The Business of
CHILD CARE IN NEW MEXICO

Can New Mexico build Universal Child Care on a sustainable delivery system?

Universal Child Care • Private Business Risk • Public Accountability • Quality

New Mexico Early Childhood Association

FULL CIRCLE
ADVOCACY GROUP AND COMMUNITY SERVICES

Native New Mexico Owners – Decades of Experience

—Daisy Lira, Founder, The Hive Education

Full Circle

—Angela Garcia, Chief Executive Officer and Owner, The Toy Box Early Learning and Child Care Centers

Full Circle

—Ray Jaramillo, Director, Alpha School for Young Children

NMECA

The question before us

Families can access care

Educators can build careers

Providers can remain sustainable

If any one of these fails, Universal Child Care fails.

Before we answer the question, we have to understand how New Mexico got here.

New Mexico childcare began as community problem-solving

In 1919, Christina Kent and the Woman's Club of Albuquerque founded the Albuquerque Day Nursery to serve working families.

1919: A need became a solution

The program now known as Christina Kent Early Childhood Center describes itself as New Mexico's first licensed child care program and Albuquerque's oldest continuously operating child care center.

Built by community

UNM's history describes women organizing with business leaders, bankers and attorneys to create care for single-parent and dual-working households.

Care became early education

What began as a safe place for children while families worked grew into a licensed, nationally accredited, 5-Star early care and education program.

The larger story: New Mexicans saw a workforce problem, organized locally, took risk and built an institution that has lasted more than a century.

Childcare in New Mexico has always been both a response to working families' needs and an exercise in community economic development.

Women built businesses — New Mexico built a system

For generations, women — including many women from communities historically underrepresented in business ownership — turned a need for child care into local enterprises and community institutions.

Entrepreneurship

Many providers began small: personal savings, family support, borrowed money, one home or one center — then reinvested to add staff, classrooms and locations.

Workforce infrastructure

Those businesses made it possible for other parents to work, attend school and build careers. Child care created jobs while enabling jobs throughout the rest of the economy.

Professionalization

Over time, New Mexico layered licensing, quality ratings, accreditation, PreK, workforce development and cost-based reimbursement onto a delivery system with deep community-provider roots.

That is economic development twice over: early childhood businesses employ people directly and make the broader workforce possible.

The modern early childhood system grew from local entrepreneurship into professional early education — without losing its community-provider foundation.

A mixed-delivery system with nationally significant early-childhood results

786 licensed centers

ECECD reported 786 licensed child care centers in FY25 — 73.2% of all licensed child care providers. The public data reviewed do not break those centers out by private, nonprofit, public or tribal ownership.

National preschool standing

For 2024-25, New Mexico ranked 7th in preschool access for 3-year-olds, 11th for 4-year-olds and 5th in state spending per child. NM PreK met 9 of NIEER's 10 quality benchmarks.

A contrast — not a competition

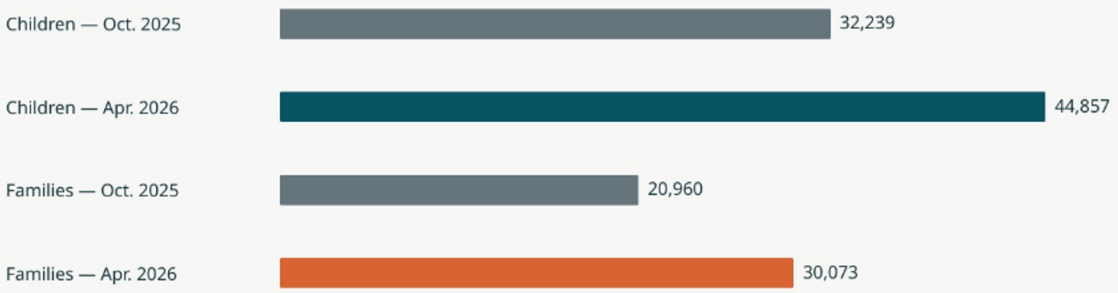
The 2026 KIDS COUNT Data Book ranks New Mexico 50th in the education domain and 49th overall in child well-being. Those measures are different from NIEER's preschool measures and should not be presented as agency-to-agency rankings.

