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



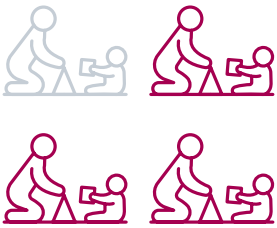
Introduction

High-quality child care is essential to the success of families and economies, and state and local leaders play an important role in ensuring this care is affordable, responsive and accessible to working families. Home-based child care (HBCC) is a key part of the child care system and is often a family's top choice. Parents currently utilizing HBCC report high rates of satisfaction with their child care arrangement and 65 percent would continue to choose for their child to be cared for in a home-based setting, even if child care were free and available in a convenient location.

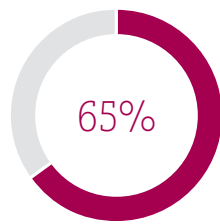
State and local governments have an important role to play in advancing solutions to address limitations in child care supply. This primer offers insights to help state and local policymakers better understand the unique strengths of HBCC and the challenges facing these providers. The accompanying issue briefs provide examples of how states, counties and cities are thinking creatively about ways to support and invest in home-based providers and the families they serve.¹



CHILD CARE ACCESS IN THE UNITED STATES



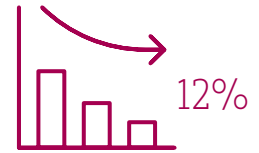
In 2022, more than **75 percent** of parents in the United States looking for child care reported difficulty finding it.²



In a 2024 survey, **65 percent** of county leaders said their county lacked adequate access to child care.³



Nearly **6.4 million children** ages birth to five receive care in a home-based child care setting.⁴



Between 2019 and 2023, there was a **12 percent** decline in licensed family child care homes while the number of child care centers remained mostly static.⁵



Eighty-five (85) percent of primary caregivers with infants or toddlers said problems with child care hurt their efforts or time commitment at work. The lack of access to infant-toddler child care alone costs \$122 billion in lost earning, productivity and revenue every year.⁶

Home-Based Child Care Offers More Options for More Families

Child care is an essential support for children, families and communities. Accessible, affordable child care enables parents to pursue a career, further their education and contribute to the local economy. Home-based providers also play an important role in supporting early learning and increasing access to high-quality pre-kindergarten programs that prepare children for kindergarten and beyond. However, the needs of each family and each community are different. Families must be able to choose the care that best meets their needs and wants. Home-based child care is a key piece of a child care system that meets the needs of all families in all communities.

CULTURAL AND LINGUISTIC MATCH: While HBCC exists in all communities, it is often a top choice for families from historically marginalized or under-resourced communities. For example, families of color and immigrant families may be more able to find care that meets their cultural and linguistic needs or preferences in home-based settings.⁷

FLEXIBLE SCHEDULING: For low-income working families, child care centers may not offer hours that meet their work schedules. Home-based providers – especially family, friends and neighbors – often offer more flexible schedules and can provide care during the evenings, weekends and overnight.⁸

TYPES OF HOME-BASED CHILD CARE

HOME-BASED CHILD CARE (HBCC) is any care that takes place in a residential or family setting. Two primary categories of home-based providers include:



FAMILY CHILD CARE (FCC): FCC providers serve children out of a private residence, typically as a business. FCC may also be called Family Child Care Homes or Family Day Care Homes. Some FCC providers are licensed or registered, meaning they meet a set of requirements outlined by their state in order to operate and be paid for their services. Other providers are not required to be licensed or registered because they care for a smaller number of children.



