

# WHY THE CHILD CARE SYSTEM FUNDING MODEL DOESN'T WORK AND THE IMPLICATIONS FOR NEW HAMPSHIRE

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DECEMBER 6, 2024



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Carsey School of Public Policy



# OVERVIEW

- New Hampshire Demographics, Labor Force, and Child Care
- High Cost of Child Care for Families
- Low Earnings for Early Childhood Educators and Providers
- True Cost of High-Quality Care Exceeds Revenues
- Limited Child Care Supply
- End of One-Time Funding
- Policy Impacts

# NEW HAMPSHIRE'S DEMOGRAPHICS & LABOR FORCE: A REVIEW

- Largest segment of NH's population will reach traditional retirement age in the next 10 years
- By 2050, nearly 27 percent of NH's population may be 65+
- Of the 407,000 people out of NH's labor force, roughly 5 percent are caring for a child not in school/child care
- Approximately 54 percent of NH's labor force is of childbearing age
- 30 percent of workers in NH's labor force have children
- 9.2 percent of NH's labor force have children under 6

Child care costs have widespread impact.

Most NH households with kids under 5 use child care (71%).

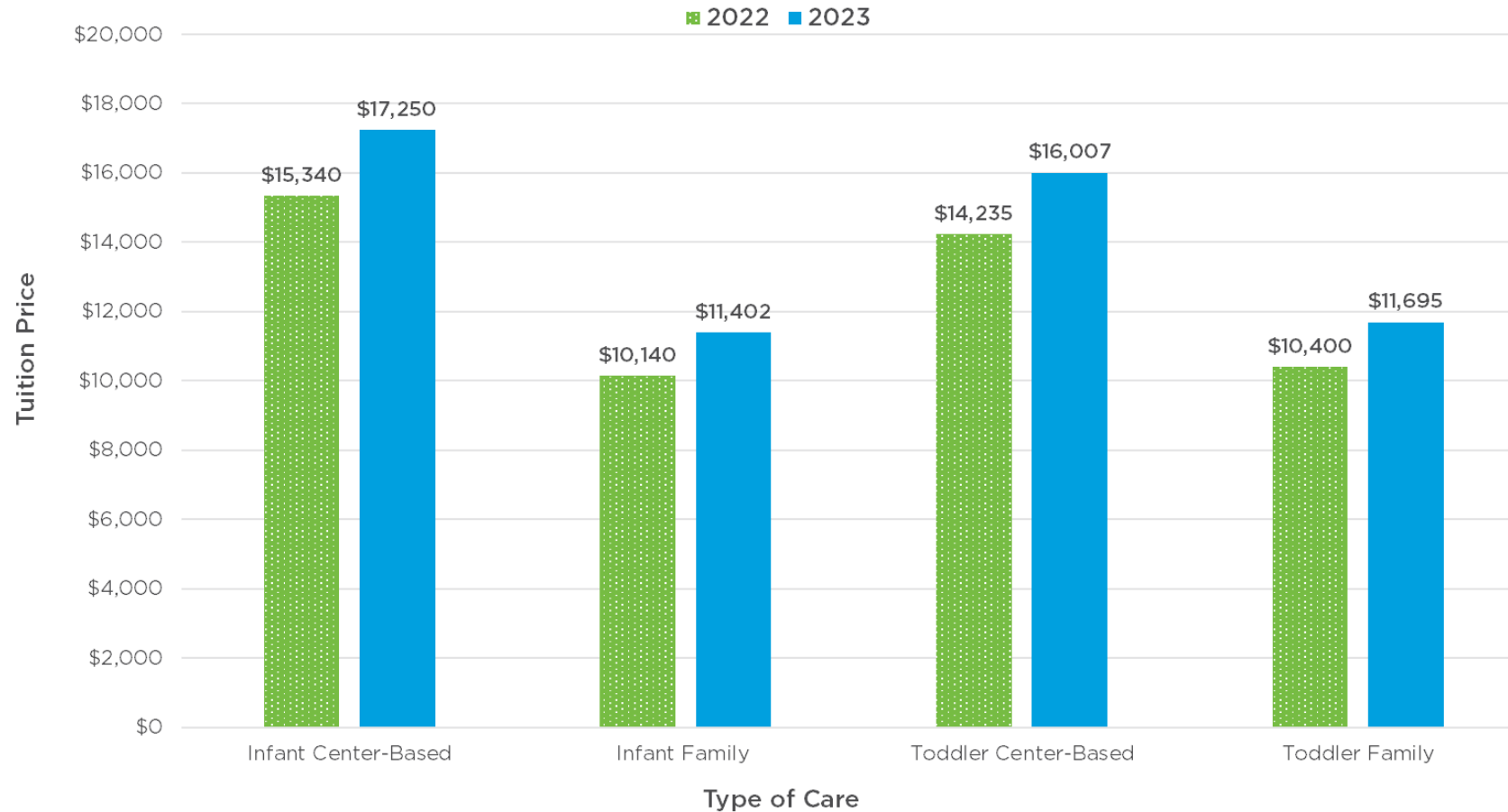
Unlike K-12 schools, child care is not funded as a public good.

