First Children’s Finance

Building a Stronger Oregon: Assessing the Health of Child Care Businesses

Table of Contents

Executive Summary

As Oregon works to strengthen its child care system, gaining a clear understanding of the financial and operational health of child care businesses is essential. The sector remains unstable, with child care businesses facing challenges such as workforce shortages, fluctuating enrollment, and rising costs. However, since the onset of the COVID-19 pandemic, Oregon has made significant investments to support the start-up, expansion, and sustainability of child care businesses. These efforts offer hope for greater stability despite ongoing challenges.

This report analyzes responses from the 2024 Child Care Business Sustainability Survey to assess the most pressing needs of child care businesses in Oregon.

The survey identified the following trends:

Enrollment is uneven, with most programs experiencing some vacant slots. This year's survey reveals that 43 percent of providers report stable enrollment, with an additional 32 percent indicating an increase. However, nearly a quarter (25 percent) of providers saw a decline in enrollment over the past year. Programs participating in public preschool initiatives were most likely to report enrollment growth. In contrast, programs participating in the Employment Related Day Care (ERDC) program were most likely to report enrollment declines.

Hiring is difficult. Programs have increased wages to attract staff but are unsure if they can sustain these investments. The child care sector faces staffing shortages, with vacancies in both teaching and leadership roles impacting operations. Providers work hard to maintain services, often relying on overtime or flexible arrangements to fill gaps. Providers took proactive steps to improve wages, benefits, and scheduling in 2023, but the sustainability of these enhanced benefits is uncertain.

Deferred maintenance of facilities is widespread. Facility maintenance issues are a widespread challenge in the child care sector, with financial limitations often delaying essential repairs. Providers face tough choices about where to allocate limited funds, often prioritizing immediate needs over maintenance. Forty-one percent of centers, 63 percent of certified family homes, and 36 percent of registered family homes reported deferring maintenance in 2023.

Most child care providers are able to pay their bills, but rising costs put pressure on the business model. While many providers are managing to stay current on rent and bills, ongoing increases in food, utilities, supplies, and insurance costs pose significant challenges. Without additional financial support or adjustments to offset these costs, providers may continue to face difficulties in maintaining their operations and covering essential expenses.

Child care businesses are adapting to maximize sustainability in a changing market. Entrepreneurs experience personal financial hardship, but many remain optimistic about the future. Rising operational costs and limited funding are creating substantial challenges for child care providers. For many, operating a child care business requires personal financial sacrifices, with 31 percent of respondents from certified centers, 55 percent of certified family providers, and 41 percent of registered family providers experiencing difficulties paying themselves.

Business practices and supports that enable increased and equitable access to funding are critical. The need for expanded access to financial support, facility grants, and training resources is critical for child care providers striving for sustainability. When asked about the types of business support that would be particularly beneficial, access to funding was the top priority. Sixty-eight percent cited facility improvement grants, and 52 percent rated assistance accessing public funding as beneficial. Beyond funding, the business supports rated most commonly as beneficial were insurance (41 percent), taxes (37 percent), recruiting, hiring, and employee retention practices (33 percent), and marketing (29 percent).

Introduction

The child care sector is a foundational component of thriving communities, enabling families to work and children to grow in high-quality learning environments. However, child care businesses face persistent challenges, including staffing shortages and rising costs, and are vulnerable to shifting economic conditions. Understanding these challenges and identifying actionable solutions is central to the mission of First Children's Finance (FCF).

Founded in 1991, FCF is a national nonprofit organization with a clear goal: to grow the supply and business sustainability of excellent child care. Headquartered in Minneapolis, Minnesota, with regional offices in Oregon, Iowa, Michigan, Minnesota, and Vermont, FCF works alongside child care businesses to launch, stabilize, and expand high-quality services. By providing financing, business training, consulting, and coaching, FCF bridges the gap between child care businesses and the resources of public and private sectors. By conducting the 2024 Oregon Child Care Business Sustainability Survey, FCF continues its commitment to understanding the sector's evolving challenges and opportunities.

This report presents the findings from the 2024 Oregon Child Care Business Sustainability Survey, an annual comprehensive effort to gather critical data and insights from child care providers across the state. The 2024 Oregon Child Care Business Sustainability Survey aimed to:

- Understand the current financial and operational challenges facing child care businesses.
- Identify opportunities to strengthen business practices and sustainability.
- Provide actionable insights to guide public and private sector investments in child care.
- Support FCF's mission to enhance the supply and sustainability of high-quality child care in Oregon.

The survey sought to capture the perspectives of child care business leaders, with a focus on challenges related to workforce, facilities, funding, and the overall sustainability of their businesses. While this report provides valuable insights, it is important to recognize certain limitations. The survey data is self-reported. While questions focused retrospectively on conditions throughout 2023, current conditions in Fall 2024 likely impacted responses. Additionally, while efforts were made to ensure broad representation, some perspectives may not be fully captured due to response rates or language barriers. Despite these limitations, the findings offer critical direction for understanding and addressing the needs of Oregon's child care sector. This data will guide strategies to support child care businesses and inform on the pressing needs of the industry.

This report is a resource for policymakers, child care entrepreneurs, funders, and child care intermediaries. It offers a snapshot of the state of the sector, along with recommendations for addressing challenges and leveraging opportunities. We encourage readers to use the findings to inform decision-making, develop targeted support programs, and advocate for policies that enhance the sustainability of child care businesses. Through this report, we hope to amplify the voices of Oregon's child care businesses, highlight their resilience, and chart a path forward for a stronger, more sustainable child care system in Oregon.

Methodology

The 2024 Oregon Child Care Business Sustainability Survey was conducted between September 11, 2024, and October 27, 2024. The survey invitation was emailed to 3,212 licensed child care programs in Oregon, explicitly requesting responses from individuals responsible for each program's financial and operational oversight. Follow-up reminders were emailed on September 18, 2024, and October 17, 2024, to business owners who had yet to respond, and additional postcard reminders were sent on October 11, 2024.

In total, the survey received 606 responses. Of these, 378 respondents completed the consent statement and verified their status as licensed child care business owners with financial and operational responsibilities. This group of verified respondents represents over 10 percent of licensed child care providers in Oregon. As a token of appreciation, First Children's Finance provided $15 gift cards to 161 child care business owners who submitted completed and verified surveys on a first-come basis.

About the Data

Overall, FCF assessed the survey response as representative of the makeup of Oregon's child care sector. Skip logic was used to customize the survey for independent operators and employers. Respondents were also able to skip questions they preferred not to answer, resulting in different samples for each question.

Certified family providers make up the largest portion of the sample and are slightly overrepresented. Together, registered and certified family child care providers make up 73 percent of respondents.

Figure 1 Response Rate by License Type

Provider Type	Number of Responses	Response Rate % by Total Providers Contacted	Response Rate % by Total Survey Respondents (n=378)
Certified Centers	101	10% (n=1008)	26.72%
Certified Family	150	15% (n=970)	39.68%
Registered Family	127	10% (n=1234)	33.60%

Geographically, participation in the survey was generally proportional. Multnomah County is somewhat underrepresented in the survey, as are some rural and frontier counties. See Appendix A for a detailed county-by-county breakdown of participation rates. Additional outreach to underrepresented counties will be prioritized in subsequent iterations of this survey.

Demographics

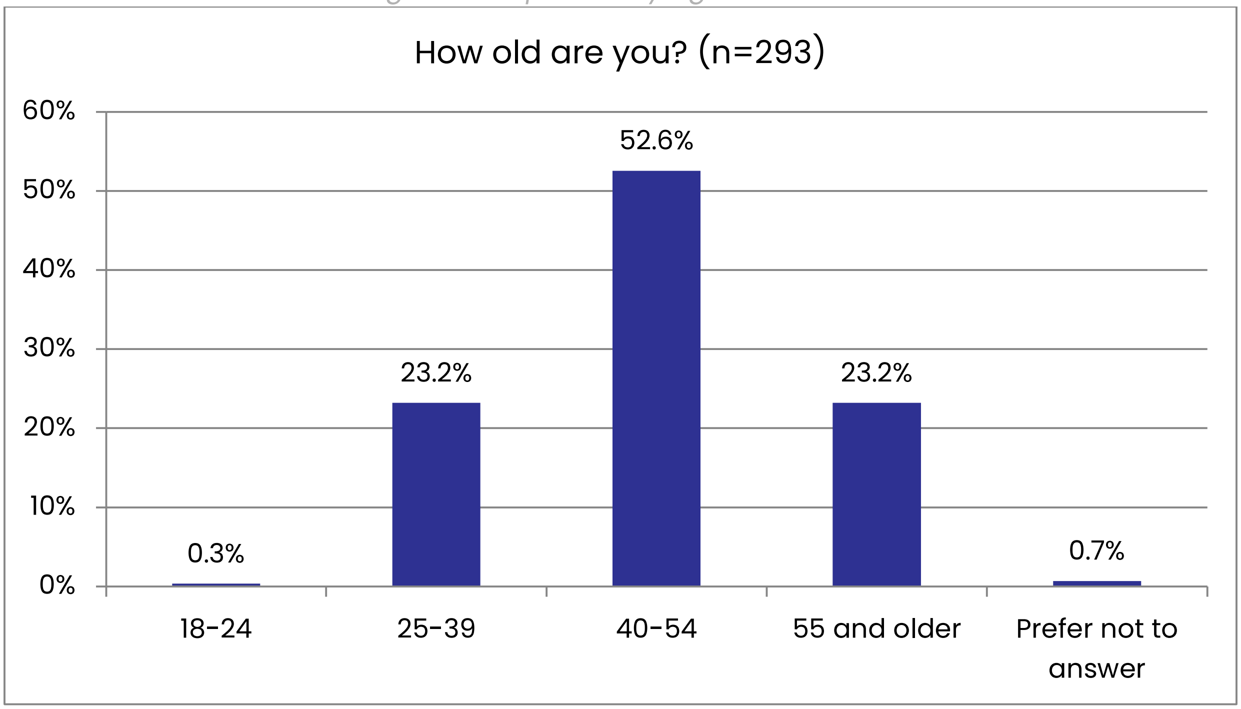
The following section provides a detailed demographic breakdown of survey participants. This data offers valuable insights into the backgrounds, qualifications, and operational contexts of the child care providers who contributed to this survey.

