

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

Creating Economic Opportunity for Providers



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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.



The Challenge

The United States' current child care system is underfunded and largely dependent on private financing.² Child care is also treated as a market-based service, meaning the price of care is closer to what parents can afford than the actual cost of providing care. Even with the best business acumen, margins for child care are thin, yet parents cannot afford to pay more. 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. This is especially true for home-based providers, who typically charge less than center-based programs.

Learn more about strategies to increase compensation for home-based providers.



Scan the QR code to read the *Compensation and Benefits issue brief*.

Many child care providers are drawn to the field because of their desire to educate and care for young children. However, running a child care program also means running a small business. Even providers with education or experience in child development may not have the administrative and financial skills needed to start, manage and sustain their business. Home-based child care (HBCC) providers also have unique needs that may not apply to other small businesses or center-based providers, such as navigating state licensing systems and creating physical spaces that support children's development in a residential setting. Existing state and local business supports designed for other small businesses may not fully meet these providers' needs.

Demographics of Domestic Child Care Workforce

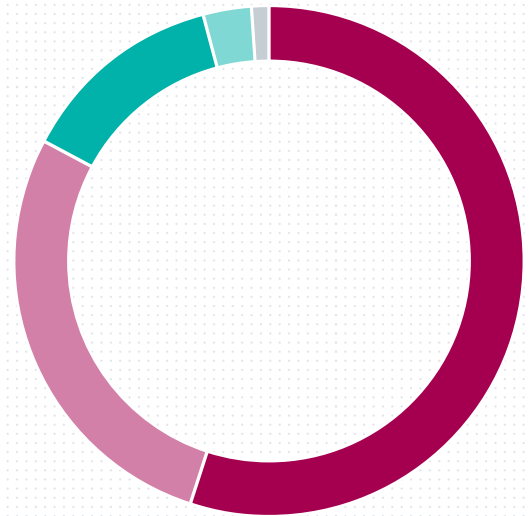
GENDER

97% female



3% male

RACE AND ETHNICITY



55%

White

28%

Hispanic

13%

Black

3%

AAPI

<1%

Other

Source: [Economic Policy Institute](#)

The Solution

State and local governments can better support home-based providers by creating networks of support and working within and across government to reduce barriers.

NETWORKS

One strategy to support home-based providers is to connect them to tailored business supports and networks of peers. Networks typically offer coaching, training and opportunities for peer learning as well as support with administrative services.³ Specifically, several studies suggest that publicly-funded, comprehensive networks can improve economic sustainability and that providers value and appreciate the direct financial and material supports.⁴ Comprehensive networks may take many forms, such as staffed family child care networks, child care resource and referral agencies, shared service alliances, associations and more.⁵ Benefits can include:

- Business supports and training to help providers manage revenue and expenses, collect parent fees and manage subsidy payments
- Support with recruitment of families and child enrollment to potentially increase income, and
- Support with navigating publicly-funded systems such as licensing, quality improvement systems, the federal Child and Adult Care Food Program and the Child Care and Development Fund, which may help providers access additional revenue and attain economic sustainability for themselves and the children and families in their care.

LEVERAGING AUTHORITY AND REDUCING BARRIERS

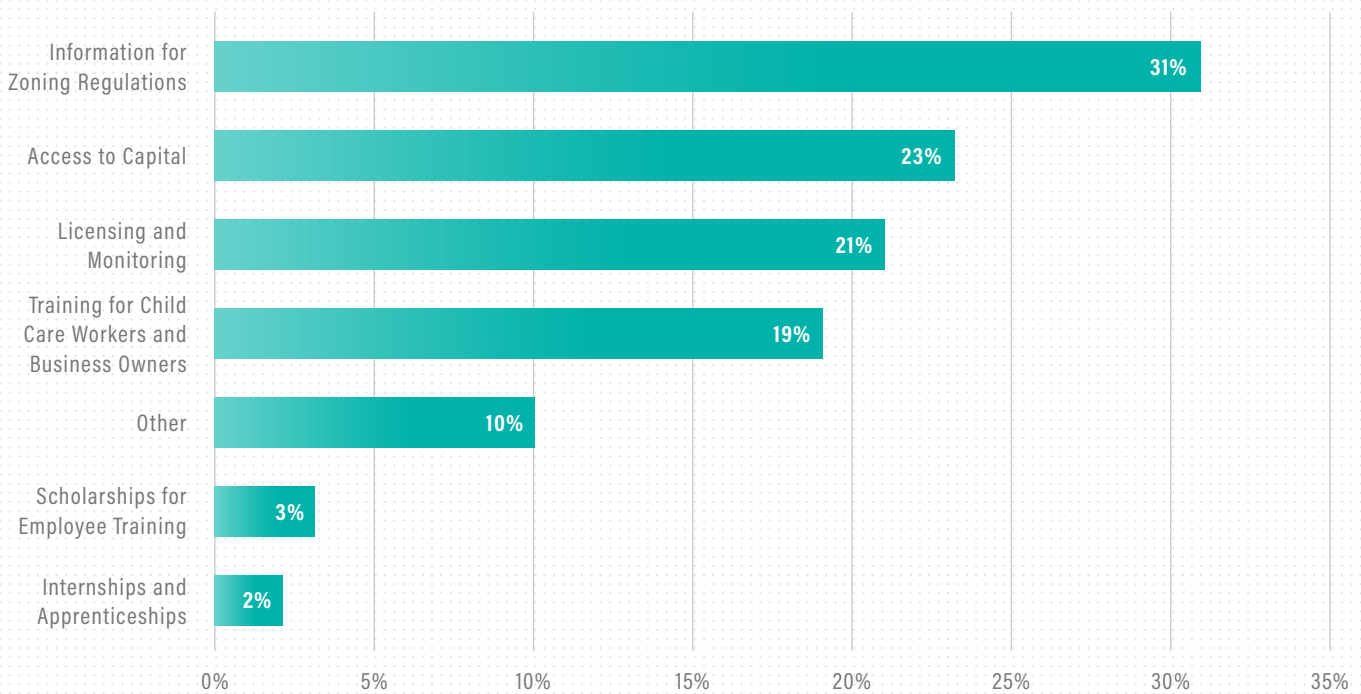
States and localities can also leverage their authority to enhance and coordinate their services in support of the small business needs of child care providers. States can support the development of shared services alliances and family child care networks by providing startup funds and technical assistance and by reviewing state licensing rules to remove barriers. Counties and cities can collaborate with partners such as economic and workforce development agencies, community colleges and child care resource and referral agencies to create networks for and offer additional supports within existing revenue sources to providers. Local governments can also help providers tap into state-level shared services alliances or create and support local shared services alliances.