The lesson is not that early childhood should compete with public schools. It is that New Mexico has built a distinctive mixed-delivery early childhood model — public investment delivered through public, private, nonprofit, tribal and community partners.

As Universal Child Care grows, the policy question is how to preserve family choice, community capacity and provider entrepreneurship while strengthening public accountability.

Protect the mixed-delivery model: public investment can expand access without requiring government to replace the community providers that built the system.

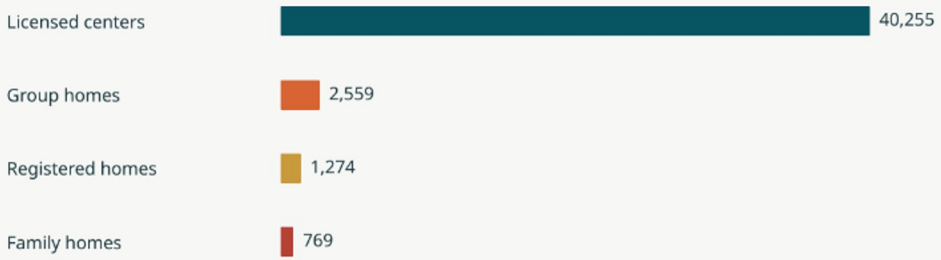
Universal Child Care expanded demand quickly



Demand can be expanded by policy. Supply must be built through people, facilities, capital and time.

Original slide pulled from the SB 241 report deck: children and families served increased after Universal Child Care.

Licensed centers carry most of Universal Child Care



Approximately 90% of children receiving Child Care Assistance in April 2026 were enrolled in licensed centers.

Provider message: if center economics break, the statewide Universal Child Care system is at risk.

Licensed centers served 40,255 children in April 2026 - roughly 90% of the children shown in these facility categories.

What those report slides mean for centers

Universal Child Care expanded demand quickly: children served increased from 32,239 in October 2025 to 44,857 in April 2026.

Licensed centers served 40,255 children receiving CCA in April 2026 — approximately 90% of the program.

New Mexico needs every provider type, but the scale of Universal Child Care depends heavily on licensed centers.

If center economics break, Universal Child Care loses the delivery system families are relying on.

Demand can be expanded by policy. Supply must be built through people, facilities, capital

Policy can expand demand quickly. Safe, staffed, financially sustainable capacity takes time and capital to build.

Where is New Mexico Headed - Proposed ECECD rules would reshape provider operations

8.9.3 NMAC — CHILD CARE ASSISTANCE

- Workforce spending: Use at least 57% of ECECD payment rates for salaries and benefits of specified staff positions.
- New reporting: Annual business/ownership disclosures; quarterly employee pay, benefits and qualifications beginning July 2027; monthly daily-attendance reporting beginning January 2027.
- Billing and family fees: No registration/educational fees or gross receipts tax for assisted families; meal and incidental charges are limited; overlapping Head Start/PreK payments are restricted.
- Program integrity: Report 14 consecutive days of nonattendance; sanctions can include payment adjustments, recoupment, suspension or termination.

8.9.4 NMAC — CHILD CARE LICENSING

- Updates military-license recognition and out-of-school-time requirements.
- Revises ratios and maximum group sizes, including special groupings for certain AMI/AMS-accredited programs.

Provider impact: significant new payroll, reporting, billing and compliance obligations.

The Critical Distinction

Modeled cost allocation ≠ provider revenue allocation

A cost-model percentage is not the same as a mandatory percentage of actual business revenue.

A modeled cost allocation is not the same thing as a mandated allocation of a private provider's actual revenue.

The 50% wage/benefit mandate problem

The new regulation uses a 50% wage-and-benefit requirement. The final published employee categories have not yet been reviewed in this presentation.

