NATIONAL CHILD CARE ASSOCIATION

The National Child Care Associations (NCCA) Policy Agenda highlights the urgent need for privately owned, licensed child care businesses to access sustainable financial resources. These resources are essential for providing high-quality child care (CC) and early education (EE) while supporting working parents. The ongoing lack of such funding threatens the stability of the CC and EE infrastructure, which currently includes an estimated 93,000 licensed child care centers and 95,000 licensed or registered family child care homes.[1] A strong child care system bolsters the workforce, drives economic growth, empowers families, and ensures young children have access to a safe, healthy, and age-appropriate learning environment. Without immediate action, the child care industry's sustainability and the families and communities that rely on it will remain at risk.

About the National Child Care Association (NCCA)

Our Mission: We are committed to advancing the success and sustainability of licensed child care businesses which provide quality care and early education programs through professional development, advocacy, and community engagement.

Our Vision: We believe every child deserves access to the highest standards of CC and EE. We educate and advocate for policies and practices that benefit young children while ensuring licensed child care businesses are recognized as essential partners in delivering high-quality, accessible, and affordable child care and early education.

Types of Child Care

- Home-based care: Care provided by family members, nannies, or licensed family child care homes.
- Center-based care: Licensed facilities including privately owned small businesses, large corporate or franchise-operated centers, and faith-based programs (licensing requirements vary by state).
- School-age programs: After-school and summer programs, most of which are not licensed or regulated.
- Employer-supported care: Workplace-based licensed child care centers.

Relative Child Care Statistics

- Approximately 23 million children 5 and under in the US.[1]
- Approximately 14.8M or 64% of children 5 and under have all available parents un the workforce.[2]
- Approximately 6.3 million or 27% of children 5 and under are eligible for child care assistance through the federally funded Child Care and Development Block Grant (CCDBG).[3]
- Only about 840,000 children aged 5 and under are actually served by the CCDBG.[4]
- Approximately 51% of all children between 0-6 live in areas identified as child care deserts (more children live in these areas than there are licensed child care spots).[5]

Why is Licensed High Quality CC and EE So Expensive?

Licensed, high-quality CC and EE combined is costly due to labor-intensive staffing needs, strict regulations, and high operational expenses. Low child-to-teacher ratios, required training, and safety compliance account for 60-80% of every dollar paid to the center. On top of that, facilities must cover rent, maintenance, real estate taxes, insurance, food, supplies, utilities, and educational materials, often operating on just a 1% profit margin. With limited public funding, most programs rely on private pay tuition, making care expensive for families despite low educator wages. Unlike K-12 education, private child care lacks public funding and economies of scale, leaving providers financially strained while striving to maintain quality.[6]

Policy Vision and Goals

1. Expand Child Care Subsidies

The Problem:

The Child Care and Development Block Grant (CCDBG) has been chronically underfunded for decades. It lacks sufficient resources to serve all eligible children and fails to cover the true cost of care for those receiving assistance.

The Solution:

Bold and significant increases to the CCDBG, coupled with policy changes are needed to ensure licensed CC and EE programs are more accessible and affordable across states. This includes balanced funding distribution, true cost of care reimbursement rates, expanded eligibility, and standardized quality standards.

2. Strengthen Child Care and Early Education Workforce Support and Wage Parity

The Problem:

The CC and EE workforce is among the lowest-paid professions in the U.S., despite its critical role in child development, family economic stability, and workforce participation. Low wages contribute to persistent workforce shortages, preventing licensed CC and EE businesses from operating at full capacity and further limiting access to care.

While wages for CC and EE professionals vary by state and region, the national average hourly wage is $14.60, with minimal benefits.[7] This pay is significantly lower than jobs in the service and retail industries, which often require less training and come with fewer workplace stresses. In contrast, public school teachers earn an average annual salary of $66,397[8] along with comprehensive benefits, including retirement plans. As a result, many child care educators leave private licensed child care centers for better-paying teaching positions in public schools.

