is especially challenging because their needs change weekly. These limitations are compounded if care is needed in the evening or on the weekend; however, having a consistent schedule can help parents mitigate these challenges and secure care.
- **Offer dependent care reimbursement accounts.** A dependent care savings account allows employees to set aside a portion of their pretax salary to a flexible spending account, which can be used for dependent care. In 2014, 39 percent of civilian workers were offered employer-sponsored dependent care accounts (Stoltzfus 2015).
- **Offer onsite child care or child care benefits.** Employers can also offer child care as an employee benefit either by providing care onsite or by offering a subsidy or voucher to cover expenses. In 2017, 11 percent of civilian workers had access to workplace-funded child care (U.S. Department of Labor Bureau of Labor and Statistics 2017).

INCREASE PUBLIC INVESTMENT IN CHILD CARE

Structural challenges burden the current child care market, especially the mismatch between unaffordable care for families and the inability for providers to cover their own costs. However, this challenge can be mitigated through increased public investment. When costs go up, families pay the sticker price, hampering the local economy with the downstream impacts. While child care has historically been a family matter, it is increasingly considered an investment in talent. Today, reliable, affordable care helps more parents enter and stay in the workforce and is also the foundation of a comprehensive early childhood system that helps prepare the region's workforce of tomorrow.

Local Opportunities

Across the country, communities are taking steps to increase access to and funding for high-quality early childhood programs. Cities like Boston, Chicago, New York, and Washington D.C. are investing in prekindergarten programs, which also serve as child care for four-year-old children (Swaak 2018). In Chattanooga, Tennessee, the mayor created the Office of Early Learning to coordinate and strengthen care efforts by investing in child care scholarships for working families (Rainwater 2018). Similarly, officials in Arlington County, Virginia, are tackling affordability and regulatory challenges as well by establishing a financial assistance program for working families and streamlining zoning ordinances and facility

requirements to make it easier for providers to open and operate businesses in the county (Koma 2018). In Michigan, voters in Kent recently passed a countywide millage that is expected to raise \$32 million over a six-year span for early childhood care (Kransz 2018).

Leaders in Region 2 could consider similar strategies to increase investment, but they have fewer options. In Michigan, the law prohibits options that other regions have used to support early childhood programming, such as levying a sales tax or taxing soda (Falgout 2018). Also, while Michigan counties can levy an accommodations (hotel-motel) tax as well as convention and tourism marketing fees, the use of this revenue is restricted to tourism activities and could not be used to support early childhood programming.

These types of taxes must be authorized by state law, and the state has authorized few of these, so local leaders could consider strategies to increase public investment in child care using the following revenue-generating approaches.

- Levy county property tax mills.** Property taxes are the most important revenue source for Michigan local governments and a promising option for raising revenues for early investment. Levying a half-mill property tax across Region 2 would raise \$9.4 million for early childhood programs, while levying a full mill would generate \$18.8 million.³ Exhibit 7 shows how much a half- and one-mill levy would raise revenues by county. In addition, property taxes do not have to be levied at the county level. Cities, villages, and townships can also levy these taxes.

EXHIBIT 7. Revenue Raised by a Half- and One-mill Property Tax in Region 2, by County

County	2017 Taxable Value	Revenue Raised by Half Mill	Revenue Raised by One Mill
Antrim	\$1,794,368,724	\$897,184	\$1,794,369
Benzie	\$1,208,978,276	\$604,489	\$1,208,978
Charlevoix	\$2,084,831,290	\$1,042,416	\$2,084,831
Emmet	\$2,814,379,583	\$1,407,190	\$2,814,380
Grand Traverse	\$4,868,438,486	\$2,434,219	\$4,868,438
Kalkaska	\$759,394,497	\$379,697	\$759,394
Leelanau	\$2,638,968,902	\$1,319,484	\$2,638,969
Manistee	\$1,109,095,338	\$554,548	\$1,109,095
Missaukee	\$604,025,943	\$302,013	\$604,026
Wexford	\$934,306,211	\$467,153	\$934,306
Total	\$18,816,787,250	\$9,408,393	\$18,816,786

Source: Michigan Department of Treasury. 2018. *2017 Ad Valorem Property Tax Report*. Accessed August 1, 2018. https://www.michigan.gov/documents/taxes/2017_625_Ad_Val_Tax_Levy_Report_613125_7.pdf and PSC calculations.

