# Estimating the true cost of child care in all 50 states

## – 2025 UPDATE –

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In 2024, Prenatal to Five Fiscal Strategies released the first-of-its-kind interactive 50-State Child Care Cost Model. The model builds on the methodology developed by P5FS in work with states and communities over the past decade and provides users with a simple-to-use tool to estimate the true cost of child care in every state and better understand the impact of programmatic and policy choices.

The 50-State Child Care Cost Model relies on several default data sources in order to provide users with state-specific results. In July 2025, P5FS released an update to the cost model to refresh key data points, including:

- Salary data, from both the U.S. Bureau of Labor Statistics and the MIT Living Wage Calculator
- Health insurance costs, from the Kaiser Family Foundation
- Ratio and Group size data, from state licensing regulations
- Nonpersonnel expenses, from the Provider Cost of Quality Calculator
- Regional cost of living data, from the U.S. Bureau of Economic Analysis.

Full details of the tool functionality and data sources are available in the updated methodology. Explanation of the variables used in the cost model, and discussion of ways the model can be used, can be found in an Issue Brief originally released alongside the tool in 2024.

This issue brief presents updated sample outputs using the 2025 version of the 50-State Child Care Cost Model, and includes an analysis of themes and policy impacts.

## Updated Sample Scenarios

With this 2025 model update, P5FS used the cost model to run multiple scenarios for all 50 states and the District of Columbia, estimating the true cost of care when a program pays educators a living wage. Two scenarios were developed – the first using state licensing regulations for ratio and group size data and the second using best practice, evidence-based ratio and group size recommendations from the Caring for Our Children (CFOC) standards, produced by the National Resource Center for Health and Safety in Child Care and Early Education.[1] These results are shown in Tables 1-4.

### Child Care Cost Models

Child care cost models are critical tools to inform policymaking and support a better understanding of the child care business model. They provide transparency into the operating costs of child care programs, how regulations and quality standards impact cost, and illustrate how the math simply does not add up when trying to balance expenses and revenue. Cost models can range from complex spreadsheet-based models that are informed by deep constituent engagement and fully customized for the state or community context, to web-based calculators that use default data and offer limited customization. A detailed tool is necessary when using results to inform public funding rates, but a generalized public model is often sufficient to illustrate the broken child care system and operating model and advocate for increased funding. For more on cost modeling and P5FS' work in this area visit the P5FS website.

*Table 1: Child Care Center, Annual Cost per Child, Licensing Ratio/Group Size*

| State | Child Care Center | | | | |
|---|---|---|---|---|---|
| | Infant | Toddler | Threes | Fours | School age |
| **Alabama** | $25,486 | $20,678 | $16,308 | $13,334 | $6,546 |
| **Alaska** | $29,190 | $26,118 | $19,973 | $19,973 | $8,094 |
| **Arizona** | $28,981 | $23,997 | $17,536 | $16,532 | $7,754 |
| **Arkansas** | $24,216 | $18,309 | $15,028 | $13,715 | $6,766 |
| **California** | $36,802 | $30,498 | $21,436 | $21,436 | $10,855 |
| **Colorado** | $29,492 | $24,001 | $19,883 | $18,282 | $8,873 |
| **Connecticut** | $34,961 | $34,961 | $20,957 | $20,957 | $9,245 |
| **Delaware** | $32,149 | $20,943 | $18,701 | $17,207 | $8,350 |
| **District of Columbia** | $36,666 | $34,288 | $24,551 | $22,128 | $9,776 |
| **Florida** | $31,760 | $18,808 | $16,308 | $14,590 | $7,040 |
| **Georgia** | $25,515 | $18,782 | $15,416 | $14,294 | $6,573 |
| **Hawaii** | $40,507 | $34,784 | $21,431 | $19,047 | $9,073 |
| **Idaho** | $25,034 | $21,184 | $17,334 | $17,334 | $6,739 |
| **Illinois** | $30,288 | $26,236 | $19,063 | $15,941 | $7,907 |

[1] More information about NRC and the CFOC standards available here: https://nrckids.org

