Child Care Providers Warn of Severe Consequences if there is Subsidy Enrollment Freeze, Reimbursement Rate Cuts, & Pay Equity Fund Elimination

Throughout February 2026, staff from the Under 3 DC Coalition conducted interviews with Quality and High-Quality early childhood education programs that participate in DC's Child Care Subsidy Program and the Pay Equity Fund. The purpose of these interviews was to understand how current and proposed policy changes could affect the early learning sector and the families who rely on it.

There are three major threats that will significantly impact provider operations through the remainder of fiscal year (FY) 2026 and through the FY2027 financial plan:

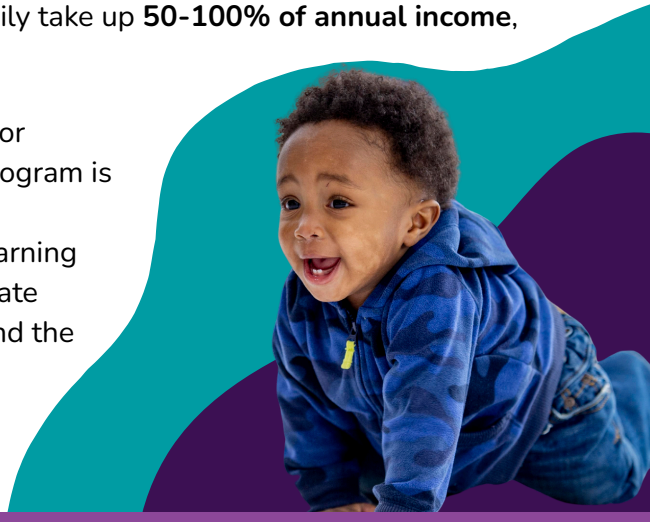
1. **A subsidy waitlist,** which the Office of the State Superintendent of Education (OSSE) has indicated will function as an enrollment freeze
   - ***Confirmed:*** Set to begin May 12, 2026
2. **2%-8% reductions to subsidy program reimbursement rates**
   - ***Potential:*** Likely to be adopted in Mayor's FY27 budget proposal
3. **Elimination of the Pay Equity Fund**
   - ***Confirmed if*** FY27 budget remains unchanged from the approved FY26 financial plan

This brief summarizes those interviews to illustrate the tangible impacts these policy and funding changes would have on care business operations - and the ripple effects those disruptions would create for children currently enrolled in care, their families, early educators and staff, and the broader community.

The Child Care Subsidy program is a lifeline for **more than 7,200 children and their families** in a city where infant care costs over **$26,000 per year on average** and toddler care exceeds **$24,000 annually**. Currently, families earning up to **300% of the federal poverty level (FPL)** – $81,960 for a family of 3 in 2026 – are eligible for the Subsidy Program.

Without assistance, private-pay infant care tuition can consume approximately **one-third of that family's income**. For families earning less than 300% FPL, child care can easily take up **50-100% of annual income**, an unsustainable share of any family's budget.

At a time when many other supports for families are being reduced or eliminated, and when work requirements are being enforced, this program is one of the few public investments actively stabilizing families and strengthening our economy. Policies that push the District's early learning sector to a breaking point are deeply counterproductive and will create costly, long-term consequences for families, providers, educators, and the broader economy.



Key Takeaways from Provider Interviews

1. Many child care providers already participate in the subsidy program at a financial loss.

On a per-child basis, the cost of providing care - including staff salaries, rent, utilities, insurance, and other operating expenses - often exceeds the reimbursement rates providers receive through the subsidy program.

Despite these financial constraints, many providers continue to participate because they are mission-driven organizations committed to ensuring that early learning opportunities are accessible to children regardless of family income. For many nonprofit providers, shifting vacant seats to private-pay families would violate their organizational mission or charter.

2. A subsidy waitlist or enrollment freeze would destabilize child care programs in lower-income communities.

Providers serving primarily subsidy families cannot easily replace those children with private-pay families if subsidy enrollment stops. In many neighborhoods, parents are simply not able to afford full tuition prices.

