Insights from the Field:

Strategies for Growing Family Child Care

Between 2021 and 2022, eleven states saw increases in the number of family child care homes, reversing a long-term national trend. This brief analyzes this trend and presents key findings from focus groups and interviews with stakeholders from three of these states, focused on strategic financial investments as well as policy and systems-level solutions viewed as important in driving this change. Details on specific state conversations can be found in the Appendices. The brief concludes with recommendations for leaders and policymakers to consider to increase the supply of family child care homes in their states.

Key takeaways:

1 While only 22% of children receiving subsidies are cared for in family child care, it is an important component of the overall child care system.

- It is commonly available in rural communities and areas with low population density (Anderson and Mikesell 2019).
- It is often more affordable for families, with more flexible hours (Child Care Aware of America, 2023).
- This setting is a common choice for infant care; almost one-quarter (23%) of children under age one attend family child care (Administration for Children & Families, 2022).

2 For the past decade, however, the number of family child care homes has declined.

- From 2005 to 2017, the number of small family child care homes (only one caregiver) decreased by 52%, from 178,711 to 86,309 homes (Child Care Aware of America, 2023).
- At the same time, the number of large family child care homes (two or more caregivers) increased by 7% and the number of child care centers also slightly increased.

3 Several factors contribute to the decline in family child care homes, though the reasons vary by community.

- Research shows family child care home providers face long hours, low or unpredictable income, lack of benefits, and feelings of isolation, especially compared to center-based programs (The National Center on Early Childhood Quality Assurance, 2020).
- The rising costs of running a family child care home, such as housing and insurance, can make it harder for providers to stay in business.
- Increased competition and availability of other options for families can reduce enrollment in individual programs.
- Family child care providers are also deterred by other factors, such as retirement trends, regulatory barriers, or technology challenges.

Key takeaways:

4 While 2022 data show another year of decline in family child care homes, the decline was slower than in the past and our findings suggest this year was different for providers in significant ways.

- The overall number of regulated family child care homes declined by 7% from 2019 to 2020, by 3% from 2020 to 2021 and by 2% from 2021 to 2022 (Child Care Aware of America, 2023).
- From 2021 to 2022, 11 states saw an increase in family child care homes, with four states (Utah, Idaho, Texas and West Virginia) showing increases of more than 5% (Child Care Aware of America, 2023).

5 CCAoA's interviews with Idaho, West Virginia, and Massachusetts attribute this reversal to specific themes in investment and policy implementation.

- Federal pandemic funding helped family child care homes stabilize and expand, especially American Rescue Plan Act (ARPA) stabilization grant funding.
- Trainings, resources, and technical assistance specifically for family child care homes play an important role in helping programs open, plan and grow.
- Family child care programs, however, still face barriers that could jeopardize their long-term financial viability.

6 While there is no easy solution, state and federal policymakers can take the following steps to increase the supply of family child care across the country.

- Increase sustainable, ongoing state and federal funding for the child care system.
- Provide flexible grant funding.
- Improve payment practices that base subsidy reimbursement on enrollment rather than attendance and align reimbursement rates with the true cost of providing quality care.
- Invest in strong technical assistance, trainings, and resources tailored for family child care providers, as well as peer networks and professional development.

Background

For the past decade, states have experienced a continuous decline of family child care homes. Between 2005 and 2017, The National Center on Early Childhood Quality Assurance (2020) found increasing losses of small family child care homes across the country (meaning those served by only one caregiver).

The COVID-19 pandemic caused further disruptions across the U.S. child care system. Some family child care homes closed, and those that remained open faced challenges such as decreased enrollment, increased operational costs and concerns about COVID-19 exposure.

Despite these negative impacts, the pandemic also spurred an unprecedented combination of one-time federal funding and policy flexibility, allowing states to pursue a variety of novel investments and policy decisions. We can now begin to analyze the impact of these choices on states' child care systems.

Eleven states saw increases in family child care homes from 2021 to 2022

Nationally, there were nearly 106,899 family child care homes open in 2019. By 2022, that number dropped to 94,936, with the largest decrease between 2019 and 2020. In just one year, the number of family child care homes declined by nearly 7%. The number of family child care homes declined by 3% from 2020 to 2021 and by 2% from 2021 to 2022.

However, although nationwide family child care homes declined from 2021 to 2022, eleven states experienced supply increases during that same period.

