Child Care Business Sustainability Report

Multi-State

2025

firstchildrensfinance.org

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Executive Summary

First Children's Finance's 2025 State of Child Care Business Survey provides the first comprehensive analysis of child care business health across five states - Iowa, Michigan, Minnesota, Oregon, and Vermont - drawing insights from nearly 2,000 business owners. The findings reveal a sector under sustained financial pressure, where business owners continue to serve families while operating without financial margin, often at personal cost.

The survey identified the following trends:

Across most of the states surveyed, child care businesses reported that their financial situation remained about the same in 2025 as 2024. But this surface stability masks a more troubling reality: for businesses already deferring repairs, skipping owner pay, or drawing on savings, holding steady simply means these are the operating norm. In four of five states, more owners reported losing ground than gaining it.

Vermont stands apart, backed by a dedicated Act 76 revenue source for child care. Vermont business owners are the most optimistic and least likely to experience financial risk.

Yet outside Vermont, most businesses lack the financial cushion to weather challenges. Few businesses added to their emergency funds, and when revenue falls short, owners close the gap themselves through unpaid time, deferred maintenance, personal savings, and high-interest credit. In three states, most family child care owners reported that business losses directly impacted their household income.

Public funding reaches most businesses but fails to support them adequately. Outside Vermont, fewer than 1 in 4 business owners believe their state is investing in child care business sustainability. Meanwhile, at least two-thirds of centers in every state disagree that the child care workforce is paid fairly, yet most centers cannot afford to offer higher compensation to employees.

What emerges is a sector of small businesses showing up for families and supporting the larger workforce while operating without margin. They are raising rates and accessing available funding, while simultaneously deferring repairs, forgoing pay, and absorbing losses into their households. This self-sacrifice remains largely unrecognized despite the sector's critical role in enabling the broader economy.

Introduction

Today's headlines frequently cover child care access, supply, and affordability concerns. Child care is a critical part of a community's economic infrastructure: when it is unaffordable, unreliable, or low-quality, parents can't fully participate in the workforce, employers struggle to recruit and retain talent, and communities lose economic growth and stability. A strong child care sector benefits us all.

Small businesses embedded in local communities deliver most of the child care in the United States. These resourceful entrepreneurs operate in a sector with high labor costs, significant regulatory requirements, and limited pricing flexibility, often resulting in extremely narrow financial margins. Strengthening child care supply therefore requires strengthening the business foundations of the sector.

First Children's Finance surveys small business owners annually across the five states where we have state offices - Iowa, Michigan, Minnesota, Oregon, and Vermont - to better understand their current experiences, business dynamics, and operational health.[1] Many surveys in the field inform our understanding of different components of the child care sector, like workforce dynamics or quality practices, but none focus on this provider-level business experience across multiple states. Findings from this study can inform community and system level supports to strengthen child care businesses.

This report explores the responses from nearly 2,000 child care business owners across five states, sharing their perceptions alongside indicators of financial resilience and risk. Throughout, we highlight successes, promising strategies, and opportunities for action.

[1] While FCF uses the term "small business" throughout this report and analysis, we include nonprofit child care organizations in this analysis and definitions, as well.

Methodology

First Children's Finance conducted the first State of Child Care Business Survey with child care businesses in Minnesota in the spring of 2021 in partnership with the Minneapolis Federal Reserve. As child care businesses navigated the early days of the COVID-19 pandemic, this first survey sought to understand their experience and challenges. Since then, FCF has fielded the survey annually in Minnesota and expanded data collection to all five states where we have state offices. This includes Iowa, Michigan, Minnesota, Oregon, and Vermont. Today, the survey captures key components of child care business health and operations, along with business owners' perceptions of their business and the field.

This report presents the 2025 State of Child Care Business Survey results. FCF surveyed child care businesses across five states in early 2026 to understand their experiences in 2025. In some states, FCF sent the survey to all child care programs on our contact list. In other states, FCF sent the survey to all licensed programs. In total, FCF collected 1,938 usable responses from child care business owners across the five states.

State	Center	FCC[2]	Total
Iowa	105	117	222
Michigan	165	148	313
Minnesota	145	587	732
Oregon	99	420	519
Vermont	74	78	152
Total	**588**	**1350**	**1938**

Additional demographic information about survey respondents, including gender, race and ethnicity, is provided in the Appendix.

Because FCF has in-depth connections with the state systems in each of these five states, results are considered within state context to help identify national trends. We present findings disaggregated by state and program type to capture differences across both.

This is the first year results from all five states have been consistently analyzed and compared, giving us a baseline for future monitoring and learning. Because this multi-state approach differs from individual state reports, figures here may vary slightly from a state's own analysis, reflecting each report's different purpose.

[2] Different states have different licensing models, and sometimes more than one, for family child care. For analysis purposes, we collapsed and grouped these different types into the FCC category.

Findings

The results are organized in four sections. The sentiment overview section presents how business owners see their own situation and the sector around them. This section sets the broader context and provides the foundation for the sections that follow.

The following two sections present indicators of financial resilience and financial risk, first for centers and then for family child care businesses. The State of Child Care Business Survey collects a wide set of questions and indicators that describe the current financial stability of child care businesses in each of the five analyzed states. Some of these indicators reflect signs of financial strength and resilience, while others point to the financial risks these businesses are carrying. The tables below show the specific resilience and risk indicators analyzed for centers and family child care businesses.

The Financial Resilience Indicators reflect practices that demonstrate or suggest greater business sustainability.

Financial Resilience Indicators	Center	FCC
Full enrollment	✓	✓
Increased tuition	✓	✓
Accessed public funding	✓	✓
Added to business emergency fund	✓	✓
Expanded capacity	✓	
Offered suite of benefits	✓	
Confidence in ability to sustain wages	✓	
Plan to operate child care business for 6+ years	✓	✓

The Financial Risk Indicators depict the financial vulnerabilities and risks that child care businesses are experiencing. Some of these indicators reflect current financial distress while others reflect situations that add pressure to the business.

Financial Risk Indicators	Center	FCC
Behind on rent/mortgage payments	✓	✓
Unable to pay other bills on time	✓	✓
Unable to pay myself at times	✓	✓
Deferred maintenance	✓	✓
Used high-interest financing	✓	✓
Used personal/retirement savings	✓	✓
Difficult to secure liability coverage	✓	✓
Difficult to retain the workforce	✓	
Household income impacted by business losses	✓	✓

We report these results separately for centers and family child care businesses because the two business models differ in ways that shape nearly every indicator in this report. Centers operate larger facilities, employ teaching staff, and carry payroll and benefits costs that family child care businesses generally do not. Family child care businesses typically operate out of the owner's home, with the owner as the primary or only caregiver, which ties the business and the household together financially. These differences result in different patterns of resilience and risk, which are compared in the last section of the results.

After the results section, the closing section discusses key themes and takeaways.

Business Owner Sentiment

This section presents how child care business owners perceive their situation.

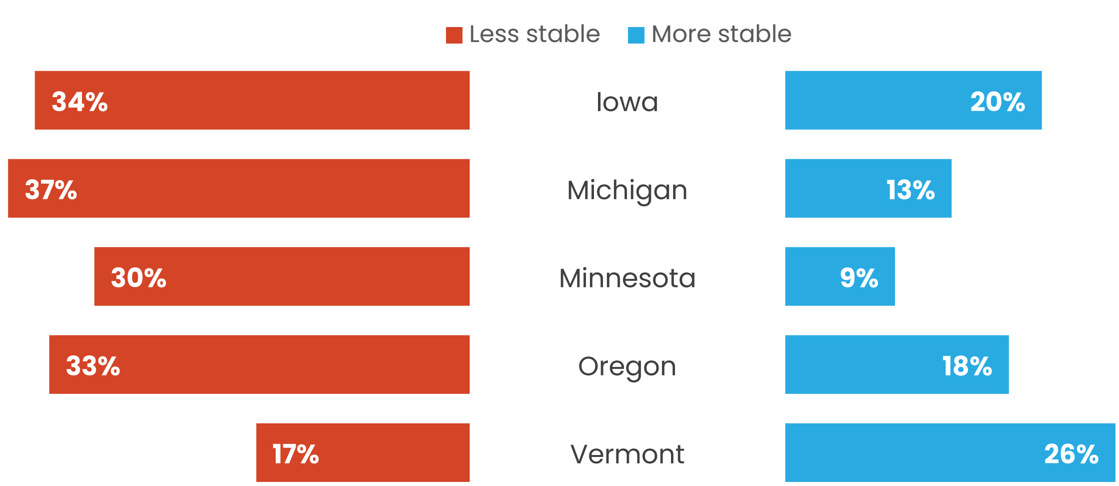
- how business owners assess the financial stability of their business in 2025 compared to 2024,
- how optimistic they are about the future of their business, and
- whether they believe their state is making investments that increase the sustainability of child care businesses.

These results reflect self-reported perceptions rather than measures of business health.