Secretary Groginsky has indicated that additional roles such as cooks and maintenance may be included and that a waiver process may be available; those details should be confirmed against the final published rule.

NMECA's position is that, if a percentage-of-reimbursement requirement is used, all W-2 employees should count because every employee needed to operate the licensed program contributes to safe, healthy, high-quality care.

That distinction is especially important for multi-site and differently structured programs, where HR, finance, maintenance, food service, behavioral support, substitutes and administration may be centralized rather than assigned to one classroom.

A fixed revenue percentage also affects business models differently because rent, debt, insurance, staffing structure, benefits and administrative costs vary substantially among providers.

The regulation uses 50% for wages and benefits; the final employee categories should be evaluated against how real centers are staffed.

A childcare center is more than a classroom

Employer: wages, payroll taxes, benefits, workers' compensation, substitutes and leave

Facility operator: rent/mortgage, utilities, repairs, security and capital replacement

Education program: curriculum, assessment, materials, training, accreditation and quality systems

Regulated business: licensing, reporting, administration, technology, legal/accounting and compliance

Risk-bearing enterprise: liability, property, abuse, accident, D&O and umbrella coverage

Growth engine: working capital, debt service, reserves and expansion financing

A childcare center is an employer, facility, education program, regulated business and risk-bearing enterprise.

The cost model recognizes the whole business

Modeled allocation	Share
Salaries	50%
Mandatory + discretionary personnel costs	11%
Education & program costs	18%
Occupancy	14%
Administration	2%
Operating reserve	5%

The cost model recognizes the whole business - including a 5% operating reserve.

Cost model compared to BOTH 5-Star reimbursement rates

5-Star full-time	ECECD cost model	Standard rate	Standard gap	Enhanced rate	Enhanced gap
Infant	$2,919	$2,175	**$744**	$2,500	**$419**
Toddler	$2,256	$1,700	**$556**	$1,975	**$281**
Preschool	$1,814	$1,182	**$632**	$1,375	**$439**

Transparent point: the standard rate is the reality for many providers, and even the highest optional enhanced rate is still below the modeled cost.

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CACFP does ot erase the reimbursement gap

CACFP REIMBURSEMENT DOES NOT COVER THE DIFFERENCE

Even under the most favorable scenario, CACFP revenue does not close the gap between what providers receive and the full cost of care.

BEST-CASE CACFP REVENUE ASSUMPTION

(Every child qualifies for FREE rate and eats every reimbursable meal every day)

Breakfast (FREE rate)	$2.54
Lunch (FREE rate)	$4.76
CACFP Cash-in-Lieu of Commodities (Lunch)	$0.32
Snack (FREE rate)	$1.30
TOTAL PER CHILD PER DAY	**$8.92**

At approximately 21.7 operating days per month:

$193.56 PER CHILD PER MONTH

IMPORTANT CONTEXT

- This is the **ABSOLUTE BEST-CASE** scenario.
- Actual CACFP reimbursement will often be LOWER due to:
  - Children qualifying at reduced or paid rates
  - Children not attending every day
  - Children not eating all three reimbursable meals/snacks
  - Meal patterns varying by age and program
- CACFP reimburses for meals served—it is **not additional profit. Providers still incur the full cost of the food.**

COMPARING THE GAP TO CACFP REVENUE (BEST-CASE SCENARIO)

AGE GROUP	FULL COST OF CARE (Cost Model)	ENHANCED RATE (What Providers Receive)	MONTHLY GAP (Full Cost – Enhanced Rate)	MAX CACFP REVENUE (Best-Case: ~$193.56)	REMAINING SHORTFALL (Even in Best Case)
INFANT	$2,919	$2,500	$419	$193.56	$225.44
TODDLER	$2,256	$1,975	$281	$193.56	$87.44
PRESCHOOL	$1,814	$1,375	$439	$193.56	$245.44

THE BOTTOM LINE

- Even if every child qualified for FREE CACFP and ate every meal every day, **CACFP REVENUE DOES NOT COVER THE GAP.**
- Providers remain significantly below the true cost of care for every age group.
- CACFP is an important revenue stream—but it does not make up the difference.