< 10% of children receive state help; most families pay out of pocket.

# PRICE FOR TWO CHILDREN UNDER 5 IN CENTER-BASED CARE IN 2023: NEARLY \$32,000

## NEW HAMPSHIRE CHILD CARE PRICES IN 2022 AND 2023

*Child Care Tuition Prices for Center-Based and Family Child Care for Infants and Toddlers*

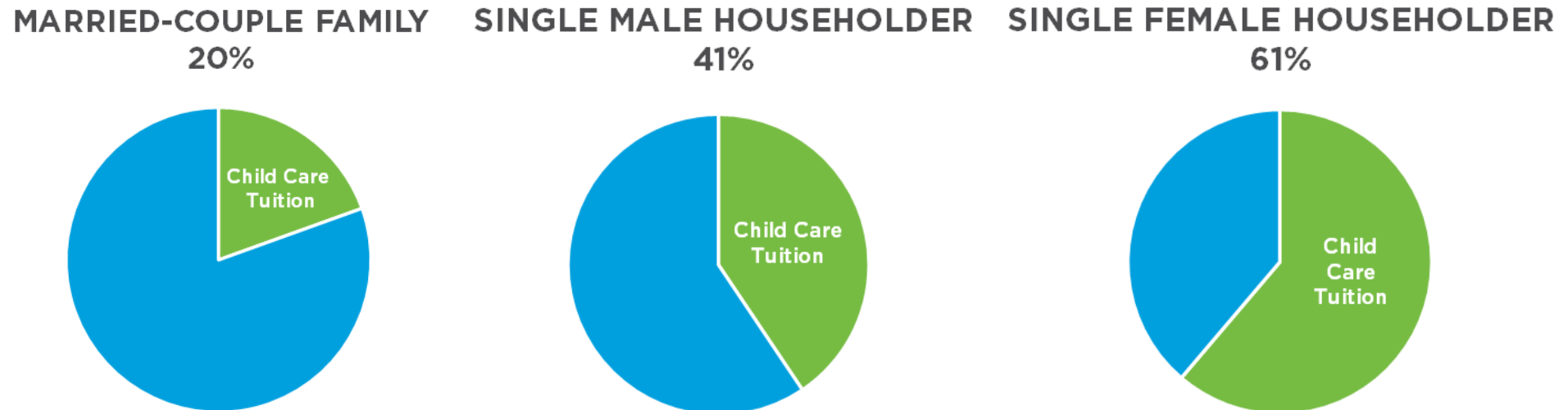


Source: Child Care Aware of America

# FEDERAL BENCHMARK: AFFORDABLE CHILD CARE SHOULD BE NO MORE THAN 7 PERCENT OF HOUSEHOLD INCOME

## PERCENTAGE OF MEDIAN HOUSEHOLD INCOME NEEDED FOR TWO CHILDREN IN CENTER-BASED CARE

*Percent of Median Income for Households with Children during 2018-2022 Equivalent to the Unsubsidized Price of Tuition for an Infant and Four-Year-Old Child to Attend Center-Based Child Care*