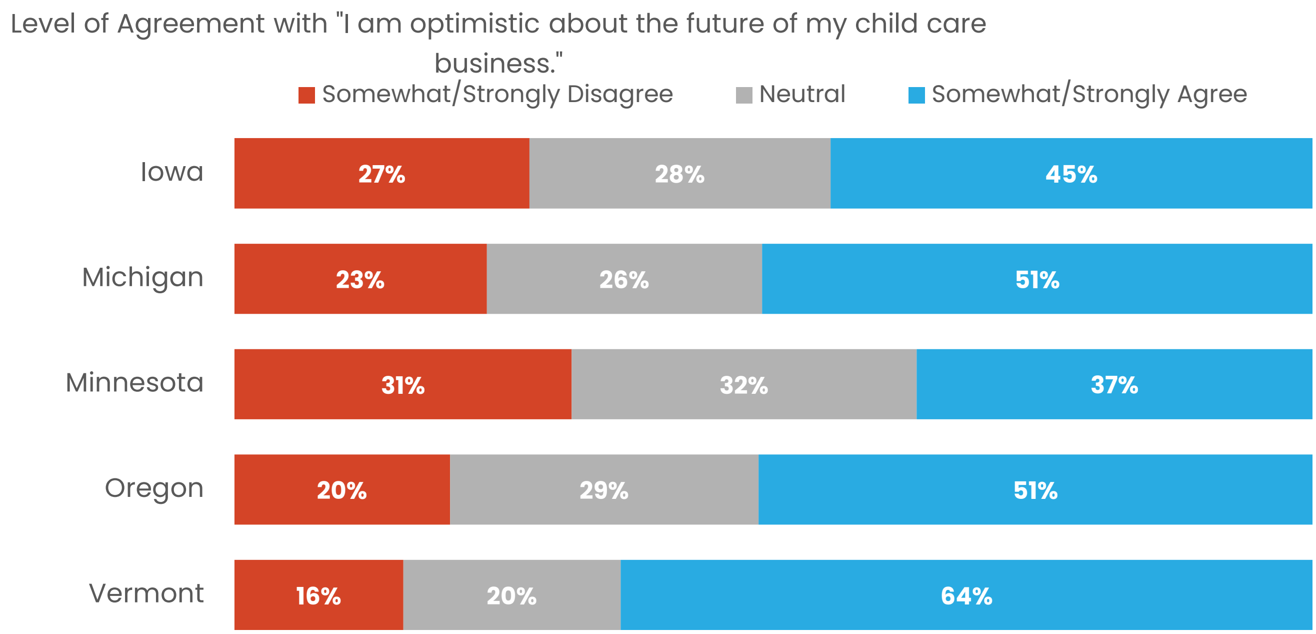
Perception of own business

Child care business owners share that they are struggling with their businesses. When asked if they see their business as more or less stable in 2025 compared to 2024, in most states fewer providers perceive their business as more stable than last year. Vermont is the only state where more providers (26%) perceive that financial stability improved in 2025, leading all other states. All other states have rates of around one-third reporting less stability than the previous year. Across all states, most providers reported that their financial stability was about the same in 2025 as in 2024. This could mean a persistent challenge for those states that have experienced periods of intense crisis, or persistent financial stability for those states that have had more positive periods for the sector and beyond.

Perception of financial stability of business in 2025 compared to 2024



In most states, the majority of business owners express optimism about their businesses' future. Businesses in Vermont are the most optimistic about the future of child care businesses, with 64% optimistic. Businesses in Minnesota are the most critical, with one-third disagreeing. Minnesota's results on this question warrant additional context: the survey was fielded during a period of significant disruption in the state, which may have shaped how business owners assessed their future prospects and other indicators analyzed in this report.[3]



Provider perceptions of financial stability reflect real operational strain as business owners manage daily and ongoing operations. In the following sections, this report analyzes a handful of indicators that reflect the reality experienced by child care businesses across these states.

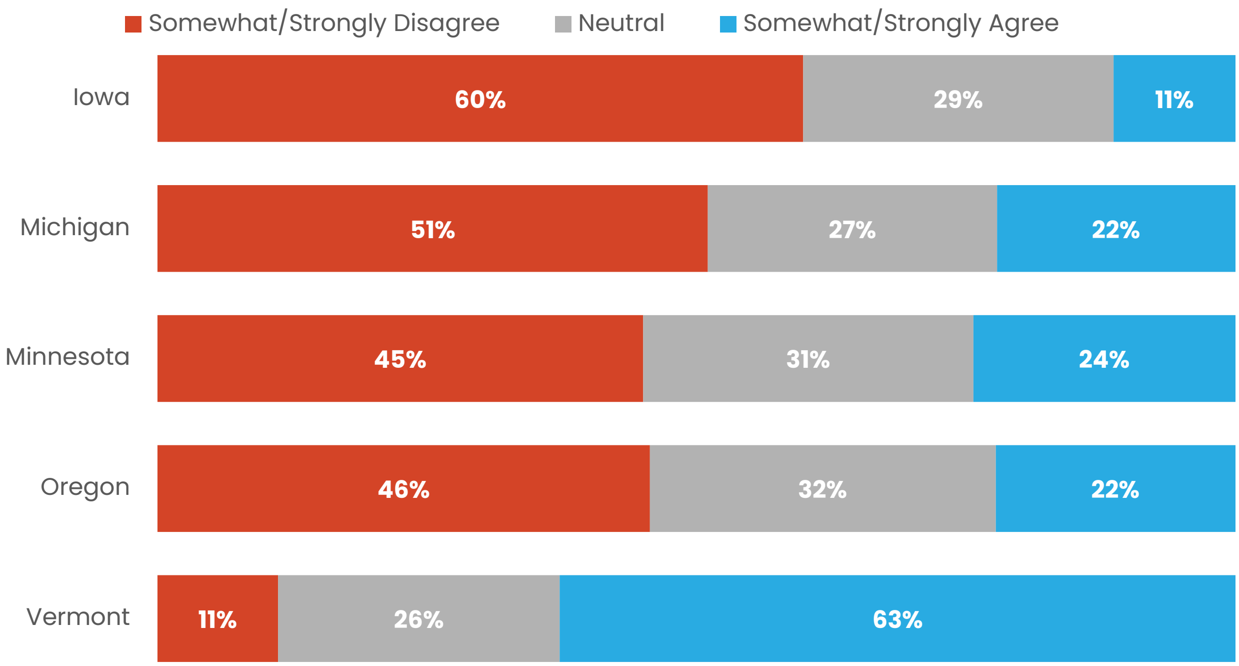
[3] Minnesota's position at the bottom of this ranking should be read with the timing of survey administration in mind. Minnesota business owners responded during and shortly after a large-scale federal immigration enforcement operation in the state, which brought documented disruption to businesses, schools, and daily life across the Twin Cities region and beyond. This context may have shaped how business owners assessed the future of their businesses and other survey indicators, in a way that did not apply in the other four states during the same period.

Perception of the sector

Child care businesses do not exist in a vacuum. States regulate, fund, and provide other supports for child care businesses, and these state environments differ across the states surveyed. Business owners also have a view of what their states are doing to support the child care sector.

In four of five states, the large majority of child care business owners report that current state investment is not sufficient to sustain their businesses: roughly half of business owners disagree that their state is making investments that increase the sustainability of child care businesses, ranging from 45 percent in Minnesota to 60 percent in Iowa. Vermont clearly stands apart: more than 60 percent of Vermont business owners agree that their state is investing in the sustainability of child care businesses, roughly three times the rate of the next closest state. Vermont's experience is likely shaped by Act 76, passed in 2023, which directs roughly $125 million annually into the state's child care sector, funded by a dedicated payroll tax.

Level of Agreement with "My state is making investments that are increasing the sustainability of child care businesses."



Child Care Center Results

Grounded in the perceptions of business owners, this section turns to the business practices and conditions behind them. The following section presents center results.

Financial Resilience

Overall, Vermont shows the strongest resilience profile among centers, leading on five of the eight indicators: adding to a business emergency fund, increasing tuition, meeting the enrollment benchmark, expanding capacity, and staff benefits offered. Below Vermont, however, no other state emerges as consistently strongest or weakest.

Oregon leads on the three indicators that reflect long-term sustainability, showing the highest share of centers planning to operate for six or more years, paying themselves a salary, and expressing confidence in sustaining wages and benefits, while at the same time reporting the lowest rates of full enrollment, tuition increases, and paying other bills on time. Minnesota leads on access to public funding, where nearly all centers report at least one source. All state and Tribally licensed child care centers in the state are eligible to participate in Great Start Compensation Support Payment Program, which helps fund increased wages and benefit offerings for the child care workforce. Iowa and Michigan sit in the middle on most indicators but report the lowest rates on the measures of growth and buffer: fewer than one in five Iowa centers expanded capacity, and Iowa and Michigan report the lowest rates of adding to an emergency fund, at 7 and 5 percent.

On the following page is a snapshot of the five states against all eight financial resilience indicators, each of which we will unpack with more detail below.

Vermont shows the strongest resilience profile. Follwing Vermont, different states lead across other indicators.

% of centers that experience different financial resilience indicators.

Full Enrollment

One of the most significant factors that affect child care businesses' sustainability is revenue. Steady and strong child **enrollment** is the foundation of a sustainable child care business. Across all states, more than half of centers report full enrollment (defined as enrollment rates higher than 85 percent of staffed capacity) in 2025. Vermont presents the highest percentage (80%) of centers with more than 85% of staffed capacity filled. Iowa and Michigan show smaller and similar rates (66-64%), and Oregon the lowest, with just above half of all centers (52%) fully enrolled. Minnesota did not collect the data needed for this indicator.

Note that these enrollment rates are shaped by different child to teacher ratios and group size regulations in each state. They may also reflect different business choices and preferences. Across different age-groupings and configurations, Vermont's maximum child-teacher ratios tend to be the strictest, which could be a contributing factor in the state's high rates of full enrollment.

FULL ENROLLMENT BENCHMARK

≥85%

of staffed capacity.

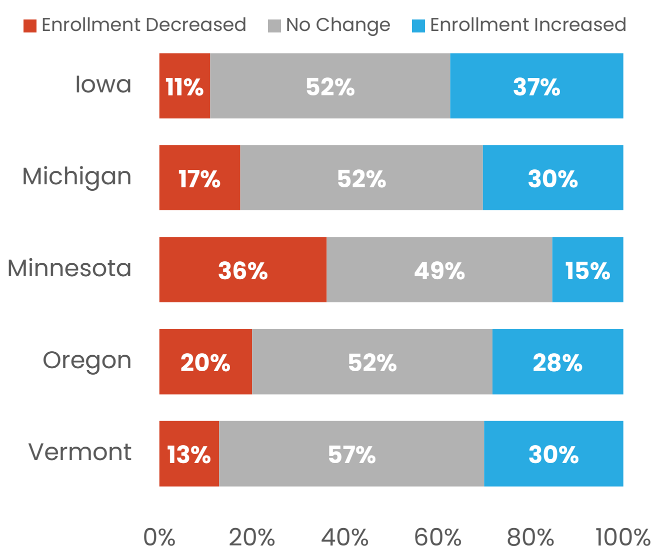
HOW STAFFED CAPACITY IS MEASURED

Staffed capacity is current enrollment plus the open slots a program reported it could fill without hiring additional staff. It is used in place of licensed capacity, which includes slots a program is licensed to operate but cannot fill in practice due to staffing constraints or its own operating decisions.

