



THE HUNT INSTITUTE'S

EARLY CHILDHOOD LEADERSHIP SUMMIT

**KEY CONCEPTS
IN EARLY CARE
AND EDUCATION**

SEPTEMBER 2025



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INTRODUCTION

During the first five years of life, the brain develops more rapidly than at any other time, forming the neural connections that [influence](#) cognitive, social-emotional, and physical development. [Early care and education](#) (ECE) encompasses the structured support and learning experiences provided to children in these critical years. High-quality ECE programs aim to create safe, nurturing environments staffed with qualified early educators who engage children in learning experiences that are developmentally appropriate. [Investing](#) in high-quality ECE is a proven strategy for supporting optimal child development, parental participation in the workforce, and broader economic productivity. The four chapters of the brief explore the developmental, social, and economic importance of ECE, ECE governance models, types of ECE funding, and issues of access and affordability in ECE. The chapters include recent research and data, examples of promising initiatives, and policy considerations to guide action.

- 01. The critical importance of high-quality early care and learning:** The first chapter explores early brain development, the effects of adverse childhood experiences, and the return on investing in high-quality ECE. It introduces the types of early care and education settings and highlights the importance of the early childhood workforce.
- 02. Early childhood governance:** The second chapter discusses three models of early childhood governance and the benefits of unified governance. It compares centralized and decentralized governance and regulatory systems influencing ECE settings.
- 03. Funding early care and education:** The third chapter maps federal, state, and local funding for ECE. It includes a discussion of braided funding, funding innovations, and private funding for ECE initiatives.
- 04. Access to affordable early care and education:** The fourth chapter examines factors influencing ECE access, including the market-based business model and the true cost of care. It presents a snapshot of ECE affordability by comparing the price of child care across quality levels and age groups, and the share of child care in household budgets. The chapter highlights promising strategies for improving ECE access and affordability.



CORE CONCEPTS OF EARLY DEVELOPMENT

01. Human development is shaped by a dynamic and continuous interaction between biology and experience.
02. Culture influences every aspect of human development and is reflected in childrearing beliefs and practices designed to promote healthy adaptation.
03. The growth of self-regulation is a cornerstone of early childhood development that cuts across all domains of behavior.
04. Children are active participants in their own development, reflecting the intrinsic human drive to explore and master one's environment.
05. Human relationships, and the effects of relationships, are the building blocks of healthy development.
06. The broad range of individual differences among young children often makes it difficult to distinguish normal variations and maturational delays from transient disorders and persistent impairments.
07. The development of children unfolds along individual pathways whose trajectories are characterized by continuities and discontinuities, as well as by a series of significant transitions.
08. Human development is shaped by the ongoing interplay among sources of vulnerability and sources of resilience.
09. The timing of early experiences can matter, but, more often than not, the developing child remains vulnerable to risks and open to protective influences throughout the early years of life and into adulthood.
10. The course of development can be altered in early childhood by effective interventions that change the balance between risk and protection, thereby shifting the odds in favor of more adaptive outcomes.

[Shonkoff & Phillips \(2000\)](#)

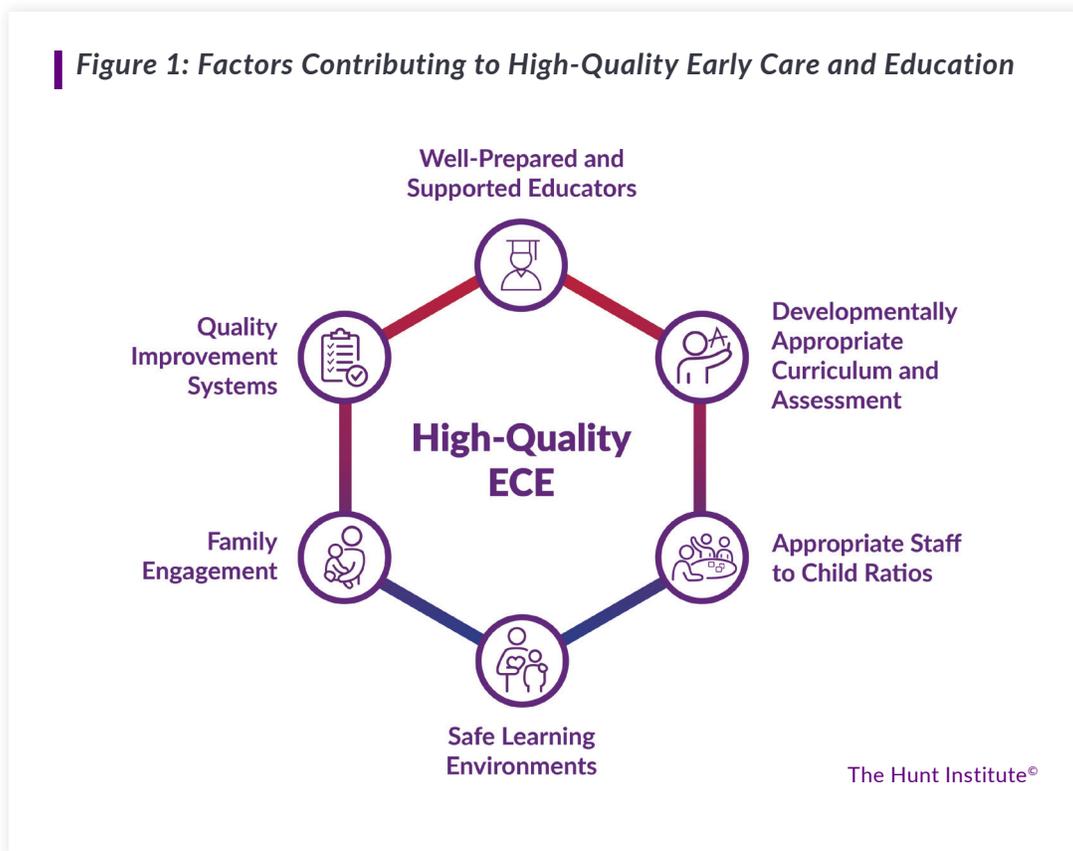


I. THE CRITICAL IMPORTANCE OF EARLY CARE AND LEARNING

High-quality early care and education (ECE) ensures consistent exposure to language-rich environments that are essential for young children to develop robust networks of neural connectivity that undergird their academic and life [success](#) for decades to come. High-quality ECE is rooted in consistent, responsive [interactions](#) with skilled educators, a developmentally appropriate curriculum, and safe, stimulating spaces that encourage exploration and learning. Research shows that children enrolled in strong ECE programs [demonstrate](#) increased literacy, numeracy, and social-emotional skills upon kindergarten entry, which correlate with long-term success in school and beyond. These benefits extend beyond individual children. Parents and caregivers experience increased [workforce participation](#) and relatedly, economic stability, while the state ensures a productive [future workforce](#). For children from marginalized or under-resourced communities, high-quality ECE serves as a critical equalizer, narrowing [opportunity gaps](#) that appear as early as nine months and widen significantly by age two.

High-Quality Early Care and Education

There are six broad factors that contribute to the quality of ECE environments, including the preparation and compensation of early educators, curriculum, staff-to-child ratios, safety, family engagement, and participation in quality improvement systems (Figure 1).



Well-prepared and supported educators: Well-prepared educators guide age-appropriate activities that [encourage](#) exploration, creativity, and social interaction in children. High-quality programs employ educators who have specialized knowledge in early childhood development and who receive ongoing professional development to refine their practice. [Supportive](#) working conditions, including fair compensation, manageable workloads, and access to benefits are critical to retain and grow this workforce. Studies show that investing in the early childhood workforce is [impactful](#) in strengthening children’s learning and development.

Developmentally appropriate curriculum and assessment: Effective early care and education programs use curricula that [integrate](#) play, exploration, and interaction, while integrating aspects of the cultural, linguistic, and familial backgrounds of each child. A [high-quality curriculum](#) supports whole-child development, including early literacy and numeracy. The curriculum should align with assessment practices that help early educators comprehensively evaluate and support children’s learning and development.

