

USA Cost Benchmark Report

The Costs Draining Childcare Centers



Exclusive insights
from **Tim Seldin**



Introduction

Do families complain about rising tuition when they talk to you? For center leaders, every budget cycle feels like a balancing act between quality and survival.

Tuition isn't "high" because anyone is profiting — it's high because quality care is labor-intensive, highly regulated, and increasingly expensive to deliver. Wages, compliance costs, facility upkeep, insurance, and benefits continue to rise, while parents' ability to pay does not.

Meanwhile, the broader economy has shifted. Hybrid and remote work give families new flexibility, allowing some to delay or avoid childcare altogether. But centers cannot simply lower prices — legal ratios, safety standards, and fixed overhead make that impossible.

The result: programs caught between rising costs and shrinking margins.

This guide explores the real economics of early care and education — why childcare costs are rising, why quick fixes rarely solve the problem, and what practical steps preschool leaders can take to make their programs more affordable, sustainable, and resilient.

We'll also look at how technology and AI-driven tools can help administrators, educators, and families reclaim time, reduce overhead, and redirect energy back to what matters most: children's growth and development.

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The Rising Costs Affecting Every Childcare Business

01

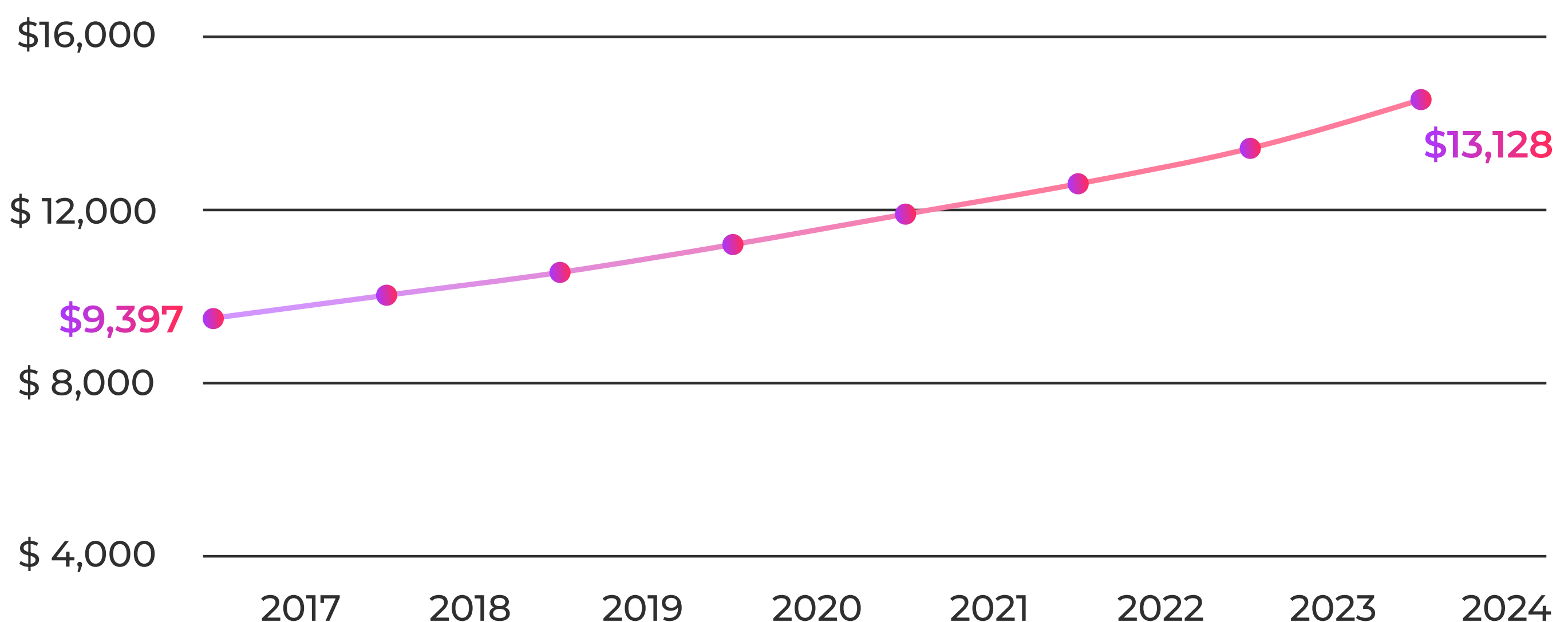
Quality early education depends on people, not products. You can't automate empathy, supervision, or connection.

That human element, combined with strict regulations and increasing operational expenses, makes childcare inherently expensive to deliver.

Below are the core drivers that keep pushing costs upward — and why directors feel the pressure more every year.

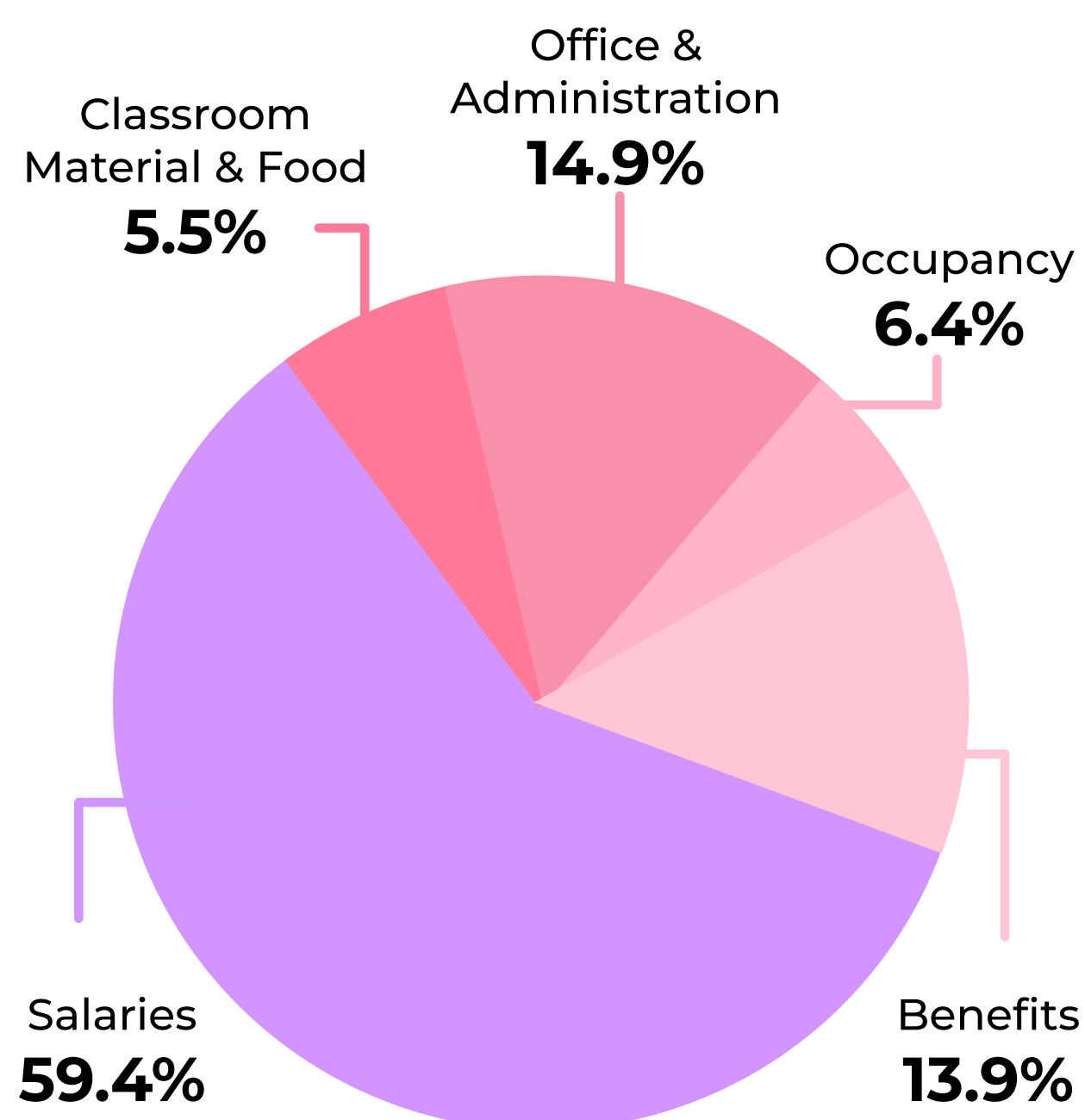
The national average annual price of child care increased by nearly 40% between 2017 and 2024.

