



# Including Family Child Care Homes in Publicly-Funded Pre-K Programs: Estimating the Cost of Supporting Quality

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# Introduction and Background

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The inclusion of family child care (FCC)<sup>1</sup> homes in public preschool programs in a way that supports quality learning environments requires that homes be adequately funded. Our previous report, [Conditions for Success](#),<sup>2</sup> outlines policies that could support the successful inclusion of FCC educators in state-funded pre-K systems. This follow-up investigates the implications of those nine research-based policies<sup>3</sup> in terms of *how much* (based on cost) and *how* FCC educators should be funded. We include direct programmatic and administrative costs in our analysis. To support this investigation, we reviewed the literature (see *Appendix A. Review of Previous Cost Studies*); interviewed state and city leaders, intermediary organizations, and FCC educators;<sup>4</sup> and held listening groups with researchers studying the costs of FCC and pre-K programs (see *Appendix B: Expert FCC & Pre-K Cost Conversations*).

## State Funded Preschool

All but six states fund a public preschool program serving children prior to kindergarten.<sup>5</sup> As some states fund more than one program, there are 63 state-funded preschool programs across 44 states. All serve children at age four and 29 programs in 24 states serve children at age three. The percentage of the 4-year-old population served varies widely, with some states offering preschool to all children, and others serving as little as 2 percent of the population. Recently, there has been an expansion in the number of states committing to universal pre-K at age four, but it remains to be seen how many of these commitments will be fulfilled.<sup>6</sup> Overall, most states do not adequately fund pre-K for high quality.<sup>7</sup> This lack of funding makes it particularly difficult for private providers in mixed delivery systems to provide high quality because, unlike public school districts, they are not able to raise local tax revenues to fill in the funding gap.

Most states permit or require at least one of their state-funded preschool programs to offer services through a mixed-delivery system that includes local education agencies (LEAs; also known as public schools) and a wide range of private providers (e.g., for-profit and non-profit childcare centers, Head Start, and, in some cases FCC homes).<sup>8</sup> In 2022-2023, 30 state-funded pre-K programs in 24 states allowed FCC homes to participate.<sup>9</sup> Of the 12 states that could report FCC/pre-K enrollment, most reported less than 1% of pre-K children were served in FCCs. When publicly

funded pre-K serves a substantial percentage of the population, it can have significant effects on the market for private provider services – which could impact the sustainability of programs that provide child care for children of all ages, including infants and toddlers.<sup>10</sup>

## City Funded Preschool

Public pre-K programs, typically funded by the state, are offered in most cities. However, some cities (and counties), such as Seattle and Albuquerque, fund pre-K programs separate from (or in addition to) state-funded pre-K.<sup>11</sup> In addition, several cities, including San Francisco and Seattle, serve pre-K children in center-based programs and FCC homes.<sup>12</sup> These cities both serve a greater percentage of children in FCC homes than do state-funded programs.<sup>13</sup> In this report, we include information on city/county-funded pre-K systems in our analysis of costs and financing pre-K systems.

## Characteristics of FCCs

FCC homes have both similarities and differences with other early childhood care and education settings.<sup>14</sup> Often, they provide full-time child care year-round, and they may have flexible schedules to meet the needs of parents who have irregular and/or non-standard working hours,<sup>15</sup> which differs from state-funded and city pre-K programs, which typically offer part- or full-school days over a school year of 180 days. In 2022, 36 state-funded programs required a minimum part-day schedule (four hours per day or less),<sup>16</sup> 13 had a school-day schedule (between four and six hours per day), and six operated an extended-day schedule (6.5 hours per day or more). In seven state-funded programs, the length of day was locally determined.<sup>17</sup> For FCCs to be viable participants in state-funded pre-K, policies must address how the preschool program is to be delivered within the FCC hours of operation, and how FCC educators will be paid for hours of care beyond the pre-K hours, since many would provide care outside of the pre-K day.<sup>18</sup> FCCs differ from most other pre-K settings in the wide age range of the children served together. Some FCCs may choose to serve only state-funded pre-K children, but for others, the question arises of how to apportion “shared” costs when other children (e.g., infants and toddlers) are served.

Finally, FCCs are uniquely small. Although some FCCs operate similarly to small early childhood centers,

they are still tiny—one owner employing one or two staff—and most are single-person businesses. Owners perform all financial and administrative functions as well as providing direct services to children. FCC

directors/owners often use multiple funding streams as a source of support, however, the facility and labor costs associated with operating the FCC home do not change<sup>19</sup> (see: [Blending and Braiding Funds](#) section).

## The Costs of Funding the Conditions for Success: Determinants and Options

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We analyzed the costs of implementing the *Conditions for Success* at the provider level (personnel and non-personnel) and system level (local, regional, and/or state). To address pay equity and support the recommended FCC/pre-K educator qualifications (BA and pre-K specialization), we propose a salary and benefits package equivalent to public school teachers. In 2021, the average teacher salary was \$60,900, not including benefits. Including benefits (38% of total teacher compensation) brings total compensation to \$98,544 annually (see [Table 1. Personnel Costs for FCC/Pre-K Educators](#)). If an FCC program also has an assistant with a CDA or equivalent, pay on par with a public school assistant/paraprofessional would cost \$34,230, plus 38% for benefits. As these salaries assume a school year, and a school-day schedule, a different schedule for FCCs would require compensation to be prorated accordingly.

We estimate that **the non-personnel costs at the FCC level are 12 to 20% of the pre-K personnel line** (see [Table 2. Non-Personnel Costs for FCC/Pre-K](#) & [Table 3: Total FCC/Pre-K Costs: Per Home and Per Child](#)). Some of these costs fluctuate with the number of pre-K children enrolled in a site (rationale for the line item amounts are described in the [Non-Personnel Costs at the Provider Level](#) section). In addition to costs that occur at the FCC site, there are systems costs which **we estimate would add an additional 10 to 20% to the FCC site-level costs**. These cover the costs of administration and supervision, program assessment, data collection, coaching, curriculum implementation, and reliable use of child assessment in an FCC home. Estimating these costs is complicated and may fluctuate depending upon the number of children in the FCC/pre-K home, curriculum and child assessment choices made by the program and/or state policy, the total number of children enrolled in state-funded pre-K (across all settings), additive costs as compared to those that already exist, and the use of staffed FCC networks and/or shared service alliances which may reduce costs at the system and/or FCC level.

It is critical to mention that the costs being described may be supported through multiple funding streams, multiple sources, including state dollars, federal and state child care funds, parent fees, and federal fund dollars.

### Adequacy of State Preschool Funding

Across the country, the average per-child spending for state preschool is \$7,656 – too low to support the kinds of high-quality programs that lead to strong outcomes for children, regardless of setting.<sup>20</sup> To more accurately compare our FCC per-child estimates to state preschool programs, we estimated how much states should be spending to meet minimum quality standards using the Cost of Preschool Quality and Revenue (CPQ&R) tool.<sup>21</sup> We then selected the most cost-efficient FCC model (10 children served by one adult)<sup>a</sup> and adjusted our FCC per-child estimate to reflect state variations in teacher compensation levels and created an estimated FCC per-child rate for each state. [Appendix C: Comparison of Estimated FCC and State Preschool Per-Child Rates](#) displays estimated total FCC per-child rates by state based on 10% and 20% system-level costs. The two rates are then compared to the estimated cost of providing high-quality public preschool in each state based on the CPQ&R.

Using FCC per-child estimates with 10% system-level costs, about 31 states would be able to support the cost of high-quality preschool in FCC settings if they increased state preschool funding to a level that is appropriate to support quality. Another 13 states would be within about \$500 per child. Using FCC per-child estimates based on 20% system-level costs, 11 states would be able to support quality in FCC settings, and 7 more would be within about \$500 per child. For state-specific comparisons, see [Appendix C: Comparison of Estimated FCC and State Preschool Per-Child Rates](#).

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a We acknowledge that this model does not fit with current regulations in all states. For these states, the costs would be greater with reduced group sizes.

**Table 1. Personnel Costs for FCC/Pre-K Educators**

Personnel (FCC/pre-K site level)		
	Amount	Assumptions
FCC/Pre-K Educator/ Owner	\$60,900 (2021 dollars)	<ul style="list-style-type: none"> <li>The FCC/Pre-K educator has a bachelor’s degree with specialized training in effective practices in home-based settings</li> <li>Has pay parity with elementary school teachers, using the median elementary school teacher salary (reported in U.S. Bureau of Labor Statistics (BLS), 2021)</li> <li>Salary is based on a 6-hour per day/30 weeks per year pre-K schedule; and required PD days</li> </ul>
Benefits	\$37,644 (38.2% of total compensation)	<ul style="list-style-type: none"> <li>Includes paid leave (e.g., sub), life/health/disability insurance, retirement, and all legally required benefits (social security, workers’ comp, etc.)</li> <li>In March 2023, BLS recorded benefits as 38.2% of total compensation for “state and local government” workers</li> <li>Some states may have lower rates for public employees</li> </ul>
Assistant	\$34,230 (2021 dollars)	<ul style="list-style-type: none"> <li>The assistant has a minimum of a CDA as a credential</li> <li>Salary comparable to a public school assistant/ paraprofessional</li> <li>Salary is based on a 6 hour per day/30 weeks per year schedule; and required PD days</li> </ul>
Benefits	\$21,158 (38.2% of total compensation)	<ul style="list-style-type: none"> <li>Includes paid leave, life/health/disability insurance, retirement, and all legally required benefits (social security, workers’ comp, etc.)</li> <li>In March 2023, BLS recorded benefits as 38.2% of total compensation for “state and local government” workers</li> <li>Some states may have lower rates for public employees</li> </ul>
<b>TOTAL Personnel (1 adult)</b>	<b>\$98,544</b>	One FCC/pre-K educator (typically the owner) is employed full-time to operate the state’s pre-K program
<b>TOTAL Personnel (2 adults)</b>	<b>\$153,932</b>	Two FCC/pre-K educators (1 teacher and 1 assistant) are employed full-time to operate the state’s pre-K program

**Table 2. Non-Personnel Costs for FCC/Pre-K**

Non-Personnel (FCC/Pre-K Site Level)							
		4 pre-K children	6 pre-K children	8 pre-K children	10 pre-K children	10 pre-K children	12 pre-K children
Facilities	\$1,000 per child <sup>a</sup>	\$4,000	\$6,000	\$8,000	\$10,000	\$10,000	\$12,000
Food	\$833 per child <sup>b</sup>	\$3,332	\$4,998	\$6,664	\$8,330	\$8,330	\$9,996
Technology	\$1,400 per site <sup>b</sup>	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400
Teaching materials/ supplies	\$153 per child <sup>c</sup>	\$612	\$918	\$1,224	\$1,530	\$1,530	\$1,836
License/permit fees	\$508 per site <sup>c</sup>	\$508	\$508	\$508	\$508	\$508	\$508
Professional Fees	\$3,000 per site <sup>b</sup>	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Advertising	\$26 per child <sup>d</sup>	\$104	\$156	\$208	\$260	\$260	\$312

a This 10-month rate was calculated from an estimate of \$1,200 annually per child per FCC home, divided by 12 months, multiplied by 10 months (pre-K year) = \$1,000 per child/per year. The \$1,200 estimate was based on conversations with FCC experts and examining the occupancy costs identified for infants in a high-quality family child care setting (\$85 per child per month) in Workman, S. (2021, June). *The true cost of high-quality child care across the United States*. Center for American Progress. <https://www.americanprogress.org/wp-content/uploads/sites/2/2021/07/True-Cost-of-High-Quality-Child-Care.pdf>.

b Workman, S. (2018). *Methodology for 'Where does your child care dollar go?'* Center for American Progress. [https://americanprogress.org/wp-content/uploads/sites/2/2018/02/ChildcareDollar-Methodology.pdf?\\_ga=2.86124312.1609900816.1691017722-852212902.1690807057](https://americanprogress.org/wp-content/uploads/sites/2/2018/02/ChildcareDollar-Methodology.pdf?_ga=2.86124312.1609900816.1691017722-852212902.1690807057)

c Karoly, L. A., Cannon, J. S., Gomez, C. J., & Whitaker, A. A. (2021). *Understanding the cost to deliver high-quality publicly funded pre-kindergarten programs: Appendixes*. RAND Corporation. [https://www.rand.org/pubs/research\\_reports/RRA252-1.html](https://www.rand.org/pubs/research_reports/RRA252-1.html); 2019 dollars.

d Karoly, S., Strong, A., & Doss, C. J. (2023). *Vermont early care and education financing study: Estimated costs, financing options, and economic impacts*. RAND Corporation.

