DC's Early Childhood Educator Compensation Program Helps Stabilize Child Care Businesses

Insights from a Fall 2025 Provider Survey

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Despite the high average prices families pay for child care,[1] child care businesses incur high costs and operate under slim margins. In turn, educators experience low average wages despite increasing qualifications,[2] leading to financial stress and high job turnover (Whitebook, Phillips, and Howes 2014). The result is unstable care for children and families, which can harm developmental outcomes (Sandstrom and Huerta 2013). Moreover, when child care businesses navigate rising costs, unstable finances, and educator vacancies, they may have to raise prices or turn away families seeking care, leaving families with fewer options (Bassok and Weisner 2023; US Department of the Treasury 2021).

To improve educators' well-being and retention and families' access to stable, quality child care, the District of Columbia launched an early childhood educator (ECE) compensation program.[3] This voluntary program provides funding to participating child care providers that agree to offer competitive wages according to a minimum salary schedule that accounts for educators' role and credentials.[4] Funding is allocated through a formula that also accounts for facility characteristics, with enhancements for licensed child development homes/expanded homes, providers serving infants and toddlers, and providers serving children receiving subsidies—as well as an administrative enhancement to cover mandatory employer payroll taxes that result from increased wages.[5] In the last quarter of FY 2025, about 86 percent of eligible DC facilities were participating in the program.[6] Previous research found that the compensation program has effectively reduced financial hardship among educators and helped facilities retain their more qualified staff, with families indirectly benefiting. However, less is known about how this funding affects providers' finances and the amount families pay for care.

This brief examines how funding from the compensation program contributes to child care businesses' financial health. Based on a late 2025 survey of 74 child development center directors and 22 licensed child development home and expanded home operators[7] participating in the compensation program in FY 2025, we found the following:

- The compensation program supported child care facilities' finances, although some providers still reported precarity in their overall financial stability.
- Funding from the compensation program influenced tuition "somewhat" or "a lot" for a small share of providers (34 percent) and sometimes helped minimize any tuition increases passed on to families. A majority (61 percent) of surveyed providers did not report increasing tuition in the past year, even with inflation and rising operational costs. Among providers that *did* raise tuition, nearly three-quarters (or 29 percent of surveyed providers) attributed this change to the compensation program funding falling short of what they were required to pay educators, at least in part.

- Overall, providers viewed the compensation program as being good for DC families. They reported that without this funding, their facilities would face financial risk and likely lose qualified staff, and almost half indicated they would need to charge families more.

