Child Care Business Sustainability Report

IOWA

2025

firstchildrensfinance.org

Introduction

During April and May 2026, First Children's Finance conducted a survey to capture the state of child care businesses in Iowa. The findings offer a retrospective snapshot of the state of child care businesses during 2025 and explore trends and changes since 2024.

This report provides a regular pulse check on the operational and financial health of the child care sector in Iowa and actionable insights to inform the work of policymakers, program leaders, and advocates across the state. The findings will also be used to shape First Children's Finance's responsive business supports in the year ahead.

A diverse range of topics related to business sustainability were captured from Child care businesses in Iowa continue to face an unstable landscape, rising costs, and deepening uncertainty about whether they can sustain operations. Providers continue to show up for the families they serve, but many are keeping their doors open through personal financial sacrifice and short-term workarounds rather than a stable business model. At the same time, this year's results show some signs of improvement in the child care landscape, even as providers struggle with core challenges. This report documents what those challenges and signs of improvement look like in practice and compares the results of this version with the 2024 Iowa State of Child Care Survey.

Methodology

This report presents the 2025 State of Child Care Business Survey Iowa results, compared to the previous year's results. In total, FCF collected 2017 usable responses from child care business owners in 2026, which represents seven percent of all providers in the state of Iowa. Participation in the survey doubled compared to the prior year, where 105 responses were collected, representing three percent of all providers.

FCF invited all Iowa child care programs to participate in the survey through CCRR partner emails. Participation in the survey was voluntary and may not reflect the experiences of typical child care businesses in Iowa. However, the survey provides unique insight into what participating business owners are experiencing financially.

Among the 2025 survey respondents, 47 percent were identified as centers and 52 percent as homes. Center participation in the survey increased since 2024, and in this 2025 report, center and home participation reflect the overall makeup of the sector. Providers in rural counties represent 48 percent of respondents.

The 2024 composition of respondents was very different, as shown in the table below. Since we cannot confirm that participants in both years are identical, conclusions drawn from year over year comparisons should be interpreted with caution. This represents a limitation of this survey design.

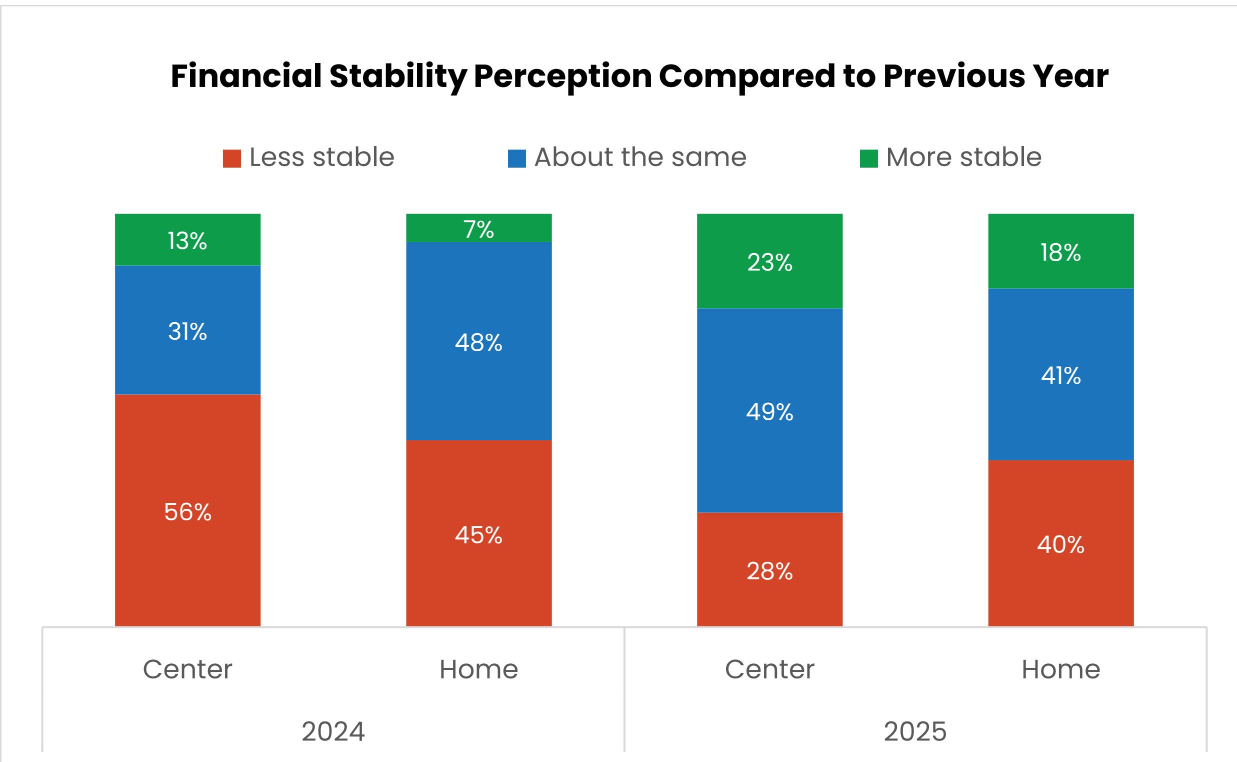
Type of program	2024		2025	
	%	N	%	N
Center	30%	32	47%	103
Home	70%	73	52%	113
Other	0%	0	0%	1
Total	**100%**	**105**	**100%**	**217**

