THIRTY-SEVENTH ANNUAL

Status Report on For-Profit Child Care

by Kathy Ligon

Three years of disruption, innovation and reinvention, and stabilization, have laid the groundwork for optimism around enrollment demand, stability in hiring and retention, and aggressive growth plans for the future among the nation's largest early education providers. After facing three years of enrollment struggles, exponential demands for pay and stronger working environments, and rising operational costs, the industry has responded with historic adaptation to meet the needs of working parents by finding innovative ways to meet the market demands.

COVID stimulus and associated state funding did its job to stabilize the industry through 2023, and today enrollment has largely recovered to pre-covid levels with tuition rates being adjusted to reflect rising costs, making most feel that the continued roll off of grant funding will not challenge their ability to operate. This funding was predominantly focused on supporting staff with higher pay, bonuses, and increased benefits and many child care providers have relied on federal and state funding in order to keep their doors open for the past three years. Although substantial support was necessary in order to stabilize business operations, businesses that received funding are feeling a sigh of relief that while this emergency funding is nearing the end, their business can operate on its own. However, as federal pandemic relief funding concludes, many businesses that depend on subsidies to function may struggle. Some business owners stressed the long-term effects that loss of funding can have on not only the children, but teachers, families, and communities as a whole. Continued investment and focus at the state level will be needed to support the ongoing needs of providers and to continue to stabilize the industry with the discontinuation of wage support putting pressure on both operations and parents.

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Federal sustainability funding has been a lifeline. We have always assumed it would have an expiration date, so we have used it for situational benefits for our workforce in the form of bonuses, additional training dollars, recruitment strategies, etc. In many ways, this secondary revenue stream has supported lower tuition increases as well - that may have to change if the governmental support goes away.
—David Post, Little Sprouts

We have had to raise rates to address the loss of COVID relief funding. Otherwise, we could not maintain the wage increases that resulted from the funding.
— Johnny Anderson, ABC Bright Beginnings

We used our grant funding primarily to increase wages and provide bonuses to our teaching staff. In addition to these wage increases, we've seen significant increases in property taxes, insurance, food, and general supplies. While we've been able to increase tuition by a higher percentage than we typically have for the past two years, we sense that these higher tuition increases will be more challenging to implement in 2024.
— Andy Sherrard, O2B Early Education

Outside funding was a big help during the pandemic. A portion of this funding has gone to the teachers as bonuses. Child care subsidy payments from local government agencies help us enroll children who may not otherwise have the opportunity to come to our schools.
— Vance Spilman, LeafSpring Schools

There needs to be baseline support to keep our lights on. As long as we have that, we can grow the program to a self-sustaining point. Without that baseline safety net in place coupled with cuts in funding, if we open tomorrow, it's a gift.
— Jack Safer, Brightside Academy

Any grant funding that we received went directly to our employee compensation plan. We'll have to replace these funds with continued tuition increases and manage operations more efficiently.
— Anthony Insinna, Doodle Bugs! Children's Learning Academy

Reductions in funding may lead to financial strain affecting the quality of services provided, staff compensation, and overall sustainability of our programs. Child care has a very low margin as it is, and reduced funding will have a significant impact. We are working hard to balance affordability with our business. We want to ensure we are within the market range for families but still able to have a stable business model so that we are available for years to come.
— David Evans, Child Development Schools

In the face of historic leaps in pay demands, along with associated increased costs of benefits and training, as well as other operating cost increases such as food and supplies, adjusting tuition rates as the needs of the business change is critical to the successful balance of the financial picture. As a recovering industry, increases in tuition have been steady at the pace of cost increases, and at the same time, the industry is beginning to report pricing fatigue.

Simultaneously providers are working to balance the ever-changing demands of cost versus pricing, discounting tuition has decreased as a strategy to attract enrollments in this high demand environment. Historic discounting for vacation days, holidays, and industry-specific employees are largely a thing of the past, with a much bigger focus on discounting the children of child care workers.

The loss of federal funding has had a significant impact on our future budgets. In most states we have had to take larger than typical tuition increases so we can maintain some of the wage and benefit enhancements we have put in place over the last few years.
— Chad Dunkley, New Horizon Academy

We were aggressive in our tuition increases over the last 18 months, which put a tremendous burden on our families, and we recognize that. We hope to moderate increases to be more in line with historical industry increases in the coming years. However, the continuation, or lack, of federal support will have an impact on the choices we are compelled to make… We introduced significant tuition discounts for staff for their own children to attract and retain school leadership.
— David Post, Little Sprouts

We constantly monitor tuition rates and adjust as the market will allow. Labor costs are the major driver in tuition increases and we continue to look for ways to increase wages and benefits for our team mates.
— Wes Wooten, The Sunshine House

Some states have made preschool teachers automatically eligible for income based subsidies for their own children and we feel this is a policy that would be very beneficial for our industry as a whole. We would love to see more states move in this direction. It helps attract and retain great teachers, which in turn helps schools serve more families.
— Andy Sherrard, O2B Early Education

There has been an increased focus on listening to team members and addressing their needs.

