naeyc National Association for the Education of Young Children

NAFCC National Association for Family Child Care

Impact of Child Care Stabilization Grants on Family Child Care

How Grants Helped Programs and Families, and How the End of Grants Will Hurt Them

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Family child care (FCC) is a critical component of our nation's child care and early learning systems, providing opportunities for families to choose safe, quality, culturally-affirming early childhood education in a home-based setting.[i] When also considering paid and unpaid family, friend, and neighbor care, more children spend time in home-based child care than any other child care setting.[ii] FCC programs serve a disproportionate share of infants and toddlers; children from low-income families; Black, Latino, immigrant, and Indigenous communities; and those who live in child care deserts. Yet the supply of licensed FCC has plummeted in recent years, narrowing the choices and options for families. For example, 25% of licensed FCC homes closed from 2005-2017, while another 10 percent closed permanently during the first year of the pandemic.[iii]

These deep losses mean more children and families are unable to access the early care and learning options and opportunities they need to thrive. Yet the number of closures would likely have been higher, if not for the support from federal child care relief, which helped prevent the worst of the potential impact of the pandemic. Recent data from the Administration for Children and Families indicates that 123,890 FCC programs nationwide received child care stabilization grants, helping them keep their doors open to serve children and families.[iv]

As the end of the stabilization grants loom, however—with some states having already provided the last of the funds to programs—the National Association for the Education of Young Children (NAEYC) partnered with the National Association for Family Child Care (NAFCC) to take a deeper look at ECE field survey data specifically focused on FCC educators, to understand more about:

- the FCC educators who participated in the ECE field survey
- the impact of the stabilization grants on these FCC programs, and
- the impact on FCC programs and families as stabilization funds run out.

[1]Of the 12,897 total respondents to NAEYC's ECE Field Survey from November 2022, 2,780 (22%) indicated that they are either employed in a FCC setting and/or that their role is that of a "FCC owner/operator." Of those 2,780, 66% identified as an owner/operator; 27% identified as early childhood educators working in FCC homes; and 7% identified as coaches, professional developmental specialists or other staff working in FCC homes. In the "family child care home" category, this survey specified a setting of "licensed or license-exempt," which may include some FFN (family, friend, and neighbor) providers, but does not capture those working in unlicensed settings." Any differences between FCC data reported here and in the November 2022 national brief is due to whether we are reporting on FCC owners/operators specifically, or more generally on any respondents who reported that they worked in an FCC.

Family Child Care Survey Respondents

Consistent with the data on FCC in the overall child care and early learning community, respondents to the November 2022 NAEYC ECE Field Survey working in FCC homes differ from other survey respondents (those working in non-FCC programs) in meaningful ways:

- They are more likely to report working in a minority-owned business (50.3% vs. 17.5%)
- They are more likely to report serving infants and toddlers (92.1% vs. 67.5%)
- They are more likely to report working in programs eligible to serve children receiving subsidies (88% vs. 69.2%)
- They are more likely to report working in programs currently serving children receiving subsidies (77.1% vs. 63.6%)

Financial Challenges in Family Child Care

> *"I worked with family child care educators who stayed open during the pandemic. These women—mostly women of color—get paid very little and do incredible work caring for infants, toddlers, and school aged children. Salaries for the women doing this challenging and important work are ridiculously low."* - Coach/Professional Development Professional, Connecticut

Low compensation results in educator shortages. Educator shortages lead to reduced child care access and quality. Still, early childhood educator compensation remains far too low across all states and settings. The poor compensation across the workforce is disproportionately experienced by women of color, who are clustered primarily in the lower-wage jobs within this already low-wage field. Even prior to the pandemic, nearly half of early childhood educators earned so little that they accessed public benefits to make ends meet.[v]

Low compensation is a particular challenge for educators operating FCC homes, many of whom are running small businesses in which they pay themselves last. Early childhood educators working in FCC report multiple reasons for closures of the last two decades, but they frequently focus on the challenges of inadequate funding that leads to low compensation.