Shared services alliances (SSA) allow multiple providers to pool needs and share resources to reduce operating costs and support quality programming.



Scan the QR code to learn about existing state and local SSAs.

County Supports to Child Care Providers



Source: NACoRF survey of county leaders, conducted Nov. 17, 2022 to Feb 15, 2023, 147 responses.

Additionally, at the local level, child care businesses often interface with city and county offices to receive building permits, zoning approvals and community development and economic development supports. Home-based child care providers often experience difficulty navigating these systems and barriers, which may cause costly delays in their ability to be reimbursed for child care services. Counties and cities can remove barriers, update ordinances and align them with state licensing systems, as well as provide home-based child care providers with information about zoning, licensure and access to capital.



Snapshots from the Field

Harris County, Texas

Harris County allocated more than \$900,000 of American Rescue Plan Act funds to The Alliance, a local organization with a mission to create opportunities for refugees and immigrants.⁹

The Alliance's Child Care Entrepreneurship Program is designed to help close the child care gap in Harris County by providing professional development and business supports to individuals interested in opening home-based child care programs.¹⁰ Through the program, providers receive training in business development, child development principles and the state licensing process.

The City of Houston provided additional funding, allowing the program to serve even more providers.¹¹ As of July 2021, more than 70 child care businesses had opened through the program, most of which are owned by refugee and immigrant women. One provider shared that being able to offer dual-language programming (English and Vietnamese) is a plus for families, some of whom do not speak English and may be hesitant to enroll their children in an English-only child care program.¹²

Wisconsin

The Wisconsin Early Education Shared Services Network (WEESN) offers free and reduced-cost services to all regulated child care programs in the state.¹⁴ Providers can choose from three different tiers of support which include shared resources, professional development opportunities, tax guides, access to telemedicine and a share substitute pool. WEESN receives funding from the Wisconsin Department of Children and Families as well as multiple local, state and federal sources.

Renville County, Minn.

Through the Renville County Childcare Forgivable Loan Program, new and existing home-based providers are eligible for up to \$7,500 in forgivable loans.¹³ Loans are for five years, with 20 percent of the loan being forgiven for each year in operation after receiving the loan. If the borrower remains in business for five years after making of the loan, the loan is 100 percent fully forgiven. Funds come from both Renville County and the City of Fairfax.

