Child Care Funding Cliff at One Year: Rising Prices, Shrinking Options, and Families Squeezed

SEPTEMBER 24, 2024 — JULIE KASHEN AND LAURA VALLE-GUTIERREZ

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Executive Summary

This report looks at how five states are faring[1] in light of the child care stabilization cliff.[2] As expected, child care prices are rising, child care supply is not growing, programs are shutting down, and many families are being impacted by the combination of not being able to find or afford child care options. This is not new. The historic lack of investment in child care and early learning has created this ongoing challenge for families, which was made worse by the COVID-19 pandemic. The unprecedented pandemic-relief child care funding mitigated some of those challenges, and showed just how important public investments in child care are. Now, states are attempting to maintain the status quo, and, in some cases, make more robust investments that are leading to progress.

One of the key lessons of the past few years of federal and state investments is that the child care crisis is a solvable problem. Those that invested in child care with state dollars or by repurposing federal dollars—like Wisconsin—are faring better than those that did not. New York, Ohio, Pennsylvania, Virginia, and Wisconsin are receiving outsized political attention right now in light of the 2024 election, so we wanted to shine some of that spotlight on their child care stories.

Historically, child care prices have risen faster than the prices of average goods.[3] The pandemic relief funding helped slow the growth, but today, in each of the five states we look at, child care center prices for infants and toddlers are higher today than before the pandemic.

- In New York, prices have increased by 46 percent since 2019; the average price for an infant in a center is $19,584 per year.
- In Ohio, prices have increased by 25 percent since 2019; the average price for an infant in a center is $12,351 per year.
- In Pennsylvania, prices have increased by 18 percent since 2019; the average price for an infant in a center is $14,483 per year.
- In Virginia, prices have increased by 11 percent since 2019; the average price for an infant in a center is $16,397 per year.
- In Wisconsin, prices have increased by 6 percent since 2019; the average price for an infant in a center is $13,572 per year.

Price increases are usually the last resort of a provider, and they reflect the lack of public investment. The current state of child care in the United States represents a market failure;

This report can be found online at: tcf.org/content/report/child-care-funding-cliff-at-one-year/

public investment is necessary to lower the costs for families while providing the resources for providers to operate and create a safe and nurturing environment for children. Without more public investment, child care programs also continue to struggle to recruit and retain highly qualified early educators.

In each of these five states, there are fewer early educators than there were before the pandemic.[4]

- In New York, child care employment levels fell by 32 percent from 2019 to 2023.
- In Ohio, child care employment levels fell by 26 percent from 2019 to 2023.
- In Pennsylvania, child care employment levels fell by 40 percent from 2019 to 2023.
- In Virginia, child care employment levels fell by 18 percent from 2019 to 2023.
- In Wisconsin, child care employment levels fell by 28 percent from 2019 to 2023.

And, importantly, states are also experiencing program closures.[5]

- New York has lost 971 or 6 percent of its programs from 2019 to 2023.
- Ohio has lost 997 or 11 percent of its programs from 2019 to 2023.[6]
- Pennsylvania lost 633 or 9 percent of its programs from the start of the pandemic through July 24, 2024.[7]
- Virginia gained 23 programs or less than 1 percent from 2021 to 2023.[8]
- Wisconsin lost 114 or 2 percent of its programs from 2019 to 2024.

People who work in child care are often paid less than parking lot attendants.[9] Raising compensation would go a long way to solve staffing shortages. These shortages affect the industry in multiple ways; they reduce the availability and supply of child care, and also create greater instability for children's relationships with their teachers when turnover is high.

Price increases and staffing shortages ultimately lead to fewer child care slots for families, and program closures. The crumbling state of child care leaves parents in an increasingly precarious economic position. It doesn't have to be this way. We have already seen that federal and state action can make the difference, supporting children and families and local economies. Our leaders just need to act.

Read more about each state here:

- New York
- Ohio
- Pennsylvania
- Virginia
- Wisconsin

Introduction

In June 2023, The Century Foundation sounded the alarm about the likely consequences of the end of the American Rescue Plan Act (ARPA) child care stabilization funds, fearing that as many as 3.2 million children could lose their child care as a result of the funding cliff.[10] Our hope was that this was a worst case scenario and could be a solvable problem if only our leaders knew about it and took action. Indeed, in the states that took action to invest state funds or leverage additional federal funds for child care, the challenges of the child care sector are not as dire one year after going over the cliff. Yet, in the many states that didn't, the situation is still as precarious.

For example, in fall 2023 in Wisconsin, listening directly to child care providers and citing our data, Governor Tony Evers introduced a $340 million plan to stabilize child care through the continuation of its Child Care Counts stabilization grant program, originally federally funded through ARPA. While the proposal was rejected by the legislature, the governor was able to fund half of the plan, redirecting $170 million in temporary Federal Emergency Management Agency pandemic response funding to continue the state's stabilization grant program.[11] The additional funds have helped stave off the worst of the crisis and Wisconsin is in better shape than the other states we reviewed. However, having met only half of the need, the state is still seeing child care prices rise, staffing shortages grow, and program closures.

In Virginia, the 2024 budget included about $1.1 billion for child care over the next two years.[12] As reported by Radio IQ, "the funding . . . came after fears of a so-called child care coverage cliff when federal funds would run out at the end of this year."[13] As of the most recent data available, Virginia faces rising child care prices and growing staffing shortages.

Between 2021 and 2023, eleven additional states and Washington, D.C. dedicated their own state budget dollars to child care stabilization purposes, while other states leveraged federal funding like Wisconsin did.[14] The National Women's Law Center (NWLC) found in the eleven states and D.C. where significant additional state investments were made, the share of women respondents with children under age 12 who wanted to work but reported not working for pay because they were caring for a child not in school or child care decreased by 13 percentage points between fall 2023 and spring 2024. This finding is unsurprising given the extensive research that demonstrates the positive impact of child care on maternal employment. For example, the White House Council of Economic Advisers found that the stabilization grants alone increases mothers' labor force participation by 2–3 percentage points.[15]

States also have relied on a child care block grant to serve low-income families since the 1990s, serving a small portion of eligible families with federal funds.[16] Having long been underfunded, every state also used the Child Care Development Block Grant (CCDBG) supplemental funding—$15 billion from the ARPA package—well. They changed their CCDBG policies to reach more families, improve reimbursement rates for providers, and reduce or cover parent co-payments.[17] In addition, states spent down their federal funding over different timelines, which in some cases stretched out the timeline for impact. Finally, additional state investments in pre-K have lessened some of the need for child care spots for children ages 3 or 4, at least during school hours.