When providers attempt to offer scholarships or sliding-scale tuition, those strategies deepen financial losses. As a result, an enrollment freeze would lead to declining revenue, forcing providers to consolidate classrooms, reduce hours, lay off staff, or close altogether.

3. Even small percentage reductions in reimbursement rates would create significant financial strain.

While a 2% reduction in reimbursement rates may appear modest, providers emphasized that even small cuts would worsen already razor-thin operating margins. An 8% reduction would be even more severe - every provider interviewed indicated that a cut of this magnitude would require layoffs, classroom closures, and/or reductions in operating capacity.

4. The Pay Equity Fund has fundamentally strengthened the early childhood workforce and eliminating it would reverse that progress.

Providers consistently emphasized that the Pay Equity Fund has transformed their ability to recruit, retain, and develop qualified early educators. Across interviewed programs, the Fund has supported educators in pursuing further higher education and providers reported improvements in staff stability, morale, and instructional quality.

Recent reductions to Pay Equity Fund awards have already led to salary cuts, declining morale, and growing uncertainty among educators. If the Fund is eliminated entirely, providers expect widespread educator departures, classroom closures, and a significant loss of experienced educators from the field.

5. The combined effect of all three policy changes would be catastrophic for the early learning sector.

If the District implements a subsidy waitlist / enrollment freeze, reduces reimbursement rates, and eliminates the Pay Equity Fund, providers report that continuing operations would be nearly impossible. The combined financial impact would push many programs into structural deficits that cannot be absorbed through tuition increases, philanthropy, or operational efficiencies.

Provider Perspectives

Bright Beginnings

Bright Beginnings (BBI) operates High-Quality child care centers serving families in **Wards 7 and 8.** Over half of the families they serve, **122 children**, rely on the Child Care Subsidy program, while many of the remaining families are supported through Early Head Start.

Bright Beginnings is also a Level II provider, meaning staff directly assist families in applying for and accessing child care subsidies.

- Nearly **20% of Bright Beginning's revenue** comes from the Child Care Subsidy program.
- With an enrollment freeze, Bright Beginnings would be unable to replace the 2**0-26 children who typically matriculate each year,** resulting in significant revenue loss and fewer families served. That represents a potential loss of **nearly half a million dollars.**
- A reduction in reimbursement rates would also have substantial consequences. An **8% reimbursement rate reduction would reduce Bright Beginnings' annual revenue by approximately $210,000 -** the equivalent of an entire classroom's worth of educator salaries and benefits.

Bright Beginnings also relies on the Pay Equity Fund to provide competitive salaries and healthcare to its staff. **Salaries and benefits represent 71% of BBI's operating budget.** When Pay Equity Fund awards were reduced at the start of FY26, the program **lost $230,000 of expected revenue. I**f the Pay Equity Fund is eliminated completely, the organization estimates it would face a **$1 million budget shortfall.** Program leadership emphasized that it would be impossible to absorb this loss through tuition increases, as the families they serve cannot afford higher costs. Nor would it be realistic to raise this amount through private fundraising.

Without the Pay Equity Fund, Bright Beginnings anticipates:

- Losing experienced teachers.
- Being unable to fill vacancies for specialized staff who support children with disabilities and special needs - an increasing population at their center.
- Layoffs of support staff who help maintain safe classroom ratios when educators need a break.
- Increased educator burnout and overtime costs among remaining staff.

Centronia

Centronia operates **four child care centers in Wards 1 and 5,** two designated Quality and two designated High-Quality. Across these sites, the organization serves **over 300 children through the Child Care Subsidy program,** representing **91% of total enrollment.** Nearly **one-third of the children served have identified special needs,** requiring additional staff and specialized services.