Age

Fifty-three percent of participants fell within the 40-54 age range, with 23 percent of respondents belonging to both the 25-39 and the 55 and older age groups. Only one respondent identified as age 24 or younger. On average, registered family providers were slightly younger, with 30 percent reporting belonging to the 25-39 age group.

These results skew older than those reported in Oregon's Child Care Provider Survey fielded in March 2023. This most likely reflects their different audiences rather than an aging of the workforce. Because this survey focused on child care business owners and administrators with financial and operational oversight of their programs, it is unsurprising that respondents are more advanced in their careers. The significant presence of both Millennial and Generation X respondents highlights the need to tailor support that appeals to multiple generations. It also raises concerns about business succession over the next decade and emphasizes the importance of facilitating child care entrepreneurship among younger generations.

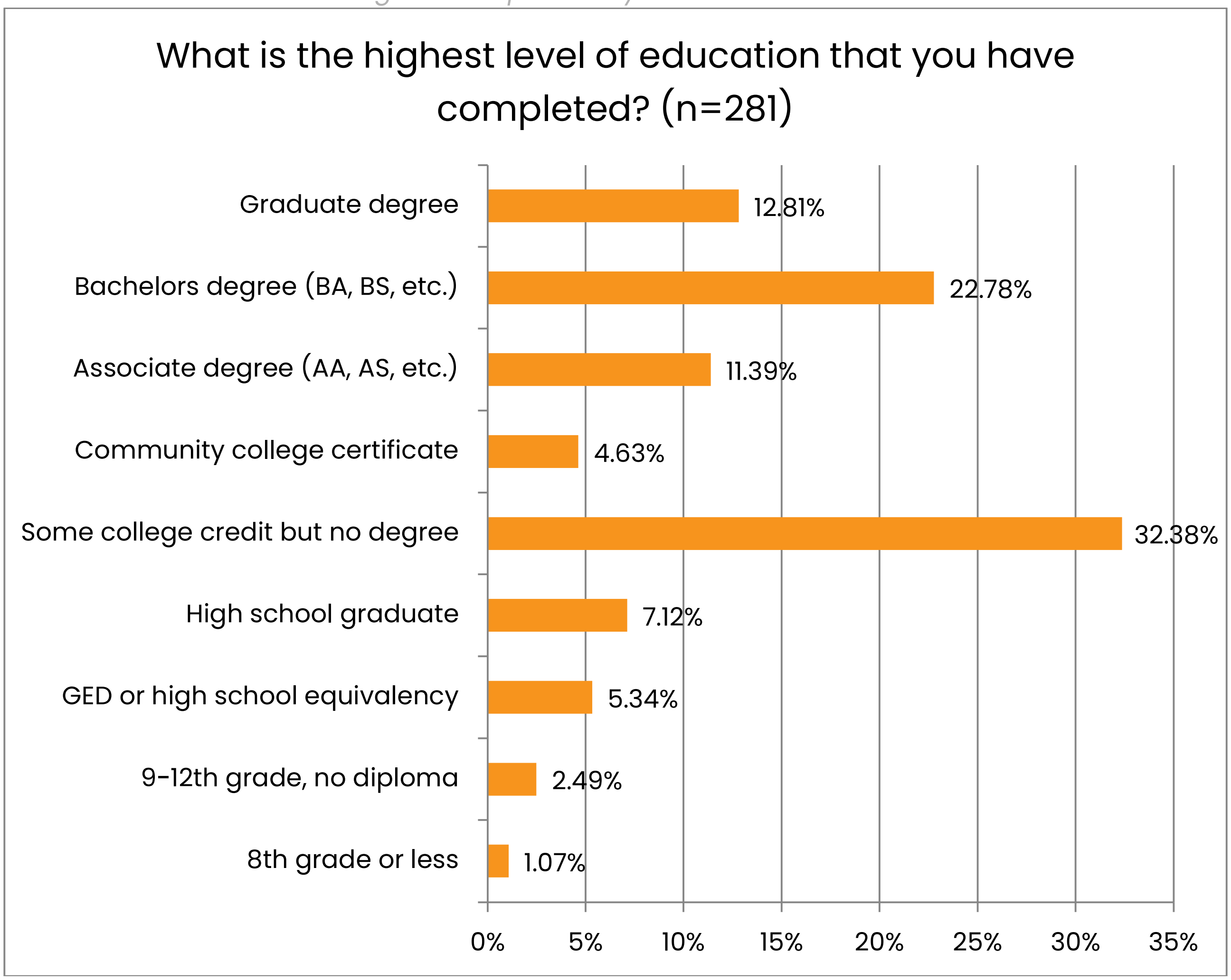
Figure 2 Responses by Age of Provider



Education

A majority of respondents have some college education. About forty-seven percent have an associate, bachelor, or graduate degree. Thirty-two percent reported "some college credit but no degree." Registered and certified family providers were most likely to report some college, while a bachelor's degree was the most common educational attainment reported by center owners. Overall, respondents reported lower educational attainment than reported in Oregon's Child Care Provider Survey in 2023. Again, this is likely due to the different sample rather than any change in the sector.

Figure 3 Responses by Level of Education



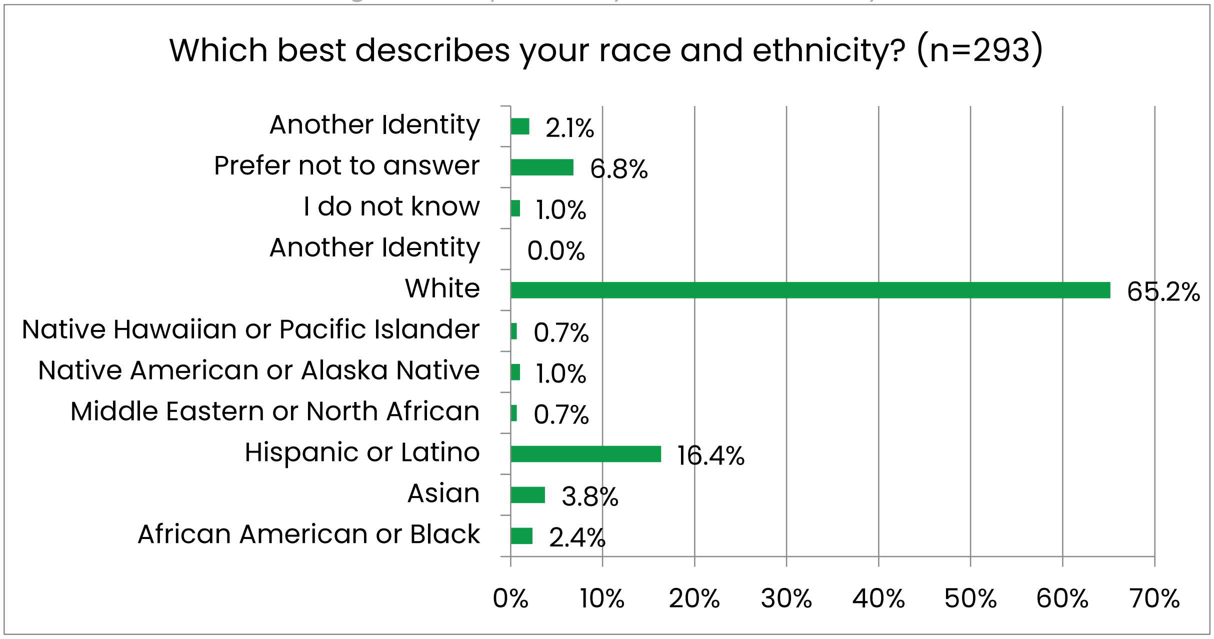
Gender

Ninety-two percent of respondents identify as a woman or girl, while three percent identified as a man or boy. Slightly over one percent of respondents identified as transgender. These results suggest that the gender identity of child care owners and administrators is similar to the gender identities reported in the broader 2023 Oregon Child Care Provider Survey.

Race, Ethnicity, and Tribal Affiliation

Among providers who reported their racial and ethnic identities, approximately 25 percent identified as racial and ethnic minorities, while 65 percent identified as White. These demographics are relatively consistent across different license types, though a smaller percentage of respondents representing centers identified as Hispanic or Latino (9 percent) compared to those in registered and certified family child care (19 percent). These demographics are similar to those reported in Oregon's Child Care Provider Survey in 2023. One percent of survey respondents reported Tribal affiliation, with one identifying as a member of the Confederated Tribes of Coos, Lower Umpqua, and Siuslaw Indians, another affiliated with the Cherokee Nation, and a third with the Klamath Tribes.

Figure 4 Responses by Race and Ethnicity



Language

The majority of respondents (337) completed the survey in English. Thirty-six responses were completed in Spanish. Responses were also received in Russian (3), Vietnamese (1), and Somali (1). The survey was also available in Chinese. Respondents' language selections align with the language preferences reported in Oregon's Child Care Provider Survey. FCF is engaged in ongoing outreach to diverse linguistic communities across Oregon, which should support expanded engagement in future surveys.