Table 1: States with Family Child Care (FCC) Home Growth from 2021 to 2022

State	Number of FCC Homes, 2021	Number of FCC Homes, 2022	Total Gain between 2021 and 2022	Percentage Gain
Utah	808	943	135	17%
Idaho	329	356	27	8%
Texas	1,525	1,622	97	6%
West Virginia	696	740	44	6%
New Jersey	1,202	1,246	44	4%
South Dakota	362	368	6	2%
Indiana	2,138	2,157	19	1%
Maryland	4,455	4,483	28	1%
New York	10,253	10,342	89	1%
Massachusetts	4,856	4,872	16	<1%
Oklahoma	1,302	1,307	5	<1%

Why did these states see increases?

To better understand potential reasons for supply increases, CCAoA conducted focus groups and interviews in Idaho, Massachusetts, and West Virginia. In all three states, CCAoA conducted conversations with a child care resource and referral (CCR&R) agency or an Association for the Education of Young Children (AEYC) affiliate. In Massachusetts and West Virginia, conversations were also conducted with family child care providers. West Virginia's focus group interview also included a representative from the state's Child Care and Development Fund (CCDF) Lead Agency.

Interviewees discussed family child care experiences during the COVID-19 pandemic, systems-level supports and policies that helped providers remain open, ongoing difficulties, and challenges and/or opportunities family child care programs will potentially face in the future.

Interviewees reported common themes in policy and systems-level decisions and investments that contributed to better retention or growth of family child care, though specific solutions varied based on state contexts. More details on specific state conversations can be found in the Appendices.

Key themes included:

Federal pandemic funding helped family child care homes stabilize and expand, especially ARPA stabilization grant funding.

- As of June 2023, 125,500 family child care programs have received stabilization grant funding nationwide, with an average award of approximately $27,000 per program.
- Family child care programs have used this funding in several ways, including:
  - Paying themselves as teachers, program owners and operators;
  - Covering rent or mortgage payments, which is typically the largest operating expense; and
  - Paying off or avoiding future debt or investing in program upgrades.

- West Virginia and Massachusetts providers noted that federal relief funding also helped drive improvements in payment practices, including increased reimbursement rates and basing reimbursements on program enrollment, rather than attendance.
- In Idaho, interviewees noted that incentivizing professional development opportunities has also been impactful.

Systems-level supports for family child care homes from CCDF Lead Agencies and CCR&Rs helped programs open and remain in business, including:

- Providing one-on-one technical assistance to family child care providers;
- Making materials and trainings widely available and easily accessible;
- Providing culturally and linguistically responses resources; and
- Establishing networks for family child care providers.

All three states emphasized that, without support, family child care program operations face additional hurdles that could jeopardize their long-term viability

- Above all, the loss of temporary federal relief funding and lack of sustainable ongoing investments was characterized as a risk to the quantity and quality of family child care.
- Interviewees noted that family child care providers' ability to retain teachers, make necessary facility upgrades and avoid tuition increases would be jeopardized without further state and federal investments.

Conclusions and recommendations

A combination of strategic financial investments and policy levers can drive an increased supply of family child care and can be tailored to suit states' unique contexts. CCAoA urges state leaders and policymakers to consider the following recommendations:

Strategic Financial Investments

- **Increase sustainable federal and state funding for the child care system that meets the needs of families, providers, and communities.** Congress provides annual funding for child care, but available funding has not been enough to support the system and have created a precarious situation for child care, one that relies heavily on families to foot the bill. To help the child care sector in the wake of the pandemic, Congress approved $52.5 billion in additional one-time funding to states. This funding, especially stabilization grants, gave each state a one-time down-payment to make much-needed improvements to the child care system. Unfortunately, states are required to spend any remaining amounts by September 2024 and further federal investments have not been made.
- **Provide flexible, equitable grant opportunities to support stability.** Policymakers must consider the way funding is disbursed to child care programs. Flexible grant funding ensures stability for programs. Providers used relief funding to meet their highest needs—recent research finds that child care providers used stabilization grants to lower prices for families and increase child care employment and wages, which helped stabilize the market. Ensuring equitable access means family child care providers are made eligible for grants; are aware of the opportunity; and can access technical assistance during the grant application process.
- **Fund CCR&R agencies to provide technical assistance, training and resources tailored to family child care providers' needs.** CCR&Rs can play a central role in supporting and growing the number of family child care programs available to families, but agencies must be adequately funded to provide the one-on-one, culturally responsive technical assistance, training and resources to do so, especially in communities where English is not the primary language.

