PRIVATE EQUITY IN MICHIGAN CHILDCARE AND K-12 EDUCATION

AUGUST 2026

PRIVATE EQUITY
STAKEHOLDER
PROJECT

As COVID-19 funding for childcare **dries up** and public school systems across Michigan face declining enrollment, budget scrutiny reveals that private equity firms continue to profit from these systems despite deficits. The sections below explore private equity's role in childcare, K-12 outsourcing, and voucher programs throughout the state.

Childcare

Private equity firms control at least 160 childcare centers in Michigan. Instead of injecting capital into the child care sector in a way that benefits children, families, and workers, private equity firms focus on increasing profit margins. This often comes in the form of tuition hikes, making care more costly and inaccessible for families. In March, Senator Jeff Merkley **launched** an investigation into KinderCare (Partners Group) and Learning Care Group (American Securities), the two largest private equity-backed chains in the country. Letters to the firms highlighted several issues with private equity's role in childcare: lower wages and less education for staff, new debt used to pay dividends to investors, heavy reliance on public funding, obscure tuition costs, and safety violations across several states.

For some parents, a chain like Kindercare might be the only option – a 2018 study from the Center for American Progress found that more than half of US families live in **child care deserts** where demand outweighs supply. In the letter to KinderCare, Senator Merkley **questioned** whether the company's approach truly increased access and capacity, or whether it simply "reflected consolidation and selective market participation–resulting in reduced access for certain communities."

With the Michigan Senate **passing legislation** in May 2026 that would tie reimbursement rates to inflation, lawmakers and families should consider which private equity-owned chains might profit from increased spending and whether that will translate to quality care and decreased costs for Michigan parents. The state childcare assistance program directly reimburses providers for tuition costs, subsidizing care for families and allowing providers to keep up with rising costs.

As local, state, and federal governments around the country attempt to support working parents by spending more on child care, private equity firms see an opportunity to generate high investor returns. In 2019, for-profit franchises and chains **operated** just 4.1 percent of child care centers. By 2023, one study **estimated** that investorbacked centers made up 10 percent of the market share, with a capacity for more than 750,000 between them. Eight of the ten largest child care providers in the country are **owned** by private equity firms. This is not because private equity firms are opening so many new centers, but rather they have grown through market consolidation. The *Children Before Profits State Playbook*, a joint project of Community Change, National Women's Law Center, Open Markets Institute, and Americans for Financial Reform Education Fund, **explains** this phenomenon:

> "Corporate providers may be rapidly growing, but this is often through roll-ups and other acquisitions which simply converts existing supply into supply under their direct control. Corporate providers may also redistribute resources towards communities that can pay the full cost of care, offsetting any new centers they create in higher-paying communities and allowing closures to happen elsewhere. If private equity companies draw staff and other resources away from the providers who serve lower-paying communities, corporate providers may concentrate the supply of child care in wealthier communities or among employer-sponsored clients."

Outsourcing in K-12 Schools

In the 2025-26 school year, more than 1.4 million students were enrolled in Michigan public schools. Enrollment has declined by nearly 100,000 students since the 2018-19 school year, and the Michigan Center for Data and Analytics **projects** that this decline will continue. In response, several districts have announced school closures, disrupting student learning. As schools across the state shutter, a closer look at district spending with private contractors reveals opportunities for potential cost savings.

Private equity-owned contractors profit from the outsourcing of critical K-12 positions in teaching, healthcare, transportation, food service, and more. In recent months, PESP has published research about the impacts of districts outsourcing services to private equity-owned companies in **Richmond** and **Los Angeles**, California. Our analysis of district spending in Richmond found that the school district could have saved $6 million by bringing positions outsourced to PE-backed special education staffing companies in house. Many of the same companies operate in Michigan school districts, and transitioning those positions back into the district could save Michigan schools millions of dollars.

