

**POLICY ANALYSIS**

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# State and Local Strategies to Improve the Financial Well-Being of Home-Based Child Care Providers

## — BACKGROUND

Home-based child care (HBCC) is an essential sector of the child care and early education (CCEE) landscape and includes licensed family child care providers (FCC) as well as unlicensed and license-exempt family, friend, and neighbor providers (FFN). Across the United States, HBCC is one of the most commonly used nonparental child care arrangements for families.<sup>1</sup> Compared with other CCEE settings, HBCC providers more often offer nonstandard hours and flexibility that may support parents' work schedules and needs.<sup>2</sup> Families that use HBCC report that they value the opportunity for siblings to be cared for together, individualized attention (especially for children with special needs), a personal relationship with the provider who may share the same background, and continuity of care for children from infancy through school-age.<sup>3</sup>

Early educators have historically received low wages and lacked benefits such as health insurance and retirement that support their economic well-being and future financial security. The average hourly wage across the CCEE workforce is \$13.07, and those working in home-based settings—particularly FCC providers—often receive the lowest compensation within the sector.<sup>4</sup> FCC provider wages can be complicated because providers often work long hours beyond a standard 40-hour work week and, for many, their wages are tied to their business revenue, which may fluctuate. A recent survey of nearly 700 HBCC providers, mostly licensed FCC providers, found that nearly one-third (30 percent) earned between \$7 and \$10 per hour, and the majority (82 percent) worked more than 50 hours per week. One-fourth of providers surveyed did not know how much they earned per hour.<sup>5</sup>

Low income, lack of benefits, and long hours have been cited by licensed FCC providers as factors for leaving the field.<sup>6</sup> Between 2005 and 2017, the decline of small, licensed FCC programs was as much as 50% in some states. Recent data suggest a potential reversal of this trend with three states reporting an increase in the numbers of family child care.<sup>7</sup>



Declines in subsidy participation across the HBCC sector have also been observed.<sup>8</sup> Over this same time, the number of licensed and license-exempt HBCC providers participating in state child care subsidy systems declined. The number of license-exempt providers declined by 75 percent, while the number of licensed providers declined by 51 percent.<sup>9</sup> The average subsidy reimbursement rate for a child in a center is about 8% higher than the payment for a child in an HBCC home.<sup>i</sup>

Although the link between HBCC supply and parents' patterns of child care usage have not been examined, fewer child care options may limit the choices parents have that meet their needs. Policies that promote the financial well-being of HBCC providers may support stability of the HBCC sector and expand child care options for parents.

## — OVERVIEW OF ANALYSIS

This brief provides some illustrative examples of local and state economic-support strategies for the HBCC sector. Data cited in this brief come from the *Early Care and Education Workforce Compensation Policy Database* from the Center for the Study of Child Care Employment. (See Appendix A for a full description of methods and database.) This database launched in February 2025, includes 160 policies across states and localities. Analysis for this brief identified 67 active policies that focused on the HBCC workforce. Across these 67 policies, 34 states, four counties, two cities, and the District of Columbia were represented.

The analysis focused on the identification and description of policy strategies that states and local communities use to address compensation for HBCC providers.<sup>10</sup> The goal of the analysis was to include policies across the HBCC sector; however most policies were aimed at licensed settings, which often included FCC providers.

### HBCC Terminology

Researchers, policymakers, and practitioners use a range of terms to refer to HBCC providers and settings, including family child care (FCC); family, friend, and neighbor (FFN) care, or relative care; licensed, license-exempt, or unlicensed; certified or registered; listed or unlisted. These terms often denote differences in licensing status, employment status (e.g., owner-operated business, paid/unpaid), and the relationship between the provider and the child.

Terms and definitions can vary from state to state based on state-specific licensing, training, and certification requirements.

<sup>i</sup> Analysis was conducted by the authors based on Child Care and Development Fund statistics compiled from data reported by states and territories on the ACF-800—Annual Aggregate Child Care Data Report and ACF-801—Monthly Child Care Data Report available at <https://acf.gov/occ/data/child-care-and-development-fund-statistics>. Analysis combines “family home” and “group home” for the purposes of analyzing family child care provider payments. The analysis does not include care in the child’s home.



