Meeting the CHILDCARE CHALLENGE

Opportunities for Economic Development Districts

December 2025

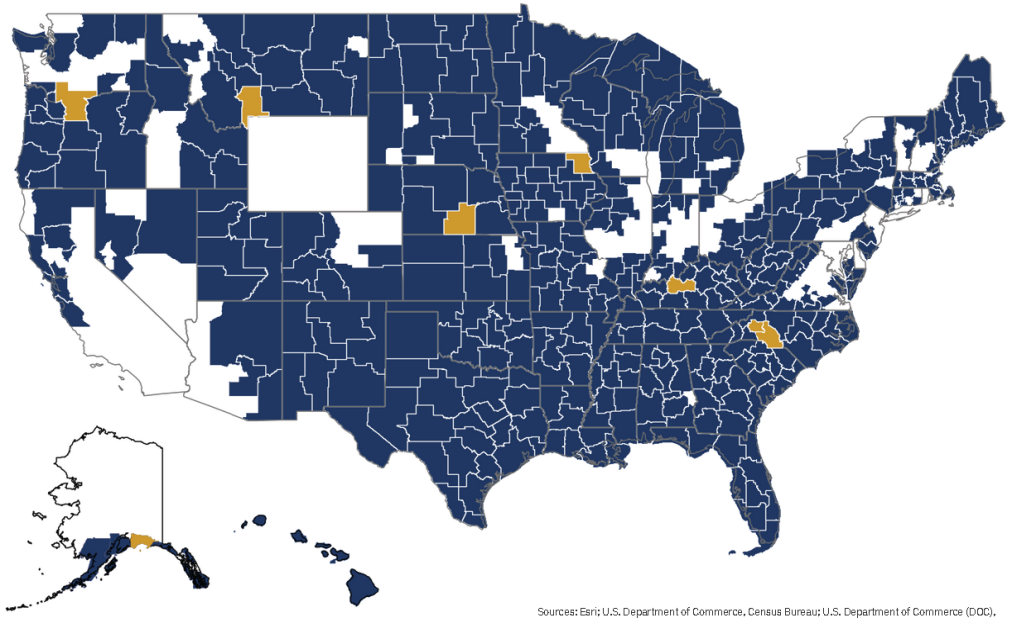
Introduction

Across the country, Economic Development Districts (EDDs) increasingly recognize that access to affordable, convenient childcare is a critical economic development challenge. Insufficient availability of childcare slots, escalating costs for families, persistently low wages for childcare workers, and other issues hinder workforce participation, diminish regional productivity, and limit inclusive economic growth. These childcare gaps represent significant economic development barriers, restricting the ability of regions to attract and retain families, sustain businesses, and foster resilient local economies. Moreover, they impose great hardships on everyday workers and families who seek to live stable, thriving lives in quality communities.

This report examines childcare through an economic development lens, detailing the scale, costs, and ripple effects of inadequate childcare access on regional economies. Part One disaggregates the childcare problem into its constituent parts, showing how the distinct issues of affordability, availability, workforce stability, and funding mechanisms are interrelated. Part Two provides an overview of diverse EDD initiatives currently underway within the childcare space. Part Three shares practical recommendations districts can engage in childcare solutions using the tools, relationships, and capacities they already have. Finally, an appendix includes a matrix of funding sources for childcare programs and discussion of how funds flow to consumers and operators.

EDDs Spotlighted in this Report

NW to SE: Prince William Sound EDD, Mid-Columbia EDD, Northern Rocky Mountain EDD, South Central EDD, Upper Explorerland RPC, Lincoln Trail ADD, Western Piedmont COG, Centralina COG



Sources: Esri; U.S. Department of Commerce, Census Bureau; U.S. Department of Commerce (DOC), National Oceanic and Atmospheric Administration (NOAA), National Ocean Service (NOS), National Geodetic Survey (NGS)

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Part 1: The Childcare Challenge for Economic Development

$122 BILLION
annual cost of inadequate childcare access to the U.S. economy

$800 PER MONTH
median household expenditure on childcare

70% SHARE
of facility operating costs are spent on wages

25% OF WORKING PARENTS
have been formally reprimanded or fired due to childcare issues