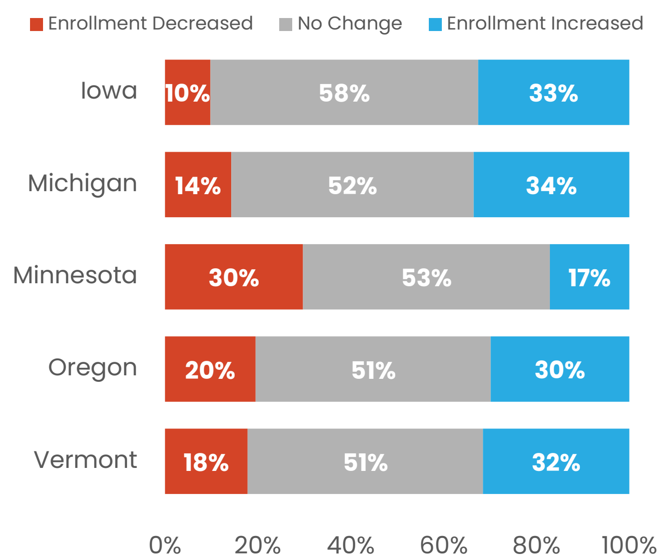
Enrollment data captures a specific point in time, which can be limited. Pairing these results with providers' perception of enrollment changes during the year, provides more context. When asked about changes in enrollment during 2025, most business owners across states report no changes in infant, toddler, and school-age enrollment. This could mean chronic under-enrollment for those who report low levels of enrollment, such as in Oregon, or persistent high levels of enrollment, as many providers in Vermont experience.

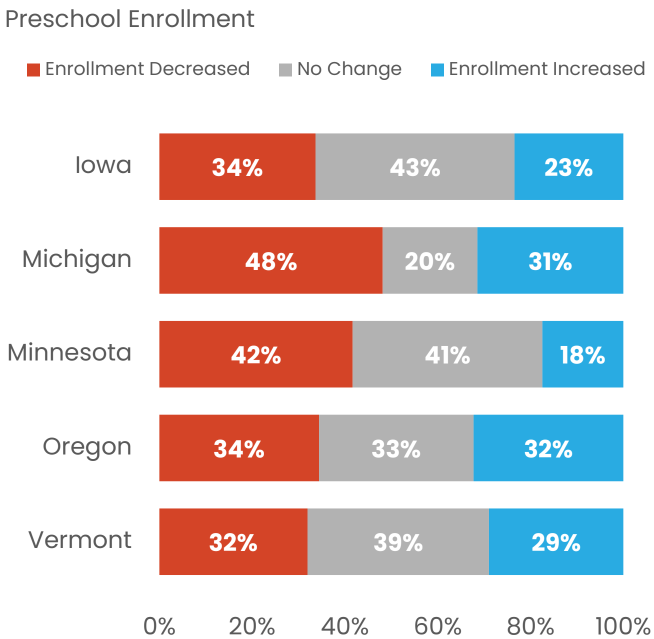
Preschool enrollment experienced the biggest decreases across states, ranging from 32 percent reporting decreases in preschool enrollment in Vermont to 48 percent of centers in Michigan. Vermont and Iowa show the most stable enrollment picture overall, with Iowa reporting the lowest rate of decrease for infants and toddlers and Vermont the lowest for preschool and school age children. Minnesota shows the highest rates of centers reporting enrollment decrease for infants, toddlers, and school age children, and the second highest for preschool, where Michigan leads with almost half of centers reporting preschool enrollment decreases.

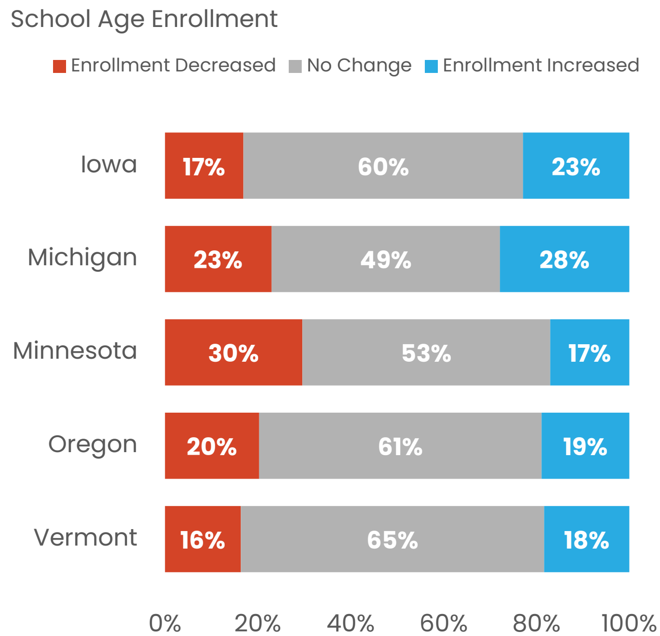
Perception of Enrollment Changes in 2025
Infant Enrollment



Toddler Enrollment

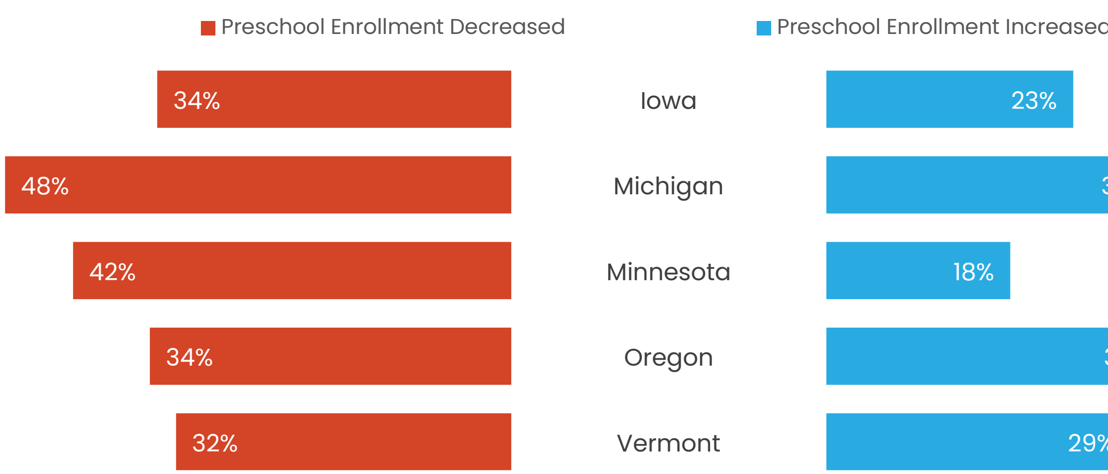






Preschool enrollment plays an outsized role in child care business sustainability. The child care business model has generally relied on diversified revenue streams - profits generated from preschool classrooms to partially offset the higher cost of infant and toddler care. The true cost of the lower child-teacher ratios needed to safely care for very young children is unaffordable for virtually all families. Overall, Minnesota shows the most critical scenario in preschool enrollment changes. It is also the only state where enrollment loss is broad based, rather than concentrated in a single age group, and where the fewest centers reported gains. While Michigan has the highest rate of preschool enrollment decreases, Minnesota shows similar rates of decreased enrollment but much lower rates of preschool enrollment increases, which could translate to a more critical situation for centers.

Overall, Minnesota shows the most critical scenario regarding preschool enrollment changes.



State investment in preschool influences enrollment patterns but its impact varies. When it is offered primarily through school districts, the shift in preschool enrollment can ripple across the child care sector, reducing access to infant and toddler care. However, when preschool is offered through a mixed-delivery model that includes child care businesses, it can result in stronger enrollment among participating centers. Vermont's Universal Preschool (UPK), Oregon's Preschool Promise, and Michigan's Great Start to School Readiness Program each have goals for the percent of slots offered within community-based child care businesses. Offering preschool through a mixed delivery model can support family choice, increase access to full day, full year care needed by many working families, and help stabilize the availability of infant and toddler care. Based on the most recent available data in each state, roughly 60% of state-funded preschool slots in Vermont and Oregon and 46% of slots in Michigan are offered in child care centers and homes.[4]

Tuition

Tuition increase is one of the main ways businesses manage to keep up with rising costs; however, many child care businesses struggle to raise rates because families can't afford them. According to survey results, between 55 and 69 percent of centers increased tuition rates in 2025, with Vermont reporting the highest rate and Oregon the lowest. Many centers might be choosing not to raise their tuition to avoid pricing out families, especially if the center is experiencing under-enrollment.

Public Funding

Public funding is another important source of income for many child care businesses. Participation in public funding can indicate diversified revenue, expanded clientele, and increased financial and administrative capacity. Between 79 and 98 percent of centers across states reported accessing at least one public funding source[5], with Minnesota leading and Vermont following closely. Michigan presents the lowest rate of centers accessing any public funding source (79%); however, the rate is still high.

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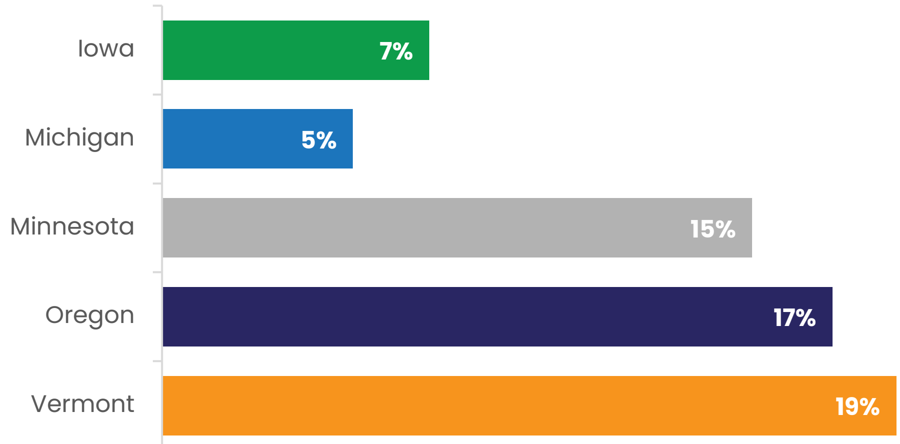
[4] See: Michigan; Oregon; Vermont.

[5] Multi-state comparisons on this indicator are limited by variation in the survey instrument. The set of public funding sources presented to respondents differed by state; observed differences therefore reflect both instrument coverage and actual provider access. Across states, public funding types in the survey include: child care subsidy, public PreK, food program (CACFP), and Head Start, among others. Individual state surveys also included ongoing workforce compensation and operational funding, one-time grantmaking in facilities and quality-enhancement, as well as city and county-funding streams.

Business Emergency Fund

Another sign of resilience is child care businesses' ability to plan and save for future emergency costs. According to the survey, the percentage of centers that report **adding to their business emergency fund** is low across states. However, some are doing better than others. In Vermont, the rate is almost one in five centers, while Iowa and Michigan report the lowest rate, at 7 and 5 percent.