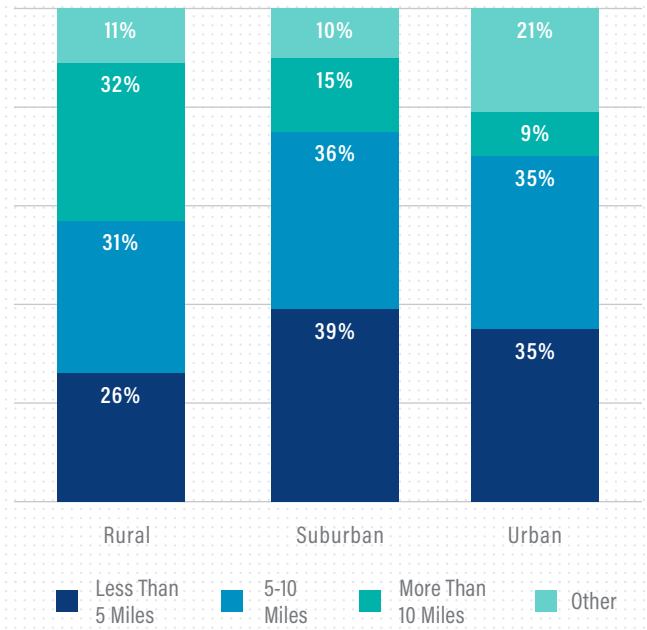
FAMILY, FRIEND AND NEIGHBOR (FFN): FFN is a broad term encompassing many types of caregivers: grandparents, nanas, aunts, abuelitas, family, friends and neighbors. FFN providers typically have a previous relationship with the children in their care and may be paid or unpaid. These caregivers typically serve a smaller number of children and may or may not view themselves as child care providers. In most states, FFN caregivers are allowed to operate legally license-exempt or non-licensed.

RURAL COMMUNITIES: HBCC is also often the norm in more rural communities, where it may be harder to access other forms of care because low demand may not justify building and staffing a child care center. Families in these communities are also often commuting farther distances to work and, in some cases, child care: one survey found that rural parents are significantly more likely to have to drive more than 10 miles to access child care.⁹ Having a network of smaller, home-based providers can better meet the needs of families closer to where they live or work.¹⁰

DEVELOPMENTAL NEEDS: In addition, families often choose HBCC for infants and toddlers. One in three (30 percent) of infants and toddlers are in home-based settings as their primary care arrangement, compared to 12 percent in centers.¹¹ Home-based providers and caregivers report that parents may choose HBCC if they have multiple young children, since the smaller, mixed-age setting allows siblings to learn and play together instead of being in separate classes. Providers also shared that parents choose HBCC because of continuity of care and ability to form a longer-term relationship with a provider.¹² Children typically spend longer in home-based settings (17-19 months) than center-based settings (14 months).¹³

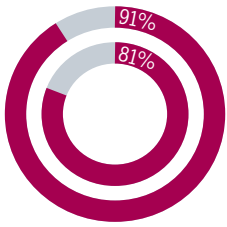
COST TO FAMILIES: HBCC may also be more affordable than center-based care, in part because home-based providers may not pay themselves a salary.¹⁴ While this reduces the cost to families, it can have serious impacts on providers' economic stability and ability to continue providing care.

Distance Parents Drive to Child Care



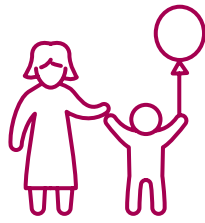
Source: [Bipartisan Policy Center, Child Care in 35 States: What we know and don't know](#)

PROVIDERS BY THE NUMBERS: UNDERSTANDING WHO IS CARING FOR OUR CHILDREN

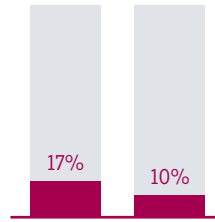


Home-based providers are more likely to speak a language other than English with children:

91 percent of center-based providers speak only English with children, compared to **81 percent** of home-based providers.



Approximately **97 percent** of home-based child care providers are women and almost half identify as people of color.¹⁶



17 percent of home-based providers were born outside the United States, compared to **10 percent** of center-based teachers.¹⁷



In 2019, more than **five million home-based providers** cared for one or more children.¹⁵



Key Themes

Particularly since the onset of the COVID-19 pandemic, state and local governments have been investing in increasing the supply and quality of child care. Through this partnership between the National Association of Counties, National League of Cities and Home Grown, several themes emerged as opportunities for state and local leaders to support home-based child care providers and the families that rely on them.