| State | Child Care Center | | | | |
|---|---|---|---|---|---|
| | Infant | Toddler | Threes | Fours | School age |
| **Indiana** | $29,425 | $25,419 | $17,405 | $16,070 | $6,660 |
| **Iowa** | $29,165 | $29,165 | $17,395 | $16,087 | $7,723 |
| **Kansas** | $28,434 | $22,399 | $15,651 | $15,651 | $7,608 |
| **Kentucky** | $24,877 | $16,803 | $15,458 | $14,497 | $7,632 |
| **Louisiana** | $23,436 | $16,956 | $14,964 | $14,078 | $6,243 |
| **Maine** | $34,532 | $30,008 | $21,951 | $20,962 | $8,640 |
| **Maryland** | $44,016 | $41,003 | $21,615 | $21,615 | $9,519 |
| **Massachusetts** | $46,315 | $38,243 | $23,424 | $23,424 | $11,139 |
| **Michigan** | $28,350 | $28,350 | $16,819 | $15,537 | $7,469 |
| **Minnesota** | $31,136 | $22,120 | $18,513 | $18,513 | $8,239 |
| **Mississippi** | $24,266 | $19,380 | $16,045 | $14,684 | $7,533 |
| **Missouri** | $29,916 | $29,916 | $19,485 | $18,114 | $7,754 |
| **Montana** | $29,730 | $21,220 | $19,054 | $19,054 | $7,457 |
| **Nebraska** | $27,332 | $22,728 | $17,342 | $15,996 | $7,773 |
| **Nevada** | $33,557 | $25,882 | $18,206 | $17,615 | $8,112 |
| **New Hampshire** | $33,493 | $29,427 | $22,504 | $19,802 | $8,830 |
| **New Jersey** | $33,726 | $27,984 | $21,383 | $20,246 | $9,532 |
| **New Mexico** | $23,220 | $23,220 | $16,429 | $16,429 | $8,038 |
| **New York** | $37,588 | $31,717 | $26,067 | $24,366 | $12,446 |
| **North Carolina** | $26,023 | $23,139 | $14,847 | $13,840 | $7,154 |
| **North Dakota** | $28,572 | $24,154 | $20,271 | $17,481 | $7,128 |
| **Ohio** | $24,650 | $20,902 | $15,999 | $15,018 | $7,198 |
| **Oklahoma** | $29,307 | $22,550 | $15,792 | $14,441 | $6,716 |
| **Oregon** | $34,972 | $34,972 | $20,993 | $20,993 | $9,263 |
| **Pennsylvania** | $31,800 | $27,579 | $19,137 | $19,137 | $9,516 |
| **Rhode Island** | $33,594 | $26,110 | $21,121 | $20,123 | $9,593 |
| **South Carolina** | $27,334 | $24,433 | $17,179 | $17,179 | $7,269 |
| **South Dakota** | $24,431 | $24,431 | $16,932 | $16,932 | $7,531 |
| **Tennessee** | $30,884 | $23,892 | $19,232 | $16,974 | $6,975 |
| **Texas** | $29,802 | $18,814 | $14,762 | $13,795 | $7,086 |
| **Utah** | $33,591 | $33,591 | $18,153 | $16,608 | $7,677 |
| **Vermont** | $32,826 | $32,826 | $19,728 | $19,728 | $9,378 |
| **Virginia** | $33,479 | $29,021 | $20,638 | $20,638 | $8,753 |
| **Washington** | $36,057 | $25,469 | $21,234 | $21,234 | $9,428 |
| **West Virginia** | $28,165 | $26,121 | $15,978 | $15,560 | $7,283 |
| **Wisconsin** | $29,860 | $29,860 | $17,694 | $15,823 | $7,176 |
| **Wyoming** | $28,799 | $25,328 | $19,041 | $18,103 | $9,470 |
| **United States** | $33,221 | $25,713 | $18,888 | $17,628 | $8,097 |

*Table 2: Family Child Care & Group Family Child Care, Annual Cost per Child, Licensing Ratio/Group Size*

| State | Family Child Care | | Group Family Child Care | |
|---|---|---|---|---|
| | Infant, Toddler, Threes, Fours | School age | Infant, Toddler, Threes, Fours | School age |
| **Alabama** | $18,948 | $10,032 | $14,714 | $7,790 |
| **Alaska** | $22,114 | $11,707 | $17,112 | $9,060 |
| **Arizona** | $22,116 | $11,708 | $17,090 | $9,048 |
| **Arkansas** | $18,124 | $9,595 | $14,091 | $7,460 |
| **California** | $25,465 | $13,482 | $19,592 | $10,372 |
| **Colorado** | $22,789 | $12,065 | $17,567 | $9,300 |
| **Connecticut** | $22,819 | $12,081 | $17,620 | $9,328 |
| **Delaware** | $21,265 | $11,258 | $16,456 | $8,712 |
| **District of Columbia** | $23,648 | $12,520 | $18,293 | $9,685 |
| **Florida** | $21,575 | $11,422 | $16,738 | $8,861 |
| **Georgia** | $21,548 | $11,408 | $16,633 | $8,806 |
| **Hawaii** | $26,111 | $13,824 | $20,004 | $10,591 |
| **Idaho** | $20,857 | $11,042 | $16,085 | $8,516 |
| **Illinois** | $21,423 | $11,342 | $16,573 | $8,774 |
| **Indiana** | $19,381 | $10,261 | $15,058 | $7,972 |
| **Iowa** | $19,182 | $10,155 | $14,867 | $7,871 |
| **Kansas** | $19,296 | $10,216 | $14,958 | $7,919 |
| **Kentucky** | $18,783 | $9,944 | $14,611 | $7,735 |
| **Louisiana** | $18,953 | $10,034 | $14,705 | $7,785 |
| **Maine** | $21,306 | $11,280 | $16,486 | $8,728 |
| **Maryland** | $23,250 | $12,309 | $17,911 | $9,483 |
| **Massachusetts** | $25,553 | $13,528 | $19,619 | $10,387 |
| **Michigan** | $19,460 | $10,303 | $15,127 | $8,008 |
| **Minnesota** | $20,451 | $10,828 | $15,885 | $8,410 |
| **Mississippi** | $18,958 | $10,037 | $14,686 | $7,775 |
| **Missouri** | $19,367 | $10,253 | $15,039 | $7,962 |
| **Montana** | $20,342 | $10,770 | $15,718 | $8,322 |
| **Nebraska** | $19,395 | $10,268 | $15,044 | $7,965 |
| **Nevada** | $21,532 | $11,400 | $16,627 | $8,803 |
| **New Hampshire** | $22,576 | $11,952 | $17,468 | $9,248 |
| **New Jersey** | $23,801 | $12,601 | $18,388 | $9,735 |
| **New Mexico** | $19,446 | $10,295 | $15,083 | $7,985 |
| **New York** | $24,619 | $13,034 | $18,948 | $10,031 |
| **North Carolina** | $20,479 | $10,842 | $15,844 | $8,388 |
| **North Dakota** | $18,683 | $9,891 | $14,535 | $7,695 |
| **Ohio** | $19,045 | $10,083 | $14,812 | $7,842 |
| **Oklahoma** | $18,700 | $9,900 | $14,517 | $7,685 |