$14,000 PER YEAR
average annual cost of center-based infant care

7% HHS AFFORDABILITY BENCHMARK
many families pay 2x+

$15 PER HOUR
median wage for childcare workers

30% ANNUAL
workforce turnover

85%
of working parents say childcare issues undermine their job performance

57%
of non-working mothers would work at least part-time if affordable care was available

The Hundred Billion Dollar Challenge

There has never been a time or place where childcare access was not a pressing challenge. Throughout history, families, communities, and governments have devised innumerable systems to balance care for children with the need for their parents to participate economically and socially in society. In recent years, however, structural changes have increasingly caused childcare to become a burden on families, communities, and the economy.

A comprehensive study of the cost of childcare in America conducted by ReadyNation finds that inadequate access to childcare now costs the economy $122 billion annually, more than double what it cost in 2018. These costs include lost family wages, lost productivity for employers, and lost federal, state, and local tax revenue. Childcare challenges have non-monetary costs as well, including stress on families and children, disrupted career trajectories, and diminished educational and developmental outcomes for kids lacking stable care. Because the sector's economic benefits are broadly distributed while its costs fall narrowly on individual families, it tends to be chronically underfunded. The cumulative effect is a drag not only on short-term labor market efficiency and family incomes but also on long-term human capital development.

To understand the economic ramifications of the childcare challenge, it is useful to break it into various constituent parts: cost drivers, burdens on families, strains on workers, and challenges for providers.

Childcare Cost Drivers

Childcare is expensive because it is inherently a low-productivity, labor-intensive sector. Each childcare worker can only care for a small number of children, so fixed costs are high and not responsive to process or technological improvements. Infants demand the most oversight, so infant care is costliest. Paradoxically, despite the high fees parents pay, childcare workers are paid very low wages and many live near the poverty line. Providers struggle to raise pay because parents cannot afford more, so the sector operates on thin margins. Because labor is such a large share of the cost of childcare, the structural dynamic of high costs to consumers but low wages for providers and small margins for operators would be difficult to change without compromising safety or quality.

There are a number of additional cost drivers that push prices up. These include regulatory requirements, facility costs, insurance and liability, worker attraction and retention, marketing and enrollment costs, and fixed operating expenses. Despite these shared pressures, the childcare industry remains highly fragmented. Because of high fixed costs, regulatory issues, and families' preference for personal connections with staff and management, most providers operate at small scale, and as a result, the sector sees few of the cost savings typically associated with consolidation.

COST DRIVERS

Regulatory cost drivers include adherence to strict caregiver-to-child ratios (often 1:4 for toddlers with a group size limit of eight, and 1:3 for infants with a group size limit of six) and standards for staff credentials and training. In Massachusetts, for example, childcare centers must have at least one 'lead' caregiver who has completed three college credits in child development. Providers must also comply with health, safety, and training regulations, which can require additional administrative effort or legal guidance to navigate. While essential for quality, compliance work—maintaining certifications, performing background checks, reporting, and providing training—adds significant overhead costs.

Facility costs are significant for two reasons: equipment requirements and locational preferences of parents. Childcare centers typically need food preparation space, outdoor play areas, and accessible designs. Even home-based providers face costs to modify and maintain their homes to meet safety standards. Locations in convenient areas for parents (typically near workplaces) can come with steep rents, particularly if the stock of suitable buildings is limited.

Insurance and liability costs can also be considerable for providers. Centers are typically required to carry at least commercial liability insurance to protect against accidents and injuries, which groups of rambunctious toddlers are uniquely prone to experiencing. These policies are often quite expensive and in many states are rapidly rising in cost. Other insurance expenses, like vehicle and property insurance, also add up.

Staff management is also unusually costly in the childcare industry. Because pay is low and the work can be both emotionally and physically exhausting, staff turnover is extremely common. Industry-wide, turnover rates exceed 30% annually, and replacements are expensive to recruit and train.