Average price of child care, per year



Part 1: Operational Costs

Breakdown of Monthly Expenses



<https://www.americanprogress.org/tarticle/true-cost-high-quality-child-care-across-united-states/>

It's People's Work

One adult can safely and effectively support only so many children. Even if your model emphasizes independence and peer learning, some children will need more connection. That individual attention is the core of quality, and the core of the cost

Baumol Cost Disease

As productivity rises in other sectors, wages rise across the economy. But in childcare, the work cannot be sped up. Children still need the same level of human attention, which means labor steadily becomes a larger share of the budget over time.

Regulatory Layers

Licensing, safety audits, and documentation all serve important purposes. Yet when stacked together, they create significant administrative overhead and financial pressure for center leaders.

Facilities & Insurance

Licensing requirements for childcare facilities are rigorous and often raise both capex and opex. Insurance premiums and deductibles continue to climb in many regions, adding to the operational costs.

Administration Drag

Admin tasks like billing and staff scheduling eat leadership time. Most centers scale linearly so operational costs rise with time. If you can't scale admin efficiently with childcare management tools, you inevitably scale cost.

Part 2: Workforce costs

Status & Career Ladders

Many assistants see no clear pathway to becoming lead teachers or program leaders. Without structured training and advancement opportunities, talented educators look elsewhere for growth.

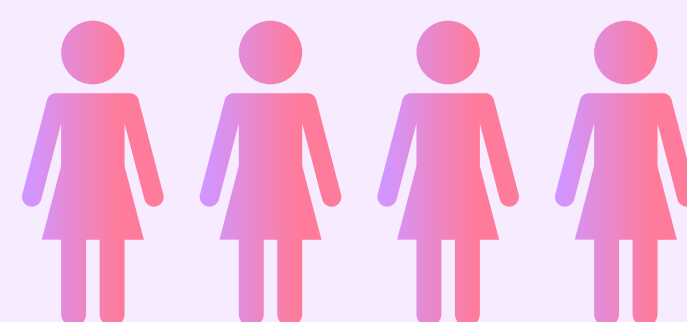
Pay & Parity

Retail or hospitality roles pay better, involve fewer licensing hurdles, and less emotional strain, making them more attractive to potential hires and contributing to ongoing shortages in childcare.

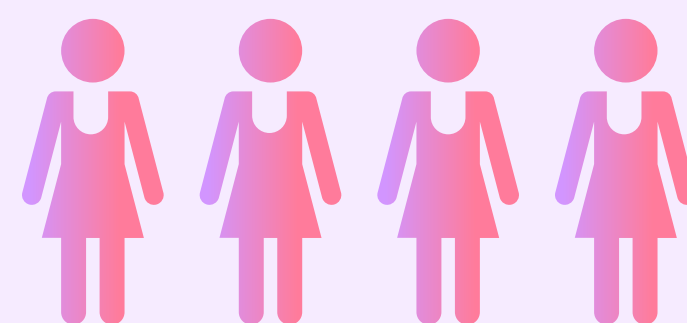
Credential Friction

Specialty credentials and competency-based pathways are undervalued. At the same time, degree-first mandates deter strong candidates who bring practical skills but lack formal qualifications.