| State | Family Child Care | | Group Family Child Care | |
|---|---|---|---|---|
| | Infant, Toddler, Threes, Fours | School age | Infant, Toddler, Threes, Fours | School age |
| **Oregon** | $22,812 | $12,077 | $17,629 | $9,333 |
| **Pennsylvania** | $20,972 | $11,103 | $16,241 | $8,598 |
| **Rhode Island** | $22,107 | $11,704 | $17,090 | $9,047 |
| **South Carolina** | $20,174 | $10,681 | $15,617 | $8,268 |
| **South Dakota** | $18,528 | $9,809 | $14,409 | $7,628 |
| **Tennessee** | $20,029 | $10,604 | $15,506 | $8,209 |
| **Texas** | $20,223 | $10,707 | $15,707 | $8,315 |
| **Utah** | $21,491 | $11,378 | $16,576 | $8,775 |
| **Vermont** | $21,557 | $11,413 | $16,637 | $8,808 |
| **Virginia** | $22,873 | $12,109 | $17,618 | $9,327 |
| **Washington** | $23,727 | $12,562 | $18,317 | $9,697 |
| **West Virginia** | $18,411 | $9,747 | $14,348 | $7,596 |
| **Wisconsin** | $19,463 | $10,304 | $15,120 | $8,005 |
| **Wyoming** | $19,703 | $10,431 | $15,284 | $8,092 |
| **United States** | $21,174 | $11,210 | $16,411 | $8,688 |

*Table 3: Child Care Center, Annual Cost per Child, Caring for Our Children Ratio/Group Size*

| State | Child Care Center | | | | |
|---|---|---|---|---|---|
| | Infant | Toddler | Threes | Fours | School age |
| **Alabama** | $35,782 | $29,735 | $21,961 | $20,665 | $10,024 |
| **Alaska** | $41,790 | $34,725 | $25,642 | $24,128 | $11,707 |
| **Arizona** | $41,853 | $34,720 | $25,548 | $24,019 | $11,648 |
| **Arkansas** | $34,189 | $28,430 | $21,024 | $19,790 | $9,601 |
| **California** | $48,307 | $39,990 | $29,296 | $27,513 | $13,336 |
| **Colorado** | $43,147 | $35,753 | $26,247 | $24,662 | $11,958 |
| **Connecticut** | $43,203 | $35,829 | $26,349 | $24,769 | $12,011 |
| **Delaware** | $40,266 | $33,396 | $24,563 | $23,091 | $11,195 |
| **District of Columbia** | $44,815 | $37,189 | $27,384 | $25,749 | $12,486 |
| **Florida** | $40,838 | $33,925 | $25,037 | $23,555 | $11,424 |
| **Georgia** | $40,761 | $33,795 | $24,839 | $23,347 | $11,321 |
| **Hawaii** | $49,488 | $40,922 | $29,909 | $28,073 | $13,609 |
| **Idaho** | $39,387 | $32,667 | $24,028 | $22,588 | $10,957 |
| **Illinois** | $40,531 | $33,633 | $24,765 | $23,287 | $11,293 |
| **Indiana** | $36,573 | $30,425 | $22,521 | $21,203 | $10,288 |
| **Iowa** | $36,203 | $30,075 | $22,195 | $20,882 | $10,130 |
| **Kansas** | $36,449 | $30,266 | $22,315 | $20,990 | $10,180 |
| **Kentucky** | $35,440 | $29,488 | $21,836 | $20,560 | $9,976 |
| **Louisiana** | $35,751 | $29,720 | $21,967 | $20,674 | $10,031 |
| **Maine** | $40,223 | $33,429 | $24,694 | $23,238 | $11,276 |

| State | Child Care Center | | | | |
|---|---|---|---|---|---|
| | Infant | Toddler | Threes | Fours | School age |
| Maryland | $44,087 | $36,492 | $26,727 | $25,100 | $12,165 |
| Massachusetts | $48,371 | $40,064 | $29,383 | $27,603 | $13,387 |
| Michigan | $36,782 | $30,572 | $22,589 | $21,258 | $10,310 |
| Minnesota | $38,664 | $32,142 | $23,756 | $22,358 | $10,845 |
| Mississippi | $35,792 | $29,714 | $21,901 | $20,599 | $9,991 |
| Missouri | $36,554 | $30,397 | $22,480 | $21,161 | $10,267 |
| Montana | $38,361 | $31,865 | $23,514 | $22,122 | $10,736 |
| Nebraska | $36,593 | $30,422 | $22,487 | $21,165 | $10,269 |
| Nevada | $40,722 | $33,775 | $24,843 | $23,354 | $11,326 |
| New Hampshire | $42,749 | $35,479 | $26,132 | $24,574 | $11,916 |
| New Jersey | $45,057 | $37,399 | $27,552 | $25,911 | $12,568 |
| New Mexico | $36,675 | $30,499 | $22,558 | $21,235 | $10,304 |
| New York | $46,640 | $38,630 | $28,371 | $26,661 | $12,930 |
| North Carolina | $38,721 | $32,128 | $23,650 | $22,237 | $10,784 |
| North Dakota | $35,162 | $29,308 | $21,781 | $20,527 | $9,967 |
| Ohio | $35,943 | $9,905 | $22,142 | $20,848 | $10,115 |
| Oklahoma | $35,300 | $29,331 | $21,657 | $20,378 | $9,885 |
| Oregon | $43,188 | $35,832 | $26,374 | $34,798 | $12,025 |
| Pennsylvania | $39,648 | $32,926 | $24,282 | $22,842 | $11,079 |
| Rhode Island | $41,833 | $34,711 | $25,553 | $24,027 | $11,652 |
| South Carolina | $38,137 | $31,650 | $23,309 | $21,919 | $10,630 |
| South Dakota | $34,907 | $29,065 | $21,555 | $20,303 | $9,855 |
| Tennessee | $37,860 | $31,419 | $23,139 | $21,759 | $10,552 |
| Texas | $38,228 | $31,776 | $23,481 | $22,099 | $10,719 |
| Utah | $40,624 | $33,685 | $24,763 | $23,276 | $11,289 |
| Vermont | $40,774 | $33,806 | $24,848 | $23,355 | $11,325 |
| Virginia | $43,303 | $35,872 | $26,319 | $24,726 | $11,989 |
| Washington | $44,975 | $37,281 | $27,389 | $25,741 | $12,479 |
| West Virginia | $34,692 | $28,910 | $21,476 | $20,237 | $9,823 |
| Wisconsin | $36,756 | $30,561 | $22,596 | $21,269 | $10,318 |
| Wyoming | $37,110 | $30,897 | $22,908 | $21,577 | $10,475 |
| United States | $40,059 | $33,267 | $24,534 | $23,079 | $11,192 |

