

City of Detroit

CITY COUNCIL

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TO: The Honorable Detroit City Council

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: July 10, 2024

RE: Financial Impact Report on Childcare Vouchers for City of Detroit Employees

Councilmember Witfield-Calloway is requesting that the Legislative Policy Division (LPD), provide the Council a comprehensive financial impact report on a prospective pilot program designed to provide childcare vouchers for eligible City of Detroit employees. Additionally, LPD is requested to cover the following key areas:

- **Cost Analysis:** Provide a detailed breakdown of the anticipated costs associated with the implementation and maintenance of the childcare voucher program.
- **Funding Sources:** Explore potential funding sources, including federal grants, private partnerships, and budget reallocations, to sustain the program without placing an additional burden on the city's finances.
- **Return on Investment:** Assess the potential return on investment by considering the long-term benefits, such as increased employee retention, improved productivity, and positive impacts on the city's reputation.
- **Benchmarking:** Compare similar programs implemented in other municipalities to draw insights and identify best practices that can inform the design and implementation of our program.

This report is our response to this inquiry.

Cost Analysis

It would be extremely difficult for our office to provide an accurate cost estimate for a City sponsored childcare voucher program, due to our limited expertise in that area. However, we will endeavor to try. In 1998, California voters passed Proposition 10, this statewide voter initiative established the Children's

and Families Commission, which taxed tobacco products in the state to invest in programs dedicated to children from birth-to five years of age in California, thereby creating a state of California “Children’s Trust Fund,” which is distributed to each of the state’s 58 counties.¹

Pursuant to the passage Proposition 10, each county across the state of California created a Children and Families Commission to: 1) administer the county’s tax revenue; 2) create a Children’s Trust Fund under the authority of a county Commission; and 3) ensure funds reach its specific purposes per state statute.

In 2013, San Francisco Mayor Ed Lee established the San Francisco Office of Early Care and Education (OECE), to align and coordinate funding streams for quality early care and education for children ages birth to five. This program was made possible primarily due to California State Proposition 10 of 1998. In 2013, Mayor Ed Lee established the San Francisco Office of Early Care and Education (OECE) to align and coordinate funding streams for quality early care and education for children ages birth to five. Prior to 2013, the City spread early care and education funding across several departments, including First 5 San Francisco, the Department of Children Youth and their Families (DCYF), and the Human Services Agency (HSA). The goal was to bring efficiency to San Francisco’s ECE system by consolidating funding channels through one department, hence the creation of OECE. OECE took on administration of all public early care and education enrollment funding for San Francisco including federal, state, and local subsidy programs as well as the universal Preschool For All program previously managed by First 5 SF.²

On June 5, 2018, the voters of San Francisco passed Proposition C (Commercial Rent Tax for Childcare and Early Education), which imposes a gross receipts tax (Childcare Tax) of 3.5% on rentals of commercial space in San Francisco with a reduced 1% tax on rentals of warehouse space. The proposition, which only needed a simple majority vote (50% + one) to pass, was approved by SF voters by 51%. Nonprofits and other small businesses were excluded from the tax.³

The City of San Francisco through its Babies and Families First Fund (Early Care and Education Commercial Rent Tax), in the 2022-23 fiscal year has budgeted \$142,000,724 for Office of Early Care and Education.

This City of San Francisco program was made possible by an initial commitment by the voters of the entire state of California through a statewide voter initiative, which provided for a dedicated source of funding for all of the 53 counties in the state. The City of San Francisco was able to take things a step further by imposing a local tax on commercial rents. However, in the state of Michigan, taxes are imposed through state initiatives, and local governments have no independent authority to impose “new” tax provision or tax obligation and are limited in their ability to impose new tax revenue.

A Quick Unofficial Estimate for City Worker Childcare Costs

For the City of Detroit to sponsor a childcare program, with an estimated cost of \$250 per week at 48 weeks would cost \$12,000 per child. In a review of the census figures for the city of Detroit, 6.9% of Detroit’s current population is between the ages of 0-5 years old. Applying the ratio of 6.9% to the number of City of Detroit employees of approximately 10,000, would equate to 690 potential children at childcare age. This would equal a cost of approximately \$8.28 million to provide the cost of childcare for 690 children at \$250 per week for 48 weeks. However, to obtain a more accurate estimate, **we suggest that the CFO’s Office provide an estimate to the Council.**

¹ [FIRST 5 SAN FRANCISCO & OFFICE OF EARLY CARE AND EDUCATION \(sfdec.org\)](http://sfdec.org)

² In 2004, San Francisco voters approved Proposition H, the Public Education and Enrichment Fund, a general fund set aside to invest in a universal preschool system for all 4-year-olds and Arts, Libraries, Science, Sports, Health and other programming in our public school system for grades K-12.