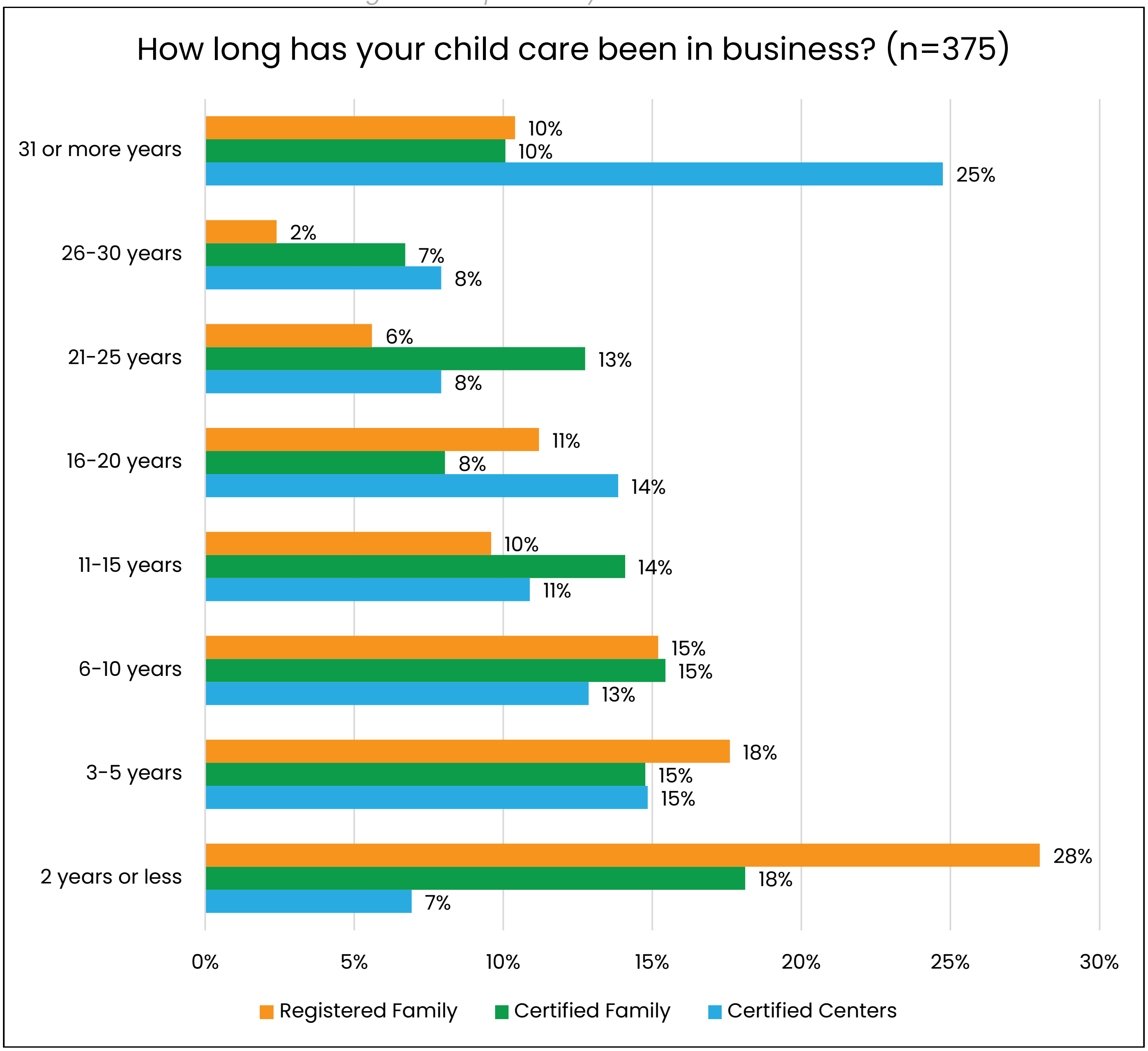
Figure 5 Responses by Language

Language	Number of Responses
English	337
Spanish	36
Russian	3
Vietnamese	1
Somali	1
Chinese	0

Business Tenure

Across license types, 18 percent of respondents have operated their child care business for 2 years or less. This suggests a child care landscape with new providers entering the sector. Twenty-eight percent of registered family providers reported operating for two years or less. On average, certified family providers reported the longest-tenured businesses. However, certified centers were the most likely to report being in business for 31 years or more. Understanding business tenure trends can inform tailored support to address the unique needs of businesses at various stages of operation across license types.

Figure 6 Responses by Years in Business



Findings

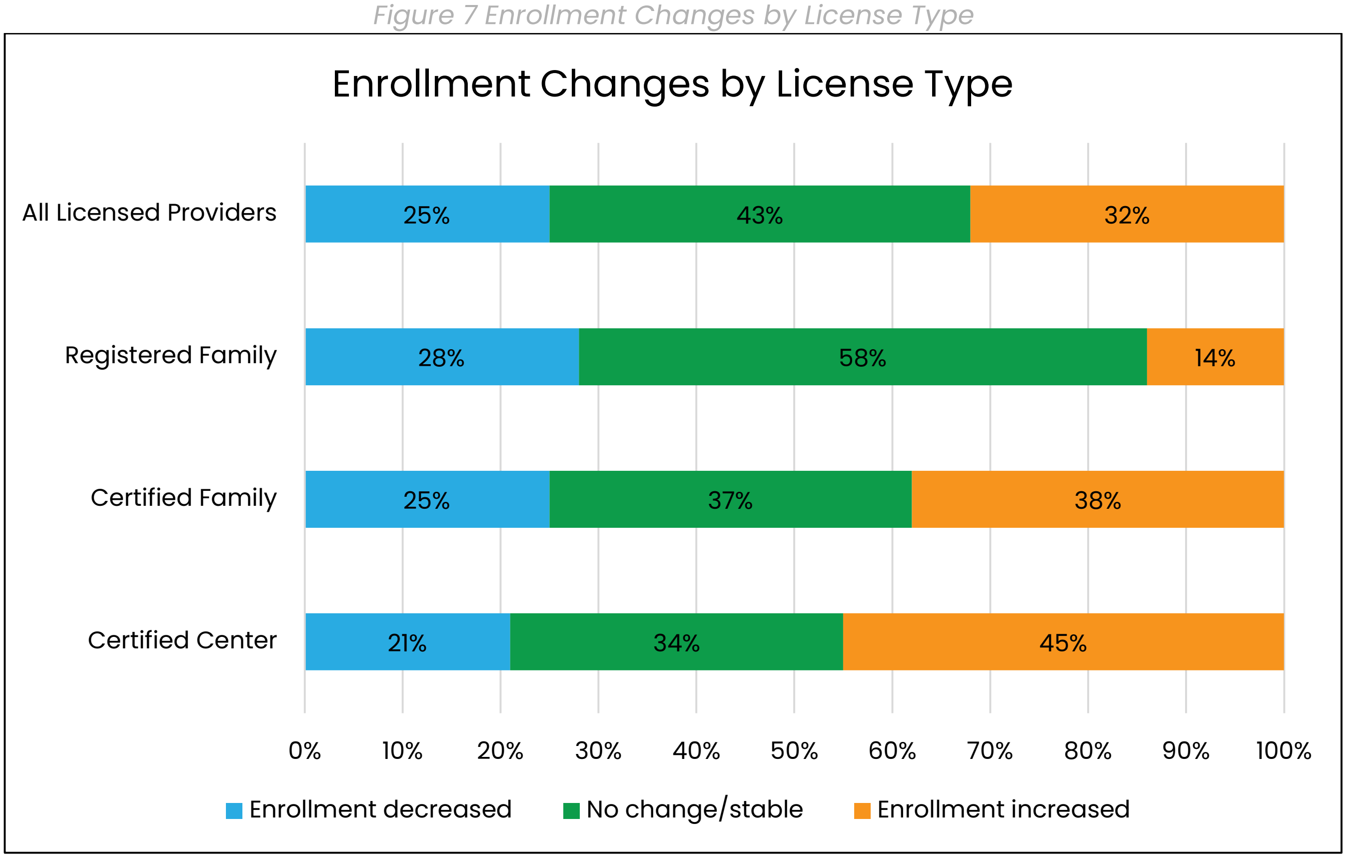
Enrollment

Enrollment is uneven, with most programs experiencing some vacant slots.

Stable enrollment that maximizes a program's staffed capacity (the number of children they can care for without hiring additional staff) is fundamental to the sustainability of the child care business model. While some child care providers experienced enrollment growth in 2023, others faced challenges that impacted enrollment stability. This year's survey reveals that 43 percent of providers report stable enrollment, with an additional 32 percent indicating an increase. However, nearly a quarter (25 percent) of providers saw a decline in enrollment over the past year.

As visualized in Figure 7 below, certified centers were most likely to report enrollment growth in 2023. Registered family providers were the most likely to report both enrollment stability and decreases. Although relatively fewer registered family providers reported enrollment increases, the overall utilization of their licensed capacity was high. This suggests that some registered family providers could not grow because they were already fully enrolled.

Figure 7 Enrollment Changes by License Type



Survey respondents reported over 2,400 open child care slots that could be filled without hiring additional staff. Among those respondents:

- 50 percent have at least one available infant slot;
- 60 percent have at least one available toddler slot;
- 70 percent have at least one available preschool slot;
- 57 percent have at least one available school-aged slot.

This survey did not include family experiences, but it is not uncommon for providers to report vacancies while families share experiences of struggling to find care and long waitlists. This dynamic is worthy of additional investigation. Potential barriers in how families identify and enroll in available slots or mismatches between providers' offerings and families' needs should be explored in more detail. Economic pressures affecting family choices, such as opting for part-time care or less costly options, may be a possible explanation for the uneven enrollment picture. One provider commented, "Families went to part-time due to finances, and we had to reduce enrollment."