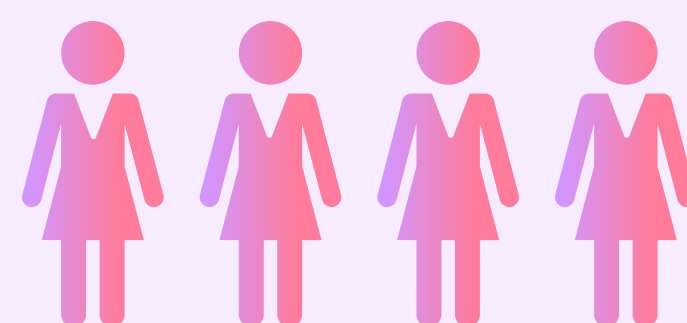
Trends in Median Wages for Workers



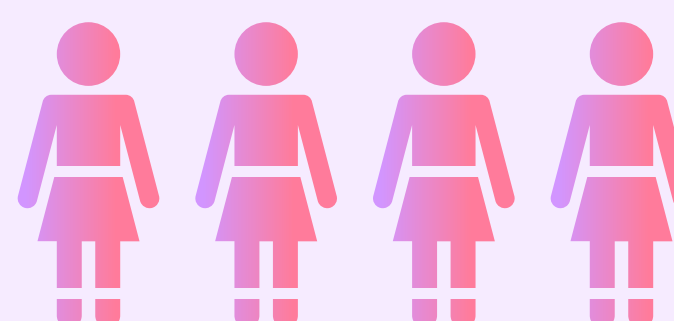
4% decrease in
Childcare
Staff



3% increase in
Wait Staff

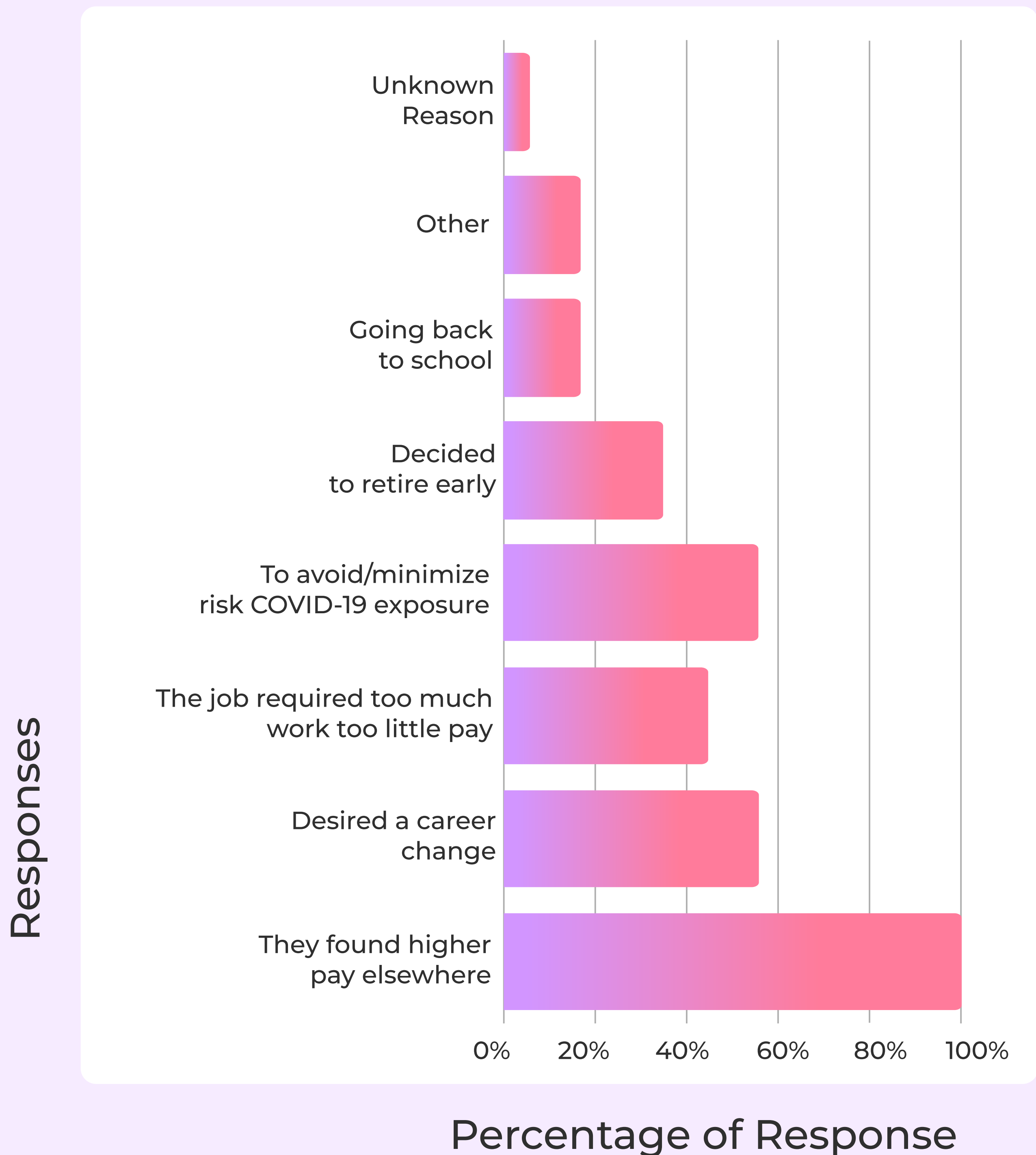


3% increase in
Bartenders



2% increase in
Food Counter
Workers

Staff Who Didn't Return to Head Start/Early Head Start



Onboarding Complexity

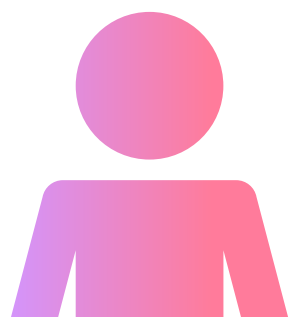
New hires face a maze of requirements like first aid training, food handling certifications, and long orientation modules. This barrier discourages people from entering in the profession.

Burnout & Family Life

Split shifts, little prep time, and inconsistent coverage make it difficult for staff to balance work and family life. The result is higher stress, faster burnout, and ultimately accelerates attrition.

Turnover Tax

Every resignation brings recruitment expenses, onboarding time, and lost continuity for children. The cycle becomes a hidden tax on the entire operation.

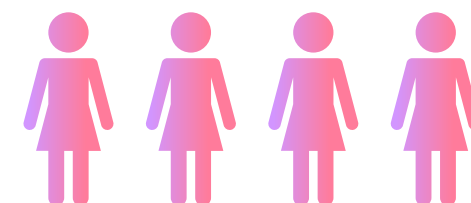


44%

of **American K-12 teachers** reported feeling burned out often or always

#1

reason educators plan to quit their jobs is **compensation**



43%

of **educator job postings** are going unfilled



30%

of teachers were **found to be chronically absent**

Why Current Fixes Fall Short

02

The challenges listed above aren't unnoticed in the industry.

Most of these solutions hardly treat the root causes.

They create short-sighted systems that collapse as soon as the centre faces any discrepancies:

Policymakers, funders, and operators have all tried to ease the pressure with different fixes — subsidies, tuition adjustments, and even cutting back in certain areas.

80%

childcare owners want **enrolment-based** subsidy payments

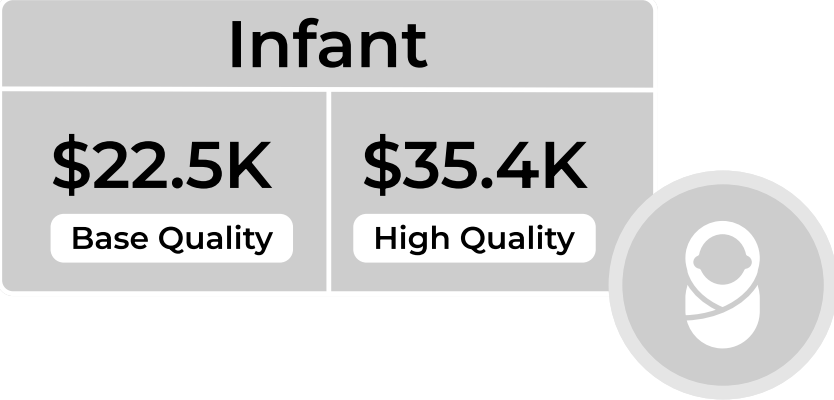
https://www.naeyc.org/sites/default/files/wysiwyg/user-73607/naeyc_nprm_comments.final.pdf