It is no surprise then, that like all survey respondents, **more than one in four FCC survey respondents (27.9%) reported experiencing financial insecurity in the last year.** In home-based settings, financial insecurity often manifests as challenges with housing expenses in particular. Indeed, the RAPID EC survey also found that 26% of home-based providers reported difficulty affording housing expenses between March 2022 and December 2022.[vi]

- In addition, 28% of RAPID respondents who identified as home-based providers reported being somewhat or very worried about being evicted from their homes, while NAEYC's survey found that in the last year, 4.2% of FCC providers reported actually having moved as a result of an eviction.
- FCC providers experienced other housing-related challenges as well: 17% reported moving to a different home due to challenges paying the rent or mortgage and 9% reported taking out an additional mortgage.
- In response to these challenges, some family child care providers also sought out additional support; 26% of the survey respondents reporting accessing COVID rental assistance.

How Child Care Stabilization Grants Helped Programs and Families

Beyond rental assistance, however, the reach and impact of federal child care relief funding on family child care programs has been extensive, and positive. Nationally, in the ECE field survey, 75% of child care directors and ***85% of FCC owners who responded said their programs had received stabilization funds***.

- The percentage of respondents reporting that they received stabilization grant funds was slightly lower for those who responded to the Spanish survey – 79.7% compared to 85.7% for those responding in English.
- There was no substantive difference for respondents working in a minority-owned family child care businesses, 85.6% of whom reported receiving stabilization grant funds compared to 87.5% of those who did not.

> *"I'm so very grateful for the grants. I would not have survived financially without them. I'm also proud that my state has begun an initiative to hear and elevate family child care professionals."* - Early childhood educator in a FCC setting, North Carolina

Impact on Program Closures and Enrollment

A deep dive into the data reveals that the **stabilization grants may have had a particularly meaningful and even outsized impact on FCC homes, and on the families who rely on FCC** for access to child care and early learning. For example:

- 39% of FCC providers who received the grants said their program "would be closed without the support." *This is nearly twice as many as those from non-FCC homes (19%) who said their programs would be closed.*
- In addition, FCC homes that received stabilization grants were less likely to report under-enrollment or staffing shortages.
  - Fewer FCC homes receiving stabilization grants reported being under-enrolled relative to their preferred capacity (33% vs 44% for respondents from non-FCC homes receiving stabilization grants).
  - Fewer FCC homes receiving stabilization grants reported experiencing a staffing shortage (48% vs. 65% for respondents from non-FCC homes receiving stabilization grants).
  - Of those experiencing a staffing shortage, fewer FCC homes reported having a longer waitlist (24% vs. 41% for respondents from non-FCC homes receiving stabilization grants).

Impact on ECE Workforce Compensation

Overall, half of all survey respondents indicated that they had received more money from a wage increase or supplement in the last year. Those who worked in programs receiving stabilization grants were twice as likely to report an increase as those who did not. This difference is starker in the FCC context:

- 53.6% of FCC respondents reporting they received grants also indicated they had received more money from a wage increase or supplement compared to only 16.5% of those in FCC homes who did not receive stabilization grant funds.
  - In other words, **FCC respondents who received stabilization grants were three times more likely to have reported a wage increase than FCC respondents who did not receive stabilization grants.**
- Respondents working in FCC programs that serve children receiving a subsidy were more likely to also report receiving a wage or salary increase this year (85.2%) than were respondents working in programs that reported not serving children receiving a subsidy (71.6%).
- In addition, early childhood educators working in FCC homes, which may include assistants or substitutes, were more likely to report receiving a wage increase.

Finally, we note that measuring compensation in FCC settings is nuanced and complicated; many of those who run FCC homes, for example, do not take a traditional "salary," but rather count their "income" as whatever is left over after all expenses have been paid. While a majority of respondents who reported receiving stabilization grants also reported wage increases, 39% of FCC owner/operators who reported receiving stabilization grant funds said they did not receive more money from a wage increase, bonus, or supplement this year. These FCC owner/operators were more likely to report that their program spent stabilization grant funds on program/classroom supplies (66.6% vs. 42.6% who said they got a wage increase) and PPE (51.0% vs. 32.2% who said they got a wage increase).

Some of the respondents in FCC settings (17.9%) reported a reduction in pay, compared to only 6.3% of respondents from other settings. Those reporting to have a reduction in pay were more likely to have the role of "owner/operator" and were less likely to be working at a program that serves children receiving subsidy. In addition, they were more likely to have reported spending the funds on program/classroom supplies and PPE, and some of the open-ended responses that they shared indicated that their experience of inflation may have had an impact on their profit and pay.

