



## How Are Center-Based Early Childhood Education Programs Funded?

In this brief, we highlight key information from the 2012 National Survey of Early Care and Education (NSECE) about the various types of funding that early care and education (ECE) centers receive. We provide highlights and conclude with questions for further exploration by state leaders.

### What Are the Organizational Contexts of Center-Based ECE Programs?

Most children enrolled in center-based ECE receive care in a nonprofit or for-profit program. Less than a fifth are enrolled in a program run by a government agency (table 1). About half of all children in center-based care are in nonprofit centers<sup>1</sup>.

This brief is one of a [six-part series](#) providing information excerpted from the 2012 NSECE, a nationally representative study that includes the following surveys:

- Household Survey with approximately 12,000 parents or guardians who have children younger than 13 years
- Home-Based Provider Survey with approximately 6,000 interviews
- Center-Based Provider Survey with approximately 8,200 directors of programs on state or national administrative lists.
- A Workforce Provider Survey with 5,600 classroom-assigned center staff members.

The information in this brief is based on the 2012 NSECE (NSECE Project Team, 2014).

**Table 1. Percentage of Children Enrolled by Type of Organization**

Type of Organization	Percentage Enrolled
Nonprofit	52%
For profit	32%
Run by government agency	16%

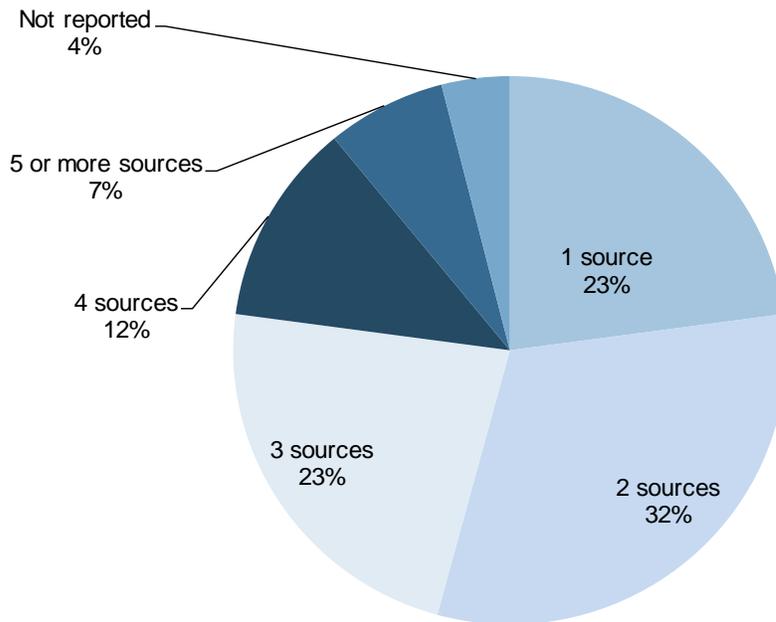
Source: NSECE Project Team, 2014. Exhibit 9. Enrolled children by program auspice.

### What Revenue Sources Fund Center-Based ECE?

As figure 1 illustrates, most center-based programs have multiple funding streams (NSECE Project Team, 2014, p. 11). In fact, 32 percent of center-based programs reported receiving revenue from two sources, and 42 percent reported receiving funding from three or more sources.

<sup>1</sup> NSECE Project Team, 2014. Exhibit 9. Enrolled children by program auspice.

Figure 1. Number of Revenue Sources Reported by Centers



Source: NSECE Project Team, 2014. Exhibit 11. Number of revenue sources reported by programs.

(Rounding results in percentages adding up to over 100 percent)

Centers rely on a variety of revenue sources (NSECE Project Team, 2014, p. 10). However, the three most commonly reported sources of revenue are tuition and fees paid by parents, state government funds, and federal government funds.

Table 2. Percentage of Centers Reporting Receipt of Revenue Types

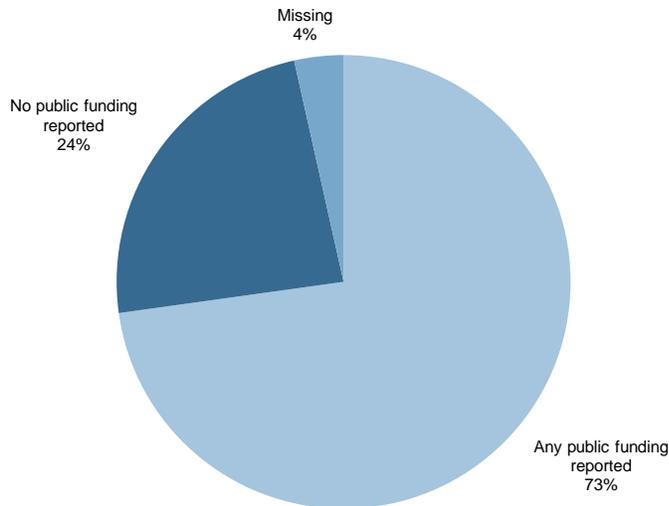
Type of Revenue (not mutually exclusive)	Percentage Reported
<b>Tuitions and fees paid by parents</b> (such as registration, transportation, and late pick-up and late payment fees)	68%
<b>State government</b> (federal Child Care and Development Fund money provided to the states for child care assistance as well as quality, state contracts, transportation, prekindergarten funds, grants from state agencies)	54%
<b>Federal government</b> (Head Start, Title I, Child and Adult Care Food Program)	44%
<b>Revenues from fund-raising activities</b> (cash contributions, gifts, bequests, special events)	37%
<b>Local government</b> (prekindergarten paid by local school board or other local agency, grants from county government)	20%
<b>Revenues from community organizations or other grants</b> (United Way, local charities, or other service organizations)	16%
<b>Other</b>	1%