The State of the Sector: Provider Perceptions

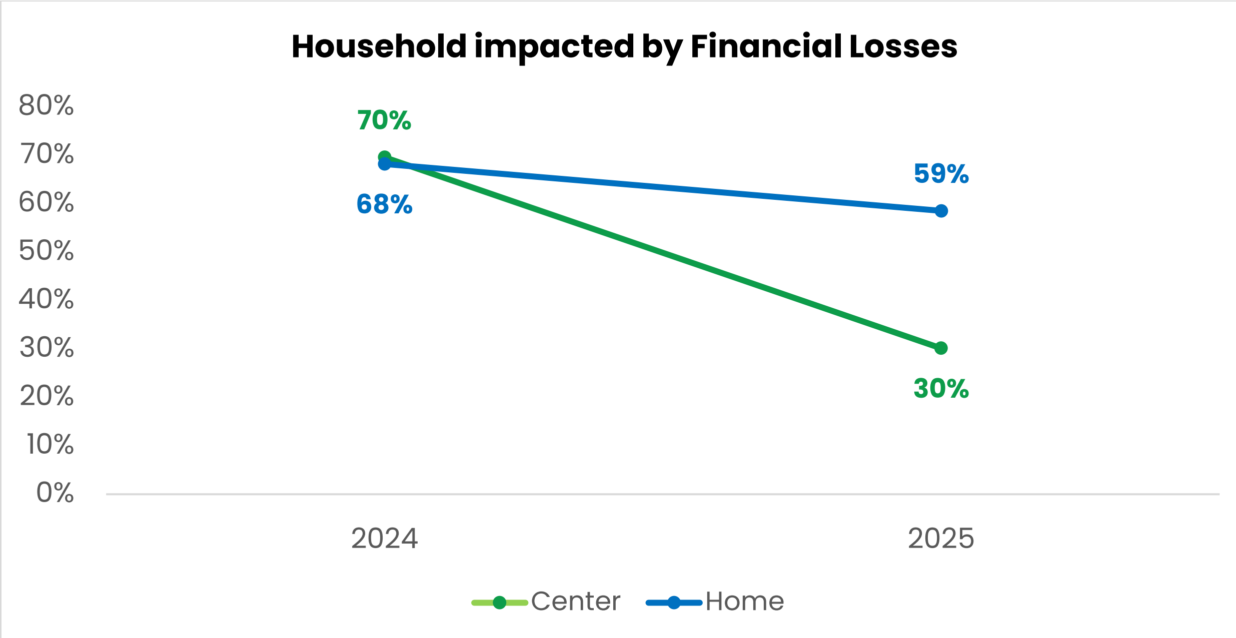
The following section explores how providers perceived the state of their business and the child care sector in 2025.

Business and Household Financial Health

Many providers reported significant concerns about their business and personal financial health in 2025; however, the size of this segment shrunk since 2024 across several metrics. When asked how their financial stability in 2025 compared to the prior year, one third of providers reported declining stability, with homes more affected than centers (40% vs. 28%). However, this is a noted improvement compared to 2024, when almost half of all providers reported less financial stability than the previous year.



Additionally, the share of providers reporting that business losses have impacted their household income also saw a decline compared to 2024. Centers experience the more drastic decrease, from 70 percent in 2024 to 30 percent in 2025 reporting their household was impacted by financial losses. Child care homes were also less likely to report household impacts, but in a lower magnitude (68% in 2024 to 59% in 2025).

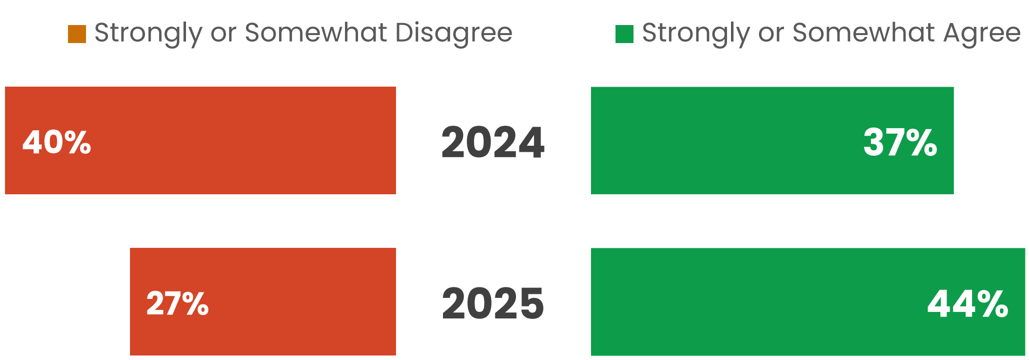


In this context, 42 percent of business owners plan to keep operating their child care businesses for at least six years, similar to the previous year results. However, centers (49%) are much more likely to report they plan to operate more than six years than family child care businesses (36%), while in the previous year, this dynamic was inversed.

Business owners in Iowa demonstrate optimism even with a difficult landscape for child care businesses. While 40 percent reported not being optimistic about the future of their child care business in 2024, only 27 percent of providers report the same in 2025, and the share of providers that remain optimistic increased from 37 percent in 2024 to 44 percent in 2025. Unlike the previous year, centers show higher optimism rates than homes in 2025.

Provider Optimism Grew in 2025

Percentage of providers that agree/disagree with the statement: "I am optimistic about the future of my child care business"



Health of the Child Care Sector

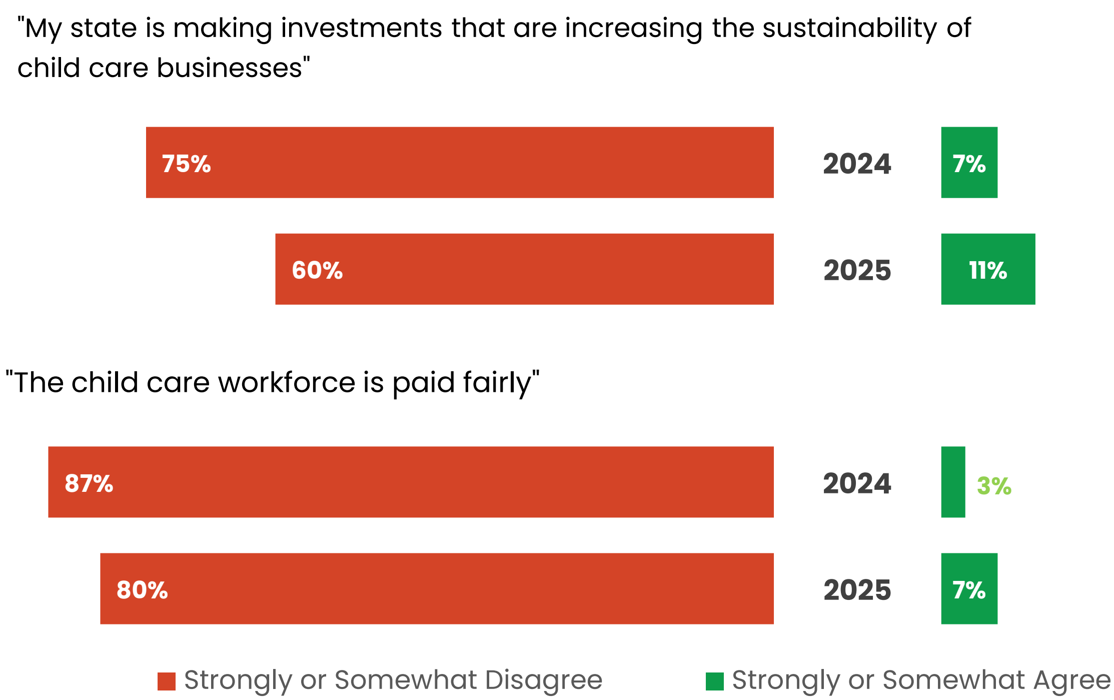
When asked about the child care industry in general, similar to 2024, an overwhelming majority of providers (82%) agreed that the industry is in crisis, with centers more likely to agree than homes (85% vs. 79%). Provider perception of crisis is not unfounded—it reflects the real operational strain as business owners manage daily and continued operations. Although still high, the level of agreement saw a 13 percentage points decrease from 2024 to 2025.