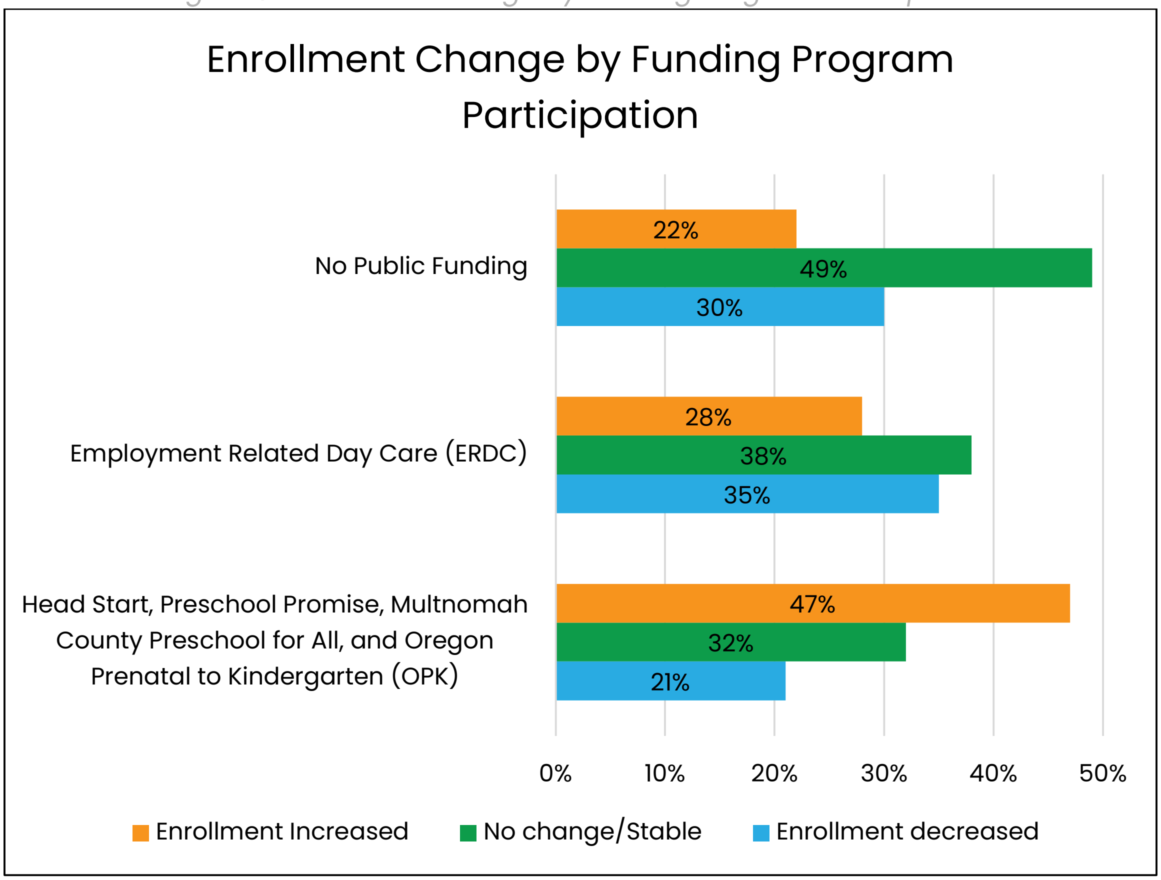
Historically, one strategy for stabilizing enrollment available to child care businesses has been enrolling infants. Low child-to-staff ratios make it costly to care for infants, but by offering high-demand infant slots, providers form long-term relationships with families, enrolling children from infancy through preschool and afterschool programs, where providers generate most of their profit. FCF's analysis found that registered and certified child care homes that cared for at least one infant reported stronger enrollment trends, either stable or increasing, compared to those that did not offer infant care. In open responses, providers described experiencing a high demand for infant care. One provider shared, "I received a lot of calls for infant care," and another stated, "We expanded our infant care per needs of the community." However, in contrast to trends in family child care, centers caring for at least one infant were more likely to report enrollment declines compared to centers that do not provide infant care.

Because profits generated from caring for preschoolers subsidizes the care of younger children, declining preschool enrollment is particularly perilous for the overall business sustainability of a child care provider. Many respondents highlighted competitive pressure from state-funded preschool programs as a factor in declining enrollments. "Preschool Promise has affected our ability to keep our preschool program full," reported a provider, with another echoing, "Free programs are hurting us. I will have to close soon."

As displayed in Figure 8, programs without public funding were less likely to report enrollment increases than those participating in the Employment Related Day Care (ERDC) subsidy program or public preschool initiatives. Programs participating in public preschool initiatives were most likely to report enrollment growth, while programs participating in ERDC were most likely to report enrollment declines. Although questions in this survey asked about 2023 experiences, recent impacts of ERDC waitlists likely influenced responses to this question.

Additionally, grant programs aimed at new or expanding providers may contribute to a fear of oversupply in some areas. One provider noted, "All funding is going to new programs opening, and existing programs are suffering."

Figure 8 Enrollment Change by Funding Program Participation



The data reflects a mixed picture of provider experiences. Providers have noted variability in enrollment, which may reflect softening demand or a mismatch between supply and demand in certain areas, variation in participation and access to public funding options, and possibly the implications of start-up and expansion grants. One long-time provider said, "I have been in this field since 1990, and I have never seen it so slow."

Key Takeways

- The uneven enrollment trends reveal a child care sector in transition. A balanced approach to supporting new and existing programs will be essential for stabilizing the sector. As shifts in preschool participation occur, fully funding infant and toddler care becomes more critical. The child care business model often relies on revenue from preschool slots to offset the higher costs of infant and toddler slots. Implementing targeted funding strategies to support younger age groups and adapting to these shifts in preschool participation can help create a more resilient and sustainable child care system.

Recommendations

- **Expand Public Funding for Infant and Toddler Care**
  - DELC can prioritize increasing funding for infant and toddler care to address the changing enrollment dynamics experienced by some providers. Transitioning to cost-based rate setting and setting rates that cover a high percentage of the true cost of care for infants and toddlers would help stabilize providers as shifts in preschool participation alter revenue models.
- **Ensure Equitable Access to Public Funding Opportunities**
  - DELC can continue and expand efforts to ensure public funding programs are accessible to all providers, including those in rural areas, small programs, and historically underserved communities. DELC has made an important commitment to child care business sustainability by developing Preschool Promise as a mixed delivery model. By further investing in child care business readiness, reducing barriers to participation, and increasing outreach, DELC can ensure public funding opportunities are equitably distributed, which can further support stable enrollment, especially through economic downturns.

FCF Supports

- FCF equips child care business owners with the tools and training needed to navigate enrollment changes, including in-depth training on managing enrollment to ensure diversified funding streams. FCF will continue to provide targeted business training and technical assistance to help providers diversify their funding streams and enhance their readiness to apply for and comply with public funding requirements successfully. Additionally, to facilitate provider-family matching, FCF provides marketing training to improve community awareness, increase visibility, and boost enrollment.

Staffing

Hiring is difficult. Programs have increased wages to attract staff but are unsure if they can sustain these investments.

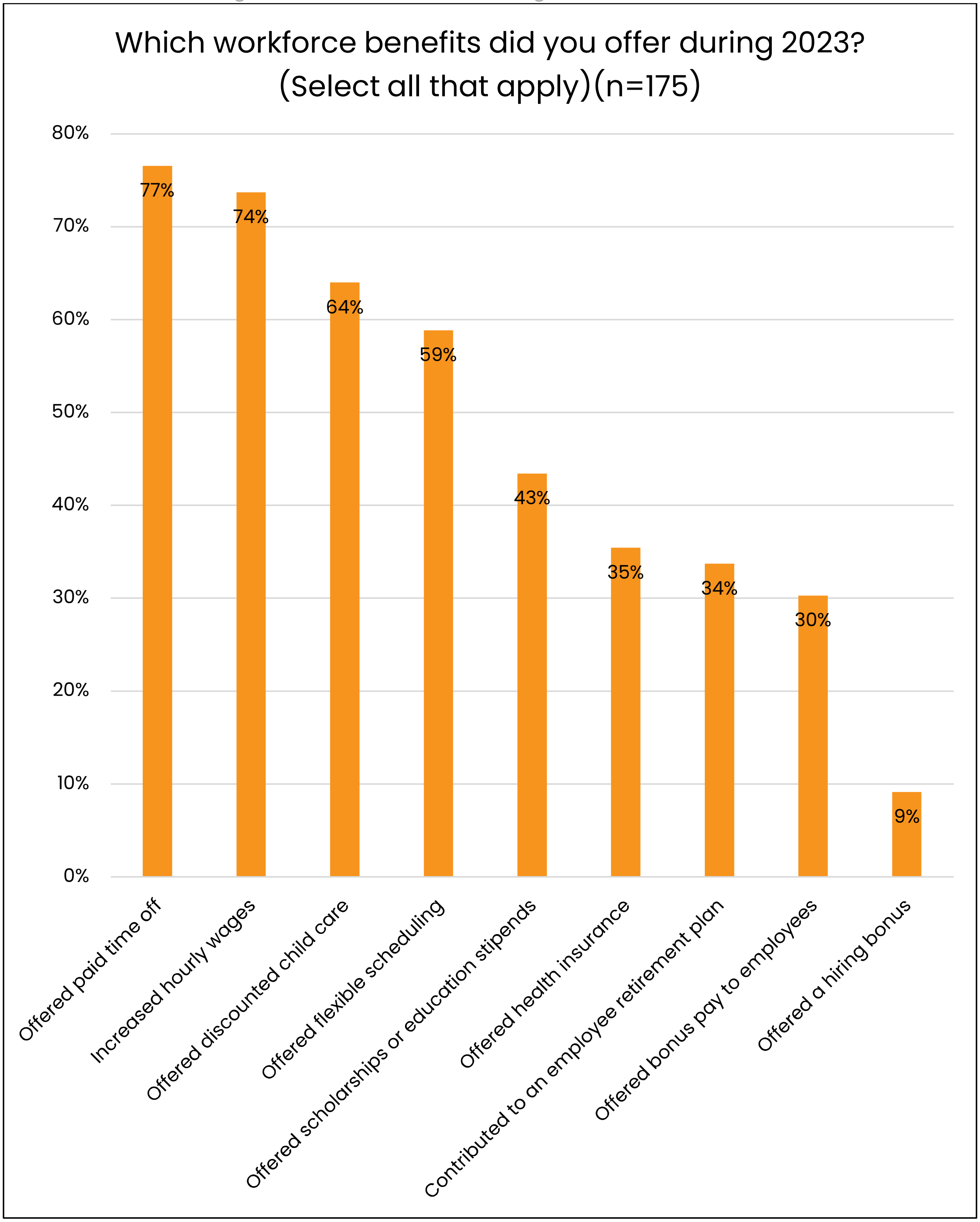
The majority of programs were able to maintain appropriate staffing levels in 2023 but described challenges in hiring qualified employees. Nearly 50 percent of providers reported maintaining required staffing levels, while 30 percent managed to keep staffing levels higher than required. However, 25 percent of providers faced difficulties maintaining the required staffing levels, leading some to rely on overtime or flexible staff arrangements. Four percent of providers reported laying off staff (respondents could select multiple answer options).