Sources: Child Care Aware, U.S. Census Bureau's American Community Survey, U.S. Department of the Treasury

# CHILD CARE PRICE: 2023 FAMILY EXAMPLE

ELIGIBLE FOR SCHOLARSHIP: PAYS \$6,465 (7 PERCENT OF INCOME + COPAYMENTS, IF APPLICABLE)

## Parents

Security Guard:  
\$40,880

Firefighter:  
\$51,470

Household Income:  
\$92,350

Scholarship Cutoff:  
\$123,153

## Children

Infant

Toddler

First-Grader

Total Center-Based: \$33,257\*  
Total Family-Based: \$23,097\*

\*Note: Does not include before and after school care

Sources: U.S. Bureau of Labor Statistics, New Hampshire Occupational Employment and Wage Estimates; Child Care Aware of America; New Hampshire Department of Health and Human Services.

Family-  
reliant  
revenue is  
insufficient.

Although families pay so much...

...young children's development (& state regulations) requires low child-to-adult ratios, spreading families' contributions thinly across multiple educators.

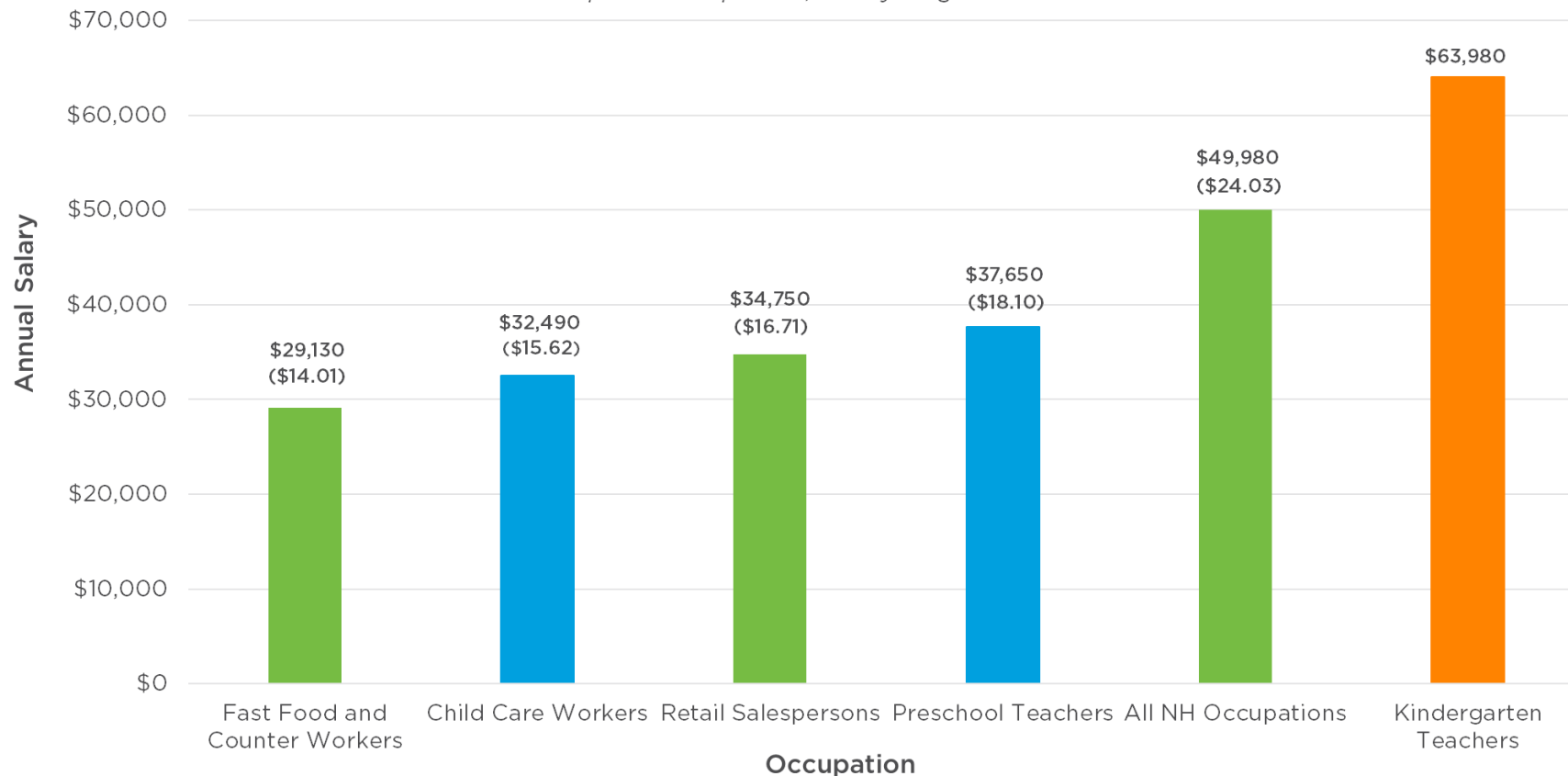
In 2023, the median annual salary for a NH "child care worker" was **\$32,490**.



