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Understanding the State and Local Role in Home-Based Child Care

Compensation and Benefits

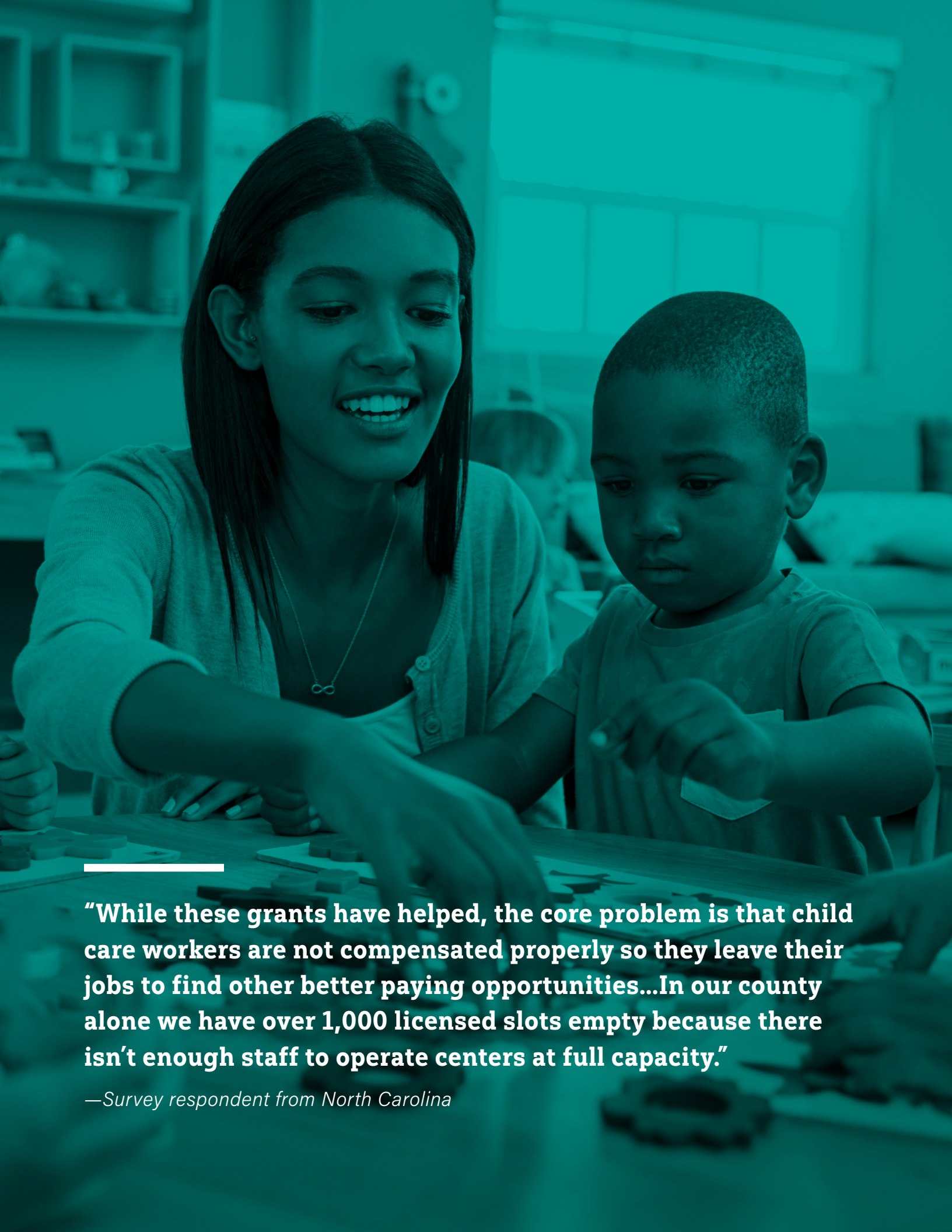


Across the United States, state and local leaders recognize the urgent need to address the lack of affordable child care and the significant impact it has on local economies.

