Te Tāhuhu o te Mātauranga
Ministry of Education

ECE Co-Funding: Share of Cost to Parents

Purpose

In July 2025, the Government set up an ECE Funding Review to ensure that the ECE funding system is simple, fair and achieves value for money. Cabinet also agreed to the establishment of a Ministerial Advisory Group ('the Group') to conduct the review.

In the existing system, ECE services are co-funded by central government and parents. The Ministry of Education provides funding subsidies direct to services through five different funding programmes (see Table 2). Most ECE services charge some level of parent fees, and the Ministry of Social Development (MSD) and Inland Revenue (IR) have targeted schemes that provide funding to eligible parents (or directly to services on parents' behalf) to reduce or offset parent fees. The MSD funding available to parents includes the Childcare Subsidy, (CCS Guaranteed Childcare Assistance (GCAP), Flexible Childcare Assistance (FCA), and the Early Learning Payment (ELI). IR administer the FamilyBoost (FB) rebate.

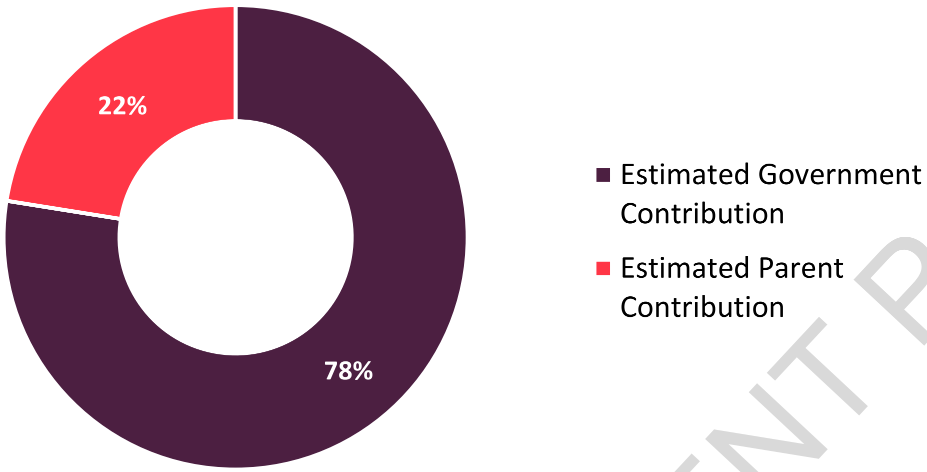
The purpose of this document is to understand the co-funding share of the cost of ECE between parents and the government at an aggregate level (noting this will vary at the individual level, depending on a range of factors such as age of child, type of ECE service attended, and eligibility for government fees assistance). At the MAG's request, the Ministry of Education undertook analysis and provided advice on the cost and affordability of ECE to parents. This included gathering data on fees via a survey of parents and drawing on administrative ECE fee data collected by IR and MSD. We have utilised this data to estimate the percentage of overall ECE funding that is contributed via parent fees in comparison to the government contribution.

Results

Our estimates, as shown in

Figure 1, are that parental fees for ECE contribute to around 22% of the total cost of ECE (across all service types), with the government co-funding an estimated 78%. This is in line with previous 2013 government estimates where the parent contribution for Education & Care was 22% (Arnold, 2015). The 2013 Ministry of Education Survey of Income, Expenditure and Fees (SIEF) at ECE Services presented the distribution of co-funding by provider type (Table 1).

Figure 1 Estimated co-funding of ECE, year ending June 2026 (%)



Source: Budget 2025, MSD and IRD admin data, MoE Analysis

Table 1 Distribution of income sources from 2013 survey (%)

	Government	Parents	Other
Education & Care	75	22	3
Kindergartens	90	4	5
Home-based	58	42	<1
Playcentres	77	6	17
Kōhanga Reo	93	4	3

Source: 2013 Survey of Income, Expenditure and Fees

Table 2 presents the budgeted total government expenditure on ECE, by vote, as sourced from Budget 2025 Vote Education, Vote Revenue, and Vote Social Development for the year ending June 2026.

Table 2 Total government expenditure on early childhood education by Vote ($000)

Budgeted Government Contribution	2025/26 ($000)
Vote Education:	
20 Hours Early Childhood Education	1,548,824
Licensed Early Childhood Education (2 and Over)	749,285
Licensed Early Childhood Education (Under 2)	594,747
Targeted Funding Pool	153,918
Licence-exempt Early Childhood Education	2,742
Total Vote Education	***3,049,516***
Vote Social Development:	
Childcare Assistance (CCS, GCAP, ELI, FCA)	178,009
Vote Revenue:	
FamilyBoost Tax Credit PLA	171,000
Total Vote Education, Social Development, and Revenue	***3,363,562***

Source: Budget 2025

Table 3 presents the aggregated cost of ECE for all parents for the year ending June 2026. The cost to parents for FamilyBoost (FB), Childcare Subsidy (CCS), and the Guaranteed Childcare Assistance Payment (GCAP) are sourced from administrative data provided to MoE by MSD and IR. The cost of ECE for the remaining parents (those not in receipt of FB, CCS, or the GCAP) was estimated based on invoices collected from IR and population data. For more information on the methodology used for the estimates, please see the next section 'Method' below.