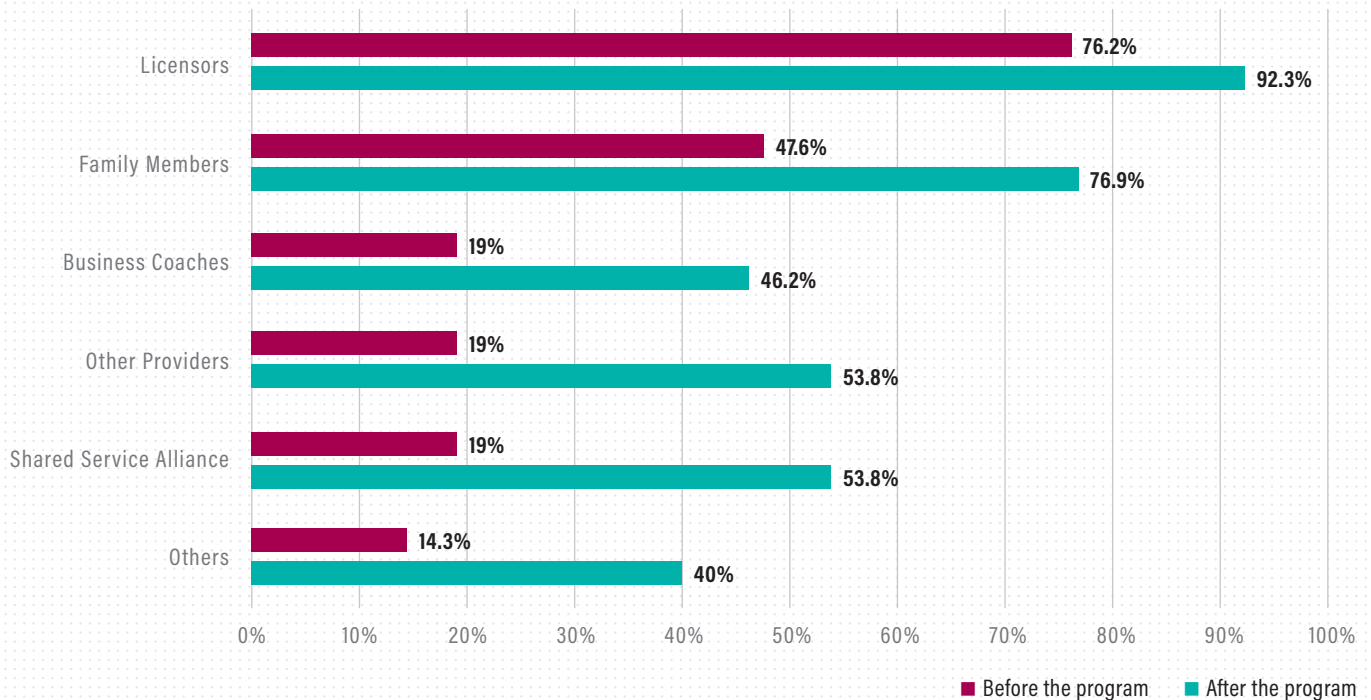
Austin, Texas

In November 2023, Texas voters approved a new proposition to authorize a property tax exemption for child care businesses. The proposition passed with nearly 65 percent of the vote. However, home-based providers are not currently eligible for this tax relief. In the City of Austin, the city council immediately approved a resolution directing the Interim City Manager to identify similar relief options for home-based child care programs.⁶

Boston, Mass.

In 2019, Boston created a \$65,000 pilot fund to support home-based child care businesses, which were struggling to remain open. The Childcare Entrepreneur Fund supported 22 providers—mostly women of color—with financial support and technical assistance, including bi-monthly workshops on business best practices and instruction for accessing Shared Services MA, a statewide shared services alliance.⁷ Providers also received grants between \$2,000 and \$10,000 to support start-up costs; sustain existing programs, with a focus on programs located in public housing; and partner with other providers to explore shared services and cooperative models. Participants reported increased business practice confidence and leadership efficacy after completing the program.⁸ Providers also reported receiving more support from other providers and the shared service alliance following the program. Additionally, since the program began before the COVID-19 pandemic and concluded in early 2020, participants reported using grant funds to remain open or re-open during the pandemic.

Business Support Garnered from Boston's Childcare Entrepreneur Fund



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>
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- ³ U.S. Government Accountability Office, "Family Child Care Networks: Actions Needed to Better Assess Quality Improvement Efforts," (May 10, 2023) available at <https://www.gao.gov/products/gao-23-105640>
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- ⁵ Opportunities Exchange, "Shared Services Alliance Start-Up Guide," (October 2023) available at https://static1.squarespace.com/static/5f4d7a7ef6c82325c5ec80c0/t/6553aedcd2577e3ad391bfc5/1699983069573/OppEx_2023_SSA+Start-Up+Guide.pdf
- ⁶ Austin City Council, "Ordinance Amendment Review Sheet C20-2023-001," available at <https://services.austintexas.gov/edims/document.cfm?id=417160>
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- ⁸ UMass Boston, "Program Evaluation Final Report: Boston Childcare Entrepreneur Fund," (February 2021) available at <https://www.sharedservicesma.org/media/di0iwjqa/childcare-entrepreneur-fund-evaluation-2019-cohort.pdf>
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- ¹⁰ The Alliance, "Child Care Entrepreneurship," available at <https://thealliancetx.org/child-care-training-program/>
- ¹¹ City of Houston, "Houston's Need for Early Childhood Education," (September 2021), available at <https://www.houstontx.gov/council/committees/cyc/Early-Childhood-Education-Report-Sept-2021.pdf>
- ¹² Elizabeth Trovall, "Program Helps Immigrant Women In Houston Launch Child Care Businesses During The Pandemic," (July 2, 2021) available at <https://www.houstonpublicmedia.org/articles/news/in-depth/2021/07/02/402063/immigrant-women-launch-child-care-businesses-amid-pandemic/>
- ¹³ Renville County, "Childcare Development Forgivable Loan Program," available at https://www.renvillecountymn.gov/departments/childcare_development_forgivable_loan_program.php
- ¹⁴ Wisconsin Early Childhood Association, "WEESN," available at <https://wisconsinearlychildhood.org/%20programs/weesn/>



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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