## Supporting Mixed-Age Groups and Full Day/Year through Multiple Funding Streams

Rather than thinking about the per-child FCC/pre-K costs, states could focus on the overall needed budget for an FCC program with one full-time educator (national average of \$98,544 for salary and benefits) for an 8:30-2:30/30-week program. To extend the pre-K program to an extended day for the 180 days (school year program), an additional \$15,000 for salary could be budgeted for before/after care: 600 hours at a \$25/per hour rate. Part of this, in addition to summer programming, could be paid for through the state's child care dollars (i.e., the federal Child Care

Development Fund) which could cover the costs of infants/toddlers and possibly after/before school costs; parent fees for before/after school costs and/or those who do not qualify for state pre-K dollars; and state pre-K dollars.<sup>22</sup> To understand what the other funding sources are and what the state dollars need to be to make up the deficit, the state or staffed FCC network could develop a budget worksheet or an expectation that the FCC/pre-K educator would enroll 1 infant and 1 toddler at a set rate (say \$8,000 paid for with CCDF funds), 4 before/after school preschoolers (\$6 hour/per child X 600 hours: \$14,400) and 4 state-funded pre-K students (\$20,786 per child). For more information about budgeting, see the [Blending and Braiding Funds](#) section.

**Table 3: Total FCC/Pre-K Costs: Per Home and Per Child**

Number of children enrolled in pre-K per home	4 pre-K children	6 pre-K children	8 pre-K children	10 pre-K children <sup>a</sup>	10 pre-K children	12 pre-K children
Number of adults per pre-K home	1 adult	1 adult	1 adult	1 adult	2 adults	2 adults
TOTAL personnel cost (salary & benefits)	\$98,544	\$98,544	\$98,544	\$98,544	\$153,932	\$153,932
TOTAL non-personnel cost	\$12,956	\$16,980	\$21,004	\$25,028	\$25,028	\$29,052
<b>TOTAL site-level costs</b>	<b>\$111,500</b>	<b>\$115,524</b>	<b>\$119,548</b>	<b>\$123,572</b>	<b>\$178,960</b>	<b>\$182,984</b>
Per-child site-level costs	\$27,875	\$19,254	\$14,944	\$12,357	\$17,896	\$15,249
<b>TOTAL per-child costs (system &amp; site level)</b>						
10% system-level estimate	\$30,663	\$21,279	\$16,438	\$13,593	\$19,686	\$16,774
20% system-level estimate	\$33,450	\$23,105	\$17,932	\$14,829	\$21,475	\$18,298

<sup>a</sup> This model of 10 pre-K children with 1 adult exists in some states based on licensing regulations. For example, in Mississippi 12 children and 1 adult per FCC home is allowable. For more information on maximum group size policies by state, see Kane, M. C., Harris, P., Jordan, D., Lloyd, C. M., Testa, M. B. S. (2021). *Promising practices in policy for home-based child care: A national policy scan*. Home Grown. <https://homegrownchildcare.org/wp-content/uploads/2021/01/HBCC-policy-scan-10.29-1.pdf>

## Personnel Costs at the Provider Level

The greatest cost driver in high-quality preschool education programs is labor, with wages and benefits estimated at between 60% and 80% of site-level costs (see *Appendix A*). Unfortunately, as already described, state pre-K programs in the U.S. are regularly underfunded relative to the cost of high quality, limiting compensation that can be offered to staff in both center and home-based settings. Studies of early care and education providers show that poor compensation, including a lack of benefits, has a negative impact on their mental health, their sense of feeling valued for their work, and influences their ability and desire to remain in the field of early childhood.<sup>23</sup>

### SALARY & PAY PARITY

To determine what the salary level should be for FCC/ pre-K educators, we looked at both qualifications and job responsibilities.

*“...when building or reviewing models for financing ECE, it is imperative to consider the assumptions embedded into compensation levels, including whether compensation estimates fold in wages and benefits and whether wages are benchmarked to external salaries and/or regional measures, such as regionally based living wages, public school teacher salaries, or other occupations with similar qualification requirements.”*

Source: Austin, L. J. E., Whitebook, M., & Dichter, H. (2019). *Financing early educator teacher quality: A closer look at assumptions that drive variations in estimating the cost of services*. Center for the Study of Child Care Employment, University of California, Berkeley. <https://files.eric.ed.gov/fulltext/ED597191.pdf>, p.10.

*“The available literature provides two potential perspectives for estimating the necessary levels of compensation: one that identifies comparable occupations and one that considers how a range of attributes are related to compensation.”*

Source: National Academies of Sciences, Engineering, and Medicine (NASEM), 2018. *Transforming the financing of early care and education*. The National Academies Press. <https://doi.org/10.17226/24984>.

**Qualifications.** For this paper, we assume the FCC/pre-K educator has a bachelor’s degree with early childhood specialization in effective practices in home-based settings, and/or a state license/certification for working with pre-K-aged children. This recommendation is based on research that suggests higher levels of educator qualifications are positively correlated with higher classroom quality<sup>24</sup> Furthermore, there are sizeable costs to maintaining a two-tiered teacher education and certification system between pre-K and K-3 teachers in which K-3 teachers are held to a higher standard of qualifications than pre-K teachers, such as the potential for lower classroom quality and higher turnover amongst pre-K teachers.<sup>25</sup> For considerations regarding supporting FCC educators in obtaining a bachelor’s degree, see our previous report, [Conditions for Success](#). Understanding that some current FCC providers do not yet have a bachelor’s degree, funding intended to support salary and benefit parity between FCC/pre-K and K-3 teachers could support scholarship funding and incremental salary increases for FCC providers working towards a bachelor’s degree.

**Hours & Responsibilities.** In 2018, the Center for American Progress developed an interactive tool that is inclusive of FCC educators, now referred to as the Provider Cost of Quality Calculator (PCQC).<sup>26</sup> The PCQC uses the state’s average preschool teacher wage and then converts it to an annual amount based on a 55-hour work week as its default. However, as previously described, the hours a pre-K program operates varies by state. Some research indicates there are important academic and socioemotional benefits seen in children who attend a full school day as opposed to a part-day pre-K program.<sup>27</sup> For this

analysis, we calculate costs for a school-day (6 hours), school year (30 weeks annually) state-funded pre-K program.<sup>28</sup> We address some ways state pre-K systems can support FCC/pre-K educators in being able to operate the longer day later in the paper. If the state is not funding a school-day, school-year program, then the salary and benefits would need to be prorated.

The role of the FCC/pre-K educator is not only to provide educational instruction but also to maintain the business side of the FCC home. While the roles of teacher and administrator/director are usually distinct in center- and school-based settings, FCC educators typically complete all business/administrative work along with instruction when they operate pre-K. Addressing parity in salaries thus requires understanding the multiple roles played by FCC educators, including providing high-quality instruction supported by credentials. **At a minimum, FCC/pre-K educator salaries for pre-K service hours should be on par with public school pre-K teachers.** In addition, provisions could be made for additional compensation for administrative time as well as for hours provided on non-school days and in the summer, if necessary, as many FCC educators operate year-round, full-day programs (see the [Supporting Mixed-Age Groups and Full Day/Year through Multiple Funding Streams](#) section). As K-12 educators have the opportunity to earn additional compensation through coaching, tutoring or other hours spent supporting children, FCC educators could also be provided the opportunity to earn compensation beyond school year pay for providing these extra services/hours of care to children.

Other studies have recognized the need for equitable salaries for FCC educators, for example:

- A southwest Florida study<sup>29</sup> recommended FCC educators’ compensation should be the same as lead teachers (both require a bachelor’s degree).
- A Vermont cost study<sup>30</sup> assumed salaries for FCC educators at the same level as center-based teachers (ECE Level III), at \$69,420 per year (2022 dollars).

For this report, to calculate a baseline salary we used the median elementary school teacher salary identified in the BLS 2021 report: \$60,900.<sup>31</sup> Salaries vary significantly across states, and this variation is incorporated into the FCC and state preschool rates estimated and compared in [Appendix C](#).

## BENEFITS

Compensation parity for preschool teachers does not just include salaries but also benefits such as health care, retirement, paid time off, paid time for professional development, and paid time for other professional responsibilities.

Just as many public pre-K programs do not guarantee salary parity for teachers generally, programs differ considerably in the benefits offered to pre-K teachers and whether they are comparable to those of K-12 teachers. In many programs, health and retirement benefits are either not required or are left up to local providers to determine.<sup>32</sup> Regarding other benefits, just seven state programs (11%) require comparable paid time off, six (10%) require paid time for professional responsibilities, and 10 (16%) require paid time for professional development.<sup>33</sup>

Given all this variation, the cost of including benefits for FCC educators in public pre-K will depend on the number and type of benefits provided, the level of individual contribution required, and whether some benefits can be obtained at lower costs by pooling FCC educators together or pooling them with other educators (e.g., with public pre-K teachers or public-school teachers generally). Benefits are typically estimated as a percentage of the salary.

- One national model uses a flat percentage (31.5%) to cover health, retirement, paid time off and payroll taxes, and paid leave.<sup>34</sup>
- In center-based programs, studies in Boston and Vermont document health and retirement benefits at roughly 28%-30% of a teacher's salary.<sup>35</sup>

It is possible these past estimates did not fully account for benefit costs. **For this study, we calculated a benefit rate using the 2023 BLS recorded benefits for "state and local government" workers estimated at 61.8% of salary.**<sup>36</sup> Benefits include paid leave, life/health/disability insurance, retirement, and all legally required benefits (social security, workers' comp, etc.).

## STAFFING

We have calculated scenarios that include one FCC/pre-K teacher, and ones that add an adult, that may be considered an equivalent to an assistant teacher in pre-K or paraprofessional in public schools. According to BLS, the median salary for teacher assistants in elementary and secondary schools is \$34,230 (2021 dollars).<sup>37</sup> We used this amount for the FCC/pre-K

program hours and added benefits (38.2% of total compensation).

