



## Federal Policy: Recommendations to Support Home-Based Child Care

2	Introduction
2	<b>SECTION 1</b> The Critical Role of Home-Based Child Care
4	<b>SECTION 2</b> The Need to Support Home-Based Child Care Providers
6	<b>SECTION 3</b> Recommendations

### *About Home Grown*

Home Grown is a national collaboration of philanthropic leaders committed to improving the quality of and access to home-based child care. We use numerous strategies to better understand and support various forms of home-based child care including regulated family child care, regulation-exempt care, and family, friend and neighbor care. Learn more on our [website](#).

# Introduction

Despite being severely under-resourced and under-recognized, **home-based child care has been the most resilient child care option during the pandemic**; approximately two thirds of home-based providers continued to offer care primarily to essential workers. With continued closures and disruptions to school and employment as a result of the pandemic, reliance on home-based child care will persist. Existing attributes of home-based child care align to the needs of the current crisis: small groups with consistent caregivers; prior familial relationships and deep attachments; shared culture/language/child rearing practices; and flexibility in an uncertain employment environment.

**Home-based providers disproportionately serve marginalized children and families (low-income, minority, those with special needs, and those working shift schedules) and are themselves primarily low-income women of color.** Caregivers and providers who care for young children, support their early development and learning, and enable parents to work, need distinct, timely and appropriate support. Federal action can assure the critical resources to do this.

Any effort to ensure equitable access to child care will substantially include home-based child care providers, both licensed and unlicensed. That's why federal investments in child care must prioritize increasing the quality of and access to home-based child care. **The home-based child care sector needs dedicated, additional funding that:**

1. **Increases reimbursement for providers to sustain their operations and serve more families, and**
2. **Builds essential infrastructure for them in the form of networks.**

## SECTION 1

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# THE CRITICAL ROLE OF HOME-BASED CHILD CARE

Approximately **7 million children from birth to age 5 are in a home-based child care setting**, including about 1 million children in licensed (regulated) family child care and the remainder in family, friend, and neighbor (FFN) care.

The families who use home-based child care (HBCC) are often low-income. Some families pay privately for child care, but others may use public subsidies to afford child care. Often the most familiar, flexible, convenient, personal, and affordable option for families, home-based providers frequently meet the needs of children and families not otherwise served by the current child care system, illustrating the unique, intersectional importance of their work.

Some of the key populations who are dependent on a supply of quality home-based child care are:

- **Children from low-income families** are more likely to be in home-based care than children from high-income families. Research indicates that families who use home-based child care share some common characteristics: children with socioeconomic risk factors, such as children from low-income families; children whose parents have

a high school degree or less education; children from single-parent households; and children from racial and ethnic minorities.<sup>1</sup>

- A higher percentage of **black and Latino children** receive HBCC from a relative than do white or Asian children.<sup>2</sup>
- **Infants and toddlers** under the age of three with working parents are cared for more often in home-based settings than in centers.<sup>3</sup>
- **Children in rural areas** and children whose families lack access to reliable transportation are more likely to receive care in home-based settings (53 percent) than in centers.<sup>4</sup>
- **Children with special needs** are more likely to receive care in home-based settings than in center-based settings.
- **Children whose parents work nontraditional hours**, including many workers who are essential to our crisis response, depend on HBCC. Children whose parents work at least some nontraditional hours - early morning, evening, weekend, or overnight - represent 58 percent of the 4.77 million low-income children under age six with working parents.<sup>5</sup> 82 percent of unlisted unpaid home-based providers, 63 percent of unlisted paid home-based providers, and 34 percent of listed home-based providers caring for children under age six offered some care during nonstandard hours (evenings, overnight, and/or weekends), compared to just 8 percent of center-based providers.<sup>6</sup>

Reliance on home-based child care differs from state to state. Looking at the Child Care and Development Fund (CCDF) in 21 states and territories, 30 percent or more of children receiving CCDF program funds are in family child care.<sup>7</sup> In several states CCDF also supports significant numbers of children in license-exempt care. In Alabama, Hawaii, Oregon and Nevada over 30 percent of children using CCDF are served by license-exempt providers (most of whom are home-based).<sup>8</sup> The proportion of a state's children receiving CCDF subsidies who are in license-exempt care may not be the same as the proportion of the state's children overall who are in license-exempt care, and may instead reflect the state's rules on which types of providers can receive subsidies and whether those state rules limit subsidies for license-exempt care. Children in those states may be in license-exempt care, but not receiving subsidies.