*Table 4: Family Child Care & Group Family Child Care, Annual Cost per Child, Caring for Our Children Ratio/Group Size*

| State | Family Child Care | | Group Family Child Care | |
|---|---|---|---|---|
| | Infant, Toddler, Threes, Fours | School age | Infant, Toddler, Threes, Fours | School age |
| **Alabama** | $27,013 | $14,734 | $23,867 | $12,636 |
| **Alaska** | $31,662 | $17,270 | $27,962 | $14,803 |
| **Arizona** | $31,679 | $17,279 | $27,917 | $14,779 |
| **Arkansas** | $25,801 | $14,078 | $22,824 | $12,083 |
| **California** | $36,621 | $19,975 | $32,178 | $17,035 |
| **Colorado** | $32,717 | $17,846 | $28,784 | $15,238 |
| **Connecticut** | $32,713 | $17,843 | $28,816 | $15,256 |
| **Delaware** | $30,400 | $16,582 | $26,791 | $14,183 |
| **District of Columbia** | $33,842 | $18,459 | $29,844 | $15,799 |
| **Florida** | $30,788 | $16,793 | $27,195 | $14,397 |
| **Georgia** | $30,896 | $16,852 | $27,203 | $14,402 |
| **Hawaii** | $37,709 | $20,569 | $33,067 | $17,506 |
| **Idaho** | $29,939 | $16,330 | $26,364 | $13,957 |
| **Illinois** | $30,655 | $16,721 | $27,029 | $14,309 |
| **Indiana** | $27,634 | $15,073 | $24,448 | $12,943 |
| **Iowa** | $27,400 | $14,945 | $24,191 | $12,807 |
| **Kansas** | $27,551 | $15,028 | $24,314 | $12,872 |
| **Kentucky** | $26,744 | $14,588 | $23,671 | $12,531 |
| **Louisiana** | $27,055 | $14,757 | $23,909 | $12,658 |
| **Maine** | $30,511 | $16,642 | $26,946 | $14,265 |
| **Maryland** | $33,375 | $18,205 | $29,326 | $15,526 |
| **Massachusetts** | $36,853 | $20,102 | $32,385 | $17,145 |
| **Michigan** | $27,713 | $15,116 | $24,498 | $12,970 |
| **Minnesota** | $29,157 | $15,904 | $25,778 | $13,647 |
| **Mississippi** | $27,086 | $14,774 | $23,895 | $12,650 |
| **Missouri** | $27,622 | $15,067 | $24,423 | $12,930 |
| **Montana** | $29,167 | $15,909 | $25,736 | $13,625 |
| **Nebraska** | $27,696 | $15,107 | $24,477 | $12,958 |
| **Nevada** | $30,865 | $16,835 | $27,189 | $14,394 |
| **New Hampshire** | $32,299 | $17,618 | $28,486 | $15,081 |
| **New Jersey** | $34,122 | $18,612 | $30,091 | $15,930 |
| **New Mexico** | $27,774 | $15,149 | $24,553 | $12,999 |
| **New York** | $35,418 | $19,319 | $31,160 | $16,497 |
| **North Carolina** | $29,293 | $15,978 | $25,823 | $13,671 |
| **North Dakota** | $26,631 | $14,526 | $23,613 | $12,501 |
| **Ohio** | $27,121 | $14,793 | $24,002 | $12,707 |
| **Oklahoma** | $26,663 | $14,543 | $23,553 | $12,469 |

| State | Family Child Care | | Group Family Child Care | |
|---|---|---|---|---|
| | Infant, Toddler, Threes, Fours | School age | Infant, Toddler, Threes, Fours | School age |
| **Oregon** | $32,679 | $17,825 | $28,805 | $15,249 |
| **Pennsylvania** | $29,984 | $16,355 | $26,463 | $14,010 |
| **Rhode Island** | $31,658 | $17,268 | $27,908 | $14,775 |
| **South Carolina** | $28,842 | $15,732 | $25,434 | $13,465 |
| **South Dakota** | $26,400 | $14,400 | $23,382 | $12,378 |
| **Tennessee** | $28,632 | $15,617 | $25,247 | $13,366 |
| **Texas** | $28,830 | $15,725 | $25,484 | $13,492 |
| **Utah** | $30,844 | $16,824 | $27,156 | $14,377 |
| **Vermont** | $30,910 | $16,860 | $27,215 | $14,408 |
| **Virginia** | $32,861 | $17,924 | $28,897 | $15,298 |
| **Washington** | $34,014 | $18,553 | $29,948 | $15,855 |
| **West Virginia** | $26,182 | $14,281 | $23,219 | $12,292 |
| **Wisconsin** | $27,740 | $15,131 | $24,529 | $12,985 |
| **Wyoming** | $28,163 | $15,362 | $24,929 | $13,198 |
| **United States** | $30,242 | $16,496 | $26,697 | $14,133 |