Over two-thirds of respondents (69 percent) said hiring qualified employees was either "very difficult" or "somewhat difficult." Certified centers (81 percent) were significantly more likely to report challenges compared to certified or registered family providers, where 51 percent faced similar difficulties. This finding may reflect the difference in operational demands and staffing requirements associated with operating a center-based program. Programs participating in publicly funded preschool programs were slightly less likely to report challenges in hiring qualified staff than those not involved in these programs. This suggests that public funding may offer some level of support or stability but does not entirely lessen the hiring challenges faced by child care providers. The open responses echoed these staffing challenges, with providers sharing their frustration with the limited pool of qualified candidates and the difficulty in maintaining adequate staff to meet children's needs. One respondent noted, "I maintained ratio only by moving kids around and working overtime."

Programs reported vacancies across both teaching and leadership roles. Fifty-four percent of programs reported at least one open teaching position, and 25 percent reported at least one open leadership position. Leadership roles, such as director and assistant director positions, are critical to maintaining smooth operations, and these shortages directly impact program capacity and enrollment. Respondents reported over 600 child care slots unfilled due to these vacant positions. Of these unfilled slots, approximately 36 percent are for infants and toddlers, 45 percent are for preschool-aged children, and 19 percent are for school-aged children.

In 2023, providers implemented a variety of benefits to retain staff. The most common benefits offered were paid time off (77 percent), increased hourly wages (74 percent), and discounted child care (64 percent). Conversely, hiring bonuses (9 percent) and bonus pay for employees were the least utilized benefits. To recruit and attract staff, providers also added benefits to support the workforce. The most frequently added benefits were increased hourly wages (44 percent), paid time off (18 percent), and flexible scheduling (17 percent). These measures demonstrate a proactive approach to improving working conditions and supporting staff retention. However, only 32 percent of providers feel confident in their ability to sustain these increased costs.

Figure 9 Benefits Offered During 2023 Calendar Year



Key Takeways

- The child care sector faces staffing shortages, with vacancies in both teaching and leadership roles impacting operations. Providers are working hard to maintain services, often relying on overtime or flexible arrangements to fill gaps. Providers took proactive steps to improve wages, benefits, and scheduling in 2023, but the sustainability of these enhanced benefits is uncertain.

Recommendations

- **Prioritize Compensation Improvements Through Public Funding**
  - State funding initiatives can focus on ensuring competitive compensation for child care staff. Wage supplements, stipends, and direct funding for benefits such as health insurance and retirement plans can be utilized to improve workforce retention. Embedded compensation standards within publicly funded programs can be expanded to achieve pay parity between child care workers and K-12 educators, like in Preschool Promise, where minimum and target salary requirements are intended to build parity with public school kindergarten teacher salaries. These efforts serve as a model for improving child care wages and sustainability.
- **Establish Funding Models That Support Sustainable Staffing Costs**
  - To help providers plan for fixed costs like salaries and benefits, DELC can sustain and expand funding structures that provide consistent and predictable revenue streams, such as grants and contracts. These models enable child care programs to make long-term commitments to competitive pay and benefits, strengthening workforce stability.
- **Expand Workforce Development Programs for Child Care Staff**
  - Expanding access to workforce development initiatives, such as training grants, professional development stipends, and loan forgiveness programs, can enhance recruitment and retention efforts. Given the increasing age of the current ECE workforce, there is an opportunity for developing partnerships with high schools, community colleges, and universities to build a talent pipeline for the child care sector. These programs create pathways for educators to enter and advance within the field, building a more robust and stable workforce for the child care sector.

FCF Supports

- FCF's workforce efforts include offering recruitment and retention trainings to help providers attract and retain staff more effectively. Additionally, FCF provides business consultations focused on budgeting strategies, enabling providers to plan for fixed costs, such as wages and benefits, even when facing variable revenue. Child care providers are facing increasing pressure to maintain the staff wage increases they have implemented. FCF helps providers implement strategies that enhance job quality and compensation. FCF Business Leadership Cohorts offer child care business owners the opportunity to strengthen their leadership skills and implement effective recruitment, retention, workforce development, and financial sustainability strategies.

Facilities

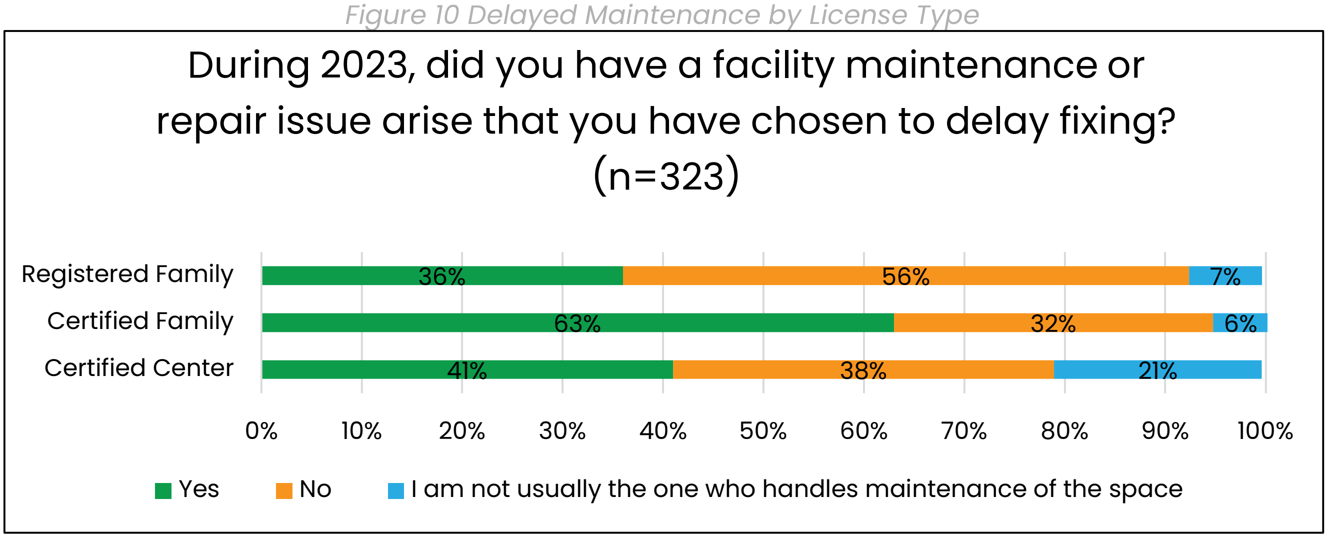
Deferred maintenance of facilities is widespread.

Facility maintenance is a significant challenge for child care providers. In 2023, 48 percent of providers reported having a maintenance or repair issue they chose to delay, 42 percent reported no such issues, and 10 percent indicated they were not responsible for handling maintenance. As seen in Figure 10, 41 percent of centers, 63 percent of certified family homes, and 36 percent of registered family homes reported deferring maintenance.

Most providers who delayed repairs cited financial constraints as the primary reason in open-response questions. Providers mentioned specific issues such as roof leaks, HVAC repairs, fence repairs, and flooring updates. One respondent shared, "We need a new roof but cannot afford it," while another noted, "I have a roof that leaks when it rains heavily, and our parking area needs to be redone." Providers indicated they had to prioritize funds for immediate needs, such as food and emergency expenses, rather than facility upgrades or repairs. Some were waiting for grant approvals to make necessary improvements, highlighting a reliance on external funding to address essential maintenance. One provider stated, "I applied for a grant and am waiting to make the repair after I find out if my grant was accepted."