## FINDINGS

This brief describes five types of economic support strategies that include HBCC: **(a) wage supplements, (b) benefits, (c) child care assistance for HBCC providers' own children, (d) operational support, and (e) mixed-delivery preschool programs that include HBCC.**

States and localities often use a mix of federal, state, and sometimes local funding to support these efforts (see Appendix B). Some strategies are consistently funded over time, while others are funded as pilots or temporary measures.

### WAGE SUPPLEMENTS

Providing wage supplements to augment earnings in the CCEE workforce was the most common economic support strategy for HBCC identified in the database. Wage supplements can provide much-needed economic support and promote retention in the CCEE workforce. Wage supplements can take many forms, including payments to providers, direct payments to employees, and tax credits. These may include one-time payments or recurring payments, and they range in amounts from a few hundred dollars to thousands of dollars per year. Some supplements are tied to degree attainment, credentials, or training and function more as scholarships or incentives.



In the United States, HBCC is a common care setting for infants and toddlers.<sup>11</sup> Wage supplements focused on staff working with younger children can address some of the gaps that exist between home-based and center-based staff and gaps between providers who work with children under age 3 and preschool-age children. Among the 67 policies for HBCC providers in the database, nearly all (94 percent) focused on wage supplements.

Below are examples of wage supplement strategies that include the HBCC workforce:

#### ●●● New Mexico's Infant Toddler Pay Parity Program

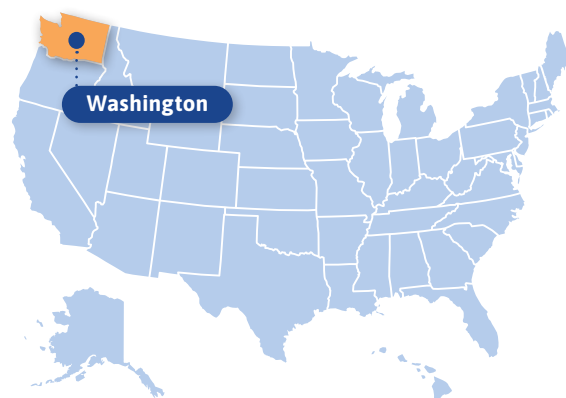
is designed to provide pay that is comparable to pay for teachers working in a public-school setting and considers educational attainment and experience. The wage supplement is limited to those working in Early Head Start or in licensed center and HBCC settings with at least one child participating in a subsidy. This program is supported by state funds—specifically money appropriated to the New Mexico Early Childhood Education Department via the Land Grant Permanent Fund.





### ●●● **King County (Washington State) Best Starts for Kids Child Care Wage Boost Pilot**

was launched in 2025 and aims to improve job satisfaction, retention, and economic stability among child care professionals. This is a multiyear initiative investing over \$25 million through 2027 to increase compensation for approximately 1,400 child care workers in selected licensed center and FCC programs. This program is funded by a property tax levy. Child care programs apply to participate and are chosen through a lottery. Participants receive quarterly payments of \$2,080 for full-time workers and \$1,040 for half-time workers. As of June 2025, the program has dispersed \$2.6 million in wage supplements.<sup>12</sup>



### ●●● **Tennessee's Child Care WAGES<sup>®</sup> program**

offers a salary supplement tied to a provider's education level. The WAGES<sup>®</sup> program is designed to reduce turnover, increase pay, and incentivize higher education for educators.<sup>13</sup> First funded locally, the program is now funded through the Tennessee Department of Human Services (DHS). Providers are eligible if they work in a Tennessee DHS licensed facility for at least six months, work at least 10 hours per week with children, receive less than \$20 per hour, and have a degree that aligns with one of the degrees on the WAGES<sup>®</sup> Supplemental Salary Scale. Supplements range from \$600 to \$7,800 per year per provider.