Appropriate ratios and group sizes: Maintaining developmentally appropriate staff-to-child ratios and class sizes [facilitates](#) individualized attention, fosters stronger relationships between educators and children, ensures children’s safety, and helps educators effectively address children’s varying needs and interests. The Administration of Children and Families’ [Office of Child Care](#) and the [National Association for the Education of Young Children](#) (NAEYC), provide guidelines for ratios and class sizes for infants, toddlers, and preschoolers.

Safe Learning Environments: High-quality programs offer safe, clean, and well-maintained [spaces](#) that are organized to encourage exploration, creativity, and independence. Such spaces are rich in developmentally appropriate materials, including books, toys and sensory materials that reflect diverse cultures and learning styles. Thoughtfully designed environments support not only academic skills but also self-regulation, confidence, and a sense of belonging.

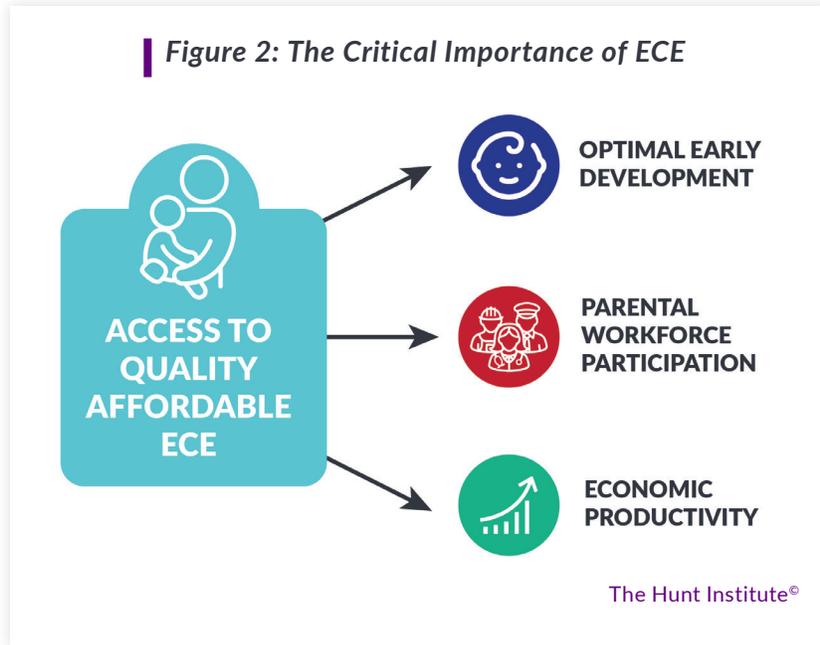
Family Engagement: High-quality programs prioritize [family engagement](#) to ensure consistency between home and school environments. Programs engage families through regular communication, workshops and field trips, and connections to parenting and child development resources. Effective family engagement is inclusive of diverse family cultures and structures and promotes family involvement in children’s learning.

Quality Improvement Systems: A [Quality Rating and Improvement System](#) (QRIS) is defined as, “a system that helps parents understand the level of quality in child care, preschool, and school-age care programs. QRIS was designed to help parents compare different programs by using the same set of standards. It also helps child care providers improve and communicate their quality to parents.” [Several states](#) have adopted QRIS to provide families with information on the quality of ECE programs in their locality, as well as to support programs in attaining higher levels of program quality through a combination of funding and technical assistance.

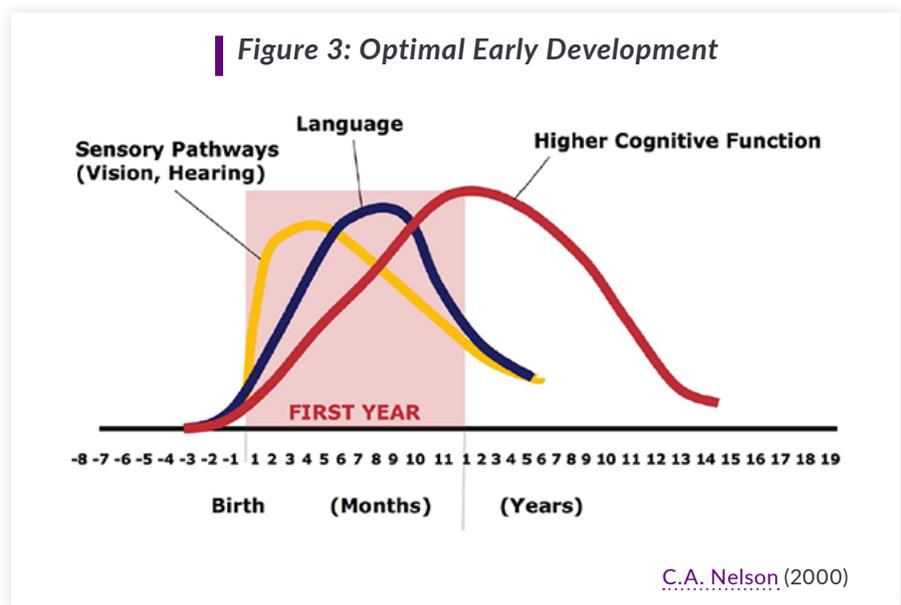


The Long-Term Benefits of High-Quality ECE

Access to high-quality, affordable ECE positively influences children’s early development, parental workforce participation, and the state’s economic productivity (Figure 2).



Optimal Early Development: As discussed, the earliest years of life represent an unparalleled period of brain growth, forming the foundation for all future learning, behavior, and health. The quality of early relationships plays a central role in shaping healthy brain development. “[Serve and return](#)” interactions, where adults respond to a child’s babbles, gestures, or cries, activate and strengthen brain circuits responsible for communication, emotional regulation, and problem-solving. During the [first few years](#), over one million neural connections form each second, and by the age of three, a child’s brain reaches approximately 80 percent of its adult volume. When adults consistently engage with young children through these reciprocal exchanges, they help build strong neural pathways that support lifelong learning and well-being. Conversely, when these interactions are absent or inconsistent, brain development can be delayed or disrupted, with long-term consequences for mental health and academic success. [Figure 3](#) shows how vision, hearing, language and higher cognitive development occur sequentially, with 90 percent of brain development happening from birth to five.



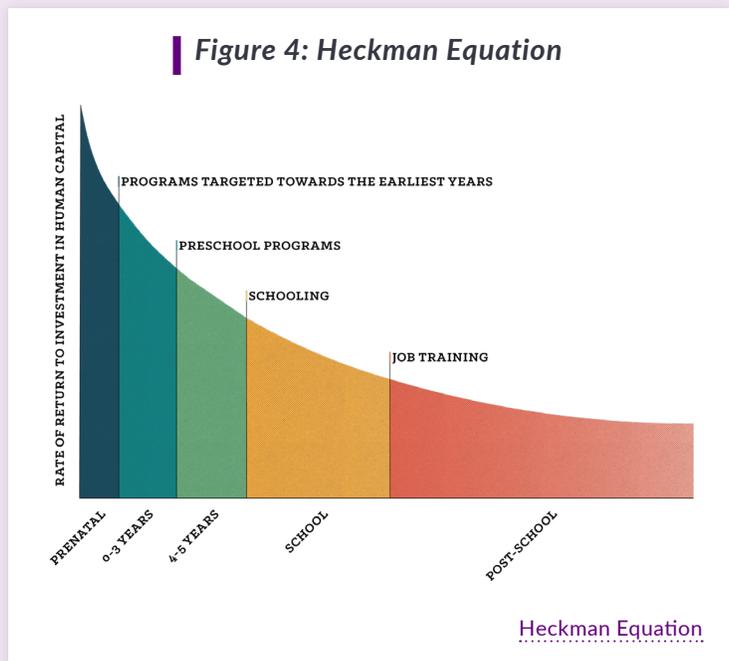
Young children who experience extreme stress without supportive relationships can face severe developmental consequences. [Toxic stress](#) presents a major threat to early brain architecture. This form of stress, often caused by persistent poverty, abuse, neglect, or exposure to violence, can impair brain development, weaken immune and metabolic systems, and increase the risk of cognitive and emotional disorders later in life. [Adverse Childhood Experiences](#) (ACEs), such as prolonged domestic instability or violence, are strongly associated with higher rates of chronic illness, learning challenges, and behavioral problems. [Protective factors](#) can mitigate the harmful effects of toxic stress and ACEs. Consistent, nurturing relationships with at least one adult, such as a parent, caregiver, or educator, can buffer children from their impact. [Early intervention](#) and [trauma-informed practices](#), such as home visiting, [Two-Generation](#) (2Gen) approaches, and parent engagement can help mitigate ACEs and promote healthy development.

