



COMMENTARY CARE ECONOMY

Trump's Child Care Funding Freeze in Five States Could Cost Families \$400 Million



The child care system is under attack by the Trump administration, which is using unfounded claims of fraud to take unprecedented actions that will make child care more expensive for families, make children less safe, and make it harder for child care centers to stay open.

This week, the Department of Health and Human Services announced they are freezing nearly \$2.4 billion in funding for child care and other family assistance programs in California, Colorado, Illinois, Minnesota, and New York. This is causing chaos and confusion. While it is not yet clear what the full impacts will be, we know that families were already feeling financial strain prior to this and the child care sector was precarious—and Trump's actions this week will make these challenges worse.

New analysis from The Century Foundation estimates how devastating the funding freeze could be in those five states if these funds are not released, finding that:

- **More than 500,000 children in over 44,000 programs¹** could be impacted, including more than 300,000² children who rely on child care assistance and another 200,000³ who do not directly receive assistance but who rely on child care centers that receive federal assistance.
- The aggregate cost to families could total **more than \$400 million⁴ annually in lost parental earnings** and other impacts.
- Businesses in those states could lose **another \$119 million⁵ annually in reduced revenue** from their workforce's child care disruptions and increased hiring costs due to parent employees leaving or reducing their work hours because of the loss of child care.
- **More than 156,000 moms** of young children could be pushed out of work as a result of the loss of child care.⁶

Child care is already one of the largest expenses on families' monthly balance sheets. The national average annual price of child care for 2024 was \$13,128, according to Child Care Aware of America. This is more than the annual cost of mortgage, rent, or public college tuition in the majority of states.

In the past year, child care prices have skyrocketed. In most states including Washington, D.C., child care prices grew by more than twice the overall rate of inflation.

The number of children and families impacted every day as a result of child care challenges is already staggering. As a result of historic underfunding, and the failure of this administration to prioritize children and families, the child care program under attack by the Trump administration (the Child Care Development Fund, or CCDF) only serves 11 percent of children eligible for it under federal rules.



At the same time, more than half of the children who attend child care centers that receive federal child care assistance vouchers do not receive any assistance. Yet their centers will be at risk with the frozen funding, making the total number of children who could be impacted even larger.

Cutting off or slowing child care funding for families will have disastrous impacts for parents, children, the economy, and the labor force.

Notes

1. This number represents the family child care, group home child care, and child care centers that received Child Care and Development Fund (CCDF) funding in the most recent year (FY2022 preliminary) for which Office of the Administration for Children and Families (ACF) data is available. Additional providers received funding as well, so this is an underestimate.
2. Most recent data on children served by CCDF, by state, from ACF (FY2022 preliminary).
3. Data from the National Survey of Care and Early Education shows that 56.9 percent of children at child care centers that receive child care assistance from CCDF pay fully out of pocket. Given that about 157,000 of children relying on child care assistance in the five states are in center-based care; we estimate that another approximately 200,000 children who rely on those CCDF supported centers but don't receive CCDF assistance could have their centers impacted.
4. This uses the number of families served by CCDF with children ages 0–4 based on FY22 preliminary ACF data and the inflation-adjusted average of \$5,825 per working parent in lost earnings and in more time looking for work estimated by Ready Nation. Note that the ACF data is several years old and the most recent available data. The Ready Nation data looks specifically at parents of children ages 0–3, so is an underestimate of the total impact on parents, since the children served by CCDF are ages 0–12.
5. This uses the number of families served by CCDF based on FY22 preliminary ACF data and the average of \$1,640 per working parent in reduced revenue and in extra hiring costs estimated by Ready Nation. This is likely a conservative estimate since the Ready Nation data is limited to parents of young children.
6. TCF analysis of American Community Survey data based on a 2021 study showing that COVID related child care closures led to a 2.7 percentage point increase in unemployment among mothers with young children.



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