## Non-Personnel Costs at the Provider Level

Although policies driving personnel costs may impact the largest portion of pre-K program budgets, non-personnel policies also have budget implications and can impact program quality. Interviews with groups of FCC educators and stakeholders (see [Appendix B: Expert FCC & Pre-K Cost Conversations](#)) generated a long list of annual expenses that we grouped into the following broad categories:

- **Facilities (including rent/mortgage, taxes, insurance, utilities, maintenance/repair) & cleaning supplies/maintenance.** Identifying a cost for this category can be challenging for FCC/pre-K educators, as it can be difficult to separate household expenses from FCC/pre-K expenses. The PCQC provides a helpful differentiation between expenses that are solely related to the FCC program and those that are shared expenses between the FCC program and the homeowner.<sup>38</sup> The PCQC refers to these items as "occupancy" and calculates their cost based on the square footage of the child environment, which is aligned with the state's licensing regulations.<sup>39</sup> For our estimates, we assume a per-child cost of \$1,000 annually for a 10-month pre-K program.<sup>40</sup>
- **Food.** The PCQC estimates that the per-child cost for food and food prep at \$1,000 annually.<sup>41</sup>
- **Technology (including computers, phone and internet, hardware, software, licensing).** Some of these costs could be calculated at the per-child level (e.g., \$52 per child for office supplies and equipment),<sup>42</sup> and some per FCC home (e.g., \$1,440 annually for the site for telephone and/or internet).<sup>43</sup>
- **Teaching materials and supplies.** A national cost model of high-quality pre-K assigns a cost of \$152.23 per child.<sup>44</sup>
- **License and permit fees.** PCQC estimates these to be \$150 per site,<sup>45</sup> however, due to geographic variations, this could be calculated at a much higher rate. One national model calculated it at \$507.45 per site.<sup>46</sup>
- **Professional fees (legal, accounting, etc.).** The PCQC estimates this to be \$3,000 per site.<sup>47</sup>



- **Advertising.** The cost of outreach activities to enroll children in FCC homes depends heavily on the level at which these activities occur. For example, Vermont estimates roughly \$26 per child for individual sites to advertise their programs.<sup>48</sup>

**We estimate that the non-personnel costs at the FCC level would add costs equal to 12-20% of the pre-K personnel line for a school year, school day program (see [Table 3: Total FCC/Pre-K Costs: Per Home and Per Child](#)).** This percentage may be higher than center-based programs for a variety of reasons.

- FCC educators may have additional expenses related to operating an FCC/pre-K program than a public school site. For example, the city of Boston operates its own campaign, *Countdown to Kindergarten*, to encourage families to register children for public preschool, keeping this cost at the city level, not the provider level.<sup>49</sup>
- A study outlining the costs of the Boston Public Prekindergarten Program points out that pre-K programs operating within public school settings often draw resources from parts of the educational system that are already supported through other funding streams (e.g., facilities costs, building administration, etc.).<sup>50</sup> FCC educators do not typically operate within this type of infrastructure.

One way to address efficiencies could be found through the establishment and use of *Staffed FCC Networks* or *Shared Service Alliances*, both are described in the next section.

Finally, FCC educators are often funded through multiple funding streams. Calculating and then prorating the FCC/pre-K share of non-personnel costs must not rely solely on the FCC/pre-K educator. To support educators, the state can develop guidance and policies that support blending and braiding funds (see the [Blending and Braiding Funds](#) section).

## System Levels & System-Level Costs

There are several different levels in which system policies are implemented or administered which affect associated costs. Identifying the levels becomes challenging since each state designs its own system and may have multiple state departments or offices that administer components of the pre-K system and FCC settings. In addition, local systems or cities may operate a pre-K program separate from the state program. Often states have intermediaries that serve as liaisons between providers and the state (or

city) departments/offices. These intermediaries may be quasi-governmental structures, LEAs or school districts, or other entities, such as not-for-profits. For FCC educators, two types of intermediaries stand out: Staffed FCC Networks and Shared Service Alliances.

**Staffed FCC Networks** are organizations that offer home-based providers support and quality improvement options such as training, technical assistance, peer support groups, and mentoring delivered by a paid staff member (see [Table 4. Services Provided by Staffed FCC Networks and Factors That May Affect Costs](#)).<sup>51</sup> These networks allow providers to access a range of services and supports that school-based educators often receive on-site; these services can also help combat some of the isolation often experienced by FCC educators. Research is relatively limited on the effectiveness of networks in improving FCC quality; however, two studies in Chicago and Connecticut demonstrated FCC educators affiliated with a network offered higher quality care than those not affiliated.<sup>52</sup>

One of the advantages of having a staffed FCC network is the cost savings. There are efficiencies obtained in offering support services to FCC educators once a larger infrastructure is developed. For example, materials ordered in bulk are typically offered at a discounted rate; by purchasing materials through a network, FCC educators can access these bulk discount savings larger school districts may more easily access based on their size. Likewise, while educators may obtain professional development through online coursework, fees can be costly (e.g., \$435 per credit hour, per educator).<sup>53</sup> By distributing those costs through providing shared professional development or coaching, FCC networks may introduce efficiencies that ultimately drive down program costs.

**A Shared Service Alliance** is another type of structure that allows a group of providers to collaborate and share costs to streamline services efficiently, and thus attempt to address efficiencies and economies of scale (see [Table 5. Examples of Shared Service Alliances](#)). Some of the back-end operations could include “technology support, supply procurement, training and technical assistance, accounting, human resources and billing.”<sup>54</sup>

- Cost studies on FCC educators who joined an alliance in Washington D.C. found that the net annual revenue for those participating in shared services (e.g., janitorial services, coaching, food service providers, payroll preparation, staff

**Table 4. Services Provided by Staffed FCC Networks and Factors That May Affect Costs**

Service Provided	Description	Factors affecting costs
Coaching	Visits from a coach give the opportunity to provide real-time feedback, discuss results of observations, troubleshoot problems, or model instructional methods.	A base promising practice includes a coach visiting each FCC home in their caseload 6 times/year; a most promising practice is 20 visits. <sup>105</sup> A coach’s caseload, qualifications (e.g., degree level), and frequency of visits will affect the cost.
Materials	A budget for equipment, materials, and supplies used by the children.	A most promising practice would be to cover 100% of the materials needed by each provider each year; budgets from networks range from \$0 to \$1,200 per year for each FCC educator provided by the Family Child Care Alliance of Maryland.
Curriculum support	An evidence-based curriculum, along with supports for using the curriculum including training and feedback on lesson planning and delivery.	Curriculum costs range from free once developed (NYC) to \$3,000+ per classroom (Big Day for Pre-K). Additional administrative supports (e.g., a staffed FCC network that chooses a curriculum, time for training, and ongoing PD) should also be considered, as should costs of ongoing PD (e.g., the Creative Curriculum 10-hour, online PD course costs \$150/teacher).
Business support	Support for obtaining funding, blending/braiding funds, reporting requirements, taxes, HR support, and business management tools such as child care apps.	Network staff trained in business management can provide business supports; alternatively, regular PD can be incorporated into the lineup of options available to providers.

recruitment, bulk purchasing, and substitutes) was roughly \$5,000 to \$7,500 higher than those who did not participate in one.<sup>55</sup>

- For center-based pre-K programs in Vermont, a cost study found that providers who took advantage of shared services for advertising, accounting and legal fees, maintenance fees, cleaning costs, equipment, and office supplies could save an average of 20% over other providers.<sup>56</sup>

### System-Level Costs

The National Academies of Sciences, Engineering, and Medicine (NASEM) convened a committee of experts to study funding that supports an accessible, affordable, and high-quality system.<sup>57</sup> The result of their work is the 2018 Transforming the Financing of Early Care and Education report. The NASEM report categorizes system-level support into 1) workforce supports, and 2) quality assurances and improvement, such as

monitoring, licensing, and data systems. Within the workforce supports category, we added an additional sub-category, curriculum, and child assessment. In the NASEM report coaching and curriculum development were added to the site-level costs. However, we believe that to support FCCs in high-quality pre-K systems, these must be system-level expenditures.

Not only has there been limited research on these costs, but it is difficult to estimate system-level costs for administering state-funded pre-K, in all settings, for several reasons: programmatic or implementation decisions, differences in stages of implementation, and the multiple systems in which pre-K and FCC educators operate. For example, in the Boston pre-K cost study, researchers estimated that the cost of maintaining pre-K classrooms was 15% less expensive (\$2,180 less per child) than the startup costs.<sup>58</sup> In addition, all state pre-K systems that are inclusive of FCCs require they be licensed for health and safety purposes. These programs may also be required to participate

**Table 5. Examples of Shared Service Alliances**

City/County/ State	PreK Program	Intermediary	Description
Maryland	State-funded pre-K program	Family Child Care Alliance of Maryland	The Alliance supports providers by assisting in the application process for providers to become state-funded, dispersing payments, and providing supports including coaching, a materials budget, PD, and curriculum materials, among others.
Multnomah County, Oregon	Preschool for All	Micro Enterprise Services for Oregon (MESO)	MESO helps educators with the business side of the Preschool for All contracts, including contracting, invoicing, and small business needs. Coaching is coordinated by a local child care resource and referral agency.

in the state’s Quality Rating and Improvement System (QRIS) and the state’s Child Care Resource & Referral (CCR&R) system (e.g., required trainings for licensing).<sup>59</sup> These expenses would exist regardless of whether the FCC provider is part of the pre-K system and are not considered “additive” costs but rather costs that already exist within the early childhood system.<sup>60</sup>

Even with these limitations, a few researchers and state administrators have identified percentages and/or per-child line-item costs for various elements.<sup>61</sup>

- A RAND-developed survey of state-funded pre-K systems in Oregon (Preschool Promise and Oregon Pre-K) and Washington (ECEAP) collected 2018-2019 expenditures (indirect and direct) for center-based programs only. The system-level per-child expenditures for each of the three state-funded programs ranged from a few hundred dollars per child to a few thousand dollars per child (center-based settings).<sup>62</sup> The nine system components included: curriculum, student assessments, quality (program/classroom assessments, incentives, and improvement), higher education, summative evaluation, data systems, general administration, and other system-level supports.<sup>63</sup>
- Rather than estimating a dollar amount, NASEM identified 8% of service delivery costs as the annual system level rate (added onto the on-site costs). However, the 8% estimate does not include coaching/mentoring.<sup>64</sup>
- The percentage of reported and estimated system-level costs for Oregon’s Preschool Promise, a

system that includes professional development, classroom quality, and general administration, is 16.9% (\$2,284 (system-level costs)/\$13,477 (median per-child total costs) in 2018-19 dollars for center-based programs.<sup>65</sup>

For this report, we assume that the overall system-level costs would be comprised of the 8% system-level costs identified by NASEM plus an additional amount (\$5,000 per child) to support coaching, curriculum implementation, and reliable use of child assessment in an FCC home. However, these amounts may fluctuate depending upon the number of children in the FCC/pre-K home, curriculum and child assessment choices made by the program and/or state policy, the total number of children enrolled in state-funded pre-K (all settings), whether costs are additive, or they already exist, and the use of FCC networks and/or shared service alliances. Keeping all these factors in mind, **we estimate that the overall percentage of system(s) level costs for supporting an FCC educator in a pre-K program would be from 10% to more than 20%** to cover the costs of administration and supervision, program assessment, data collection, coaching, curriculum implementation, and reliable use of child assessment in an FCC home. See [Appendix C: Comparison of Estimated FCC and State Preschool Per-Child Rates](#) for an estimate of state per-child costs including system-level costs.