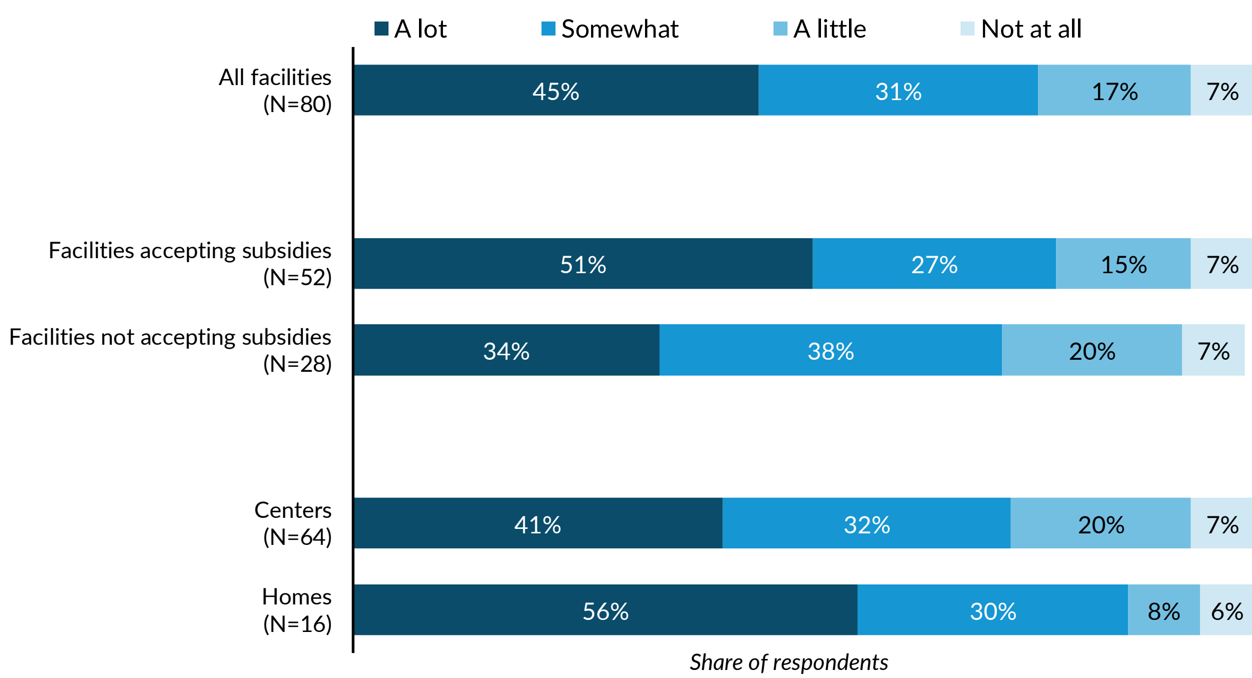
At a Time of High Costs, Compensation Program Funding Strengthened Child Care Businesses' Finances

Almost half (45 percent) of survey respondents credited the ECE compensation program as benefiting their facilities' financial health and well-being "a lot," with another 31 percent reporting that it benefited them "somewhat" (figure 1). Paying higher wages facilitates recruiting and retaining qualified staff, and funding from the compensation program allows child care employers to pay these salaries without incurring greater operational expenses (Jimenez Parra et al. 2025).

FIGURE 1

DC's Early Childhood Educator Compensation Program Supports Financial Well-Being Across Different Types of Child Care Facilities

Responses to survey question: "How much did participation in the compensation program in FY 2025 benefit your facility's overall financial health and well-being?"



Source: Urban Institute's web survey of directors, owners, and operators of DC child development centers, homes, and expanded homes from October to December 2025.
Notes: Survey weights were implemented to represent all DC child development facilities. Percentages may not sum to 100 because of rounding. See "Methods" section for more information.

Facilities that participated in DC's child care subsidy program were more likely to report that the compensation program benefited their finances "a lot," compared with those not in the subsidy program (51 percent versus 34 percent, respectively). In past surveys, directors reported participating in the subsidy program because they rely on subsidies as a funding source (Farr et al. 2025; Weisner et al. 2024), and some of these facilities cannot substantially leverage funds from private tuition to increase educators' compensation (Jimenez Parra et al. 2025).

For these facilities, funding from the compensation program is essential to pay and retain staff needed to provide quality care to children receiving subsidies. In turn, families with low incomes who rely on child care subsidies may benefit from the lower educator turnover at facilities in both the compensation and subsidy programs. Indeed, previous analyses found lower turnover when facilities received both funding sources compared with receiving subsidy funding alone (Doromal, Lamb, et al. 2025).