Finally, marketing and recruitment efforts for new customers consume a significant share of operating budgets. Because childcare facilities tend to be small, leaving just one or two slots vacant can cause operating budget shortages. Operators therefore recruit aggressively to replace lost enrollees and keep slots filled throughout the year even as demand changes.

All these factors add up to high fixed costs, which are passed on to their customers: families.

Childcare Costs Burden Families

Inadequate childcare access burdens families in several ways.

One challenge is workplace disruptions, which tend to compound over time and impact job performance and availability. According to the 2023 ReadyNation survey referenced earlier, more than half of all parents of infants and toddlers report being late or leaving early regularly, being distracted by childcare concerns during the workday, and missing full days of work at least occasionally due to inadequate childcare access. A quarter of surveyed workers report that they have been formally reprimanded or fired, and fully 85% say that childcare issues directly undermine their job performance or effort in some significant way. Together, these disruptions cause measurable productivity losses and reduce earnings over time.

Another challenge is that inadequate or unaffordable childcare often forces women to temporarily leave the labor force even when they would prefer to continue working. Though women's labor force participation overall has risen sharply over the past fifty years, mothers' participation has grown more slowly and may now be declining. Today, approximately 70% of U.S. women with young children work, compared to 81% of women without children. Many women, of course, choose to leave the workforce

voluntarily to care for their children. But a 2021 National Women's Law Center survey found that 57% of non-working mothers would choose to work at least part-time if they had an affordable and accessible childcare option. Similarly, the Federal Reserve's 2023 household survey found that 7% of prime-age women not in the labor force cited child-care responsibilities as their primary barrier to employment, compared to just 1% of men. These figures suggest that a substantial share of labor force detachment among mothers is involuntary, driven not by preference but by structural scarcity.

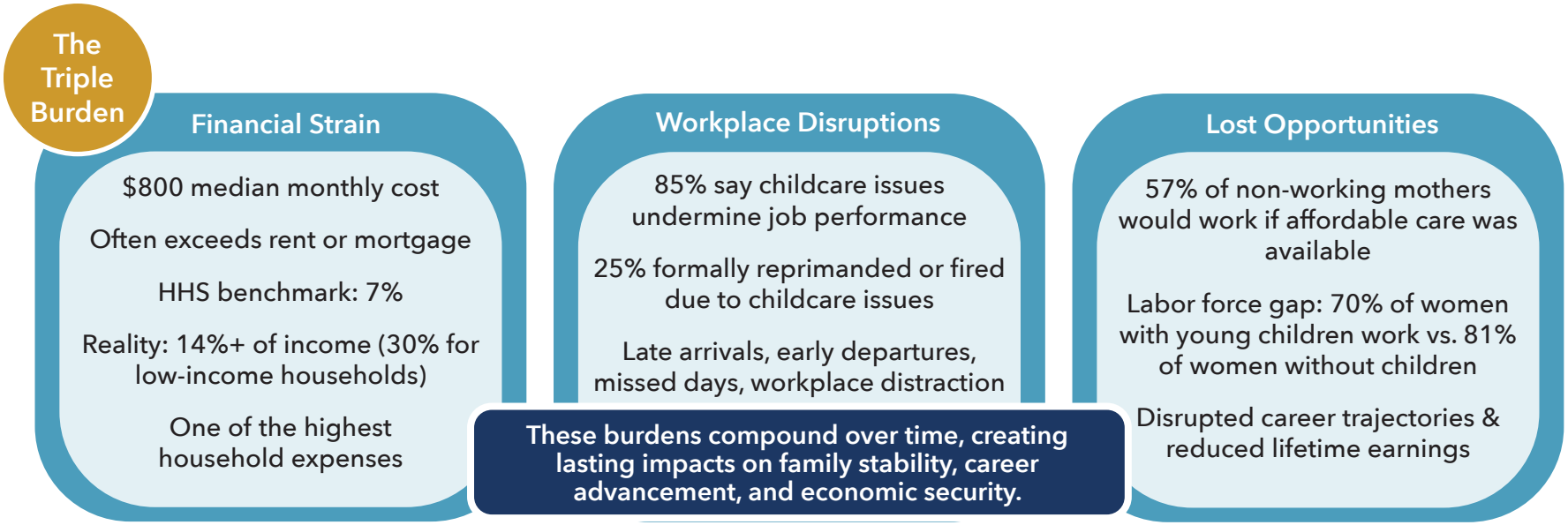
Most significantly, childcare costs are a major strain on household finances. Childcare is one of the highest household expenses for families with young children, often exceeding rent or mortgage payments. And because parents of young children are typically earlier in their careers and earn less than the average worker, these costs are particularly burdensome.