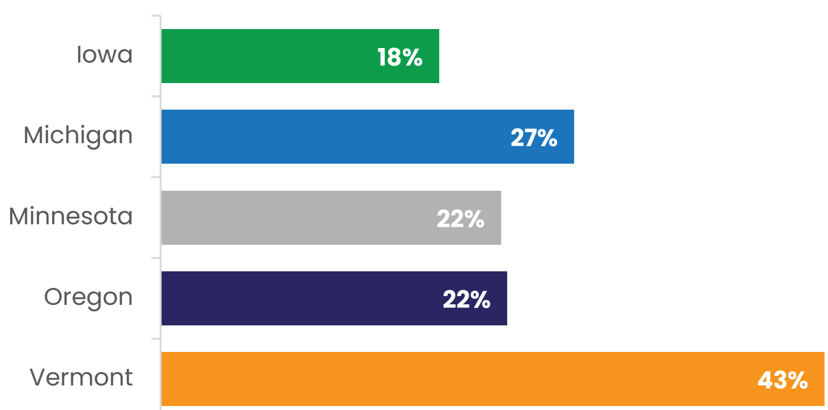
Percentage of centers reporting adding to business emergency fund



Expanded Capacity

Opening a new classroom, reopening classrooms that had been temporarily closed, and adding a new site or location to the business are all signs of growth and expanded capacity, which, when done strategically, can indicate financial resilience and sustainability. The percentage of centers that reported experiencing at least one of these actions in 2025 varies significantly by state. Vermont shows the highest rate with 43 percent of centers reporting expanding capacity. Michigan, Minnesota, and Oregon sit in the middle of the range, with 27, 22, and 22 percent of centers, respectively. At the bottom, Iowa shows the lowest rate, with less than one in five centers expanding capacity.

Percentage of centers reporting expanding capacity

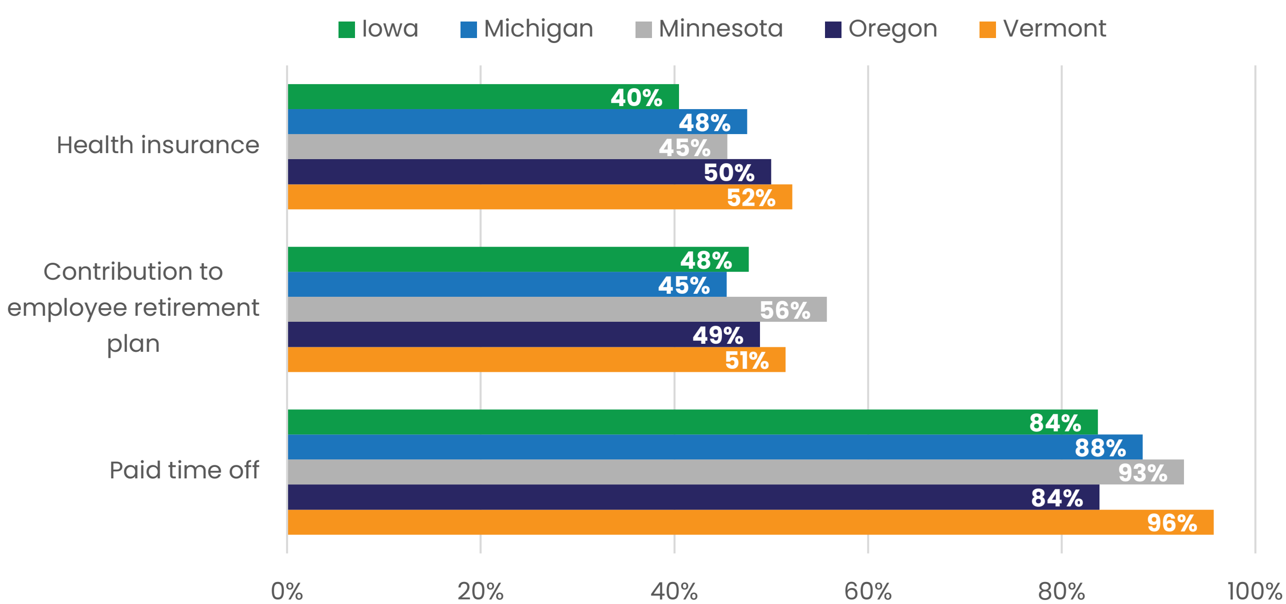


Staff Benefits

A center's ability to maintain required staffing and retain their staff is a crucial indicator of performance. Offering wages and benefits coverage is the main tool centers have to attract and keep qualified staff, which makes benefits offered a useful sign of a center's financial capacity. What a business can offer its employees reflects what it can afford to commit to on an ongoing basis.

Across states, about one third of all centers reported **offering three main benefits**: paid time off, health insurance, and contributions to employees' retirement plans. Differences between states are modest. When looking at specific benefits, paid time off is the most offered benefit, with between 84 and 96 percent of centers offering it. Contributions to health insurance and retirement are less common, offered by closer to half of centers across states. Differences between states are small; however, Vermont has the highest percentage of centers offering PTO and health insurance, while Minnesota leads in the offering of retirement contributions.

Vermont has the highest percentage of centers offering PTO and health insurance. Minnesota leads in the offering of retirement contributions.



Sustain Wages

While a good portion of centers are offering benefits, only between one third and a half of them believe they can sustain what they are already offering over time. Oregon shows the highest rate (47%) of business owners reporting confidence in the **ability to sustain wages and benefits**, while the remaining states' confidence ranges between 36 and 40 percent.

Planned Time to Operate Business

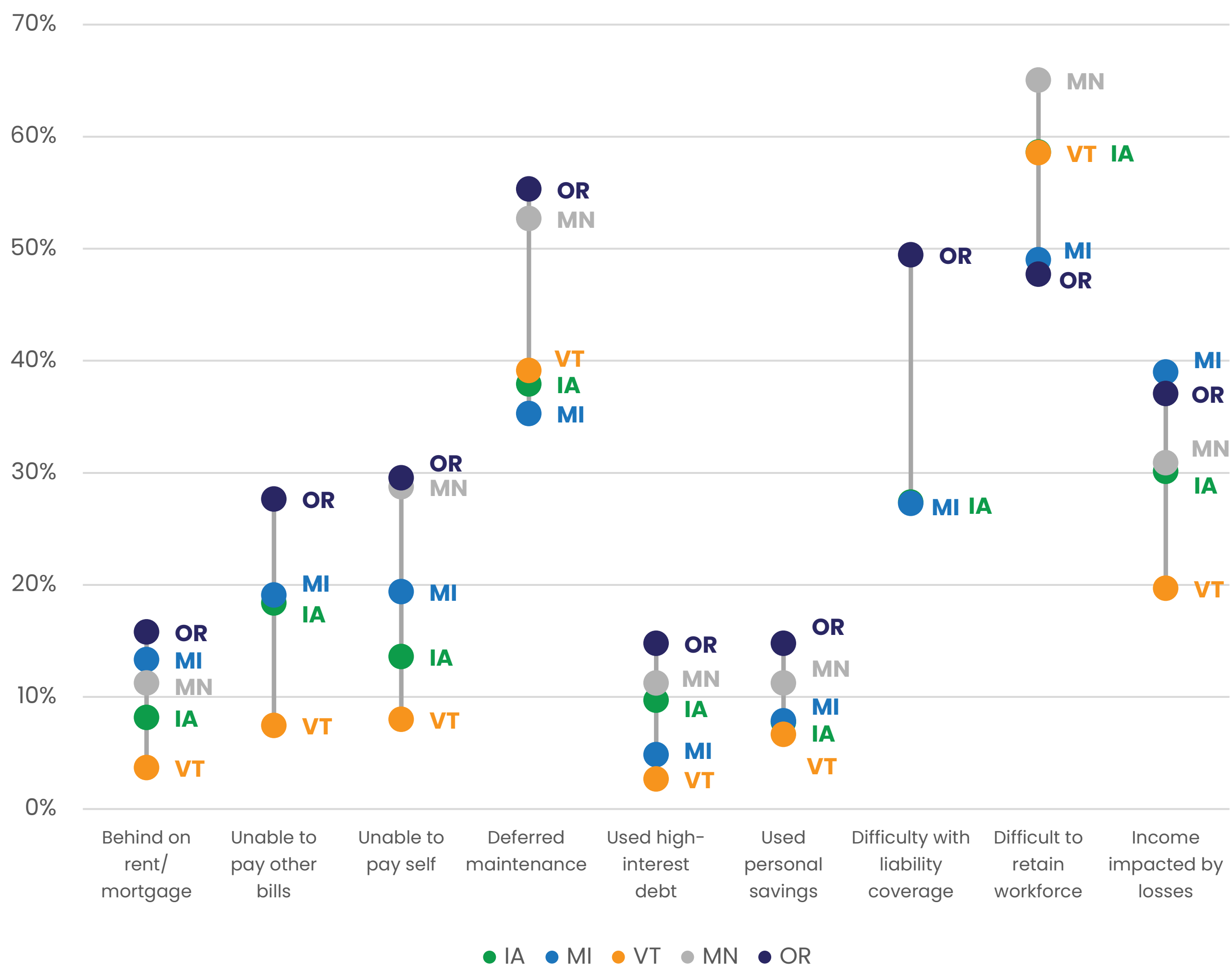
Finally, across states, close to and above half of all centers **plan to operate their child care businesses for six or more years**, with some variance but not one of magnitude. Oregon (60%), Michigan (59%), and Minnesota (58%) show the highest rate of centers planning to operate above the six years. Vermont follows with 52 percent, and lastly Iowa with 49 percent of centers.

Financial Risk

Overall, Vermont shows the lowest percentage of centers experiencing financial risk, across the majority of indicators. Oregon presents the highest percentage of centers experiencing financial risk in most of these indicators. Minnesota follows Oregon, with a high percentage of centers reporting most indicators. Iowa and Michigan appear to be in the middle. Below is a snapshot of the five states against all nine financial risk indicators, each of which we will unpack with more detail below.

Vermont show the lowest percentage of centers experiencing financial vulnerability across the majority of indicators.

% of centers that experience different financial vulnerability indicators.



Inability to Pay Rent, Other Bills, and Themselves

Some of the clearest signs that a business is financially vulnerable are when it cannot keep up with its financial obligations and payments on time. A relatively low percentage of centers, between 4 and 16 percent, reported being **behind on rent or mortgage payments**, with Oregon (16%) and Michigan (13%) showing the highest rates and Vermont the lowest (4%). When asked about other bills, the situation gets worse. Between 7 and 28 percent of centers reported being **unable to pay other bills on time**. Again, Oregon has the highest rate while Vermont has the lowest. When it comes to being **unable to pay themselves at times**, Oregon and Minnesota have the highest rates, with close to one-third of centers reporting this; while Vermont is the lowest (8%).