Regarding state support, only 11 percent of all providers believe the state is making investments that increase the sustainability of child care businesses, a slight improvement compared to 2024. Unlike 2024, child care homes are more critical than centers (9% vs. 14%). Those participating in public funding are more critical than those not participating in public funding (10% vs. 15%).

When asked about whether the child care workforce is paid fairly, an overwhelming majority of providers believe it is not. While there is a small improvement when compared to the previous year, 80 percent of all providers still believe the workforce is unfairly paid.

Concerns on the State of the Sector Persist

Percentage of providers that agree/disagree with the following statements:

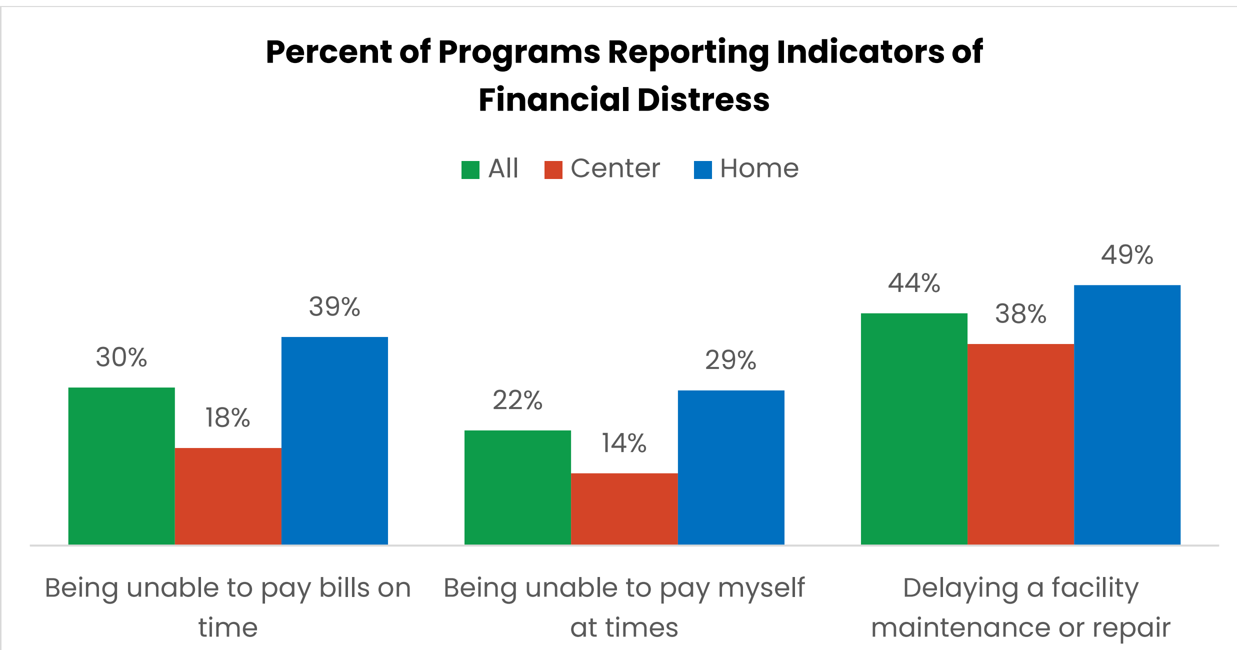


Indicators of Financial Sustainability

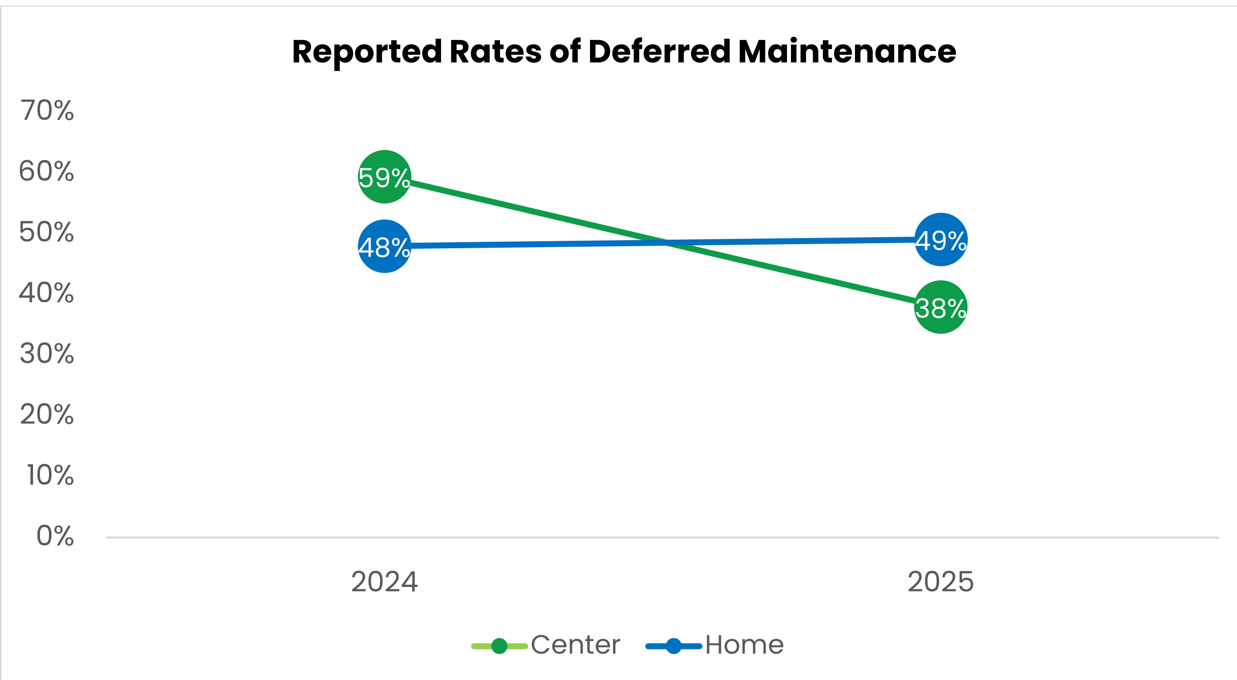
Bills and Facility Maintenance

The survey captures a wide variety of indicators to better understand the operational and financial experience of child care businesses. Some critical indicators of financial stability include business owners' ability to pay bills and pay themselves a salary, and the ability to manage facility maintenance. Providers use a variety of strategies to manage business expenses, some of which can indicate financial strain or resilience and growth.