73%

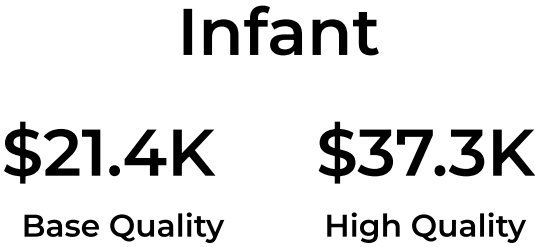
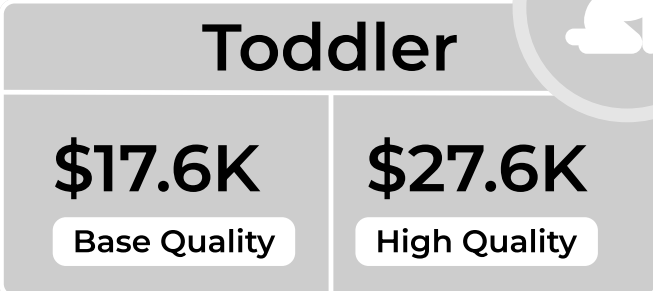
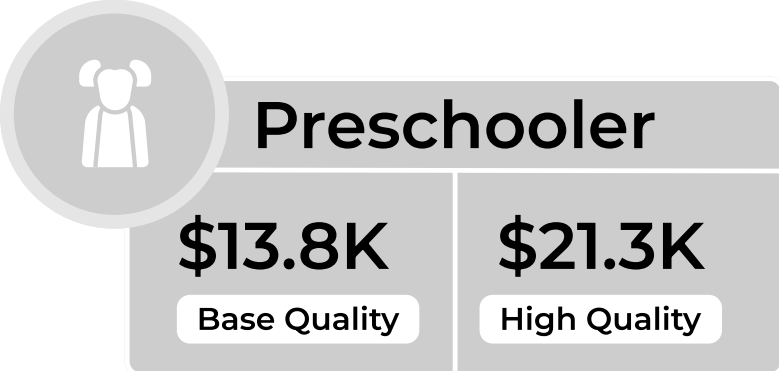
childcare owners want **prospective** (upfront) payments.

https://www.naeyc.org/sites/default/files/wysiwyg/user-73607/naeyc_nprm_comments.final.pdf

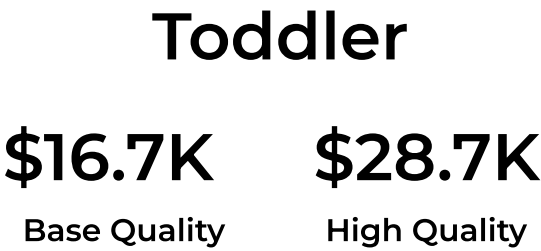
The True Cost of Child Care



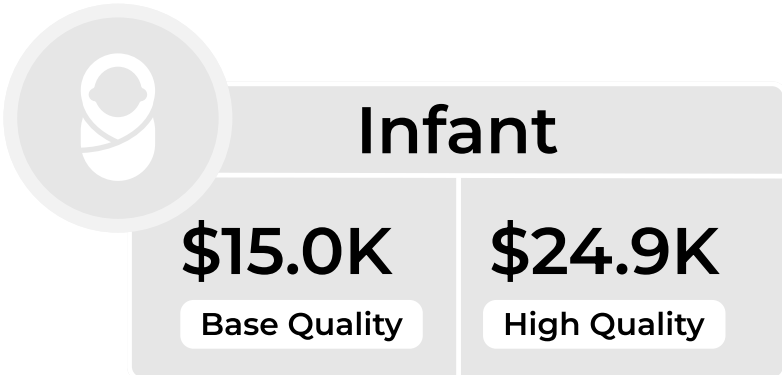
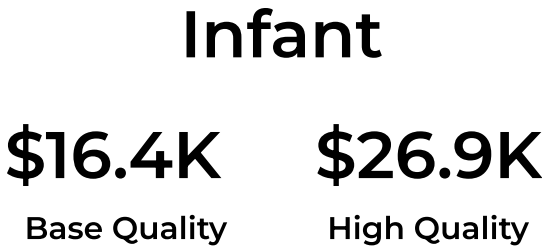
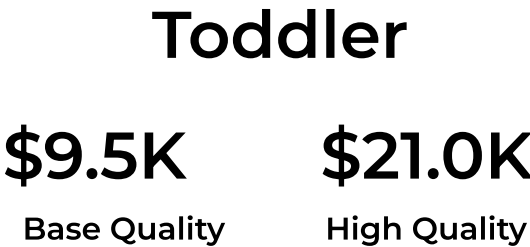
NEW YORK



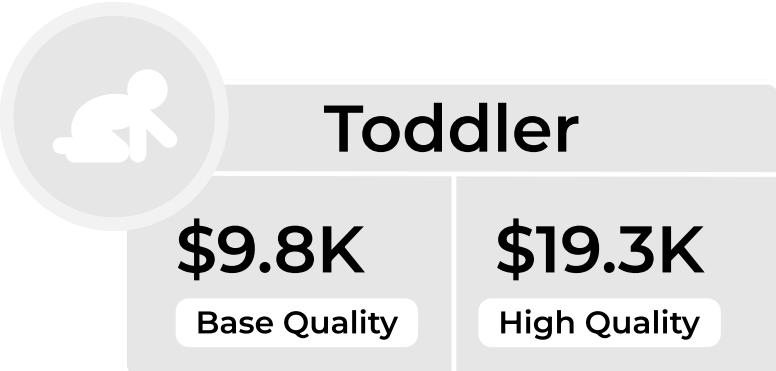
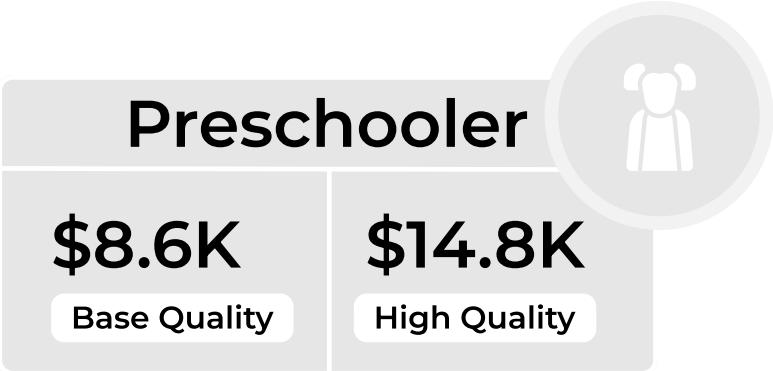
CALIFORNIA



FLORIDA



TEXAS



<https://www.americanprogress.org/tarticle/true-cost-high-quality-child-care-across-united-states/>

Note: Base-quality scenarios use default data from www.costofchildcare.org representing a program meeting state licensing regulations. The high-quality scenario includes all quality variables available in the interactive model. All values are rounded to the nearest hundred.

Subsidies

Public subsidies don't lower the true cost of delivering care – strict reporting requirements, prescriptive curriculum rules, and delayed payments tighten cash flow.