Beyond these public investments, the pandemic era also led to significant shifts in work and family life, including the growth of remote work job options, which gave some families more flexibility to manage work and home responsibilities differently.[18] These investments, policy changes, and the shifts in work life mitigated some of the projected impacts of the child care cliff in the short-term. Unfortunately, too many states did not act, and only some of these mitigating factors were long-term changes.

On the national level, leaders stepped up, but were blocked from taking the action needed. Congressional Democrats, led by Senators Murray and Sanders and Representatives Clark and DeLauro, responded to advocates' case for an additional $16 billion[19] in emergency child care funding by introducing the Child Care Stabilization Act.[20] The White House included a request for $16 billion in emergency child care funding[21] in their October 2023 domestic supplemental request, and reiterated the request[22] in June 2024. While a divided Congress has not moved forward on the emergency funds needed, Congress did respond by increasing child care and early learning funding by $1 billion ($725 million more for CCDBG and $275 million more for Head Start) in the FY2024 appropriations negotiation, in the midst of a tight budget season where many other programs received cuts.[23]

The additional state funding, the leveraging of additional nonexpired federal dollars, and the new CCDBG and Head Start funding together are helping to stave off the worst of the crisis, for now. However, without federal emergency child care funding, and further action in additional states, the levee will only hold off the crisis for so long. The system is already starting to see cracks. For example, in Arizona, 5,200 fewer children are being served every month and the Department of Economic Security has reinstated a wait list for assistance.[24] The ARPA CCDBG supplemental funding that has been filling in some of the gaps expires September 30, 2024. Some state budgets are biennial, so have more time, but state budgets with annual appropriations will have to be renegotiated, with no guarantees of additional child care funding.

As funds have expired, the child care sector's struggles translate to growing strain for families. Since 1991, child care costs have risen at nearly twice the pace of overall inflation.[25] This leads to challenges for families finances. Per the Federal

Reserve, the share of parents saying they are doing at least okay financially fell to 64 percent in 2023, down five points from the prior year and eleven points from 2021 (at the height of pandemic relief).[26] In order to afford child care, a January 2024 survey from Care.com found that 91 percent of parents had to make at least one major change to their work, life, or finances such as working multiple jobs, reducing work hours, or leaving the workforce altogether.[27]

This report provides a summary of the state of child care today, using the national data available. It then takes a closer look at child care in five states—using a combination of national and state data—and outlines how they have fared since the stabilization cliff.

The State of Child Care in the United States Today

One year after our projections of a child care cliff resulting from ending of pandemic-era federal stabilization funding, the sector is in trouble: child care prices are rising, child care supply remains wholly insufficient to meet families' needs, programs are losing staff and, in some cases, shutting down, and many families are being impacted by the combination of not being able to find or afford child care options. Many of these challenges existed long before anyone had heard of COVID-19, but were exacerbated by the child care cliff. States have been affected differently based on the policy and budgetary choices they have made: states that have made robust investments have fared better, but almost all states are experiencing the precarity of the child care sector.

Just how precarious is challenging to measure. Our 2023 projections of a child care cliff relied on a combination of data from the Administration of Children and Families and a national survey of 12,000 providers from the National Association for the Education of Young Children (NAEYC). Ideally, we would be able to check those projections directly against current reality using nationally sourced, real-time data. Unfortunately, no real-time, state-by-state data is available across every state to help us see exactly what is happening today. Instead, this report uses a combination of surveys, Census Bureau and Bureau of Labor Statistics data, state administrative data, and first-hand stories to paint a picture of what is happening now in a handful of states.

The ending of federal stabilization funding didn't trigger mass child care closures in the near term, but even states that made investments in the sector are seeing a downward spiral, happening over time. Child care providers have amply demonstrated that they will do everything they can to stay open and serve families. That means, first, providers experiencing a shortfall are raising tuition rates to offset the loss of stabilization funds;[28] then, as burnout and exit shrink the caregiving workforce, these providers are then having to use revenue from the higher rates to recruit and retain staff, who are becoming harder and harder to find. This dynamic is unsustainable, however, as there is a limit to how much parents can pay, if they can pay at all. As a Wisconsin director said: "I'm one more rate increase away from closing my doors. I can barely afford the 40% increases to goods, insurance, taxes, water, heat, electric to stay open. I have no way to recover that money."[29]

Some directors go to extreme measures—stopping taking a salary or going into credit card debt, rather than close down. One child care center director in Pennsylvania explains: "I have to use loans, credit cards, and rental income to keep the program running."[30] A child care center director in New York said: "We are on the brink of closure. I am the owner/Director and have pulled little to no salary for these past years to be able to pay wages and bills. It is unsustainable."[31]

As staffing shortages grow, programs will have fewer open slots and have to close classrooms or ultimately close their doors for good. We see this across states. A Virginia early educator explained: "We haven't always been fully staffed, and therefore, enrolled with children to full capacity. One classroom was closed for 10 months due to being short-staffed."[32] Rising costs and staffing shortages led Shineal Hunter in Philadelphia, Pennsylvania to close her center that served fifty-five children after fifteen years of operation.[33]

Such closures have ripple effects in the community—impacting parents' ability to work, their earnings, and their economic security; limiting local businesses' ability to hire and retain employees; and reducing tax and business revenue. According to projections from ReadyNation, the nation's infant-toddler child care crisis costs the United States an estimated $122 billion in lost earnings, productivity, and revenue every year.[34]

A story from Milton, Wisconsin, as told by Catherine Rampell in the *Washington Post*, exemplifies this impact. Leah Zastoupil ran Zasty's Family Child Care out of her home and survived the pandemic with the support of ARPA grants, even while two other programs in her community closed.[35] But, in May 2023, after eighteen years, she closed her doors for good. Thirteen children lost their child care, including Abby Steinhoff's two sons. Steinhoff found alternative care for more money than she'd been paying, but she was also pregnant and was not able to find care for the baby. Without affordable, reliable child care, she had to cut back at her job as a dental assistant, which left the dental practice scrambling to train, rearrange, and hire.