Among all respondents, one-third of all businesses report being unable to pay bills on time. Additionally, more than one in five businesses are unable to pay themselves at times, which saw a decrease from 2024 (30% in 2024 to 22% in 2025). In both cases, homes report greater financial vulnerability than centers.

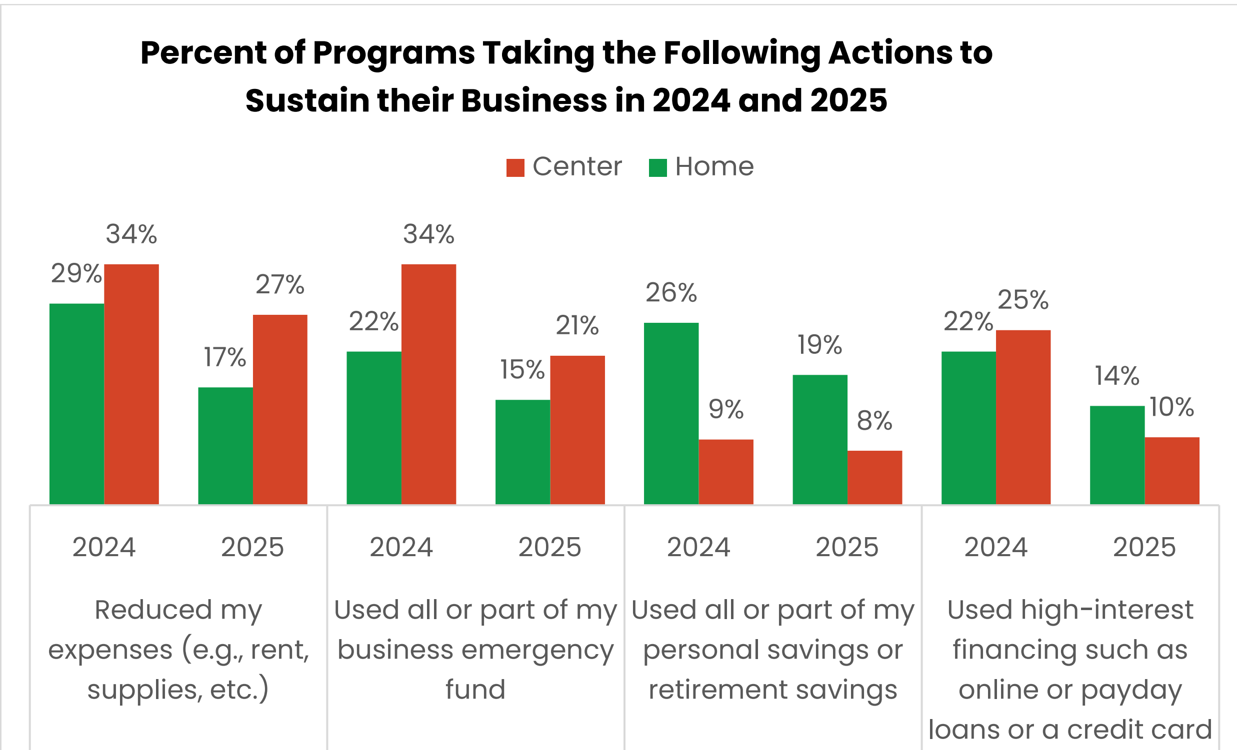


Facilities are critical to providing a safe and appropriate space for children and provide the physical infrastructure to deliver quality services. Child care businesses are still struggling with infrastructure issues. While the share of child care homes reporting delayed maintenance remained similar to the previous year (48% in 2024 and 49% in 2025), the percentage of centers reporting delaying a facility maintenance experienced an important decrease from 2024 to 2025. In 2024, 59 percent of centers reported delaying facility maintenance, while in 2025 38 percent did. This is a positive sign for centers, however, nearly half of all programs still having these issues and these deferred costs are likely to grow over time, creating facility needs that will eventually demand attention and resources.



Savings and Expense Management

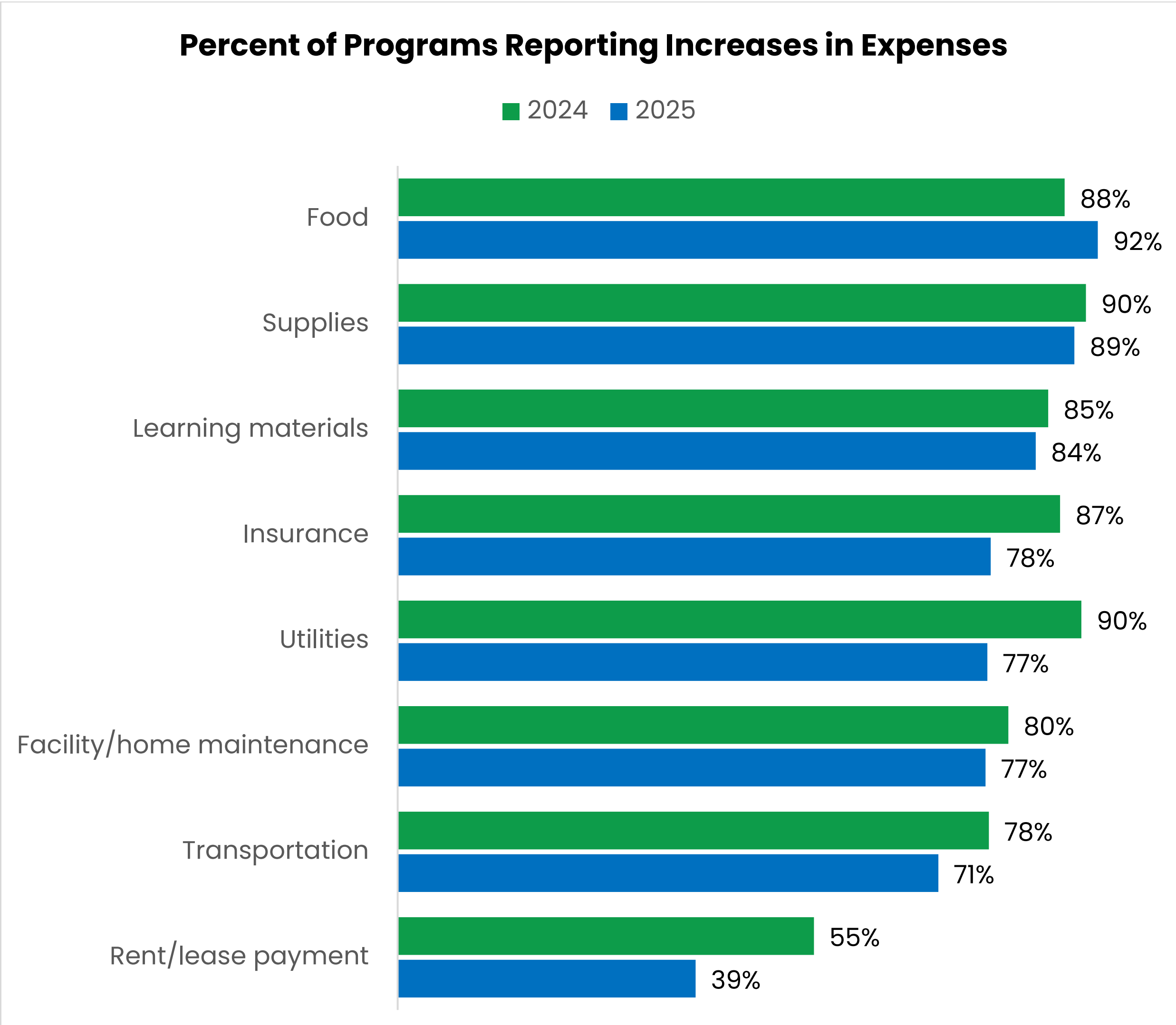
Child care businesses take different approaches to managing their budget, with some approaches indicating higher risk to the child care business model. The action most cited by respondents was conservative and proactive—reducing expenses, mentioned by 22 percent of all programs. However, other actions signal the precarity providers face: 21 percent of centers and 15 percent of homes reported using part or all their emergency fund. Additionally, 19 percent of home providers report using all or part of their personal or retirement savings. In essence, many providers are subsidizing unsustainable businesses with their own assets and credit, a pattern that cannot be sustained indefinitely. However, compared to 2024, the share of providers reporting taking these actions to manage their businesses is lower in 2025, which may reflect again some relief in financial pressures.