In some states, workforce support policies are made at the local level; however, we believe that the state system has the responsibility for developing policies and supports, including funding, to ensure adequate and fair implementation within the pre-K program. The rationale for this includes addressing that all pre-K providers

have access to these supports, but also to ensure that they are coherent across settings, thus ensuring that a child has access to a high-quality program no matter what setting. Estimating the system-level costs of workforce supports and other quality assurances becomes challenging. Federal programs have mandated a percentage of state funds be used for quality improvement, which may include supporting the workforce through professional development, such as Head Start (2%) and the Child Care Development Fund (9%).<sup>66</sup>

One of the identified *Conditions for Success* is that the “state provides funding and opportunities for lead teachers to obtain, at minimum, a bachelor’s degree with specialized training in effective FCC practices.”<sup>67</sup> The *Transforming the Financing of Early Care and Education* report’s 7th recommendation includes supporting practitioners to meet desired qualifications. In addition, “(t)he incumbent ECE workforce should bear no cost for increasing practitioners’ knowledge base, competencies, and qualifications, and the entering workforce should be assisted to limit costs to a reasonable proportion of postgraduate earnings, with a goal of maintaining and further promoting diversity in the pipeline of ECE professionals.”<sup>68</sup> There are several financial supports states can implement within their systems to support educators, including FCCs, in meeting required qualifications. Typically, these are allocated amounts, not a percentage of the pre-K program’s allocated budget, for example:

- New Mexico’s Opportunity Scholarship supports future educators by distributing \$10 million in state scholarship funds. These funds could be used for supporting FCCs in obtaining degrees and/or required certification, allowing them to meet the requirements to participate in NM PreK.<sup>69</sup>
- Maine’s *Act to Attract, Build and Retain An Early Childhood Education Workforce Through Increased Training, Education And Career Pathways* allocates general funds to support the early childhood workforce.<sup>70</sup>

For states and pre-K systems, there are a variety of system-level policy decisions with cost implications a state must make. These include:

**Does the state’s data system(s) include FCC educators?** Existing data systems may require modifications to capture data fields that are unique to FCC educators. Also, FCC educators may need funding to support the purchase of software required to submit

state reports. Unlike in public school settings (though likely similar to small center-based child care providers), FCC educators will not have information/technology staff or clerical staff to assist with record keeping and data entry. States may need to provide training sessions, support, and additional time for FCC educators to meet state reporting requirements and ensure data quality.

**How does the state system support a cadre of coaches and assessors who support FCC/pre-K educators?** Even in networks intended to support FCC educators specifically, visits to provider homes often focus solely on compliance, including health and safety, paperwork, and monitoring.<sup>71</sup> Ensuring visits offer not just compliance support, but also coaching, can have impacts on educator quality.<sup>72</sup> One of the strategies New Mexico has implemented with monitoring and coaching is not separating monitors/coaches’ duties by setting, but rather having them be “experts” in both FCCs and center-based settings.

**What is the optimal caseload for coaches/assessors who support FCC/pre-K educators?** There is a wide range of recommended caseloads, which will impact costs greatly. These variations are determined by several factors, including the intensity of the coaching, length of time and type of observations by coaches (video vs. onsite), travel time and proximity of locations, feedback meetings, and coach reflection/planning time.<sup>73</sup>

- In New York City, FCC Network coaches are expected to make visits twice a month (90 minutes for each visit) and document each visit (30-40 minutes to log each entry).<sup>74</sup>
- In Delaware, the recommended caseload for coaches to FCCs that would support high quality varies for those with 6 children (.25 FTE; one coach to four homes) and for those with 12 children (.5 FTE, one coach to two homes).<sup>75</sup>
- The Practice-Based Coaching model (on-site) estimates a coachload of eight teachers per coach.<sup>76</sup> This is based on each coach needing two to three hours per week divided into the following: individual coaching: 30 minutes-1 hour/week; 30-45 minutes/week debriefing/follow-up; 30-60 minutes/week travel time and planning.
- A study on two staffed FCC networks found similar caseloads for monitoring or coaching.<sup>77</sup>
  - The Little People FCC network had five specialists with caseloads of 17 to 24 FCCs. Four were responsible for conducting annual

licensing and monthly monitoring visits. The fifth person supported FCCs enrolled in QRIS and the federal Child and Adult Care Food Program (CACFP). In addition, there was a workforce development coordinator who was onboarded to support new providers.

- The Downtown FCC network has four staff members who work directly<sup>78</sup> with the FCCs in the network. Three full-time specialists each have a caseload of 20 FCCs and one training coordinator who plans and leads PD activities. Each FCC receives two monthly visits (one for compliance and one focused on quality improvement) and 80 hours of training.

**Does the pre-K curriculum need to be research-based? Is it aligned with the state’s early learning standards and child assessments?** As outlined in the *Conditions for Success*,<sup>79</sup> the use of a research-based curriculum can have positive impacts on children’s learning and development. In a 2019 study on staffed FCC networks that supported FCC educators (most not funded through the state pre-K system), only a quarter reported that they required FCC educators to use a specific, evidence-based curriculum.<sup>80</sup> In addition, strong pre-K programs include a child assessment component that is aligned with the curriculum and the state’s early learning standards. The use of assessment allows educators to further children’s educational goals and make instructional/program-level decisions that benefit children’s learning.<sup>81</sup>

**Is the curriculum appropriate and applicable for children enrolled in FCC settings?** FCC settings are unique and distinctive from center-based settings for a variety of reasons. Having a curriculum that specifically addresses the home environment, the possible inclusion of children ranging in ages from infants through school age, and the longer day is necessary. Unfortunately, most commercially developed curricula are designed for center-based programs and do not have a version that can easily be applied to home-based settings.<sup>82</sup> One solution has been to design a curriculum, specifically for FCC educators.

- New York City Pre-K for All and 3-K for All has developed a curriculum specific to mixed-age settings. The Let’s Play! A Relationship Based Family Child Care Curriculum, is available to DOE-contracted providers and includes a scope and sequence and ten monthly planners that are specific to the FCC setting.<sup>83</sup>

**How will the curriculum be procured and what is included in the costs?** The price associated with providing a curriculum for educators varies quite a bit based on several factors, including whether the developer charges per child or per classroom, whether states/districts/intermediaries can negotiate lower costs for high-volume usage, and whether they include add-ons such as training for teachers.<sup>84</sup> These examples are based on center-based programs when home-based specific curricula are not available:

- Costs can range from \$1,880 for the Creative Curriculum for Family Child Care, 3<sup>rd</sup> Edition, with Daily Resources,<sup>85</sup> to \$175 for Tools of the Mind manuals with an additional \$749 per classroom cost for the Tools of the Mind Pre-K Kit Materials costs.<sup>86</sup>
- Trainings are an additional cost, which can range in price. For example, while some are free (Scholastic’s Big Day for Pre-K includes a free web series for teachers), others charge \$5,000 per site for a two-day course for teachers (Creative Curriculum).<sup>87</sup>

**How will child assessments and screeners be selected and what is included in costs?**

- In one analysis of three publicly funded pre-K programs, it was estimated that child assessments cost between \$10-46 (in 2018-2019 dollars) per child.<sup>88</sup>
- Many schools note the high cost of assessments and screeners as a barrier to usage;<sup>89</sup> for example, the Brigance Early Childhood Developmental Inventory, which measures children’s academic readiness skills, costs \$1,199 for the complete system for 20 children and \$1,899 for 40 children (which includes materials for 3 years). An online management of the assessment starts at \$8 per child.

## Policies that Support FCCs in Pre-K Systems

There are additional policies states need to address when including FCCs in state-funded pre-K which may have cost implications, including how providers are recruited and then contracted when they participate (e.g., directly or indirectly through a network or intermediary entity). In our initial research, we did not find evidence of policies set by state or city pre-K systems that identified a minimum or maximum number of pre-K children that need to be enrolled in the FCC home to participate in the state-funded pre-K program. However, in our recent scans, we found some states were beginning to enact these policies such as Oregon, which requires FCC educators offering pre-K to enroll six pre-K children.<sup>90</sup> These policies not only affect the economies of scale, but also the availability of infant/toddler FCC slots.

State preschool programs typically operate for either a half day (as few as two hours per day) or a school day (as many as six hours per day) and rarely extend beyond the school calendar year, however, families often chose FCCs because of their longer day and year-round schedules. States need to address whether policies allow FCC educators to blend funding, and help FCC educators understand how and when funding can be blended to provide a more seamless program for the benefit of families and the continuity of setting and relationships for children. Public pre-K reimbursement policies can vary in terms of frequency and timing of payments and whether reimbursements are based on attendance or enrollment of pre-K children, which has implications for providers' cashflow.

### Recruiting FCC Educators

Before FCC educators can participate as state-funded pre-K educators, they need to be recruited by the state as potential pre-K providers. This can be challenging for the state on many levels and requires year-round effort from state program administrators. In addition, the language used by systems is often oriented to public schools (e.g., pre-K *classroom*, licensed teacher, etc.) and procurement processes may be unfamiliar to FCC educators. Additional support and sensitivity in language may be needed to encourage collaboration and guide FCC educators through the pre-K application process.

- In North Carolina, agencies that administer the pre-K program (not inclusive of FCCs) were compensated 4% of the allocated per-child amount (or an average of \$212.50 per child)

from state funds for recruitment, site selection, and eligibility determination. They reported they needed the allocation increased to at least 8%, and some reported as much as 15% was needed to cover administrative costs, including recruitment.<sup>91</sup> This model circumvents some of the difficulties associated with the state attempting to recruit pre-K educators by using agencies (including local non-profits, Head Start agencies, and public school systems) already on the ground with local connections to providers. However, when administrative allocations do not meet the true cost of these administrative functions, contractors may struggle with program administration.

### Contracting with FCC Educators

The cost to the state of contracting with FCC educators will depend on how state policy establishes this relationship. If FCC educators are permitted to contract directly with the state (or city) agency that administers the program, the cost of developing and monitoring contracts with FCC educators will remain at the state (or city) level. In some states, FCCs can only be contracted through intermediaries. Contracting with an intermediary may be one way the state can receive support in tasks such as educator accountability and knowledge of local conditions affecting educators; however, additional research is needed to understand the cost implications of these two approaches.

- In New Mexico, state-employed specialists are on hand to connect with individual FCC educators and mentor them through the contracting process. Under this approach, the state can offer direct guidance to FCC educators. However, it may be difficult to scale this approach if the number of contracting FCC educators increases exponentially.
- In Maryland, FCC educators can be contracted through an FCC network.<sup>92</sup> This approach requires the state to fund a separate organizational entity, but that entity may provide comparable cost efficiencies by taking the administrative burden away from the state and coordinating more cost-effective methods of offering FCC educators training and other necessary support.