Name	PE Owner	Number of MI Locations
KinderCare	Partners Group	51
Learning Care Group	American Securities	70
Goddard Systems	Sycamore Partners	14
The Learning Experience	Harvest Partners	18
Primrose Schools	Roark Capital Group	5
Lightbridge Academy	Balance Point Capital, Cybeck Capital Partners, Elmsley Capital, Peterson Partners, Westerly Group	2

In some districts, students are overwhelmingly enrolled outside of traditional public schools – in Pontiac, 75% of children are enrolled in charters or attend public schools in other districts through the state's **Schools of Choice** program. In June 2025, the Pontiac Board of Education approved a $1.5 million contract for special education staffing with BlazerWorks, a subsidiary of private equity-owned Soliant Health. Less than one year later, the district announced that they will **close** two schools, sending elementary students to a middle school and sending students with disabilities of all grade levels to a high school.

Soliant Health, the parent company of Pontiac contractor BlazerWorks, has ties to The Trump administration. The administration has taken steps to gut the Department of Education, recently focusing on cuts to the Office of Special Education and Rehabilitative Services. In January 2025, the administration **nominated** Penny Schwinn, a former operating partner at Vistria with **vested interests** in Soliant, to be deputy secretary of the Department of Education. Though she **withdrew** her bid because of challenges in the Senate confirmation process, Schwinn still serves as senior adviser and chief strategist to the Secretary of Education.

Soliant was **acquired** by Chicago-based private equity firm Vistria Group and Abu Dhabi sovereign wealth fund Mubadala Investment Company in June 2024. As of December 2024, Vistria had **nearly** $16 billion in assets under management, while Mubadala **managed** a staggering $330 billion. While executives profit, workers at the company struggle: despite serving students with disabilities, Soliant **settled** a lawsuit in January 2025 in which a former employee accused the company of denying accommodations for her own disability. In another settlement in May of this year, Soliant subsidiary New Direction Solutions **agreed** to a $2.5 million dollar settlement over alleged wage and hour violations in California. Furthermore, students, staff, and families may have concerns about the company's ability to protect data – in June 2024, more than 13,000 people were **affected** by a data breach targeting Soliant, which exposed names, **social security numbers**, and more.

In addition to Pontiac, Detroit Public Schools, **Grand Rapids Public Schools**, **Flint Community Schools**, **North Central Area Schools**, and **Union City Community Schools** have all announced school closures or consolidations in recent years. Detroit plans to close four schools in an effort to **save** anywhere from $10 to $19 million. Though this number sounds impactful, the district spent more than that on outsourcing special education staffing to private equity and venture capital-backed companies in the 2025-26 school year alone. In December, the School Board **approved** a contract amendment to add 70 more special education staff to the district due to increased student need. More than $22.5 million will go to the four companies in the chart below, including a Soliant subsidiary.

The Stepping Stones Group (Stepping Stones), the largest special education contractor in Detroit, provides behavioral health services to children in school, home, and center-based settings in **almost every US state**.

In 2014, private equity firm Shore Capital Partners **created** Stepping Stones through acquiring and combining two companies: Cumberland Therapy and MyTherapyCompany. Private equity firm **Leonard Green and Partners** acquired the company in December 2021. Since then, Stepping Stones has **acquired** 20 smaller

Name	PE/VC Owner	Contract Amount for FY26
Stepping Stones	Leonard Green & Partners	$8,711,565
Invo Healthcare	Leonard Green & Partners	$680,000
New Direction Solutions (Soliant)	Vistria, Mubadala Investment	$8,462,100
Huddle Up Care	Kayne Anderson Capital Advisors, OSF Ventures, New Capital Partners, HealthX Ventures, Composition Capital, LRVHealth	$2,610,000

companies in the special education and behavioral health sector, including Invo Healthcare in January 2026, following the typical private equity strategy of rapid expansion through acquisitions. Leonard Green, headquartered in Los Angeles, had **$75 billion** in assets under management as of December 2024, making last year's **list** of Private Equity International's top 20 largest private equity firms in the world.

In 2024, Stepping Stones Group **agreed to pay** $4.25 million to settle a class action lawsuit alleging widespread wage and hour violations, including failure to pay all minimum wages, failure to provide meal periods or pay for missed meals, failure to provide rest periods, untimely payment of wages, and other claims. Despite agreeing to settle, Stepping Stones Group **denied all claims** and maintains that it has fully complied with the law.