Deferred Maintenance

The actions businesses take to manage their operations and weather rough times can put them at further financial risk and affect the quality of the services they provide. Facilities, for instance, are critical to providing a safe and appropriate space for children and to delivering quality services.

The survey shows that child care businesses are struggling with infrastructure issues, with 35 to 55 percent of centers reporting **deferred maintenance repairs**. Minnesota and Oregon present the highest rates of deferred maintenance, with more than a majority of centers reporting they had to delay a facility repair. Michigan (35%), Iowa (38%), and Vermont (39%) show lower and similar rates. These deferred costs are likely to grow over time, creating facility needs that will eventually demand more attention and resources.

Use of High-Interest Financing and Personal Savings

Using high-interest financing, such as payday loans or a credit card, to manage business expenses, is a clear sign of financial risk. Across states, between 3 and 15 percent of centers report using this type of financial tool. Although the percentage is low, it still raises concern, especially for states like Oregon.

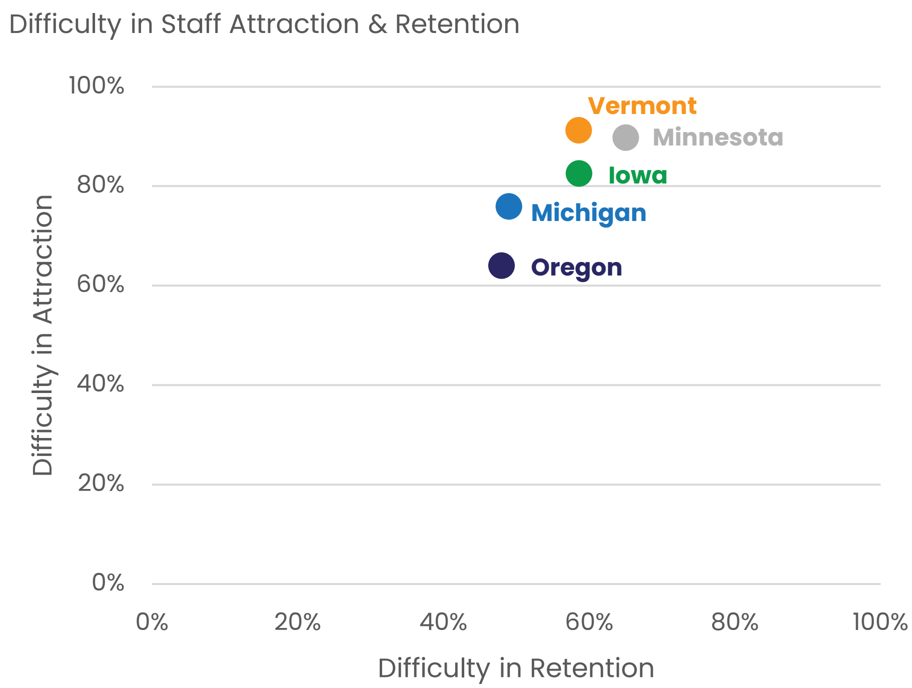
Between 7 and 15 percent of centers report **using all or part of their personal or retirement savings** to manage their business. In essence, some center owners are subsidizing unsustainable businesses with their own assets and credit, a pattern that cannot be sustained indefinitely.

Liability Insurance

Liability insurance has been a particular source of struggle for child care businesses nationwide. When asked about the **difficulty** centers face in **securing liability insurance**, Oregon shows the greatest difficulty of the three states that reported this indicator, with almost half of centers reporting challenges. In Iowa and Michigan, the percentage is lower, with less than one third reporting difficulties. This indicator was not measured in Minnesota or Vermont.

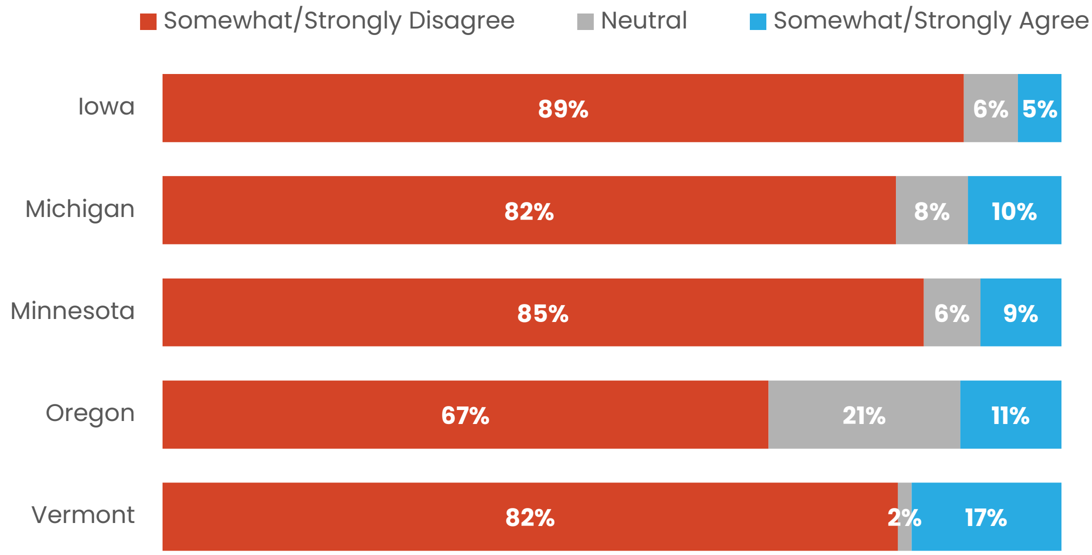
Difficulty in Retaining Qualified Staff

Hiring and retaining quality teaching staff is a key element of a quality program. However, between 64 and 91 percent of centers report some **difficulty finding qualified employees**, and 48 to 65 percent report **difficulty retaining employees**. This suggests an overwhelming majority of centers face these difficulties across states. Oregon appears to have less difficulty retaining and attracting new teaching staff, followed by Michigan, while Vermont and Minnesota appear to have the most difficulty staffing. Minnesota shows the greatest difficulty in retention, while Vermont shows the greatest difficulty in attraction.



A critical tool a child care center has to increase staff attraction and retention is offering competitive wages and benefits; however, these benefits come at a high cost to centers, and many struggle to afford them. Overall, across states, most providers acknowledge and report that the child care workforce is not paid fairly, with at least two-thirds of centers in each state stating this. Vermont shows the highest percentage of centers that believe the workforce is paid fairly (17%). However, Oregon also shows more positive signs than other states, with the lowest percentage of centers perceiving the workforce is paid unfairly (67%). Iowa, Minnesota, and Michigan have the highest percentages of centers that perceive wages as unfair.

Level of Agreement with "The child care workforce is paid fairly"



Household Impacted by Financial Losses

Between 20 and 39 percent of center providers report that their **household income was impacted by financial losses** in 2025. Michigan and Oregon present the highest rates (39-37%), while Vermont shows the lowest rate (20%). This is the point at which a business problem becomes a household problem. Notably, fewer center business owners report a negative impact on their household income than family child care entrepreneurs (see FCC Financial Risk section below).

Family Child Care Results

The following section presents the business practices of family child care businesses and their corresponding indicators of financial strength and resilience and financial risks.

Financial Resilience

Overall, resilience among family child care businesses is lower than among centers on nearly every comparable indicator, and no single state leads the way, as Vermont does among centers. Vermont reports the highest rates on the indicators tied to meeting obligations and setting prices, paying rent and other bills on time. Oregon presents the most divided profile: it reports the highest rates of adding to a business emergency fund, paying oneself a salary, and planning to operate for six or more years, while reporting the lowest rates on paying rent and other bills on time, increasing tuition, and meeting the enrollment benchmark. Iowa leads on full enrollment, with 69 percent of family child care businesses at or above 85 percent of staffed capacity but reports the lowest rate of access to public funding. Minnesota leads on public funding access. Michigan reports the lowest rates on the two indicators that speak most directly to the future of the business: adding to an emergency fund, at 1 percent, and planning to operate for six or more years, at 28 percent.

Across all five states, the resilience indicators tied to building capacity remain low. All states have less than one in ten family child care businesses adding to an emergency fund, and in most, less than half of business owners increased tuition. Where family child care businesses show resilience, it is largely in continuing to meet obligations rather than in building any margin.

On the following page is a snapshot of the five states against all five financial resilience indicators, each of which we will unpack with more detail below.

No single state leads or remains at the bottom across resilience indicators..
% of FCC that experience different financial resilience indicators.

Enrollment

Enrollment is a critical factor in revenue, and therefore, child care business sustainability. Based on the earlier enrollment definition, more than half of family child care businesses in three states report full enrollment.[6] Iowa (69%) and Michigan (64%) present the highest percentage of FCCs with more than 85% of staffed capacity filled. Vermont (58%) shows a smaller percentage but still above half the share of all FCCs, and Oregon the lowest, with 41 percent of FCCs fully enrolled. Minnesota did not collect the data needed for this indicator.

Enrollment dynamics in family child care businesses differ from child care centers: most FCC businesses operate with one caregiver, and ratios depend on the ages of children enrolled. Comparing state regulation across different age-groupings and configurations is more complex in family child care than centers, but generally Vermont and Michigan have among the stricter group

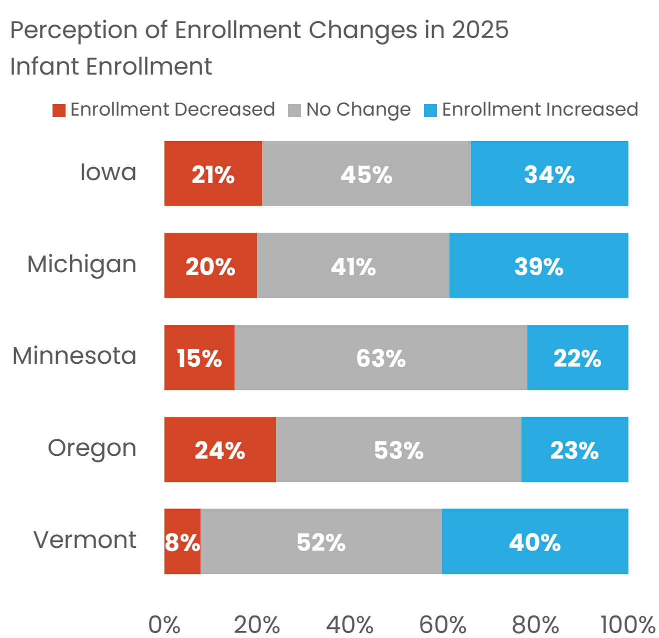
[6] Full enrollment is defined here as enrollment at or above 85 percent of staffed capacity, a commonly used benchmark for a realistic enrollment picture at which businesses should be financially sustainable. Staffed capacity is current enrollment plus the open slots a program reported it could fill without hiring additional staff. It is used in place of licensed capacity, which includes slots a program is licensed to operate but cannot fill in practice due to staffing constraints or its own operating decisions.