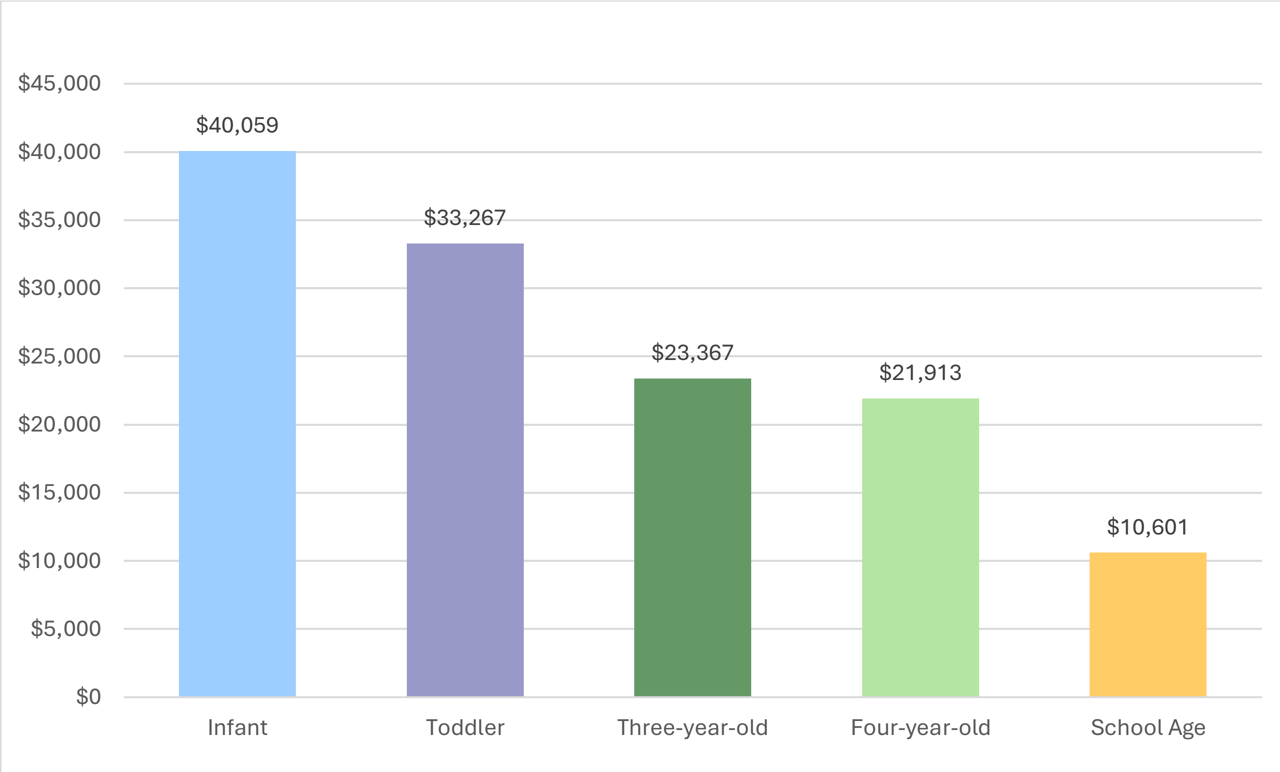
## Emerging Themes

Results from the cost model illustrate several themes related to the true cost of care and the broken child care market.

*The true cost of care for infants is higher than parents can afford and higher than public funding will support.*

Across all states, the cost model finds that the true cost of care is higher the younger the child, due to the smaller group sizes and ratios necessary when providing care to young children. As shown in Figure 1, the true cost of infant care is just over $40,000 per year on average, compared to just under $22,000 for a 4-year-old preschooler.

*Figure 1: True cost of care, by age, child care center setting, MIT Living Wage salaries, CFOC ratio/group size, United States average*

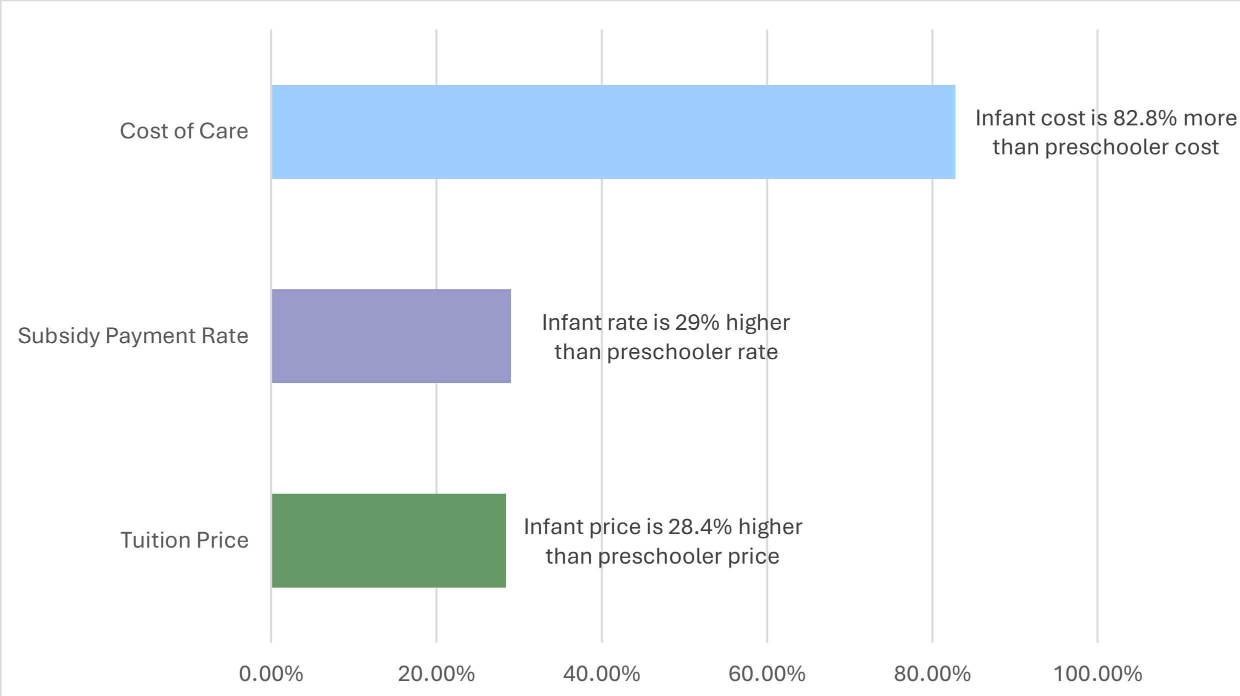



These results show that the true cost of infant care is 83% more expensive than for a 4-year-old. However, neither the tuition rates that providers can charge nor the public funding rates providers may receive, keep up with this difference:

- Data from Child Care Aware of America finds that, on average, tuition rates for infants are only 29% higher than tuition rates for preschoolers.
- Data from the National Women's Law Center finds that subsidy rates for infants are only 28% higher than for a preschooler.

