

Wall Street Is Coming for Your Childcare

Private equity has made a business of buying up the industries families can't live without, and it has recently arrived in childcare. It's the support system parents rely on most, which is exactly what makes it a target: firms move in where the need is greatest and the leverage over families is highest. [Today, eight of the 11 largest childcare companies in the U.S. are private equity-owned.](#) The average cost of care already runs about [\\$13,000](#) a year nationally, and in cities like New York and Washington, D.C., it can climb to [\\$20,000 or more](#), and private equity's model is built to push those costs higher still.

How the Private Equity Model Works

Private equity (PE) firms follow a consistent playbook, and understanding it explains most of what goes wrong when they enter childcare:

- [Debt-driven acquisition.](#) Firms buy a company using large amounts of borrowed money (often up to 70% of the purchase price) and then saddle the acquired company itself with repaying that debt.
- [Operational control and fees.](#) They take direct, day-to-day control of the business, for which they then charge management fees, pulling money out of the purchased company and redirecting it to the PE firm.
- [Short-term exit.](#) They typically hold a company for only three to seven years, extract profits, and sell, often after cutting labor costs and laying off workers to boost returns.

Why Is Childcare a Target?

Three features of the childcare market make it especially attractive to private equity:

- **It's a fragmented market of small businesses.** Childcare is delivered mostly by small, independent centers spread across communities. That makes the sector easy to “roll up.” A private equity firm can buy many small providers and consolidate them into a large chain.
- **Families can't walk away.** Childcare is a necessity, not a discretionary purchase, and it's inherently local: a parent needs care close to home or work and can't travel far to find a better option. Once a family depends on a nearby provider, they have little choice but to pay whatever it charges, and as consolidation reduces local competition, prices climb, leaving families with no realistic option to cancel.
- **Public investment is worth protecting.** Even as federal funding is cut across the board, advocates are winning new public dollars for childcare at the state and local levels. But that hard-won funding is exactly what draws PE investors: without guardrails, money meant to make care affordable for families and sustainable for providers can instead be captured as corporate profit.

How Do We Protect Childcare?

A good way to protect this industry is by establishing mechanisms that target the way PE takes over childcare. Policymakers should:

- **Fully fund childcare** at the true cost of care.
- **Enhance transparency** to better understand who owns providers, how they are spending their money, the conditions for in-home providers and childcare workers, and foster accountability.
- **Create guardrails** to make sure funding is not extracted out of the system by corporate profiteers, so that it can go to quality, culturally responsive, care, including prohibiting sale leasebacks, dividend recapitalizations, and other asset stripping; management, monitoring, and franchise fees; setting maximum debt-to-equity ratios; etc.
- **Guarantee quality** by mandating wage, benefit, training, and career pathing standards to grow and stabilize the childcare workforce, reduce turnover, and allow the sector to meet the need.
- **Expand local supply** by supporting and incubating local providers, both center-based and home-based, and allow them to develop as a strong political force in support of childcare.

How To Tell If Your Childcare is Private Equity-Backed?

Ownership is often hidden behind familiar local names, but a few checks can tell you who really controls your childcare provider:

- **Know the major chains.** Some of the largest for-profit chains have private equity backing. [Learning Care Group](#), for example, operates roughly a dozen brands (including La Petite Academy, Tutor Time, and Childtime) all under private equity ownership. Other PE-backed chains include *Cadence Education*, *The Goddard School*, *Spring Education Group*, and *Primrose*. [KinderCare](#), the largest chain, went public in 2024 but remains majority-controlled by a private equity firm. If your center carries one of these brands, PE investors likely have a stake in it.
- **Look past the local name.** Search the center's name online along with its parent company or owner. Ownership is often reported in news coverage, state licensing records, or business filings rather than disclosed to families directly.
- **Watch for the signs.** A recent change in ownership, sudden fee increases or new add-on charges, higher staff turnover, or billing that moves from a local office to a corporate system can all point to investor ownership.

Additional Resources

- [Children Before Profits: State Playbook](#)
- [Private Equity in New Mexico: The Hidden Force Threatening Childcare](#)
- [What We Do and Don't Know About Private Equity Investment in Early Childhood Education](#)
- [Main Private Equity Actors in Oregon's Childcare](#)
- [Childcare Companies Owned by Private Equity](#)