A 2023 report found that 85 percent of primary caregivers said problems with child care hurt their efforts or time commitment at work. The lack of access to infant-toddler child care alone costs the nation \$122 billion in lost earning, productivity and revenue every year.¹

In recent years, cities, counties and states have made significant investments to grow and sustain the supply of child care, particularly in response to the COVID-19 pandemic. While there is no one approach that will solve the child care crisis, each level of government has a role to play in supporting families and the child care providers that serve them.

Home-based child care is a key part of the solution. Nearly 6.4 million children ages birth to five receive child care in a home-based setting. This series of issue briefs will explore how cities, counties and states are making investments and changing policies to support home-based providers.



“While these grants have helped, the core problem is that child care workers are not compensated properly so they leave their jobs to find other better paying opportunities...In our county alone we have over 1,000 licensed slots empty because there isn’t enough staff to operate centers at full capacity.”

—Survey respondent from North Carolina

The Challenge

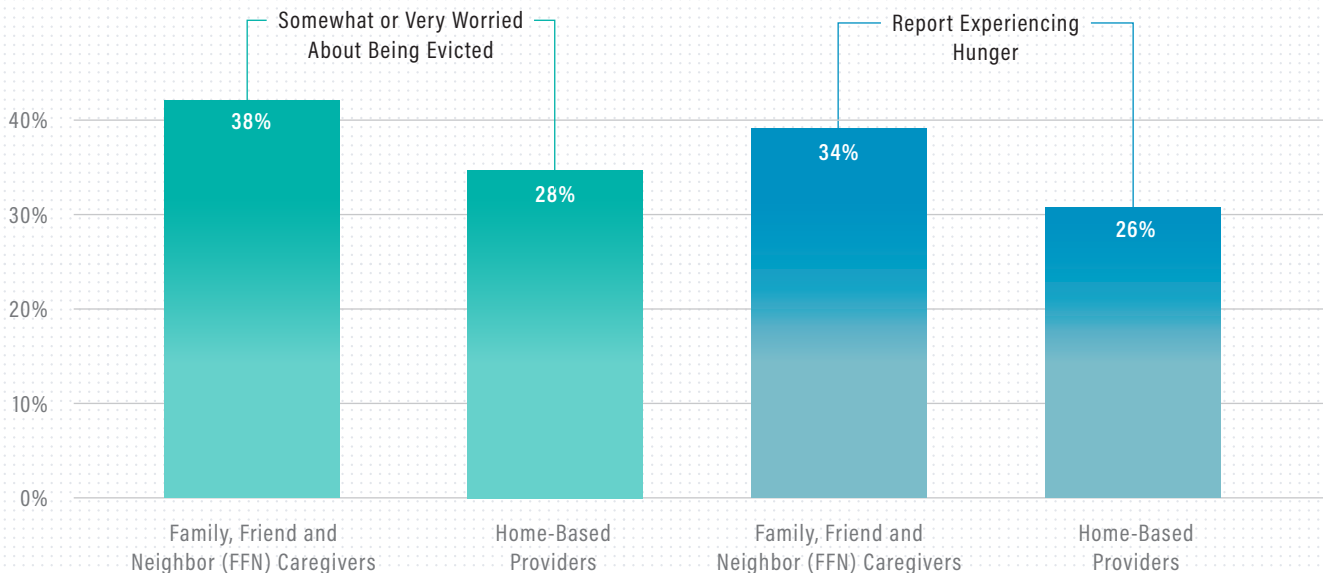
The United States' current child care system is underfunded and largely dependent on private financing. Child care is treated as a market-based service, meaning the price of care is driven more by what parents can afford than the actual cost of providing care. To keep costs down, providers — most of whom are women and many of whom are people of color — are paid low wages and often receive no benefits.