Figure 2 illustrates this comparison. This results in many programs losing money when serving infants or toddlers, as they cannot generate sufficient revenue to cover the increased cost, compared to older children. Alternatively, programs opt to not serve younger children at all, leading to infant and toddler child care deserts.

*Figure 2: Percent difference between infant and preschool care in a child care center, comparison between average tuition, subsidy and true cost of care*

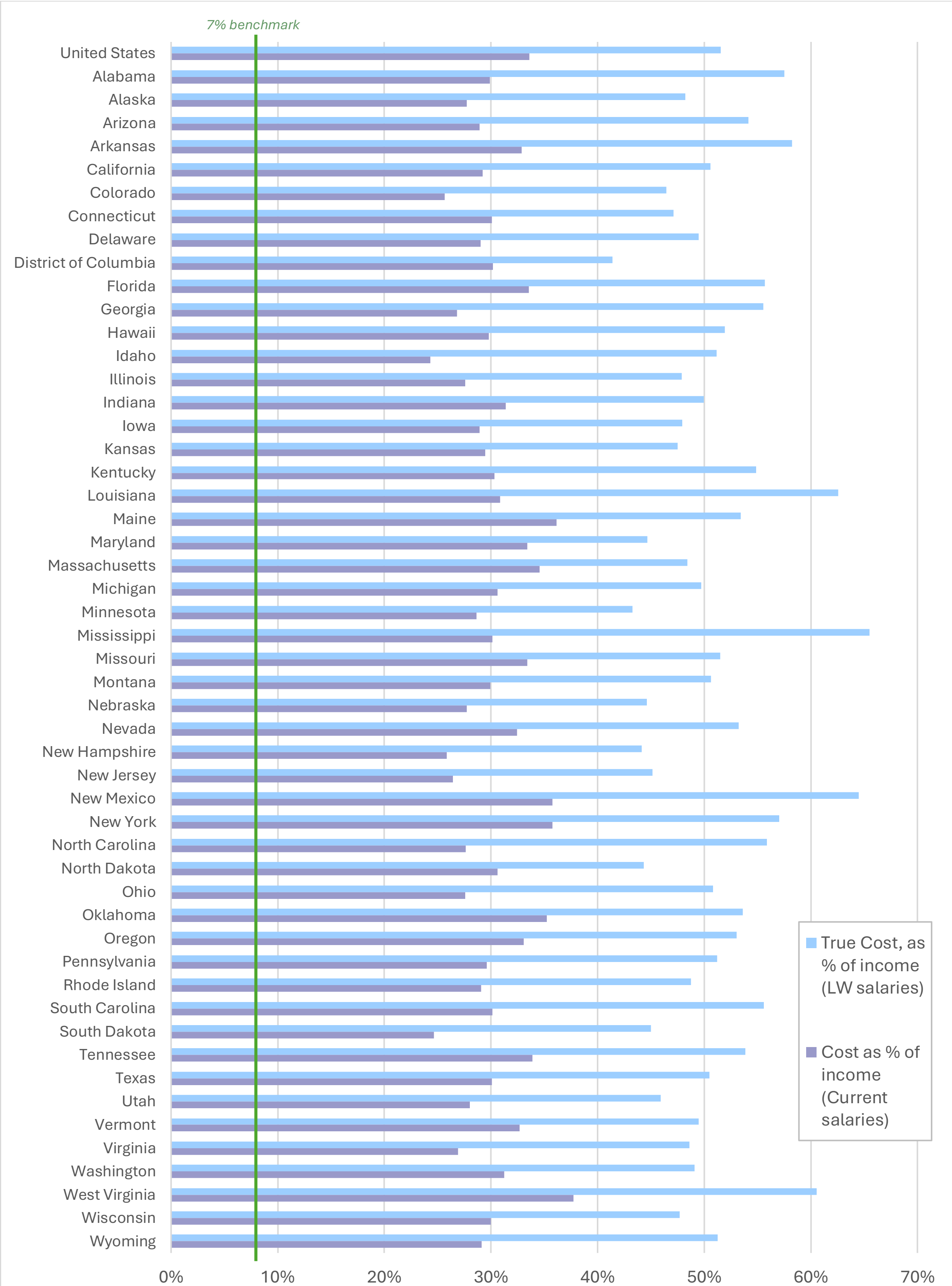



### *The cost of infant care is unaffordable for most families, even with current salaries.*

The cost model finds that the true cost of infant care, with a living wage, and using best practice ratio and group size guidelines, ranges from $34,189 in Arkansas to $49,488 in Hawaii, with a national average of $40,059 per year. With the U.S. median annual income being just $77,719, this is clearly unaffordable for most families. When the model is used to estimate the cost of care using current salary data and using state ratio and group size requirement, the cost of care ranges from $16,448 in Mississippi to $34,514 in Massachusetts, with a national average of $26,106 per year. This is still unaffordable for most families, translating into 34% of the U.S. median income, far above the federal benchmark for affordable child care of 7% of a family income.