Tuition Discounts & Underpricing

Many directors lower tuition to stay competitive or to serve families they care deeply about. While well-intentioned, this erodes margins and leaves no room to build reserves or offer competitive salaries. When an unexpected repair or enrolment dip hits, underpriced programs are the first to wobble. Discounts don't make care more affordable long term; they just push instability onto the operator.

Cutting Corners

Some centers try to save money by reducing classroom budgets, but they create new costs in the form of higher staff turnover, compliance risks, and declining family satisfaction.

Overreliance On Word of Mouth

Reputation and referrals are not predictable enough to sustain enrollment. They result in a leaky enrollment funnel, which leads to unpredictability and losses.

Key Takeaways

The smarter stance isn't to reject public investment or quick fixes altogether, but to recognize their limits. Subsidies and stop-gap measures can help in the moment, but they don't change the underlying math of running a center.

Real progress comes when leaders pair outside support with model-neutral funding policies — and, more importantly, with strategies inside their own programs that make quality sustainable.

What Really Works: The Director's Playbook

03

Directors can't control every regulation or funding stream

but they can take steps inside their centers and within their wider networks that make childcare more sustainable.

Optimizing Bottom-Line Revenue for Childcare Centers

**Flexible
Schedules**

**Skill
Training**

**Floating
Staff**

**Family
Discounts**

**Automate
Processes**

Subsidies

**Software
Support**

**Career
Path**

**Mentor
Program**

Center Management Strategies: A Comprehensive Guide

Workforce & Culture

Assistant to Lead Pathway -
Compensation Ladders -
Predictable Planning -
Obsess Over Onboarding -

Scheduling & Program Design

Optimize Hours -
Protect Work Blocks -
Use Mixed-Age -

Admin Efficiency

Automate Back Office -
Templates Everywhere -

Unit Economics & Pricing

- Zero-Based Budget
- Price for True Cost
- Revenue Mix
- Waitlist & Yield

Family Communication

- Radical Transparency
- Teach the “Why”
- Publish Outcomes

1. Workforce & Culture

Create a pathway from assistant to lead

Paid apprenticeships, release time for training, and stackable micro-credentials show assistants that there's a future in your center.

Build compensation ladders tied to skills

Publish clear pay bands based on competencies like classroom management, family partnership, or health and safety leadership

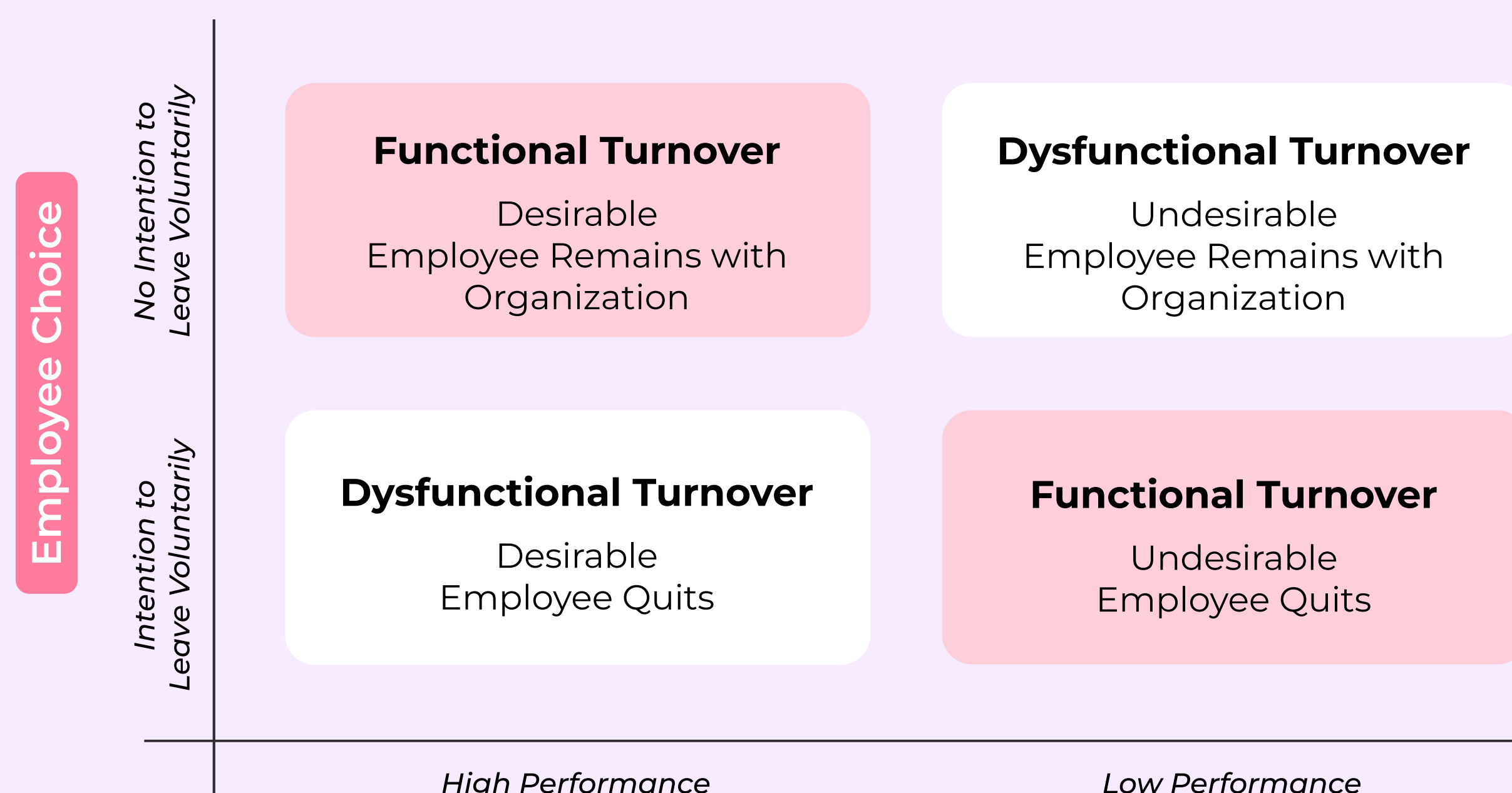
Plan for predictable coverage

A rotating floater team or a shared substitute pool ensures classrooms stay stable, staff get their breaks, and reduces burnouts.

Make onboarding a priority

Streamline requirements such as fingerprinting, TB tests, and first aid. Then, pair every new hire with a buddy and a 30/60/90-day coaching plan.

Types of Employee Turnover & Retention



<https://www.aihr.com/blog/employee-retention-rate/>

2. Scheduling, Capacity & Program Design

Protect long, child-led work blocks

Transitions add stress for both staff and children. If your model allows, longer uninterrupted learning periods reduce behavioral incidents, and lighten staff workload.

Align staff hours with family demand

Look closely at arrival and departure peaks to see when coverage is most critical. Then, plan flexible schedules to give teachers a better work-life balance.