Competitive compensation has been the major focus with most operators expressing an easing of hiring challenges. Pay is not the only driver, however, as employees are increasingly vested in work-life balance and meaningful work, as well as the ability to grow within the organization. These shifts have created the need for a heightened focus on employee recruitment and retention, the expansion of superior benefits packages, recognition and rewards programs, clearer career growth plans, and ensuring a positive work environment. Many report the success of expanded and central recruiting teams as a specialty focus for overcoming hiring challenges.

The easing of hiring challenges has come with a less experienced labor pool that has created the need for expanded training and credentialing programs. Employers who previously struggled with labor shortages have now naturally progressed to a retention hurdle with the hope that more training and support for new hires equates into longer tenure in new positions as a more reasonable hiring environment is expected for 2024.

We are starting to see a reduction in the number of staff openings in 2023. We anticipate our openings to continue to go down in 2024 as hiring continues to accelerate and retention rates continue to improve. We have reinvented our onboarding program to provide more support for our newest teaching staff. We have also started doing more "stay interviews" to help identify opportunities to improve our school culture.
— Chad Dunkley, New Horizon Academy

Our hiring needs have decreased about 50% since this time last year and we are strengthening our leadership bench.
— Cathy Jelic, Action Day School

Except for a few specific locations, we are no longer struggling to find staff, albeit at a significantly higher average pay rate than pre-covid (+30%)
— Jane Porterfield, The Nest Schools

We have continued to apply full organizational energy to our hiring process. We have recently seen minor relief in the challenges of both finding and retaining qualified teachers. I am hopeful that the trend will continue into 2024. One strategy that is helpful is the robust training and support system that we apply to both our new and existing faculty. Recognition is powerful and positive toward stability.
— Rhonda Paver, Stepping Stone School

We continue to work very hard in keeping our existing staff happy and fulfilled in our schools. There is no better hiring strategy than not losing your existing staff. We are investing a lot in training around leadership to continue to create great culture and work environments in our schools.
— Roberto Ortega, KLA Schools

More applicants are applying on their phones and prefer text communication as it relates to their applicant status. We also saw some wage pressure at the time of hire and a need to remain competitive with the ever-changing wage market. To address this we now have an applicant tracking system in place which allows us to move applicants quickly through the hiring process and communicate with them throughout We've also adjusted our wage structure throughout the year in various regions to respond to this wage pressure.
— Andy Sherrard, O2B Early Education

We have seen a huge change in hiring in 2023. The beginning of the year was a struggle but by fall we were finding candidates again. We have just had to implement ground up training instead of expecting candidates to come with quality experience.
— Jessica Johnsen, Yellow Brick Road Childcare Inc.

We have experienced improved applicant flow and see the same for 2024. We have shifted to centralized recruiting
— Mary Ann Curran, Busy Bees

The labor market seems to have cooled off from 2021-2022 but conditions are still tight.
— Andres Patino, Early Bird Education Group

Hiring has been the most difficult aspect of business we have encountered, and we have faced this head-on by making the workplace more appealing by offering flexible work schedules, and mental health days, offering our benefits package yearly, matching 401K, and signing bonuses.
— Vance Spilman, LeafSpring Schools

We are certainly seeing an increase in the number of qualified candidates and we anticipate this trend continuing into 2024. We have increased compensation, benefits, paid time off, and attendance-based bonuses.
— Anthony Insinnia, Doodle Bugs! Children's Learning Academy

We have focused on both competitive salaries and the employee experience. Wages are incredibly sensitive to competitive offerings so we need to stay attractive from that perspective. But also, today's workforce is seeking work-life balance and purpose. We implemented more paid time off, free physical and mental health benefits, and wealth-building opportunities through our 401k plan.
— David Post, Little Sprouts LLC

Hiring and retention continue to be the biggest challenges in the market, with retention being the biggest opportunity. We have significantly increased the number of touches we are making with new employees during their first year of employment as this tends to be when we lose them. Assuring they are getting proper onboarding and training while also making sure they feel appreciated.
— Wes Wooten, The Sunshine House

The nation's largest early education providers are optimistic that market conditions will allow for a continued focus on expansion with plans to both open new schools and ramp up enrollment in existing schools.