Parental Workforce Participation: Access to reliable ECE enables parents to stay in the workforce. In the United States, [65 percent of children](#) age five and under live in households where all available parents are working. Without dependable child care, parents face significant barriers to work, education, or job training, leading to income instability and reduced lifetime earnings. [Research](#) estimates that child care shortages lead mothers to lose 15 percent of their earnings, which costs them \$295,000 in lost wages and related retirement income over their lifetimes, while exacerbating the [gender wage gap](#). Child care shortages can [strain family finances](#), decrease tax paying ability, and increase the need for public support.

Economic Productivity: The U.S Chamber of Commerce [considers](#) the child care sector “critical to the American economy. Not only does childcare generate its own economic output, but since it ensures working parents can go to work, childcare also supports every other industry.” Lack of access to child care [costs](#) the U.S. economy 1.4 percent of the Gross Domestic Product (GDP), or approximately [\\$122 billion](#) annually. Employers lose billions, while public systems bear the costs of increased social service use, higher health care needs, and lower tax revenues. [Reliable access](#) to ECE increases labor force participation, reduces dependency on public assistance, and strengthens the tax base.

RETURN ON INVESTMENT OF EARLY CHILDHOOD EDUCATION

The [Heckman curve](#) shows that programs supporting early development have the highest return on investment (Figure 3). [The Perry Preschool](#), an example of high-quality program for 3–5-year olds, showed a [return on investment](#) between \$7 and \$12 for each dollar invested in preschool education. [Recent studies](#) show that savings from investing early are reaped across education and social service systems in the form of reduction in grade retention, special education, social supports and incarceration as well as increases in employment and taxpaying ability. The [lifelong gains](#) of high-quality early education include reduced opportunity gaps and improved graduation rates, economic stability, and health outcomes.



Types of ECE Programs

Early care and education occur in a [variety of settings](#), including licensed and unlicensed programs. [Mixed delivery programs](#) enable public and private programs to be co-located, reaping cost savings and expanding access for families. Typical program types include the following:

- **Family, Friend, and Neighbor (FFN)** care occurs in the provider’s home and is typically unlicensed. This setting offers flexibility in hours, is less expensive, and relies on individuals’ social networks (relatives, friends, or neighbors) to provide care.
- **Family Child Care (FCC)**, also called Home-Based Child Care (HBCC), occurs in homes in which one or two early educators support a small group of mixed-age children. These settings are usually registered. They are likely to reflect families’ linguistic backgrounds and offer care at non-traditional hours.
- **Child Care Centers** operate out of commercial buildings and usually enroll a larger number of children. Centers typically group children by age, providing classroom environments. These programs are often subject to higher regulatory standards.
- **Early Head Start** and **Head Start** are federally funded, regulated, community-based programs serving infants, toddlers, and preschool-aged children from low-income families and/or children who experience other risk factors.
- Preschool programs are typically regulated and increasingly offered via mixed-delivery models involving school districts, private, community, and faith-based programs, which may also provide child care for infants and toddlers in the same location.

Each type of program offers different strengths. [FFN and FCC](#) settings tend to be more culturally aligned and flexible, while [center-based](#) and [school-affiliated](#) programs are likely to offer structured learning and professional oversight. Head Start and Early Head Start uniquely serve low-income families and children experiencing risk factors such as homelessness or disabilities, and offer [integrated](#) health, nutrition, and family support services.

MIXED DELIVERY PROGRAMS

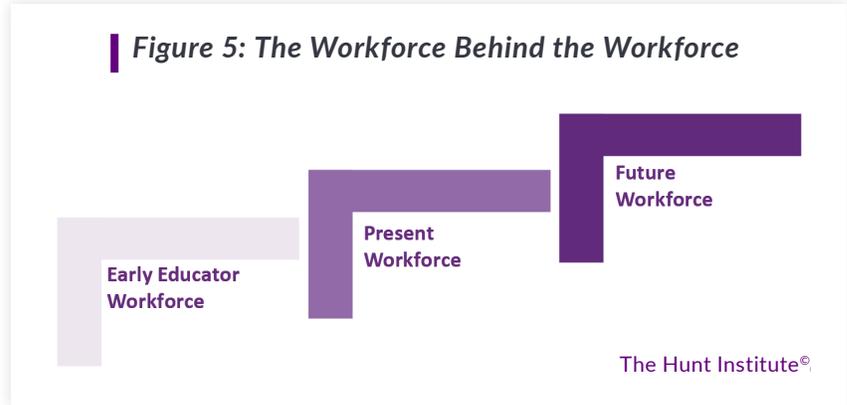
“Mixed delivery ECE is the coordinated effort to support ECE services across a range of quality settings, building on the strengths and capacity of all provider types, to help meet the varied needs of children and families. In a mixed delivery ECE system, families have their choice of access to affordable, high-quality ECE services across a range of settings, including center-based child care, schools, family child care homes, and Head Start funded programs. Effective mixed delivery ECE systems have the potential to offer more choices to serve additional families; reduce the cost of care for families by leveraging public funding; improve the reach and efficiency of state and federal public ECE investments; and offer more seamless, higher quality care to meet comprehensive child development and family work support needs.”

[Administration for Children and Families](#)



The ECE Workforce

An estimated one million early educators are employed in the ECE sector, serving as the “workforce behind the workforce” (Figure 5). The ECE workforce allows parents to stay in the workforce, even as it supports the early development of the future workforce. However, early educators are paid about \$14.60 per hour on average as compared to the lowest state average living wage (for an individual) of \$19.43. Policies that help attract early educators to the field and keep them engaged through supplementing wages and providing benefits are needed to address widespread burnout and attrition in the sector. Recent data on nationwide attrition rates for early educators are not available, but data from 2022 indicate an attrition rate of 14.9 percent, which jeopardizes the consistency of care for young children and the ability of their parents to stay in the workforce.



Power to the Profession, a national taskforce, established a framework for professionalizing the ECE sector. Their authoritative report, released in 2020, outlines “career pathways, preparation, competencies, responsibilities, and compensation” that ensure fairness and job satisfaction for early educators and optimal learning conditions for young children. Table I illustrates standard roles and qualifications within the ECE profession that the report recommends.

Table I: Recommended Roles and Qualifications of Early Childhood Professionals

Role	Definition	Qualifications
ECE I	ECE I is a member of the early childhood education teaching team in a supportive role in birth to Grade 3 settings.	Professional preparation program that meets a minimum of 120 hours
ECE II	ECE II can be responsible for the learning environment, play a lead role in birth through age 5 settings, and play a supportive rather than a lead role in K-Grade 3 settings. Guides practice of ECE I.	ECE Associate’s degree
ECE III	ECE III can be responsible for the learning environment, play a lead role, and guide practice of ECE I and II in birth to Grade 3 settings.	ECE Bachelor’s degree or Master’s degree

To ensure fair compensation for ECE professionals, the report recommends that early educators with similar qualifications, experience, and job responsibilities receive comparable compensation. To achieve [pay parity](#), compensation must be comparable across child age, race of educator, education setting, skill, competency, and qualifications. Compensation should increase as educators gain competency and experience, moving up levels. Further, compensation should include an adequate benefits package. Power to the Profession recommends that the ECE sector should adopt the minimum standards of public education.