The statistics paint a challenging picture for American households with young children. The national average cost for center-based infant care now exceeds $14,000 per year, more than the cost of in-state college tuition in 34 states and is as much as 30% of income for lower income households. For all care, median expenditure per household is now $800/month; families with multiple children see compounded costs. The U.S. Department of Health and Human Services benchmark for affordability is 7% of household income; in many places, families pay twice that.

In recent years, researchers have quantified another household childcare burden: unavailable care. Many communities in the US—particularly lower income and rural communities—fit the criteria for childcare deserts, or places where there are three children for every available licensed childcare slot. Importantly, childcare deserts don't appear solely because parents are unable to pay. In many places, irregular work schedules, odd work hours, or transportation issues among clientele make it hard for potential childcare operators to forecast or meet demand.

The Childcare Workforce is Underpaid and Unstable

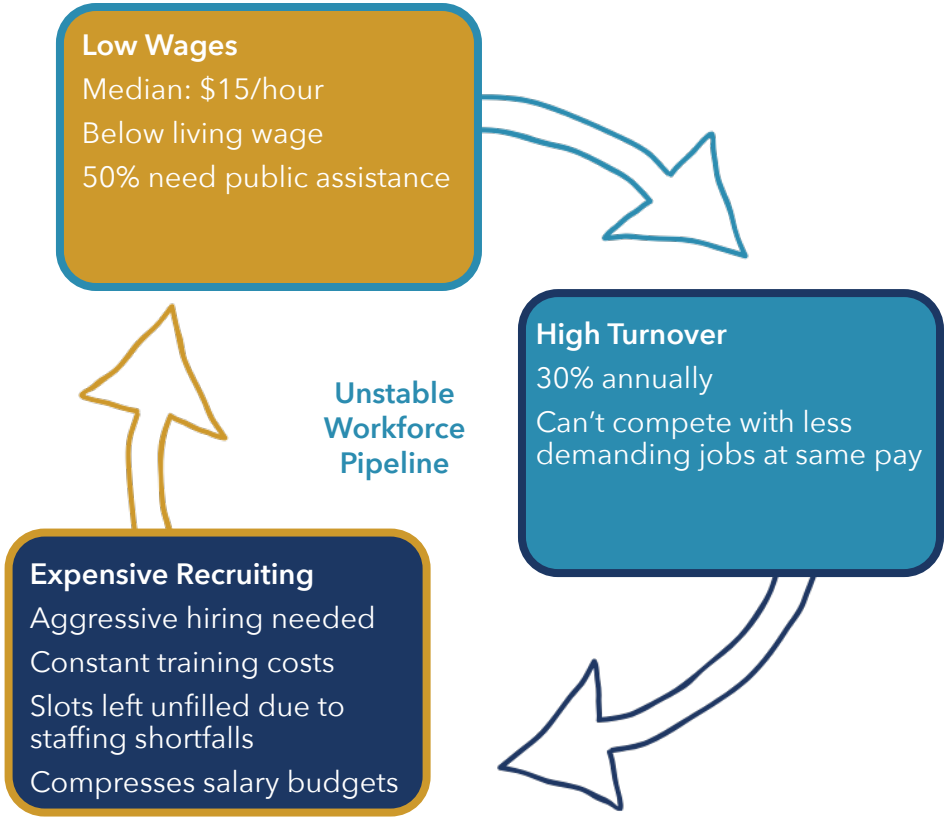
Counterintuitively, the high price that families pay for childcare



doesn't translate to decent wages for employees. Because so many of the sector's costs are fixed and because there are few returns to scale, wages are extremely low. The median hourly wage for childcare workers in the United States is just $15/hour; in many places wages sit far below a living wage standard. Providers often struggle to pay for comprehensive benefits and nearly half the workforce relies on public assistance to make ends meet.