Because Centronia is mission-driven to serve low-income families, the organization cannot simply replace subsidy-supported children with private-pay families during an enrollment freeze. Program leadership warned that:

- An enrollment freeze would force difficult staffing decisions, including reductions to specialized staff who support children with special needs.
- Given the high proportion of subsidy-supported families they serve, a prolonged freeze or waitlist could force the closure of entire centers.
  - These closures would abruptly disrupt care for currently enrolled children and could force parents to reduce work hours or leave the workforce entirely.
- Reductions to reimbursement rates would also have significant financial consequences:
  - **2% reimbursement rate reduction:** approximately $300,000 annual loss
  - **8% reimbursement rate reduction:** approximately $1 million in annual losses
- Any reduction in subsidy enrollment or reimbursement revenue would require salary reductions, staffing reductions, and other operational changes.

Centronia has already experienced financial strain due to reductions in Pay Equity Fund awards. The organization lost **$430,000 in expected annual revenue in FY26.** They have not yet made commensurate cuts to educator salaries because they fear their most qualified educators will leave for higher-paid jobs with the public school system. Instead, the organization has absorbed loss through administrative cuts. However, leadership warns that further reductions to or elimination of the Pay Equity Fund would likely require:

- Shortening operating hours from **11 hours per day to 8 hours,** creating hardships for working parents.
- Eliminating certain staff positions to maintain educator salaries.
- Laying off **10-15 staff members immediately** if the Fund is eliminated entirely
- These layoffs would likely lead to classroom closures and fewer child care seats available for families who depend on affordable care.

If all 3 policy changes go into effect, Centronia will face a revenue loss of approximately **$1.5 to $2 million,** resulting in potential site closures, challenges to meeting licensing requirements, setting aside high quality components of our programs, and reductions in workforce.

Educare DC

Educare DC operates two **High-Quality child care centers in Ward 7 serving more than 250 children.** Educare DC is licensed to serve 100% subsidy families. However as an Early Head Start program, that federal funding only covers care from 9am to 3pm. The Child Care Subsidy program allows Educare DC to extend services before and after those hours, which is essntial for working families.

Educare described the potential impact of an enrollment freeze as "devastating;" more specifically:

- Educare receives approximately **$1.4 million annually** in child care subsidy funding.
- An **8% reimbursement rate reduction would reduce annual revenue by approximately $114,000,** limiting the program's ability to retain educators and maintain specialized roles such as before-and-after care educators, educational coaches, parent engagement specialists, and staff who support children with special needs.
- An enrollment freeze or waitlist preventing Educare from filling open seats would lead to **immediate pay cuts, staff layoffs, classroom closures, and reduced operating hours.**
  - **Many working families rely on Educare's extended hours. Reducing those hours would leave parents without child care during the work day.**
- All Educare staff are eligible for a subsidized child care seat for their own children. If educators lose access to this benefit due to subsidy policy changes, **many would be unable to remain in the workforce,** further worsening staffing shortages.

When Pay Equity Fund awards were reduced in 2026, Educare DC relied on private fundraising to maintain teachers' original salary levels. However, leadership emphasized that p**rivate donations cannot sustain these salaries long-term**. If the Pay Equity Fund is eliminated, Educare DC will no longer be able to maintain current salary levels, which would likely lead to **educator departures, classroom closures, and fewer available child care seats for families who need them most**.

House of Ruth

House of Ruth operates a **High-Quality child care center operating in Ward 7** that serves many of the District's most vulnerable families, including survivors of domestic violence. Nearly all families served at the center **rely on child care subsidies**, with the exception of some mothers escaping violence who may struggle to provide the documentation required to qualify for subsidies.

House of Ruth also relies on the Pay Equity Fund and private philanthropy to support its staff and operations. Leadership described the following impacts if subsidy policies change:

- If the subsidy program stops enrolling new families and the center cannot fill open seats, l**ost revenue would force classroom closures and educator layoffs.**
- An **8% reimbursement rate reduction would reduce annual revenue by approximately $75,000-$100,000**.
- Because the center serves families facing significant hardship, increasing tuition to offset funding losses is not an option.

On the Pay Equity Fund:

- House of Ruth has used private fundraising to maintain the higher salary levels initially supported by the Pay Equity Fund. However, leadership reports that **uncertainty about the future of child care funding is already creating anxiety among educators.**
- The Pay Equity Fund has allowed House of Ruth to recruit educators who previously worked in K-12 schools but were passionate about working with younger children and could not afford to follow a career path that paid so little.
- If the Pay Equity Fund is cut further or eliminated:
  - The center would need to **reduce educator salaries across the board.**
  - Educators who transitioned from K-12 schools would likely return to positions with higher pay and more stable benefits.
  - Educator shortages would force **classroom closures**, reducing access to care for families who need it most.