New Mexico's investment is historic.

But the math shows the gap still exists.

Sources: ECECD 2024 Cost Estimation Model (5-Star Centers, Enhanced Rates) and USDA CACFP Meal Reimbursement Rates effective 7/1/2025 – 6/30/2026.

CACFP helps pay for food; even a best-case CACFP assumption does not erase the childcare reimbursement gap.

Universal Child Care makes the CACFP assumption weaker

Universal Child Care brings more families into CCA who may not qualify for CACFP at the free reimbursement rate.

CACFP reimburses meals actually served; absences and meal participation reduce revenue.

Food inflation can outpace reimbursement, while providers still pay for food, kitchen labor, equipment and compliance.

ECECD now allows certain family meal charges, but billing, eligibility, notices, tracking and reconciliation add administrative cost.

A theoretical revenue source is not the same thing as net revenue to the provider.

CACFP is food reimbursement — not a substitute for adequate child care reimbursement.

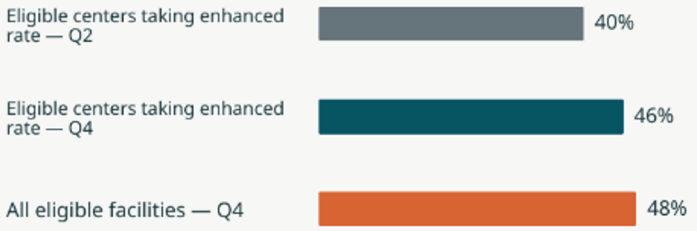
The Central Question

Should wage growth be measured by a percentage of business revenue - or by what educators are actually paid?

The policy question is not whether wages should rise - it is whether a fixed revenue percentage is the right tool across very different businesses.

Enhanced reimbursement already ties rates to operations

At least a 2-Star rating.
Open at least 10 hours per day, five days per week.
Pay entry-level staff the required wage floor based on quality level.



Provider concern: moving from wage floors to a mandated payroll percentage is a different level of business control.

Enhanced reimbursement is optional: the report shows 46% participation among eligible centers by Q4 and 48% among all eligible facilities.

A Percentage Does Not Tell Us the Wage

- Two programs can meet 50% and pay very different hourly wages
- Two programs can pay the same wage and have different payroll percentages
- Enrollment, staffing, benefits and operating structures differ
- The percentage measures business structure - not educator compensation

Original slide pulled from the wage-mandate deck: a percentage does not tell us the wage.

The cost model's 5% "operating reserve" raises a financing question

ECECD's cost model allocates 5% to an operating reserve. That is a modeled cost allocation, not a guarantee that a provider will actually earn a 5% margin.

Expansion requires more than covering monthly expenses: lenders evaluate cash flow, debt-service capacity, collateral, guarantees, reserves and the borrower's ability to repay.

NMFA's Child Care Facility Revolving Loan Fund expressly underwrites applicants for ability to repay; its current program also requires borrower equity, personal guarantees and collateral.

Barbara reports that NMFA Senior Finance Manager Sandro Tonini cautioned that a business constrained to these economics could have difficulty underwriting an expansion loan. That statement should be presented as a reported conversation unless documented in writing.

Barbara also reports similar feedback from private banks. The public record reviewed for this revision does not independently document those bank statements.

A modeled 5% reserve does not guarantee the financial capacity needed to expand.

A Better Accountability Structure

Strengthen the wage and career lattice

Establish clear wage expectations

Measure actual wages and wage growth

Preserve flexibility for sustainable operations and expansion

If the intended outcome is stronger compensation, measure wages and wage growth while preserving sustainable operations.

Quality cannot become collateral damage

New Mexico has made historic investments in early childhood access and quality.