The report also established [professional standards and competencies](#), including knowledge and skills in child development, family partnerships, child observation and assessment, culturally-appropriate teaching, integrated discipline, and professionalism. The report further recommends that educators become licensed through a state board and are provided opportunities for higher education and professional development.

APPRENTICESHIP PROGRAMS FOR EARLY EDUCATORS

States have invested in [apprenticeship programs](#) to attract new entrants to the ECE sector, providing scholarships for enrollment in ECE coursework and compensation for simultaneously working or apprenticing at a participating ECE program.

- The Connecticut Department of Labor implements a [Registered Apprenticeship for Early Childhood Educators](#), providing work-based learning, pathways towards credentials, and wage increases for new early educators in center-based settings.
- Kentucky has a [four-part apprenticeship approach](#) that builds broad career readiness, supports new entrants in acquiring credentials and experience, helps practising early educators gain advanced credentials, and prepares early educators for leadership positions.
- In Nebraska, the [Responsive Equitable System for Preparing Early Childhood Teachers](#) (RESPECT) Across Nebraska project is promoting apprenticeships as a pathway for new early educators to enter the [field](#).

Conclusion

Despite [strong evidence](#) supporting the benefits of early childhood education, significant [disparities](#) persist in access to ECE, especially for children from low-income families, rural communities, and historically marginalized groups. These stem from fragmented ECE governance, underinvestment in infant and toddler care, and low wages for the early childhood workforce. Some families live in [child care deserts](#), where licensed providers are scarce or unaffordable. These disparities contribute to opportunity gaps that compound over time for children, constrain parental workforce participation and limit the state's economic productivity. Addressing these challenges requires integrated, multi-level solutions, which are discussed in the next two chapters on governance and funding.

RESOURCES

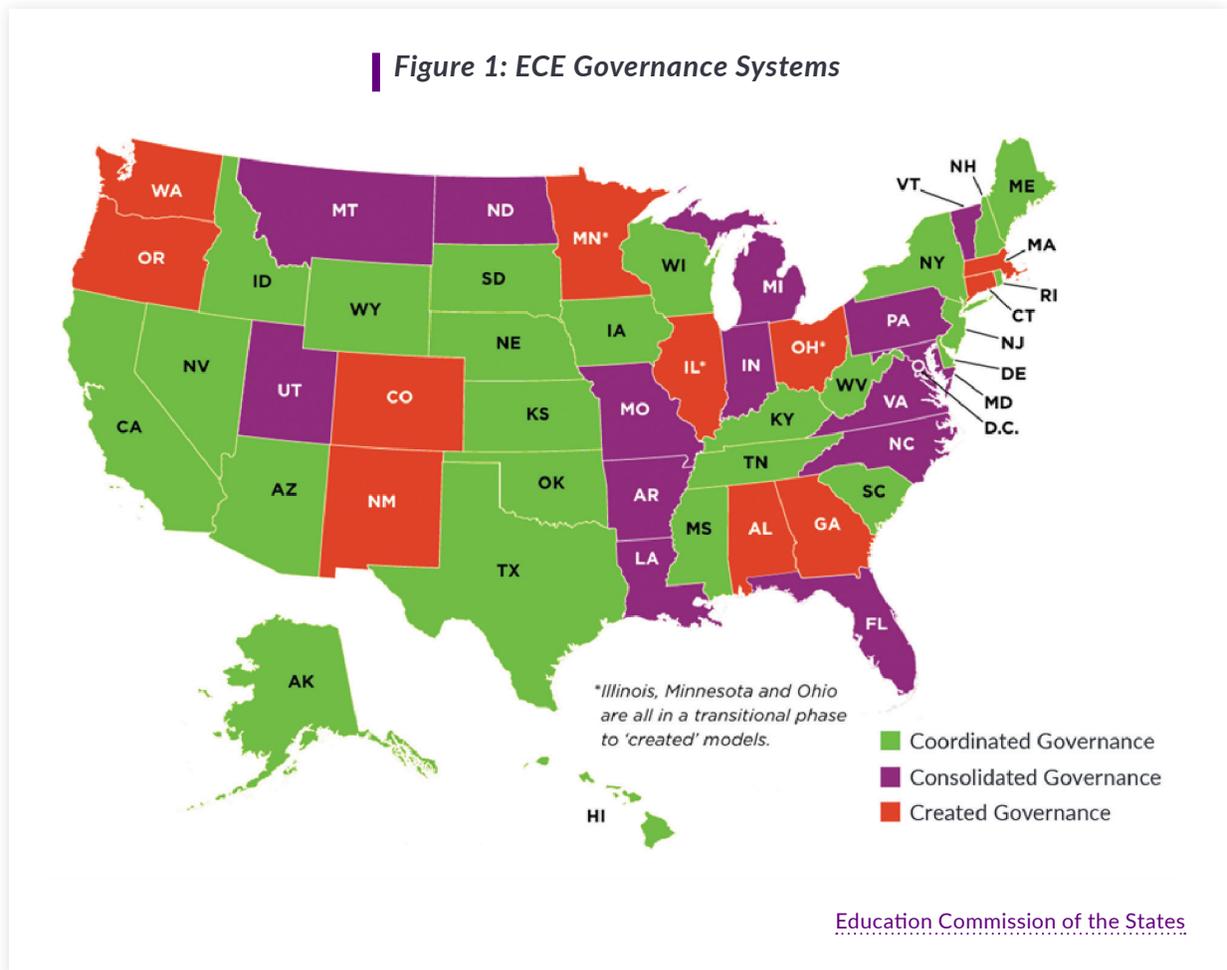
- [The Building Blocks of High-Quality Early Childhood Programs](#) | Learning Policy Institute
- [Serve and Return](#) | The Center for the Developing Child
- [Impacts of Early Childhood on Medium and Long-Term Outcomes](#) | Education Researcher
- [Lifecycle Benefit of an Influential Early Childhood Program \(13% ROI\)](#) | Heckman Equation
- [Unifying Framework for the Early Childhood Education Profession](#) | Power to the Profession
- [Types of Child Care](#) | Child Care Aware of America

II. EARLY CHILDHOOD GOVERNANCE

Early childhood governance refers to a state’s organizational structure and placement of authority and accountability for programs and services for children aged birth to five. Streamlined governance is the foundation for a comprehensive, high-quality early childhood system that supports children’s learning and development. It determines the efficiency and stability of a state’s child care sector and plays a critical role in shaping the availability, quality, and affordability of ECE programs. Effective governance ensures that funding is equitably distributed and accountable to families and communities. Early childhood governance has historically been fragmented with oversight for varied ECE programs such as child care licensing, subsidies, and state Pre-K programs distributed among varied state agencies. The lack of cohesion in early childhood governance led to widespread program closures during the pandemic.

The Early Childhood Governance Continuum

States have been moving toward unified governance since 2000, with several states either consolidating governance within an existing body or creating a new early childhood agency that houses all or most early care, education, and health programs. Figure 1 maps systems of early childhood governance along a three-point spectrum of coordinated, consolidated, and created systems. As of 2024, 11 states had created governance; 14 states and the District of Columbia had consolidated governance; and 25 states coordinated funding and oversight across different departments.



- **Coordinated Governance:** Authority over ECE programs is distributed across multiple agencies, which can cause inefficiencies and communication gaps that hinder streamlined access to programs for children and families.
- **Consolidated Governance:** Authority and accountability are consolidated under an existing agency for ECE programs previously governed by disparate agencies.
- **Created Governance:** A new dedicated agency or department is established, which assumes authority and accountability for all ECE programs and services, streamlines, funding, and improves program delivery.