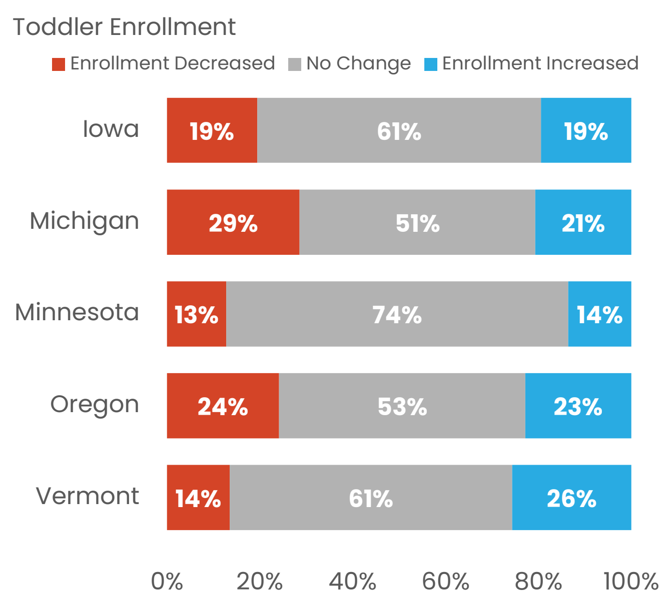
size and ratio rules, Oregon and Iowa allow for somewhat larger groups, and Minnesota sits in the middle.

Setting aside the full enrollment benchmark[7], analyzing average enrollment efficiency in each state reveals a range from 76 percent in Oregon, to 84 percent in Iowa and Vermont, to 86 percent in Michigan. Looking at how many FCCs are "full" as well as the average enrollment picture emphasizes the lower enrollment experienced in Oregon.

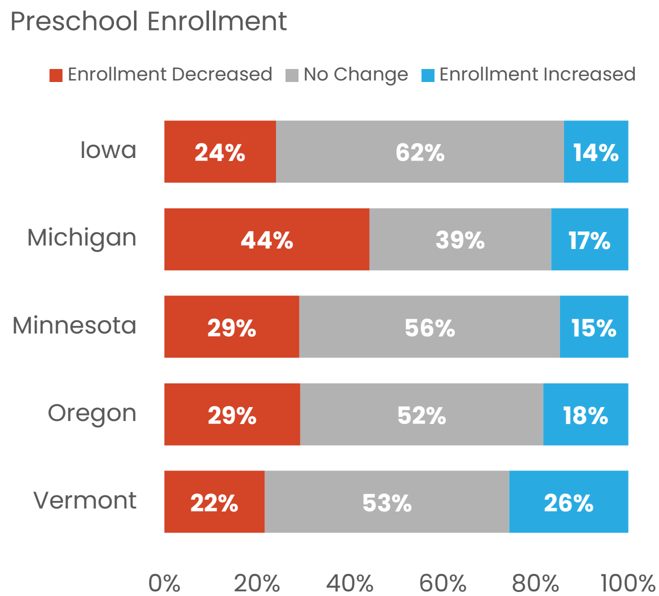
When asked about changes in enrollment during 2025, most family child care business owners across states and in all age groups reported no changes in enrollment. This could mean chronic under-enrollment for those who report low enrollment, such as in Oregon, or persistently high enrollment for other states.

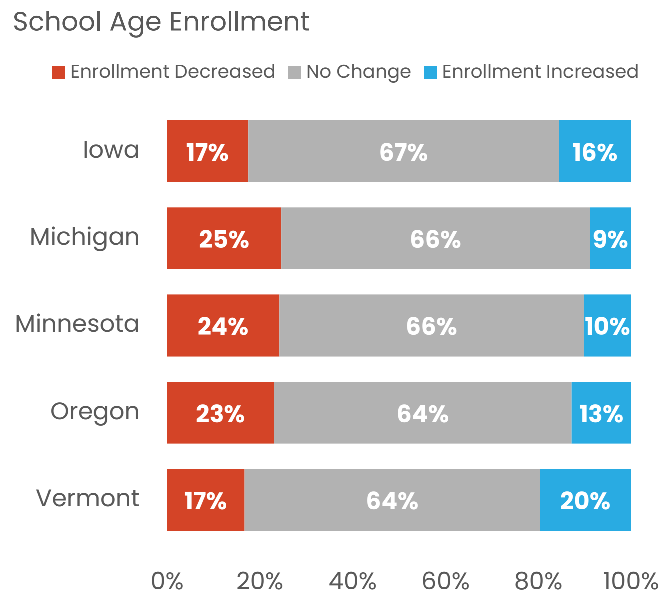
Preschool had the highest rate of providers reporting a decrease in enrollment, ranging from 22 percent in Vermont to 44 percent of FCCs in Michigan. This is similar to what centers are experiencing. Vermont shows the lowest percentage of FCCs reporting enrollment decreases across nearly every age group, while Michigan shows the highest rates of enrollment decrease for almost all age groups. The exception is in infant enrollment decreases, where Oregon shows a higher rate of programs experiencing decreases. Minnesota shows similar rates of enrollment decrease as Oregon for preschool and school-age groups.





[7] Average enrollment efficiency is defined here as the average percentage of staffed capacity that is filled. Staffed capacity is current enrollment plus the open slots a program reported it could fill without hiring additional staff. It is used in place of licensed capacity, which includes slots a program is licensed to operate but cannot fill in practice due to staffing constraints or its own operating decisions.

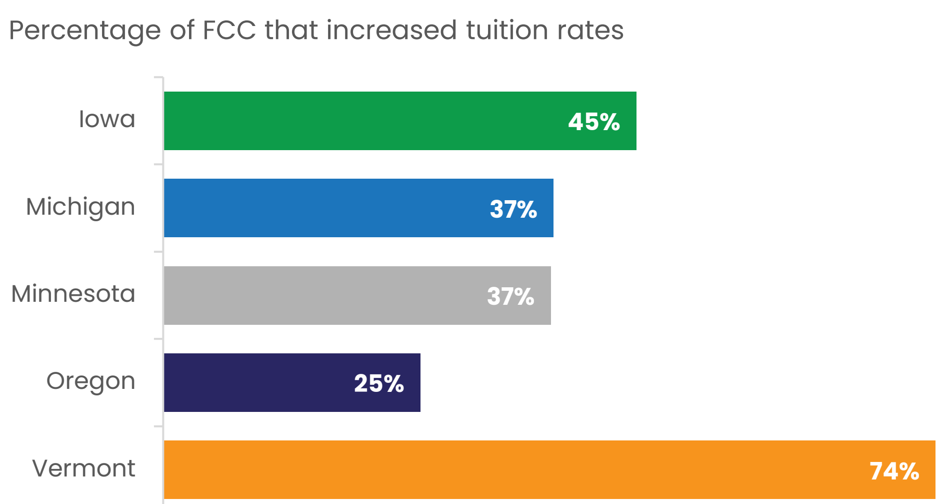




Overall, Vermont shows the highest rate of programs experiencing preschool enrollment increases and the lowest rate experiencing decreases. Michigan has the highest rate of programs experiencing preschool enrollment decreases (44%), and while its rate of FCC reporting increases is not the lowest, it's very close to the lowest. Given licensing ratios and requirements for FCC programs, strong preschool enrollment is important for maximizing revenue.

Tuition

Family child care businesses are struggling to **raise tuition rates**. Across states, between 25 and 74 percent of FCCs increased tuition rates in 2025. Vermont (74%) leads with the highest rate of FCCs reporting tuition increases, while Oregon sits last with only one in four FCCs reporting increases. One of the main reasons that family child care business owners decide not to raise tuition is because families can't afford it. Combined with under-enrollment, this may lead businesses to keep lower rates rather than risk losing enrolled families.



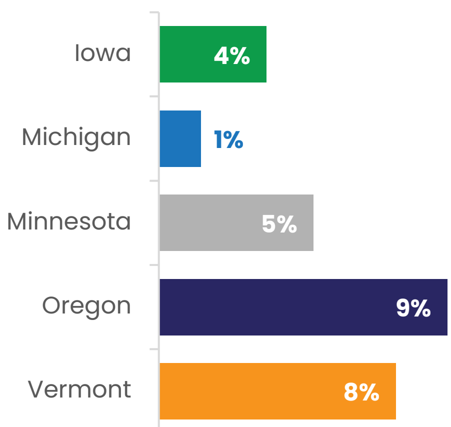
Public Funding

Most FCCs across states report **accessing some source of public funding**. Minnesota (90%) and Michigan (89%) have the highest rates of FCCs reporting access to at least one public funding source. Oregon and Iowa sit last with 59 and 57 percent, respectively. Participation in public funding can indicate diversified revenue, expanded clientele, and increased financial and administrative capacity. While public funding is an important source of income, access doesn't necessarily mean the funding is supporting business sustainability.[8]

Business Emergency Fund

The percentage of FCCs that report **adding to their business emergency fund** is very low across states, even lower than centers. All states have less than one in ten FCCs adding to their business emergency fund, and variability across states is low. Businesses' ability to plan and save for future emergency costs is a sign of resilience, and only a few family child care businesses do so.

