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.