

# GROWING HOME-BASED CHILD CARE: An Important Opportunity for North Carolina

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**H**ome-based child care (HBCC), often known as family child care, is child care delivered in a home-like setting for small groups of children. HBCC options vary from licensed providers operating child care programs in their homes through care provided by family, friends, and neighbors. Many parents choose HBCC, especially for infants and toddlers, because it is often close to home, affordable, flexible, and can foster a child care environment that shares the family’s cultural norms and values. Given the need for more child care to help stimulate the economy—a concern that has been underscored by North Carolina **business leaders**—an intentional strategy to grow home-based child care options is prudent. Unfortunately, HBCC providers based in North Carolina have not received the recognition, resources, and support they need to offer

**TABLE 1**

State	State Population	# licensed FCC Homes	# of licensed Centers	% Child Care Spaces in licensed FCC	Potential Supply (IRS reported child care business)
North Carolina	9,748,364	1738	4537	4%	12,990
Michigan	9,882,519	4624	4429	9%	17,539
Virginia	8,186,628	3,718	1305	27%	14,022
Minnesota	5,379,646	8410	1742	44%	14,434
Iowa	3,155,070	3703	1554	22%	10,746
Illinois	12,671,821	7928	3109	23%	37,958
Connecticut	3,565,287	2134	1412	11%	6,931

Source: Child Care Aware of America [State Fact Sheets 2018](#) CED Child Care Impact [State Fact Sheets 2019](#)

financially successful, top-quality services. Indeed, North Carolina has far fewer HBCC than states with comparable population, and a steadily declining supply of HBCC (see table 1, left).

Without question, the pandemic took a serious toll on the child care sector and hit providers of color particularly hard. Indeed, a **recent report** from the US Chamber of Commerce underscores how much child care providers are impacted by racial inequalities and

sexism. The **Hechinger Report** further explored the racial dynamic that runs throughout the US child care system, and pushed for reform.

Racial inequities are also evident in the child care options available to families. Given that Black and Latino families are over-represented in jobs with low wages, little flexibility and few opportunities to work remotely, they have historically faced significant challenges finding affordable child care. These families were disproportionately impacted by the collapse of the child care sector during COVID, and often turned to home-based care provided by friends and family as the most viable option. Recent research from the **Migrant Policy Institute** and the **California Child Care Resource and Referral Network** effectively documents this assertion.

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#### PROVIDER NETWORKS

Growing the supply of home-based child care in North Carolina is a viable strategy *if a pathway to success and sustainability can be forged*. One promising approach is to support the establishment and growth of provider Networks that identify common needs and link providers to each other and to system supports, including funding and policy. North Carolina’s HBCC Networks, while designed to address the unique needs of their community, share a common set of goals, which may be summarized as follows:

- Ensure targeted and culturally competent technical support to promote high-quality care in HBCC;
- Address bureaucratic, practical, cultural, and regulatory barriers to licensure that do not affect the safety or education of young children;
- Create a statewide system of support for unlicensed and legally-exempt caregivers to ensure that all children have access to best practices for positive child development;
- Ensure economic viability for all HBCC providers;
- Help identify resources and funding for HBCC providers;
- Provide information on policy issues relevant to HBCC, such as licensing rules and exemptions.

#### POLICY CHALLENGES

HBCC Networks face significant policy challenges in implementing their mission, most particularly with regard to helping new sites open, addressing licensing standards (or interpretation of standards) and accessing funding and other barriers to expanding the

supply of home-based child care. To better understand these challenges, and as a first step to crafting solutions, Stoney Associates was asked to review state law and conduct individual interviews with leaders from three HBCC Networks in North Carolina. These Networks include:

**PELETAH**—a faith-based organization in New Bern serving several counties in eastern North Carolina that operates a pre-k program and is working to develop a Network of family and faith-based child care homes. Petelah also sponsors a Pre-K program (that includes a mental health initiative), recently launched the ENC Early Learning Consortium, partners with the New Bern Post on a podcast series, and has participated in a child care Listening Pilot.

**PODER EMMA**—a cooperative network of Latino family-based child care providers in the Emma neighborhood of Buncombe County. Most providers who participate in the Network provide child care in legally-exempt settings due to multiple barriers to licensure, particularly barriers related to immigration status.

**WESTSIDE NETWORK**—one of four Family Child Care Networks in the Charlotte area. The Network is well-established and provides professional development and business support to members. Westside is also starting to work on launch of [child care pods](#) in Mecklenburg County.

Licensing quickly surfaced as a significant challenge for Network providers and, in some cases, a seemingly impossible barrier. For example, most providers in one Network are undocumented and therefore ineligible to even apply for licensure. Other Networks, while serving providers who are US citizens, have experienced significant challenges and report that current licensing laws, policies and procedures are confusing, rigid, inconsistently interpreted, and fail to acknowledge the reality of providing child care in a home-based environment rather than a child care center.