Figure 3 illustrates the true cost of infant child care in a center-based setting as a percent of state median income, for all 50 states and D.C. The figure also displays data for the cost using current salaries as a comparison.

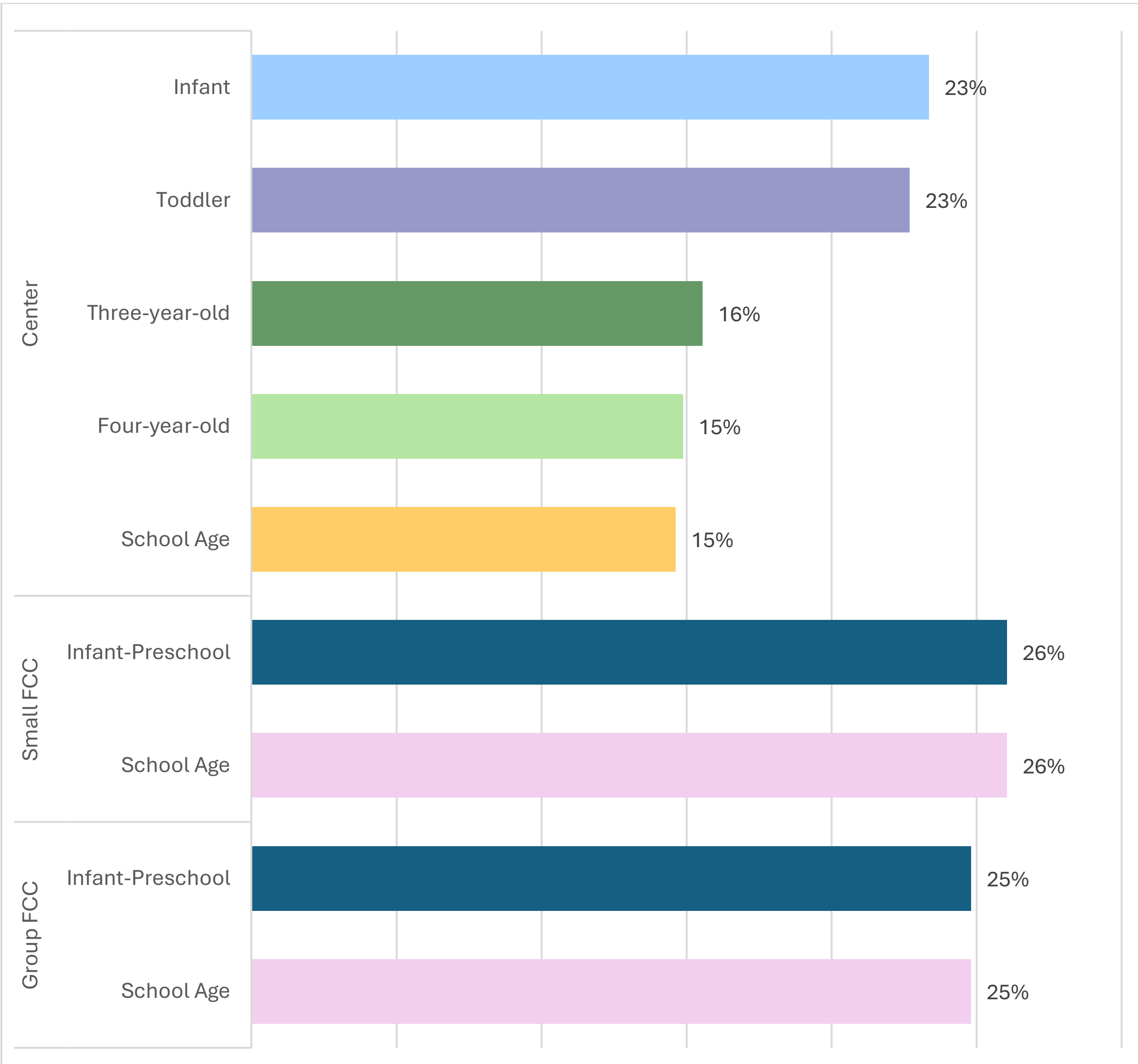
*Figure 3: True cost and cost of infant care, as a percent of median household income*



*The true cost of care continues to increase, outpacing inflation and wage growth*

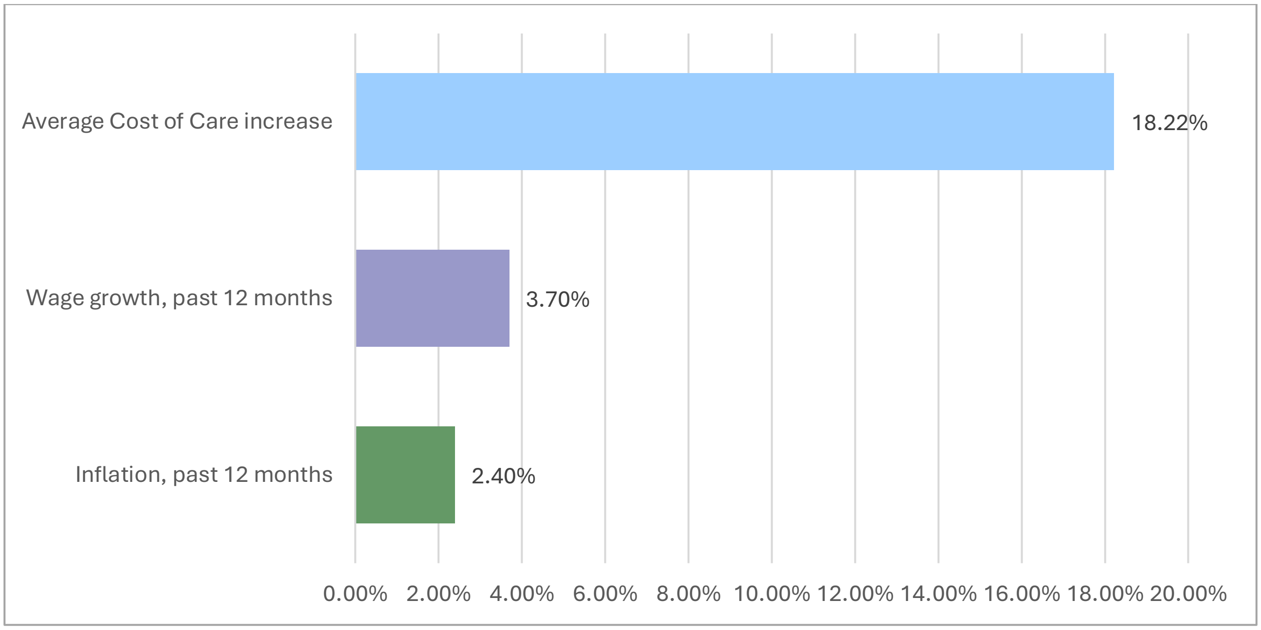
When comparing the 2025 results to 2024 cost outputs, the true cost of care has increased between 15% and 26%, as shown in Figure 4. This is driven primarily by increases in the living wage salary data used in the cost model, but also by increased health insurance costs and nonpersonnel expenses, such as rent/lease/mortgage and utilities.