Policy and Systems-level Solutions

- **Base subsidy payments on enrollment, not attendance.** During COVID-19, many states began to reimburse subsidy payments to providers by their enrollment, rather than attendance. This shift creates greater financial predictability and stability for providers, as short-term attendance fluctuations no longer impact their financial stability and cash flow.
- **Align reimbursement rates with the true cost of providing care.** Child care providers that participate in subsidy systems are typically reimbursed based on a "market rate," based on average price. This market rate often does not reflect the actual cost of providing high-quality child care. To better align reimbursement rates with the true cost of care, states should move away from using market rate surveys and instead, use a cost estimation model as a tool to inform more equitable subsidy rates.
- **Make child care staff categorically eligible for subsidy.** When child care teachers are unable to afford child care for their own children, it limits their ability to come to work. Some states have recently funded efforts to make staff in licensed child care programs eligible or prioritized for child care subsidies.
- **Allow all family child care programs to receive the Tier 1 CACFP reimbursement rate.** Under the Child Care and Adult Food Program (CACFP), family child care programs can be reimbursed at two different rates depending on income. Providers eligible only for the lower reimbursement rate are often hesitant to participate. During the pandemic, a federal waiver allowed family child care programs to automatically receive the higher rate. Federal policymakers should consider permanently re-instating this policy.
- **Establish and ensure continuity of family child care networks.** In 2016, the Office of Child Care highlighted establishing family child care networks as a quality improvement strategy. Staffed family child care networks can provide quality supports to providers, especially when based in local communities with staff who specialize in this type of care, understand the local culture and speak the same language as providers.
- **Incentivize professional development opportunities.** Hosting free trainings, covering mileage and meals, and providing recognition awards for early childhood educators can encourage new programs to open as well as help existing family child care homes advance their professional development and improve the quality of their program.

Idaho

Between 2021 and 2022, Idaho gained 27 family child care homes overall, an 8% increase.

Key policy and investment levers: Idaho AEYC shared that the following policies, established with federal relief funding, have helped more family child care programs open and become licensed:

- **Provide Child Care Stabilization Grants:** Idaho used federal relief funding to establish multiple phases of its Child Care Grant, which provided valuable financial support during gaps in attendance. Under the most recent and final Phase 4 Child Care Grant, Idaho distributed $21 million to providers to cover operating expenses including rent, utilities, supplies and payroll. The maximum monthly grant amount ranged between $850 and $1,750 for family child care programs. A final payment for programs in June 2023 increased the maximum monthly payment to $1,000 for smaller family child care homes and $2,500 for family group homes. Unfortunately, plans to continue this grant were cut short after the state legislature voted to reject over $50 million in remaining ARPA funds in June 2023, three months before funding was required to be fully spent by states.

- **Fund Wage Enhancements:** Idaho also used relief funding to establish a separate Child Care Wage Enhancement Grant, which temporarily supplemented wages for Idaho child care workers. The Idaho Child Care Wage Enhancement Grant provided a temporary $300 monthly wage supplement for child care workers based on the number of eligible staff. Center-based programs benefited more from this funding stream over family child care homes because individual program owners/operators (and their spouses) were not eligible to receive the funding.

- **Incentivized Opportunities for Professional Development:** Idaho used ARPA dollars to incentivize its Early Childhood Care & Education Badge Initiative, which provided recognition for the completion of targeted professional development activities. Child care staff in licensed programs could earn "badges" based upon their employment history and through approved activities, including obtaining certification and completing trainings. Through June 2022, center-based and family child care home-based educators could obtain all nine badges and receive a $500 award for each earned badge. Through this program, Idaho AEYC saw an increase in family child care programs seeking licensure so they could participate in this initiative. Since ARPA funding lapsed, the recognition award has dropped significantly to $100 for up to two badges. Idaho AEYC voiced that they anticipate fewer providers overall may obtain badges going forward given the smaller incentive.

Current challenges: Idaho AEYC shared that the loss of federal relief funding and the lack of further state investment could hinder growth. Family child care programs also face persistent language barriers, especially for Spanish-speaking providers, which prevent them from attending trainings and receiving assistance to become licensed and participate in the subsidy program.