Rising Costs

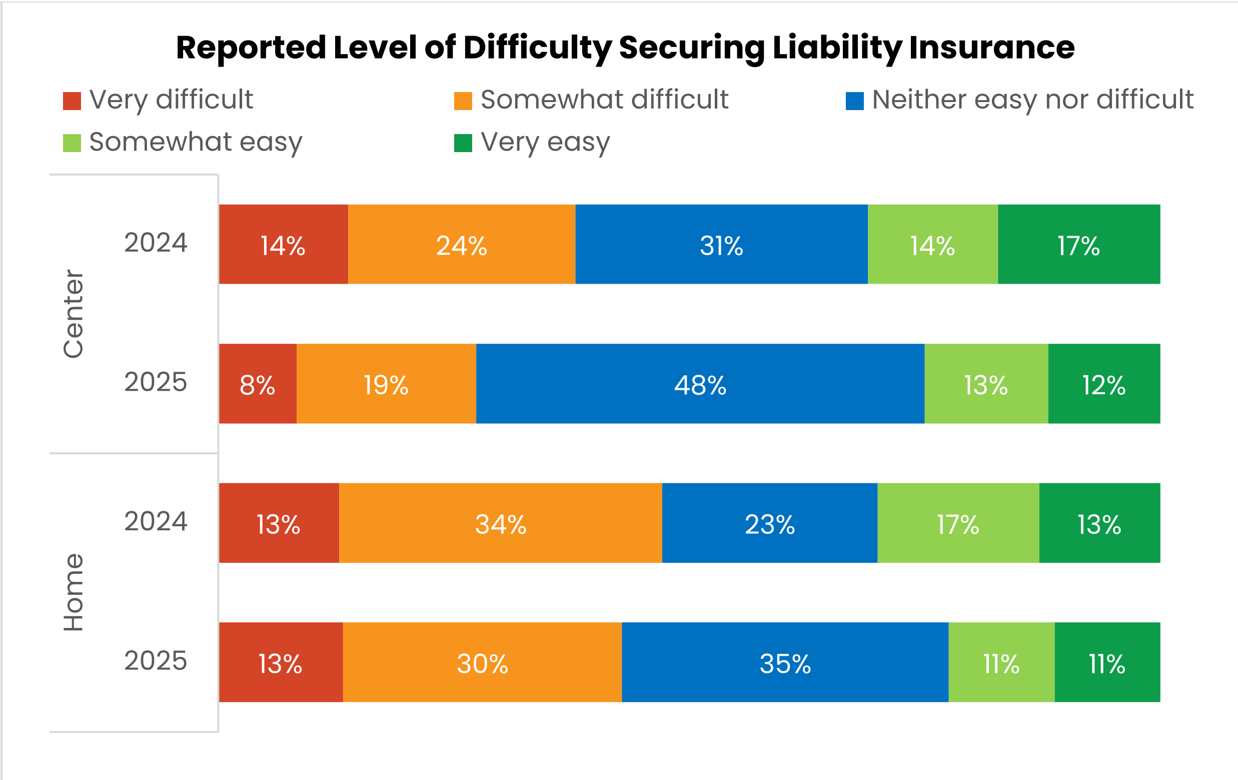
Growing costs for operational costs including food, supplies, learning materials, insurance, and other expenses are a significant challenge for businesses. Across almost all expense categories in the survey, the majority of respondents reported modest or significant increases in cost over the last year. This has been a consistent challenge for businesses, with some signs of slight improvement. Compared to 2024, the share of respondents that reported an increases was lower in 2025 for all expenses except food.

There were no significant differences in the share of programs that reported increases by type of program for most expenses. The only expense where a relevant difference was noted is transportation, where child care homes report considerably higher rates of cost increases (76% for homes vs. 63% for centers).



Insurance

Liability insurance has been a particular source of struggle for child care businesses nationwide, and for Iowa businesses, the situation is no different. The survey found that 36 percent of all programs find it difficult to secure liability insurance, with homes being more affected (43%) than centers (27%). While still a relevant issue for an important share of programs in Iowa, compared to 2024 results, there has been a decrease in the share of centers and homes experiencing this difficulty. Moreover, 33 percent of homes and 25 percent of centers are a little or very concerned about their policy being canceled.