Consider mixed-age groupings where licenses allow

Blending ages isn't just a teaching strategy; it's a staffing one. Older children mentor younger peers, while teachers gain more flexibility to balance ratios.

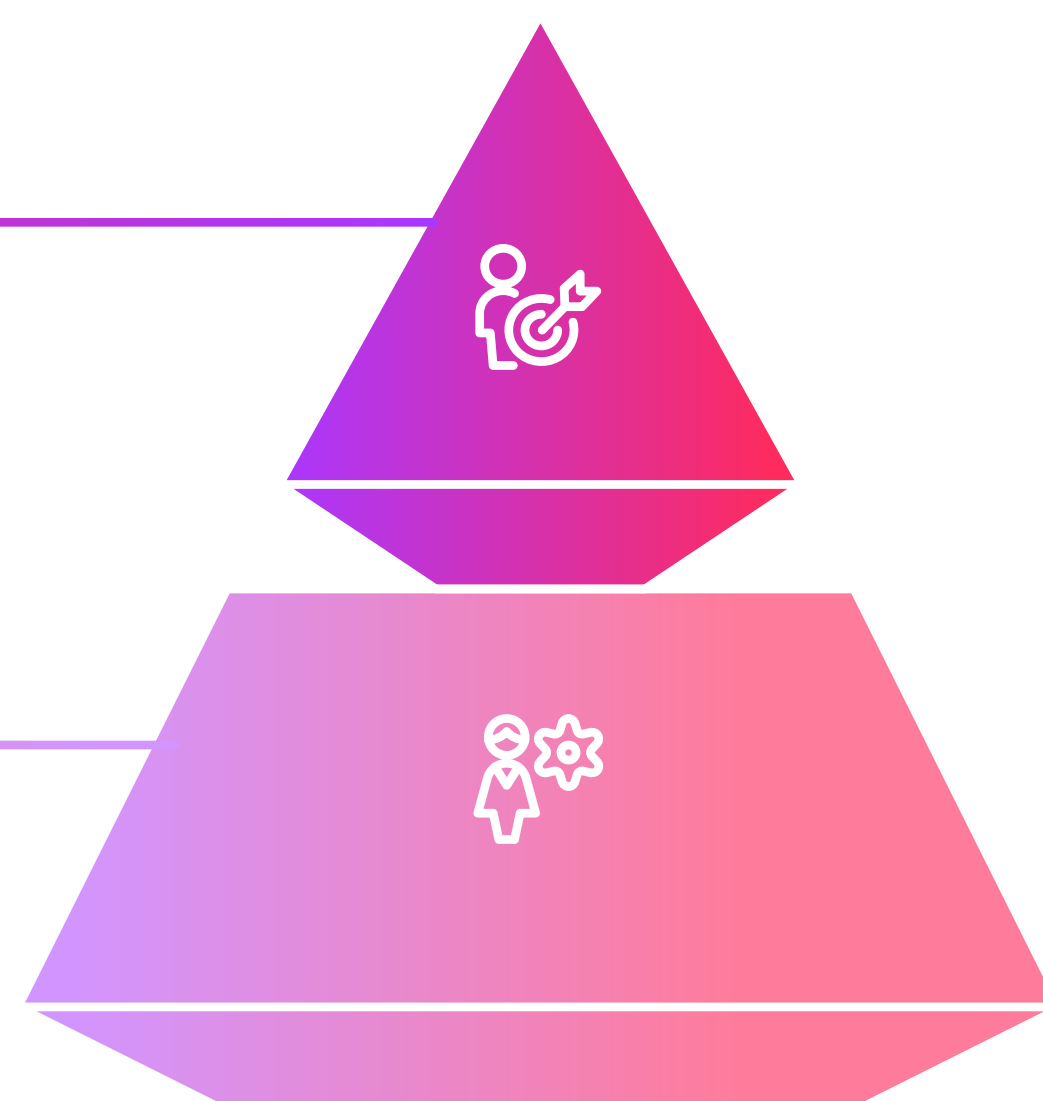
Motivation Hierarchy

Motivators

Encourage enthusiasm and engagement- recognition, autonomy, challenging, progressive challenges

Hygiene Factors

Essential for basic job satisfaction- job security, salary, vacation, work condition, working relationship, company policy & administration



3. Unit Economics & Pricing

Price for true cost, then fund access

Tuition has to cover operations and leave room for a small reserve. To increase affordability, use scholarships, sliding scales, and state supports over underpricing your program. We've addressed these in detail in our podcast episode 📌

Run zero-based classroom budgets

Instead of guessing, calculate costs for each room: wages and benefits (including subs), materials, training, food, facilities, insurance, and admin time. Know your true cost per seat and break-even enrollment.

Diversify your revenue mix

Income streams like Extended day, summer camps, wraparound care, parent workshops, and rentals give you a buffer against enrollment dips and unexpected expenses.

Track your waitlist and yield

Don't just chase new inquiries — measure enrollment and 90-day retention. Fixing leaks in that funnel is far more cost-effective than pouring money into fresh marketing.

