



# A Fiscal Analysis and Plan for Michigan's Prenatal-to-Five System

In Michigan, the early childhood system is persistently underfunded. To better understand and address the broken finances of the prenatal to five system, Think Babies Michigan engaged with national partners to project the funding needed and potential revenue sources to achieve the vision established for Michigan's young children and their families. Here's what we learned:

**Funding the true cost of care in Michigan requires a total of: \$3.5 billion\***

\*This cost includes paying the early childhood workforce the MIT living wage, funding all home visiting models and increasing service capacity to serve more children.

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|--|-----------------|
| Amount needed to fully fund the child care system      | \$3,212,974,553 |
| Amount needed to fully fund the home visiting system   | \$300,988,813   |
| Amount needed to fully fund the <i>Early On</i> system | Coming Soon     |

## So, how do we get there?

**Step 1** ➤ *Create an Early Childhood Fund.*

**Step 2** ➤ *Establish a dedicated revenue source for the Early Childhood Fund. Potential sources include:*

### REVENUE FROM TAXES ON DIGITAL ACTIVITIES & DATA

This is an emerging tax field that, under best practices, would tax large internet companies.

### REDIRECT REVENUE FROM THE 21<sup>ST</sup> CENTURY JOBS FUND

This economic development fund receives its revenue from tobacco settlements.

### BROADEN THE SALES TAX BASE

This expansion would include taxing for-profit professional, scientific, & technical services - a shift that would neutralize purchases of goods vs. services.

### INCREASE THE FLOW-THROUGH ENTITY TAX

An elected tax for businesses whose revenue goes to the business owner, thus avoiding corporate taxes. 90% of these businesses are in the top 5% of earners.

For more information, please visit the [Think Babies Michigan](#) webpage.

Acknowledgements: [Prenatal to 5 Fiscal Strategies](#) & [Children's Funding Project](#)