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Because House of Ruth serves some of the most vulnerable families, a reimbursement rate reduction and/or enrollment freeze means cutting off access to a key resource that allows these parents to pursue career or educational opportunities that would interrupt cycles of poverty. Without reliable child care, parents may be forced to leave their jobs or educational programs. Loss of employment could also jeopardize access to programs such as **TANF and SNAP**, compounding economic instability for families already struggling to survive.

Jubilee JumpStart

Jubilee JumpStart operates a High-Quality child care center with capacity for 48 children from 6 to 5 years of age in **Ward 1. THey are currently serving 39 children, 37 of whom receive support through the Child Care Subsidy program.** The organization is also **opening a second center at Truesdell Elementary School in Ward 4** in April that would serve 60 children. DCPS requires **half of the seats be reserved for children receiving subsidies.** With an enrollment freeze/waitlist, Jubilee JumpStart may be unable to meet this requirement. Leadership also described several additional impacts:

- A subsidy waitlist would likely require the program to **reduce operating hours.** Many of the families they serve work long or irregular hours and depend on early morning or evening care.
- Reduced hours could force families to leave the program in search of alternative care, creating additional vacancies.
- An enrollment freeze would also require **staff reductions and classroom consolidations,** reducing the number of families served.
- An **8% reimbursement rate reduction would immediately force educator layoffs,** reduced hours of operation, and cuts to administrative roles that support program quality, including family engagement and education managers.

Leadership also highlighted a significant structural challenge:

- If subsidy enrollment stops and seats are left vacant, Jubilee JumpStart would have to fill those **seats with private-pay families** who can afford tuition exceeding **$2,600 per month.**
- However, because Jubilee JumpStart is a nonprofit organization whose mission centers on serving immigrants and families with low incomes, shifting too far toward private-pay enrollment could jeopardize their **federal nonprofit status and mission-based funding streams.**
- This creates a difficult catch-22: remaining financially solvent could require changes that undermine their organizational mission.

In an educator survey on the Pay Equity Fund that the center conducted, Jubilee JumpStart teachers reported that:

- On average, teachers' Jubilee JumpStart salaries account for **83% of their household income.**
- **69% of teachers said they could not afford to continue in the early childhood education field without Pay Equity Fund salary supports**

To see more findings from the educator survey, please see the addendum at the end of this document.

Taken together, these changes to the subsidy program and Pay Equity Fund could reshape how Jubilee JumpStart operates and who it serves, **undoing the investments the program has made towards delivering high-quality care to the families who need it most.**

Petit Scholars

Petit Scholars operates **seven child care centers across Wards 5 and 6,** serving a mix of private-pay and subsidy families. At their Capitol Hill location, **approximately 50% of enrolled children receive child care subsidies**, while their other sites serve closer to **10% subsidy families overall**.

Petit Scholars intentionally reserves a portion of its seats for families using subsidies to ensure that **high-quality, Spanish-language early learning opportunities remain accessible to families with low-incomes** in their community.

Leadership shared several concerns about potential subsidy changes:

- If families are unable to obtain new subsidies, Petit Scholars would likely shift these reserved seats to private-pay families, **reducing access to dual-language early learning opportunities for children from lower-income households.**
- Petit Scholars educators rely on the subsidy program to afford care for their own children. If subsidies become unavailable, some staff may be unable to return to work after parental leave.
- Teacher vacancies resulting from these changes could lead to **classroom closures and abrupt disruptions in care for working families.**

The Pay Equity Fund has allowed Petit Scholars to retain staff and recruit new teachers. In fact, the program has **doubled the number of educators currently employed** since Pay Equity Fund's start in 2022. And, many educators have gone back to school to earn higher credentials.