CONSOLIDATED GOVERNANCE

Virginia | In 2020, Virginia’s General Assembly passed [legislation](#) requiring the Board of Education to establish a unified public-private system for early childhood education administered by the Virginia Department of Education, which went into effect in 2021. The legislation also established an Early Childhood Advisory Committee and [Virginia Quality Birth to Five](#) (VQB5), a uniform measurement and improvement system.

North Dakota | In 2021, North Dakota passed legislation requiring all early childhood programs and functions to be [consolidated](#) within the Department of Health and Human Services’ new Early Childhood Division. In 2023, then Governor Doug Burgum authorized over \$65 million of [state general funds](#) to the North Dakota Child Care Initiative for improving child care access.

Unifying governance supports [transparency and accountability](#), which helps to foster trust, improve decision-making, and ensure that resources are allocated effectively and equitably. Transparent governance enables:

- Visibility into how decisions are made, funds are distributed, and ECE programs are evaluated, reducing waste.
- Stakeholder engagement in the decision-making process, enabling families to have a voice in shaping policies that affect them.
- Collection of data on ECE program outcomes, such as enrollment rates, achievement gaps, and funding disparities.

CREATED GOVERNANCE

New Mexico | New Mexico streamlined early childhood governance by initiating the development of the [Early Childhood Education and Care Department](#) (ECECD) in 2020. Previously, the Children, Youth and Families Department oversaw child care assistance, home visiting, preschool, Head Start and the Child and Adult Care Food Program (CACFP). The Departments of Health and Public Education and the Health Care Authority managed other early health and education programs. The creation of the ECECD led to all ECE-related programs being supported by one agency, streamlining access to early childhood programs for families.

Colorado | In 2021, Colorado established the [Department of Early Childhood](#) (DEC) to unify early childhood governance under a new state agency. The DEC consolidated programs previously implemented by the Department of Education and the Department of Human Services. DEC oversees child care, home visiting, early childhood mental health, and child abuse prevention programs and houses the new [Colorado Universal Preschool](#) program. A few early childhood programs remain with other agencies. The state will [evaluate](#) transitioning these programs to DEC in 2025.



Regulatory Systems

Additional considerations for states, as they calibrate ECE governance, are addressing tensions between [centralization and decentralization](#) for stabilizing and expanding the ECE sector. Centralized models promote consistency and reduce disparities but may not account for local context and variation. Decentralized models promote innovation and allow for stakeholder input but may complicate equitable and consistent implementation across contexts. Table I compares centralized and decentralized approaches:

Table I: Centralized and Decentralized Models of Governance

Centralized Models	Decentralized Models
<p>Advantages</p> <ul style="list-style-type: none"> Promotes consistency in policies, funding, and regulations across the state, facilitating uniform standards and ease of monitoring. Reduces disparities by ensuring that all regions regardless of size or wealth, follow the same guidelines. <p>Challenges</p> <ul style="list-style-type: none"> May not address local needs or be adaptable to diverse contexts 	<p>Advantages</p> <ul style="list-style-type: none"> Allows for greater flexibility in tailoring programs for local populations. Allows for stakeholder input in decision making <p>Challenges</p> <ul style="list-style-type: none"> May result in significant variations in ECE program quality and availability. May not ensure equitable access to high-quality ECE for underserved communities.

Three areas have become focal points in discussions of regulatory changes: staff credentials, staff-to-child ratios, and safety standards. Proponents believe that relaxing some requirements related to these can [reduce operational costs](#) for child care owners and [attract](#) new entrants to the sector, particularly in underserved areas. However, experts [caution](#) that relaxing regulations related to early educators' minimum age, background checks, credentials, and staff-to-child ratios raise [safety concerns](#). Higher staff-to-child ratios are shown to [reduce the level of individualized attention](#) that is shown to foster secure attachment and responsive interactions in young children, while lower preschool ratios are shown to [correlate](#) longer-term reading and math outcomes.



POLICY PRIORITIES

Policy decisions at all levels of government impact the resources available for ECE, influencing important issues like compensation, subsidies, and preschool access. To further strengthen ECE governance, could policymakers consider:

- ❶ Examining the governance landscape to identify opportunities to streamline funding in service of a stable and thriving ECE sector throughout the state.
- ❷ Developing greater coordination among public agencies governing child care and early education to reduce inefficiencies and promote greater systematic coherence.
- ❸ Ensuring that opportunity gaps in access, affordability, safety and quality for underserved communities are addressed through improved governance of ECE programs.

RESOURCES

- [A Framework for Choosing an Early Childhood Governance Model](#) | The Build Initiative
- [Early Care and Education Governance Models](#) | Education Commission of the States
- [A Path Forward on Child Care Regulation](#) | Center for American Progress



III. FUNDING EARLY CARE AND EDUCATION

K-12 education has long been recognized as a public good and supported by sustained [public funding](#). However, Early Care and Education (ECE) is typically funded through a mixed approach that often [falls short](#) of the need. It is [estimated](#) that parents spend \$42 billion on ECE annually, while federal and state funding provides about \$34 billion to the ECE sector. ECE is typically funded through federal grants and programs and supplemented through general funds at the state level. Philanthropic and private funding provide additional resources for ECE programs in many states. States may additionally use alternative strategies like [braided funding](#) for ECE initiatives. This chapter details the landscape of ECE funding, including public, private, and mixed funding streams.

Public Funding Streams

Early childhood programs are supported through the following [federal](#) funding streams:

- [Head Start](#) and [Early Head Start](#), which provides eligible children and families with early education and [wraparound](#) support.
- [Preschool Development Grant Birth to Five](#) (PDGB5), which supports the development of high-quality preschool programs, enhances early childhood education systems, and supports professional development for early childhood educators.
- [Child Care and Development Block Grant](#) (CCDBG), which supports child care subsidies for eligible families and compliance with safety standards in child care centers.

State and local funding may be leveraged to initiate and expand public preschool programs, supplement existing early childhood education initiatives, or extend services such as special education programs for preschool-aged children. Many states offer [public Pre-K Programs](#) that provide free or subsidized education for four-year-olds to ensure that children from low- and middle-income families develop school readiness. [Local school districts](#) may also allocate funds for early intervention or additional educational supports for preschool-aged children.

[Federal](#) and [state](#) expenditures for ECE programs have increased over the past few years but are still inadequate relative to the number of children who are eligible for these programs. [Table I](#) lists the percentage of eligible children served by the Child Care and Development Block Grant (CCDBG), Head Start, and Early Head Start in three sample states.

Table I: Percentage of Eligible Children Served by Key ECE Programs

States	CCDBG	Head Start	Early Head Start
Louisiana	14%	31%	8%
North Dakota	10%	50%	17%
Washington	13%	25%	13%
National Average	13%	26%	10%



Alternative Funding Strategies

The Children’s Funding Project defines [braided funding](#) as, “two or more funding streams... used in a coordinated fashion to support a single initiative, but costs are closely tracked and allocated to individual funding streams. There may be restrictions as to which funds can be used for which purposes.” At the system level, a state may braid funds to support preschool and wage supplementation initiatives. At the program level, a licensed child care center may accept child care subsidies, receive early intervention funds, and also serve as a Head Start or public preschool provider through braiding private tuition dollars with public funding.

BRAIDED FUNDING SUPPORTING WORKFORCE INITIATIVES

Workforce incentives that help early educators improve their qualifications and training are shown to support the [retention](#) of educators. They [include](#) scholarships, loan forgiveness programs, and salary supplements for early childhood educators. [T.E.A.C.H Early Childhood®](#) and [Child Care WAGE\\$®](#) are established workforce programs that several states have implemented through combining federal, state, local, and private funding streams.

[Teacher Education and Compensation Helps](#) or T.E.A.C.H Early Childhood® is a national, evidence-based initiative active in [22](#) states that provides early educators with scholarships to advance in their education. Scholarship recipients are expected to complete a specified number of hours of coursework and remain with the sponsoring ECE program for a specified period of time after completing their course. The program is [funded](#) through the Child Care and Development Fund (CCDF) Quality Funds, state general funds, state Pre-K funds, and other sources. In 2024, T.E.A.C.H Early Childhood® invested over \$64 million [nationally](#) and supported 17,000 recipients potentially benefiting over 640,000 children.