While different states have felt the impact differently, many are caught in the same harmful cycle: child care programs are raising prices to retain staff, parents are either paying more or removing their children from care, and the remaining child care programs have become harder to get into and more even expensive for families. When prices are so high that parents can't afford to pay, or early educators are too fed up with low wages to stay in the sector, programs are being forced to close.

As an Ohio child care center director explained:

> The cost of running a center without the help of government funds is a thing of the past. I can't afford the quality staff that children deserve because between the low reimbursement rates and the increased expenses, my starting wage isn't livable. This is a defeating and dying field . . . [without the stabilization grants]. I can not pay staff a livable wage. The safety and health of children in child care is at risk because quality staff are all working for the school district or have changed fields completely in order to get a livable wage.[36]

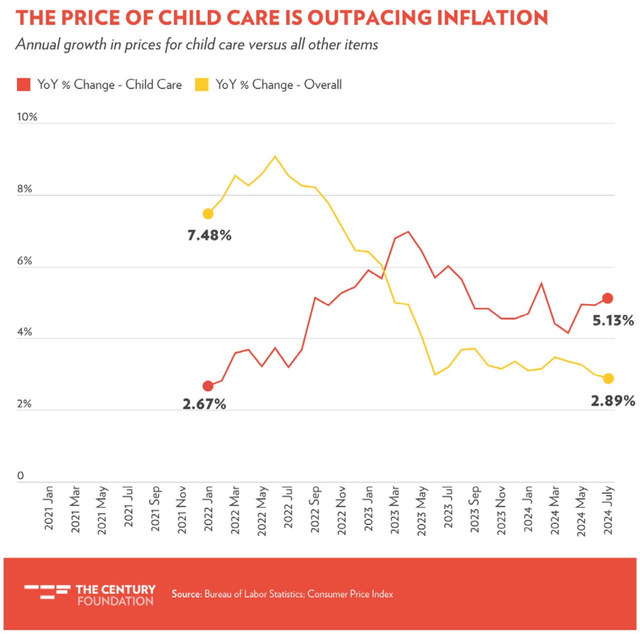
Child Care Prices Exceed the High Cost of Housing

While overall economic indicators are strong, many Americans are not feeling economically secure. As economist Kate Bahn states: "[a] 3.7% unemployment rate is cold comfort to most families struggling to make their daily lives work."[37] In today's economy, the high cost and limited availability of child care compounds stress and financial strain for families that are already worried about paying rent, the mortgage, and other necessary bills.

According to the Federal Reserve, the share of parents saying they are doing at least okay financially fell to 64 percent in 2023, down 5 points from the prior year and 11 points from 2021 (at the height of pandemic relief). By contrast, 75 percent of all other adults reported doing okay financially in 2023.[38] Child care is a big driver. A January 2024 survey from Care.com found that 91 percent of parents had to make at least one major change to their work, life, or finances to afford child care last year—working multiple jobs, reducing work hours, moving closer to family, going into debt, and/or leaving the workforce altogether.[39] Lending Tree found that over half (55 percent) of parents have gone into debt to pay for child-related expenses.[40] Motherly's 2024 State of Motherhood Report finds that two-thirds of moms considered leaving the workforce last year due to the stress and cost of child care.[41]

Prices have been rising significantly. Child care prices are increasing faster than overall inflation (see Figure 1). Economists at KPMG found that between 1991 and 2024, the costs for child care and preschool rose at nearly twice the pace of overall inflation.[42]

FIGURE 1



According to Child Care Aware ® of America, nationally, child care prices are 20 percent higher than they were in 2019.[43] Nationwide, NAEYC's January 2024 survey found that nearly half (48 percent) of all providers reported raising child care tuition. As prices increase, child care becomes increasingly unaffordable for low- and middle-income families. Nationally, families using paid care on average have an income that is $53,000 *higher* than families not using paid care for young children.[44]

In forty-five states plus Washington, D.C., the average annual price of child care for two children in a center exceeded annual mortgage payments and, in all fifty states plus D.C., it exceeded average annual rent payments. Housing is already one of the biggest expenses families face.[45] Families who face child care that is even more expensive than housing are in untenable positions.

Despite these high tuition fees, child care prices still do not represent the true cost of care because, as Treasury Secretary Janet Yellen has said, "child care is a textbook example of a broken market."[46] Providers cannot charge parents the true cost of care because that cost is unaffordable for most families.

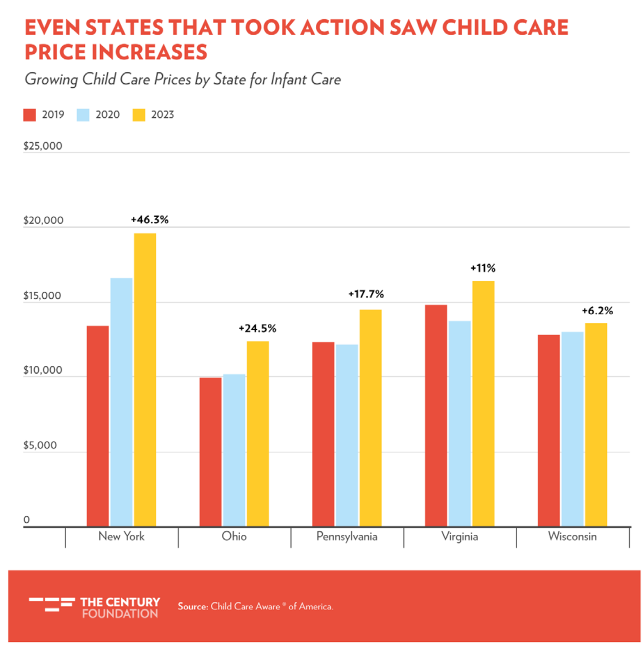
The stabilization funds took the pressure off of child care providers, helping them to cover their costs without having to raise fees for parents any more. When those funds went away, amidst growing rent and mortgage costs, and higher insurance costs, providers had very little choice but to raise prices.