If the Pay Equity Fund is eliminated:

- Educators would face **salary reductions of approximately $15,000-$20,000 annually.**
- The program would likely lose experienced teachers to higher-paying jobs.
- Educator losses could lead to **center closures and tuition increases for private-pay families,** though leadership emphasized that parents cannot realistically absorb the full cost of maintaining higher salaries.

United Planning Organization (UPO)

The United Planning Organization (UPO) operates **15 high-quality child care centers across the District,** all of which participate in the Child Care Subsidy program. Together, these centers serve **more than 500 children**, many of whom have families with low-income.

UPO is also an Early Head Start provider, but Early Head Start only covers services between 9am and 3pm. UPO uses their subsidy funding to provide extended care beyond traditional school-day hours and to hire specialized staff such as mental health consultants, nutritionists, and security personnel. If reimbursement rates are reduced, UPO would need to eliminate some of these positions. UPO's Vice President for Early Learning is having to weigh the following considerations if subsidy changes are implemented:

- With s**ubsidy payments representing 50%-60% of their centers' budgets**, an enrollment freeze and/or a prolonged waitlist that leaves seats empty will **prevent UPO from providing child care from 7-9am and 3-6pm** at most sites.
- Families who rely on care outside of the 9am-3pm window would lose access to child care needed to maintain employment.
    - Families would likely need to take their children to another program, if an affordable seat is available during extended hours, which would create a learning disruption for children, a time-consuming frustration for parents, and even greater revenue loss due to vacancies for UPO.

    - Alternatively, parents would be forced to forgo work or educational opportunities that improve their family's financial stability to stay home with their children.
- An **8% reimbursement rate reduction** would lead to **immediate layoffs**.

UPO has already experienced significant strain from reductions to Pay Equity Fund awards in 2026. With **110 educators across their 15 sites**, they were unable to fill the gap from the tremendous loss in public investments, so they had to pass pay cuts onto educators. As a result of salary cuts, UPO shared:

- Four teachers with 15 years of service resigned due to financial instability.
- Educators who had recently pursued higher credentials because of the promise of the Pay Equity Fund reported feeling demoralized and unmotivated by the salary reductions.

If the Pay Equity Fund is eliminated in FY27, UPO anticipates:

- Significant salary cuts for remaining staff
- Further educator resignations
- Classroom closures and consolidations
- Potential closure of additional centers

UPO recently had to make the difficult decision to **close 4 of its 15 centers**, including three centers located **east of the river**. Leadership emphasized that the organization cannot **absorb additional funding cuts without further reducing access to care**.

ASKS

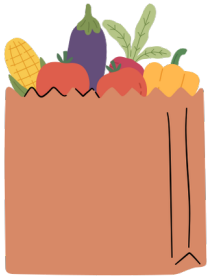
1. **Fully fund the Child Care Subsidy program** ($153.3 million) in FY27 to **END the waitlist / enrollment freeze** as soon as possible.
2. **Hold reimbursement rates** at their current levels in FY27.
3. **Fully fund the Pay Equity Fund** ($94.2 million) in FY27 to ensure early educators can continue to earn fair salaries and health care benefits.

Across interviews with child care providers serving families throughout the District, a clear and consistent message emerged: **the combined impact of a subsidy enrollment freeze, reimbursement rate reductions, and elimination of the Pay Equity Fund would destabilize the early learning sector.**

The District has made significant progress in recent years to strengthen its early childhood system, particularly through investments in the child care subsidy program and the Pay Equity Fund. Providers emphasize that maintaining these investments is essential to preserving access to high-quality care, supporting the early childhood workforce, and ensuring that families can continue to work and contribute to the District's economy.

EARLY EDUCATOR CHECK-IN

Financial Reliance



Onaverage, teachers'JJS salaries account for **83%** of their household income.

Nearly **half** are the sole breadwinners for their household.