### Expected FCC/pre-K Enrollment

We did not find evidence of policies set by state or city

pre-K systems that identified a minimum or maximum number of pre-K children that need to be enrolled in the FCC home to participate in the state-funded pre-K program. However, cost studies have addressed the issue that enrollment numbers may directly affect the economies of scale and the quality of the program.

- The Oklahoma quality cost study found that when an FCC home with a total capacity of seven children maintains a group size of only six children, its costs increase by 14-18%.<sup>93</sup>
- In the Southwest Florida study, additional weights were multiplied and added to the per-child costs if two children were enrolled (1.73), or six students (.29), as compared to the base-level estimates of cost with 10 students.<sup>94</sup> It was assumed that every preschool, including FCC homes, has some fixed costs that are in place regardless of the number of children enrolled.

## Considerations for Infants and Toddlers

Caring for infants and toddlers is costly; as many states expand public pre-K programs, questions remain about the impact pre-K expansion could have on infants and toddlers. While more research is needed to answer the question of if or how pre-K relates to infant/toddler capacity, what is clear is that providers of infant/toddler care need adequate financial support from the state to ensure that providing infant and toddler care is viable for centers and home-based providers. Furthermore, a key strength of FCC educators is the ability to provide continuity of care from birth through pre-K and beyond if after-school care is provided; failing to provide adequate support for infant/toddler care could harm this facet of care that makes FCC unique and desirable for many families. Strategies such as CCDF set-aside funds that are specifically earmarked for improving quality and access for infants and toddlers could serve as a model for how states could be proactive in making funding decisions that ensure continued support for infants and toddlers.

## Children with Disabilities

A 2023 joint statement from the US Department of Health and Human Services and the US Department of Education reinforces that placement decisions for children with disabilities should first consider where they are currently served as well as where they would be served if they did not have a disability, including in child care centers and FCC homes.<sup>95</sup> Although there are

no studies identifying the incremental cost of serving a child with disabilities in an FCC home, one study suggests that young children with disabilities require roughly a 10% increase in the per-child rate in center-based settings.<sup>96</sup> State policy could use this as a starting point, although the increase would likely be higher if therapists and interventionists require smaller caseloads to offset increased time from traveling to different locations.

## Blending and Braiding Funds

State preschool programs typically operate for either a half day (as few as two hours per day) or a school day (as many as six hours per day) and rarely extend beyond the school calendar year. Even offering public preschool that models the schedule of a full public school day (6 hours a day, 180 days per year) is generally not adequate to meet the needs of working families, meaning that families and program providers use other programs and funding streams (including tuition) to provide the full complement of care that children and families need, referred to as the “blending and braiding” of funding sources. Although some use these terms interchangeably, they represent different approaches that have important implications for early childhood programs.

- Blending refers to when a provider can combine multiple funding streams to serve children without having to document how much of each funding stream is being used to support specific costs.<sup>97</sup>
- Braiding refers to when a provider uses multiple funding streams to support program costs but is required to document exactly how much of each funding stream is being used to support specific costs.<sup>98</sup>

Although many early childhood programs and services have some overlapping goals, they typically also have unique goals and expectations, and providers are required to show how every dollar is being used to meet those programmatic requirements. FCC educators generally operate small programs, so the extent to which policies allow FCC educators to blend funding will have an impact on their administrative burden and ability to provide a more seamless program.

This leaves questions about how, and whether, staff should be compensated differently during the hours they are providing the state pre-K program. This can become especially complicated in situations with mixed-aged groupings where the FCC educator is

operating the state pre-K program while also caring for infants and toddlers, as well as targeted programs that may have different implementation requirements. We have developed some Funding Scenarios (see [Appendix D: Funding Scenarios](#)) for a depiction of how the percentage of costs might be shared across funding streams depending on the length of day provided in homes with a mixed-age program.

## FCC/Pre-K Reimbursement Policies

Public preschool reimbursement policies differ from state to state by frequency and timing of payments and by whether providers are reimbursed based on attendance or enrollment of pre-K children.

### REIMBURSEMENT VS. ADVANCE PAYMENTS

Some states provide funding each month and require periodic (usually monthly or quarterly) expenditure reports that may result in the recoupment of disapproved expenses. This approach prevents individual providers from having to use their own funding to support program costs while waiting for reimbursement, but it also adds the administrative burden of having to reconcile funding with the state.

- In New Mexico, FCC/pre-K educators are permitted to request reimbursements monthly, based on their funded enrollment. Although their enrollment is monitored, the state only reduces an educator's reimbursement when under-enrollment persists even after the state and pre-K/FCC educators work together to boost enrollment.

## Conclusions

Currently, all but six states fund a public preschool program, and all but Hawaii in a mixed delivery system. While the number of states serving children in FCC settings is low, policies must still be in place to support providers to ensure that the quality of the program does not vary by setting. The *Conditions for Success* outlines policies to support the successful inclusion of FCC educators in state-funded pre-K systems.

As with center-based care, the total (site and system-level) per-child cost of providing services in an FCC home varies significantly depending on the number of children served, the number of adults providing care, and the duration and quality of programming provided (including staff compensation<sup>101</sup>). By varying the number of children and adults in the home while maintaining similar quality standards for a six-hour program, we

Other states provide funding on a reimbursement basis, where providers are reimbursed for allowable expenses after they are incurred. This approach may be more streamlined since only one payment is exchanged between the state and provider, but it also adds a financial burden on providers who use their own funding to support costs while waiting for reimbursement. For example, New York City has had to address delays in making payments to nonpublic school pre-K providers in both centers and homes.<sup>99</sup> Unlike public schools, most of these providers did not have other funds to support cash flow or access to business lines of credit available to larger centers.

### ENROLLMENT VS. ATTENDANCE

In some states, provider payments are reduced based on the number of children enrolled each month or based on average daily attendance rates. The goal of these policies is to incentivize individual providers to maintain a fully enrolled program and encourage families to bring their children every day. An unintended consequence of these policies is that providers receive less funding to support their fixed costs due to circumstances only partially under their control. A working group in Boston released recommendations to revamp the city's model for funding public preschool and included a recommendation to shift funding to a classroom-based model to acknowledge that variations in providers' enrollment do not reduce their two largest expenditures – salaries and benefits.<sup>100</sup>

estimate total per-child costs ranging from \$13,593 in a home with 10 children served by one adult to \$33,450 in a home with four children served by one adult.

**Table 3: Total FCC/Pre-K Costs: Per Home and Per Child** illustrates how total costs will vary based on the configuration of the home and the level of efficiencies achieved with system-level costs. It is often seen as more beneficial for providers to fund by program (i.e., classroom or FCC home) rather than per child since it provides greater stability for providers by taking into account costs, such as facilities and personnel, that do not vary by the number of children served.<sup>102</sup>

Current, average per-child spending for state preschool is not sufficient to support the kinds of high-quality programs that lead to strong outcomes for children.<sup>103</sup> Estimating how much states *should* be spending



on public preschool (based on minimum policy benchmarks) allows us to compare just how close that rate is to what FCC homes need to effectively participate in public preschool programs. *Appendix C* provides this comparison and shows that, if states provide funding at a level high enough to fund quality in center-based programs, many could also support quality in FCC homes.

Clearly, FCCs are not an option for cost reduction but present the same challenges as other settings in regard to adequate funding to ensure quality in public preschool programs. Inadequate funding makes it difficult to create a high-quality mixed delivery system, especially one that is inclusive of FCCs. States must consider how to improve funding to adequately support all provider types including both increasing overall funding and the most effective ways to coordinate funding across early care and education systems and funding streams (state preschool, Head Start, subsidized child care, CACFP, parent tuition).<sup>104</sup> Policies that increase spending to levels that support the ingredients for success and expand preschool to a minimum school-day, school-year schedule are crucial. As states consider these policies, they should also consider the many issues discussed above that are unique to FCCs, and the policies needed to ensure that FCCs can succeed when included in public preschool systems.

## Appendix A. Review of Previous Cost Studies

In reviewing studies for this paper, we found that early childhood program cost studies typically focus on the costs to provider organizations and exclude systems-level costs (see **Table 6. Pre-K and FCC Cost Studies and Selected Key Findings**). Even so, these studies provided insights into how costs vary based on FCC program characteristics that pre-K policies can influence. These include:

1. FCC educator qualifications, including degree requirements.
2. FCC “staff” salary levels.
3. Fringe benefits.
4. Professional development.
5. Enrollment and vacancies.
6. Ages of children served.
7. Hours worked both directly and indirectly with children.
8. Staffing structures including employing assistants.

Several studies provided information on systems-level costs for pre-K programs, though not necessarily with specific information on FCC-related costs. We reviewed three state-specific cost studies that included FCC educators within pre-K systems, one in southwest Florida (Augenblick et al., 2017) and two that reviewed the Vermont early learning system (Karoly et al., 2023; Vermont Blue Ribbon Commission, 2016). Augenblick et al. (2017) estimated alternative levels of per-child funding for FCCs based on several factors, including provider qualifications and enrollment, and addressed economies of scale. The 2016 Blue Ribbon Commission report defined high-quality early learning and care and then estimated the costs of providing it to all children (birth to age five) in Vermont. Karoly et al. (2023) estimated the cost of a high-quality early learning system with a well-compensated workforce and included costs incurred at the systems level.

Findings from these studies are woven throughout the report.

**Table 6. Pre-K and FCC Cost Studies and Selected Key Findings**

Full citation	Selected Key Findings and/or Details of Cost Study
<p>Augenblick, Palaich &amp; Associates (2017). <i>The cost of preparing students for kindergarten in southwest Florida</i>. Florida SouthWestern State College. <a href="http://futurereadycollier.org/wp-content/uploads/Florida-ECE-Costing-Out-Study-Report-Final-with-Cover.pdf">http://futurereadycollier.org/wp-content/uploads/Florida-ECE-Costing-Out-Study-Report-Final-with-Cover.pdf</a></p>	<p>Includes FCCs in southwest Florida’s pre-K program, does not include system level costs.</p> <p>At very low enrollments, per student home-based preschool provider costs are very high, especially in comparison to centers.</p> <p>Base-level costs for a home-based state preschool provider (with a bachelor’s degree) with 10 enrolled students would be \$12,192 per child, with additional weights of 0.29 for a home-based preschool with six students and 1.73 for a preschool with two students.</p> <p>Estimated costs without a bachelor’s degree and 10 children: \$10,443 (associate degree) and \$9,906 (no formal educational degree).</p>
<p>Austin, L. J. E., Whitebook, M., &amp; Dichter, H. (2019). <i>Financing early educator teacher quality: A closer look at assumptions that drive variations in estimating the cost of services</i>. Center for the Study of Child Care Employment, University of California, Berkeley. <a href="https://files.eric.ed.gov/fulltext/ED597191.pdf">https://files.eric.ed.gov/fulltext/ED597191.pdf</a></p>	<p>Review of five approaches to modeling workforce costs (three national models; two state/local ones: Vermont and southwest Florida). [Three of these studies were reviewed further for this paper: NASEM (2018); Augenblick et al. (2017); Vermont Blue Ribbon Commission (2016)]</p> <p>The compensation of early educators (60-80%) drives the cost of services.</p> <p>Defines ECE compensation parity as being parity with K-3 teachers for salary and benefits for equivalent levels of education and experience.</p>