### ●●● The REWARD Wisconsin Stipend Program

offers stipends ranging from \$300 to \$1,000 annually paid directly to the provider and based on education level, tenure (at least one year in the early childhood education field), and wages (less than \$25 per hour). The program began in 2001 and was expanded with American Rescue Plan Act (ARPA) funds, which provided up to \$1,900 annually; those funds have since ended, and stipends were reduced to base levels. Providers are eligible if they earn less than \$25 per hour, have a degree listed in the Wisconsin registry, and work for at least one year in the CCEE field in a licensed or certified FCC program or in a group child care program that is licensed or participating in a quality initiative.



## BENEFITS

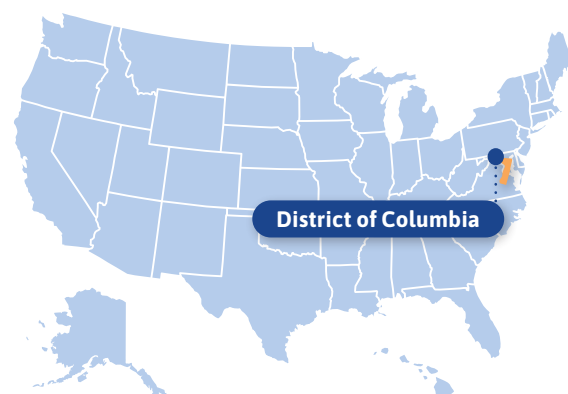
Several states recognize the need for broader policy solutions that extend benefits—such as health insurance and retirement plans—to HBCC providers. In a survey of mostly licensed FCC providers who are affiliated with the National Association for Family Child Care, access to health care, paid time off, and retirement were ranked as providers' top three policy concerns.<sup>14</sup> Of the 67 policies in the database, one-fifth included policies related to provider benefits. Twelve states, one county, and the District of Columbia were represented.



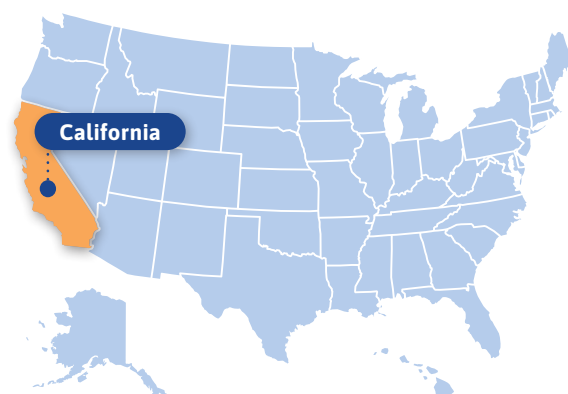


Below are examples of benefits strategies that include the HBCC workforce:

- ● ● **The District of Columbia's HealthCare4Child Care initiative** offers free health insurance to part-and full-time employees of licensed FCC homes and child care centers. This program is funded by the city budget. Employers are not required to contribute, and the program also covers spouses and children of CCEE employees who are city residents at no cost. Funds are also available for local early childhood organizations and other trusted partners to provide information and raise awareness to providers about the program along with assisting providers to enroll in the program.

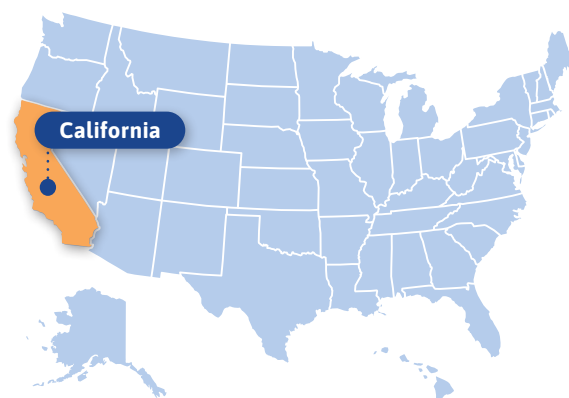


- ● ● **California's Child Care Providers United (CCPU), local union of the Service Employees International Union** offers a fund that reimburses eligible HBCC providers for out-of-pocket medical expenses. California allocated \$100 million for the CCPU health care fund in 2022. The CCPU health care fund includes 40,000 members who are FCC and FFN providers. To be eligible, child care providers must care for at least one subsidized child (i.e., enrolled in a qualified state-funded child care assistance program).<sup>15</sup> This is one of the few policies identified in this brief that is offered to FFN providers as well as licensed FCC providers.