Ownership of child care spaces also plays a role in maintenance challenges. Sixty-three percent of providers own the building or home where they operate, while 37 percent rent or lease. Facility ownership varies significantly across license types. Among registered family providers, 70 percent own the spaces where they operate, while 76 percent of certified family providers own their facilities. In contrast, only 36 percent of child care centers own their facilities. For those renting, some delayed repairs due to reliance on landlords for maintenance can cause additional delays and complications, particularly if landlords are unresponsive or unwilling to finance the repairs.
The dependence among centers on leased facilities is worthy of additional investigation as it may increase susceptibility to rapid increases in facility costs, lease instability, and limited control over facility improvements.

Figure 10 Delayed Maintenance by License Type



Key Takeways

- Facility maintenance issues are a widespread challenge in the child care sector, with financial limitations often delaying essential repairs. Providers face tough choices about where to allocate limited funds, often prioritizing immediate needs over maintenance. Addressing these financial barriers through grants or other funding sources may be critical to improving facility conditions and ensuring safe, well-maintained environments for children. Oregon's recent investment in child care infrastructure offers a promising foundation to tackle these challenges, but additional actions are necessary.

Recommendations

- **Balance Facility Maintenance and Expansion Efforts**
  - The Child Care Infrastructure Fund currently funds repair and renovation projects and supports facility construction and expansion. Business Oregon and DELC can use provider feedback like this survey to carefully balance funding for immediate repair needs and more extensive infrastructure development. Allocating resources equitably across these priorities will help maximize the impact of infrastructure funding.
- **Support Providers in Facility Ownership**
  - The state should explore initiatives that assist child care business owners in purchasing or owning their facilities, which can help mitigate long-term sustainability challenges. Homeownership and facility ownership programs could include low-interest loans or down payment assistance tailored to child care businesses.

FCF Supports

- FCF equips child care business owners with the tools and knowledge needed to navigate facility maintenance challenges. This includes offering training on budget and maintenance planning to help providers manage upkeep more effectively. By informing business consultation with providers' individual financial goals, such as facility ownership or homeownership, FCF aims to support long-term sustainability. Additionally, FCF provides technical assistance to Child Care Infrastructure Fund grantees to help child care providers implement facility improvements.

Expenses

Most child care providers can pay their bills, but rising costs put pressure on the business model.

The majority of child care providers manage to keep up with core expenses. Seventy-seven percent of providers reported making rent or mortgage payments on time. However, six percent are behind on these payments, typically by one to four months. A notable portion of providers, 11 percent, do not pay rent or mortgage due to owning their space outright or receiving donated space. Twenty-nine percent of certified centers, six percent of certified family homes, and two percent of registered family homes reported not incurring costs due to ownership or donation. Regarding other bills, 79 percent of child care providers indicated they could consistently pay other bills on time. However, 15 percent reported difficulty meeting their financial obligations, suggesting potential struggles with affordability and debt. Thirteen percent of certified centers, 15 percent of certified family homes, and 16 percent of registered family homes reported an inability to pay bills on time.

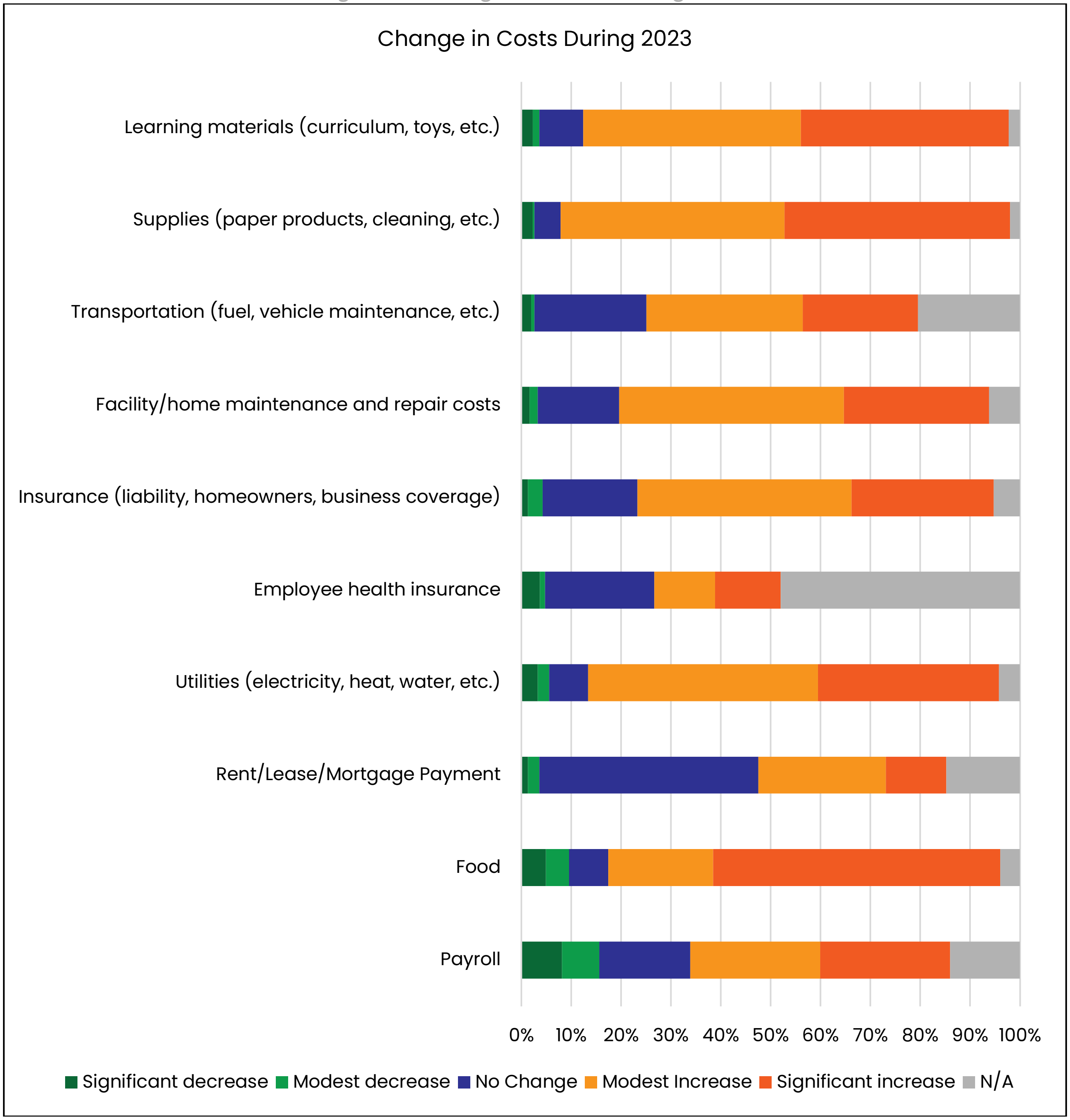
Increases in Operating Costs: As visualized in Figure 11, most providers reported modest to significant cost increases in 2023 across every expense category included in the survey, except for employee health insurance and rent/mortgage costs. Significant cost increases were reported in:

- **Food:** 58 percent reported significant increases.
- **Supplies:** 45 percent reported significant increases in costs for essential supplies like paper products and cleaning materials.
- **Learning Materials:** 42 percent reported significant increases for curriculum and toys.
- **Utilities:** 36 percent reported significant increases.

While payroll and occupancy expenses remain the major cost drivers in the child care business model, food costs can represent a significant portion of program budgets. Increases in this category may have an outsized impact on financial sustainability. While some programs rely on families to pack lunches and snacks from home, only four percent of respondents reported that food expenses did not apply to their program.

Insurance costs may pose a growing concern for providers. Across all license types, the most common concern reported was rising insurance costs (41 percent), followed by the availability of insurance options (31 percent). Certified family child care providers were the most likely business type to be concerned about the cancellation of their current policy, with 28 percent indicating this concern. Open comments highlighted challenges in finding affordable policies, with one provider noting, "My insurance costs are high because we are a Preschool Promise program and are required to carry high levels of insurance." Child care providers are experiencing a multitude of cost increases that strain their budgets. These pressures may affect their ability to compensate staff, ensure facility upkeep, and ultimately provide quality care.

Figure 11 Change in Costs During 2023



Key Takeaways

- Facility maintenance issues are a widespread challenge in the child care sector, with financial limitations often delaying essential repairs. Providers face tough choices about where to allocate limited funds, often prioritizing immediate needs over maintenance. Addressing these financial barriers through grants or other funding sources may be critical to improving facility conditions and ensuring safe, well-maintained environments for children. Oregon's recent investment in child care infrastructure offers a promising foundation to tackle these challenges, but additional actions are necessary. While many providers are managing to stay current on rent and bills, ongoing increases in food, utilities, supplies, and insurance costs pose significant challenges. Without additional financial support or adjustments to offset these costs, providers may continue to face difficulties in maintaining their operations and covering essential expenses.

Recommendations

- **Implement Cost-Based Subsidy Rate Setting**
  - Adopting a cost-based subsidy rate-setting process can align funding with the true costs of providing child care. This approach ensures that rates track with rising expenses, such as food, utilities, and supplies, and supports providers in maintaining sustainable operations.
- **Engage Insurance Providers to Reduce Costs**
  - DELC should continue engaging with insurance companies to ensure a competitive market for liability insurance for the child care sector and refine insurance requirements for programs participating in public funding.

FCF Supports

- FCF's training and consultation services include support for budgeting and cost management strategies to help providers better anticipate and respond to rising expenses. FCF will continue offering guidance on rate setting, empowering providers to align their tuition rates with operational costs while maintaining affordability for families.