Table 3 Estimated parents' contribution to ECE ($000)

	2025/26 ($000)
FamilyBoost recipients post rebate	243,582
CCS post subsidy	34,509
GCAP post subsidy	56
Remaining parents (not in receipt of FB, CSS, or GCAP)	701,419
Total parent contribution	**979,567**

Source: Admin data from MSD and IRD, MoE Analysis – estimates only, based on incomplete data. Estimate for remaining parents' contribution is based on FamilyBoost recipients pre-rebate invoices for ECE costs.

Method

Administrative data from IR (FamilyBoost) and MSD (CCS and GCAP) has been used to estimate the parent fee contribution to the cost of ECE. We estimate the total after rebate cost of ECE for parents receiving FamilyBoost and the total after subsidy amount for parents receiving the CCS and GCAP. We use FamilyBoost data from the quarter ending September 2025, following the policy change that took effect from 1 July 2025.

We then use the FamilyBoost fee data to estimate the total cost of ECE paid by parents not in receipt of FamilyBoost, the CCS, or GCAP (i.e. remaining parents, as indicated in Table 3 above). To do this we took the average parent's cost of ECE (total invoice amount), by income band and child-age, and extrapolated this out to the remaining household population enrolled in ECE. This estimate assumes that the average cost, by income band and child-age, is representative of the remaining ECE population (note - 78% of families enrolled in ECE are estimated to qualify for FamilyBoost).

Data Limitations

The estimates presented here are based on the incomplete/limited aggregated data that exists in this space. It uses administrative data on the average cost to households in receipt of FamilyBoost, CSS, and GCAP for the year ending June 2026 to estimate what the total contribution of parents in receipt of these subsidies was towards ECE during this period. Estimate for remaining parents' contribution is based on FamilyBoost recipients pre-rebate invoices for ECE costs, which is then extrapolated out against the known remaining population of households attending ECE, taking account of child age and household income bands. While the figures presented here are estimates only, they do align with previous estimates from the 2013 Ministry of Education Survey of Income, Expenditure and Fees (SIEF).

International comparisons of ECE co-funding from government and parent sources

All OECD countries provide parents with some help in meeting the cost of ECE (Rastrigina et al., 2020[1]; OECD, 2007[2]).

Over the past decade, total New Zealand Government expenditure on ECE as a proportion of GDP, has averaged 0.68%[3], with funding coming from three government departments (MoE, MSD, and IR). Total public spending on ECE, ranges from around 0.1-0.3% of GDP in Ireland, Turkey, and the United States to 1.6% in Sweeden and 1.8% in Iceland (OECD)[4].

International examples of the parent vs government co-funding share of ECE are limited. According to a 2018 paper by New America, in the USA the federal government spent around $15 billion on ECE. The research claimed that "families shoulder 52 percent, the public sector covers 46 percent, and private and philanthropic entities cover 2 percent of total costs for early education and care".

Figure 2 presents tables sourced from the OECD[5] which presents the trend in the proportion of private expenditure on early childhood education and care across select countries. This OECD measure (Figure 2) of private expenditure consists of expenditure by both households and other private entities. Expenditure by households includes transfers to households and students used for tuition fee payments to educational institutions, payments for ancillary services provided by educational institutions, and costs borne by private households for the purchase of educational goods and services outside of educational institutions. It excludes the living expenses of students. Expenditure by other private entities consists of direct payments to educational institutions and subsidies to students or households. Data are shown after public transfers, which includes household subsidies and subsidies to other private entities.

[1] Rastrigina, O. et al. (2020), Net childcare costs in EU countries – Impact on family incomes and work incentives, 2019, OECD, Paris.

[2] OECD (2007), Benefits and Wages 2007: OECD Indicators, OECD Publishing, Paris, https://dx.doi.org/10.1787/ben_wages-2007-en.