States and Localities Use Federal Funds to Support HBCC

The country's child care crisis gained increased attention from federal, state and local policymakers during the COVID-19 pandemic. In response, the American Rescue Plan Act (ARPA) allocated \$39 billion in emergency funding for child care, providing states with funds to stabilize existing providers and make investments to strengthen their child care systems.¹⁸

ARPA also authorized the State and Local Fiscal Recovery Fund (SLFRF), which delivered \$350 billion in direct, flexible funding for state, territorial, local and Tribal governments to respond to the public health and economic impacts of the pandemic. The flexibility of these funds allowed counties and cities to pilot and explore new, innovative programs and approaches that would best meet the needs of their community.¹⁹

Recognizing that funds allocated through ARPA were a one-time investment, states and localities have sought to use these funds strategically and sustain these investments once funding runs out. Some local governments have made strategic investments that focus on covering one-time costs rather than recurring costs, such as covering the one-time startup costs associated with creating a new home-based program. At the state level, 11 states and Washington, D.C. have increased public investments in the child care sector since the passage of ARPA, in part to help sustain the initial resources provided under that law.²⁰



SNAPSHOTS FROM THE FIELD

In June 2021, Jefferson County, N.Y. convened stakeholders from early childhood, economic development and post-secondary education to create the [Home-Based Child Care Training program](#). The program is offered to residents at no cost and includes free training, business counseling and licensing support.

“Through ARPA funding, we had permissive spending directives to ‘invest in access to high-quality child care.’ We could not have made the investments we did without this funding.”

—Rebecca Young, County Administrator, Stevens County, Minn.

Intergovernmental Partnerships Are Key to Success

Each level of government has its own policy levers when it comes to child care. While specific authorities vary by state, intergovernmental partnerships can strengthen child care efforts by leaning into the natural strengths of each level of government. States, for instance, are typically in charge of setting policies around child care subsidy, including reimbursement rates and eligibility, and administering other federal funding streams that directly or indirectly flow to child care.²¹ States have leveraged this authority to increase reimbursement rates for infants and toddlers, classify child care employees as categorically eligible for child care subsidy and create resources for FFN providers.

Intergovernmental coordination and collaboration between states and localities can also help ensure that funds are being targeted to specific areas and not spread too thin across the state. States can work with city and county officials, who have data about where the need is highest in their communities, to understand where to target investments.



SNAPSHOTS FROM THE FIELD

To target the areas of highest need, the **Ohio Department of Children and Youth** created the [Infant and Toddler Infrastructure Grant program](#), which allocates funds to both centers and family child care programs seeking to serve more infants and toddlers. To be eligible, providers must operate in one of 10 high-need communities.²²

Local initiatives can be a powerful tool to increase access to care, improve compensation for providers and strengthen the quality of home-based care. City and county leaders are living and working alongside the families and providers they serve and understand the specific needs and opportunities these groups face in their community. Cities and counties can also work together and layer funding to expand the reach of successful programs. In several cases throughout these issue briefs, city and county governments coordinated and layered funding to support programs for home-based providers.



SNAPSHOTS FROM THE FIELD

In both urban and rural communities, cities and municipalities may partner to further the reach of funding. **Renville County** and the **City of Fairfax, Minn.** jointly fund a [forgivable loan program](#) for HBCC. In Ohio, **Franklin County** and the **City of Columbus** both contributed to [Franklin County RISE](#), aims to strengthen early care and learning systems by funding scholarships for families and incentives and supports for providers.