Beyond Stepping Stones, Leonard Green has gained notoriety as a firm with a business model that harms patients, workers, and consumers. From 2010-2020, Leonard Green took approximately **$437 million** in fees and dividends from Prospect Medical Holdings, then a community health system in Southern California, by saddling it with debt and then pocketing the proceeds of loans. The Senate Budget Committee **found** that Leonard Green "spent board meetings discussing profit maximization tactics—cost cutting, increasing patient volume, and managing labor expenses—with little to no discussion of patient outcomes or quality of care at their hospitals."

Prospect **filed for bankruptcy** in January 2025 with over a billion dollars in liabilities. Leonard Green sold its stake in the company in 2021, but its actions **contributed** to the conditions that set the bankruptcy in motion. Leonard Green and Partners also owned Joann when the company filed for bankruptcy earlier this year. Joann **laid off** 19,000 people and closed 500 stores, including **all 41** of its Michigan locations.

Vouchers

In July, President Trump signed the One Big Beautiful Bill, tax and spending legislation that includes several provisions that will **benefit** private equity firms. One such provision is a national school voucher program that funnels federal dollars into private schools, with some estimating the program cost at up to $101 billion.

The program **works** through a tax credit – individuals can contribute up to $1,700 to a participating scholarship granting organization (SGO) and receive a 100% tax credit in return. According to an **analysis** by the Institute of Taxation and Economic Policy, there is no other federally-funded program that offers a full reimbursement to taxpayers. The program takes effect on January 1, 2027, but taxpayers can begin contributing to SGOs in late 2026.

SGOs include typical nonprofit organizations, as well as churches, universities, and public schools. The organizations will **dole out** scholarships for children whose families make 300% or less of the area median income, meaning that in some places, families making more than $350,000 will be eligible.

A group of ten unions and education advocacy organizations **sent** a letter to Governor Whitmer in April urging her not to opt into the federal program. The letter argues that the program "risks widening existing educational inequities," citing studies showing that voucher programs tend to benefit wealthy students and further exclude students with disabilities, who are not required to be served in private schools.

A Brookings Institute **analysis** of Arizona's **billion dollar** universal voucher program found that "families in the wealthiest, most advantaged communities are obtaining ESA funds at the highest rates. Families in the poorest communities are the least likely to obtain ESA funds. Nothing in the analysis above even remotely suggests that this program is addressing inequities in school access by students' socioeconomic status."

In May, the Michigan State Board of Education passed a resolution invoking its "constitutional duty" to oppose this and other "policies that undermine equity, accountability, and universal access." The Board **noted** that nearly 70 percent of voters previously voted against a school voucher program in the state, arguing that opting into the federal program would go against the will of voters.

The new program **allows** for public school students to use the scholarships for things such as transportation, services for children with disabilities, before and after school programs, and books, computers, and other school supplies. While this may appear to benefit public schools, it still diverts funding to the private companies that districts contract with such as First Student, a school bus service provider owned by private equity firm **EQT**. First Student **operated** nearly 600 school buses in Michigan in the 2022-23 school year.

As the largest student transportation company in the country, it is not in First Student's best interest to fix the bus driver shortage through additional funding and opportunities for direct employees of the district – while school districts may hope that alternative services are only temporarily necessary, First Student wants to **grow**. In some districts, families **pay** for transportation to and from school. This bill subsidizes outsourced services, making it more difficult for districts to keep or bring services back in house.

Under the new tax-credit program, families can use scholarships to pay for KinderCare programs, opening up significant opportunities for the company to profit. Though KinderCare is most well-known for its early childhood education centers, the company **operated** before- and after-school programs at more than 1,000 locations in 27 states through its **Champions** brand as of June 2025. Champions, which **considers** the YMCA a competitor, contracts **directly** with public and charter schools to provide these programs. KinderCare is heavily investing in school-based care, with Champions **revenue increasing** 19.2% from 2023 to 2024 due to the company operating 77 additional sites and offering more day camps in fiscal year 2024.