**Table 6. Pre-K and FCC Cost Studies and Selected Key Findings (continued)**

Full citation	Selected Key Findings and/or Details of Cost Study
<p><i>Boston universal pre-k cost modeling working group: Final recommendations.</i> (2023, February). PPT presentation. PreK Boston &amp; Children’s Funding Project. <a href="https://docs.google.com/presentation/d/1LCBBUMETYBXjssUpE9a_7Nsk9xiSudXT7QiSlj8q5pE/edit#slide=id.g117aa20f672_0_2">https://docs.google.com/presentation/d/1LCBBUMETYBXjssUpE9a_7Nsk9xiSudXT7QiSlj8q5pE/edit#slide=id.g117aa20f672_0_2</a></p>	<p>Does not include FCCs, but nonpublic settings of Boston Public School’s pre-K program, includes some system level costs.</p> <p>PowerPoint presentation made to a working group to understand the costs of implementing Boston Universal Pre-K (UPK) in nonpublic school classrooms (CBOs).</p> <p>Includes UPK expenditures by category (FY21) for all 18 CBOs:</p> <ul style="list-style-type: none"> <li>• Total expenditures: \$5,741,195</li> <li>• Salaries are the highest expenditure (70%) 5x more than the next highest category [does not include benefits].</li> </ul> <p>UPK classrooms operate 6 hours per day/180 days year.</p>
<p>Brandon, R.N. (2004). <i>Financing access to early education for children aged four and below: Concepts and costs.</i> Welfare Reform &amp; Beyond Working Paper.</p> <p>The Brookings Institution. <a href="https://www.brookings.edu/wp-content/uploads/2016/06/200411Brandon.pdf">https://www.brookings.edu/wp-content/uploads/2016/06/200411Brandon.pdf</a></p>	<p>Estimates system level costs in pre-K systems to be 10-20% of costs, mainly for PD.</p>
<p>Bromer, J., &amp; Porter, T. (2019). <i>Mapping the family child care network landscape: Findings from the National Study of Family Child Care Networks.</i> Herr Research Center, Erikson Institute.</p>	<p>Data collected in national survey of FCC networks included funding and services provided. Included are state/city FCC network examples.</p> <p>Defines staffed FCC network as an organization that provides quality improvement services and supports including TA, training, and/or peer support delivered by a paid staff member (e.g., coaching, mentoring, etc.).</p> <p>The majority of FCC networks surveyed serve 1-50 home-based providers (42%); serve both homes and centers (61%); have federal/state/local funding (94%); a state contract (60%); and support licensing/certification (81%), subsidy system (70%), QRIS (70%), and CACFP (62%).</p> <p>A variety of incentives were found to be offered by FCC networks including free materials/equipment, toy/book lending libraries, bulk purchasing opportunities, and transportation.</p> <p>The majority of respondents reported what could be defined as a “light touch” in terms of services, dosage, and intensity of services provided.</p>

<p>Capito, J., &amp; Workman, S. (2002, March 1). <i>Delaware cost of quality child care estimator tool</i>. Prenatal to Five Fiscal Strategies. <a href="https://www.dhss.delaware.gov/dhss/dss/files/DECostEstimationReportMarch22.pdf">https://www.dhss.delaware.gov/dhss/dss/files/DECostEstimationReportMarch22.pdf</a></p>	<p>Identifies line-item costs of implementing child care in Delaware.</p> <p>In addition to collecting data from state leaders and researchers, a group of FCCs were convened to review assumptions and cost-data specific to FCCs.</p> <p>Non-personnel costs are divided into three categories with estimated amounts for Delaware FCCs: administration/office (i.e., advertising, legal, office supplies, etc.): \$3,364 per/child; classroom (classroom/educational supplies): \$5,458 per/child; and occupancy (shared use of home): \$3,369 per/child.</p>
<p>Dellano, D., Brady, K., &amp; Kaiser, J. (2017). <i>Quality costs how much? Estimating the cost of quality child care in New Jersey</i>. Advocates for Children of New Jersey. <a href="http://acnj.org/downloads/2017_04_25_Quality%20Costs%20How%20Much_reduced.pdf">http://acnj.org/downloads/2017_04_25_Quality%20Costs%20How%20Much_reduced.pdf</a></p>	<p>Examines the costs to operate a child care center or a family child care home at different levels of quality. Some of the center-based programs did participate in New Jersey's state-funded pre-K program.</p> <p>Biggest cost drivers associated with higher levels of quality for FCCs (n = 9) included PD activities and additional time need for creating lesson plans, assessing children, family engagement, and implementing business practices. Other costs included child assessments, educational materials/equipment, and family engagement activities.</p> <p>Annual salaries of FCC educators (\$18,546) were much lower in comparison to their counterparts in child care centers (\$36,679) and preschool directors (\$54,464) [assuming 2016 dollars].</p>
<p>Haynie, K. (2021, June 4). <i>The value of shared services</i>. Child Care Aware. <a href="https://info.childcareaware.org/blog/shared-services">https://info.childcareaware.org/blog/shared-services</a></p>	<p>Provides background information on shared services alliances as they relate to FCC educators.</p> <p>Highlights how educators affiliated with two shared services alliances (All Our Kin – Connecticut; Early Learning Ventures (ELV) – Colorado) scored higher on average on quality measures than educators unaffiliated with an alliance.</p> <p>For example, there was a 45% difference in QRIS scores between ELV-associated sites (2.57) and non-ELV sites (1.77).</p>
<p>Kabay, S., Weiland, C., &amp; Yoshikawa, H. (2020) Costs of the Boston public prekindergarten program. <i>Journal of Research on Educational Effectiveness</i>, 13:4, 574-600. <a href="https://files.eric.ed.gov/fulltext/ED618319.pdf">https://files.eric.ed.gov/fulltext/ED618319.pdf</a></p>	<p>Does not include FCCs, but system-level costs in Boston's pre-K program (public school classrooms).</p> <p>Identifies and analyzes the costs of Boston's pre-K program (2007-2008 through 2010-2011) in four areas: specific ingredients and costs; system costs; spending over time; and generalizability of costs.</p> <p>Categorized expenses as additive (exist only because of pre-K) and system expenses (budget already exists in the public school system).</p> <p>Three system level costs: school, Department of Early Childhood, and school district.</p> <p>The total per-child costs ranged between \$15,240 and \$18,210 (expansion) a year, including system level costs. [2018 dollars]</p> <p>In nationally representative estimates, the per-child costs of maintaining existing classrooms were 15% less expensive (\$2,180 less per child) than the startup costs.</p>

<p>Karoly, L. A., Cannon, J. S., Gomez, C. J., &amp; Whitaker, A. A. (2021). <i>Understanding the cost to deliver high-quality publicly funded pre-kindergarten programs</i>. RAND Corporation. <a href="https://www.rand.org/pubs/research_reports/RRA252-1.html">https://www.rand.org/pubs/research_reports/RRA252-1.html</a></p>	<p>Does not include FCCs but reports pre-K system level costs for state pre-K programs (actual: Oregon Pre-K (OPK), Oregon Preschool Promise, Washington state’s Early Childhood Education and Assistance Program (ECEAP); estimates: Michigan Great Start Readiness Program (GSRP), Tennessee Voluntary Pre-K (VPK)). In addition, includes pre-K per-child costs (without system estimates) in Boston UPK and Oklahoma UPK.</p> <p>Actual system-level expenditures for Preschool Promise, PKC, and ECEAP ranged from a few hundred dollars (\$123 PKC; \$453 ECEAP) to a few thousand dollars (\$2334 Preschool Promise) per center-based child (2019 dollars). Combined provider- and system-level costs for the three systems were estimated to be between about \$11,500 and \$13,600 per child.</p> <p>Model-based national estimates indicate that the per-child cost of high-quality pre-K at the provider level (center-based) would be \$12,665, with a range of \$9,799 to \$15,395 across the seven pre-K systems modeled (2019 dollars).</p>
<p>Karoly, L. A., Cannon, J. S., Gomez, C. J., &amp; Whitaker, A. A. (2021). <i>Understanding the cost to deliver high-quality publicly funded pre-kindergarten programs: Appendixes</i>. RAND Corporation. <a href="https://www.rand.org/pubs/research_reports/RRA252-1.html">https://www.rand.org/pubs/research_reports/RRA252-1.html</a></p>	<p>These appendixes accompany the Karoly et al., (2021) study on pre-K (does not include FCCs) costs (provider and system-level).</p> <p>They include information on the methods for data collection, cost estimation and cost modeling, per-costs for five elements (curriculum, child screener, child formative assessment, child summative assessment, and classroom quality assessment), provider interview protocol, and system-level excel tool.</p> <p>The system-level excel tool (completed by Oregon (2 programs) and Washington) collected expenditures across nine potential support components: curriculum; student assessments; program/classroom quality measurement, incentives, and improvement; PD for classroom and leaders; higher education systems; summative evaluation; data systems; general administration; and other system-level supports.</p> <p>Estimated costs for five quality elements were calculated with three different levels of assumptions.</p>

<p>Karoly, S., Strong, A., &amp; Doss, C. J. (2023). <i>Vermont early care and education financing study: Estimated costs, financing options, and economic impacts</i>. RAND Corporation.</p>	<p>Estimates the costs of a high-quality ECE system in Vermont, includes FCCs in the state’s pre-K system.</p> <p>As of 2022, the database of providers found that 28% of FCCs (118 FCCs) and 80% of centers (398 centers) had attained a Star 4 or Star 5 rating, the level required to be an approved UPK provider.</p> <p>For FCCs, calculations were estimated for two sizes: small FCCs (up to 6 children) and large FCCs (up to 12 children).</p> <p>The cost model identified benefits (aligned with VTAEYC’s Advancing ECE as a Profession Task Force (2021)) include employer share contributions for health, dental, and vision insurance and retirement and short- and long-term disability; and paid time off for 30 days of combined vacation, illness, and personal time off. For the employer, this package of fringe benefits plus other employer-paid taxes is modeled as a 26% fringe-benefit rate.</p> <p>Projected classroom compensation amounts are the same across provider types (i.e., centers/FCCs), sizes (i.e., small center, large FCC, etc.) and classroom age groups.</p> <p>Identifies assumed unit prices for operating costs, occupancy, transportation, meals, classrooms supplies and materials, and PD in 2022 dollars.</p> <p>Estimated system-level costs include personnel time to administer the system, provider licensing, resource and referral services, and operation of the quality recognition and improvement system.</p>
<p>Karoly, L. A., &amp; Walsh, S. J. (2020). <i>Estimating the cost of quality early childhood care and education in Oklahoma</i>. RAND Corporation. <a href="https://www.rand.org/pubs/research_reports/RRA280-1.html">https://www.rand.org/pubs/research_reports/RRA280-1.html</a></p>	<p>Estimates costs associated with varying levels of quality for Oklahoma centers and FCCs, does not include pre-K or state system-level costs.</p> <p>Impact on under enrollment in FCCs was calculated:</p> <ul style="list-style-type: none"> <li>• If a small FCC (capacity 7) maintains a group of 6 children, costs increase 14-18%.</li> <li>• If a large 3-Star FCC (capacity 12) enrolls 10 children, per-child cost increases about 17%.</li> </ul> <p>Licensed providers (both centers and FCCs) may benefit from TA on financial literacy and business management.</p> <p>Compared with centers, FCCs do not incur costs for administrative personnel (i.e., center director), but their space costs are usually higher, due to diseconomies of scale.</p> <p>For programs (both FCCs and centers) increasing quality (moving from the 1-Star Plus to 2-Stars) per-child annual costs increase about \$1,200 due to assumed increases in staff compensation and, to a lesser degree, increases in PD, classroom materials, and initial preparations toward accreditation (3-Stars).</p>