- ● ● **California's CCPU local union** offers **retirement benefits** for HBCC providers. California is one of the first states in the nation to offer this benefit to the HBCC sector. This contract was secured through a collective bargaining agreement and funds up to \$80 million annually for retirement benefits. Providers are eligible for the CCPU retirement plan if they work in a licensed FCC program and have been paid for six or more months from the state's child care subsidy program.<sup>16</sup>



### CHILD CARE ASSISTANCE FOR HBCC PROVIDERS' OWN CHILDREN

Beyond wages and benefits, some states are also implementing strategies that help the CCEE workforce afford reliable child care for their own children. Policies that prioritize or target child care assistance to FCC providers can improve their financial stability by offsetting child care expenses for their own children. Child care can be one of the largest household expenses for families with young children, often surpassing the cost of other necessities, such as housing.<sup>17</sup>



Of the 67 policies for HBCC providers in the database, 12 percent focused on child care subsidies for a provider's own child(ren), representing seven states and the District of Columbia. Some states have pilots in process (Massachusetts, Maine, Rhode Island, and Iowa) to subsidize child care costs for CCEE staff, including HBCC providers who need child care for their own children. Typically, federal funds like the Child Care and Development Fund (CCDF) are used for child care subsidies. Many of these strategies focus on expanding eligibility for child care staff members through categorical eligibility or increasing the income threshold and local or state funding often covers the difference for those who exceed the state median income (SMI).<sup>18</sup>





Below are examples of strategies focused on child care assistance for HBCC providers' own children:

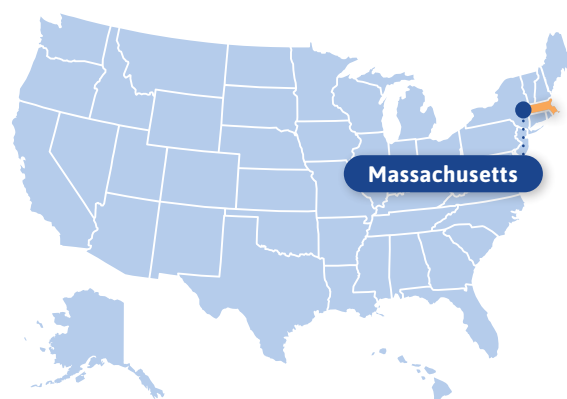
- **Kentucky's Child Care Assistance Program**

offers child care assistance for all employees in licensed and certified child care programs who work 20 hours or more per week, regardless of their household income or their role. Launched in 2022, this program originally was supported by ARPA funds.



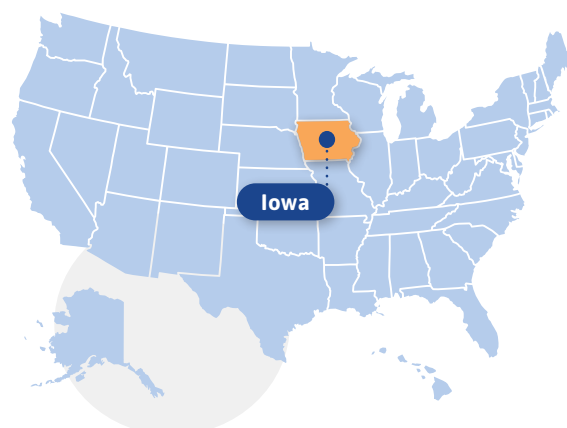
- **Massachusetts Department of Early Education and Care (EEC)'s Early Education and Care Staff Pilot Program**

was launched in 2023 and expands eligibility to staff members employed in licensed and publicly funded CCEE programs whose income is at or under 85% of SMI. By September 2024, over 1,580 EEC staff members and their families had benefited from the program. A subsequent survey and interview of program participants found that receiving child care assistance for their own children contributed to financial stability. Staff members were also able to work more hours, including during the summer months, and the additional income and lower child care payments allowed them to afford child-related expenses.<sup>19</sup>