Quality requires qualified educators, leadership, training, curriculum, materials, safe facilities and stable staffing.

Every provider type should be welcomed — and held to meaningful, comparable quality expectations.

Higher reimbursement should reward real quality and real service.

Access without quality is not success. A seat in a room is not the same as high-quality early education.

Access without quality is not success - sustainable financing is part of maintaining quality.

Public money changes the accountability question

Private operators now deliver a heavily publicly financed system.

That requires accountability for public dollars.

But accountability is not the same as inconsistent policing or micromanaging private businesses.

Public dollars require accountability, but accountability should be clear, consistent and workable.

Braided funding is legitimate. Duplicate payment is not.

ALLOWABLE BRAIDING	DUPLICATION / SUPPLANTING
Different dollars pay for different services, hours or cost components	Two public sources pay for the same service, hours or cost
Costs are allocated clearly and can be audited	CCA replaces dollars another public entity was already obligated to spend
Funding expands the actual service delivered	Overlapping dollars are not reconciled

Braided funding can expand services; the concern is paying twice for the same service, hours or cost.

SB 241 created a safeguard — but not the whole answer

CCA funds "shall not supplant" State Equalization Guarantee funds or funds appropriated for instructional or general funding.

NMECA asked for anti-supplanting protection and supports this language.

But the broader question also touches Higher Education, Head Start/federal programs, nonprofits, capital funding and other public streams.

SB 241 requires internal controls and action on suspected intentional misuse.

The missing policy question: who performs routine cross-program reconciliation before a problem becomes misuse?

SB 241 added an anti-supplanting safeguard, but policymakers still need visibility across overlapping public systems.

Head Start shows why the distinction matters

SB 241 prohibits CCA payment for the same hours a child is enrolled in Head Start, Early Head Start, Early PreK or PreK, except when ECECD determines it necessary.

Wraparound funding is appropriate when it buys real care outside those publicly funded hours.

The state should define minimum service-hour, attendance and cost-allocation standards for wraparound reimbursement.

If one provider adds a small amount of care and another provides hours of morning and evening care, policymakers should be able to see whether payment is proportionate to service.

Wraparound funding should reflect only care delivered outside another publicly funded program's hours.

Who is watching the whole public-dollar picture?

Question	Needed answer
CCA + PED / Higher Ed?	Named reconciliation protocol
CCA + Head Start / federal funds?	Hour-level and cost-level controls
Public capital + cost model?	Transparent fiscal analysis
Who reports overlap?	Regular cross-agency reporting
What happens when duplication is found?	Correction, recovery and enforcement

Oversight should provide useful visibility without creating reporting for reporting's sake.

Regulation is necessary. Policing is different.

REGULATION	"GOTCHA" POLICING
Clear statewide rules	Surveyor-by-surveyor interpretations
Consistent interpretation	Minor paperwork disputes treated as safety failures
Technical assistance + corrective action	Rules expanded beyond their text
Risk-based enforcement	Different answers in different regions
Predictable appeal process	Providers afraid to challenge findings

Providers need clear statewide rules—not surveyor-by-surveyor interpretations.

Example: health-check documentation

A long-standing provider used a daily health-check process and documented children who were sick or had a concern.

The program had operated for decades and the process had been accepted through accreditation and prior oversight.

A new surveyor interpreted the rule as requiring documentation for every child, every day — and treated that interpretation as the standard.

Health checks matter. The issue is whether an individual surveyor can create a new documentation requirement through interpretation.

Statewide requirements should be written, trained and enforced consistently.

Example: who decides a ceiling tile is a fire hazard?

ECECD leadership recently used a water-stained ceiling tile as an example of compromised surface integrity.

Fire safety is also inspected by trained fire authorities.

If the fire marshal determines the ceiling assembly is acceptable, should a general licensing surveyor independently declare it no longer fire resistant?

Providers need clear jurisdiction: licensing should enforce child care rules; specialized safety determinations should rely on qualified authorities or a published standard.