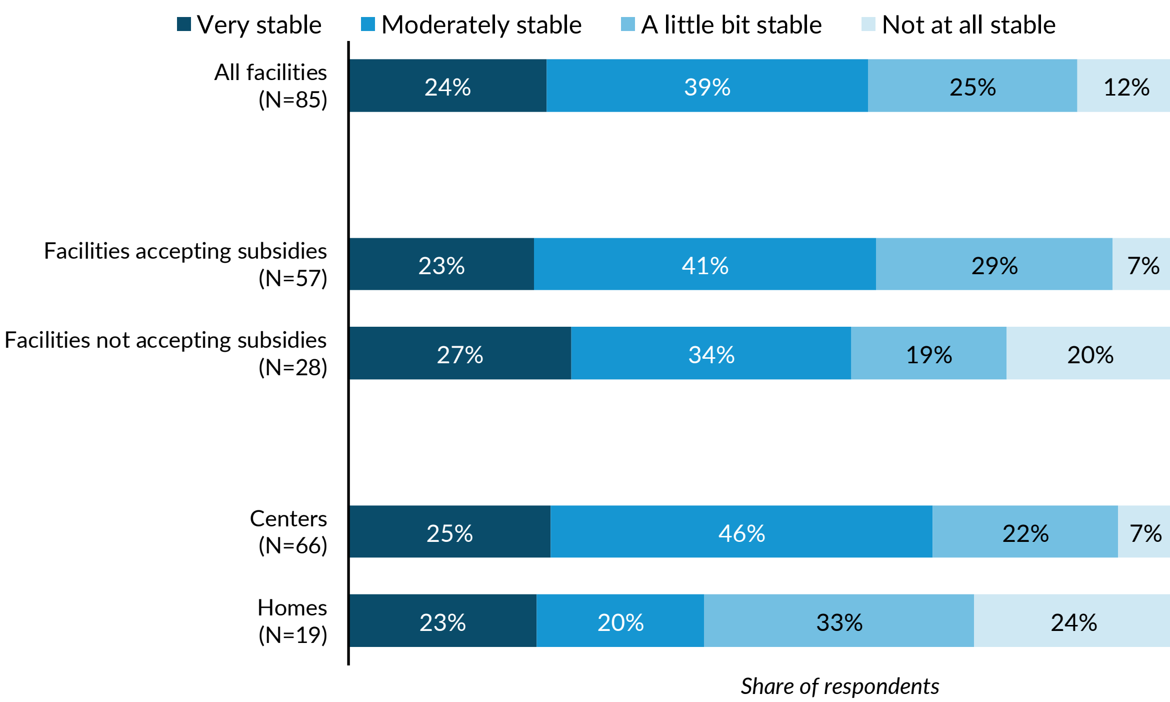
Owners and operators of child care homes were somewhat more likely to report that the compensation program benefited their facilities' financial health and well-being "a lot," compared with child care center directors (56 percent versus 41 percent, respectively). Given the high operating costs of home-based child care (Pattnaik and Lopez 2023) and the decline in the number of DC home-based facilities in the aftermath of the COVID-19 pandemic (Nikolopoulos, Doromal, and Kuhns 2025), the compensation program has potential to help stabilize these small businesses. In an open-ended survey response, one owner of a home facility wrote that the compensation program "provides [them] with the financial stability to continue to run [their] business efficiently."

Despite these financial benefits, only 24 percent of providers in the compensation program described their facility as "very stable" financially, while another 39 percent said their facility was "moderately stable," and 12 percent reported that their facility was "not at all stable" (figure 2).

FIGURE 2

Child Care Facilities Receiving Compensation Program Funding Vary in Financial Stability

Responses to survey question: "Which of the following best describes your facility's current financial stability?"



Source: Urban Institute's web survey of directors, owners, and operators of DC child development centers, homes, and expanded homes from October to December 2025.

Notes: Survey weights were implemented to represent all DC child development facilities. Figure depicts only facilities participating in the early childhood educator compensation program and excludes responses of "Unsure." Percentages may not sum to 100 because of rounding. See "Methods" section for more information.

Nationwide, most child care facilities operate on thin profit margins.[8] Most providers in the subsidy program did not characterize themselves at either extreme, with 41 percent describing their facilities as “moderately stable.” In contrast, those not in the subsidy program were slightly more likely to report being either “very stable” or “not at all stable.” Child care subsidies can serve as a reliable revenue source and help facilities fill open slots, though reimbursement rates are typically lower than private tuition rates (Farr et al. 2025). Center directors reported somewhat higher financial stability than owners and operators of child care homes, perhaps owing to differences in administration, size, and operating costs (Pattnaik and Lopez 2023).