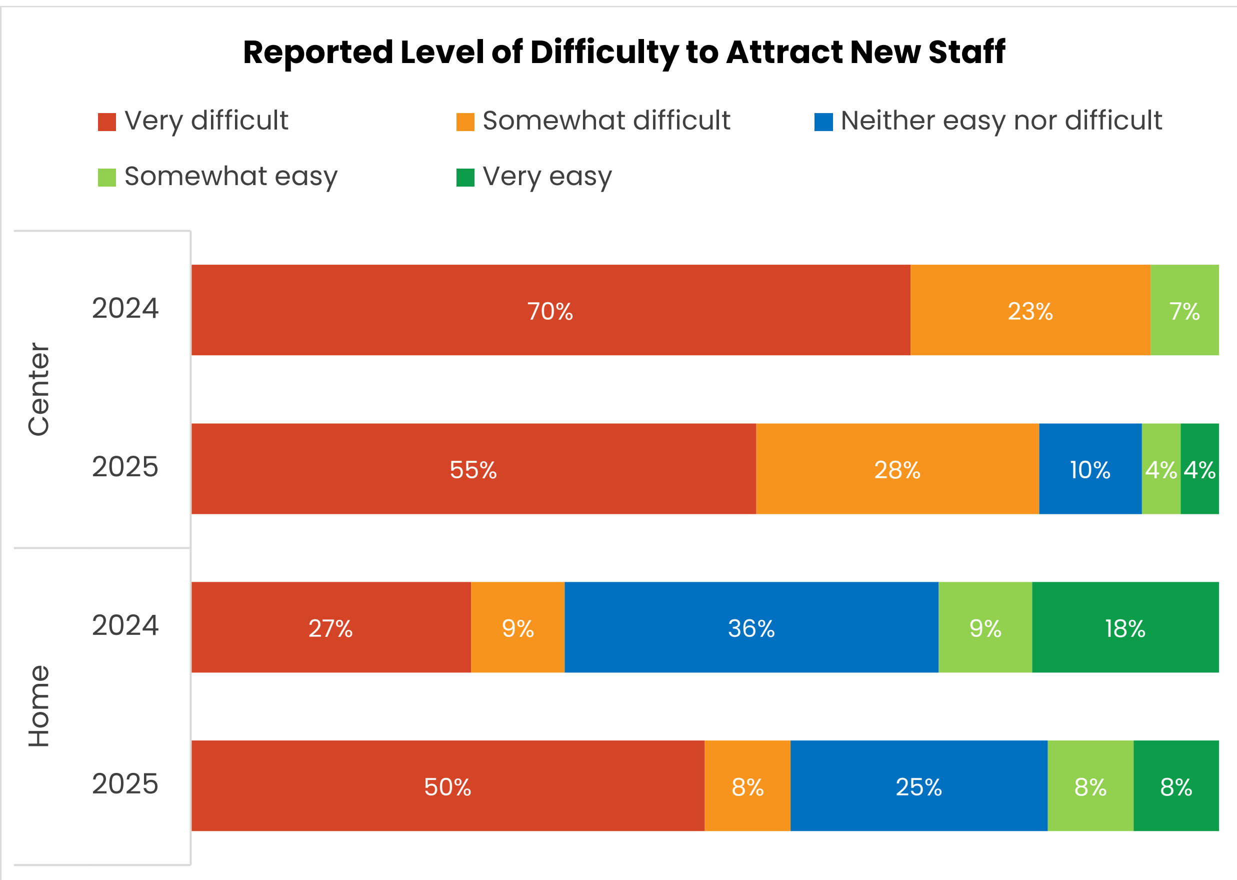

Reported Level of Difficulty Securing Liability Insurance
Very difficult
Somewhat difficult
Neither easy nor difficult
Somewhat easy
Very easy
Center
2024
14%
24%
31%
14%
17%
2025
8%
19%
48%
13%
12%
Home
2024
13%
34%
23%
17%
13%
2025
13%
30%
35%
11%
11%

Staffing and Benefits

Another significant source of struggle, mainly for centers, is staffing. Hiring and retaining quality teaching staff is a key element of a quality program. However, 83 percent of centers report some level of difficulty in finding qualified employees. This suggests an overwhelming majority of Iowa's centers face these difficulties. However, the share of centers that report difficulties attracting new staff in 2025 is 10 percentage points lower than 2024.

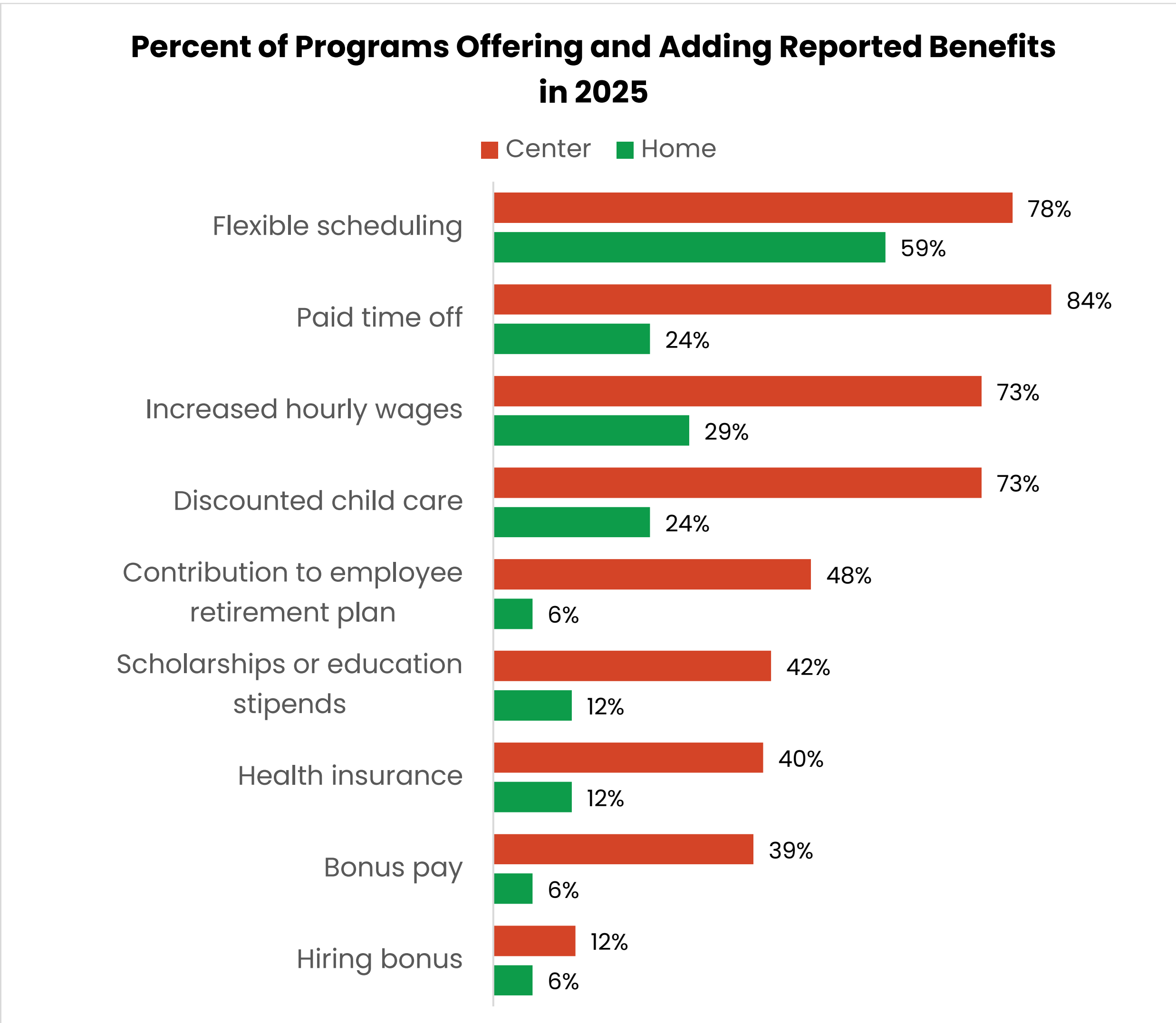
Only 20% of homes report having employees, with most operating as solo entrepreneurs. Homes with employees report a wider range of experiences attracting new staff, which could reflect hiring of family, friends, and community members rather than engaging with the more formal labor market.