Low wages drive many of the staffing challenges that operators experience. Particularly when the job market is strong, pay is not competitive with other, less physically intensive occupations. Turnover is high, averaging 30% annually. These factors in turn force operators to aggressively recruit, compressing available cash for salaries.

The result of these pressures is a workforce pipeline that is both unstable and inefficient. Many providers report operating below their licensed capacity due to staffing shortfalls, meaning childcare slots are left unfilled even when demand exists. And because few workers can afford to stay in the field long term, the sector suffers from constant churn, lost institutional knowledge, and limited opportunities for advancement, all outcomes that would be considered unsustainable in any other critical industry.



Childcare Providers Struggle to Run Viable Businesses

Despite the high prices parents pay for tuition and the low wages that the workforce earns, most childcare providers still operate on thin margins and face persistent financial instability. Revenue is capped by what families can afford, while costs are mostly fixed and not responsive to economies of scale or productivity improvements like other industries. The result is a business model that leaves little room to build reserves or grow over time. Providers must keep enrollment near capacity year-round to break even, but even minor fluctuations, such as a single vacant slot or a staff member's sudden departure, can tip budgets into the red. Infant care is especially difficult to sustain because of its high per-child costs and staffing ratios. Public reimbursements, such as those offered through the Child Care & Development Fund (CCDF), described in the next section, are often below cost and administratively complex, further tightening cash flow. These pressures deter expansion, contribute to business closures, and leave many communities undersupplied even where demand is strong.

The Big Picture

This section has shown that the childcare challenge is fundamentally driven by its cost structure, and the consequences

for women, families, workers, and regional economies are severe. High costs, low wages, workforce shortages, and access gaps each constrain economic participation and limit growth. These dynamics are unlikely to resolve without coordinated attention, and economic development organizations have a role to play in shaping what comes next. The next section of this report reviews various roles that EDDs have begun to play in the childcare sector.

Part 2: EDDs in Action

While there is no universal model for how EDDs can be involved in childcare issues, several have carved out avenues for participation in the space. EDDs have gotten involved by leaning on their inherent strengths, partnering with existing organizations, and taking an entrepreneurial approach to finding funding and program niches. The following section briefly profiles EDD childcare initiatives across four categories: research and planning, support for physical development, regional convenings, and income support programs.

Research & Planning

Lincoln Trail Area Development District (KY): *2024 Childcare Access and Labor Market Report*

Lincoln Trail Area Development District commissioned a 2024 Childcare Economic Impact Report to quantify the workforce effects of care shortages across its eight-county region. The study estimated that more than 2,000 "work willing" parents were unable to work full time due to care constraints, resulting in up to $230 million in lost economic output. Lincoln Trail ADD also helped launch a regional task force to pursue policy and funding responses. The report is available here.

Northern Rocky Mountain EDD (MT): *Big Sky Childcare Report and Data-Driven CEDS*

Northern Rocky Mountain EDD produced the 2023 Big Sky Childcare Report to support a key strategy in its Comprehensive Economic Development Strategy (CEDS) and guide the work of a regional childcare task force. The report is tightly structured, visually accessible, and designed for a cross-sector audience, combining local data with employer input and actionable recommendations. It was the catalyst for further coalition-building work between the EDD and local governments, nonprofits, and employers. The report is available here.

Mid-Columbia Economic Development District (OR/WA): *CEDS Priority Focus on Childcare Projects*

The 2022-2027 Mid-Columbia CEDS prominently features childcare as a regional economic development priority. First identified in the SWOT, it is then analyzed as a workforce availability challenge and assigned an evaluation metric. Four strategies and two specific projects are identified that will increase the region's childcare capacity. The CEDS is available here.