Future outlook: In June 2023, Idaho's legislature voted to reject millions of remaining ARPA dollars for child care. While this choice clearly hurts family child care homes, Idaho AEYC speculated that it could eventually increase the number of family child care homes. Center-based programs may be forced to reduce wages without stabilization grants and monthly compensation supplements going forward. This could result in the loss of staff and tuition increases for families that ultimately drive larger child care centers out of business as parents seek more affordable options.

Massachusetts

Between 2021 and 2022, Massachusetts gained 16 family child care homes overall, which is less than a 1 percent increase, but reverses a declining trend in recent years.

Key policy and investment levers: CCAoA conducted two interviews, one with a family child care provider who has served her community and accepted subsidy-eligible families for nearly 30 years, and another with a CCR&R named Seven Hills. Both independently named several policies they believe have been integral to the growth of family child care since 2021:

- **Provide Stabilization Grants:** Massachusetts used federal relief funding to issue stabilization grants called Commonwealth Cares for Children, or C3 Grants. Both interviewees emphasized that these grants have helped family child care providers raise salaries, make long-term investments, and avoid enacting significant tuition increases for families. Massachusetts approved $475 million in state general funding to continue the grants into 2024. Seven Hills amplified the results of recent survey data that illustrates how these grants have helped keep family child care programs open. From the survey, 18% of family child care providers indicated they would need to close their program if these grants are discontinued. The family child care provider shared that the C3 Grants have provided her the opportunity to make long-awaited quality improvements to her program, including purchasing new equipment and creating and fencing in a better outdoor play area. Most importantly, the C3 Grants provide a dependable funding stream that makes her feel more comfortable spending money to invest in her program without feeling constrained by a tight budget, which is especially important since her husband recently retired.

- **Increase Reimbursement Rates:** In past surveys, Seven Hills has found that inadequate reimbursement rates have led many family child care homes to not participate in the subsidy system. The Massachusetts state legislature recently increased subsidy reimbursement rates for all programs. The family child care provider shared that though increased reimbursement rates and temporary increases in Child Care and Adult Food Program (CACFP) rates have been stabilizing for her program, the current rates still do not accurately reflect the cost to provide care, particularly for family child care programs and programs that serve infant and toddlers. To remedy this issue, in January 2024, Massachusetts was granted approval from the federal Administration for Children and Families to change how they determine reimbursement rates so they more accurately reflect of the true cost of care for all program settings. These changes go into effect in February 2024.

- **Prioritize Family Child Care Staff on Subsidy Waitlist:** Massachusetts is piloting a program to provide immediate access to subsidy for the state's income-eligible child care staff. This incentivizes family child care owners to participate in the subsidy program and serves as a tool to recruit new family child care providers to the field.

- **Base Payments on Enrollment:** Both interviewees stressed the importance of paying reimbursements based on program enrollment, rather than attendance. Initial data from 2020, when this policy was first implemented using federal relief funding, found reimbursing providers based on enrollment had a stabilizing effect on the Massachusetts child care sector.

- **Implement a Marketing Campaign:** Massachusetts increased funding for CCR&Rs, which allowed all six CCR&Rs across the state, for the first time, to execute a collaborative marketing campaign. The CCR&R network used this funding to attract providers into accepting subsidy and advertise their resource and referral work for families at any income level.

- **Provide More Culturally and Linguistically Responsive Resources:** With increased funding from the state, the CCR&R has hired Portuguese and Spanish interpreters to translate information about opening family child care and participating in subsidy at virtual orientation sessions. Seven Hills is hiring additional Portuguese and Spanish-speaking staff in billing and information as well as referral to further support family child care providers.

- **Establish a Family Child Care Support Network:** The provider recalled how isolating it is to open a family child care program. When she began, her CACFP coordinator not only shared helpful tips for implementing her food program successfully, but also connected her with nearby family child care providers. Together, this informal network attended local trainings and held joint activities for the children they served. Massachusetts also supported a more formal statewide child care partnership to connect providers. These networks helped eliminate her feelings of isolation and provided a safe place for providers to ask questions and bounce ideas around. The provider noted that today, Facebook groups have more commonly taken the place of these networks and provide a supportive space for family child care programs to collaborate.

Current challenges: Interviewees highlighted the lack of available and affordable housing across the state as a major hurdle for programs. The state's housing supply and affordability crisis make it difficult for immigrant families to secure permanent housing, despite there being a growing need for more culturally responsive care. Landlords have also increasingly pushed back on allowing family child care homes to open in rented spaces. Additionally, language barriers have prevented some non-English speaking individuals from feeling supported to open their family child care homes and participate in the subsidy program.