<p>Mitchell, A., Brodsky, A., &amp; Workman, S. (2015). <i>Provider cost of quality calculator user guide</i>. <a href="http://www.earlylearningpolicygroup.com/assets/PCQC_User_Guide.pdf">http://www.earlylearningpolicygroup.com/assets/PCQC_User_Guide.pdf</a></p>	<p>User guide for the Provider Cost of Quality Calculator (PCQC) an interactive cost estimation tool for child care at the site/program level (does not include system-level costs or pre-K).</p> <p>FCC expenses are divided into two major categories: direct expense of the FCC business (100% business use in federal tax form language) and the expenses of maintaining the home in which the business operates (shared expenses).</p>
<p>National Academies of Sciences, Engineering, and Medicine (NASEM). (2018). <i>Transforming the financing of early care and education</i>. The National Academies Press. <a href="https://doi.org/10.17226/24984">https://doi.org/10.17226/24984</a></p>	<p>The National Academies of Sciences, Engineering, and Medicine (NASEM) appointed a committee to prepare a report that would outline a funding strategy framework that will provide access to high-quality ECE for children (birth to kindergarten entry) that addresses qualifications and compensation of the workforce over time (four phases of implementation).</p> <ul style="list-style-type: none"> <li>• Phase 4 includes having educators with bachelor’s degrees and specialized knowledge.</li> </ul> <p>Chapter 3, <i>Current Financing for Early Care and Education: Financing a Highly Qualified Workforce (Principle 1)</i>, (pp. 83-114)</p> <ul style="list-style-type: none"> <li>• Workforce-support financing includes those in which funds are distributed directly to the workforce (i.e., scholarships); and those that are system-oriented (i.e., coaching within a state’s QRIS).</li> <li>• About 2% of the overall Head Start is to be used for program improvement (including coaching).</li> <li>• In FY2020 9% of CCDF spending was required to be used for quality activities (including coaching).</li> </ul> <p>Chapter 6, <i>Estimating the Cost of High-Quality Early Care and Education</i>, (pp. 157-194)</p> <ul style="list-style-type: none"> <li>• The committee estimates a national aggregate of the total cost (system-level and provider-level, which is inclusive of FCCs)</li> <li>• Provider-level/on-site costs include staff qualifications/compensation; staffing structures; staff supports (i.e., coaching); operating hours/days; and non-personnel costs (curriculum, facilities, equipment).</li> <li>• System-level workforce development cost drivers are frequency, duration, and approach.</li> <li>• Quality improvement/assurance systems that impact costs: monitoring and regulation, quality improvement and accountability, and data information systems.</li> <li>• To estimate system level costs (workforce development and quality improvement systems), the committee applied an increment of 8% annually to service delivery cost. However, this does not include coaching and PD release time (added into site-level costs).</li> <li>• Two challenges of including FCCs in cost estimation models are, 1) FCC educators are not paid a salary, and 2) it can be difficult to separate home costs from ECE services.</li> </ul> <p>Appendix A, <i>Methodology and Policy Choices and Assumptions for Cost Estimation</i>, (pp. 265-276)</p> <p>Estimates for coaching at phase 4 of implementation (educators with a BA and specialized knowledge) is 1 coach per 25 educators (center-based estimates).</p>

<p>Office of the State Superintendent. (2018). <i>Modeling the cost of child care in the District of Columbia</i>. <a href="https://osse.dc.gov/sites/default/files/dc/sites/osse/publication/attachments/OSSE%20Cost%20Model%20Report_2018.pdf">https://osse.dc.gov/sites/default/files/dc/sites/osse/publication/attachments/OSSE%20Cost%20Model%20Report_2018.pdf</a></p>	<p>Estimates costs of different levels of quality for children in child care centers and FCCs (using PCQC) (not in the pre-K system).</p> <p>Rather than identifying a salary for the FCC provider/owner, the cost model uses the net revenue as the provider’s annual salary.</p> <p>Smaller FCCs (6 children) had a slightly better profit margin than the expanded FCCs (9 children).</p> <p>FCC participation in a shared services alliance can increase revenue.</p>
<p>Vermont Blue Ribbon Commission (2016). <i>Blue ribbon commission on financing high quality, affordable child care final report</i>. <a href="https://legislature.vermont.gov/Documents/2018/WorkGroups/Senate%20Health%20and%20Welfare/Bluer%20Ribbon%20Commission/W~Charlotte%20Ancel~Final%20Report%20-%202016~1-19-2017.pdf">https://legislature.vermont.gov/Documents/2018/WorkGroups/Senate%20Health%20and%20Welfare/Bluer%20Ribbon%20Commission/W~Charlotte%20Ancel~Final%20Report%20-%202016~1-19-2017.pdf</a></p>	<p>Estimates the total cost of providing high quality (as defined by the state’s QRIS system) early care and education for all Vermont children, ages birth through five (inclusive of FCCs in the state’s pre-K system).</p> <p>Greatest cost driver for high-quality programs was wages and benefits for program staff.</p> <p>A savings of 20% is estimated for center-based programs using a modeled shared services approach.</p> <p>Additional FCC expense includes .25 FTE Early Care Advocate who provides direct services for children and families via home visits and social service contacts.</p> <p>Benefits (health insurance, retirement benefits, and reduced tuition for children of employees) are estimated at 29.7% for center-based providers.</p>
<p>Workman, S. (2021, June). <i>The true cost of high-quality child care across the United States</i>. Center for American Progress. <a href="https://www.americanprogress.org/wp-content/uploads/sites/2/2021/07/True-Cost-of-High-Quality-Child-Care.pdf">https://www.americanprogress.org/wp-content/uploads/sites/2/2021/07/True-Cost-of-High-Quality-Child-Care.pdf</a></p>	<p>Salaries for FCCs are calculated at a commensurate hourly rate equivalent to center-based settings, based on a 55-hour work week.</p> <p>Monthly expenses are broken down for child care programs into two levels of quality (base- and high-quality) for centers and FCCs. They do not include system level costs.</p> <p>Includes per-child cost by state in FCC homes (current, base-quality, high-quality).</p>
<p>Workman, S., &amp; Falgout, M. (2021). <i>Methodology for ‘The True Cost of High-Quality Child Care Across the United States.’</i> Center for American Progress. <a href="https://cdn.americanprogress.org/content/uploads/2021/06/28062526/METHODOLOGY_True-Cost-of-High-Quality-Child-Care.pdf">https://cdn.americanprogress.org/content/uploads/2021/06/28062526/METHODOLOGY_True-Cost-of-High-Quality-Child-Care.pdf</a></p>	<p>Updated methodology, including FCCs, for the PCQC at the site level (does not include system-level costs) (see Mitchell, et al., 2015).</p> <p>Base scenarios for FCCs include the following assumptions: no assistants, maximum group size based on state licensing regulations (default 6 children), salary uses BLS category for preschool teachers, except special education, benefits (7.2% mandatory) and \$500 for health insurance.</p> <p>Non-personnel expenses include occupancy (i.e., rent, insurance, utilities, etc.), office and administration, and classroom materials and food.</p>



## Appendix B: Expert FCC & Pre-K Cost Conversations

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In March 2023, we had two meetings with experts who could help us identify relevant research; the costs associated with implementing FCCs within pre-K systems; and help us with our initial conceptual framework.

- Amy Friedlander, Opportunities Exchange
- Simon Workman, Prenatal to Five Fiscal Strategies
- Alexandra Patterson, Home Grown
- Christina Nelson, Mountain View Child Care, Vermont
- Lisa Brochard, Home Grown

We also had state -or city-specific follow-up conversations (via email and Zoom) in April and May 2023, with the following people:

- Amanda Atkinson, Public Health Management Corporation
- Ronald Chaluisan Battle, Newark Trust for Education
- Pritha Gopalan, Newark Trust for Education
- Bill Hudson, Family Child Care Alliance of Maryland
- Jody Lamberti, Family Child Care Alliance of Maryland
- Wendy Scott, Vermont Agency of Education, Early Childhood Education
- Sara Mikelson, New Mexico Early Childhood Education & Care Department
- Meredith Montaña, New Mexico Early Childhood Education & Care Department
- Shana Runck, New Mexico Early Childhood Education & Care Department
- Kalimah Wilson, Newark Trust for Education

We had continual conversations with Steve Barnett and Ellen Frede, Senior Co-Directors at NIEER who helped us refine our conceptual framework, review cost assumptions and projections, and review drafts.

Finally, we appreciate all of the reviewers who helped us make our paper stronger, including Benjamin Allen, Adrienne Briggs, Juliet Bromer, Virginia Early, Elizabeth Groginsky, Rena Hallam, Jason Hustedt, Tracy Jost, Samantha Melvin, Christina Nelson, Alexandra Patterson, Natalie Renew, and Albert Wat.

## Appendix C: Comparison of Estimated FCC and State Preschool Per-Child Rates

The table below is intended to illustrate how much per-child funding states need to support public preschool enrollment in FCC homes compared with how much states should be spending per child to support public preschool in center-based settings (i.e., school districts, child care, and Head Start). Using data from [Table 3: Total FCC/Pre-K Costs: Per Home and Per Child](#),

we calculated the cost of serving children in FCC homes, using a model of 10 children served by one adult. We acknowledge that state licensing policies dictate how many children can be served by one adult in an FCC home.

Under this model, estimated per-child rates are \$13,593 when system-level costs are 10% of personnel costs and

\$14,829 when system-level costs are 20% of personnel costs. We then adjusted those base rates to reflect differences in teacher compensation levels across states. The second and third columns below represent state-specific estimates of the per-child rates needed to serve 10 children in an FCC home with one adult.

The fourth column represents our estimates of what states *should* spend per child to meet minimum quality standards in center-based public preschools. The estimates were calculated using the Cost of Preschool Quality and Revenue (CPQ&R) tool. The final two columns compare the estimated FCC per-child rates with the estimated center-based state preschool rates.