As a Wisconsin home-based provider reported about her experience receiving stabilization funding before it expired:

> I am continuing to get about $1,800 a month [in stabilization grants]. . . . I have not raised tuition as I use that funding instead. It was 25% of my revenue last year and I will be raising my rates by 25% to make that up: $50 per child per week. Parents may find that unaffordable and will no longer enroll children, so I will either be forced to increase more and go out of business when I have no children or have to take a pay cut.[47]

In all five states we looked at, child care center prices for infants and toddlers are higher today than before the pandemic. (See Figure 2.) Family child care program prices are also higher in every state, with the exception of Wisconsin, where data shows family child care prices for toddlers are $158/year lower than they were before the pandemic. This may be because of provider fears that raising rates will lead to losing families who simply cannot afford to pay more.

FIGURE 2



Staffing Shortages Continue amid Stagnant Low Wages

Child care is a labor-intensive profession, meaning that one of the leading indicators of the sector's health is employment levels. February 2020 represented peak employment in the child care sector. During the COVID-19 pandemic that followed, the industry's employment levels fell significantly. While the sector eventually recovered overall, it took longer for child care employment to recover than other sectors, not fully returning to pre-pandemic levels until November 2023. Unfortunately, while nationally the sector has recovered, this is not true across every state.[48]

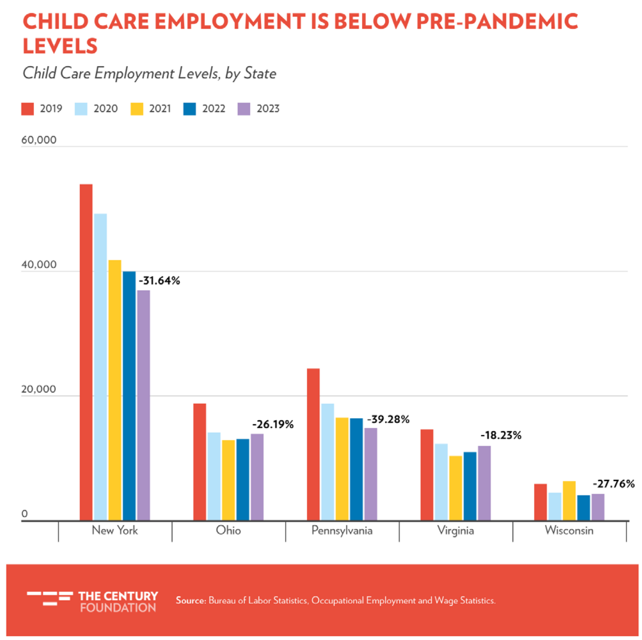
A 2024 survey by NAEYC showed that more than half (53 percent) of child care providers reported staffing shortages in their programs. Fifty-six percent reported being under-enrolled relative to their current capacity, due to a combination of staffing shortages (89 percent), low pay (77 percent), and lack of affordability for families (66 percent).

In New York and Pennsylvania, child care employment continues to see a steady decline. In Ohio and Virginia, the numbers are coming back toward 2020 levels, basically remaining flat. And in Wisconsin, they have not returned to the level of their 2021 bump in employment. One of the key reasons child care employment is declining is due to the low wages and lack of benefits in the sector that make it difficult to attract and retain skilled early educators.

The federal pandemic aid helped providers temporarily improve compensation for early educators. Many providers used stabilization grants to temporarily increase wages for providers through stipends, bonuses or other means. Some were able to introduce health insurance to their employees for the first time.[49] Unfortunately, without additional funding, many providers have not been able to maintain the higher wages for early educators.

Today, early educators are paid much less than workers in other occupations (see Figure 4). When adjusted for the cost of inflation ("real wages"), child care workers' wages have not seen significant growth. With workers in other historically low-wage industries—such as retail and restaurants workers—have experienced larger wage growth, child care is an increasingly challenging industry to stay in and be paid a thriving wage (see Figure 5).[50] It is especially difficult for providers to find high-skilled and qualified early educators at such low wages with few benefits, when other occupations pay better and offer benefits.

FIGURE 3



The stories from providers in the states we studied paint a grim picture. An early childhood educator in New York City said:

> We have lost a lot of staff because of a lack of morale in this department. Teachers aren't treated well, and the lack of professionalism is weighing on us. The rate of pay hasn't increased since 2021 which isn't keeping up with the cost of inflation in this city.[51]

J. Glenn Hopkins, president and chief executive officer of Hopkins House child care center in Virginia, said:

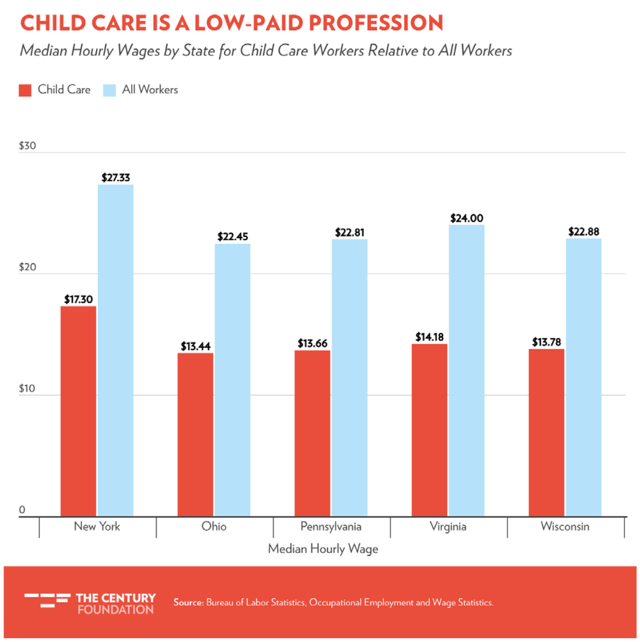
> Despite free health insurance [launched for the first time with ARPA funding], increased pay and bonuses, and other employee benefits, attracting new staff to fill vacancies at Hopkins House feels at times like threading a bolt of lightning through the eye of a needle: Difficult and very painful. Our limited resources make

it extremely challenging, if not impossible, to compete effectively in the labor market for talent. [52]

The director of a child care center in Ohio said:

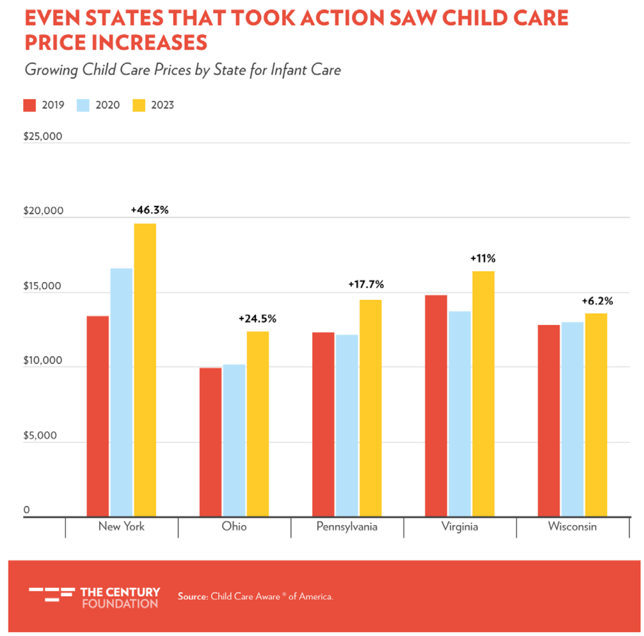
> My mom built this business almost twenty years ago. She passed away last year. It's such a defeating feeling that we might not be able to make it due to having expenses higher than what we are bringing in with revenue. Not being able to pay quality staff what they are worth will be the downfall of early learning programs.[53]

FIGURE 4



Higher wages aren't just necessary for keeping up or exceeding inflation. Early educators need higher wages that reflect the value of their work. Due to the histories and persistence of racism and sexism, caregiving work is undervalued, which is reflected in the low wages child care workers are paid. Additionally, care work has often been excluded from the rights and protections offered to other workers, and child care workers are less likely to have workplace benefits and union coverage compared to other workers.

FIGURE 5



As one director/administrator in Virginia said:

> We are striving to pay our teachers what they are worth, but that means planning for a deficit. Parents CANNOT pay the true cost of quality care and education. We need substantial federal funding or quality childcare in the US will disappear.[54]

A child care provider in New York said:

> I don't know how to encourage people who have a real passion and talent for working with young children. How do we encourage them to go into the field as a career if we don't treat them as professionals?[55]

The low wages that child care pays means that child care programs cannot attract and retain qualified workers, especially during a tight labor market. This can lead to high turnover and leave programs understaffed, which reduces the availability of child care. Furthermore, not only does this mean children are in a setting that is unstable, it can also lead to temporary program closures, creating disruptions for working parents and decreasing the stability of their relationships with their teachers. According to a survey by RAPID, in the five states we studied, 15 percent of providers had to close or cancel at least once in the past two weeks due to staffing shortages.[56] Strong relationships between children and their teachers is critical for improving children's social and emotional learning. Lowering turnover and keeping qualified staff is essential for high quality child care options. But for many directors and administrators, this has become a huge struggle.

As a director/administrator in Virginia said:

> Staffing continues to be a challenge and therefore our operating hours are still shorter than the need in the community.[57]

A family child care owner/operator in New York said:

> I want to pay my staff more. They deserve it for their hard work. I just can't with current costs.[58]

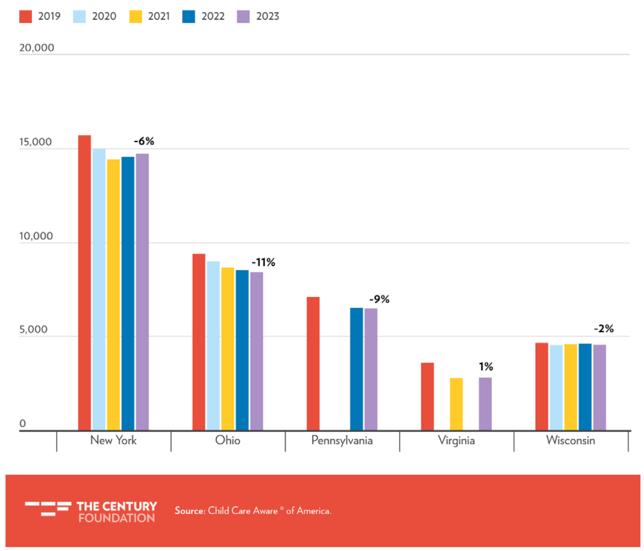
Child Care Waitlists Are Growing as Providers Fight to Stay Open

Families need to be able to find safe, nurturing child care options in their communities. Unfortunately, the licensed child care deserts that existed before the pandemic, in which half of all families could not find licensed child care in their communities, persists. The pandemic relief funds staved off the worst of the feared decline in supply and slots, but approximately 20,000 programs still closed at the height of the pandemic.[59] Family child care, in particular, has been on a declining trendline, while the supply of child care centers has remained flat. Incomplete data poses challenges, but according to Child Care Aware ® of America's 2023 data, nationwide, there has been a 12 percent decline in licensed family child care homes since 2019, and a modest 1.3 percent increase in child care centers.[60]

FIGURE 6[61]

THE NUMBER OF CHILD CARE PROGRAMS IS FLAT OR DECLINING

Licensed Child Care Programs by State



More than half of the center directors and family child care owners who responded to NAEYC's January 2024 survey were aware of at least one child care program closing in their community in the past six months.[62] This is particularly helpful data, because there is no national database of child care program closures. It is hard to reach closed programs to confirm their closures, but child care providers are generally well aware of what's happening with their neighboring programs as parents come to them for help when their programs close.

Overall provider levels also don't tell the full story. First, states can experience significant heterogeneity in terms of the kinds of providers that are closing and opening (for example, the number of family child care providers have been declining while child care centers may be increasing). Second, growth of programs may not be distributed across states, and low-income communities, communities of color, and rural communities especially may lose providers while wealthier and whiter communities may gain some, further increasing inequities. For example, New York experienced a net provider increase from 2021 to 2024; however, that net growth is not evenly felt, with twenty-two counties in the state seeing net declines in capacity over this period. In particular, the counties with the declines tend to be more rural and low-income.[63] Finally, even as the number of licensed programs might stay flat, this doesn't necessarily translate to flat licensed capacity, otherwise known as "child care slots." Some programs increased capacity by opening new classrooms, while others have slot capacity, but cannot fill it because they have not been able to hire enough staff or find enough families able to pay higher prices.