It is also important to know that one in four children in the US under the age of five is cared for by a grandparent some or all of the time their parent is at work<sup>9</sup>; disruption of this form of care is highly likely during this pandemic.

**Home-based child care generates \$9 billion in revenue nationwide annually and has additional spillover economic activity in other sectors.<sup>10</sup> This care is critical to ensuring families can work and businesses can thrive.**

<sup>1</sup> Toni Porter, Diane Paulsell, Patricia Del Grosso, Sarah Avellar, Rachel Hass, and Lee Vuong. A Review of the Literature on Home-Based Child Care: Implications for Future Directions. *Mathematica*. January 15, 2010. [https://www.acf.hhs.gov/sites/default/files/opre/lit\\_review.pdf](https://www.acf.hhs.gov/sites/default/files/opre/lit_review.pdf)

<sup>2</sup> Julia Henly and Gina Adams, *Increasing Access to Quality Child Care for Four Priority Populations: Challenges and Opportunities with CCDBG Reauthorization*. Washington, D.C.: Urban Institute, 2018.

<sup>3</sup> Julia Henly and Gina Adams, *Increasing Access to Quality Child Care for Four Priority Populations: Challenges and Opportunities with CCDBG Reauthorization*. Washington, D.C.: Urban Institute, 2018.

<sup>4</sup> Julia Henly and Gina Adams, *Increasing Access to Quality Child Care for Four Priority Populations: Challenges and Opportunities with CCDBG Reauthorization*. Washington, D.C.: Urban Institute, 2018.

<sup>5</sup> Julia Henly and Gina Adams, *Increasing Access to Quality Child Care for Four Priority Populations: Challenges and Opportunities with CCDBG Reauthorization*. Washington, D.C.: Urban Institute, 2018.

<sup>6</sup> National Survey of Early Care and Education (NSECE) Fact Sheet. Provision of Early Care and Education during Non-Standard Hours. April 2015.

[https://www.acf.hhs.gov/sites/default/files/opre/factsheet\\_nonstandard\\_hours\\_provision\\_of\\_ece\\_toopre\\_041715\\_508.pdf](https://www.acf.hhs.gov/sites/default/files/opre/factsheet_nonstandard_hours_provision_of_ece_toopre_041715_508.pdf)

<sup>7</sup> Those States and Territories are Alaska, California, Connecticut, Idaho, Illinois, Indiana, Iowa, Kansas, Maine, Maryland, Michigan, Missouri, Nebraska, New York, North Dakota, Oregon, Puerto Rico, South Dakota, Vermont and Wyoming. <https://www.acf.hhs.gov/occ/family-child-care#2>

<sup>8</sup> Anitha Mohan. *Fewer Children, Fewer Providers: Trends in CCDBG Participation*. CLASP. January 2017

<https://www.clasp.org/sites/default/files/public/resources-and-publications/publication-1/CCDBG-Provider-Factsheet-2006-2015.pdf>

<sup>9</sup> The Grand Plan: Hear from Grandparents Who Provide Child Care. Zero to Three.