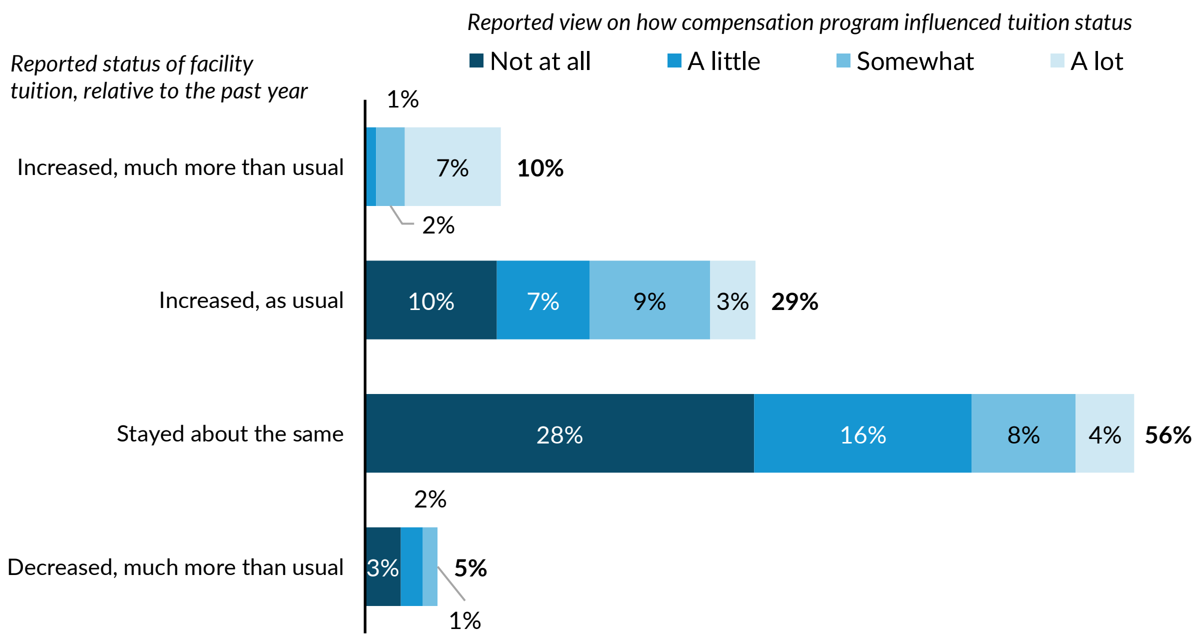
Providers Varied on Whether Their Tuitions Changed in the Past Year and Why

The vision underlying the ECE compensation program is that families would not have to bear the cost of providing higher wages for educators. Although many factors impact the need to change tuition, 56 percent of surveyed providers in the FY 2025 compensation program kept tuition about the same in the past year, and a small share (5 percent) *decreased* tuition for families (see the bolded values in figure 3). Another 29 percent of respondents reported raising tuition “as usual”—likely to keep up with rising inflation that affected program costs, such as rent, insurance, and supplies. Only 10 percent said tuition increased “much more than usual.”

FIGURE 3

A Majority of Facilities Did Not Raise Tuition, but Some Reported That the Compensation Program Contributed to a Need for Increases

Responses to survey questions: “In the past year, how has the tuition you charge changed?” and “To what extent did your participation in the compensation program influence this change in tuition?”



Source: Urban Institute’s web survey of directors, owners, and operators of DC child development centers, homes, and expanded homes from October to December 2025.

Notes: Survey weights were implemented to represent all DC child development facilities. Figure depicts 79 respondents whose facilities participated in the early childhood educator compensation program. The survey included the response option of “Decreased, as usual” but no respondents selected this option. Percentages may not sum to totals because of rounding. See “Methods” section for more information.