One child care center director in Wisconsin explains how stabilization grants made the difference:

> [The grants have] been the difference between me closing my center and going to the public school to work full-time; to me focusing on keeping my center operating, increasing licensed slots available (because of demand for care), increasing pay for staff, encouraging and supporting staff to increase their education levels.[64]

Without these funds, providers aren't able to keep these classrooms fully staffed and meet the student–teacher ratios. Thus, while the licensed capacity may be functionally flat, this trend obscures a decline, in some states, in the number of children using paid care over time. In other words, the slots are there theoretically, but either the staffing or the children (or both) are not. As a director/administrator in Ohio said:

> My staff are depleted, and families have maintained their high standards as they should. Both my sites have director vacancies and very few qualified applicants.[65]

Similarly, a director/administrator in Pennsylvania said:

> Our waitlist continues to grow due to not having enough staff. We are not conducting many interviews and the people that do show up are underqualified. Bringing in people who lack knowledge causes more stress to my current staff.[66]

Kate Ryan, director of the Adirondack Birth to Three Alliance in New York, said:

> Since 2019, the Adirondacks has lost almost 30% of its child care capacity. We were a desert then and we continue to be a desert today. Without meaningful systemic changes and ongoing support, our economy will continue to struggle to find workers as there is no child care capacity to support our families.[67]

A child care provider in New York said:

> We're having child care issues in terms of staff. Many of the daycares are not operating at full capacity because we don't have the workforce. So the more people you tell are now eligible for child care, when they're calling, looking for child care, they can't find it. This is a really big problem. . . . I get so many calls [from parents] and we can't help them/ We can't take them.[68]

Elizabeth Oppong, owner of a child care service in Virginia, said:

> I get parents calling me every day. I do have spots, but I don't have a teacher yet.[69]

Families need child care now, but waitlists are growing. BabyCenter's 2024 survey of 2,000 mothers found that for families seeking child care, 40 percent report that they have been put on a waitlist. Of the families who were waitlisted, the average time to secure a placement was six months. Of the families who were waitlisted, 13 percent waited at least a year to secure a placement.[70]

A Snapshot of Five States

The good news is that, so far, the five states we examined for this report are, for the most part, doing better than TCF projected in June 2023. The bad news is that we suspect that, as the scaffolding that's been built to extend the stabilization funding is removed, the projections may still come to pass over time, without additional government intervention.

Given how significant federal support was, it is unsurprising that each state would struggle to continue to support the child care sector and families as those funds dried up. And, unlike the federal government, each state works to balance a budget, often putting state funds for child care in competition with other programs and needs.

As expected, in the five states we focused on, prices are rising, child care supply is not growing to meet need, programs are shutting down, and many families are being impacted by some combination of not being able to find or to afford child care options. Each state has been affected differently based on the policy and budgetary choices they have made.

New York

New York used the American Rescue Plan Act stabilization funds and additional pandemic-relief funding to support more than 15,000 child care programs, reaching every county of the state.[71] Starting in 2023, the state also used $500 million in unspent federal pandemic funds to support early educators through a "Workforce Retention Grant Program," which provided bonuses to early educators.[72] These funds helped with recruitment and retention. However, the failure to invest state dollars to extend and make this fund permanent this year is a cause for concern. With no additional federal or state funding, the remaining federal funds being used this year have cut those bonuses ($2,300 for full-time educators as compared to $3,000 last year for full-time educators), such that the state's grossly underpaid child care workforce is experiencing a cut in pay.[73]

The Empire State Campaign for Child Care Campaign Manager Shoshana Hershkowitz said:

> Unfortunately, access to child care assistance means nothing to a family that cannot find a fully-staffed child care program able to care for their child. This budget is likely to worsen the state's already severe child care workforce shortage, which will in turn deepen the capacity shortage. [74]

Advocates had been pushing for a permanent $1.2 billion fund to improve workforce compensation to continue and expand the funding.[75]

Prices

- In New York, prices have increased by 46 percent since 2019; the average price for an infant in a center is $19,584 per year.
- The annual cost of care for two children in a center is 99 percent more than the average rent payment and 23 percent more than the average mortgage payment in New York.[76]
- The average difference in income between families in New York with children under 5 that use paid care and those that do not is $69,750.[77]
- In New York, 44 percent of providers report having raised their tuition in the past six months.[78]
- In a survey of parents, 31 percent of parents surveyed in New York had experienced a price increase in the past month.[79] Among parents surveyed who had not reported price increases, 72 percent said that a price increase would negatively impact their household budget.

Staffing

- Child care employment levels fell by 32 percent from 2019 to 2023.
- A survey of providers found that in New York, 71 percent of providers that received stabilization funds are being impacted now that funds are no longer available. Notably, 33 percent of providers reported losing staff now that grants are no longer available.[80]

Supply

- The state has lost 971, or 6 percent, of its licensed programs since 2019.[81]
- In New York, 15,465 child care programs received ARPA stabilization grants and 37 percent of providers said they would have closed without those grants.[82]

Ohio

According to Action for Children in Ohio, "prudent and forward-thinking investments by state and local government means the flow of ARPA funding" continued into 2024, despite the expiration of stabilization funds in 2023.[83] In fact, as of August 2024, Ohio had only spent two-thirds of their CCDBG supplemental funding, while other states have spent closer to 90 percent.[84] That slower roll-out left room for longer term investments. This includes a $30 million infant and toddler infrastructure grant program to boost the supply of infant and toddler care (recently increased from $15 million),[85] and a one-time "access grant" program funded with $85 million in federal funding that went to providers to increase capacity, complete building repairs, and provide additional training to staff and families to support children with special needs.[86] In addition, Central Ohio communities benefited not only from the stabilization funds, but also from ARPA State and Local Fiscal Recovery Funds that power Franklin County RISE, a program that directly financially supports both families and child care providers.[87] Even so, Ohio's child care sector is in a precarious state. Regional surveys in Northeastern [88]and Central Ohio[89] show tuition increases, underenrollment caused by staffing shortages, and an imbalance for child care programs between revenues coming in and expenses. In addition, some Ohio advocates are concerned that the vulnerability of the sector creates an opportunity for private equity to enter child care in Ohio in a way that could be detrimental to children, families, and early educators.[90]

Prices

- In Ohio, prices have increased by 25 percent since 2019; the average price for an infant in a center is $12,351 per year.
- The annual cost of care for two children in a center is 93 percent more than the average rent payment and 28 percent more than the average mortgage payment in Ohio.[91]
- The average difference in income between families in Ohio with children under 5 that use paid care and those that do not is $25,178.[92]
- In Ohio, 51 percent of providers report having raised their tuition in the last six months.
- In a survey of Ohio parents, 22 percent said they had experienced a price increase in the past month.[93] Among parents surveyed who had not reported price increases, 63 percent said that a price increase would negatively impact their household budget.