# NH EARLY CHILDHOOD EDUCATORS' WAGES ARE NOT COMPETITIVE

## 2023 MEDIAN ANNUAL SALARIES FOR SELECT NEW HAMPSHIRE OCCUPATIONS

*U.S. Bureau of Labor Statistics May 2023 State Occupational Employment and Wage Estimates for Selected New Hampshire Occupations; Hourly Wages in Parentheses*



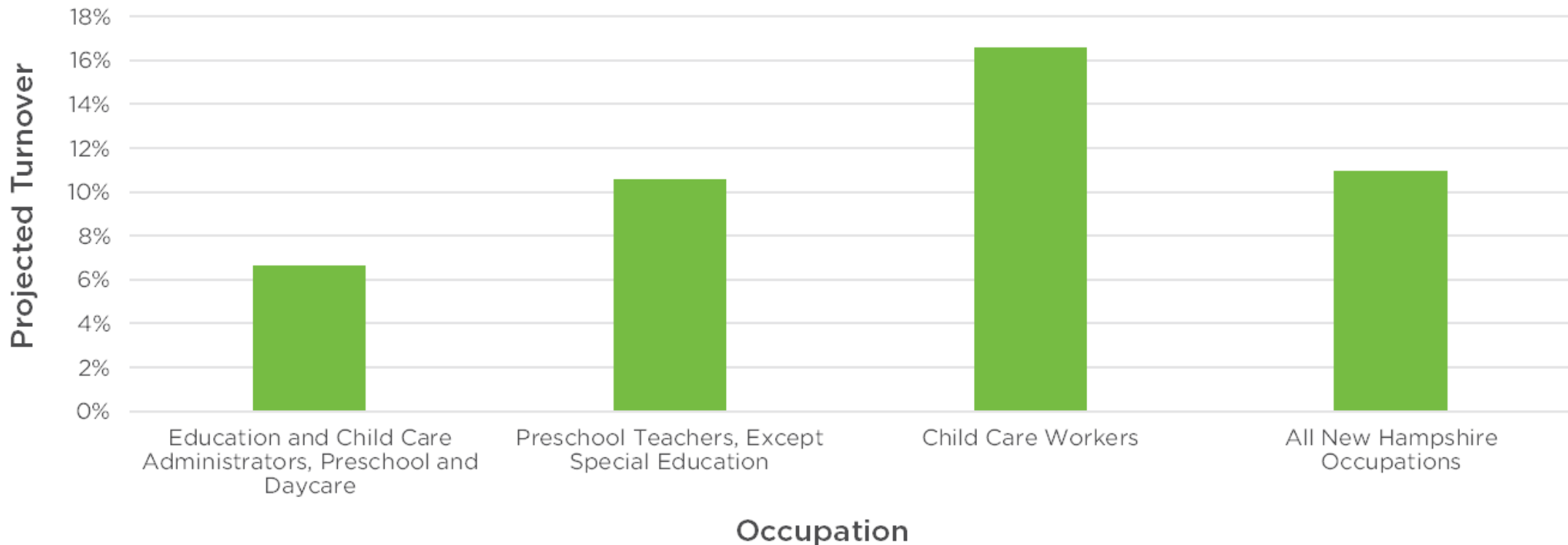
Note: Kindergarten teacher income is only reported as an annual salary.