Western Piedmont Council of Governments (NC): *Catawba County Early Head Start Community Assessment*

Western Piedmont COG produced a community needs assessment for the Catawba County Schools Early Head Start program that analyzed income, employment, and health data for families with children under age three. The COG provided technical capacity, including data analysis, mapping, and planning expertise, which helped align early childhood services with documented local need. The report is available here.

Physical Development

Frontier Community Resources (ID): *Lincoln County Youth Center*

Frontier Community Resources worked with Lincoln County, Idaho to convert a vacant church into a youth center offering after-school care, preschool, and eventually licensed childcare. Frontier secured $285,000 in CDBG and CARES Act funding, supported transportation acquisition, and coordinated a patchwork of public and private partners to sustain the center's operations.

South Central Economic Development District (NE): *Blue Hill Early Learning Center*

South Central EDD supported the development of the Blue Hill Early Learning Center, a new facility created in response to a documented shortage of 26 childcare slots in the community. SCEDD was involved in the planning stage and provided a $300,000 low interest deferred loan that complemented state and philanthropic funding, enabling the full renovation of a church education wing into a licensed center. Today, BHELC serves 28 children with a staff of 13, providing an essential service to families and the broader community.

Regional Convenings

Prince William Sound Economic Development District (AK): *Cordova Childcare Solutions Forum*

Prince William Sound EDD hosted the 2024 Cordova Childcare Solutions Forum to engage providers, parents, and community stakeholders in addressing rural childcare access. The event featured presentations from state, tribal, and nonprofit partners, hands-on training, and guidance on licensing, startup support, and informal care options. It served as a platform for building local capacity and advancing collaborative community solutions. Read more about the forum here.

Centralina Regional Council (NC): Childcare Forum and Webinar Series

Centralina Regional Council hosted a 2024 regional forum and two follow-up webinars to convene public, private, and nonprofit partners around childcare access as a workforce issue. The events brought together employers, local governments, and care providers to share data, discuss barriers, and identify opportunities for collaboration, resulting in a toolkit with county-specific recommendations. Read more about its work here.

Income Support Programs

Upper Explorerland Regional Planning Commission (IA): Allamakee County Child Care Solutions Fund

Upper Explorerland RPC partnered with Allamakee County Economic Development and Tourism to launch the Child Care Solutions Fund, a wage support program for childcare workers funded through a state grant and local match campaign. The pilot reached seventy-five providers in its first year, helped stabilize staffing, and led to measurable increases in available care slots. By targeting compensation, a major challenge for rural providers, the program strengthened business viability and expanded access for families.

Part 3: Recommendations for EDDs

Childcare is an emerging issue for economic developers. Long treated as a siloed social service concern, it is increasingly recognized as a critical component of local and regional economic stability, with direct impacts on labor force participation, business productivity, and quality of life. But because most public funding flows through states directly to families or providers, there is limited space for EDDs to directly fund or support care services.

Still, many states are beginning to work with local and regional coalitions to plan and implement solutions, and EDDs are natural partners in that work. EDDs don't need a formal mandate to get involved; after all, childcare access aligns directly with their core mission to strengthen regional economies. And because the space is still evolving, even modest actions like conducting a study or convening a working group can have outsized influence. The following recommendations, drawn from existing EDD programs, illustrate practical ways districts can engage in childcare solutions using the tools, relationships, and capacities they already have.

Recommendations

Start with planning and analysis

Planning and analysis is often the most practical entry point for EDDs looking to get involved with childcare. A well-prepared needs assessment or economic impact study can put credible data in front of local officials, employers, and community partners who may not have engaged with the issue before. These studies often become the starting point for coalition building, align stakeholders around a shared understanding of the problem, and lay the groundwork for targeted solutions that match local conditions. The Lincoln Trail Area Development District's childcare access and labor market report and subsequent coalition-building work is an excellent example of this recommendation in action.

Treat childcare as infrastructure, not just a social service

Reframing childcare as essential economic development infrastructure can attract new partners and funders, including chambers of commerce, workforce development boards, and city and county economic development organizations. This framing also aligns better with the language of CEDS and long-range economic planning. In particular, it should highlight the potential job creation and business development impacts of improvements in the childcare ecosystem. Centralina Regional Council's efforts to engage with the workforce development ecosystem to create awareness and new partnerships exemplifies this approach.