- **Iowa's Child Care Assistance (CCA) Pilot Program for the Child Care Workforce**

also offers assistance for child care providers regardless of household income. Eligibility extends to registered child development home providers and nonregistered home-based providers who accept CCA.<sup>20</sup>







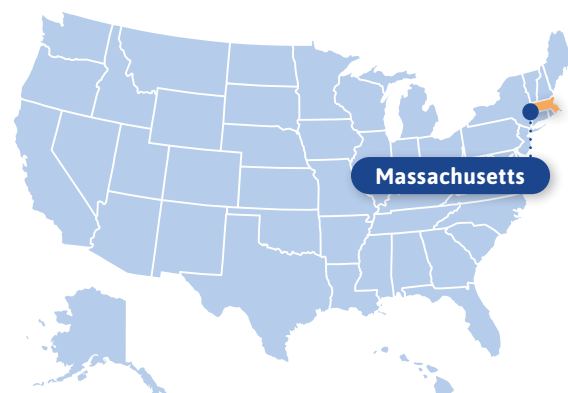
## OPERATIONAL SUPPORT

A complementary economic-support strategy to wage supplements, benefits, and child care assistance is system-wide operational support for expenses needed to run a child care program. Many HBCC providers are small-business owners who often need to cover their operations costs before they draw a salary for themselves. Funding to support child care operations can stabilize supply and offset program-related costs, such as equipment, professional development, utilities, or even staffing expenses for FCC programs that hire assistant providers. Providing operational grants was a nationwide strategy during the COVID-19 pandemic, with \$24 billion in ARPA funds directed at operational grants for providers. Some states have retained this as a strategy. Of the 67 policies in the database, 9 percent included operational support for providers.



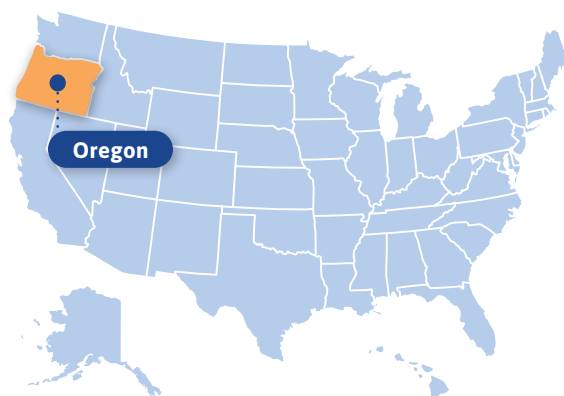
Below are examples of strategies focused on operational support:

- ● ● **Massachusetts Commonwealth Cares for Children grants** provide monthly funding to child care programs to support operations and workforce costs. All licensed child care programs are eligible to apply. Originally funded by ARPA, funds can be used for a range of expenses, including personnel stipends and benefits, professional development, supplies and equipment, rent or mortgage, and utilities. The funding amount is based on the number of enrolled children and includes a higher payment for younger children, as operational and staffing costs are typically higher for infants and toddlers. Funding is also adjusted upward if a provider has enrolled in the subsidy program or for providers in communities with fewer resources.<sup>21</sup>





- ● ● **Oregon's Baby Promise** supports infant and toddler child care supply through state contracts with child care providers in areas with unmet child care.<sup>22</sup> Funded by the federal CCDF, the program supports operational costs and quality enhancements for FCC homes and child care centers. Baby Promise also provides enhanced compensation and extensive professional support to providers, including coaching, business assistance, and program improvements, to help stabilize and expand infant and toddler care.