Source: U.S. Bureau of Labor Statistics' May 2023 State Occupational Employment and Wage Estimates for New Hampshire

# HIGH PROJECTED TURNOVER AMONG EARLY CHILDHOOD EDUCATORS

## PROJECTED ANNUAL TURNOVER FOR NEW HAMPSHIRE CHILD CARE WORKFORCE

*New Hampshire Employment Security's Short-Term Occupational Projections of Exits and Transfers as a Proportion of Estimated Occupation Category during Second Quarters of 2023 and 2025*



Source: New Hampshire Employment Security

“I think that teachers and child care providers are significantly underpaid. It's ridiculous to me that people get paid like \$14 an hour to shape little minds. It's such an important job.

[But] like I said...where are you going to take the costs from? Are you going to put the burden on the parents? Parents are trying to just make ends meet as it is.”

NH Child Care Provider  
Interview with Carsey School of Public Policy  
December 2022

# TRUE COST OF HIGH-QUALITY CHILD CARE

- Revenue from tuition and NH Child Care Scholarships may not generate enough funds to cover necessary program costs
- Costs may include:
  - Food and diapers
  - Toys, furniture, and playground equipment
  - Curricula and assessments
  - Cleaning supplies
  - Rent or mortgage, insurance, utilities
  - Additional office and business expenses
  - Reducing child to teacher ratios, as needed
  - Professional development for staff and out-of-classroom time
  - Payroll and benefits
- Difficult to streamline or consolidate child care costs due to unique business model

# Change in NH Licensed Child Care Providers, July 2017 to October 2024

*among those serving children under age 5*

	<u>Percent Change</u>
Number of providers	↓ 26.5
Licensed capacity	↓ 12.9
Center-based provider capacity	↓ 11.6
Home-based provider capacity	↓ 36.6

# Percent Change in Number of Licensed Providers (2017 – 2024), by Capacity



Growth only in largest-capacity provider group

Source: Carsey School of Public Policy analysis of data via NH DHHS BCDHSC 2017 and 2024

The closure of small providers means that available slots didn't shrink as fast as the provider count did.

But for families, this means **choices are fewer**, and distances between options are longer.

The number of New Hampshire zip codes with ANY slots **dropped 12.1%**, from **182** in 2017 to **160** in 2024.

# POTENTIAL ECONOMIC IMPACT: FAMILY CHILD CARE HOME EXAMPLE

- Enrollment: 6 full-time children
- Approximately 3 to 6 parents available to work full-time
  - Assumes average of 1-2 children per parent entering the labor force
  - Assumes two part-time workers within a household combine hours to create a full-time equivalent worker
- Median New Hampshire Wages in 2023
  - \$24.03/hour
  - \$49,982/year