Teacher salary increases under the PEF were significant:

$7,036 **$17,324**

$13,505
average increase

Health Insurance

69% of staff rely on JJS for their coverage, which is subsidized by Health Care 4 Child Care, an initiative under the Pay Equity Fund

Impact of Potential Cuts

Common teacher concerns:

46% Inability to pay for necessities (housing, food, utilities) without additional source of income)

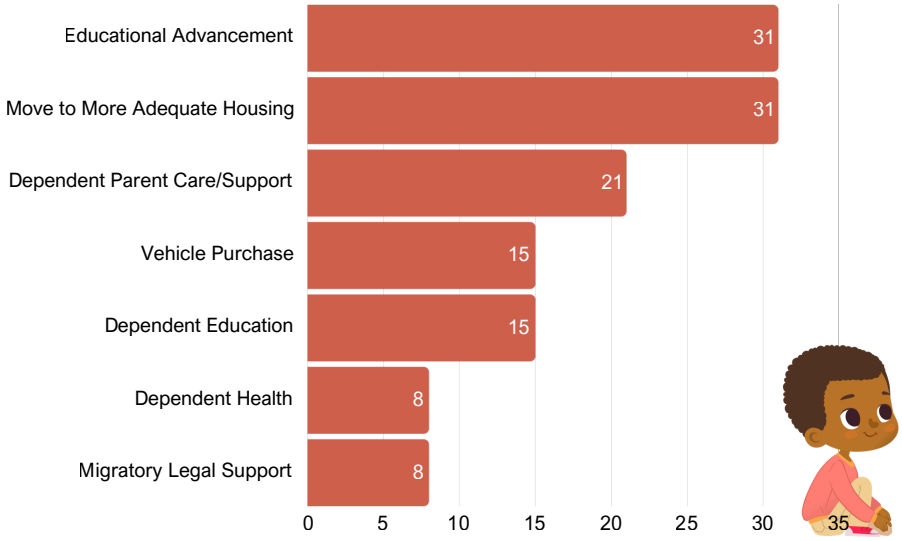
31% Difficultly covering student loans/tuition

23% Difficulty paying for necessities month-to-month

23% Lower Quality of Care (e.g., lower adult-to-child ratios, greater burnout, increased turnover)

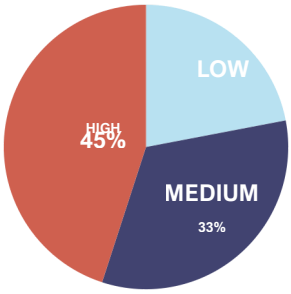
Pay Equity Fund Usage

Common lifestyleadjustments & financial obligations assumed by teachers under the PEF:

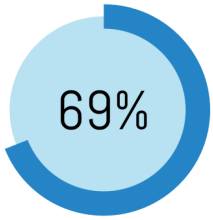


Educator Workforce at Risk

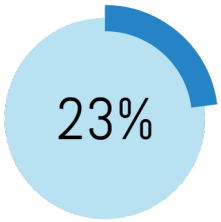
Jubilee JumpStart has maintained a **93% educator retention rate** over the past 2 years, which is uncommonly high for both the educational and nonprofit sectors.



Our educators report **rising stress/burnout levels**, largely due to stressors related to current economic pressures, fear of government funding cuts & concern for their financial futures.



Could not afford to continue in the early childhood education field sans PEF salary supports



Would explore non-classroom job opportunities within the field if PEF salary supports are lost

2 of 3 PreK teachers would consider teaching younger ages if universal PreK (PKEEP) seats are lost but the Pay Equity Fund remains.

0 PreK teachers would shift to DCPS if community-based organizations lose their PKEEP seats.

Support Our Work

DC's investment in early childhood education faces significant budget threats, particularly the Pre-K Expansion and Enhancement Program (PKEEP) and Early Childhood Education Pay Equity Fund (PEF).

This comes at a time when federal support from the Office of Head Start, USDA, and Child Care and Development Block Grant (the funding source for DC's childcare subsidies for low-income families) are also at risk.

For years, childcare providers have worked on a shoestring. If programs are cut, our ability to serve families will be at serious risk.

This **Teacher Appreciation Week (5/5-5/9)**, please ask DC Councilmembers to help keep centers open and educators in the classroom:

Chairman Phil Mendelson
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