## INCLUDING HBCC IN MIXED-DELIVERY PRESCHOOL PROGRAMS



States and localities that use a mixed-delivery approach to offering publicly funded preschool or PreK may offer slots in a range of child care settings, including HBCC. Mixed-delivery approaches can promote parent choice for a preschool setting that best meets their needs. Several states and communities include licensed FCC programs as part of their mixed-delivery options for preschool, often implementing policies that promote comparable pay for providers.<sup>ii</sup> Allowing and supporting FCC programs to deliver publicly funded preschool may help stabilize the FCC sector in a community. Recent studies have found that free preschool initiatives may have the unintended consequence of destabilizing community-based providers, such as FCC programs, because preschool-age children no longer enroll, limiting FCC programs to enrolling only infants and toddlers.<sup>23</sup>

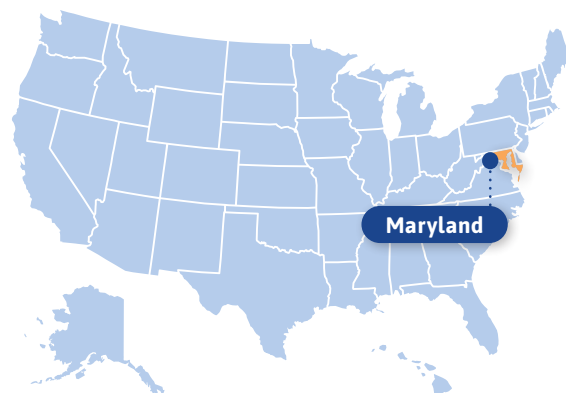
Mixed-delivery preschool initiatives—grounded in fair and comparable compensation, payment rates and support for FCC educators—demonstrate how targeted public investment can stabilize child care providers and offer more choices for parents. In the database, 15 percent of the 67 HBCC policies were focused on preschool. This included eight states, one county, and the District of Columbia.

<sup>ii</sup> See <https://www.erikson.edu/research/prek-in-family-child-care-project-pkfcc/> for more information on preschool and family child care.

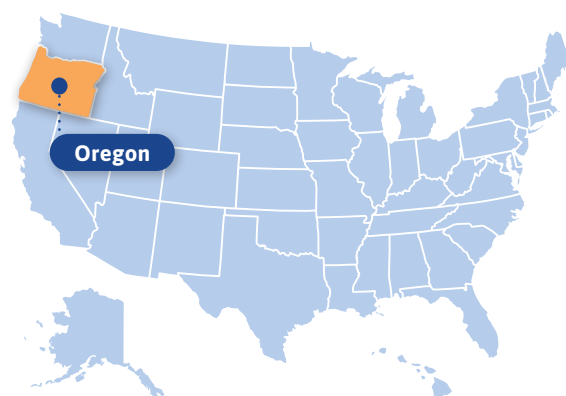


Below are examples of strategies focused on mixed-delivery preschool programs that include HBCC:

- **Maryland's State Preschool Programs** include FCC providers and offers coaching, technical assistance, and economic support to facilitate successful participation.<sup>24</sup>



- **Multnomah County, Oregon's Preschool for All initiative** was initiated in 2020 to create a countywide public preschool program through a mixed-delivery model, including FCC homes.<sup>25</sup> Preschool for All contracts include funding for start-up costs and slots. Each provider must apply for a minimum number of slots based on setting type. Providers can apply for more than the minimum number of slots and are encouraged to consider the number of slots that will be a good fit for their business model. All lead teachers are paid the same, regardless of setting. The cost per child paid to the provider is also the same across settings. In addition, participating programs receive access to individualized coaching, professional development, and business support.



- **New Mexico's Pre-K Parity Program** requires that teachers be paid at least \$50,000 per year and requires parity for FCC providers with a bachelor's degree. The program supplements wages based on education level.





## — LIMITATIONS

At the time of publication, the *Early Care and Education Workforce Compensation Policy Database* was the only known national database offering a national snapshot of policy interventions and strategies designed to improve financial well-being for early educators. A key limitation in using this data source is the method of crowdsourcing used to populate the database. The database does not include an exhaustive list of all strategies and policies offered to HBCC providers and, at the time of writing, was last updated in February 2025.

Strategies for HBCC were mainly implemented at the state level, which may have been due to the crowdsourcing of the data since this not a comprehensive scan of all policies for HBCC providers across the country but of those submitted. Some variables in the database—most often the source of funding—are missing or unclear. While analysis for this brief used additional publicly available documents and websites to supplement missing data in the database, some of this missing information could not be addressed.