<https://www.zerotothree.org/resources/2889-the-grand-plan-executive-summary#downloads>

<sup>10</sup> <https://www.strongnation.org/articles/1238-home-based-child-care-a-surprising-key-to-keeping-the-american-workforce-strong>

### *Current Funding for Home-Based Child Care*

The primary sources of financing of home-based child care are the following:

1. Private parent paid tuition is by far the largest source of financing for this care setting. Many families struggle to afford child care and this is a great burden for working families as care can cost more than \$1,000 a month.<sup>11</sup>
2. The federal Child Care Development Fund (CCDF) and the state match is a large source of funding.
3. Federal Head Start and Early Head Start funds support approximately 10,000 children in family child care settings.
4. In some regions and states, local and state pre-k programs can include funding for home-based child care services.
5. The federal Child and Adult Care Food program is also an important revenue source for home-based child care providers.

## SECTION 2

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# THE NEED TO SUPPORT HOME-BASED CHILD CARE PROVIDERS

Despite the critical role of home-based child care in serving families, many providers struggle to remain open. Whether they are licensed family child care providers or family, friend, and neighbor (FFN) providers, home-based child care providers often live in poverty while working full time:

- The average annual child care income for a licensed provider is \$29,377 from public and private sources for an average of 56.5 hours of care a week (10 to 12 hours a day).<sup>12</sup>
- More informal home-based providers earn on average \$7,420 per year from providing child care.<sup>13</sup>
- The subsidy rate for home based providers is often lower than centers. The average base child care subsidy rate for licensed family child care is \$100 per child per month lower than what it is for centers (\$648 for centers and \$544 for family child care).<sup>14</sup>

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<sup>11</sup> <https://www.americanprogress.org/issues/early-childhood/reports/2019/06/20/471141/working-families-spending-big-money-child-care/>

<sup>12</sup> National Survey of Early Care and Education Project Team, Characteristics of Home-based Early Care and Education Providers: Initial Findings from the National Survey of Early Care and Education (OPRE Report #2016-13) (Washington, DC: U.S. Department of Health and Human Services, Administration for Children and Families, Office of Planning, Research and Evaluation, 2016), 22, available at [https://www.acf.hhs.gov/sites/default/files/opre/characteristics\\_of\\_home\\_based\\_early\\_care\\_and\\_education\\_toopre\\_032416.pdf](https://www.acf.hhs.gov/sites/default/files/opre/characteristics_of_home_based_early_care_and_education_toopre_032416.pdf).

<sup>13</sup> National Survey of Early Care and Education Project Team, Characteristics of Home-based Early Care and Education Providers: Initial Findings from the National Survey of Early Care and Education (OPRE Report #2016-13) (Washington, DC: U.S. Department of Health and Human Services, Administration for Children and Families, Office of Planning, Research and Evaluation, 2016), 22, available at [https://www.acf.hhs.gov/sites/default/files/opre/characteristics\\_of\\_home\\_based\\_early\\_care\\_and\\_education\\_toopre\\_032416.pdf](https://www.acf.hhs.gov/sites/default/files/opre/characteristics_of_home_based_early_care_and_education_toopre_032416.pdf).

<sup>14</sup> Victoria Tran, Sarah Minton, Sweta Haldar, and Linda Giannarelli. Child Care Subsidies under the CCDF Program. An Overview of Policy Differences across States and Territories as of October 1, 2016. OPRE Report 2018-02. January 2018. [https://www.acf.hhs.gov/sites/default/files/opre/ccdfdatabase2016policysummary\\_b508.pdf](https://www.acf.hhs.gov/sites/default/files/opre/ccdfdatabase2016policysummary_b508.pdf)

Given the low compensation for providing home-based care, it is not surprising that there has been a significant decline in regulated home-based care in the last decade. Data indicate that 97,000 licensed family child care homes closed in the United States between 2005 and 2017.<sup>15</sup>

The pandemic has added a further layer of difficulty for home-based child care providers as they struggle to obtain adequate cleaning supplies and personal protective equipment and to make their homes safe for both the families they serve and their own families.