Staffing

- Child care employment levels fell by 26 percent from 2019 to 2023.
- A survey found that 80 percent of providers in Ohio that received stabilization funds said they were being impacted now that funds are no longer available. Notably, 42 percent of providers reported losing staff now that grants are no longer available.[94]

Supply

- The state has lost 997, or 10 percent, of its licensed programs since 2019.[95] Concerningly, it appears that supply shortages are worsening. Data from the Ohio Department of Children and Families shows that there are 30 percent fewer providers in 2024 compared to 2018, amounting to 2,700 fewer providers.[96]
- In Ohio, 6,265 child care programs received ARPA stabilization grants and 33 percent of providers said they would have closed without those grants.[97]

Pennsylvania

Despite advocates' efforts, Pennsylvania is not one of the states that has invested significant funding to cover the funding gap caused by the end of ARPA child care stabilization funds. Pennsylvania's FY2025 budget[98] included an increase of $26.2 million on top of the previous budget's $103.7 million child care increase to maintain initiatives implemented with ARPA CCDBG Supplemental funds, such as raising provider subsidy reimbursement rates and lowering family copays.[99] The FY2025 budget also allocated federal CCDBG dollars to increase Pennsylvania's subsidy reimbursement rate to the seventh-fifth percentile beginning January 1, 2025. No new funding from the state went to replace the federal stabilization funds or shore up the child care sector. Advocates are calling for $284 million in new and recurring state funding to implement a child care teacher recruitment and retention initiative to alleviate the historic staffing crisis that is causing classrooms and entire programs to close and leave working families without access to child care.[100] In September 2023, the statewide child care advocacy collaborative Strong Start PA reported a staffing shortage across the state, saying that more than 16,500 additional children could be served if programs were fully staffed.[101]

Prices

- In Pennsylvania, prices have increased by 18 percent since 2019; the average price for an infant in a center is $14,483 per year.

- The annual cost of care for two children in a center is 100 percent more than the average rent payment and 33 percent more than the average mortgage payment in Pennsylvania.[102]

- The average difference in income between families in Pennsylvania with children under 5 that use paid care and those that do not is $57,329.[103]

- In Pennsylvania, 56 percent of providers report having raised their tuition in the past six months.[104]

- In a survey of Pennsylvania parents, 26 percent said they had experienced a price increase in the past month.[105] Among parents surveyed who had not reported price increases, 76 percent said that a price increase would negatively impact their household budget.

Staffing

- Child care employment levels have fallen by 40 percent since 2019.

- A survey found that 63 percent of providers in Pennsylvania that received stabilization funds said they were being impacted now that funds are no longer available. Notably, 28 percent of providers reported losing staff now that grants are no longer available.[106]

Supply

- The state has a net loss of 633 child care programs, or 9 percent, from the start of the pandemic through July 24, 2024.[107]

- In 2019, Pennsylvania had a 29 percent supply gap between the state's child care capacity and estimated need.[108]

- In Pennsylvania, 6,845 child care programs received ARPA stabilization grants and 41 percent of providers said they would have closed without those grants.[109]

Virginia

By July of 2020, just four months into the pandemic, 2,261 of Virginia's more than 6,000 childcare providers closed—nearly 40 percent. A month later, 42 percent of the regulated child care capacity in Virginia had closed due to COVID-19. And two months later, 2,014 providers in Virginia were closed and only 868 or 43 percent had reached out to the state's Department of Social Services to provide a reopening date.[110] COVID funding, including the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA), and ARPA, made a big difference; Virginia provided eight rounds of direct cash assistance to help keep nearly 5,000 child care programs afloat.

Virginia also used federal pandemic funds to expand its Child Care Subsidy program, in order to support families' access to affordable child care. The state expanded eligibility for families and made subsidies more generous, helping to reduce waitlists across the state. These steps led to increased enrollment in the subsidy program, helping parents return to the workforce and providing greater stability to providers through higher payment rates.

As an example of Virginia's public–private partnership approaches, the Virginia Early Childhood Foundation offered accelerated paid training to recruit, prepare, and place new assistant teachers in Child Care Subsidy and Mixed Delivery program classrooms and sites. The Early

Educator Fast Track program, utilizing a mix of ARPA, Preschool Development Grants (PDGs), and private funding, was designed to alleviate the critical child care staffing shortages and high turnover in the industry, requiring child care employer payment of a competitive wage for these new hires and providing for retention bonuses at six months and one year of employment plus ongoing access to credit-bearing certificates/degrees at no cost to the employer or employee. Working with Virginia's on-the-ground regional support structure, the Ready Regions network (established in Virginia law in 2021), more than 140 assistant teachers were recruited and trained through Fast Track for nearly fifty child care sites in communities across the state.

In response to recommendations from business leaders, families, private providers and other stakeholders, the governor's budget proposal in Virginia, signed into law in May 2024, included an increase of over $500 million in state general funds for child care and early learning over the two year budget period. This budget, which in total provided for more than $1.1 billion in state and federal funding for ECCE services for low- to moderate-income families over the biennium. The budget also allocated up to $64 million in federal ARPA State and Local Fiscal Recovery Funds (SLFRF) for child care and required any remaining SLFRF funds as of June 30, 2024, be transferred to the state's subsidy program. While most of the increase in state general funds is focused on the state's publicly funded child care programs—ensuring that those made eligible with federal funds will continue to receive subsidies or slots—the budget included a continuation of $20 million in direct-to-child care educator payments.[111]

Prices

- In Virginia, prices have increased by 11 percent since 2019; the average price for an infant in a center is $16,397 per year.[112]
- The annual cost of care for two children in a center is 73 percent more than the average rent payment and 24 percent more than the average mortgage payment in Virginia.[113]
- The average difference in income between families in Virginia with children under 5 that use paid care and those that do not is $102,909.[114]
- In Virginia, 53 percent of providers report having raised their tuition in the last six months.[115]
- Much of the increase in prices is due to the high personnel cost in this care industry, though research shows that even wage increases for the profession have struggled to keep pace with inflation. Providers report historic levels of vacancies and waitlists.
- In a survey of Virginia parents, 30 percent said they had experienced a price increase in the past month.[116] Among parents surveyed who had not reported price increases, 67 percent said that a price increase would negatively impact their household budget.