Source: NSECE Project Team, 2014. Exhibit 10. Programs reporting receipt of revenue types.



Although most center-based programs are not government run, Figure 2 shows that nearly three-quarters receive some type of public funding from their local, state, or federal government (NSECE Project Team, 2014, p. 11).

**Figure 2. Percentage of Centers Receiving Public Funding**



Source: NSECE Project Team, 2014. Exhibit 12. Programs' receipt of any public funding.

## Questions for States to Consider

- ◆ **State-level data.** Are there state-level data that can help provide an estimate of the revenue sources for centers in your State? How is your State using these data? Within the state's strategic plan, are there populations of children (for example, children from low-income families, children who are homeless, children of diverse races and ethnicities) who are of special interest and, if so, can you track the revenue streams available to the centers serving these populations?
- ◆ **Revenue diversification.** Looking at the various revenue streams, have you determined whether centers know about and are taking opportunities to access all sources that are available to them? In particular, are efforts needed to encourage more participation in federal programs such as the Child and Adult Care Food Program?
- ◆ **Coordination of multiple funding streams.** How does your State coordinate state funding streams to center-based ECE programs? Does the State seek to coordinate with federal and local revenue streams to benefit centers? Are there opportunities to blend funding streams at the state level rather than the center level? Are there opportunities to reduce burden at the program level by harmonizing expectations across multiple state funding streams? Are there opportunities to coordinate and align monitoring, technical assistance, standard setting, quality improvement, and professional development supports across multiple funding streams?
- ◆ **Increased state or federal revenues.** Are there options for increasing state or federal funds to center-based programs through strategies such as tiered reimbursement subsidies, expansion of prekindergarten, increases in subsidy payment rates, and new payment approaches across program types? Increasing the amount of government funds may minimize programs' need to spend time on fundraising activities.
- ◆ **Quality rating and improvement systems (QRISs).** If your State has a QRIS, are programs that receive government funding required to participate? If not, results from the NSECE suggest that such requirements may be a good strategy for moving more programs into the QRIS.



- ◆ **Parental contribution.** Nationally representative data show that centers are collecting revenue from families. How is your State addressing contributions from low-income families (for example, the average percentage of family income spent on child care is 7 percent, which is also cited as a reference point in the Child Care and Development Fund regulations)? Is your State considering incentives such as copayment waivers for low-income families participating in high-quality, publicly funded programs (such as programs with higher QRIS rating levels or state prekindergarten)?
- ◆ **Tax incentives.** Is your State considering the use of tax incentives, such as those in Nebraska, as a new revenue support? To learn more about Nebraska's tax credits, visit [http://www.nebraskaschoolreadiness.com/tax\\_credits](http://www.nebraskaschoolreadiness.com/tax_credits), which was created by the Holland Children's Movement, a nonprofit organization working on these issues in Nebraska. .

## Reference

NSECE [National Survey of Early Care and Education] Project Team. (2014). *Characteristics of center-based early care and education programs: Initial findings from the National Survey of Early Care and Education*. OPRE Report #2014-73a. Washington DC: Office of Planning, Research and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services. Retrieved from <http://www.acf.hhs.gov/opre/resource/characteristics-of-center-based-early-care-and-education-programs-initial-findings-from-the-national-survey-of-early>

*The State Capacity Building Center (SCBC) works with state and territory leaders and their partners to create innovative early childhood systems and programs that improve results for children and families. The SCBC is funded by the U.S. Department of Health and Human Services, Administration for Children and Families, Office of Child Care.*

### State Capacity Building Center, A Service of the Office of Child Care

9300 Lee Highway  
Fairfax, VA 22031

Phone: 877-296-2401

Email: [CapacityBuildingCenter@ecetta.info](mailto:CapacityBuildingCenter@ecetta.info)

#### Subscribe to Updates

[http://www.occ-cmc.org/occannouncements\\_sign-up/](http://www.occ-cmc.org/occannouncements_sign-up/)



ADMINISTRATION FOR  
**CHILDREN & FAMILIES**