We will continue our greenfield growth strategy into 2024 with three additional schools opening in early 2024. In addition, there are 10 additional projects under contract and in development or under construction.
— Brett Roubal, Little Sunshine's Playhouse & Preschool

We will have continued growth through utilization growth, acquisition and new center development.
— Mark Bierley, Learning Care Group

We continue to improve our physical facilities that might be experiencing some normal aging. This is a huge factor for us as we believe in the investment in our programs, people and community.
— Rhonda Paver, Stepping Stone School

We have two school expansions in the works and are actively looking for new schools.
— Cathy Jelic, Action Day Schools

We paused development for the last few years waiting for operations to normalize and we will begin developing new sites again beginning in 2024.
— Anthony Insinnia, Doodle Bugs! Children's Learning Academy

We are pushing leadership development initiatives to strengthen our internal bench and will look to continue to be acquisitive in our growth strategy.
— Andres Patino, Early Bird Education Group

We intend to open 4-7 more locations in 2024 in multiple new states.
— Kristen Denzer, Tierra Encantada

Years of federal stimulus funding have come to an end, and providers are dependent on either state initiatives to continue to support the financial challenges, or the ability of families to pay the new cost of care. At the same time, difficulties in hiring have eased, in part because operators have increased pay significantly, designed solid training and career paths for teams, and created supportive, meaningful work experiences. These favorable market conditions have created the optimism that this trend will continue into 2024 and have poised the industry for consistent expected growth for the coming year and beyond, expanding the ability to serve more children and families with quality care and education. This connectivity between funding, pricing and discounting, availability and cost of staff, and ability to serve more families, has been thoughtfully planned and executed, assuring access to quality care that will continue and expand into the future.

North America's Largest For-Profit Child Care Organizations

ORGANIZATION	HEADQUARTERS	CEO/EXECUTIVE DIRECTOR	CENTERS	CAPACITY
KinderCare Learning Centers	Oregon	Tom Wyatt	1555	212000
Learning Care Group	Michigan	Mark Bierley	1100	167000
Bright Horizons	Massachusetts	Stephen Kramer	1063	120000
Primrose School Franchising Co.	Georgia	Mary Jo Kirchner	508	94600
Goddard Systems, Inc.	Pennsylvania	Dennis Maple	626	93000
Kiddie Academy	Maryland	Joshua Frick	324	53275
Cadence Education	Arizona	Leigh-Ellen Louie	294	48923
Kids R Kids	Georgia	David Vinson	182	47320
Childcare Network	Texas	David Evans	272	46916
Spring Education Group	California	Sean Powell	182	39488
Busy Bees North America	Canada	Mary Ann Curran	211	30860
Endeavor Schools	Florida	Ricardo Campo	104	20820
The Sunshine House	South Carolina	Wes Wooten	140	20000
Premier Early Education	Illinois	George Fogel	125	20000
Early Learning Academies	Virginia	Ron Packard	84	15000
Kids and Company, Ltd.	Canada	Victoria Sopik	159	14612
New Horizon Academy	Minnesota	Chad Dunkley	98	14349
Big Blue Marble Academy, LLC	Alabama	Jeff Wahl	73	14000
Lightbridge Franchise C. LLC	New Jersey	Gigi Schweikert	75	12500
O2B Kids	Florida	Andy Sherrard	63	12073
The Nest Schools	Florida	Jane Porterfield	51	11200
Ile educational group	Virginia	Charles Leopold	55	9972
Discovery Point Franchising Inc.	Georgia	Cliff Clark	40	9200
Otter Learning	South Carolina	Spencer Kushner	65	8497
Creative World School	Florida	Marianne Whitehouse	29	7250
The Gardner School	Tennessee	Scott Thompson	35	6900
Never Grow Up, Inc	Tennessee	Dwight Derringer	42	5869
Acelero Learning	New York	Henry Wilde	52	5439
KLA Schools	Florida	Roberto Ortega	30	5500
Learning Jungle	Canada	Nesmith Chingcuanco	50	5400
Brightside Academy—Pennsylvania	Pennsylvania	Jack Safer	33	5000
LeafSpring Schools	Virginia	Vance Spilman	14	4500
Little Sprouts	Massachusetts	David Post	39	4448
Little Sunshine's Playhouse	Missouri	Brett Roubal	32	4417
Country Home Learning Center	Texas	Sharon Ford	10	4180
Stepping Stone School	Texas	Rhonda Paver	20	3741
Doodle Bugs! Children's Learning Academy	New York	Anthony Insinna	17	3120
ABC Great Beginnings	Utah	Johnny Anderson	15	3023
Early Bird Education Group	Kentucky	Andres Patino	20	3016
Yellow Brick Road	Minnesota	Jessica Johnsen	21	3000
Action Day Schools	California	Cathy Jelic	12	2932
Northstar Preschools	Texas	Clark Peterson	14	2478
ABC Child Development Centers	Colorado	Scott Bright	23	2301
Brightside Academy—Ohio	Ohio	Ezra Beren	15	2300
Growing Kids Learning Centers	Indiana	Mike Geratoni	9	2100
Small Miracles	Arizona	Bill Berk	15	2036
Tierra Encantada	Minnesota	Kristen Denzer	12	1982
Apple Montessori Schools	New Jersey	Andrea Vargas	18	1800
Learn and Play Montessori	California	Harpreet Grewal	11	1755
Care a Lot	New York	David Kolczynski	13	1726

Based on data supplied by the organizations. Data on capacity is total licensed capacity as of January 1, 2024.
Data from January 2023 report.