Median New Hampshire Yearly Wages x Available Workers =

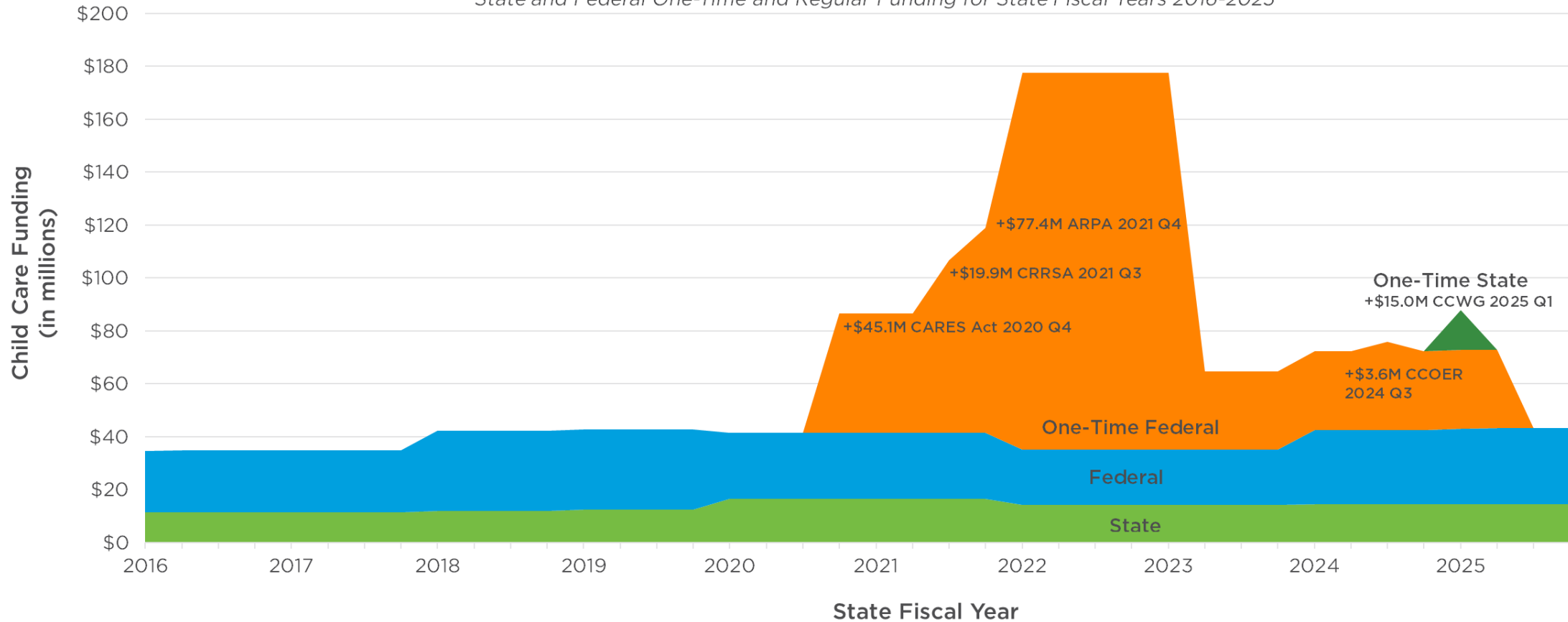
About \$149,946-\$299,892 in collective wages available to families