Although this brief is intended to provide an overview of strategies aimed at the full range of HBCC settings (licensed, license-exempt, and unlicensed), the strategies identified were mostly available only to licensed FCC providers. A few strategies that were aimed at a broader range of HBCC providers, such as license-exempt or unlicensed settings, had either ended or could not be verified.

## — CONCLUSION

Across the United States, many states, cities, and counties have made investments toward economic-support strategies with the aim to improve the well-being, security, and retention of the CCEE workforce. The strategies highlighted in this brief provide some illustrative examples of how states and communities are leveraging federal, state, and local funds to support the HBCC sector. While some common strategies across communities were described, such as bolstering wages and providing benefits, the implementation of these strategies often varies by locality based on specific workforce needs and resources available. Use of the federal CCDF is a common funding source, especially for wage supplements, benefits, and child care assistance strategies. Operational supports and inclusion of HBCC in mixed-delivery systems are more commonly funded through local or state mechanisms.

Economic strategies that support the financial well-being of HBCC providers can help stabilize the supply of HBCC across localities. Future research and evaluation could contribute knowledge about the impacts of these programs on providers, families, and communities, and some previous studies have shown promising findings.<sup>26</sup> When HBCC providers are financially stable and can keep their programs open, families benefit from greater choice and continuity of care that align with their needs and the developmental needs of their children.



## ENDNOTES

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## APPENDIX A. Methods Used to Identify Economic Policies that Support HBCC

### — DATA SOURCE

Launched in February 2025, the *Early Care and Education Workforce Compensation Policy Database* from the Center for the Study of Child Care Employment (CSCCE) is a crowdsourced resource on state and local strategies related to supporting the economic stability of the child care and early education (CCEE) workforce. Information in the database was reviewed by CSCCE from state and local government websites, surveys, and other reliable sources to ensure the accuracy and reliability of information included in the database. Users can search the database by strategy type (e.g., benefits, child care subsidy, compensation, one-time payment), funding sources (e.g., American Rescue Plan Act [ARPA], Child Care and Development Fund [CCDF], other federal funds, and state or local funds), and eligible CCEE sectors (further defined below). The database is available to the public for download.<sup>iii</sup>

### — SELECTION CRITERIA

For this brief, the authors sorted the database for currently active policies targeting HBCC providers, which encompassed the following database categories: **licensed home-based or FCC programs, other license-exempt programs** that included HBCC providers but also public-school and after-school programs, and **other programs** that included unlicensed HBCC providers. Programs that focused exclusively on non-HBCC CCEE sectors (i.e., licensed center-based programs, Head Start/Early Head Start programs) were excluded because they were outside the scope of interest for this brief.

### — METHODS

The authors of this brief verified the 67 eligible policies using the external links provided in the database. When possible, additional sources (i.e., websites, journal articles) were found to verify the data and identify additional details of each policy, such as HBCC provider eligibility.

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<sup>iii</sup> See <https://app.smartsheet.com/b/publish?EQBCT=ceb8751f5b5b4e9bb733fccae72914d6> to download.





## → METHODS, *continued*

This brief provides examples of economic-support strategies from the following categories: **wage supplements, benefits, child care assistance for HBCC providers' own children, operational support, and mixed-delivery preschool.** These categories were derived from categories and strategy types within these categories listed in the CSCCE database. For example, wage supplements combined strategies within the financial relief and wage increases categories that directly boosted provider wages. Child care subsidies, a strategy type within the financial relief category, was used for the category of child care assistance for HBCC providers' own children. The benefits category was its own category in the database. The operational support and mixed-delivery preschool categories were not categories or strategy types listed in the database but were instead derived for this brief based on the description and focus of the strategies.

## APPENDIX B. FUNDING SOURCES FOR SELECTED POLICIES THAT SUPPORT HBCC

The strategies included in the CSCCE database and described in this brief used a variety of federal, state, and local funding sources, described below. The funding sources included in the database were the CCDF, Child Care and Development Block Grant (CCDBG) general allotment, Preschool Development Grant Birth to Five (PDG-B5), American Rescue Plan Act (ARPA), Coronavirus Aid, Relief, and Economic Security (CARES) Act, Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, and Elementary and Secondary School Emergency Relief (ESSER). Other federal, local, and state funding were also included in the database and had an additional column that further specified the funding source.