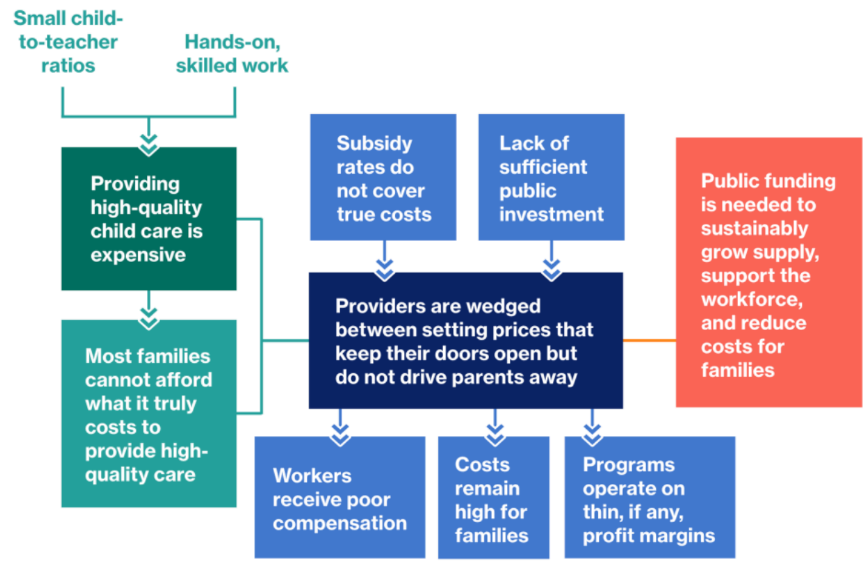
A study by the Center for the Study of Child Care Employment found that 53% of child care educators or their family members rely on at least one public assistance program, compared to just 21% of the overall U.S. workforce. This stark disparity underscores the urgent need for policy interventions to improve compensation and stability in the early education sector.

The Solution:

- Increase funding for the CCDBG to cover the true cost of high-quality care, including adequate salaries and benefits for the workforce.
- Require states to use CCDBG funds to establish a living wage floor for child care educators, aligned with public school teacher pay.
- Increase funding for professional development, credentialing programs, and loan forgiveness to attract and retain child care educators.

The U.S. child care market is broken

The sector is forced to subsidize care through sacrifices on quality as well as wages and working conditions for the vulnerable workforce



Source: The Early Childhood Policy Team, "Understanding the Basics of Child Care in the United States," Center for American Progress, February 20, 2025.

Flowchart: Center for American Progress

3. Incentivize Child Care Providers

The Problem:

- While there are regional differences, on average child care businesses spend between 60-80% of revenue on labor costs to maintain low child-to-teacher ratios.[9]
- Maintaining multiple agency regulatory compliance (local, state and federal) adds substantially to operational expenses.
- Maintaining safe, developmentally appropriate environments requires significant investment in facilities, materials, and supplies.
- Unaffordable and inaccessible premium increases for liability insurance have begun to seriously threaten the sustainability of many small, licensed child care businesses.
- Unaffordable increases in local, state and school property taxes are a real threat to the sustainability of many small, licensed child care businesses.

The Solution:

- Implement government-funded wage subsidies or direct financial support for child care businesses committed to paying staff a living wage.
- Offer grants or subsidies to help child care businesses meet regulatory requirements and improve quality without excessive costs.
- Provide tax credits for child care businesses investing in facility enhancements
- Create group purchasing programs for lower-cost liability insurance.
- Offer financial assistance or low-interest loans for child care businesses expanding capacity.

The Return on Investment

The economic impact of inadequate CC and EE to working families is significant. According to a 2023 report by ReadyNation, the U.S. loses approximately $122 billion annually in lost earnings, productivity, and revenue due to the lack of affordable and accessible child care. This loss is driven by parents being forced to reduce work hours, leave jobs, or forgo career advancements due to unreliable or unaffordable child care. Specifically:

- Employers lose $23 billion annually due to decreased workforce participation and productivity.
- Taxpayers lose $21 billion annually from reduced tax revenue as parents earn less.
- Families collectively lose about $78 billion in wages and career opportunities.
- Extensive research provided by the Heckman Foundation shows that long-term benefits of early investment in children supports a 13% ROI for high quality, birth-to-five early education.

[1]Child Care Aware of America, https://www.childcareaware.org ; [2,6,7,9] Center for American Progress, https://www.americanprogress.org ;[3]The Annie E. Casey Foundation, https://www.aecf.org ; [4,5] First Five Years Fund, https://www.ffyf.org ; [8]U.S. Bureau of Labor Statistics, https://www.bls.gov ; [9]Statista, https://www.statista.com