- Levy intermediate school district (ISD) mills.** ISDs can also levy a regional enhancement millage of up to three mills to supplement other school funding, which could be used for any early childhood activities currently supported with School Aid Fund dollars. Charlevoix-Emmet (Char-Em) ISD is the only one of northwest lower Michigan’s ISDs that currently levies a regional enhancement millage (Fellows 2017). Interviewees reported that some local school districts are using this revenue to

³ One mill is equal to one dollar of tax per \$1,000 of taxable value. Property assessments are set equal to 50 percent of true case value, so a \$200,000 house would have a taxable value of \$100,000, and a one-mill tax would be equal to \$100 per year on this property.

fund preschool programs. In addition to Char-Em, only a few other ISDs levy regional enhancement millages ranging from 0.9 to one-and-a-half mills (Senate Fiscal Agency 2018). Exhibit 8 shows the revenues that could be raised with half- and one-mill regional enhancement millages.⁴

- **Levy school district mills to support facility construction.** Facility millages could be used to construct district-run early childhood centers or to adapt existing buildings to support early childhood programming.

EXHIBIT 8. Possible Revenue Raised by a Half- and One-mill Property Tax in Region 2

ISD	2017 Taxable Value	Revenue Raised by Half Mill	Revenue Raised by One Mill
Manistee	\$1,041,245,289	\$520,623	\$1,041,245
Traverse Bay Area	\$10,336,668,070	\$5,168,334	\$10,336,668
Wexford-Missaukee	\$1,764,156,725	\$882,078	\$1,764,157
Total	\$13,142,070	\$6,571,035	\$13,142,070

Source: Michigan Department of Education. 2018. *Bulletin 1014 for 2017*. Accessed August 1, 2018. <https://mdoe.state.mi.us/samspublic/others/Bulletin1014ExportFINAL.xlsx> and PSC calculations.

- **Levy income taxes (only an option for cities, not counties).** Though not a regional solution, income taxes could be used to support early childhood programs in any of Region 2’s 12 cities. Currently, the state has 21 cities that do this—most at a rate of 1 percent for residents and 0.5 percent for nonresidents—Region 2, however does not.
- **Capture revenue generated from recreational marijuana taxes.** In November, Michigan voters approved a ballot measure legalizing recreational marijuana, which will mean new revenues for counties. Under the proposal, a tax equal to 10 percent of the retail price will be levied. The proposal language dictates that after \$20 million is taken off the top for special programs, 15 percent of the proceeds will go to counties where marijuana is sold or where the business is located. These proceeds will be allocated in proportion to the number of these stores and businesses in the county. Counties could choose to direct these new funds to early childhood programs. Formal estimates of the revenues raised by the tax have not yet been published, and it will likely take several years to generate revenues; however, once fully established, this tax would likely raise \$15–\$30 million for counties statewide and a similar amount for cities (Biolchini 2018).
- **Use social impact bonds to encourage new investment.** A social impact bond, also known as a pay-for-success bond, is used to pay for public programs where the debt service is only paid in the event of the program’s success. These are popular for financing activities that generate long-term savings, which can be used to pay off the bonds. In this way, they are analogous to tax increment financing (TIF), where the new property tax revenue from an economic development investment is used to pay off TIF bonds. Idaho, Maine, and Utah use social impact bonds to support their early childhood programs (National Conference of State Legislatures 2016). These could potentially be used in Region 2; however, because they are often financed by philanthropic entities, Region 2 would need to identify funders. Additionally, savings from early childhood investments may not be easy to capture for paying off the bonds. For example, preschool investment may reduce special education costs, but it may not be easy for school districts to obtain these savings in a way that could be used to pay back

⁴ It is important to note that revenues raised through these millages need to be distributed proportionally to local school districts based on pupil count.

investors. Early childhood investment can also be a strong contributor to economic development. In the short term, providing high-quality early learning opportunities affords parents easier access to the labor market, increasing the region's current talent pool. In the long term, these early investments will lead to a stronger workforce in the future. However, the returns on investment are also likely to be difficult to capture for paying off bonds.

Lansing Opportunities

Michigan helps working families access child care through the Child Care Subsidy Program, which is funded through federal and state investments and supports subsidies, or vouchers, for qualifying working families. These funds also support efforts to improve care quality in the state, such as scholarships for child care workers and quality improvement consulting services for providers.