How the End of Child Care Stabilization Grants Will Hurt Programs and Families

The substantial benefits of stabilization grants experienced by FCC homes also means that there may be substantial losses ahead for them, when stabilization grants end.

- **While 34% of respondents in non-FCC settings could say that their program "will be fine" when the stabilization grants end, only 13% of FCC homes could say the same.**[vii]
- Looking closer at the 13% of FCC homes who reported they would "be fine," some respondents noted that was because the amount of the stabilization grants provided to their FCC program was small so their loss would be less impactful.
  - As the Administration for Children and Families fact sheets note, FCC homes received an average stabilization grant of $23,300, compared to centers, who received an average of $140,600.[viii]

> *"After the grant, things will be hard because family child care educators do not get paid enough for all the work we do."*—FCC owner/operator, Massachusetts

Many programs outlined additional and substantial anticipated impacts resulting from the end of stabilization grants on programs, educators, families, and children, including:

When stabilization grants end, my program will:	Respondents from FCC Homes	Respondents from non-FCC Homes
Be forced to raise tuition for working parents	34.8%	30.5%
Cut wages and/or be able to sustain wage/salary increases	**37.2%**	**23.3%**
Reduce benefits to staff	**38.4%**	**16.7%**
Serve fewer children	**19.5%**	**13.9%**
Lose staff	19.0%	19.4%

Educator Recruitment and Retention

Burnout is a real, across-the-board challenge as well: as with all respondents, a vast majority of those working in FCC (76.6%) believe that burnout/exhaustion is "greatly" or to "some extent" leading to problems retaining qualified teachers, which leads to problems with supply now, and ahead. As outlined above, and prior to the pandemic, the ECE field had been reporting steep drops in licensed and regulated FCC, reported in states from all across the nation, from California (30% decrease from 2008 to 2017) to Wisconsin (61% decrease from 2007 to 2016) to Vermont (27% decrease from December 2015 through June 2018).

The pandemic has shone a spotlight on FCC settings as critical to meeting the needs of families, and some new programs are continuing to open. Yet if additional resources are not invested, the decline in FCC settings may continue to worsen, based on data points such as this from the ECE Field Survey, in which:

- **40.2% of respondents from FCC homes reported that they are considering leaving their program or closing their FCC home, compared to 25.9% of respondents in all other settings.**

> *"The stabilizations grants have been a band aid. The systems have not changed. We are still losing family child care providers daily. This will cause quality to go down and parents have less choice."*
> - FCC owner/operator, Minnesota

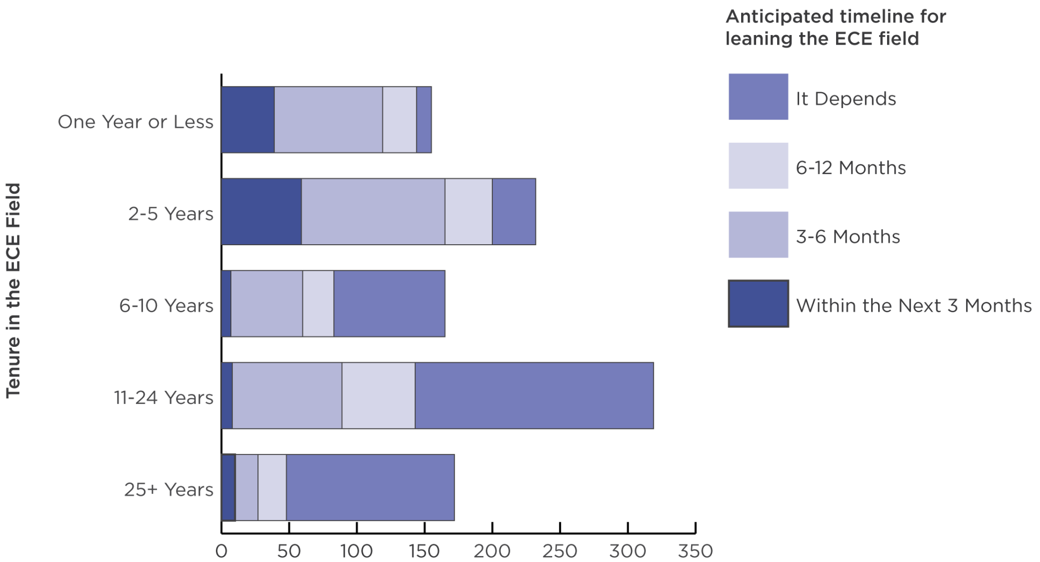
Overall, respondents who have been in the ECE field between 11-24 years are most likely to report that they are considering leaving the field, however, nearly half of respondents (45%) who have been in the field for only a year or less, and 34% of those with 2-5 years in the field said they were also considering leaving. Looking more closely at these data among respondents working in FCC programs, it is notable that a larger share of those who are newer to the field and are considering leaving the field have articulated a more immediate and precise timeline— i.e., within the next 12 months.