Get involved in existing work

As with many of the issues EDDs address, there is no need to reinvent the wheel. Where coalitions exist, EDDs can be important voices that help to expand their reach or complement their work with analysis. Many coalitions are nascent and looking to build support and reach audiences EDDs may be more familiar with.

Work with the business community; they are interested in childcare issues

Every economic developer knows that it can be challenging to get business leaders to participate in planning processes. Business owners, and particularly small business owners, are typically busy running day-to-day operations and have other civic commitments that make it difficult for them to carve out time for long-term, large-scope planning. Childcare is different: many employers are acutely aware of how care gaps impact turnover, absenteeism, and recruitment, and are looking for practical solutions. EDDs can

get them involved by offering compelling data and low-barrier engagement opportunities, such as forums or surveys, which can help to build momentum towards deeper collaboration.

Use convening power to connect with new partners

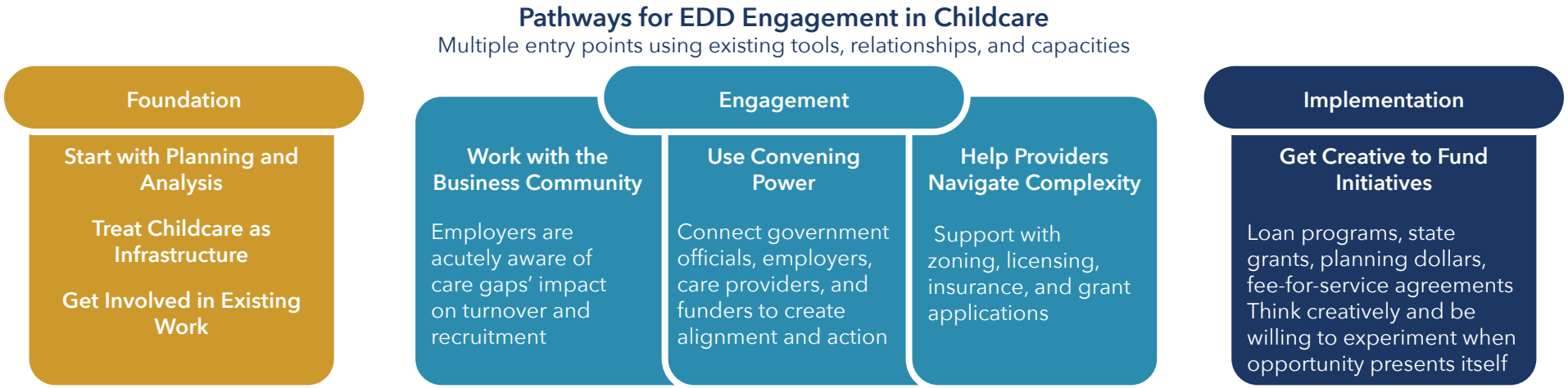
Several successful initiatives explored in this report began with forums, task forces, or cross-sector meetings convened by the EDD. Bringing together government officials, employers, care providers, and funders can help to create the alignment necessary to move from interest to action or to deploy resources that traditional partners in the childcare space may not have been aware of or did not have access to.

Help childcare providers navigate complexity

Many small childcare providers struggle with zoning, licensing, insurance, or state grant applications. Regional organizations with existing small business development programs or entrepreneurship accelerators can serve as technical assistance hubs or connect providers with resources they would not otherwise access. However, childcare operators may not be aware of these resources, so targeted outreach either directly or through trusted partners can help to drive awareness.

Get creative to fund initiatives

The projects profiled in this report are unique from one another not only in their approach but also in their funding strategy. Loan programs, state grants, planning dollars, fee for service agreements, and other diverse funding types may be necessary to fund specific needs or projects. The key is to think creatively and be willing to experiment when the opportunity presents itself. As the childcare space matures and its critical role in economic development becomes more broadly understood, more direct funding and programming opportunities are likely to arise. For now, however, EDDs involved in childcare are breaking new ground.