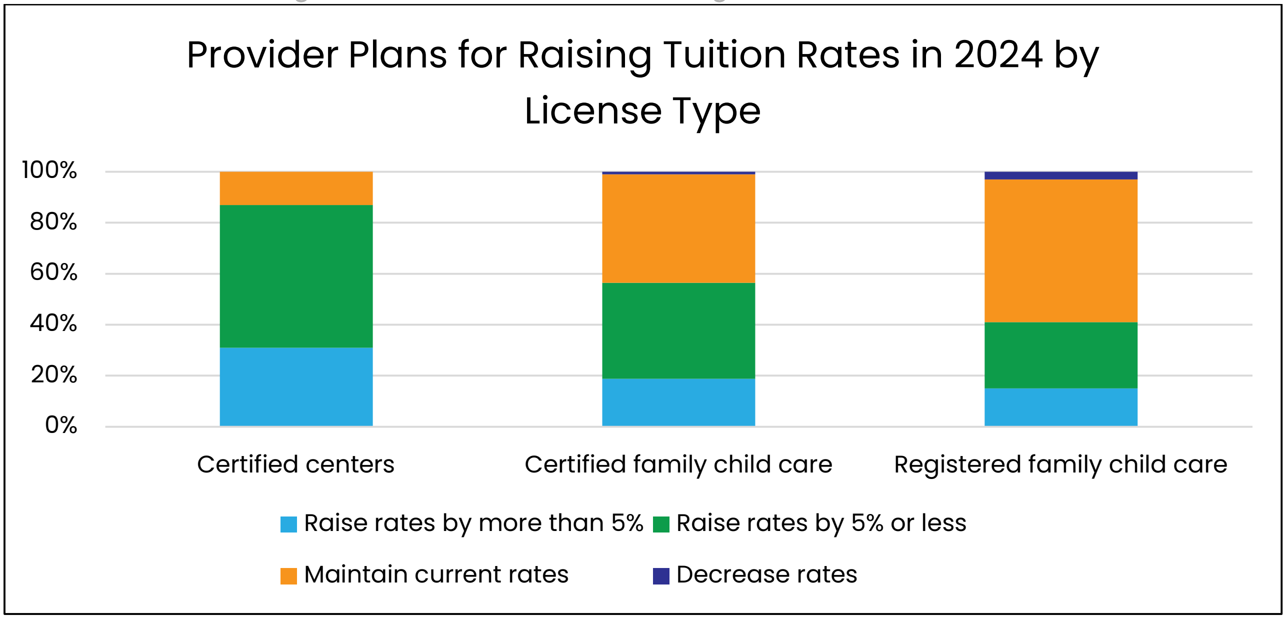
Sustainability

Child care businesses are adapting to maximize sustainability in a changing market. Entrepreneurs experience personal financial hardship, but many remain optimistic about the future.

Providers are engaged in proactive strategies to maintain the sustainability of their business, including adjusting tuition rates, changing enrollment patterns, and accessing public funding. However, many continue to experience personal financial strain, limiting sustainability.

Regular tuition increases in line with inflation and wage growth are necessary for child care business sustainability. Nearly 70 percent of providers raised tuition rates in 2023, including 93 percent of centers and 60 percent of both registered and certified family providers. When asked about their plans for raising rates in 2024, 60 percent planned increases in 2024. As seen in Figure 12, planned tuition increases continue to vary by license type, with certified centers most likely to plan a rate increase.

Figure 12 Provider Plans for Raising Tuition Rates in 2024



In addition to raising tuition, many providers adjusted their capacity to better align with current demand. Nearly 38 percent increased infant and toddler slots to capture rising demand. Certified family providers were most likely to report increasing infant and toddler enrollment (48 percent), followed by certified centers (38 percent). Registered family providers were least likely to report increasing infant and toddler slots (22 percent), which may reflect limitations in their licensed capacity. While caring for older children is generally more financially sustainable, relatively few programs reported converting infant and toddler slots to preschool slots (16 percent of certified family providers, 11 percent of centers, and 14 percent of registered family providers). Seventeen percent of centers reported closing classrooms as they navigated enrollment challenges.

Despite attempts to access financial support, many providers found public funding to be inaccessible. More than half (57 percent) did not receive any public funding in 2023, with 41 percent citing ineligibility and 46 percent indicating unsuccessful applications. Seventy-one percent of registered family providers, 59 percent of certified family providers, and 40 percent of certified centers reported not accessing public funding in 2023. Some providers expressed frustration with the limited funding options, with one stating, "I applied for several grants but was never selected." Eleven percent of respondents reported partnering with local community organizations, businesses, and/or employers.

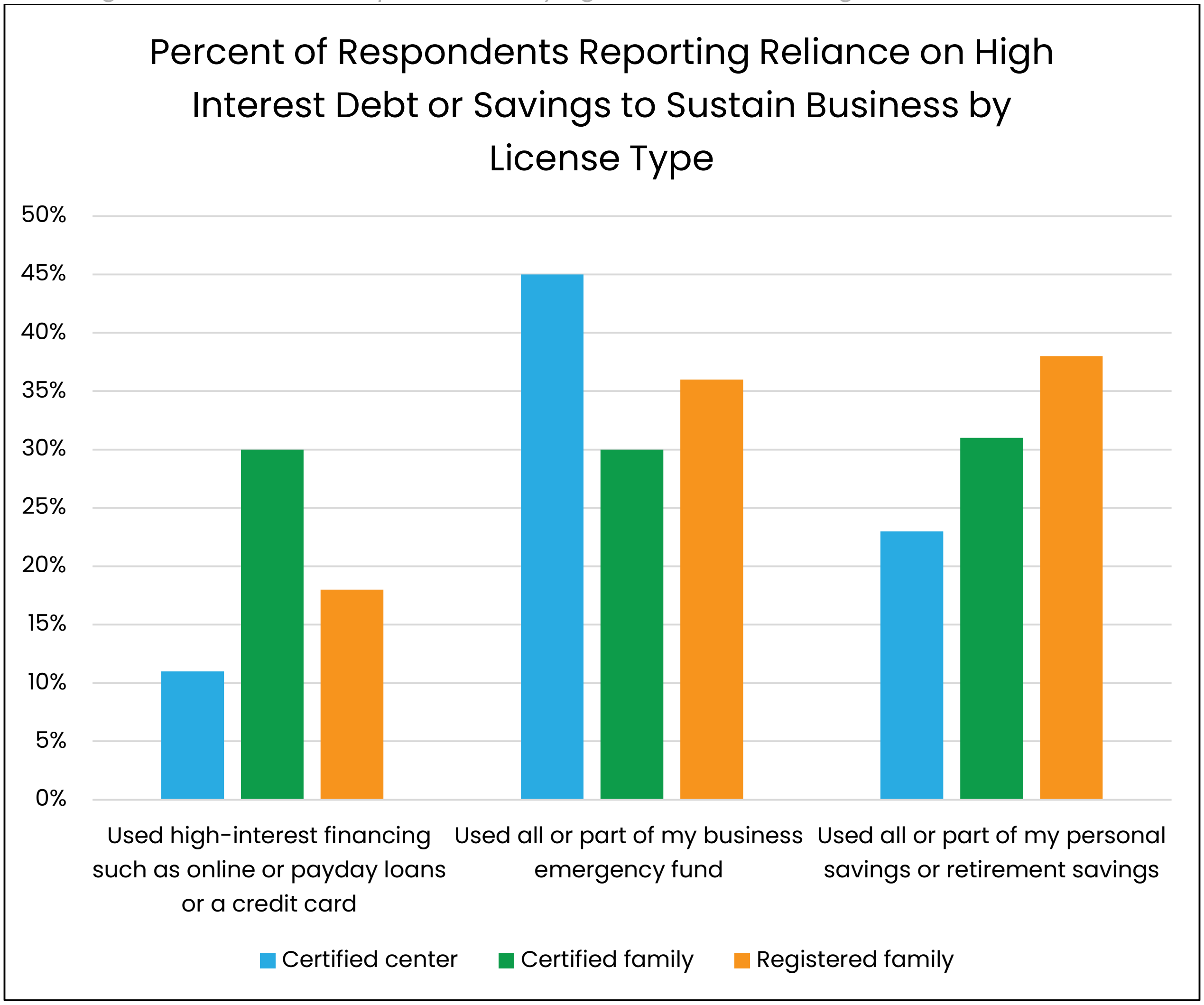
More registered family child care providers reported that in 2023, their business was about as stable as in 2022, with 63 percent indicating stability compared to 54 percent of centers and 47 percent of certified family child care providers. A larger percentage of centers (24 percent) reported increased stability in 2023 compared to 2022; 22 percent of certified family child care centers and 11 percent of registered family child care centers reported greater stability in 2023.

Personal financial strain is a prevalent issue for child care providers, with 48 percent reporting that their household income was impacted by financial losses from their child care business over the past year. Fifty-eight percent of certified family providers, 57 percent of registered family providers, and 23 percent of centers reported impacts on household income. Many providers cited reduced enrollment, rising operating costs, and limited funds to pay themselves as factors impacting their income. One provider shared, "There are some months where I can't pay myself in order to keep running." Another noted, "I want to raise tuition to support my family but don't want to burden the families served," highlighting the difficulty of balancing operational costs with affordability for families.

Providers reported personal financial sacrifices, with nearly 44 percent unable to pay themselves at times and 31 percent relying on personal savings or retirement funds to keep their businesses afloat. Responses from 31 percent of certified centers, 55 percent of certified family providers, and 41 percent of registered family providers reported experiencing difficulties in paying themselves at times.

Thirty-one percent of respondents relied on personal savings or retirement funds to sustain their business. As seen in Figure 13, the use of business and personal savings and high-interest debt was common across license types. One provider explained, "I have pulled $35,000 from our personal savings and opened a $160,000 HELOC to put down to purchase the property for the daycare," illustrating the extent of the personal financial commitment involved. Additionally, only 17 percent of respondents reported adding funds to savings or retirement accounts in 2023.