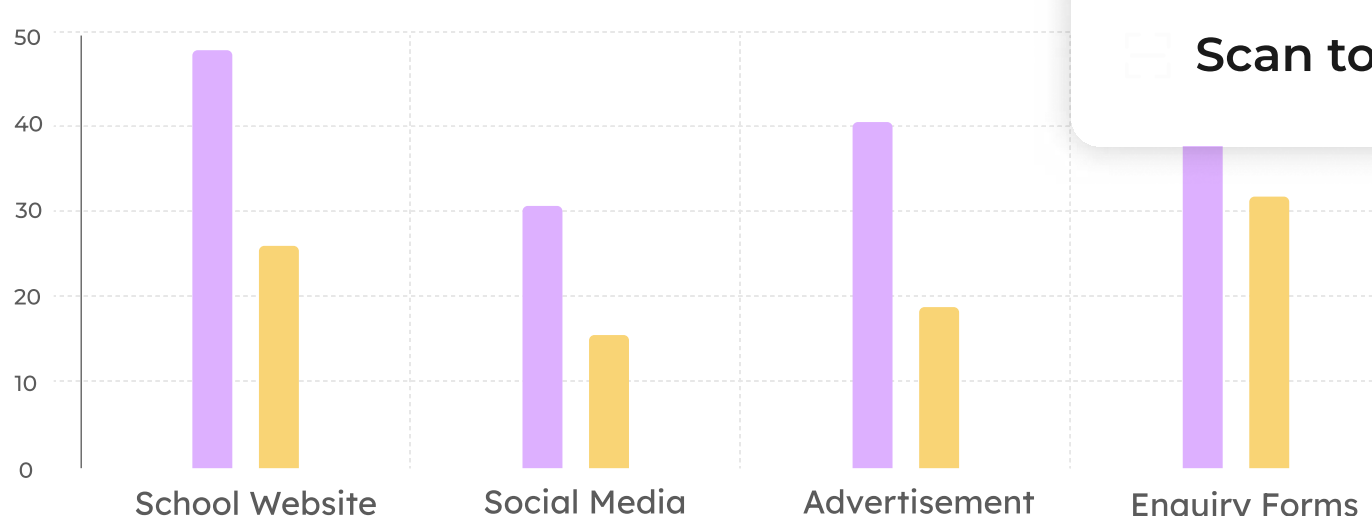
Occupancy Report

Program Name	Sep-2024	Oct-2024
Session 2	90%	97%
		

Enquiry by Source to Admissions

■ Total Enquiries ■ Total Admissions

01 Jul 2023 - 31 Oct 2023



Enquiry Form ▾

📄 Scan to submit form

Podcast

Pricing and Management Tools

Watch Now

4. Admin Efficiency

Center directors
can't do it alone
without Childcare
management
tools

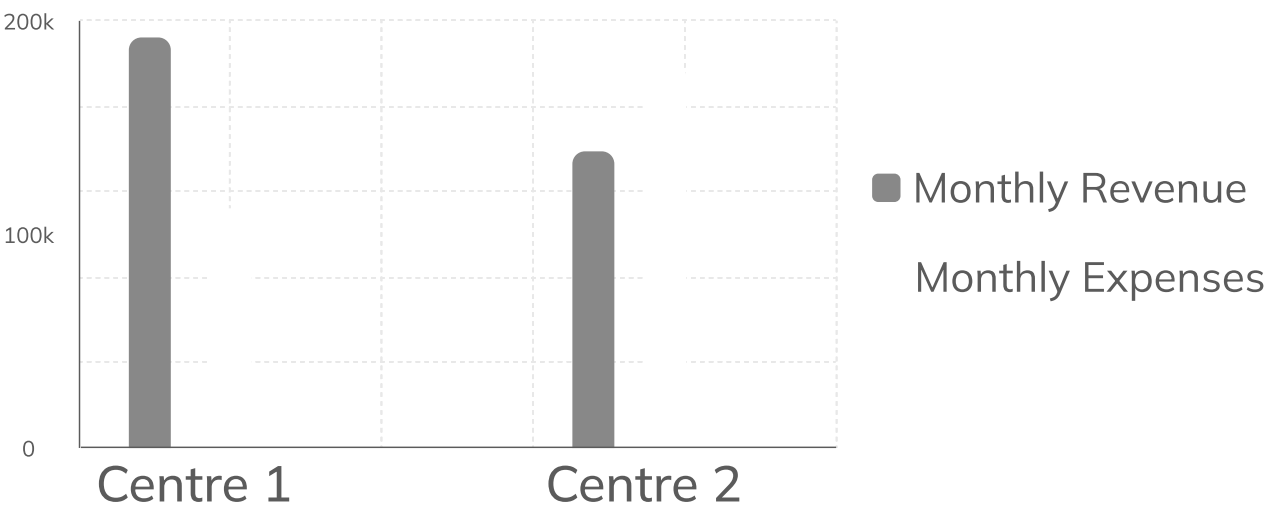
Billing and tuition collection

Illumine's billing system enables directors to set up customizable fee plans that account for subsidies, discounts, and attendance-based charges.

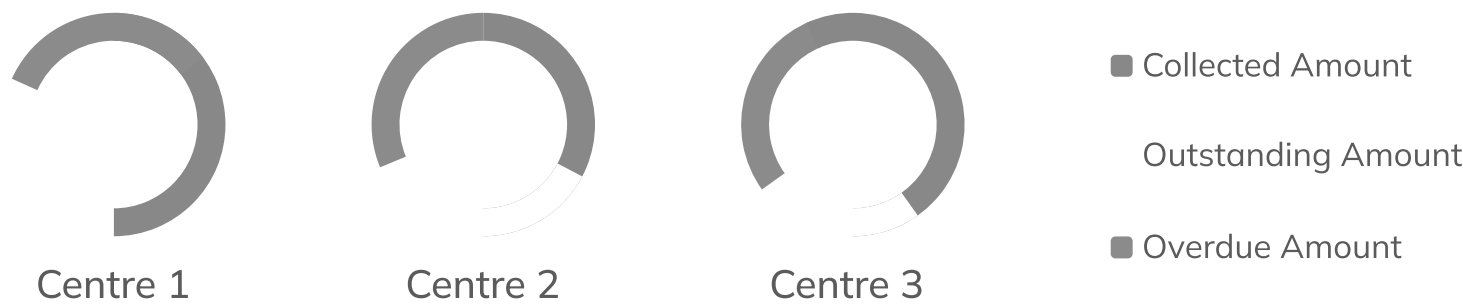
Branded invoices are generated automatically, with late fees calculated and applied by the system.

Because payments are made directly within the platform, directors spend less time chasing collections and more time focusing on staff and classrooms.

Monthly Revenue vs Monthly Expenses



Collected Amount vs Outstanding Amount



Student				
			\$55	<button>Send Invoice</button>
				✓ 1st Reminder Sent

Templates Everywhere

With Illumine, recurring tasks can be templated, reducing the cognitive load on directors and staff.

Day-to-Day Operations Templates



Centralized Staff Schedules

Real-time view of availability and classroom coverage



Templated Forms

Drag and drop form builders save time compared to paper



Digital Incident Reports

Reliable software for record keeping, avoiding scattered information



Built-in Communication Tools

Daily reports, assessments, newsletters, and event updates in one place.

5. Family Communication

Communication with families should flow through a single, reliable system. Illumine provides a central hub where teachers can log activities, and incident reports.

Over time, these records create a detailed archive that's invaluable for parent trust and during compliance audits.

Practice radical transparency

Promote transparency by breaking down tuition into clear categories like wages and benefits, facilities, financial aid, and classroom supplies.

Teach the “why.”

Use short videos, classroom walkthroughs, or open days to explain why independence, peer learning, or guided interventions matter.

Publish real outcomes

Share data points like attendance, family satisfaction scores, or kindergarten readiness benchmarks. This kind of reporting demonstrates accountability and reassures parents with measurable impact for their children.

“You gotta think about what **leads a parent to come to your school.** Its the location, the hours you're operating.”

Tim Seldin

Author, Educator & President,
The Montessori Foundation



Quick checklist for your next leadership meeting

- ✓ Do we have a published career ladder and pay bands tied to competencies?
- ✓ Are we scheduling protected planning time, and do we have a reliable coverage plan?
- ✓ What is our true cost per seat by classroom, and our break-even enrollment?
- ✓ Where are we leaking families in the inquiry → tour → enrollment → 90-day funnel?
- ✓ Which admin tasks can we template or automate this quarter?
- ✓ Which nearby centers could join a shared-services substitute pool or bulk-buy group?
- ✓ What advocacy asks will we make at the next licensing or subsidy listening session?