Regarding retention, 59 percent of centers and 47 percent of child care homes reported experiencing some level of difficulty retaining staff in 2025.



Flexible scheduling, paid time off, increased hourly wage and discounted child care are the most commonly offered benefits, provided by over half of all providers. Centers offer considerably more benefits than homes. The percent of centers reporting offering PTO, increased wages, and health insurance increased in 2025 compared to 2024. While provision of bonus pay, contributions to retirement plans, and scholarships fell.

Flexible scheduling is the only benefit offered by a majority of child care homes. While there have been some improvements in homes offering of some benefits, such as increased wages, discounted child care, scholarships, and health insurance, there is still a wide difference between what centers and homes can offer to their employees. This gap in benefit provision likely reflects both the structural differences between centers and homes and the financial constraints homes operate under.



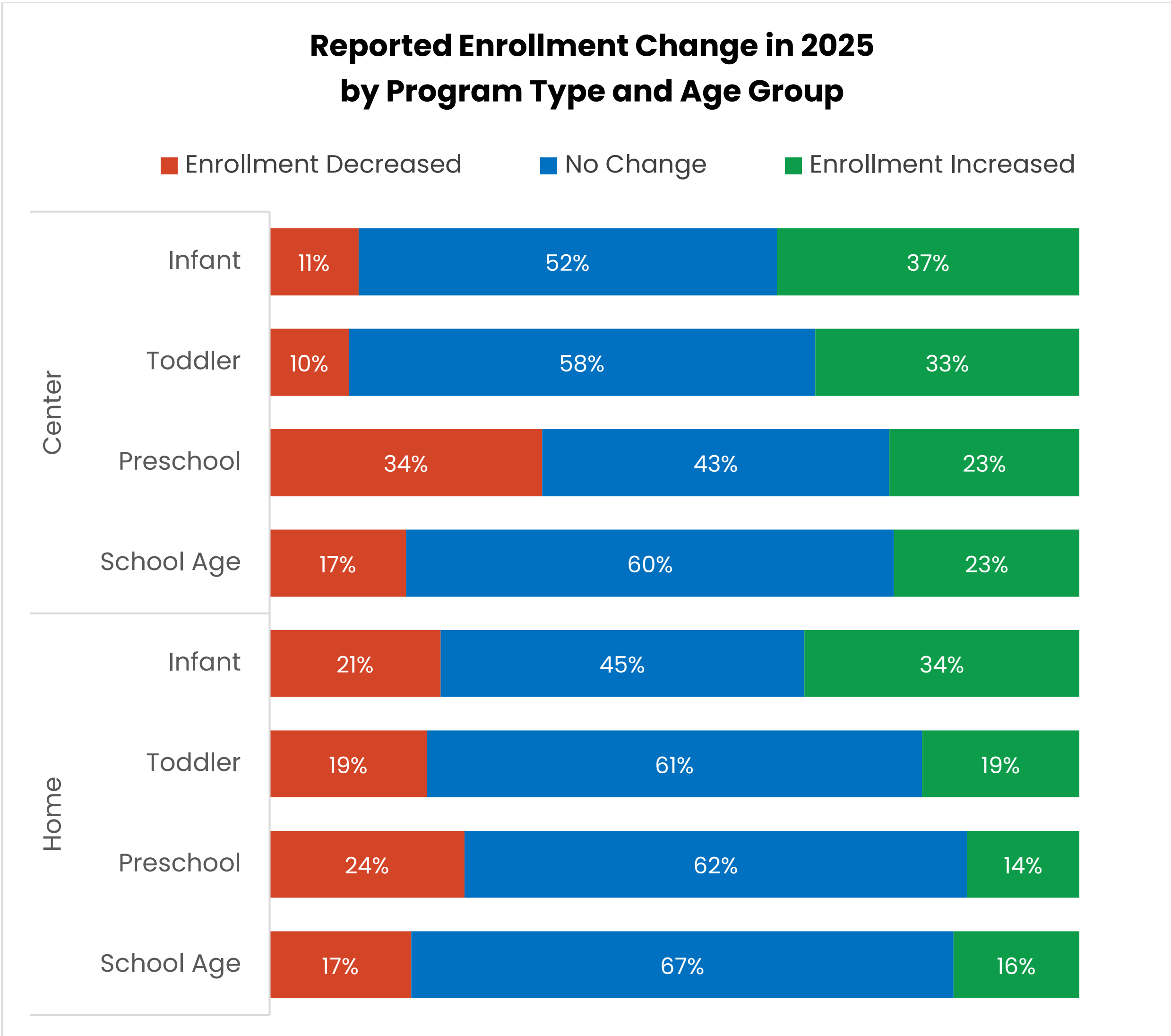
Revenue: Enrollment, Tuition and Public Funding

The other side of a child care business's sustainability is revenue. Steady and strong child enrollment is the foundation of a sustainable child care business. According to the survey, 69 percent of homes and 66 percent of centers are fully enrolled.[1] These rates remained mostly consistent compared to 2024 (67% of homes, and 69% of centers). While there is still room for growth, these numbers suggest that more than two-thirds of all programs are experiencing enrollment levels that support their financial sustainability.