The Stanford Center for Early Childhood reports that home-based providers are struggling to make ends meet and have high rates of food and housing insecurity.² In addition to earning less than educators in the K-12 system, child care providers are also more likely to be uninsured than educators in the K-12 system. In 2019, only 4.2 percent of teachers were uninsured but 8.1 percent of listed home-based providers and 16.5 percent of unlisted providers were uninsured.³

The Solution

During the COVID-19 pandemic, many states, counties and cities used American Rescue Plan Act funds to provide signing or retention bonuses to child care providers. While these investments provided crucial support, not all efforts included home-based providers. Even in cases where home-based providers were included, the time-limited nature of these funds makes it difficult to sustain these solutions in the long-term. At the state and local levels, governments are exploring new strategies to increase overall compensation for providers by offering additional benefits, such as student loan forgiveness and support for child care, housing and transportation costs.⁴ Shared service alliances can also play a role in connecting providers to benefits.⁵

Housing and Food Insecurity Among Child Care Providers



Source: [Stanford Center for Early Childhood](#)



Snapshots from the Field

Washington, D.C.

The city established the [HealthCare4ChildCare](#) program to provide free or low-cost health insurance to licensed home- and center-based providers. To support uptake of the program, the D.C. Health Benefit Exchange Authority partnered with trusted community organizations to identify and educate eligible providers, engage them with culturally and linguistically appropriate strategies and provide a “warm hand-off” to personalized enrollment support.⁶ This program builds on the Pay Equity Fund, which the D.C. Council created in 2021 to ensure that early childhood educators receive compensation equal to K-12 public school teachers.⁷ As of May 2024, however, the fund’s future is uncertain; the program has been cut from Mayor Muriel Bowser’s proposed 2025 fiscal budget.⁸

Franklin County, Ohio

The county commission allocated \$23 million of ARPA funds for Franklin County RISE, a program that aims to strengthen early care and learning systems by funding scholarships for families and incentives and supports for providers. Through RISE, licensed family child care homes can receive incentive awards for improving their quality rating, serving children receiving a child care subsidy and providing care during nontraditional hours (i.e., nights and weekends). In recognition of the low wages in the early childhood field, the program also created a dedicated Emergency Rental Assistance fund to support child care providers who are struggling with housing costs. On average, providers receive \$3,000 to help cover housing costs.⁹

York County, Pa.

The county commission allocated \$250,000 of local ARPA recovery funds to support administration of the York County Early Childhood Educator Award Project (ECE Awards). In 2021, the county’s chapter of the Pennsylvania Early Learning Investment Commission created the ECE Awards to provide financial incentives for providers at quality-rated centers and home-based programs. Since its creation, the program has granted 604 awards to providers, totaling more than \$980,000. Initial results suggest that the program is helping programs move to a higher quality rating and reducing staff turnover.¹⁰

King County, Wash.

In 2021, voters in King County renewed the Best Starts for Kids levy, which generates funds that are invested in children, youth, young adults and families. Through [Best Starts for Kids 2.0](#), the county will allocate at least \$5 million annually for the Workforce Demonstration Project, which will provide a salary supplement to licensed center- and home-based providers.¹¹ The county anticipates serving at least 1,400 providers, prioritizing those who serve low-income families or work in areas with limited child care access. The county will also study the impact of this wage boost on provider retention with the goal of informing long-term, sustainable change.

City of Portland, Maine

Existing licensed home-based providers in Portland were eligible to receive up to \$10,000 from the city to help cover payroll costs. Providers could receive up to an additional \$500 for serving as a mentor site for providers pursuing a Child Development Associate Certificate.¹²

City of Sacramento, Calif.

The city allocated nearly \$900,000 of ARPA funds to provide center- and home-based child care programs with stipends that can be used to hire staff, provide sign-on and retention bonuses and cover operational expenses.¹³

Vermont

Vermont established the Student Loan Repayment Assistance Program for Early Childhood Educators in 2021. Through the program, center- and home-based educators can receive up to \$4,000 annually to reduce student debt. The program has served more than 100 providers with an average debt of \$32,500.¹⁴

Kentucky

To attract and retain child care employees, Kentucky changed its regulations to make all child care employees categorically eligible for child care subsidies. The state recognized that since the pandemic, many child care employees have left the field to take higher paying jobs in other sectors, such as retail and hospitality. While this policy change does not increase compensation, it offers a new benefit for child care providers. The costs associated with this change are covered ARPA funds.¹⁵

Shared service alliances can also play a role in connecting providers to benefits.



