



The Cost of Childcare

Dr. AJ Griffin

CEO, Potts Family Foundation, former member of the Oklahoma State Senate



Senator Jane Kitchel

Former Appropriations Chair, Vermont (retired)

Early childhood development has lasting consequences for individual health, educational achievement, and economic stability, according to Dr. A.J. Griffin, a former Oklahoma State Senator. Research on adverse childhood experiences demonstrates that trauma and deprivation during the first five years of life can contribute to poor health and economic outcomes in adulthood. Dr. Griffin argues that greater investment in early childhood could reduce future public expenditures..

Family economic stability is a major determinant of children's long-term success. Access to reliable childcare allows parents to maintain employment and improve household income, benefiting both children and the broader economy.

Childcare is inherently expensive because it is labor-intensive and must maintain low child-to-staff ratios for safety. Unlike other service businesses, childcare providers cannot substantially increase the number of customers served without increasing staffing. Consequently, families pay high prices while childcare workers receive relatively low wages.

The United States invests comparatively little public funding in early childhood care. Dr. Griffin argued that childcare should be treated as essential economic infrastructure, comparable to transportation, education, and other services that support workforce participation.

Oklahoma's experience with universal prekindergarten illustrates the complexity of childcare policy. Although universal pre-K expanded educational access, it did not

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produce the anticipated improvements in academic achievement. Moving four-year-olds into public schools also weakened the financial stability of childcare centers, which depend partly on older children to offset the higher costs of infant and toddler care.

Affordable childcare is particularly important for women's workforce participation. Dr. Griffin emphasizes that leaving employment to care for children can reduce lifetime earnings, retirement savings, and career opportunities. Childcare shortages also contribute to staffing difficulties in predominantly female professions, including nursing and teaching.

Childcare businesses frequently lack access to the economic development incentives, financing, and technical assistance available to other industries. These disadvantages are especially pronounced in rural communities, where small populations make childcare operations financially difficult to sustain.

Dr. Griffin recommended regulatory flexibility without compromising child safety. Licensing requirements

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should protect children while minimizing unnecessary administrative costs. Shared staffing arrangements, cooperative business structures, and centralized administrative services could reduce expenses for small childcare providers.

Additional recommendations include employer-supported childcare, business tax incentives, and partnerships with schools, hospitals, and faith-based organizations. Existing buildings could accommodate childcare programs if liability and insurance barriers were addressed.

Family-based and informal childcare should also be recognized as important components of the system. Grandparents, relatives, neighbors, and small home-based providers supply substantial amounts of care. Policies should preserve these arrangements while maintaining appropriate safety protections.

QUALITY	
Smarter regulation, not weaker regulation	
States can make it easier to provide child care without making it less safe or lowering quality. Source: Center for American Progress.	
What does not work	Better reforms
- Lowering educator qualifications may weaken the skilled interactions that support children's learning and development. - Raising child-to-staff ratios reduces individual attention and can increase safety risks, especially for infants and toddlers. - Sweeping cuts to health and safety rules shift risk to children and families without addressing major costs such as staffing and facilities. - Lower standards alone cannot resolve the affordability paradox: families struggle to pay while providers operate on thin margins.	- Set clear licensing timelines and simplify applications so qualified providers can open or expand sooner. - Modernize inspections with consistent checklists, timely feedback and risk-based scheduling while retaining essential safeguards. - Allow flexibility in meeting requirements to accommodate different markets. - Review rules for unnecessary administrative costs, but preserve staff qualifications, appropriate ratios and child safety protections.

Dr. Griffin advocated integrating childcare into state economic development strategies rather than treating it solely as a family responsibility or social service. Public investment, employer participation, and practical regulatory reforms could expand access without relying exclusively on new taxes.

Vermont's Childcare Reform and Economic Development

Retired Senator Jane Kitchel, Former Appropriations Chair in the Vermont Senate, reported that Act 76: Vermont's Landmark Child Care Law provides an ambitious childcare reform program designed to improve affordability, expand access, and strengthen its workforce. The legislation reflects a growing recognition that childcare is not simply a family responsibility but an essential component of economic development.

Vermont faces significant demographic challenges, including an aging population, low birth rates, and a shrinking workforce. Childcare shortages have made

it difficult for parents to remain employed, while low wages and high operating costs have threatened the survival of childcare providers.

The legislation emerged from a decade of advocacy and substantial employer support. Businesses recognized that inadequate childcare was contributing to labor shortages. A Democratic legislative supermajority ultimately overrode the Republican governor's veto, allowing the reforms to become law.

The reforms substantially expanded financial assistance to families. Eligibility for childcare subsidies increased from 200% to 575% of the federal poverty level, extending benefits to some families of four earning approximately \$160,000 annually. Families earning below 175% of the poverty level qualify for fully subsidized care.