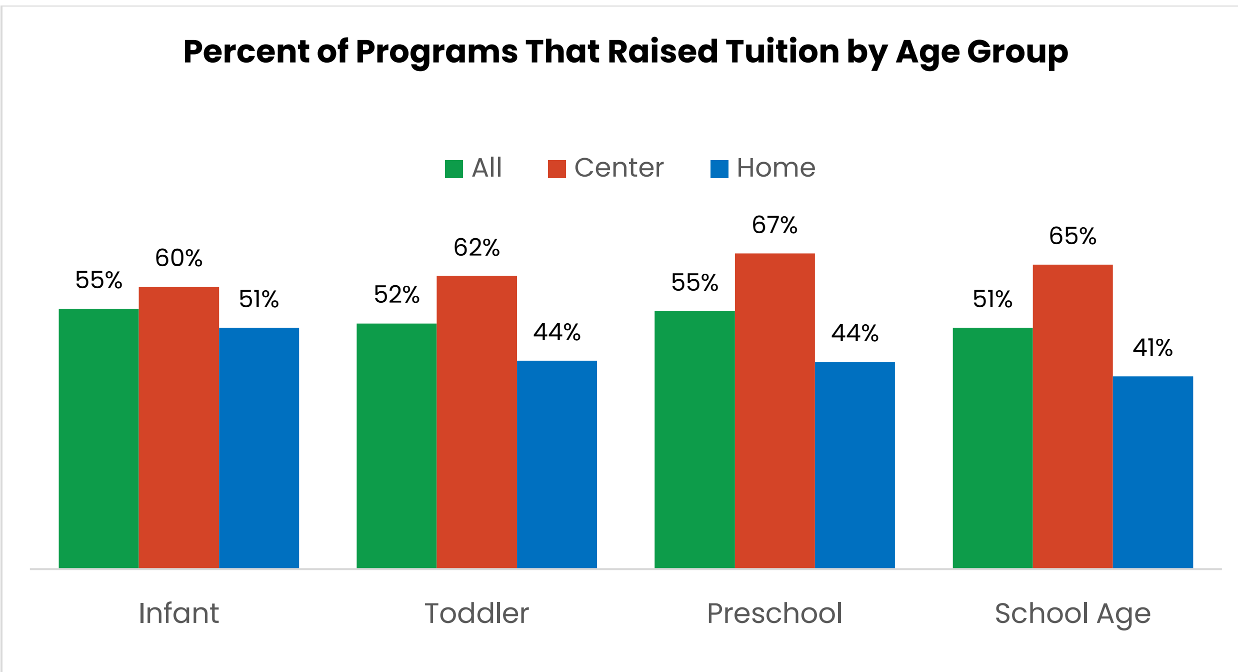
When asked about changes in enrollment during 2025, following patterns similar to 2024 , more than half of all programs report no changes in enrollment (60% report no change in toddler enrollment, 53% in preschool enrollment, and 65% in school-age enrollment). Slightly fewer report no changes in infant (48%) enrollment. For programs that are experiencing strong enrollment, this steady enrollment picture may be a sign of strength and health. However, for programs experiencing low enrollment, there are concerns about not only the current revenue gap but also the persistence of under-enrollment over time.

Similar to the previous year, preschool enrollment shows the highest share of programs reporting enrollment decreases (29%), both in centers, where 34 percent report decreases and only 23 percent report increases, and child care homes, where 24 percent report decreases and 14 percent report increases. Unlike 2024, where the patterns suggested that homes were losing more ground in preschool programming are potentially due to competition from center or school-based preschool options, these numbers indicate that both centers and homes are experiencing similar shifts in preschool enrollment.

[1] Full enrollment is defined here as enrollment at or above 85 percent of staffed capacity, a commonly used benchmark for fiscal sustainability. Staffed capacity is current enrollment plus the open slots a program reported it could fill without hiring additional staff. It is used in place of licensed capacity, which includes slots a program is licensed to operate but cannot fill in practice due to staffing constraints or its own operating decisions.


Reported Enrollment Change in 2025
by Program Type and Age Group
Enrollment Decreased
No Change
Enrollment Increased
Center
Infant
11%
52%
37%
Toddler
10%
58%
33%
Preschool
34%
43%
23%
School Age
17%
60%
23%
Home
Infant
21%
45%
34%
Toddler
19%
61%
19%
Preschool
24%
62%
14%
School Age
17%
67%
16%

Tuition increases are a way to keep up with the cost increases mentioned previously; however, many child care businesses struggle to raise their rates, as families can't afford them. According to survey results, between 51% and 55% of all providers reported increasing tuition in 2025, with a clear, significant difference between centers (60-67%) and homes (41-51%). Tuition rates for infants were the most likely to see increases in homes, while preschool rates were the most likely to see increases in centers. Among those who raised tuition rates, the majority increased them by less than 5%. This creates a bind: providers face mounting costs but are constrained in how much they can raise rates without pricing families out entirely. For many, these tuition increases may be insufficient to cover expense growth, leaving providers to absorb the gap.



Public funding is an important source of income for many child care businesses in Iowa, with 93 percent of centers and 57 percent of homes that participated in the survey reporting accessing at least one public funding source. While the percentage of centers accessing public funding remained stable, homes reported lower access rates compared to 2024 (78%). The survey asked about eight specific funding streams, including Child Care Assistance, ECI Preschool Scholarships, the Child Care Stabilization Grant, WAGES, and TEACH, among others. Like the previous year, Child Care Assistance is by far the most widely used: 51 percent of respondents reported accessing it, a 7 percentage point increase compared to 2024. Among those without access, the main reason was not being qualified for the available sources.

Access to public funding is widespread, yet, as noted earlier, only 10 percent of providers participating in public funding believe the state is making investments that increase the sustainability of child care businesses. In other words, public funding reaches most programs in this sample, but providers themselves report that current levels are insufficient to sustain their operations.

Conclusion

The providers in this survey are still operating, still innovating, and still serving families. While this year's results show some signs of improvement, we should interpret these carefully. The sample size is small, and the composition of respondents differs across the two years, making it difficult to attribute these improvements to actual changes versus differences in who responded. Many providers continue to pay themselves irregularly, delay facility maintenance, use high interest loans, and draw down personal savings to keep their doors open. Providers are increasing private tuition and have access to public revenue streams, but report that it is not effectively supporting their business sustainability. This data suggests that the next step is not expanding access to public funding but increasing adequacy, ensuring that the support available fully enables sustainable operations.

The challenges documented in this report point to a sector showing promising signs of stabilizing, but one still navigating rising costs, staffing pressures, and revenue gaps that personal sacrifice alone cannot close. These findings aim to contribute to broader policy conversations in Iowa about how to build a more sustainable child care sector, one where providers can continue showing up for families without putting their own financial well-being at risk.

Connect with Us

The FCF Iowa Office is dedicated to increasing the supply and business sustainability of child care through business and financial training, coaching, consulting, and access to capital.

To learn more and access our services, email us: infoIA@firstchildrensfinance.org and visit our website at firstchildrensfinance.org/Iowa.