Figure 13 Percent of Respondents Relying on Debt and Savings to Sustain Business



Despite financial challenges, overall, providers maintain a positive outlook, with 64 percent somewhat or strongly agreeing they were optimistic about the future of their business. However, 11 percent somewhat or strongly agreed that they planned to sell or close their business in the next 12 months due to financial limitations.

Key Takeways

- Rising operational costs and limited funding are creating substantial challenges for child care providers. Many have responded by raising tuition, cutting costs, and making personal financial sacrifices to sustain their businesses. However, a lack of access to public funding and persistent financial strain makes the path to long-term sustainability uncertain.

Recommendations

- **Embed Technical Assistance in Public Funding Programs**
  - DELC, Business Oregon, as well as local and philanthropic funding programs should sustain and expand technical assistance to support effective and equitable participation in ongoing and one-time funding. Comprehensive technical assistance that includes not only support with eligibility, application processes, and compliance, but also supports the overall business health of grantees is particularly valuable.
- **Enhance Public-Private Partnerships for Child Care Sustainability**
  - DELC can enhance awareness and support for partnerships between the private sector and philanthropic organizations to create funding and resource-sharing opportunities that promote child care sustainability. Partnerships can offer grants, in-kind donations of facilities and services, and guaranteed enrollment to sustain child care programs.

FCF Supports

- FCF offers targeted support and resources for child care business owners, including training programs on financial planning, tuition rate setting, preparing for public funding, and developing partnerships. FCF will continue to provide comprehensive technical assistance to guide providers through public funding and grant applications and help them successfully participate in these programs.

Business Practices & Support Needs

Business practices and supports that enable increased and equitable access to funding are critical.

A growing number of child care businesses use technology to increase the efficiency of their back-office functions. Across all license types, a majority of providers reported using child care management software to support day-to-day operations. Overall, the most common technologies used were child care management software (65 percent), accounting software (58 percent), and payroll systems (32 percent). Increased adoption of technology could yield additional benefits. Among centers approximately 25 percent of respondents were not using child care management software or accounting software, respectively. Additionally, less than 50 percent of certified center respondents report using a payroll system or hiring platform.

Providers' confidence as entrepreneurs and business leaders varies. When asked to rate their ability to manage the financial aspects of their businesses between 1 and 10, responses averaged 6.7. When asked about the types of business support that would be particularly beneficial, access to funding was the top priority. Sixty-eight percent cited facility improvement grants, and 52 percent rated assistance in accessing public funding streams as beneficial. Beyond funding, the business supports rated most commonly as beneficial were insurance (41 percent), taxes (37 percent), recruiting, hiring, and employee retention practices (33 percent), and marketing (29 percent).

Sixty-one percent somewhat or strongly agreed that they currently have access to adequate training and resources to support the sustainability of their businesses. However, open responses reflected some pain points. One respondent shared, "I am struggling to meet my personal financial needs because I am not sure that I am managing my business finances the way I should be. I am not sure where to go for help."

Key Takeways

- Across survey questions and open responses, respondents cited a critical need for more funding to maintain sustainability. Business supports that enhance providers' ability to successfully apply for and manage public funding, such as from Child Care Infrastructure Funds and Preschool Promise, emerged as clear priorities.

Recommendation

- **Expand Resources to Support Child Care Business Sustainability**
  - DELC is actively engaged in coordinating and expanding resources to support business sustainability. All child care business owners should have access to high-quality, sector-specific support available in a variety of formats depending on their needs, from one-off trainings to intensive one-on-one consultation. Business support should focus on specific practices and pain points to facilitate successful access to funding as a path to increase business sustainability.

FCF Supports

- FCF recently launched a state office in Oregon to ensure child care businesses across the state have access to the financial and operational training and support they need. FCF services include providing targeted training and one-on-one business consultations. FCF also offers technical assistance to prepare for, apply, and implement Child Care Infrastructure Funds. Additionally, FCF continues to encourage expanded access to public funding and provides technical assistance to help providers understand and successfully apply for and utilize these resources.

Conclusion

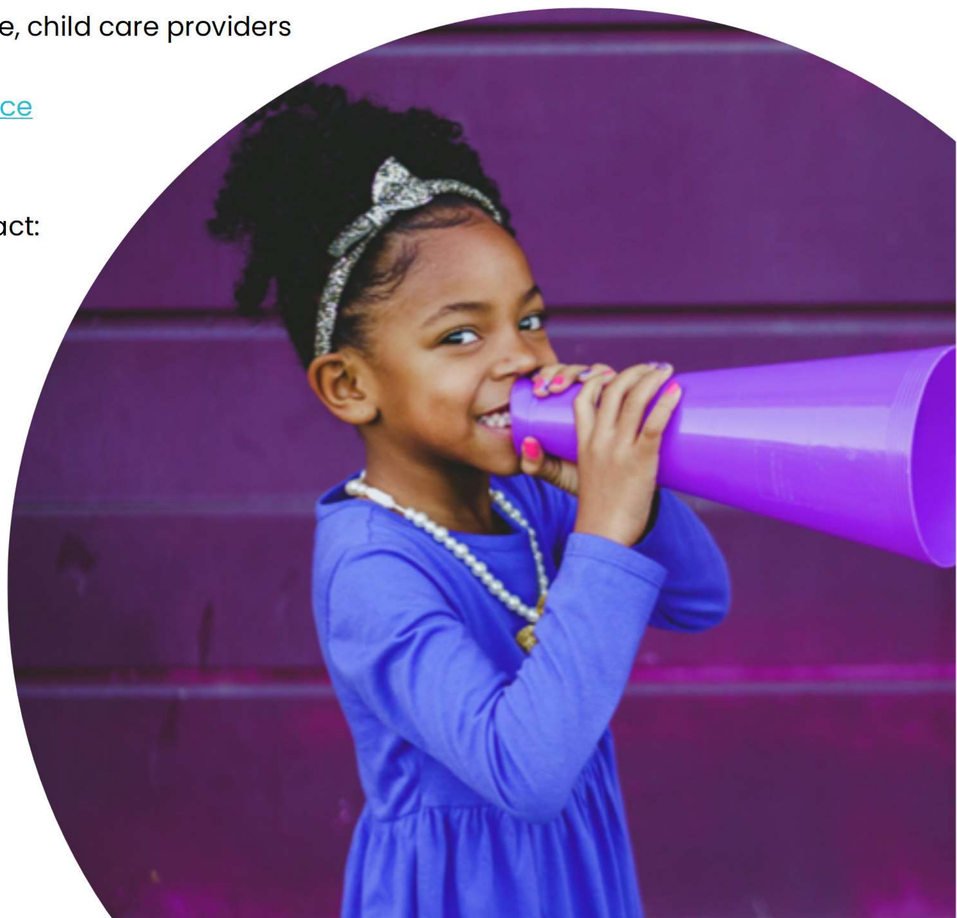
The findings from the 2024 Oregon Child Care Business Sustainability Survey reveal a challenging landscape for child care providers in Oregon, marked by ongoing financial strain, staffing shortages, and difficulties in maintaining facilities. Rising operational costs, including insurance, rent, and essential supplies—have put many providers under pressure, leaving some uncertain about their ability to sustain their programs. Growing demand for infant and toddler care highlights shifts in family needs, yet providers may lack the financial and operational resources to expand capacity sustainability. Additionally, increased competition from subsidized programs and limited access to qualified staff have made it difficult for many to maintain enrollment and offer quality services.

The reliance on grants and external funding highlights the fragile business model many providers face. One respondent shared, “It seems to me that every time I improve my business to the point where I feel like I can finally make a living, the costs of insurance, taxes, and rent go up to eat all the money I thought I could save.” Without expanded access to financial support, child care providers may continue to encounter uncertain futures.

This report aims to serve as an incentive for collaborative action, empowering intermediaries to strengthen Oregon’s child care ecosystem. We want to thank all the participants that have shared their valuable insights, and the hope is that this information can serve as a framework for collectively working toward a future where child care businesses thrive, families have access to quality care, and communities are supported by a resilient and sustainable system. Please feel free to reach out if you have any questions.

To connect with FCF for further assistance, child care providers can contact:
First Children’s Finance Oregon State Office
InfoOregon@firstchildrensfinance.org

For questions related to the survey, contact:
Taijha Harden
Child Care Systems Coordinator
TaijhaH@firstchildrensfinance.org



Appendix

Appendix A: Response Rate by County

County	Response Rate % by Total Providers in County	Response Rate % by Total Survey Respondents (n=292)
Baker	13%	1%
Benton	16%	3%
Clackamas	10%	7%
Clatsop	19%	1%
Columbia	17%	1%
Coos	19%	3%
Crook	0%	0%
Curry	0%	0%
Deschutes	6%	3%
Douglas	17%	4%
Gilliam	0%	0%
Grant	25%	0%
Harney	0%	0%
Hood River	12%	1%
Jackson	11%	6%
Jefferson	0%	0%
Josephine	9%	2%
Klamath	8%	1%

County	Response Rate % by Total Providers in County	Response Rate % by Total Survey Respondents (n=292)
Lake	0%	0%
Lane	14%	12%
Lincoln	15%	1%
Linn	6%	2%
Malheur	16%	5%
Marion	5%	1%
Morrow	13%	0%
Multnomah	6%	15%
Polk	11%	2%
Sherman	33%	0%
Tillamook	20%	1%
Umatilla	14%	3%
Union	12%	1%
Wallowa	20%	2%
Wasco	21%	0%
Washington	9%	17%
Wheeler*	N/A	0%
Yamhill	12%	3%

**At the time of our data request from DELC, there were no licensed providers in Wheeler County.*