³ That’s on top of an existing 0.3% tax rate on gross receipts landlords already pay to the City.

MI Tri-Share is a state funded effort that Governor Whitmer has invested deeply in. Through MI Tri-Share, the cost of an employee's childcare is shared equally among the employer, the employee, and the State of Michigan — a three-way split — with coordination being provided regionally by a MI Tri-Share facilitator hub. Everybody Ready is the facilitator hub in Detroit.

For Tri-Share, the City would determine its investment level which would include how many staff/childcare slots would be a part of the pilot, how much investment the City would put toward each staff/child care slot and the parameters of what would be covered within that investment. Employee contribution may be collected through payroll deduction. Below is a chart which shows estimated cost per employee. You will see that cost is dependent on the age of the child with younger being more expensive than preschoolers. School age after school care is the least expensive because it is only part time.

Contractual Payments			
	Infant -3 yrs	3-5 yrs	6 to 12 part
Assumed cost of care (annual)	\$ 20,000	\$ 12,000	\$ 6,000
Hub/state allocation	\$ 6,667	\$ 4,000	\$ 2,000
Business allocation	\$ 6,667	\$ 4,000	\$ 2,000
Parent allocation	\$ 6,667	\$ 4,000	\$ 2,000

Funding Sources: Explore potential funding sources, including federal grants, private partnerships, and budget reallocations, to sustain the program without placing an additional burden on the city's finances.

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Grants:

The Department utilized \$215M in federal funds to help mitigate the impacts of the global pandemic on the child care field - including \$100.8M from the CARES Act and \$115M from the Coronavirus Relief Fund. These funds supported three primary activities:

- Child Care Relief Fund Grants (\$209.6M)
- Child care billing for school age children during virtual only learning opportunities (\$6M)
- COVID absence hours (\$251K)

Six rounds of the Child Care Relief Fund grants were available for child care providers throughout the state. All six rounds offered funding to support child care providers operational costs and Rounds 3-6 included funds to make care more affordable for families through tuition credits.

<https://www.michigan.gov/mileap/early-childhood-education/early-learners-and-care/cdc/grants/grant-information>

Caring for MI Future: Facilities Improvement Fund is a grant program to distribute \$50 million to new and expanding child care education providers across the State of Michigan in order to renovate and upgrade their child care facilities to accommodate additional child care slots, especially in geographic areas with limited providers. <https://caringformi-fif.org/>

The Childcare Stabilization Grant is a \$700 million investment in child care providers across Michigan. The Stabilization Grant is a non-competitive grant for childcare providers to help stabilize operations and support the health and safety of children and staff. <https://www.michigan.gov/mileap/early-childhood-education/early-learners-and-care/cdc/child-care-stabilization-grants-spring-2022>

Private Partnerships:

- **Corporate Sponsorships:** Partnering with local businesses or corporations that value early childhood education and workforce development could possibly provide financial support. These partnerships may include direct financial contributions, in-kind donations, or employee volunteer programs.
- **Foundations and Philanthropic Organizations:** Researching and reaching out to foundations and philanthropic organizations that prioritize early childhood development could possibly yield funding opportunities. These organizations often provide grants to support childcare initiatives.

Community Development Block Grants (CDBG):

- **CDBG funds** can be used for a variety of community development activities, including childcare services for low- and moderate-income families. Michigan can allocate CDBG funds to support its subsidized childcare program, particularly in underserved communities.
- Community Services Block Grant (CSBG) is administered at the federal level through the US Department of Health and Services (HHS), Office of Community Services (OCS) and is the primary financial resource for the operation of Community Action Agencies (CAAs). CSBG is a funding source, not a service program. CAAs determine locally how to use these funds to best address the needs of their communities. Many of the other programs that CAAs operate have very limited funds for administration. CSBG is intentionally flexible with administration costs and allows CAAs to support program and staff cost where other funding sources fall short. The premise of CSBG is to serve as a funding stream which builds the capacity of a stable statewide network that can act as the vehicle to provide direct services. Michigan's federal CSBG allocation averages about \$23 million per year. The Bureau is required to pass through 90% of its allocation directly to CAAs. 5% of the allocation is reserved for state administrative costs and another 5% is dedicated as state discretionary funding. In Michigan, the state makes discretionary funding available to CAAs for innovative projects. <https://www.michigan.gov/mdhhs/doing-business/commissions-boards/community-economic/bureau-of-community-action/csbg>