## — FEDERAL FUNDING

### CHILD CARE AND DEVELOPMENT FUND

The CCDF is the largest source of federal funding supporting child care quality across the country, providing over \$12 billion annually to states. The CCDF comprises discretionary funds<sup>iv</sup> and mandatory funds (Child Care Entitlement to States). By law, all states must spend a minimum of 12% of their CCDF funds on quality initiatives. States have broad flexibility as to how to use their quality set-aside. The CCDBG Act includes nine categories of quality activities, and the statute allows states to spend quality funds on any activity that the state determines will improve the quality of child care, creating significant opportunities for state innovation. Supporting the child care workforce is one of the statutory uses for quality set-aside.<sup>v</sup>

### CCDF RECOVERY FUNDS

During the COVID-19 public health emergency, CCDF Lead Agencies in states received \$53 billion in relief funds. These funds supported operational grants to child care providers facing financial disruptions as a result of the pandemic and flexible resources to meet the needs of families and child care providers during this critical time. Many states used these funds to address CCEE workforce challenges in the aftermath of the pandemic, which saw a mass closure of programs.<sup>vi</sup> COVID relief funds included stabilization grant funds and funds that could be used for any CCDBG purpose (e.g., to provide child care to essential workers), as well as other purposes within the CRRSA Act. They also allowed providers to offer support to their staff, including assistants, to encourage early educators to stay in the CCEE sector and recruit new staff members. Some states used COVID relief funds to implement strategies or initiatives that were long called for in the child care sector (e.g., enrollment-based subsidy payments). Some of those strategies and initiatives have continued, in whole or in part even after the expiration of these federal resources.<sup>vii</sup>

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<sup>iv</sup> Lynch, K. E. (2024). *The Child Care and Development Block Grant: In brief*. Congressional Research Service. <https://www.congress.gov/crs-product/R47312>

<sup>v</sup> Lynch. (2024).

<sup>vi</sup> Lee, E., & Parolin, Z. (2021). The care burden during COVID-19: A national database of child care closures in the United States. *Socius: Sociological Research for a Dynamic World*, 7. <https://doi.org/10.1177/23780231211032028>.

<sup>vii</sup> Boyle, C. F. & Lynch, K. E. (2023). *What is the child care funding cliff?* Congressional Research Service. <https://www.congress.gov/crs-product/IN12243?q=%7B%22search%22%3A%22R47312%22%7D&s=1&r=2>



## **PRESCHOOL DEVELOPMENT GRANTS BIRTH TO FIVE**

PDG B-5 has provided \$315 million in competitive funds to states and territories to support early childhood systems and improve availability of high-quality CCEE programs through a mixed-delivery approach. PDG B-5 offers states considerable flexibility in their efforts to build more comprehensive and coordinated birth-to-five early childhood systems, improve quality in a range of settings, and improve parental choice. Many states have used PDG B-5 funds to support the CCEE workforce, improve intake processes and customer services platforms (e.g., coordinated intake systems, partnerships to refer families that qualify for multiple programs), coordinate services for children with disabilities, and implement strategies to build the supply of child care.<sup>viii</sup>

### **— STATE AND LOCAL FUNDS**

States and localities draw on a range of resources to support the CCEE field, which vary considerably. Some states and communities levy taxes on income, property, sales, and/or specific goods and services. In some localities, voters have passed measures designed to raise funds to support specific early childhood initiatives. States and localities may decide to enter into public-private partnerships that leverage business or philanthropic resources. Frequently, states and communities layer funding from multiple federal, state, and local funding streams to maximize the impact of their efforts.

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<sup>viii</sup> Administration for Children and Families. (2025). *Preschool Development Grant Birth Through Five report to Congress: PDG B-5 grant activities for 2023*. <https://acf.gov/sites/default/files/documents/ecd/PDG-B-5-Report-to-Congress--2023-Activities--January-2025.pdf>