System-Level Solutions: What We Can Do Together

04

Some challenges are bigger than any single director can solve.

Workforce shortages, regulatory bottlenecks, and funding models require collective action.

When leaders band together — through advocacy, partnerships, or shared services — the entire field benefits.

Pathways into ECE

Path A → Traditional Degree

Path B → Portfolio + Supervised Hours

Path C → Specialty Certifications

Path D → Apprenticeships



Expand the workforce

National policies with expanded visa slots, and recognizing international credentials can bring in more skilled teachers.

Locally, partnering with workforce boards and community colleges to create earn-while-you-learn apprenticeships ensures a steady pipeline of new educators.

Right-size credential rules

Current degree-first mandates can lock out talented practitioners who have the skills but not the formal paperwork.

Advocate for multiple competency routes like portfolios, supervised practice, or specialty certifications so we can broaden access to the profession.



Advocate for smarter public funding

Subsidies matter, but how they're structured makes all the difference. We need model-neutral funding that supports staff competencies and child outcomes without dictating pedagogy.



Streamline compliance

Directors often face layers of inspections, forms, and background checks that vary by county or state.

Asking regulators for consolidated inspections, digital reporting, and reciprocity across jurisdictions cuts down on duplication. Creating error-tolerant documentation rules ensures centers aren't punished for small mistakes.

Streamlining oversight reduces cost and stress without sacrificing accountability.

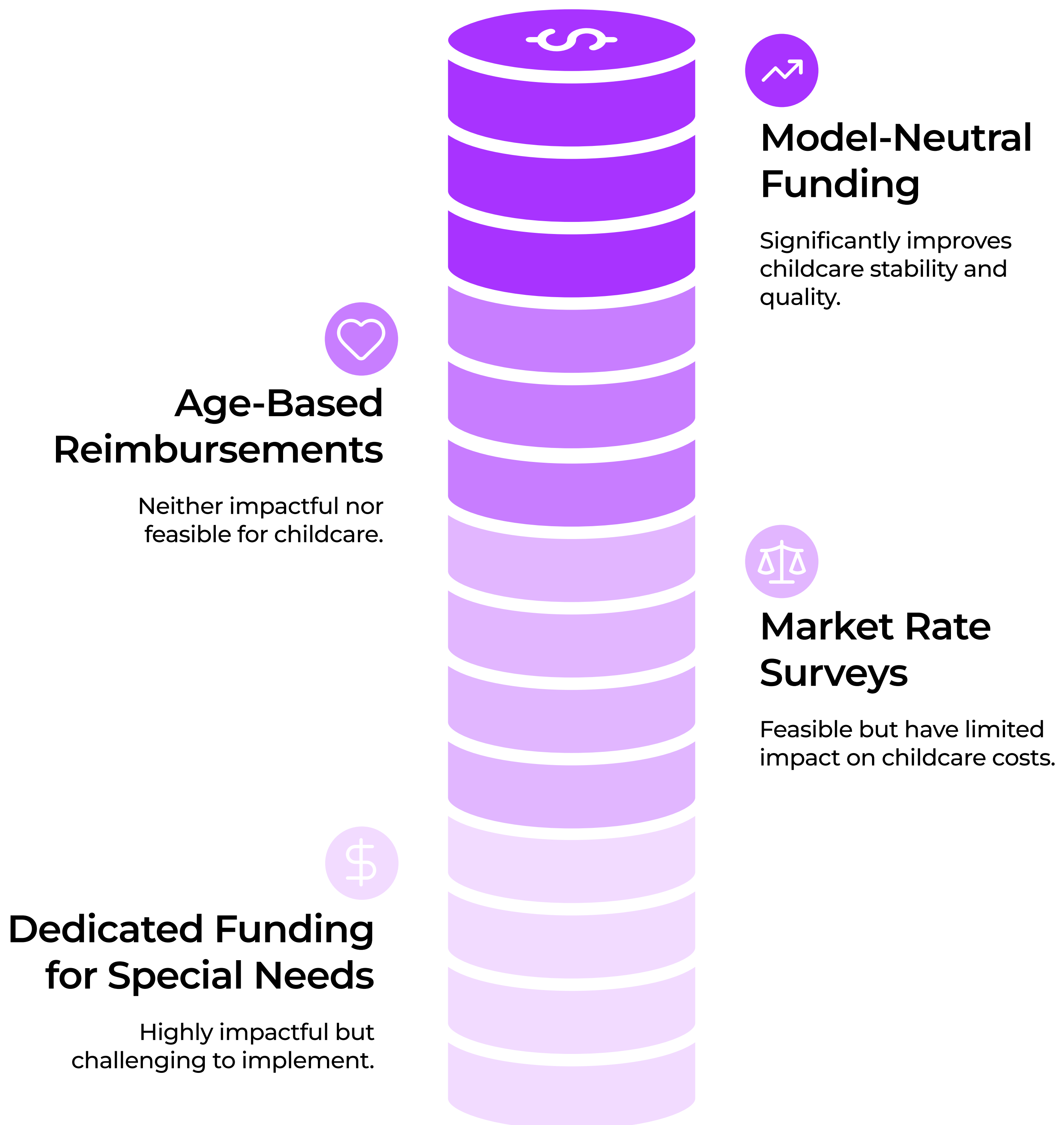


Form shared-services alliances

Not every center can afford a full HR team or dedicated grant writer — but together, several can. By pooling functions like payroll, substitutes, purchasing, grant writing, and even meal prep, directors scale administration without scaling classrooms.

These alliances lower overhead, increase efficiency, and let centers reinvest savings into staff and children.

Prioritizing Systemic Changes in Childcare Funding



The early years shape everything — attention, self-regulation, language, and social skills.

High-quality care in this stage reduces future remediation, lowers discipline issues, and eases family stress.

"so many of us in education feel guilty at the idea of charging what it costs to do the job right"

Tim Seldin

Author, Educator & President,
The Montessori Foundation

When directors run financially honest programs and explain the true value of tuition, parents stop seeing it as a luxury and start seeing it as an investment in their child's future.

Your role is to make that investment transparent, and sustainable — so families feel confident, teachers feel supported



Selected References & Further Reading

👉 Jordan McGillis (2025). **“Why Childcare Costs So Much — and How to Fix it.”** The Washington Post (op-ed).

👉 William J. Baumol & William G. Bowen (1966). **Performing Arts: The Economic Dilemma** (foundation for the cost-disease concept).

👉 James J. Heckman & colleagues (2006–2019). **Returns to Early Childhood Investment (“Heckman Curve”)—Policy Briefs and Syntheses.**

👉 National Institute for Early Education Research (NIEER). **State of Preschool Reports**—rates, access, workforce data.

👉 Child Care Aware of America. **Annual Affordability and Supply/Desert Analyses.**

👉 OECD, Starting Strong series—**International ECE Comparisons and Workforce Strategies.**