# ONE-TIME FEDERAL FUNDING HAS ENDED

## NEW HAMPSHIRE CHILD CARE FUNDING

State and Federal One-Time and Regular Funding for State Fiscal Years 2016-2025

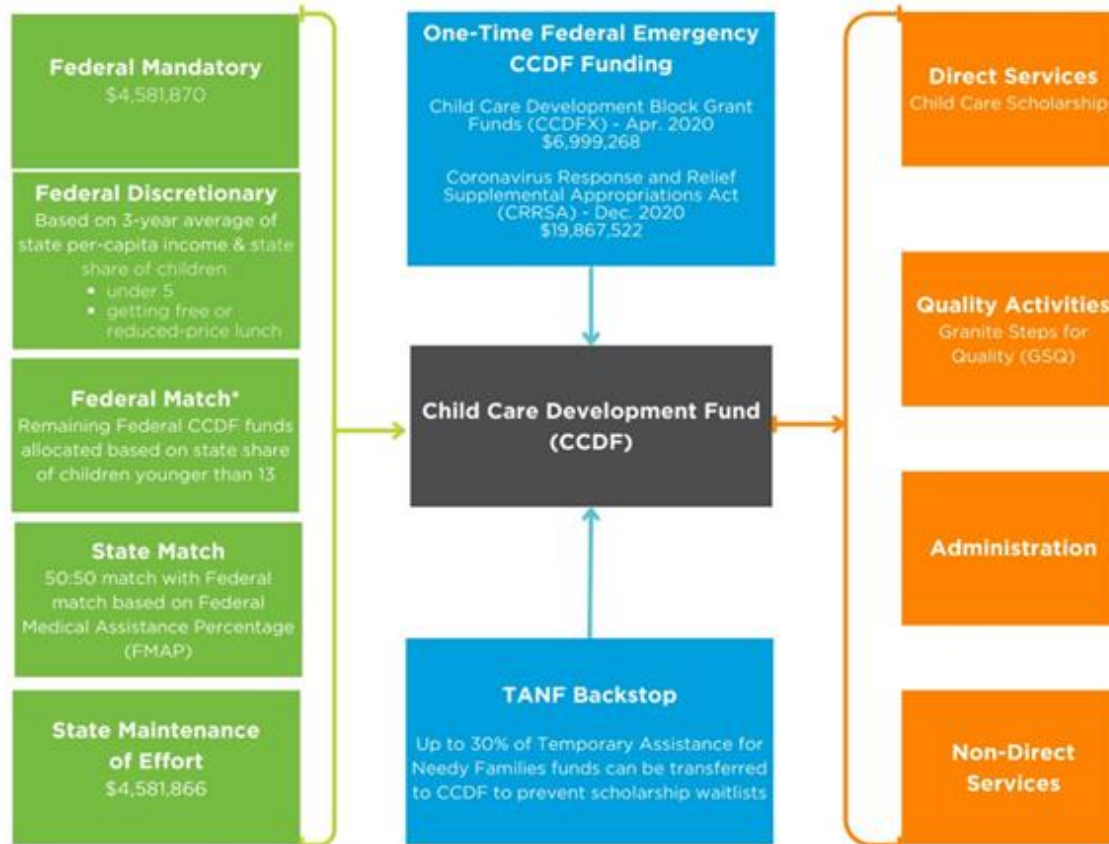


Source: For all Notes and Sources, see NHPFI's February 2024 Issue Brief, The State of Child Care in New Hampshire: End of One-Time Federal Investments May Reduce Industry Stability. Acronym Definition: Coronavirus Aid Relief and Economic Security (CARES), Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA), American Rescue Plan Act (ARPA), Child Care Operating Expense Reduction Grant (CCOER), Child Care Workforce Grant (CCWG)

# RULES FOR CHILD CARE DEVELOPMENT FUND

## NEW HAMPSHIRE'S CHILD CARE DEVELOPMENT FUND ALLOCATION FORMULA AND ALLOCATIONS

*Federal and State Funding Streams to the Child Care Development Fund (CCDF) and  
Activities and Services for Which the Funds Can Be Used*



- Allocate at least 12 percent to quality initiatives
- No more than 5 percent toward administration
- At least 70 percent of remaining funds toward direct services to working parents with low-incomes through certificates and grants or contracts
- NH TANF fund at end of SFY 2024: \$74,473,969

Note: \*To receive Federal Matching funds, a state must provide matching funds based on Federal Medical Assistance Percentage (FMAP), obligate federal and state matching funds in the year the matching funds are awarded, obligate all mandatory funds in the fiscal year the funds are awarded, and obligate and expend all maintenance of effort funds in the year in which the matching funds are awarded

Source: U.S. Department of Health & Human Services' Administration for Children & Families' Office of Child Care's Child Care Technical Assistance Network Fundamentals of CCDF Administration - Allocation Formulas

# KEY POINTS: CHALLENGES

- System is not working well for anyone:
  - Affordable and accessible child care is needed for optimal child development outcomes and a robust labor force
  - Child care is unaffordable to the majority of families
  - Low wages and poor workforce retention contributes to a child care shortage
  - High quality care exceeds available resources to providers
  - End of one-time funding for the sector