The [Child Care WAGE\\$®](#) program provides salary supplements to early educators and is funded through the same streams as T.E.A.C.H®. To qualify for this program, an applicant must have 12 semester hours of early childhood coursework or the Child Development Associate (CDA) credential. WAGE\$® aims to increase recruitment, compensation, and retention of early educators. WAGE\$ operates in [six](#) states. [Nationally](#), in 2023-2024, the average six-month wage supplement provided per educator was \$1,312. Over 4,000 ECE programs participated in the program, with over 10,600 educators receiving supplements.



States have funded ECE initiatives through [other innovative methods](#) as well. Table II includes examples of appropriations, taxes, funds and partnerships in support of sustainable early initiatives.

Table II: Alternative Funding Strategies

Strategy	
General Fund Appropriations	States may use general funds to match federal funding or to go beyond required matching or Maintenance-of-Effort requirements for early childhood programs.
Lotteries	States may use lotteries to fund education programs, including state-funded preschool.
Taxes	Sales Taxes: States may use sales tax income to fund early childhood programs. “Sin” Taxes: States may also levy taxes on items such as alcohol, tobacco, and gambling.
Tax Credits	A variety of tax credits support early education, including personal income tax credits, business income tax credits, and investment and incentive tax credits.
Land Grants	States may allocate revenues gathered through land, oil, and gas, toward early initiatives.
Tobacco Settlement Funds	The Tobacco Master Settlement Agreement of November 1998 allowed states to use a portion of their settlement to fund early childhood initiatives.
Children’s Trust Fund	These funds are typically used for child abuse and neglect prevention but can also support early childhood initiatives.
Children’s Funding Project	This agency supports policymakers, agency staff; and advocates identify and leverage existing funding in effective and sustainable ways.

Private Funding

Private funding refers to financial support for ECE that comes from foundations, private corporations, and donors. Private funding can help bridge the gap in areas where government funding is insufficient or unavailable.

- **Foundations**, both local and national, [provide grants](#) for initiatives that strengthen early learning and development.
- **Corporate funding** may take the [form](#) of donations, grants, or in-kind contributions from private companies supporting scholarship opportunities, cost-sharing initiatives, or workforce development and wage supplementation programs. Companies may also partner with nonprofits, community organizations, and state agencies on pooled funding initiatives in ECE.
- **Community donors and private citizens** may [contribute](#) through direct donations, fundraising events, or endowments.



POLICY PRIORITIES

States vary widely in their investment in ECE, with some providing robust funding while others have limited support. Underfunding and funding volatility may widen gaps in access and quality for rural, and low-income communities. To further strengthen ECE funding, could policymakers consider:

- ❓ Assessing which funding streams could be used more effectively and/or combined to increase funding for child care subsidies and develop targeted grant programs for child care programs.
- ❓ Building partnerships with philanthropic and business entities to develop funding streams that support expanded access to affordable, high quality child care and preschool programs, and workforce initiatives.
- ❓ Developing braided and alternative funding streams to support mixed-delivery models in underserved areas of the state.

RESOURCES

- [Federal Funding Streams for Child Care and Early Childhood Education](#) | National Conference of State Legislators
- State Fact Sheets | First Five Year Fund
- [Blending and Braiding](#) | Children's Funding Initiative



IV. ACCESS TO AFFORDABLE EARLY CARE AND EDUCATION

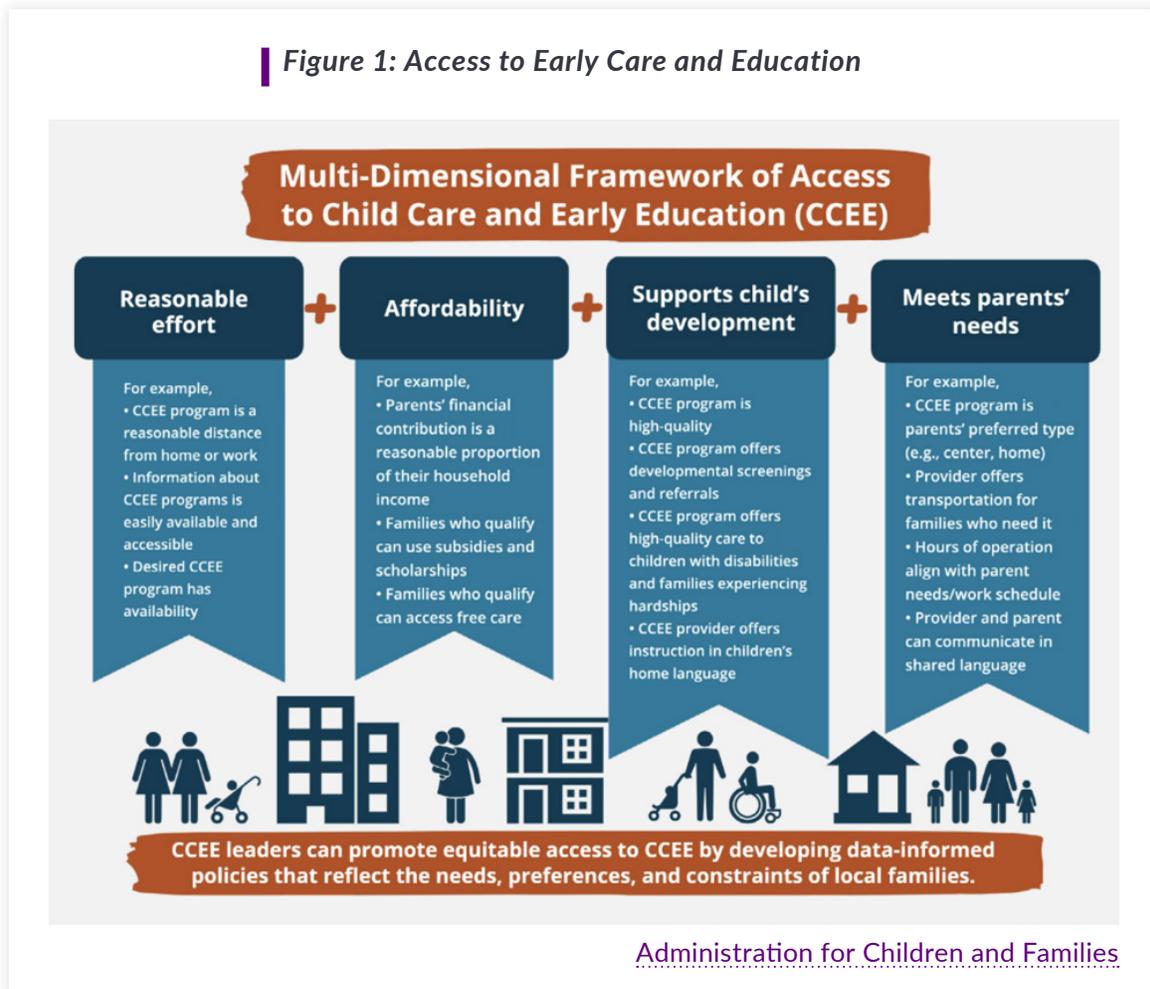
This chapter discusses the impact of fragmented governance and funding on access to and affordability of early care and education (ECE). The [market-based](#) child care business model is inherently unbalanced as the true cost of providing care for families is often higher than the price that families can afford to pay for this care. Costs, including salaries and wages, as well as space and materials, add up for child care program owners, and profit margins are [low or even non-existent](#) for many programs. Early educators, on average, are some of the [lowest-paid professionals](#) in the country, and rarely have access to paid time off or health benefits. Low compensation combined with demanding work frequently causes burnout in this workforce, leading to high rates of [attrition](#). The combined effect of elevated costs and attrition limits the capacity of child care programs, leading to challenges with access to care for families with young children.