These substantial losses would:

- Create massive pipeline challenges
- Decrease the field's celebrated diversity
- Diminish families' choices for child care settings
- Increase educator turnover and
- Add to instability

All of these undermine the quality and safety of children's experiences and worsen educators' own mental health.

When are you planning to leave the ECE Field?
Answers from respondents in FCC settings who answered "yes" or "maybe" to considering leaving the field.



Conclusion

NAEYC's November 2022 ECE Field Survey clearly demonstrated the outsized role stabilization grants and recovery funds had on the sustainability of FCC programs in the broader child care landscape. To reverse the trend of declining numbers of FCC programs, federal, state, and local policymakers must take bold steps to intentionally prioritize, support, and invest in family child care. Because payment rates are unsustainable for all providers, especially FCC providers and others who care for a large share of infants and toddlers, it is more important than ever to increase families' access to subsidies and pay FCC programs for the actual cost of care, inclusive of increased compensation.[x]

With stabilization grants running out, immediate steps must include increasing federal investments in child care including through the Child Care and Development Block Grant (CCDBG), alongside investments in Head Start and preschool in support of a robust mixed-delivery system that includes family child care and expands parent choice. Policy makers must also actively seek FCC educator input and prioritize investments and decisions that are tailored to the needs of home-based early learning programs, such as those that support staffed family child care networks. Finally, continued research is needed to understand perspectives and opportunities for early educators caring for children from their homes, including family, friend and neighbor caregivers.

NAEYC and NAFCC continue to partner with our Affiliates and partners around the country to center the voices of early childhood educators working in family child care, and to support increased investment in their education and compensation in order to increase families' equitable access to quality child care and early learning across all states and settings.

Endnotes

[i] Licensed child care is also known as certified or listed care. Most states license Family and Group Child Care, also known as Small and Large FCC.

[ii] Retrieved online via: https://nafcc.org/our-work/public-policy-and-advocacy/research-resources/family-child-care-research-data/ with reference to NSECE, 2016.

[iii] Addressing the Decreasing Number of FCC Providers in the United States, National Center on Early Childhood Quality Assurance, Rev. March 2020; Demanding Change: Repairing Our Child Care System, Child Care Aware of America, 2022.

[iv] https://www.acf.hhs.gov/sites/default/files/documents/occ/National_ARP_Child_Care_Stabilization_Fact_Sheet.pdf

[v] Whitebook, M., McLean, C., Austin, L.J.E., & Edwards, B. Early Childhood Workforce Index – 2018. Berkeley, CA: Center for the Study of Child Care Employment, University of California, Berkeley. Retrieved from http://cscce.berkeley.edu/topic/early-childhood-workforceindex/2018/.

[vi] https://rapidsurveyproject.com/our-research/child-care-providers-face-housing-challenges

[vii] National Association for the Education of Young Children. November 2022 survey. https://www.naeyc.org/pandemic-surveys

[viii] https://www.acf.hhs.gov/sites/default/files/documents/occ/National_ARP_Child_Care_Stabilization_Fact_Sheet.pdf

[ix] The Center for American Progress (Workman, S. (2021) The True Cost of High-Quality Child Care Across the United States) estimates that state subsidy rates reimburse FCC providers, on average, for 66 percent of the cost to provide a "base level" of care and 29 percent of the cost to provide care at a high-quality level. In many states this results in FCC payment rates that are well below minimum wage and don't include benefits.

[x] California Child Care Resource and Referral Network. 2018. Decline of Licensed Family Child Care Home Supply. Retrieved online at: https://rrnetwork.org/assets/general-files/Decline-of-FCC-Supply.pdf

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