# Recent shifts in policy landscape

## »» In 2023, child care scholarship policy changed

- ↳ Eligibility for families up to 85% State Median Income
- ↳ Increased reimbursement levels for providers
- ↳ Cap on required co-payments for lowest-income families

## »» Also in 2023, \$15m for recruiting & retaining early educators

## »» In 2024, legislation passed re:

- ↳ Expanded child care scholarship access for educators' own children
- ↳ Higher reimbursements for children with developmental delays

# Recurring policy themes

»» Ensuring eligible families participate in the child care scholarship program

→ Participation among eligible children (through age 12) is estimated at **below 1-in-10**

»» Maximizing provider acceptance of scholarship

→ About **30%** of providers do not participate

»» Considering ways to build on locally designed and implemented preschool models

→ As of spring 2024, **144 programs** already exist

**Our ability to track and monitor changes following policy changes is nascent.**

- Data infrastructure hasn't historically been a key investment
- Presented a challenge during COVID; foreshadowed subsequent efforts to measure policy impact
- A good time to strengthen our collective research infrastructure!

# Building and harnessing statewide research capacity ([www.nhece.org](http://www.nhece.org))



**NH ECE Research Consortium**

**PARTNERSHIPS**   **RESOURCES**   **CONTACT US**

### What We Do

The New Hampshire Early Care and Education (NH ECE) Research Consortium is a network of researchers and research users committed to strengthening the state's ECE landscape. The Consortium supports the coordination of NH ECE research activity, fosters research collaboration across sectors and lends expertise to the creation and use of strong data infrastructure.

The Consortium is housed at the University of New Hampshire's Carsey School of Public Policy, supported by a core team of researchers with deep connections to the field and state partners.

The NH ECE Research Consortium is made possible through generous funding and partnership from the [Couch Family Foundation](#).

## Repository of NH ECE research

- Building a centralized location for access to data & research

## Research publications

- *Granite Guide to Early Childhood*
- Additional pubs from Carsey and other NH ECE partners
- Opportunities to collaborate

## Stakeholder connections

- Convening researchers and research users to share resources and build a coordinated research agenda

# ADDITIONAL RESOURCES

- Issue Brief: The State of Child Care in New Hampshire: End of One-Time Federal Investments May Reduce Industry Stability – February 2, 2024 <https://nhfpi.org/resource/the-state-of-child-care-in-new-hampshire-end-of-one-time-federal-investments-may-reduce-industry-stability/>
- Blog: Child Care Scholarship Usage Increased Over 21 Percent in First Half of 2024 – August 26, 2024 <https://nhfpi.org/blog/child-care-scholarship-usage-increased-over-21-percent-in-first-half-of-2024/>
- Fact Sheet: High Prices and Low Availability of Child Care in New Hampshire: Challenges Continue in 2024 – June 4, 2024 <https://nhfpi.org/resource/high-prices-and-low-availability-of-child-care-in-new-hampshire-challenges-continue-in-2024/>
- Resource Pages: Economy, Education <https://nhfpi.org/topic/economy/>  
<https://nhfpi.org/topic/education/>



# ADDITIONAL RESOURCES

- »» NH ECE Research Consortium – [www.nhece.org](http://www.nhece.org)
- »» [Granite Guide to Early Childhood](#): A new series of publications summarizing evidence across key areas of New Hampshire's early care and education (ECE) sector.
  - »» [Primer 1 \(“Demand”\)](#): *What Do New Hampshire Families Want for Child Care?*
  - »» [Primer 2 \(“Supply”\)](#): *Fewer Providers, Longer Distances: New Hampshire’s Child Care Landscape?*
  - »» [Primer 3 \(“Workforce”\)](#): *New Hampshire’s Well Educated, Underpaid Child Care Workforce*
  - »» [Primer 4 \(“Cost”\)](#): *High Child Care Costs Strain NH Family Budgets*
- »» [Research brief](#): *Preschool Availability in New Hampshire Public Schools*



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