Staffing

- Child care employment levels have fallen by 18 percent since 2019.
- Nearly 17,000 child care educators received annual direct cash incentives of up to $3,000, representing more than a $40 million investment in the workforce in FY2024. Since 2019, more than $80 million has gone directly to child care educators to support retention and attract talent.
- A survey found that 67 percent of providers in Virginia that received stabilization funds said they were being impacted now that funds are no longer available. Notably, 33 percent of providers reported losing staff now that grants are no longer available.[117]

Supply

- Child care supply in Virginia is basically unchanged (an increase of less than 1 percent) from 2021.[118]
- In Virginia, 4,975 child care programs received ARPA stabilization grants And 27 percent of providers said they would have closed without those grants.[119]

Wisconsin

The Wisconsin Department of Children and Families (DCF) launched Child Care Counts in May 2020 to keep child care providers afloat and in November 2021 began a program to distribute $351 million in stabilization funds directly to providers. A total of more than $700 million was allocated to Child Care Counts through June 2025, including approximately $240 million in one-time payments and $650 million in monthly payments.[120] As of June 2024, $562 million had been paid to providers from the monthly payment program. Ultimately, ARPA stabilization funding supported nearly 5,000 child care programs. In May 2023, in preparation for the end of those funds, and as money began to run out, Wisconsin cut monthly stabilization grants in half. According to the *Washington Post*, at least 168 child care programs closed after that. These programs collectively had a regulated capacity to care for nearly 5,000 children.[121]

As noted above, in fall 2023, Governor Tony Evers' $340 million plan to stabilize child care through the continuation of its Child Care Counts stabilization grant program was rejected by the legislature. The governor was able to fund half of the plan, redirecting $170 million in temporary Federal Emergency Management Agency pandemic response funding to continue the state's stabilization grant program until June 2025.[122] Because it was not fully funded, or funded on an ongoing basis, the Child Care Counts payments are now half of what they used to be.[123] In May 2024, Governor Evers asked the legislature for an additional $15 million aimed at supporting child care providers and families across the state.[124] Action on that has not yet been taken.

Prices

- In Wisconsin, prices have increased by 6 percent since 2019;. However from May 2023 to December 2023, when Child Care Counts payments were cut, prices for center-based infant care increased by 11 percent on average.[125] In 2023, the average price for an infant in a center is $13,572 per year.[126]

- The annual cost of care for two children in a center is 108 percent more than the average rent payment and 29 percent more than the average mortgage payment in Wisconsin.[127]

- In Wisconsin, the average difference in income for families with children under 5 that use paid care and those that do not is $21,868.[128]

- Half of all providers reported in a January 2024 NAEYC survey that they had raised prices in the past six months.[129]

- In a survey of Wisconsin parents, 36 percent said they had experienced a price increase in the last month.[130] Among parents surveyed who had not reported price increases, 80 percent said that a price increase would negatively impact their household budget.

Staffing

- Child care employment levels fell by 28 percent from 2019 to 2023.

- A survey found that 100 percent of providers in Wisconsin that received stabilization funds said they were being impacted now that funds are no longer available. Notably, 40 percent of providers reported losing staff now that grants are no longer available.[131]

Supply

- The state has lost 114, or 2.5 percent, of its licensed programs since 2019.[132]

- In Wisconsin, 4,813 child care programs received ARPA stabilization grants[133] and 27 percent of providers said they would have closed without those grants.[134]

Looking Ahead at a Solvable Problem

We can have a child care system in the United States that supports parents rather than causing them stress, helps parents provide for their families rather than blowing a hole in their budget, and gives children a safe and nurturing environment in which to learn and grow. We can have a system that pays child care providers like the trusted, skilled, and essential caretakers they are. The pandemic funding gave us a taste of this possibility.

As Bryce Covert wrote about pandemic child care funds in *The American Prospect:*

> The money has done precisely what it promised, keeping providers' doors open and children enrolled. But it also did something else: It served as a test run for what it would look like if the federal government decided to make a substantial, ongoing investment in child care and early-childhood education. And it proved that such an investment would work.

States had never seen this level of investment from the federal government for their child care programs. The funding for child care was more than even during the World War II child care program (in inflation-adjusted dollars). This funding not only mitigated many of the negative impacts of the COVID-19 pandemic, including by helping more than 220,0000 child care programs[135]—many of which would have otherwise closed—continue to serve children; but also by inspiring additional innovation and demonstrating the political will that states needed to invest in children.

Public support of programs that invest in children's development is not an unusual idea. The United States has a K–12 education system that families know they can rely on. Parents do not worry about paying the full freight of teacher salaries, classroom maintenance or utilities because education, starting in kindergarten (and in some places Pre-K), is treated as a public good. While K–12 education systems are not thriving the way they should be in every community, the value of educational opportunity and access is widely shared. Despite the fact that our shared interest in seeing our children thrive does not start when children turn four or five, child care is not treated the same way.

Our vision for a good life includes taking great care of our children and each other. Parents should have the freedom to work, rest, spend time together, and live full and vibrant lives. Children should have safe, nurturing care that supports their healthy development and well-being. That means America needs child care options in every community that make it easy to meet families' unique needs, regardless of where they live or how much money they make.

Pandemic-relief funding and additional state investments have shown us just what is possible for prioritizing America's families. Without additional action, however, that will be a memory and millions of families will feel the impact of inaction. It doesn't have to be that way. It's time to fix child care now.

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Notes

1 Due to data lags, much of the most recent data is from 2023, reflecting the state of the sector over the course of several months as funding fluctuated. Unfortunately, there is not enough data from 2024 to evaluate the sector from October 2023 to present. Where available, in particular from state partners, the most recent data have been used. The data we do have, in particular more recent qualitative data, show a sector that is in a precarious place and in need of support.
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5 For program closures the most recent available data (in most cases 2023) is compared to pre-pandemic data. We aim to use consistent sources for program data. For most states we use data from Child Care Aware of America.
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