The chapter also examines how child care is largely unaffordable for low- and middle-income families. The cost of infant and toddler care is [especially high](#), due to the smaller class sizes and the intensive care provided to this age group. Many working families [struggle](#) to pay for care for their young children, which leads to parents working part time or taking career breaks to reduce child care expenses. [Mothers](#) are likely to experience these discontinuities more than fathers, hampering their economic independence and career growth. The US Department of Health and Human Services (HHS) defines [affordability](#) for subsidy-eligible families as child care that costs no more than seven percent of a household's income. The reality is that the average price of care in many states [exceeds](#) housing and food costs. The tenuous cost-revenue equation underlying the child care sector rules out reductions in the price of care. Finding affordable care is especially challenging for families in [rural areas](#) and families working [non-traditional hours](#).



Access to Early Care and Education

Access is often discussed in terms of the availability of spaces in licensed center-based and home-based settings. The [Access Guidebook](#) offers a nuanced definition, stating that “parents, with reasonable effort and affordability, can enroll their child in an arrangement that supports the child’s development and meets the parents’ needs.” The graphic below illustrates a multi-dimensional approach to assessing access to child care and early education.



The Guidebook identifies the following as important [factors](#) to consider in assessing ECE access:

- **Ages of children served:** Disaggregating access to care by the age of children served, as there are greater gaps in access to care for infants and toddlers than for preschool-aged children.
- **Provider locations:** Mapping locations of child care programs and the proximity to child care for families by income to understand variations in access across a region.
- **Family contexts:** Surveying families on their preferences, needs, and access to ECE to factor in schedules, budgets, and linguistic and cultural preferences.
- **Employment landscape:** Mapping types, locations, and schedules of employers in an area to estimate child care requirements.

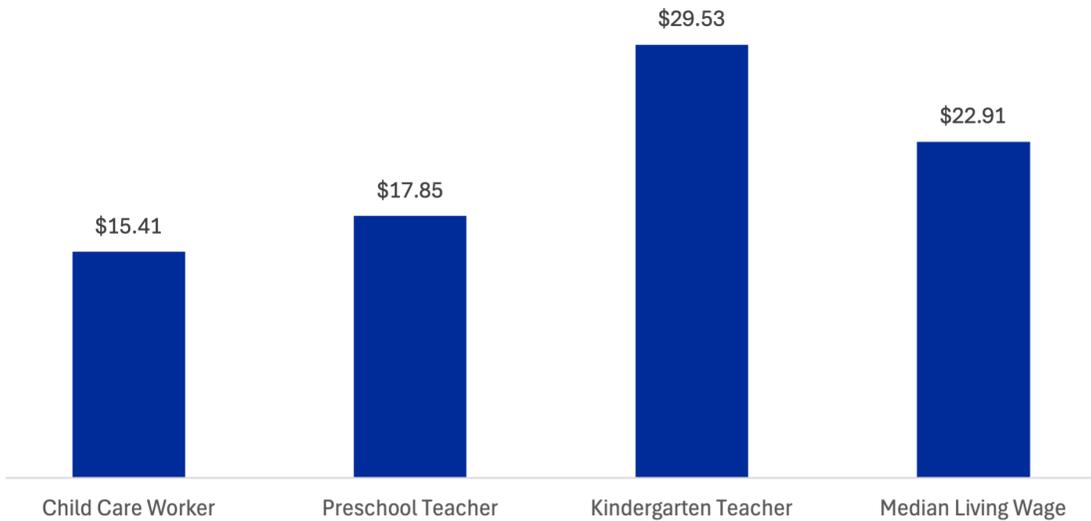
Many child care programs closed their doors during the pandemic. [Recent data](#) show that the child care sector, especially center-based care, is steadily reaching its pre-pandemic capacity, but there is still a licensed child care deficit, relative to demand from working families. Table I [illustrates](#) the estimated child care gap and public Pre-K enrollment across a sample of states. This gap is partially filled by [unlicensed](#) child care, for which reliable data is not available.

Table I: Access to Child Care

State	Children with all parents working	Estimated Licensed Child Care Gap	Enrollment in State-Funded Pre-K
Arizona	61%	25%	3%
Florida	66%	14%	34%
Wisconsin	71%	41%	32%

The ECE sector experiences chronic staff shortages and high turnover caused largely by low wages and poor working conditions for early educators. This constrains the capacity of ECE programs to meet the demand for child care. Early educators are among the [lowest-paid](#) professionals in the country, often earning wages that place them below the [federal poverty line](#). Figure 2 shows that the median hourly wages of child care workers are significantly lower than for other early educators and the national median living wage.

Figure II: ECE Workforce Median Wage Comparison



[Source 1](#) [Source 2](#)

*Preschool and Kindergarten Teacher wages calculated by dividing the annual median wage by 2,080 hours.

**Living Wage calculated by determining the median living wage of all 50 states and Washington D.C.

PAY EQUITY FUND FOR EARLY EDUCATORS

The [Early Childhood Educator Pay Equity Fund](#) was created in the District of Columbia in 2021 to provide wage supplements to early educators. The program, administered by the Office of the State Superintendent of Education and implemented by the Early Childhood Educator Equitable Compensation Task Force, provides [quarterly award payments](#) to ECE programs to supplement staff wages. Awards are calculated through a formula that factors in roles and credentials of staff. Once received, ECE programs must pay eligible staff wages that meet or exceed [\\$24.52](#) per hour.



Affordability of Early Care and Education

As mentioned, the US Department of Health and Human Services (HHS) defines [affordability](#) as child care that costs no more than seven percent of the income of subsidy-eligible families. The reality is that the average price of care is usually higher than the HHS threshold in most states. Table II shows that child care is [costly for sample states](#) (below), especially for single income families

Table II: Affordability of Child Care

State	Average Price of Center-Based Care for an Infant	Ratio of Median Income - Married Couple	Ratio of Median Income - Single Parent	US Department of Health and Human Services Recommendation
Connecticut	\$18,492	12%	43%	7%
Minnesota	\$20,421	14%	46%	
Mississippi	\$7,696	7%	29%	

The Economic Policy Institute (EPI) [Family Budget Calculator](#) breaks down the main monthly costs for families by county. This tool calculates the cost of living for families ranging from one or two adults with zero to four children. Child care is a major cost identified in the calculator which uses the price of care for a four-year-old plus the price of care for one school-age child. Infant and toddler care is not calculated. The calculator utilizes center-based rates in urban counties and FCC rates in rural and suburban counties. Table III highlights [cost of living estimates](#) for a two-parent, two-child household in three counties across the United States which show that child care is a core expense that rivals housing and food costs across counties.

Table III: EPI Family Budget Calculator Comparisons

Monthly Costs for a Family including 2 adults and 2 children	Harding County, SD (Rural)	Houston Metro Area, TX (Urban)	Morris County, NJ (Suburban)
Housing	\$967	\$1,357	\$2,262
Food	\$1,008	\$919	\$1,174
Child Care	\$1,009	\$1,558	\$2,261
Transportation	\$1,800	\$1,458	\$1,622
Health Care	\$2,006	\$1,270	\$1,425
Other Necessities	\$665	\$766	\$1,156
Taxes	\$794	\$765	\$1,878
Monthly Total	\$8,249	\$8,092	\$11,778
Annual Total	\$98,989	\$97,109	\$141,336

AFFORDABILITY OF CHILD CARE

“Childcare prices can vary dramatically based upon the age of the child, the population size of the county the care is provided in and whether the care is center-based or home-based. Home-based preschool care in small counties is the least expensive type of full-day care, while infant center-based care in very large counties is the most expensive.”

[U.S. Department of Labor](#)



Improving Access to Affordable ECE

Public investment in [cost modeling](#) and incentivizing [public-private partnerships](#) are two broad strategies that can help improve access to affordable care for families.