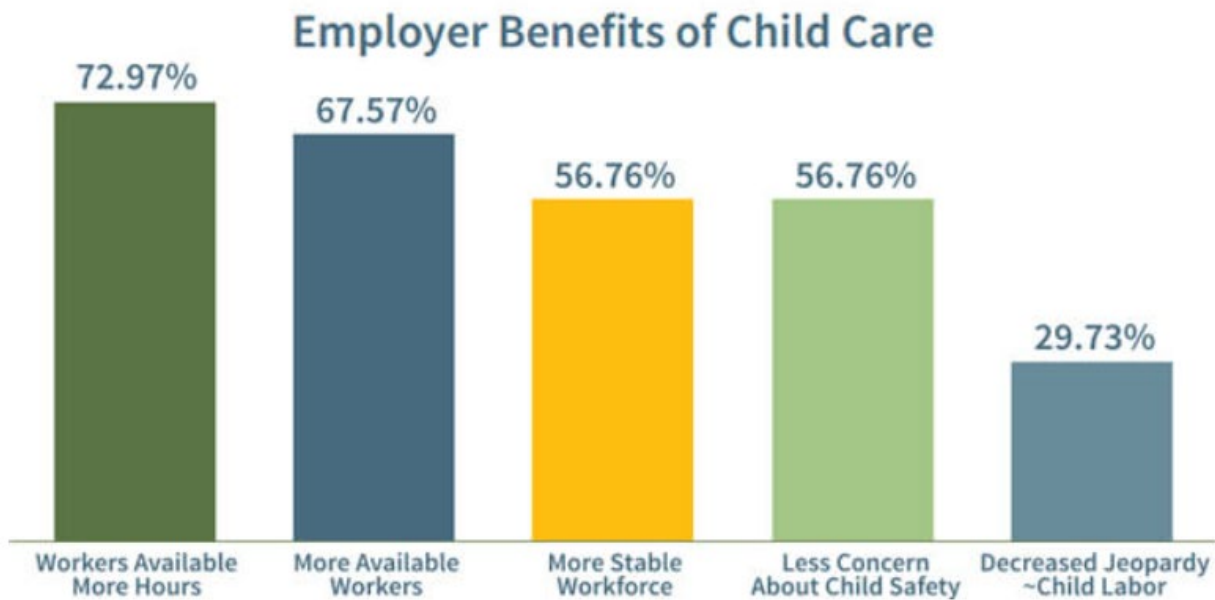


Return on Investment: Assess the potential return on investment by considering the long-term benefits, such as increased employee retention, improved productivity, and positive impacts on the city's reputation.

- initial pilot results indicate that the majority of employers believe that Tri-Share is already having an impact on retention, and to a lesser degree recruitment. From an employee retention perspective, 62 percent of employer respondents said they believe that the Tri-Share program will help their company retain existing employees in the future, while 63 percent believe the program has helped their company retain existing employees (see chart below). This result indicates that there is confidence that it is already producing retention benefits and that impact is likely to persist into the future. There is also evidence from the employee survey that Tri-Share is likely to improve retention benefits, with 82 percent saying that participation makes it more likely that they will keep working and stay in their current job. This finding was supplemented by interviews as well. From a talent recruitment perspective, there is more confidence in Tri-Share's future impact, as compared to its current effect. In fact, 69 percent believe the program will help with future recruitment efforts, while only 12 percent believe it has helped recruit new employees.
- ReadyNation's updated study finds that the nation's infant-toddler childcare crisis (as of December 2023) costs \$122 billion in lost earnings, productivity, and revenue every year. This staggering economic toll impacts working parents, their employers, and the nation's taxpayers. Our 2018 study found that the crisis was already severely damaging the pre-pandemic economy, exacting a cost of \$57 billion annually. A combination of COVID-19 and insufficient policy action have now significantly worsened the crisis.⁴
- According to a study⁵ from The U.S. Chamber of Commerce Foundation (USCCF): Accessible and affordable childcare is key to unlocking Michigan's economic potential and recouping nearly \$3B in lost activity while better meeting the needs of working parents and job providers, according to a new report from the U.S. Chamber of Commerce Foundation (USCCF), in partnership with the Grand Rapids Chamber, Michigan Chamber and the Early Childhood Investment Corporation (ECIC).