Providers differed in the extent to which they believed their participation in the compensation program influenced tuition:

- Among providers whose tuition stayed about the same (56 percent of all providers), half indicated that the compensation program did "not at all" play a role in this stability, while the other half said the program played some role; about 8 percent (or 4 percent of all providers) reported that the compensation program influenced this price stability "a lot."
- Though few providers increased tuition "much more than usual," of those that did, most (71 percent, or 7 percent of all surveyed) believed the compensation program contributed "a lot" to their need to increase tuition, and no providers indicated that the program did "not at all" play a role. For these providers, the program may have created greater volatility by not providing a sufficient level of guaranteed, stable funding to pay qualified staff higher salaries.

Survey results mirror previous findings from interviews with child care center directors: some providers avoided tuition increases by using funding from the compensation program to cover their rising costs; some raised tuition prices but used program funds to reduce the amount of the increase; and some had to raise tuition to cover the costs of higher salaries, inflation, and compensation program administration (Jimenez Parra et al. 2025). While some families may benefit from lower child care costs resulting from their child care providers' financial stability, others may see rising tuitions because of higher costs incurred by providers when compensation program funding was insufficient.

Providers See the Compensation Program as Good for DC Families—but Are Still Uncertain About Its Future

Reflecting on the ECE compensation program broadly, 80 percent of surveyed providers agreed that it has been "good for DC families." While the program does not directly serve families and not all facilities could lower tuition because of their participation, its reported benefits to individual educators and facilities extend to children and families in the form of higher-quality, stable child care. Past research found that educators at facilities participating in the program reported lower financial stress (Mefferd et al. 2025) and lower likelihood of leaving their current jobs (Nikolopoulos et al. 2025), and child care center directors reported that the program helped them recruit and retain highly qualified educators (Doromal, Nikolopoulos, González, et al. 2025). These positive outcomes are then passed on to children in the form of consistent and positive caregiving relationships with engaged educators (Sandstrom et al. 2024). Providers report seeing these impacts beyond the context of their individual facilities, agreeing that the compensation program has attracted *more* (76 percent) and *better* (63 percent) educators to DC and has "made child care in DC better" (67 percent).

Affordability continues to be a problem for DC child care businesses and families alike. The compensation program helps to bridge the gap by supporting facilities' finances and, in some cases, minimizing the costs passed on to families. While the program aims to offer educators competitive wages commensurate with their education and qualifications, data show unintended financial tensions. As one home-based provider summed up, "Balancing program sustainability with affordability for families" is one of the biggest challenges DC child care will face.

Beyond the tuition increases some facilities have already had to implement, providers expressed concern about the uncertainty of the compensation program's future—which is subject to DC's annual budget cycle and therefore not guaranteed—and the potential need to increase tuition to prevent staff salary reductions should the program be defunded. Nearly half (49 percent) of providers said they would need to raise tuition to manage business operations without the compensation program. In open-ended responses, providers further explained how they could not maintain educators' salaries set by the compensation program requirements without raising tuition, and would risk losing educators to other positions if they had to reduce salaries. One center director wrote:

"The uncertainty of the program is our biggest concern. It leaves our educators in a very difficult position. I greatly fear their ability to stay in their roles without the additional pay. They deserve this pay, but we cannot offer [what they currently] receive without raising tuition astronomically."

Methods

From October to December 2025, we invited 372 directors or operators overseeing all 470 child care centers and homes licensed by the DC Office of the State Superintendent of Education (OSSE) to participate in a voluntary, self-administered web survey. We used monthly listings of licensed child care providers, published by OSSE, to identify facilities operating for at least one month from May to August 2025. Any child care provider that was eligible to apply for funding through the FY 2025 compensation program could complete the survey, regardless of whether the provider participated in the program. However, we received too few responses from nonparticipating providers to report those estimates. Thus, in this brief and other publications, we report responses from the 96 directors or operators of 112 facilities that participated in the FY 2025 ECE compensation program and our survey. This represents a 31 percent response rate.