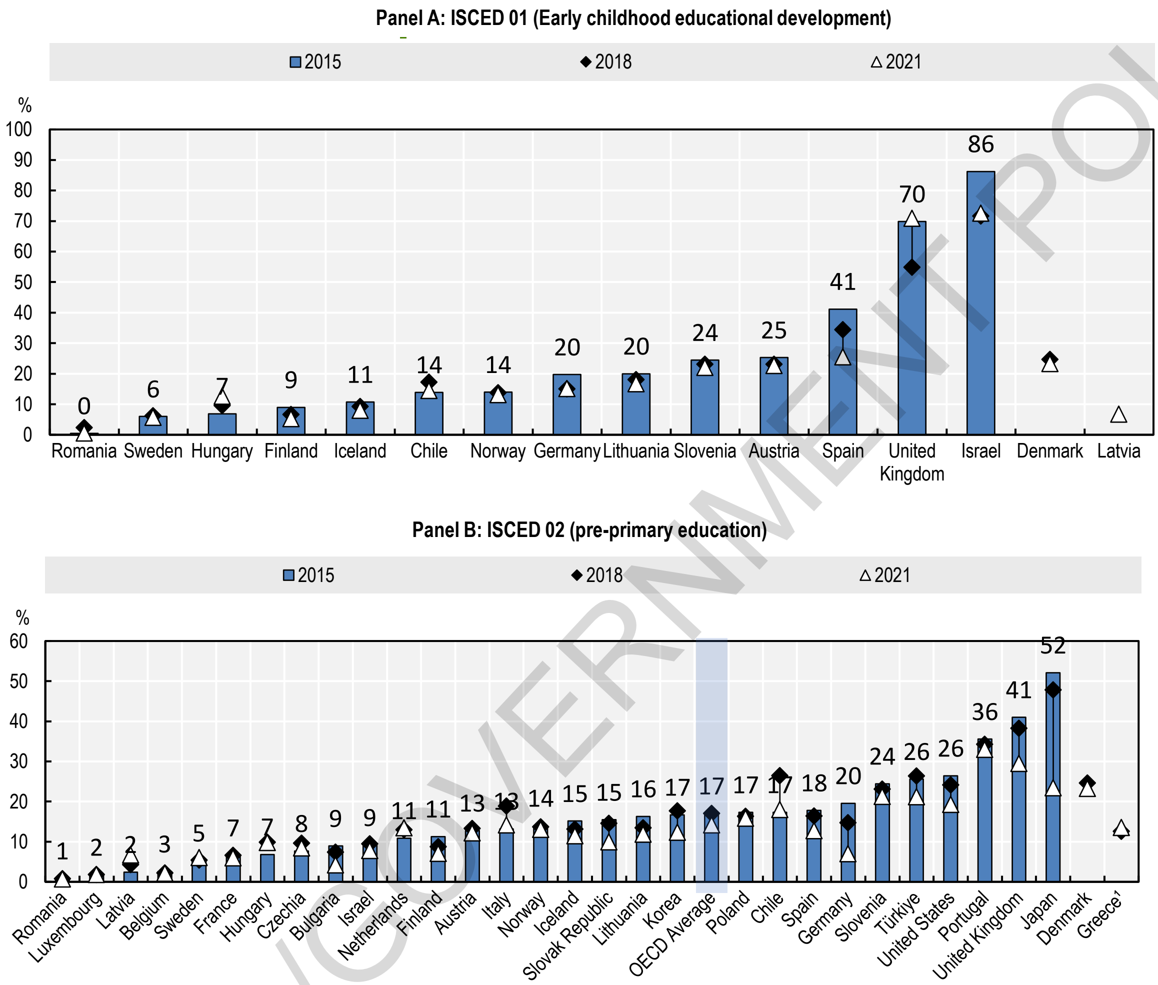
[3] Source: Education Counts, ECE-Expenditure-2002-2023

[4] Is Childcare Affordable? - OECD

[5] Organisation for Economic Co-operation and Development. (2025). Reducing inequalities by investing in early childhood education and care. OECD Publishing. https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/01/reducing-inequalities-by-investing-in-early-childhood-education-and-care_a0fd3f31/b78f8b25-en.pdf

Figure 2 Trend in the proportion of private expenditure on early childhood education and care

Relative proportions of private expenditure on early childhood education and care (after transfers from public sources), by year



Source: OECD (2024), Education at a Glance 2024 Database, https://doi.org/10.1787/c00cad36-en.
Notes: 1Year of reference differs from 2021: 2020 for Greece. Private expenditure consists of expenditure by households and other private entities (see Annex B). Data on expenditure includes transfers from public sources (see Annex B).

Figure 2 presents the data in two categories, ISCED 01 and ISCED 02, the distinction is defined below:

- **ISCED 01 – Early childhood educational development:** Provides educational content designed for younger children (in the age range of 0 to 2 years).
- **ISCED 02 – Pre-primary education:** Designed for children from age 3 to the start of primary education.