⁴ [\\$122 Billion: The Growing, Annual Cost of the Infant-Toddler Child Care Crisis • Council for a Strong America \(strongnation.org\)](https://strongnation.org/)

⁵ [Untapped MI 082523 DIGITAL.pdf \(grandrapids.org\)](https://www.grandrapids.org/files/2023/08/Untapped_MI_082523_DIGITAL.pdf)



Stats That ‘Make the Case’ for Offering Company-Sponsored Childcare Assistance to Employees:

- 69% of parents say that the cost of Childcare has impacted their career decisions.
- 51% of working moms and 43% of working dads report they aren’t giving 100% to their job because of parenting challenges.
- 7 in 10 working parents say providing access to quality and affordable Childcare will have a positive impact.
- Employees with access to Childcare benefits report an increase in work-life balance and engagement.
- Turnover costs from working parents dropping out of the workforce can exceed 213% of their annual salary.
- 49% of parents with children 5 years of age or younger report short-term disruptions to employment because of Childcare challenges.
- 21% of employers report losing key employees due to Childcare issues.
- 83% of women and 81% of men would be more willing to stay with an employer who offers Childcare benefits <https://tootris.com/edu/blog/employers/employer-sponsored-child-care-benefits-programs-setup-costs-faq/#stats-anchor>

Benchmarking Compare similar programs implemented in other municipalities to draw insights and identify best practices that can inform the design and implementation of our program.

Based on our research, we could find no other city that offers completely free childcare for all city employees. Beyond the San Francisco example discussed earlier, we have found other examples of cities with childcare assistance:

Pittsburgh - The city of Pittsburgh offers childcare to city employees on days when Pittsburgh Public Schools cancels classes unexpectedly — as well as to city residents who are participating in certain public meetings.

Program Details:

- In October 2023, City Council unanimously approved a contract with Pittsburgh Event Childcare for \$45,000. The contract will cover those childcare services through 2024.
- The city started a similar program in 2018, but had to end it when the provider went out of business. It's just being reinstated.
- Previously this was paid for out of the city's general fund.

San Diego - San Diego is launching a pilot program that will subsidize some costs for city workers with children 12 and under.

Program Details:

- The city contracted with TOOTRiS,⁶ a San Diego tech startup that connects parents and child-care providers, to create its pilot program, which starting in September will allocate anywhere from \$100 to \$1,000 in monthly child-care benefits to eligible city employees.
- To be eligible to participate in the city's municipal childcare benefit pilot program, city employees must have an individual base gross income of less than \$95,350 per year, work full-time or work at least 20 hours per week while also enrolled in a training or higher education program.
- Benefit payments may range from \$100 to \$1,000, per dependent, depending on the number of employees who apply and based on family need factors, such as permanent housing status, military, or veteran status, whether the family is fostering a child, or if the child has an individual education plan or disability.
- The pilot program was funded through a \$2 million federal community project grant secured by Rep. Sara Jacobs, D-San Diego, who represents the 51st Congressional District.
- The city's Office of Child and Youth Success will oversee the implementation of the pilot program and will support employees in the application process.

The City of Grand Junction, CO recently opened a new employee-based childcare facility serving children from 6-weeks to six years of age.

Program Details:

- In 2021, the City of Grand Junction was awarded an \$800,000 state-funded Employee-Based Childcare grant, which helped kick-start the project. City Council approved an additional \$600,000 to expand the project, adding two rooms and nearly 1800 square feet to the facility bringing the total number of rooms to five.
- Employees have to pay for childcare, but the pricing is affordable, and they have the first choice of enrollment in the available spots. Additionally, the City's employee childcare is formulated around the need for flexible work schedules that many City employees have.

Please contact us if we can be of any further assistance.

⁶ [Find Child Care, Daycare and Preschools Near You | TOOTRiS](#)