Leaders in Region 2 could advocate for increasing state and federal investments through the following strategies:

- **Advocate for strategic investment of new federal child care funding—called the Child Care Development Block Grant—with partners.** In FY 2018, Michigan was awarded approximately \$65 million in additional federal funding to support child care subsidies and quality efforts. (The funding is not yet fully appropriated.) This increase is expected to continue in the federal FY 2019 budget. These funds could be used for a variety of purposes, including raising income eligibility requirements and increasing reimbursements for providers. Interviewees suggested that raising reimbursement rates would make it easier for providers to serve low-income families.
- **Advocate for new state investments in child care subsidies and quality efforts in collaboration with partners.** Across Michigan, businesses are struggling to fill jobs, and communities are exploring child care as a strategy to recruit talent. State lawmakers are aware of this problem and may have interest in increasing state investments in the Child Development and Care Program.

CONSIDER CHILD CARE IN ALL REGIONAL EFFORTS

There is no single solution to improve access to high-quality child care in Region 2—it will require long-term support, creative solutions, and funding sources. Regional leaders should consider how their own work can advance the region's efforts through the following strategies:

- **Educate partners on the difference between quality care and babysitting.** High-quality child care is not babysitting: It is a developmentally appropriate experience that promotes healthy growth. Local leaders can educate their stakeholders on why this type of care is critical for the region's success. Moreover, business leaders can be particularly powerful messengers because of their unique perspectives and credibility when speaking to the short- and long-term economic and societal benefits of child care investments—even though they may be nontraditional advocates.
- **Look for opportunities to support child care across regional efforts.** Local leaders from all sectors can advance these efforts by looking closely at their own work and considering how child care could be improved. For example, improvements in the workforce development system help connect working parents to providers. Local school districts may also be able to step up and play a larger role by recognizing the importance of child care in the early learning continuum.

CONCLUSION

In today's competitive global economy, residents in Region 2 face tough choices about where to live, work, and raise their families, and their decisions have lasting impacts on the local workforce and economy. Policymakers, business leaders, and community activists have an opportunity to help these families and support the development of an accessible, affordable, high-quality child care network. This report outlined state and local strategies for supporting small business owners, recruiting and training a skilled workforce, implementing family-friendly policies, increasing public investment, and considering child care in all regional efforts.

These recommendations are the result of a community-led effort to examine anecdotal and quantitative data about the current state of child care, develop a shared vision for the future, and identify opportunities for the investment and policy change required to build it. While no one policy change can overcome this systemic challenge, each member of the community has a role to play and can leverage their strengths and relationships to make an impact.

When children are in a safe and healthy environment, parents can get to work and focus on supporting their families. These improvements will not only benefit parents, teachers, businesses, and governments, but they will also benefit the community as well as the philanthropic, entrepreneurial, and public service leaders of the future. This tremendous opportunity requires a united and committed effort: We can build a strong foundation for kids, strengthen the talent pipeline, and ensure sustainable long-term economic prosperity for working families in the region.

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APPENDIX A: INTERVIEWEES

In collaboration with Networks Northwest, PSC identified interviewees to inform the work, including advocates, business leaders, child care providers, early childhood experts, and more. PSC interviewed the following 12 stakeholders:

- Karin Cooney, Angel Care Preschool and Child Care
- Candice Hamel, Northwest Resource Center
- Molly Harrison, Advocates for Benzie County
- Sarah Jane Johnson, Suttons Bay Public Schools
- Doug Luciani, Traverse City Area Chamber of Commerce
- Lorraine Manary, Char-Em United Way
- Mary Manner, Great Start Collaborative of Traverse Bay
- Leah Bagdon-McCallum, Rotary Charities of Traverse City
- Jack O'Malley, Candidate for State House of Representatives
- Doug Rath, Graceland Fruit
- Laura Reznich, Graceland Fruit
- Woody Smith, Avenue ISR

APPENDIX B: ADVISORY TEAM

In collaboration with Networks Northwest, PSC recruited seven stakeholders from Region 2 to serve as an advisory team throughout the data collection and writing process. These stakeholders provided additional context and feedback about whether the work accurately reflected the child care system in Region 2. PSC is grateful for their time and insights. The work is better thanks to their input.

- Karin Cooney, Angel Care Preschool and Child Care
- Molly Harrison, Advocates for Benzie County
- Sarah Jane Johnson, Suttons Bay Public Schools
- Lorraine Manary, Char-Em United Way
- Matt McCauley, Networks Northwest
- Jack O'Malley, Candidate for the House of Representatives
- Woody Smith, Avenue ISR



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230 N. Washington Square
Suite 300
Lansing, MI 48933