Recent national research suggests that comprehensive **Networks**, also known as staffed family child care networks, may be able to increase the supply of regulated family child care. While there are various models of networks, networks support providers in three important ways: 1. Enhance business practices that improve sustainability; 2. Improve the quality of services; and, 3. Connect providers and the families they serve to critical resources including early intervention and health supports. To learn more about the services, approaches, and models of networks, see Home Grown's paper [Home-Based Child Care Networks: Making Connections to Make a Difference](#).

In local communities, by helping providers navigate and participate in publicly-funded systems, such as licensing and subsidy<sup>16</sup>, Networks contribute to supply by helping providers recruit and enroll families which can contribute to sustainable businesses.<sup>17</sup> Networks are a promising approach for helping HBCC providers improve the quality of care and education that they offer to children and families.<sup>18</sup>

Networks can create the fiscal and supporting conditions, and economies of scale that providers need to be successful. Effective networks can promote sustainability by providing members with various business services, including training on business practices, professional services such as accounting and tax preparation and automated billing and reconciliation, and through technology, they can help reduce the administrative burden of regulatory compliance and financial administration. These networks enable providers to connect with funding sources (child care assistance, Head Start, Child and Adult Care Food Program), staffing solutions (substitute/assistant pool), and enrollment support. Networks can offer training, coaching, and support in appropriate and culturally responsive ways to improve program quality. Networks offer an opportunity to realize two-generational approaches that ensure children thrive while supporting adults (both parents and caregivers) by helping them access economic and employment resources, as well as access to comprehensive services such as early intervention, mental health and physical health services.

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<sup>15</sup> Administration of Children and Families, Office of Child Care. [Decreasing Number of Family Child care homes in the United States. December 2019.](#)

<sup>16</sup> Bromer, J., & Porter, T. (2019). [Mapping the family child care network landscape: Findings from the National Study of Family Child Care Networks.](#) Chicago, IL: Herr Research Center, Erikson Institute.

<sup>17</sup> Bromer, J., & Porter, T. (2019). [Mapping the family child care network landscape: Findings from the National Study of Family Child Care Networks.](#) Chicago, IL: Herr Research Center, Erikson Institute.

<sup>18</sup> Porter, T., & Bromer, J. (2020). [Delivering services to meet the needs of home-based child care providers: Findings from the director interviews sub-study of the National Study of Family Child Care Networks.](#) Chicago, IL: Herr Research Center, Erikson Institute

## SECTION 3

## RECOMMENDATIONS

Additional, distinct resources for home-based child care, both licensed and family, friend and neighbor (FFN), are needed to ensure this care is sustained through the pandemic and can meet the learning needs of young children and provide support for more working families. We encourage federal leaders to increase funding to existing funding streams and to incentivize states to adopt the policies that ensure a stable supply of high quality home-based child care.

**We call on federal leaders to increase investment in home-based child care in two key ways:**

1. **Increase reimbursement for providers to sustain their operations and serve more families, and;**
2. **Fund and create the conditions for Networks as key infrastructure for home-based child care.**

1. Increase reimbursement for providers to sustain their operations and serve more families

Ensure that provider reimbursement rates are sufficient to support quality and adequately compensate home-based child care providers.

Most families that are eligible for child care subsidy do not receive it. In 2015 only 15 percent of children eligible under federal rules received subsidy.<sup>19</sup> Even then, when families do receive a subsidy, it rarely reflects the market rate for child care. In 2019, 47 states set their payment rate below the recommended 75th percentile of current market rate.<sup>20</sup> Providers were then left to either ask low income families to make up the difference in cost or to accept payment well below the market rate for their services. It is well accepted that market rates, established by parent ability to pay, are well below the actual cost of delivering quality services. Compounding these challenges, in some states home-based providers are paid an even lower rate than center-based providers.<sup>21</sup> The result is that home-based providers work long days for near poverty wages.