The state also changed its copayment system from a charge per child to a single payment per family. This particularly benefits households with multiple young children. Provider reimbursement rates increased by 35%, improving financial stability and helping childcare programs attract and retain employees.

The reforms recognize the importance of both childcare centers and licensed home-based providers. However, infant care remains particularly expensive, and some reimbursement rates still fall below the actual cost of providing services.

Vermont finances the expansion primarily through a new payroll contribution of 0.44%. Combined with existing state and federal funding, this dedicated revenue source supports the enlarged childcare system. The payroll contribution is projected to generate approximately \$90 million in its first full year and more than \$92 million the following year.

Senator Kitchel acknowledged that although employers pay much of the payroll contribution, employees may ultimately bear some of its cost through slower wage growth.

An additional proposal would have provided 12 weeks of paid family leave following childbirth. Although Senator Kitchel considered this an important complement to childcare reform, political disagreements prevented its inclusion in the final legislation.

Early results suggest meaningful improvements in childcare availability. Senator Kitchel reported that enrollment is approaching 5,000 additional children, new childcare slots have been created, and more childcare centers are opening than closing. State funding has also expanded access for some immigrant families who may not qualify for federal assistance.

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Despite these gains, challenges remain. Vermont's childcare system relies on several overlapping funding streams and programs, creating administrative complexity. Senator Kitchel stressed the importance of coordinating these systems and evaluating whether public investments produce their intended results.

Regulatory modernization is another priority. Rules should protect children and maintain educational quality without imposing unnecessary costs or preventing innovative approaches to service delivery.

Vermont's experience demonstrates how substantial public investment in childcare can support working families, stabilize childcare providers, and strengthen a state's economy. The reforms combine expanded subsidies, higher provider payments, and a dedicated payroll tax to address longstanding structural problems.

Senator Kitchel emphasized that successful childcare policy depends on political leadership, sustained advocacy, employer participation, reliable financing, and continuing evaluation. Although the reforms are still relatively new, Vermont offers a potentially useful model for other states confronting childcare shortages and workforce challenges.

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Conclusion

Childcare is both an investment in children's futures and a fundamental requirement for a functioning economy. Improving affordability and availability would strengthen family financial stability, increase workforce participation, alleviate labor shortages, and support long-term economic growth.

The central policy recommendation is to treat childcare as an interconnected economic system, supporting families, providers, employers, and communities rather than addressing individual components.

DISCUSSION



Senator Walter Michel (Vice Chair, Senate Rules Committee, Mississippi):

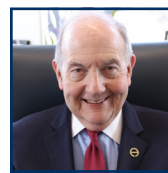
Did the legislation require the state to establish a new agency to oversee the distribution of \$90 million to private providers? Does the state regulate

providers' operating hours, service standards, meals, or other requirements? Does it place any limits on what private providers can charge for their services?



Senator Kitchel: No new agency was established to administer the program. Instead, the state expanded existing administrative capacity, including additional tax department staff and IT upgrades to process a new revenue

stream. Community-based organizations also assist with eligibility applications. Overall, the program operates through existing state structures rather than creating new agencies.



Senator Martin Looney (Senate President Pro Tempore, Connecticut):

Connecticut struggled for years to expand early childhood education, partly because programs serving children from birth to age five lacked

the strong institutional and political advocates that supported K–12 education. Growing concern about children entering kindergarten unprepared, and the potential long-term consequences for academic achievement, employment, and involvement with the justice system, helped build support for reform.

The state established an early childhood endowment fund, allocating \$300 million in the previous year and an additional \$400 million this year. The long-term goal is to provide free childcare for families earning under \$100,000 annually and limit childcare costs to 7% of income for families earning more.

Workforce needs also influenced the discussion. Employers benefit when workers have access to reliable

childcare, although an earlier tax-credit program encouraging employer-sponsored childcare attracted limited participation. The new initiative aims to improve both the affordability and quality of childcare while supporting working families and the state's economy.



Senator Chris Karr (*Senate President Pro Tempore, South Dakota*): We experienced a childcare crisis in Sioux Falls after seven daycare centers closed, leaving hundreds of families scrambling for care. My visits to approximately 15 facilities revealed concerns about both financial sustainability and regulatory barriers.

Senator Kesha Ram Hinsdale (*Senate Majority Leader, Vermont*): As former chair of the Economic Development and Housing Committee, I recognize



that many homeowners associations (HOAs) prohibit home-based childcare. Addressing these restrictions involves federal issues related to financing and shared-ownership properties, as well as state and local regulations.



Dr. Griffin: The primary challenges to having adequate childcare that we identified included low childcare wages, restrictive subsidy eligibility, and high costs for families, in addition to regulatory barriers. The central goals of our new programs were to improve affordability, stabilize childcare services, ensure providers' financial sustainability, and expand childcare access to support workforce participation.