Cost modeling: The Child Care and Development Fund (CCDF), administered by the federal [Office of Child Care](#), allocates funding to states for providing child care subsidies for income-eligible families. CCDF requires that states use market rate surveys to calculate the cost of child care for infants, toddlers, and preschoolers. A [market rate](#) survey is “a study of the prices or fees child care programs typically charge, and families typically pay for a given type of child care setting, care by age group, and per unit of care.” Every three years, as part of the CCDF grant renewal process, states use statistically valid surveys to collect price data from providers to calculate rates of subsidy reimbursement. The minimum recommendation for child care subsidy rates is the [75th percentile](#) of the current child care market though states can set the rates higher or lower at their discretion. According to Prenatal-to-3 Policy Impact Center’s [State Policy Roadmap’s 5-year Progress Report](#), “as the cost of child care continues to rise faster than reimbursement rates, the gap between what a family must pay and what the state contributes is widening. As of October 2024, of the 47 states that set rates based on market rate surveys (the District of Columbia, Colorado, New Mexico, and Virginia use alternative methodologies), 29 states released updated surveys, but only 13 states set their base reimbursement rates at the 75th percentile.” Using the Market Rate Study poses the following [challenges](#) for child care programs and for families.

- The study is a point-in-time capture of what licensed providers are charging across a state, which means the rate is set from an average of rates in rural, urban, and suburban areas, despite variations in the cost of living and of running a business.
- The study data reflects only what providers can charge to attract and retain families in a given area, which is rarely the same as what it actually costs to provide quality child care.
- The data are time-bound and not responsive to economic shifts that occur after the data is captured.
- Subsidy reimbursement rates set at the 75th percentile of statewide market rate data collected 1-3 years in the past may disincentivize child care providers from accepting families using child care subsidies.
- Providers accepting subsidies may have to absorb losses to their business income or charge the family the difference between the reimbursement rate and their tuition rate.

These challenges create a two-tiered system in which families dependent on the subsidy may be clustered in settings that lack the resources to meet the same standards as more expensive programs. For providers, accepting subsidy payments that don’t cover the true cost of care can lead to financial strain, reduced staffing, or even program closures. CCDF allows [two](#) other methods of calculating costs: 1) the cost estimation model; and 2) the cost study or survey, widely known as cost models, which promise [fairer subsidy pricing](#) at the program level to keep child care providers in business, and powerful data at the systems level to help states make strategic investments in the sector. Table IV summarizes an analysis of the [true cost of child care](#) by Prenatal to Five Fiscal Strategies, at lower and higher quality standards. Both sets of figures are significantly higher than state averages for the price of infant care (See Table II).



Table IV: Comparison of Costs of Providing Care that Meets Minimum and High-Quality Standards – U.S. Averages

Type of Program	Infant		Toddler		Three-Year-Old		Four-Year-Old	
	Minimum*	High Quality**	Minimum	High Quality	Minimum	High Quality	Minimum	High Quality
Child Care Center	\$27,620	\$32,473	\$18,615	\$27,113	\$16,814	\$20,222	\$16,814	\$19,074
Family Care Center	\$17,145	\$23,933	\$17,145	\$23,933	\$17,145	\$23,933	\$17,145	\$23,033
Group Family Child Care	\$13,549	\$21,390	\$13,549	\$21,390	\$13,549	\$21,390	\$13,549	\$21,390

* Annual Cost Per Child, Licensing Ratio/Group Size, U.S. Average

** Annual Cost Per Child, Caring for our Children Ratio/Group Size, U.S. Average

A growing number of states are adopting cost modeling to calculate the true cost of care as they develop new ECE initiatives. [Texas](#) piloted a program to supplement staff salaries; [Illinois](#) analyzed child care supply by community to strategically invest in pandemic recovery in the worst affected regions; and Massachusetts built a cost model to assess the adequacy of subsidy levels statewide. [New Mexico](#) and the [District of Columbia](#) developed systemic cost models informing comprehensive ECE initiatives.

Partnerships: Public-private partnerships, which [combine](#) government and private sources of funding, have supported the development and expansion of ECE initiatives in several states.

Cost-sharing helps states meet the true cost of providing care by distributing child care costs between state entities, families, and employers. [Tri-Share](#), a program developed in [Michigan](#), facilitates a split in child care expenses between the employer, eligible employees, and the state.

Employer and employee incentives help engage employers in improving access to and affordability of child care for their employees.

- Employer incentives can take the form of an [Employer Child Care Tax Credit](#) for employers operating child care programs or contracting out child care to specified programs for employees. [South Carolina](#) currently allows employers to claim a tax if they established a child care program for the children of their employees, and [Texas](#) offers a property tax exemption ranging between 50-100 percent for child care facilities established by employers.
- Employee incentives are provided by employers to employees to improve access to and the affordability of child care. They [include](#) child care vouchers, flexible work arrangements, on-site child care, paid parental leave, and other strategies that ensure reliable and affordable child care for employees so that they can continue to work.

Tailored solutions developed by organizations like [Executives Partnering to Invest in Children](#) (EPIC) in partnership with employers also help address child care shortages that affect business productivity.



POLICY PRIORITIES

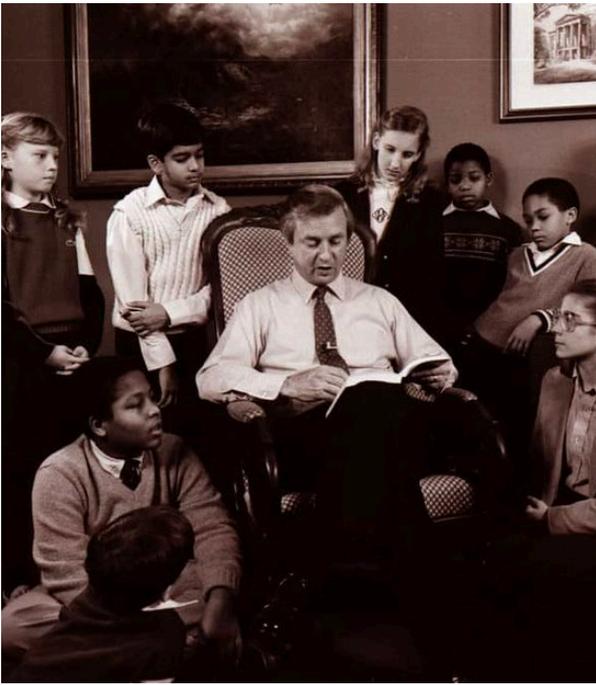
The combined effect of the high costs of providing care and the attrition of the workforce due to low pay and high burnout limits the capacity of child care programs to expand services. Working families with young children face high child care costs that stretch their finances, even as child care program owners struggle with razor thin margins. To help stabilize the child care sector and help working parents better afford care, could policymakers consider:

- ❓ Ensuring that the true cost of child care is factored into ECE models for determining subsidy reimbursement rates.
- ❓ Establishing cost-sharing partnerships with the philanthropic and business sector to help child care programs meet the true cost of providing care without burdening families with unaffordable child care costs.
- ❓ Exploring employer and workforce incentives to address child care shortages and workforce attrition.

RESOURCES

- [The Economics of Child Care Supply in the United States](#) | U.S. Department of the Treasury
- [State-By-State Analysis shows Child Care Workforce in dire straits](#) | Center for the Study of Child Care Employment
- [2024 Child Care Affordability](#) | Child Care Aware of America
- [Cost Modeling for Child Care: Illuminating State Policy Strategies](#) | Bipartisan Policy Center
- [Investing in the Birth-to-Three Workforce](#) | Bank Street College of Education
- [Estimating the True Cost of Care in all 50 States](#) | Prenatal to Five Fiscal Strategies
- [Public-Private Partnerships for Child Care: Examples and Insights](#) | Child Care Aware of America





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The Hunt Institute brings together people and resources to inspire and inform elected officials and policymakers about key issues in education, resulting in visionary leaders who are prepared to take strategic action for greater educational outcomes and student success.

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