*Figure 4: Increase in cost of care from 2024 to 2025, by age, and setting*




The increase in the true cost outpaces both inflation and wage growth for the past 12 months, as shown in Figure 5. This illustrates the challenges families face paying for child care, when their wages don't keep up with rising expenses, and further impacts providers ability to increase compensation for the early childhood workforce.

*Figure 5: Average increase in true cost of care, compared to inflation and wage growth, past 12 months*




*Source: Wage growth data from Economic Policy Institute, Nominal Wage Tracker, as of June 2025, available at: [https://www.epi.org/nominal-wage-tracker](https://www.epi.org/nominal-wage-tracker): Inflation data from U.S. Bureau of Labor Statistics, Consumer Price Index, as of May 2025, available at: [https://www.bls.gov/news.release/pdf/cpi.pdf](https://www.bls.gov/news.release/pdf/cpi.pdf)*

## Using Cost Modeling to Inform Policy

### *Increase understanding of the child care business model and the true cost of care*

Understanding the child care business model, and why child care costs so much, is a critical first step in addressing the affordability of child care for families. With child care providers operating on slim margins and finding creative ways to manage their budgets with the limited revenue available to them, the true cost of child care is often hidden from families and policymakers. However, this has led to high turnover and severe challenges recruiting and retaining staff, due to limited wage growth, as well as closure of classrooms and an inability to expand to meet demand due to a declining pipeline of early childhood educators. Cost modeling can be used to deepen understanding of the true costs involved in operating a child care program in each state, shining a light on the resources necessary to meet state standards and to pay professional compensation.

This data can also be used to understand which families need assistance paying for child care. If a state or community wants to support families in paying no more than 7% of their income on child care, for example, the cost of care data can help better estimate the income guidelines necessary for public assistance to support families to afford the true cost of care.

*Set subsidy rates based on cost of care*

Families' inability to pay tuition rates aligned with the true cost of care is reflected in the child care assistance, or public funding rates, set by most states. Under the Child Care and Development Fund, or CCDF, guidelines – the largest public funding stream supporting working families' access to child care – states must set rates at a level that provides equal access to child care for subsidy-eligible families as for private-pay families. Historically, most states have used a market rate survey to inform these rates, collecting data from child care providers about what they currently charge families, and then setting subsidy rates at a certain percentile of the median rate. However, because tuition rates reflect only what families can afford, not what it actually costs to provide care, setting public funding rates in this way exacerbates the broken nature of the child care market.

Since the Child Care and Development Block Grant Act reauthorization of CCDF in 2014, states have the option to use an alternative methodology to inform subsidy rate setting, such as using a cost estimation model. By using cost modeling, states can set child care assistance reimbursement rates at levels that reflect the true cost of care, not just what families can afford. Importantly this approach can address the inequities within the private child care market, where the gap between the price and cost of infant care is much larger than the gap between the price and cost of preschool or school age care, and the gaps in low-income communities are larger than in high-income communities. The District of Columbia, New Mexico, and Virginia have all implemented this approach in recent years, and in the FY2025-2027 CCDF plan cycle a number of other states are moving to this approach.

*Make data-informed decisions*

Data-informed decision making can help address the biggest challenges facing the child care system. Cost models provide an important data point into the policymaking process, identifying not only the true cost of care but also highlighting the sufficiency or insufficiency of funding streams, how gaps vary by program type, age of child, geographic region, or other variable, and illustrating the fiscal impact of proposed policy changes.

When states or communities are exploring revenue raising mechanisms to increase access to affordable child care, cost modeling data can help decision makers understand the potential reach of new revenue. On the other hand, in a time of limited investment or budget cuts, cost modeling can help estimate the fiscal impact of changes to rates or eligibility levels, and can help identify priorities for preserving funding based on the gaps between the market prices and true cost of care.

## About Prenatal to Five Fiscal Strategies

Prenatal to Five Fiscal Strategies is a national nonprofit founded by Jeanna Capito and Simon Workman that seeks to address the broken fiscal and governance structures within the prenatal to five system with a comprehensive, cross-agency, cross-service approach. The organization is founded on shared principles that center on the needs of children, families, providers, and the workforce. This approach fundamentally rethinks the current system to better tackle issues of equity in funding and access.

The 50 State Child Care Cost Model was developed by P5FS in 2024. The model is available online and is free to use. Data in the model will be refreshed annually. Additional support for this brief was provided by Casey Amayun and Veronica Torres.

For more information about Prenatal to Five Fiscal Strategies, please visit: www.prenatal5fiscal.org