The survey was conducted through Qualtrics and was designed to take about 20 minutes to complete. Respondents could complete the survey in either English or Spanish and were given a $20 e-gift card as a thank-you for participating. The fall 2025 survey, our third annual survey since the project began, was largely modeled on previous years' iterations, covering similar topics and involving the same recruitment and administration procedures and data cleaning processes. Instead of fielding separate surveys for child care center directors and family child care home operators, we restructured our existing surveys to encompass both types of respondents. For more details on our past survey procedures, which we replicated when administering the fall 2025 survey, see our study technical report (Doromal, Nikolopoulos, Mefferd, et al. 2025).

To account for nonresponse bias and to adjust our survey sample to better reflect the population of DC child care providers, we developed survey weights using administrative data on licensed child care facilities, including facility ward, type, ages served, capacity, child care subsidy program participation, and ECE compensation program participation. Because these characteristics are captured at the facility level but many of the survey items reflect providers' perspectives, we average facility-level weights to the director or operator that reported overseeing these facilities. Tabulations in this brief reflect weighted estimates. Without weights, our sample underrepresented facilities in Ward 5 and those not participating in the compensation program; with weights, our sample adequately reflects the population of OSSE-licensed child care facilities in DC.

Notes

[1] In 2024, the average annual price of child care for two young children was $29,100 nationwide and $47,200 in DC. Nikhita Airi, Breno Braga, and William J. Congdon, "The American Affordability Tracker," Urban Institute, April 2, 2026, https://www.urban.org/data-tools/american-affordability-tracker.

[2] Laura Valle Gutierrez and Julie Kashen, "Still Unaffordable: Child Care's Rising Prices, Stretched Supply, and Staffing Shortages," Century Foundation, December 10, 2025, https://tcf.org/content/commentary/still-unaffordable-child-cares-rising-prices-stretched-supply-and-staffing-shortages/.

[3] This program provides child care providers with funding through a formula to pay their educators according to a minimum salary schedule. For more information about the current iteration of the program, see "Early Childhood Educator Pay Equity Fund: Information for Facility Leaders and Staff," DC Office of the State Superintendent of Education, accessed February 20, 2026, https://osse.dc.gov/pef. To understand the history of the program, including the switch from direct payments for educators to funding child care providers through a formula, see "Early Childhood Educator Pay Equity Fund," DC Office of the State Superintendent of Education, accessed February 20, 2026, https://osse.dc.gov/ecepayequity.

4 "Early Childhood Educator Pay Equity Fund Minimum Salaries for Fiscal Year 2025 (FY25)," DC Office of the State Superintendent of Education, November 7, 2024, https://osse.dc.gov/sites/default/files/dc/sites/osse/publication/attachments/Minimum%20Salaries%20for%20FY25%20English.pdf.

5 "Child Development Facility (CDF) Payroll Funding Formula," DC Office of the State Superintendent of Education, October 2024, https://osse.dc.gov/sites/default/files/dc/sites/osse/publication/attachments/Updated%20CDF%20Payroll%20Formula%20English.pdf.

6 "Early Childhood Educator Pay Equity Fund: Fiscal Year 2025 (FY25) Quarter 4 (Q4) Data Summary," DC Office of the State Superintendent of Education, November 19, 2025, https://osse.dc.gov/sites/default/files/dc/sites/osse/publication/attachments/FY25%20Q4%20Data%20Slides%20%283%29.pdf.

7 In DC, licensed child care facilities may be center-based (child development centers) or home-based (child development homes and expanded child development homes). We use the term "child care facility" in this brief to be consistent with DC Office of the State Superintendent of Education terminology.

8 Rob Grunewald and Phil Davies, "Hardly Child's Play," Federal Reserve Bank of Minneapolis, July 1, 2011, https://www.minneapolisfed.org/article/2011/hardly-childs-play.

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