To learn more about shared service alliances, read the [Creating Economic Opportunity for Providers issue brief](#).



Endnotes

- ¹ ReadyNation Council for a Strong America, "\$122 Billion: The Growing, Annual Cost of the Infant-Toddler Child Care Crisis," (February 2023) available at <https://www.strongnation.org/articles/2038-122-billion-the-growing-annual-cost-of-the-infant-toddler-child-care-crisis>
- ² Home Grown, "[Holistic Compensation Approaches Prioritize Benefits Access](https://homegrownchildcare.org/holistic-compensation-approaches-prioritize-benefits-access/)," (August 2023) available at <https://homegrownchildcare.org/holistic-compensation-approaches-prioritize-benefits-access/>
- ³ Office of the Assistant Secretary for Planning and Evaluation, "Assessing Uninsured Rates in Early Care and Education Workers," (November 2021) available at <https://aspe.hhs.gov/reports/assessing-uninsured-rates-early-care-education-workers>. **Note:** *Listed programs are those that are recognized by the state and includes licensed, regulated, license-exempt or registered providers. Unlisted providers do not appear on state or national lists.*
- ⁴ Home Grown, "Opportunities For States To Improve Benefits Access For Home-Based Child Care Providers," (August 2023) available at https://homegrownchildcare.org/_resources/opportunities-for-states-to-improve-benefits-access-for-home-based-child-care-providers/
- ⁵ Opportunities Exchange, "Retirement Planning: How Shared Service Alliance and Intermediaries Can Help," (March 2023) available at https://static1.squarespace.com/static/5f4d7a7ef6c82325c5ec80c0/t/641864ec761c123844231a64/1679320300420/OpEx_2023_RetirementPlanning_Brief.pdf
- ⁶ DC Health Link, "HealthCare4ChildCare Outreach & Engagement Partnership Grant Program," available at <https://www.dchealthlink.com/hc4cc-grants>
- ⁷ Under 3 DC, "Pay Equity Fund Fact Sheet," available at <https://under3dc.org/wp-content/uploads/2023/10/Pay-Equity-Fund-Fact-Sheet.pdf>
- ⁸ Governing, "D.C. Has an Excellent Model for Strengthening Child Care. The City May Do Away With It," (May 2024) available at <https://www.governing.com/workforce/d-c-has-an-excellent-model-for-strengthening-child-care-the-city-may-do-away-with-it>
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- ¹⁰ Community Connections for Children, "2023 Educator Awards Program," available at <https://yccf.org/wp-content/uploads/2023/11/2023-ELIC-Report-10.19.23.p>
- ¹¹ King County, "Best Starts for Kids Implementation Plan: 2022-2027," (October 2021) available at https://kingcounty.gov/en/legacy/depts/community-human-services/initiatives/best-starts-for-kids/-/media/depts/community-human-services/best-starts-kids/documents/Best_Starts_for_Kids_Implementation_Plan_Approved_2021
- ¹² City of Portland, "Portland Growing Child Care Grant," available at <https://www.portlandmaine.gov/255/Portland-Growing-Child-Care-Grant>
- ¹³ Sacramento City Express, "City Providing Stipends to Support Child-Care Providers in High-Need Areas of Sacramento," (November 2022) available at <https://sacramentocityexpress.com/2022/11/08/city-providing-stipends-to-child-care-providers-in-high-need-areas-of-sacramento/>
- ¹⁴ Vermont Association for the Education of Young Children, "Student Loan Repayment Assistance Program," available at <https://www.vtaeyc.org/slraps/>
- ¹⁵ Kentucky Youth Advocates, "Celebrating New Benefits for Child Care Employees," (September 2022) available at <https://kyyouth.org/celebrating-new-benefits-for-child-care-employees/>



Scan the QR code to learn more about strategies to support home-based child care and explore our other resources to support youth and families.

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