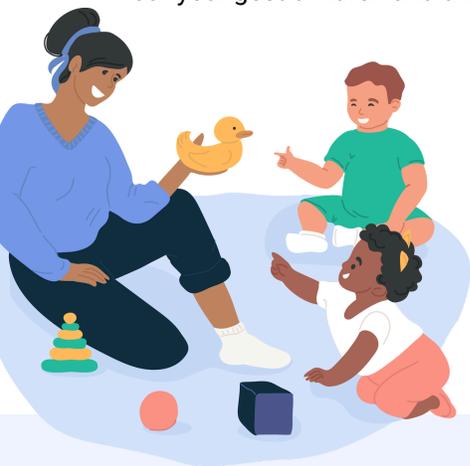


# Dedicated Early Childhood Fund

Establish a dedicated early childhood fund to support targeted investments in high-impact early childhood programs and services, specifically for prenatal to age three.



Yielding an approximate 13% return on investment, funding the earliest years provides a strong foundation for long-term outcomes for young children and reduces costs on the system later. **That's why 24 states have already established dedicated Early Childhood Funds to ensure that public dollars are maximized and young children are prioritized.** These Funds, which operate like a bank account, ensure dedicated resources are invested in our youngest children and that they are protected from economic and budgetary pressures.



In Michigan, creating a dedicated fund for the earliest years would complement spending from the School Aid Fund, which is specifically for investments in school-based programs and services, to ensure adequate spending for children and families from prenatal-to-age three. While immediately funding the Early Childhood Fund might not be feasible, **Michigan lawmakers could build the necessary infrastructure to ensure the state is ready to join many other states making strong, smart investments in the earliest years.**

## Our Recommendation

**Michigan's babies deserve the best, and the state has both the opportunity and responsibility to deliver.** Think Babies Michigan is powered by the Early Childhood Investment Corporation. Together, the coalition has worked with national experts since 2021 to develop and build out a Michigan-specific blueprint for a comprehensive Early Childhood Fund to dedicate and safeguard funding for prenatal-to-three strategies and initiatives, including child care, home visiting, and early intervention.

While revenues are tight now, "opening the bank account" and establishing a dedicated Early Childhood Fund is a critical first step toward ensuring the state is ready and able to act swiftly when new revenue becomes available — a forward-thinking strategy already embraced by Arizona, Connecticut, and Louisiana. Opening this fund costs nothing today but creates the infrastructure needed to stabilize and protect the dollars that support our youngest learners tomorrow. By taking this step now, Michigan can build a foundation for a more stable, reliable early childhood system across every community in the state — because investing in our children from the very beginning is the strongest investment our state can make.

## States Leading the Way

Investments made through Early Childhood Funds are leveraged to address the needs of each individual state and can include expanding access to highly coveted infant and toddler child care, home visiting and early intervention services, and compensation supports for early childhood professionals. The dedicated revenue streams that fuel Early Childhood Funds reflect each state's unique circumstances and include vice taxes, public settlement agreements, licensing and permit fees, corporate activity taxes, and proceeds from state-sanctioned gambling and sports betting.

STATE	REVENUE SOURCE	FUNDS GENERATED	FUND USE
Arizona	Tobacco excise tax increase	\$100 million (FY25)	Early education and health
Kansas	Share of annual Tobacco Master Settlement revenue	\$50 million (FY24)	Child care subsidy, home visiting, parent education, & literacy
New Mexico	Land Grant Permanent Fund (gas and oil revenue)	\$500 million (FY26)	Prenatal to five services
Ohio	Casino revenue taxes in excess of amounts required by statute	\$10 million+	Child care quality improvements
Oregon	Corporate tax	\$1 billion (\$529 million for early childhood) (FY23-25)	Funding child care slots (including infant/toddler), early intervention programs, parent engagement
South Carolina	Sales tax	\$93 million (FY25)	Early education
Vermont	Payroll tax revenue (0.44%) split between employers and employees	\$80 million (FY23)	Expand eligibility for child care subsidies, increase reimbursement rates, and workforce supports
Arizona	Tobacco excise tax increase	\$100 million (FY25)	Early education and health
Kansas	Share of annual Tobacco Master Settlement revenue	\$50 million (FY24)	Child care subsidy, home visiting, parent education, & literacy

*\*\*These examples reflect how some states have chosen to use dedicated funds to date, but they do not represent the full range of possibilities for Michigan.*

## Turn Readiness Into Results

Michigan doesn't need to wait to act. Establishing a dedicated Early Childhood Fund today lays the groundwork for stronger investments tomorrow. Let's ensure our youngest children and our state can thrive.