Specialized safety decisions need clear jurisdiction and qualified authorities.

Reimbursement must keep pace with mandates

New Mexico's cost-based approach is a major improvement over market-price reimbursement.

But current standard and optional enhanced rates remain below the modeled full cost for infant, toddler and preschool care.

SB 241 now requires annual review of the cost estimation model and payment rates.

That review should test current inflation, insurance, wage mandates, occupancy, rural costs and financing costs.

Government cannot be the dominant payer, restrict family tuition, raise operating requirements and then reimburse from stale cost assumptions.

When government is the dominant payer, rate adequacy becomes essential infrastructure.

Insurance is becoming a capacity crisis

WHAT PROVIDERS REPORT	WHY IT MATTERS
Premium increases of 50%–100%	Coverage is a fixed cost of opening the doors
Non-renewals and carriers leaving markets	Unaffordable insurance stops expansion or forces closure
Coverage reductions or split policies	Going uninsured creates catastrophic risk
Fewer affordable options	Understated insurance costs weaken the cost model

Insurance affordability can determine whether a center remains open or expands.

NMECA already pursued a public-pool solution

Barbara Tedrow raised the insurance crisis before this committee and pursued whether licensed child care providers could join the New Mexico Public Schools Insurance Authority pool.

The issue moved through Superintendent of Insurance Alice T. Kane, PED Secretary Mariana Padilla, ECECD leadership and NMPSIA Executive Director Patrick Sandoval.

NMPSIA General Counsel concluded that private child care providers were not eligible under the current NMPSIA statute.

Counsel also warned that extending public-pool benefits to private entities without significant statutory change could implicate New Mexico's anti-donation clause.

The public-pool option hit a legal barrier; the insurance problem remains.

The next option: a childcare captive

The term is a captive insurance company — potentially a group or association captive.

The insured businesses collectively own or control an insurance vehicle designed around their shared risks.

A multi-state child care structure could create scale, tailor coverage and reduce dependence on a shrinking traditional market.

It requires actuarial feasibility, capitalization, governance, reinsurance and regulatory approval.

NMECA is exploring the concept with other state child care associations, including work developing in Utah.

If the traditional market cannot ensure childcare, the sector may need its own solution.

Quality and access must move together

ACCESS WITHOUT QUALITY	QUALITY + ACCESS
Rapid openings without experienced leadership	Same safety expectations for every provider type
Staffing to minimum ratios only	Quality tied to higher reimbursement
Inconsistent training and supervision	Experienced leadership + workforce development
Capacity that is not operationally sustainable	Investment that creates durable capacity

Access and quality must grow together; unsustainable expansion is not durable capacity.

What we are asking the Legislature to do

Require a cross-agency anti-supplanting and duplication framework covering PED, Higher Education, Head Start/federal programs, nonprofits and other public funding.

Avoid overburdensome reporting, while giving policymakers enough information to understand meaningful differences in hours of care actually provided—for example, year-round care from 6:30 a.m.–6:00 p.m. is materially different from a 7:30 a.m.–4:30 p.m. program, even when both may receive the same wraparound rate.

Require annual rate-adequacy analysis using current inflation, insurance, wage, occupancy, rural and financing data before new business mandates take effect.

Do not turn a cost-model percentage into a one-size-fits-all business mandate; measure actual wages and wage growth.

Standardize licensing interpretation statewide: written guidance, surveyor calibration, specialized-authority deference and a clear appeal/escalation process.

Convene OSI, ECECD, providers and insurance experts to evaluate a child care captive / association risk solution.

Do not overburden providers with reporting but give policymakers enough information to understand the full picture.

The bottom line

Child care is early education.

Child care is workforce infrastructure.

Child care is also a business.

If the business model fails, the universal system fails.

Childcare is early education, workforce infrastructure and a business - the universal system depends on all three.

The Business of CHILD CARE IN NEW MEXICO

Questions

New Mexico Early Childhood Association

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