Future outlook: Interviewees expressed optimism that recent state policy changes and supports will lead to family child care growth. They noted longstanding frustration among family child care providers over a lack of funding and technical assistance, a narrative which has begun to shift following federal pandemic relief funding. In 2020, the Massachusetts Legislature established the Special Legislative Early Education and Care Economic Review Commission to study ways to expand equitable access to high-quality early education and care. Since then, the state has made significant strides in budget investments for child care and early learning, and there is growing momentum to advance legislation to make transformational changes to the system for providers and families alike.

West Virginia

Between 2021-2022, West Virginia gained 44 new family child care homes, an increase of 6 percent.

Key policy and investment levers: This focus group included a representative from the state's Department of Health and Human Resources (DHHR), two family child care home owners and a representative from the West Virginia Association for Young Children (AYC). Policies and investments they cited as being integral to the growth of family child care included:

- **Provide Stabilization Grants:** In October 2021, West Virginia began using federal pandemic relief funding to provide monthly stabilization payments ranging from $750-$27,000, based on provider type and child care tier quality, to all qualifying licensed and registered providers. As of December 2022, providers in all counties in the state had received grants, including 925 family child care homes. The focus group noted that the monthly stipend has made it possible for program owners in the family child care community to remain open or expand their businesses. One family child care program owner reported that the extra monthly funding allowed her to purchase more space and even double the capacity of her program. West Virginia, however, issued its last stabilization grant payments in September 2023, and other policies are currently only funded through summer 2024.

- **Increase Reimbursement Rates:** After years of stagnant rates, West Virginia used federal relief funding to temporarily increase subsidy reimbursement rates for all providers. While this policy was intended to expire in September 2023, the state has continued funding this policy with annual Child Care and Development Block Grant (CCDBG) dollars.

- **Base Payments on Enrollment:** West Virginia used pandemic relief funding to pay providers who accept subsidy based on program enrollment instead of attendance. Both family child care program owners noted the importance of this steady income during fluctuations in attendance. While federal relief funding for this policy has ended, West Virginia is using federal Temporary Assistance for Needy Families (TANF) funding to extend this policy through August 2024. The extension of this policy has given family child care providers peace of mind knowing they can count on steady payments for another year.

- **Create Quality Improvement Grant Opportunities:** West Virginia also used federal relief funding to provide grant opportunities for programs to improve program quality, as well as scholarships to help individuals advance their education. One family child care provider shared that she has used these funds to purchase new curriculum materials and make enhancements to her outdoor space that she otherwise could not afford.

- **Provide Dedicated Technical Assistance for New Programs:** To open a family child care program, West Virginia first requires interested individuals to attend an orientation session at their local CCR&R. During these sessions, CCR&R staff provide one-on-one technical assistance and help individuals complete their paperwork correctly, which DHHR staff shared has resulted in less frustration and fewer abandoned applications.

- **Make Trainings Accessible and Affordable:** Each year, DHHR hosts its Great Beginnings conference, which helps child care providers network and deepen their knowledge on various child care topics. This conference is free for providers, and the state also offers mileage and meal stipends to attendees. DHHR purchases materials and creates model classrooms for attendees to view, and these displayed resources are made available to attendees at no cost at the end of the conference. DHHR also provides financial support for other training opportunities.

Current challenges: Program owners noted that difficulty retaining teachers, making necessary facility upgrades (e.g., for code requirements) and navigating taxes and finances continue to be a challenge. One family child care home owner noted that although she has space to enroll more children, she struggles to retain an assistant teacher. Without more staff, she cannot comply with teacher/child ratio requirements and provide appropriate supervision. In addition, she may need to make costly facilities changes to comply with fire code requirements, which will be impossible without additional funding. Both family child care program owners noted that while family child care providers are small businesses, providers often lack strong marketing and financial skills and that it can be overwhelming and time-consuming to manage all these business aspects without training or guidance.

Future outlook: The focus group noted that it may be challenging for family child care providers, especially new programs, to operate long-term without additional state and/or federal funding as relief funding ends. The focus group discussed that while family child care homes continue to grow in West Virginia, current supply still cannot meet demand, especially for families looking for nontraditional-hour care.