Percentage of FCC reporting adding to business emergency fund

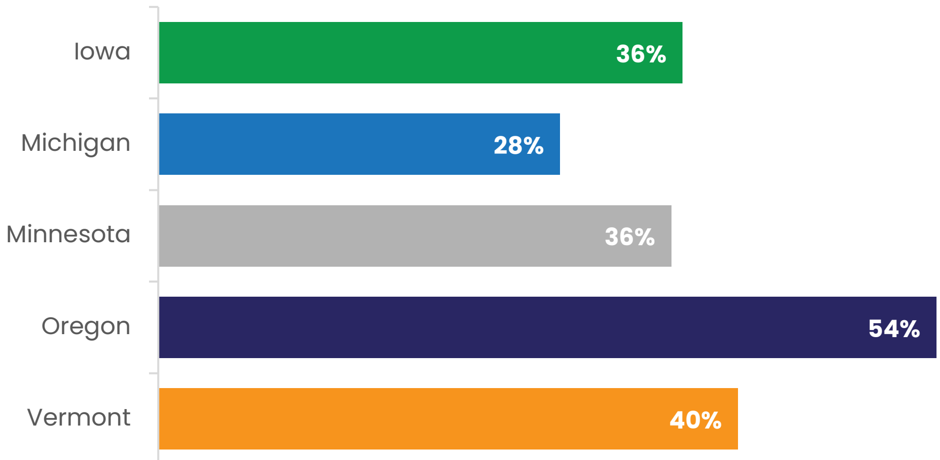


[8] As with centers, multi-state comparisons on this indicator are limited by variation in the survey instrument. The set of public funding sources presented to respondents differed by state; observed differences therefore reflect both instrument coverage and actual provider access. Across states, public funding types in the survey include: child care subsidy, public PreK, food program (CACFP), and Head Start, among others. Individual state surveys also included ongoing workforce compensation and operational funding, one-time grantmaking in facilities and quality-enhancement, as well as city and county-funding streams.

Planned Time to Operate Business

The rate of FCCs reporting they **plan to operate for more than six years** is low; however, differences by state are large. Oregon has the highest rate, with more than half of providers planning to operate for more than six years, while Michigan has barely above one in four FCCs. While this may be due to financial pressures, it may also reflect the age of FCC businesses and nearing retirements among business owners.

Percentage of FCC planning to operate business 6+ years



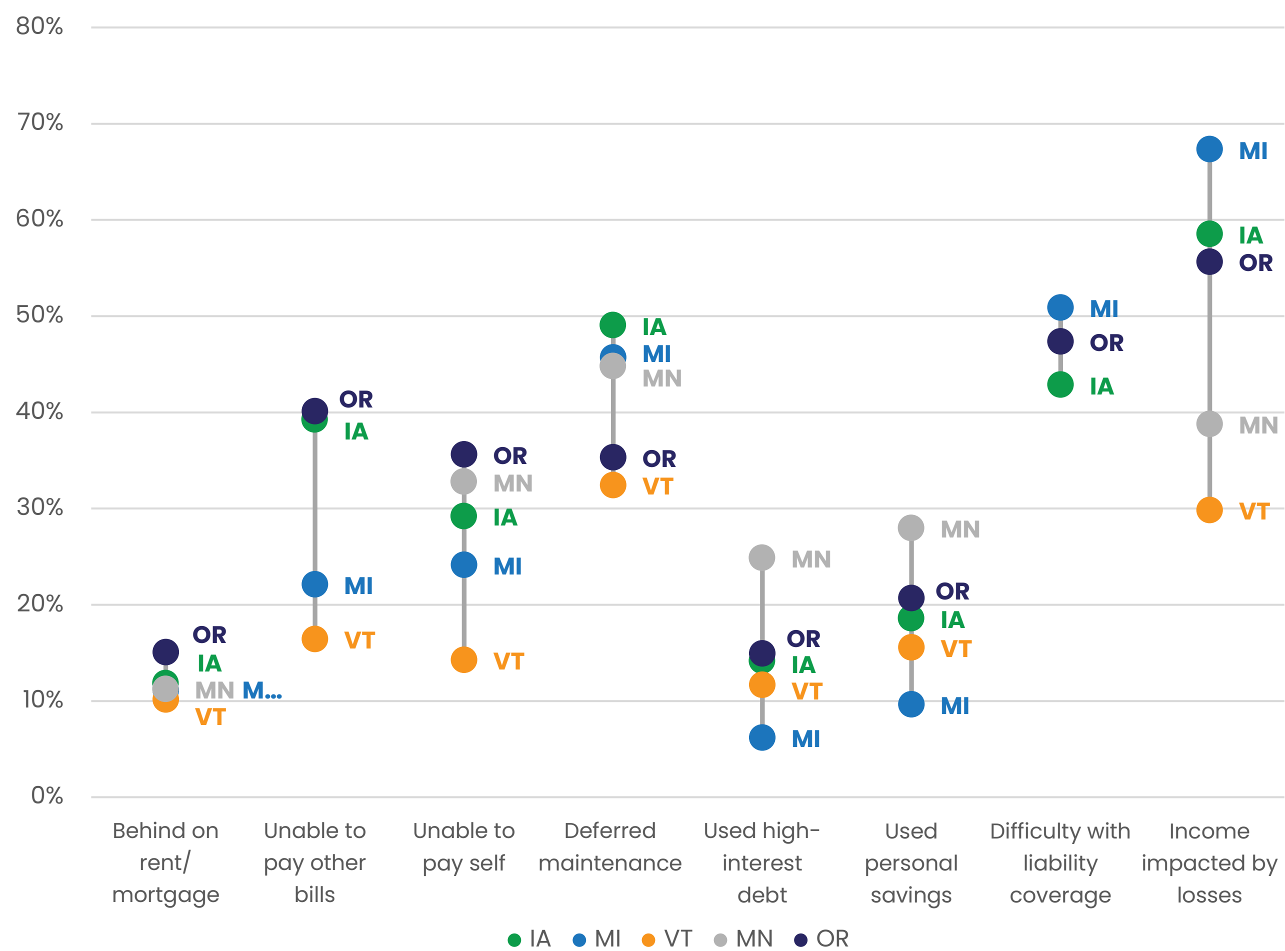
Financial Risk

Overall, Vermont shows the lowest percentage of family child care businesses experiencing financial risk across most indicators, mirroring the center results. Beyond Vermont, however, the picture is more dispersed than it is for centers. No single state reports the highest rate on most indicators. Oregon providers report the highest rates of late rent or mortgage payments, unpaid bills, and inability to pay oneself; Minnesota providers are most likely to report high-interest financing and use of personal savings; Michigan leads on reports of household income impact and liability difficulty; and Iowa leads on deferred maintenance. Where the center results identify Oregon as consistently the most strained state, the family child care results identify different pressure points in different states.

Below is a snapshot of the five states against all eight financial risk indicators, each of which we will unpack with more detail below.

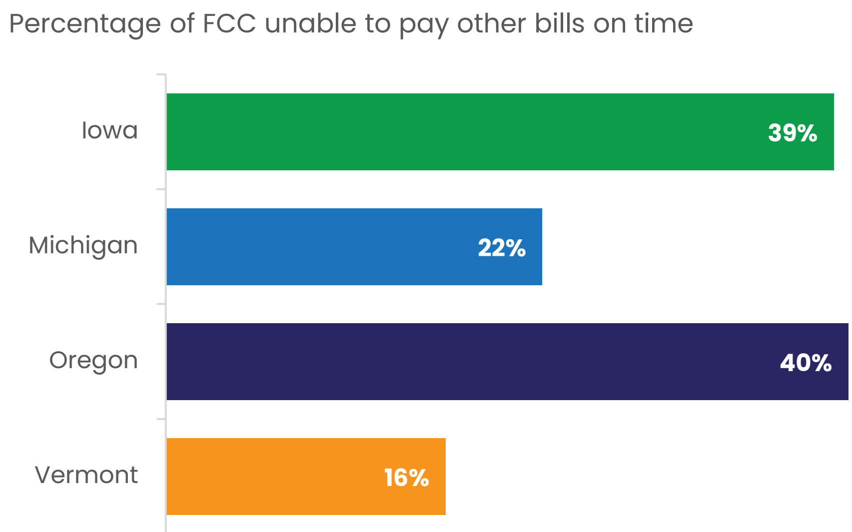
Vermont show the lowest percentage of FCC experiencing financial vulnerability across the majority of indicators.

% of FCC that experience different financial vulnerability indicators.



Inability to Pay Rent, Other Bills, and Themselves

According to the survey results, between 10 and 15 percent of family child care businesses reported being **behind on rent or mortgage payments**, with Oregon (15%) showing the highest rates and Vermont the lowest (10%). When asked about inability to pay other bills, rates are higher, and differences across states are larger. Oregon (40%) and Iowa (39%) show the highest rate of FCCs reporting being unable to pay other bills on time, with two in five FCCs experiencing this risk situation. Vermont has the lowest rate, with 16 percent reporting they are unable to pay on time.



Family child care business owners show a high financial vulnerability when it comes to consistently paying themselves a salary. In most states close to or above one-third of all FCC **report being unable to pay themselves at times**. Oregon (36%), Minnesota (33%), and Iowa (29%) present the highest rates, followed by Michigan (24%). Vermont shows the lowest rate, with only 14% of FCCs reporting inability to pay themselves.

Deferred Maintenance

Family child care businesses struggle to manage and invest in facility repairs and maintenance, which is usually the business owner's home. Between 32 and 49 percent of FCCs report they had to delay a facility repair in 2025. Iowa (49%), Michigan (46%), and Minnesota (45%) are most critical, with almost a majority of FCCs experiencing this issue. Oregon (35%) and Vermont (32%) show lower, but still significant rates. These deferred maintenance actions reflect not only businesses' lack of liquidity and the impact on the quality of services FCC provides, but also a future, growing cost they will have to absorb at some point.

Use of High-Interest Financing and Personal Savings

Across states, between 6 and 25 percent of FCCs report using high-interest financing, such as payday loans or a credit card, to manage business expenses. For some states, like Michigan, the rate is low (6%). For others, like Minnesota, one in four FCC businesses reported using it, which signals a clear financial risk.

Between 10 and 28 percent of FCC businesses report **using their personal or retirement savings** to manage their business. Minnesota reports the highest rate, with 28 percent, and Michigan the lowest, with 10 percent. In family child care, the line between the business and the household is often blurry. When savings and credit are used to keep the doors open, the cost is not only absorbed by the business, but also by the family operating it.