**Table 7: Estimates of Per-Child Funding by State**

	FCC Cost Per Pre-K Child (10% System-Level)	FCC Cost Per Pre-K Child (20% System-Level)	Estimated Per-Child Cost of Quality for State Pre-K Programs	Difference using 10% System-Level Estimate	Difference using 20% System-Level Estimate
Alabama	\$11,868	\$12,947	\$10,619	(\$1,250)	(\$2,328)
Alaska	\$14,789	\$16,133	\$17,140	\$2,351	\$1,006
Arizona	\$11,664	\$12,724	\$11,535	(\$129)	(\$1,189)
Arkansas	\$11,322	\$12,351	\$11,612	\$290	(\$739)
California	\$17,001	\$18,547	\$16,693	(\$308)	(\$1,854)
Colorado	\$12,301	\$13,419	\$12,654	\$353	(\$765)
Connecticut	\$16,007	\$17,462	\$17,061	\$1,053	(\$402)
Delaware	\$13,470	\$14,695	\$13,701	\$231	(\$994)
District of Columbia	\$16,226	\$17,701	\$16,781	\$556	(\$919)
Florida	\$11,117	\$12,127	\$12,342	\$1,225	\$215
Georgia	\$12,752	\$13,912	\$12,465	(\$287)	(\$1,446)
Hawaii	\$13,691	\$14,936	\$13,501	(\$191)	(\$1,435)
Idaho	\$11,607	\$12,662	\$11,794	\$187	(\$868)
Illinois	\$14,557	\$15,880	\$13,090	(\$1,466)	(\$2,790)

Indiana	\$11,590	\$12,643	\$12,183	\$593	(\$460)
Iowa	\$12,428	\$13,558	\$12,526	\$98	(\$1,032)
Kansas	\$11,702	\$12,766	\$11,869	\$167	(\$897)
Kentucky	\$11,663	\$12,723	\$12,489	\$827	(\$234)
Louisiana	\$11,304	\$12,332	\$11,858	\$554	(\$474)
Maine	\$12,346	\$13,468	\$12,212	(\$134)	(\$1,256)
Maryland	\$15,122	\$16,497	\$14,887	(\$235)	(\$1,610)
Massachusetts	\$17,267	\$18,837	\$16,280	(\$987)	(\$2,557)
Michigan	\$13,397	\$14,615	\$13,309	(\$88)	(\$1,306)
Minnesota	\$13,935	\$15,202	\$13,644	(\$291)	(\$1,558)
Mississippi	\$10,453	\$11,403	\$10,907	\$454	(\$496)
Missouri	\$11,321	\$12,350	\$12,697	\$1,376	\$347
Montana	\$11,508	\$12,554	\$12,775	\$1,267	\$221
Nebraska	\$12,127	\$13,230	\$13,246	\$1,119	\$16
Nevada	\$12,190	\$13,298	\$13,383	\$1,193	\$84
New Hampshire	\$13,003	\$14,185	\$13,401	\$398	(\$784)
New Jersey	\$15,658	\$17,081	\$15,235	(\$423)	(\$1,847)
New Mexico	\$11,613	\$12,669	\$14,051	\$2,438	\$1,382
New York	\$17,809	\$19,428	\$17,898	\$89	(\$1,530)
North Carolina	\$11,511	\$12,557	\$11,196	(\$315)	(\$1,361)
North Dakota	\$11,858	\$12,936	\$12,216	\$359	(\$719)
Ohio	\$13,063	\$14,251	\$12,900	(\$164)	(\$1,351)
Oklahoma	\$11,700	\$12,764	\$10,336	(\$1,364)	(\$2,428)
Oregon	\$14,127	\$15,412	\$15,679	\$1,551	\$267
Pennsylvania	\$14,548	\$15,871	\$13,214	(\$1,334)	(\$2,657)
Rhode Island	\$15,300	\$16,691	\$14,783	(\$517)	(\$1,908)
South Carolina	\$11,470	\$12,513	\$12,522	\$1,052	\$9
South Dakota	\$10,877	\$11,866	\$10,419	(\$458)	(\$1,447)
Tennessee	\$11,507	\$12,553	\$11,861	\$354	(\$692)
Texas	\$12,367	\$13,491	\$13,426	\$1,059	(\$65)
Utah	\$12,323	\$13,443	\$11,256	(\$1,067)	(\$2,188)

Vermont	\$13,016	\$14,200	\$13,472	\$455	(\$728)
Virginia	\$12,543	\$13,683	\$14,754	\$2,211	\$1,071
Washington	\$16,073	\$17,534	\$15,221	(\$852)	(\$2,313)
West Virginia	\$10,967	\$11,964	\$11,264	\$297	(\$700)
Wisconsin	\$12,623	\$13,770	\$13,344	\$721	(\$426)
Wyoming	\$12,682	\$13,835	\$14,508	\$1,826	\$673

## Appendix D: Funding Scenarios

To understand the impact of different FCC program configurations on how program expenses need to be supported by the primary revenue streams available to FCC educators, we created a series of three funding scenarios specific to FCC educators. For each scenario, the following assumptions are present:

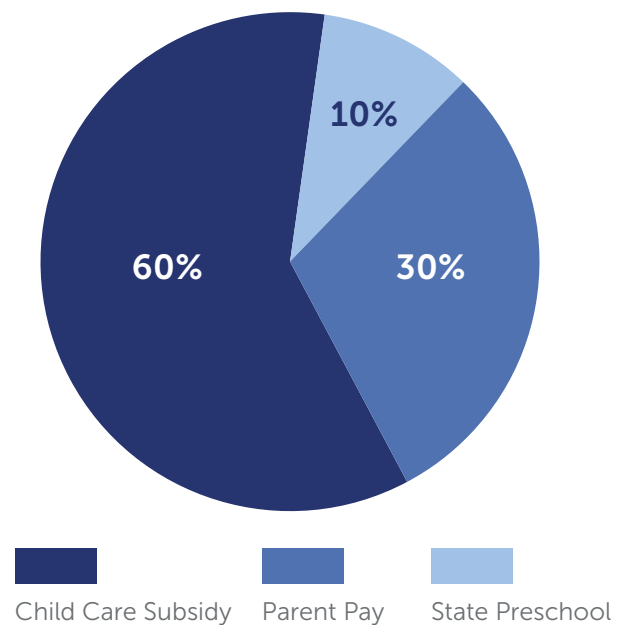
- A total of six children are served: two infants/toddlers and four preschoolers.
- FCC educators and the state pre-K program operate five days per week.
- FCC educators operate 10 hours per day for the entire calendar year, resulting in 2,450 hours of care over 245 days.
- State preschool programs operate during the school calendar year (180 days) for at least six hours per day (1,080 total hours per year).
- Parent co-pays cover roughly 245 hours of care per year, per child eligible for a child care subsidy.
- During hours when the state preschool day is in session, costs are prorated to account for infants/toddlers in the home at the same time.

In addition to the above assumptions, the scenarios assume that certain system-level costs (child assessments and screenings, professional development and coaching, special education specialists and therapists, administration of the CACFP program, child placements, and budgeting/auditing assistance) are captured in the budgets of local FCC networks and/or districts or state systems.

### Scenario 1 - School-Day Pre-K with All Children Eligible for Child Care Subsidy

Figure 1 represents the first scenario, where the state preschool program is offered for six hours and all six of the children served are eligible for a child care subsidy. Although the state pre-K program is offered for a full day, the majority of the hours are dedicated to the child care subsidy program with subsidies covering four hours per day for preschoolers and 10 hours per day for other children. Under each scenario with a six-hour state preschool program, state policy will need to address child care subsidy rates that are sufficient to support preschool-age children who only need subsidy care for part of the day.

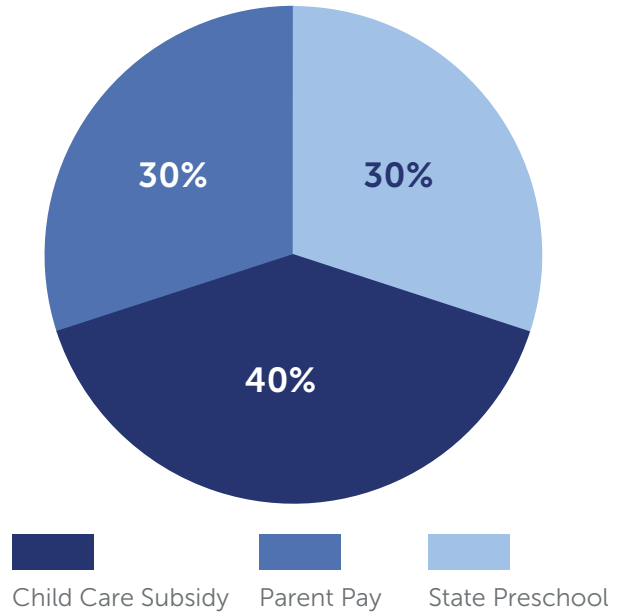
**FIGURE 1 – SCHOOL-DAY PRE-K ALL CHILDREN ELIGIBLE FOR CHILD CRE SUBSIDY**



## Scenario 2 – School-Day Pre-K with Some Children Eligible for Child Care Subsidy

Figure 2 represents the second scenario, where the state preschool program is offered for six hours, and only half of the children served are eligible for a child care subsidy. With fewer children served under the subsidy program, and the hours offered under the state preschool program remaining fixed, this scenario requires that an increased percentage of the day is supported by parent fees for children not receiving subsidies.

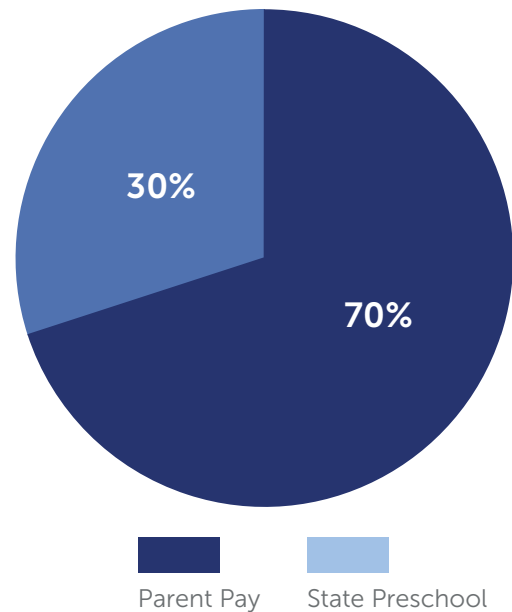
**FIGURE 2 – SCHOOL-DAY PRE-K SOME CHILDREN ELIGIBLE FOR CHILD CARE SUBSIDY**



## Scenario 3 - School-Day Pre-K with No Children Eligible for Child Care Subsidy

Figure 3 represents the third scenario, where the state preschool program is offered for six hours and none of the children served are eligible for a child care subsidy. Under this scenario, parent pay covers the majority of program costs because, again, the number of children and hours covered by the state preschool program is unchanged.

**FIGURE 3 – SCHOOL-DAY PRE-K NO CHILDREN ELIGIBLE FOR CHILD CARE SUBSIDY**



# Endnotes

- 1 Although there are numerous ways to define the varied types of home-based care, throughout this paper we define family child care (FCC) as home-based care in which a provider is licensed or regulated by the state to provide care in a home-based setting. This differs from those who care for children informally outside of licensing or regulation systems, often referred to as family, friend and neighbor care.
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- 101 Recognizing that many state preschool programs do not require certified teachers or do not require pay parity with public school teachers, we recalculated per-child site-level estimates based on lower requirements for teacher qualifications and lower compensation. Using these requirements, we estimate per-child rates in FCC homes ranging from \$7,617 (10 children served by one adult) to \$13,221 (four children served by one adult). We provide these estimates not because we would recommend them, but to provide estimates consistent with current policies and to show how far these are from the costs of meeting the *Conditions for Success*.
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