Key Insight: EDDs do not need a formal mandate to get involved. Childcare access aligns directly with the core mission to strengthen regional economies. Even modest actions like conducting a study or convening a working group can have outsized influence.

Conclusion

It is increasingly clear that childcare is a critical piece of the regional development puzzle. Without adequate childcare, regions will struggle to retain workers, attract families, and maintain competitive business climates. By treating childcare as core economic infrastructure, EDDs can position their regions for long-term resilience and prosperity. The projects outlined in this report demonstrate that even modest interventions can make a difference by galvanizing broader action or triaging the most critical gaps. The long-term trajectory of regional competitiveness will increasingly depend on whether childcare gaps are addressed, and EDDs are well-positioned to make a difference in their communities.

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Appendix: Funding Childcare

Childcare programs are funded in a variety of ways. Though this report only considers public funding sources, it is important to note that most funding in the childcare system flows directly from consumers to privately-operated childcare programs. It is also common for businesses to cover some childcare costs as a benefit to employees or, more rarely, to fund and operate childcare centers directly.

Public sector funding for childcare is dispersed through a variety of programs. Many local and state governments now provide subsidies or tax credits to facilities or parents; examples include Iowa's Child Care Business Incentive Grant and Colorado's Child Care Expenses Tax Credit.

Federal programs that fund childcare can be categorized as targeted funding, indirect funding, tax credit programs, and niche programs. The following chart briefly describes each of these funding sources.

Program Type	Program Name	Target Population	Uses	Funding Level/Cost
Targeted Funding				
	Child Care & Development Fund (CCDF) – CCDBG	Low-income working families	Discretionary vouchers + quality initiatives to improve supply	$8.75B (FY2025)
	Child Care & Development Fund (CCDF) – CCES	Low-income working families	Mandatory matching funds for childcare subsidies	$3.55B (FY2025)
	Head Start / Early Head Start	Low-income families	Comprehensive early learning, health & family supports	$12.3B (FY2025)
Indirect Funding				
	Temporary Assistance for Needy Families (TANF)	Low-income families	Flexible block grant; states can fund childcare & work support	$16.5B (FY2025)
	Social Services Block Grant (SSBG)	Vulnerable children, adults & seniors	Flexible social services, states can fund childcare & protection	$1.7B (FY2025)
	ESEA Title I, Part A	Children in high-poverty K-12 schools	Districts may use funds to operate early learning programs	$18.4B (FY2024)
	Various USDA Rural Development Programs	Rural communities (population ≤50k)	Loans & grants to build or renovate child care facilities	$2.8B loan authority + $70M grants (FY2025)

Program Type	Program Name	Target Population	Uses	Funding Level/Cost
Tax Credits				
	Child and Dependent Care Tax Credit (CDCTC)	Working parents w/ children <13 or dependents needing care	Nonrefundable income tax credit for eligible care	$3.7B (FY2025)
	Child Tax Credit (CTC)	Families w/ children under 17	Partially refundable credit to support household budget	$45B (FY2025)
	Employer Child Care Tax Credit (45F)	Employers offering child care benefits	Credit for building child care facilities or resource/referral	$20M (FY2025)
	Dependent Care Assistance Plan (DCAP) (Dependent Care FSA)	Employees w/ workplace DCAP	Pre-tax salary set-aside (up to $5k) for child/dependent care	$0.84B (FY2025)
Niche Programs				
	IDEA Part B Sec. 619 (Preschool Grants)	Children ages 3-5 with identified disabilities	Special education & related services in inclusive settings	$420M (FY2025)
	Child Care Access Means Parents in School (CCAMPIS)	Low-income parenting college students	Campus-based child care s ubsidies & capacity building	$75M (FY2025)
	DoD Military Child Care Programs	Children of active duty and DoD civilian families	On-base Child Development Centers & fee assistance	$2.3B (FY2025)
	Federal Employee Child Care Subsidy	Lower-income federal employees	Agency subsidies to reduce child care tuition	<$50M (average)
	Preschool Development Grant (PDG B-5)	States building B-5 early learning systems	Planning, needs assessment & quality improvement	$315M (FY2025)