Cities and counties can also serve as “laboratories” where new policies and programs can be piloted. State legislatures and governments can draw from these local examples to create solutions that are scalable at the state level.²³

Engaging Providers Promotes Equitable Decision Making

HBCC programs have unique needs – and unique strengths – that should be considered when designing policies and programs. Yet, many policy changes that benefit child care programs exclude HBCC. For example, in Texas, voters recently passed a proposition to authorize a property tax exemption for child care. While this proposition will provide relief to many child care programs, it does not apply to home-based providers. As a result, cities and counties in the state are exploring ways to extend this relief to home-based providers. Similarly, in Kentucky, regulatory changes made all child care employees categorically eligible for child care subsidies. However, regulation still mandates that parents cannot receive a subsidy to care for their own children, meaning that family child care providers who care for their own and other children are not eligible.²⁴ While both policies show promise in supporting child care systems, neither fully meets the needs of home-based providers.

States and localities that involve HBCC providers in decision making will have more inclusive policies that support more families.



SNAPSHOTS FROM THE FIELD

Dakota County, Minn. launched a multi-year [campaign](#) to engage Latino FFN providers with the goal of better understanding their needs. As a result of this feedback, the county changed several of its outreach strategies to better engage this community.

Colorado created a statewide [FFN Advisory Council](#) that will allow providers to make recommendations on policy, funding and regulation. The state also passed a tax credit for all individuals in the care workforce, including FFN caregivers.²⁵

2024 CHILD CARE AND DEVELOPMENT FUND FINAL RULE

The new Child Care and Development Fund (CCDF) Final Rule updates regulations to help working families afford child care and broadly support child care quality and accessibility in communities. Policies included in this final rule are designed to lower child care costs for families, improve payments to child care providers, increase child care options for families, make enrollment easier and faster for families and increase clarity in CCDF requirements. States can explore ways to leverage new provisions in the rule to create economic opportunity for providers and engage providers and families in the policymaking process.



Scan the QR code to learn more

State and Local Strategies

The [National Association of Counties](#), the [National League of Cities](#) and [Home Grown](#) created a series of issue briefs to provide examples of how states, counties and cities are thinking creatively about ways to support and invest in home-based providers and the families they serve. This section provides an overview of the sub-topics covered and accompanying strategies.



Scan the QR to read the briefs in full and see real-world examples of states, counties and cities implementing these strategies.

Creating Economic Opportunity for Providers

Home-based providers face many challenges in operating a small business. To promote economic stability and well-being for providers and their businesses, state and local governments can:

- Invest in networks and shared service alliances that connect providers to new resources and their peers.
- Leverage authority to reduce regulatory and financial barriers for providers.

Compensation and Benefits

The average annual child care income for a licensed home-based provider is \$29,377.²⁶ To increase earnings for providers, state and local governments can:

- Explore ways to increase compensation and offer new benefits, such as student loan forgiveness and support for child care, housing and transportation costs.
- Leverage shared service alliances to connect providers to benefits.

Family, Friend and Neighbor Care

Family, friend and neighbor (FFN) caregivers are a key but often unacknowledged part of the child care system. To support high-quality child care environments in FFN settings, state and local governments can:

- Create grant programs and professional development opportunities for FFN.
- Ensure FFN caregivers are included in program and policy design.
- Extend child care benefits and subsidies to FFN caregivers.

Infant and Toddler Care

The majority of infants and toddlers are served in home-based care, but providing care to this age group can be more expensive for providers. To better meet the need for care for infants and toddlers, state and local governments can:

- Provide incentives for caring for infants and toddlers.
- Offer funds and resources to build provider capacity to serve infants and toddlers.



Appendix

The examples highlighted in these resources come from several sources. This project drew heavily from the [Local Government ARPA Investment Tracker](#), created in partnership by Brookings Metro, the National Association of Counties (NACo) and the National League of Cities (NLC), and Child Care Aware of America's [ARPA Implementation Tracker](#).

NACo, NLC and Home Grown also administered a survey to capture state and local investments and policy changes impacting home-based child care. This survey was distributed through the three organization's

networks. The survey was open from October 2023 to January 2024 and received 158 responses, 91 of which could be analyzed.

To ensure accuracy and relevance of these resources and the recommendations included, NACo, NLC and Home Grown created an advisory committee to review this document. These individuals represented current and former state, county and city officials, as well as child care providers, and provided vital insight into the challenges and opportunities facing state and local governments and home-based providers.

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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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