Our society cannot deliver quality experiences to young children with an overworked and underpaid workforce. We must ensure that home-based child care providers are compensated fairly to:

- **Earn a consistent, living wage.** The COVID-19 public health crisis has created significant disruptions to the child care market. In this unstable environment, providers cannot be held accountable for predicting families' attendance in their programs or locality mandated closures.

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<sup>19</sup> U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, [Fact Sheet: Estimates of Child Care Eligibility & Receipt for Fiscal Year 2015](#), January 2019.

<sup>20</sup> Schulman, Karen. National Women's Law Center, [Early Progress: State Child Care Assistance Policies 2019](#), October 2019.

<sup>21</sup> Victoria Tran, Sarah Minton, Sweta Haldar, and Linda Giannarelli. Child Care Subsidies under the CCDF Program. An Overview of Policy Differences across States and Territories as of October 1, 2016. OPRE Report 2018-02. January 2018. [https://www.acf.hhs.gov/sites/default/files/opre/ccdfdatabase2016policysummary\\_b508.pdf](https://www.acf.hhs.gov/sites/default/files/opre/ccdfdatabase2016policysummary_b508.pdf)

- We recommend **contract funding** with predictable, consistent funding levels that do not penalize home-based providers for temporary shifts in attendance. This is the current funding mechanism of Head Start, which pays for services and is not variable based on temporary shifts in enrollment or attendance.
- Given the uncertainty of the current market, we recommend contract **base rates** that guarantee a living wage for home-based providers regardless of the number or ages of children they serve.
- Consider creating incentives for states to use **alternative rate setting methodologies** to ensure contracts cover the cost adequate compensation and quality operations.

***We recommend increases to two federal funding streams in particular:***

**Child Care & Development Block Grant (CCDBG):** More funding is needed for CCDBG with specific direction in order to improve provider rates, ensure that families who already meet the existing eligibility criteria can access subsidy funds, and create sustainable networks of home-based providers in each state.

**Head Start/Early Head Start:** More funding is needed in Head Start to increase provider reimbursement rates. Providers delivering high quality early childhood education deserve to earn a living wage.

**Cover the additional expenses related to delivering quality care.** Reimbursement rates must also take into account the increased cost of ensuring health and safety during the coronavirus pandemic. Home-based providers are incurring additional costs for cleaning supplies and personal protective equipment to ensure the health of the children and families they serve, as well as their own families. Home-based providers open their homes and serve their communities at the risk of their own health.

To sustain the diverse and dynamic community of home-based child care providers, we must compensate them for the vital services they provide.

## 2. Fund and create the conditions for Networks as key infrastructure for home-based child care

To ensure home-based child care providers have the support they need to survive this crisis, we need networks to provide the connective tissue between providers, families, and resources. We ask federal leaders to create additional funding that enables state leaders to establish this critical infrastructure to meet immediate needs while building for future strength.

These networks need to be co-created with providers and parents and demonstrate that they share leadership with these stakeholders, reflect their communities, and meet provider needs. Early Head Start/Head Start Child Care partnership financing models with robust reimbursement for both providers and networks are an important approach for scaling effective funding models. [Read Home Grown's recommendations here.](#)

Within the structure of networks, we further recommend investments to:

- **Establish dedicated emergency funds** within existing or newly created networks to provide relief to both licensed and family, friend, and neighbor (FFN) providers. Flexible relief funds will:
  - Provide compensation and benefits to providers/caregivers including health insurance and paid sick leave
  - Supplement lost income

- Support program and facility adaptations to meet enhanced health and safety protocols
  - Enable the purchase of curricula and learning materials to support more frequent cleaning and meet needs of different age groups
  - Afford access to consultation or professional support to help providers purchase essential items including food and cleaning supplies
  - Assist providers to meet the emerging needs of children and families during this time
- **Dedicate federal research and technical support funds** to develop deeper knowledge of the networks and to support local communities and states in creating networks that can:
  - Enhance business practices that improve sustainability
  - Improve the delivery of high-quality early learning services
  - Connect providers and the families they serve to critical resources including disability services and health supports.