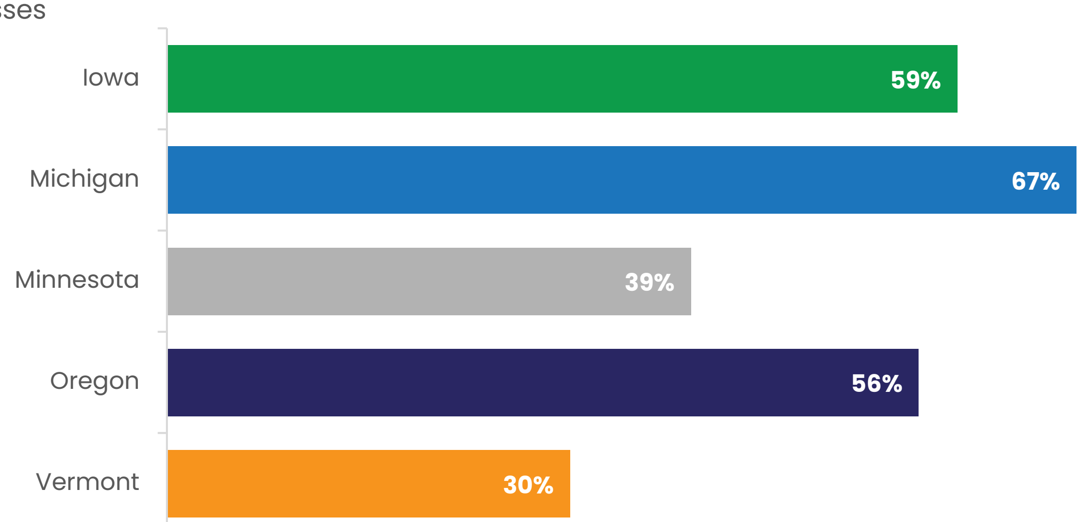
Liability Insurance

Family child care programs report more difficulty than centers in **securing liability insurance**. Among the three states where the question was asked, between 43 and 51 percent of family child care programs found liability coverage somewhat or very difficult to secure. Michigan reports the highest rate at 51 percent, followed by Oregon at 47 percent and Iowa at 43 percent. This indicator was not measured in Minnesota or Vermont.

Household Impacted by Financial Losses

When looking at the **impact of business financial losses on family child care owners' households**, there is large variation across states. Three of five states show a majority of FCCs being impacted. Michigan presents the highest rate, with 67 percent of FCCs reporting their household income was impacted by financial losses in 2025. Vermont (30%) shows the lowest rate.

Percentage of FCCs reporting household income was impacted by business losses



Differences Across Provider Types

Centers and family child care businesses face different financial pressures, shaped by their different program structures and business models.

On most indicators that measure how much a business owner personally absorbs business shortfalls, family child care providers report higher rates than centers, in every state. Family child care owners are more likely to report being unable to pay themselves, at 14 to 36 percent across states against 8 to 30 percent for centers. They are more likely to have drawn on personal or retirement savings, at 10 to 28 percent against 7 to 15 percent. They are more likely to have used high-interest financing, and more likely to report being unable to pay other bills on time. Most significantly, they are far more likely to report that business losses reached their household income: 30 to 67 percent of family child care owners, against 20 to 39 percent of centers. In Iowa, Michigan, and Oregon, a majority of family child care owners reported a household impact.

Deferred maintenance is the one risk indicator where the relationship reverses, in three of the five analyzed states. Centers in Oregon, Minnesota, and Vermont report more delayed repairs than family child care programs, while in Iowa and Michigan family child care programs report more. Plausible explanations include scale — centers operate larger, more regulated facilities with higher repair costs — and facility type: family child care businesses are usually run in owners' homes, so repairs can be harder to delay.

On the resilience side, centers report higher rates of financial resilience, although differences are not large. Centers are two to three times more likely to have added to a business emergency fund, though the ceiling is low for both program types, at 5 to 19 percent for centers and 1 to 10 percent for family child care. Centers are more likely to plan to operate for at least six more years, at 49 to 60 percent against 28 to 54 percent, and in four of five states more likely to have accessed public funding. Enrollment is the exception: family child care programs in Iowa and Michigan are as fully enrolled as centers in those states, while in Vermont and Oregon centers are considerably more likely to be fully enrolled. However, enrollment dynamics in family child care businesses differ from child care centers.

Tuition also behaves differently. Centers report raising rates at a relatively consistent frequency, between 55 and 69 percent, across states. FCCs report significantly more variation, from just 25 percent in Oregon to 74 percent raising rates in Vermont, which is also the only state where family child care raised rates at a higher rate than centers. For centers, in other words, the ability to raise tuition seems more like a characteristic of the business model. For family child care, it appears to depend much more on the local market and policy environment where the business is located.

Taken together, there is a pattern where centers tend to defer and family child care owners tend to absorb. When a center is experiencing financial pressure, the first thing to give is the facility. When a family child care business is, the first thing to give is the owner's own pay and savings, and so, the consequences reach the household. Both patterns transfer costs into the future, but with differing impacts and risks.

Conclusion

This report describes the current financial stability of child care businesses in five states, highlighting differences across states and program types. However, some patterns hold across every or most states that participated in the survey.

Businesses remained stable, but continued to struggle

In every state, most child care business owners reported that their financial situation in 2025 was about the same as in 2024. That steadiness is not necessarily good news. For a business already well enrolled and solvent, holding steady is a sign of health. For a business deferring repairs, skipping the owner's pay, or drawing on savings, holding steady means those conditions have become the operating norm. In four of five states, more owners reported losing ground than reported gaining it.

Vermont consistently stands out

Vermont business owners are the most optimistic, the most likely to report improving stability, the most likely to have expanded capacity, and the least likely to report nearly every form of financial risk, among both centers and family child care. Vermont is also the only state where a majority of business owners believe their state is investing in the sustainability of child care businesses, an investment made concrete through Act 76. Vermont's consistent strength across a dozen independent measures, in a state with sustained investment in child care, is worth attention.

Business owners' perceptions and financial reality do not always align

How business owners perceive their situation does not consistently track what their financial indicators show. In some states, the two align closely. Vermont business owners are the most optimistic, and their businesses report the strongest position on nearly every measure, while Minnesota business owners are the least optimistic and report among the weakest. In other states, the two diverge. Oregon business owners report one of the highest rates of optimism and, on the resilience indicators, some of the strongest results in the analysis. However, Oregon also reports the highest rates of financial risk on most indicators.

This matters: while optimism is not a direct signal that a business is financially secure, it may signal something else. Business owners can be committed to their work, confident about their future, and operating without margin, all at the same time. Oregon's strong optimism despite financial challenges might suggest that the sector is succeeding in supporting providers in non-financial ways, through a sense of community and other factors that sustain commitment even when finances are tight. Understanding what drives that resilience could point to actionable strategies for the field.

Preschool enrollment is under pressure everywhere

In all five states and for both centers and family child care, preschool shows the highest rate of enrollment decrease of any age group. Strong preschool enrollment is critical for the business and financial health of a child care program. This is the most uniform finding in the study, and its uniformity suggests a structural shift rather than business by business variation. However, the reasons behind what is drawing preschool age children away from these programs, and what it means for the mixed delivery system depends on each state's policies, background, and current context.

Low reserves for emergencies

Across states, few businesses were able to add to a business emergency fund, and among family child care programs no state reached one in ten. Many business owners struggled to pay themselves at times. When revenue falls short, the gap is closed by the owner: unpaid time, deferred maintenance, personal savings, and in some states high-interest credit. In three states, a majority of family child care owners reported that business losses impacted their household income. A sector operating without reserves has no capacity to absorb an equipment failure, an illness, or a family leaving without notice, impacting the long-term sustainability of child care supply.

Public funding reaches most businesses, but it is not adequate

Between 79 and 98 percent of centers and between 57 and 90 percent of family child care businesses accessed at least one public funding source. Yet outside Vermont, only 11 to 24 percent of business owners believe their state is investing in ways that increase their sustainability. Public funding is reaching most of the sector, but it must be aligned to what running a sustainable child care business costs and designed and delivered to address the specific pressures these businesses are experiencing.

Staffing is a real struggle for centers

At least two-thirds of centers in every state disagree that the child care workforce is paid fairly. At the same time, fewer than half of centers in any state are confident they can sustain their current wages and benefits over the coming year. Centers are offering low compensation, not because they want to pay low wages; they are unable to fund higher compensation and are uncertain they can maintain current levels. Benefit offerings show the same trend: paid time off is near universal, while health insurance and retirement contributions sit close to half in every state, regardless of state conditions.

What emerges across these five states is a sector of small businesses that continues to show up for families and drive economic development and workforce participation, while operating without margin. Business owners are enrolling children, raising rates where they can, accessing the public funding available to them, and in some states expanding. They are also deferring repairs, forgoing their own pay, and absorbing losses in their households. Both things are true at once, and the second is what makes the first fragile. Yet this self-sacrifice remains largely unrecognized, despite the sector's role in enabling the broader economy to function.

These findings establish a baseline. Because this is the first year the State of Child Care Business Survey has been analyzed consistently across states, future reports will show whether the conditions documented here are improving, holding, or deepening, and whether the differences between states persist. What happens in the child care sector matters far beyond the classroom: it matters to families, to workforce stability, and to economic resilience.

About FCF

Founded in 1991, First Children's Finance is a national nonprofit headquartered in Minneapolis, MN. Our mission is to build and sustain the supply of excellent child care. We do this by addressing the business and finance needs of child care in three different ways: building the financial sustainability of child care entrepreneurs, partnering with communities to preserve and grow their child care supply, and influencing state, tribal, and federal systems to provide supports and investments needed to sustain child care businesses.

We are unique in working at all three levels: child care businesses, communities, and systems – as well as where they intersect. Our holistic approach ensures policies, practices, planning, and systems are informed by community and child care business owner needs while leveraging national resources, connections, and expertise. For more information, visit firstchildrensfinance.org and follow us on Facebook and LinkedIn.

Authors & Acknowledgments

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With contributions from Theresa Martinez, Michael-John Myette, Suzanne Pearl, Erin Roche, and Ellen Whelan-Wuest.

Appendix: Demographics

The following section provides a demographic breakdown of survey participants and the businesses represented.

Gender

Between 91 and 99 percent of child care business owners identify themselves as female, while between 0 and 6 percent identify as male. Between 0 and 4 percent chose not to answer.

Race & Ethnicity

Racial and ethnic identity among respondents varied widely across states: 45-80 percent identified as White, and 6-37 percent identified as Black, Hispanic/Latino, Asian, Native American, multiracial, or another race or ethnicity.

Race	Iowa	Michigan	Minnesota	Oregon	Vermont
Asian or Asian American	0.0%	1%	2%	3%	1%
Black or African American	6%	13%	3%	5%	1%
Hispanic or Latino	5%	3%	2%	22%	1%
Native American or Alaska Native	0.0%	1%	1%	1%	1%
Native Hawaiian or Pacific Islander	0.5%	0.3%	0.3%	0.2%	0.0%
White	72%	61%	68%	45%	80%
I do not know	0.5%	0.0%	0.0%	0.4%	0.0%
Other	0%	1%	1%	3%	1%
Prefer not to answer	4%	2%	5%	3%	1%