It is also important to underscore that some child care providers are not required by law to be licensed and that it is possible to create Networks that include child care providers

TABLE 2

North Carolina Family Child Care Licensing (at a glance)	
<b>Maximum Number of Children Allowed</b>	8, with no more than 5 preschool-age or younger. [The provider’s own children are included in the count if they are under 5 years of age.]
<b>Facility Requirements</b>	Must meet local building, fire zoning, planning or HOA requirements. Permission from landlord, if rent.
<b>Owner (practitioner) requirements</b>	21+ years of age with at least HS diploma. Annual training including CPR/first aid, SIDS, emergency preparedness. All household members must pass criminal background check.
<b>Higher Quality Standards</b>	Family child care homes that seek to attain a higher <a href="#">star-rated license</a> must meet more <a href="#">detailed requirements</a> .

For more information on NC child care licensing go to: <https://ncchild-care.ncdhhs.gov/services/licensing/getting-a-license>

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TABLE 3

Child Care Programs Legally Exempt from NC Regulation	
Small Home-Based Child Care Program (Family Child Care)	Full-time care for one or two children, in the provider's home
Nanny Share	Full-time care, in the child's home, for that child plus their siblings and up to two additional children
Non-residential location (micro-center or pod-care)	Full time care for two children or part-time care (less than 4 hours) for a larger group of children.
Child Care Programs Regulated (but not licensed) by NC	
<u>Religiously sponsored child care</u> operated by a church, synagogue or school of religious charter.	<u>Accredited private schools</u> that offer child care for less than 6.5 hours/day or offer full-day care but do not receive public subsidy from child care or PreK

who are *legally exempt* from licensure, or on a pathway to secure licensure, as well as those who are currently licensed.

Another key challenge in supporting expansion of child care supply in North Carolina is that, in most cases, providers must be regulated to receive any form of public subsidy. While the federal Child Care and Development Fund (CCDF) requires states to create and enforce standards for child care settings, it does not prohibit states from using CCDF dollars to support regulation-exempt care. However, North Carolina has chosen to require compliance with

quality standards in order to receive public subsidy. Families that receive help paying for child care from the NC Division of Child Development and Early Education must enroll their child in a program with at least a [Three-Star Rated License](#), which means that the program complies with more stringent staff and program standards.

Targeting public subsidy to programs with at least a three-star rating is a well-intentioned strategy that aims to increase early learning opportunities for children. However, the potential demand for child care far outstrips what star-rated facilities are currently able to support. Indeed, a recent analysis conducted by the Child Care Resource Center found that there are nearly 460,000 children under six with both parents working, but only 167,000 young children enrolled in licensed, star-rated facilities. This means that nearly 300,000 of North Carolina children under the age of six are likely cared for in informal (likely home-based) settings not included in the regulatory system. Alternative pathways to quality child care are not only possible but can potentially meet the needs of children and families, especially for families seeking care providers that speak their home language or have a shared cultural background.

Families have a wide range of needs and resources, and in some cases a regulation-exempt child care program might offer an important and much-needed service. In some communities, or for some families, regulation-exempt services may be the only child care available. In short, limiting opportunities to participate in child care quality improvement supports or resources potentially hurts thousands of North Carolina children and families. A broader, more flexible approach to quality improvement could focus on enabling a range of safe child care options that support child development in homes, faith-based and community settings. A summary of potential paths forward is summarized below, framed by three key guiding principles.

#### GUIDING PRINCIPAL #1

**Reframe the perception and value proposition for Home-Based Child Care in North Carolina so that it is viewed as a valuable part of the early care and education landscape and providers are given the support they need to grow.**

At present, almost all of the funding, training, and technical assistance aimed at boosting quality in North Carolina child care settings is focused on center-based care. While some Networks or CCR&Rs offer training for HBCC, the training is rarely designed to address the unique needs of HBCC according to feedback from HBCC providers. Moreover, information, technical assistance and pre-licensing workshops for providers are all delivered by state licensing staff—an approach likely to underscore that violating the law is a penalty. To make matters worse, local governments can—and often do—add additional rules and inspection requirements. Not surprisingly, most home-based child care providers in North Carolina feel overwhelmed and unwelcome. The notion of even asking for support feels impossible.

Many other states have created tools, resources, supports and technical assistance strategies aimed at making the quality improvement process accessible, less intimidating and more provider friendly. See Appendix A for a summary of this work. North Carolina can—and should—implement strategies that build on best practice in other states.

#### GUIDING PRINCIPLE #2

**Start Where Providers Are.**

“Start where you are, use what you have, do what you can.” These words of barrier-breaking tennis champion Arthur Ashe, are an important guiding principle for work aimed

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at improving the quality of home-based child care. HBCC Networks include a mix of regulated and regulation exempt providers. The goal is to help all Network members improve program quality—ideally via licensing, but with adequate support along the way. To achieve this end, Network leaders approach providers with respect and trust, offer support in incremental steps, and help leverage financial resources.

Research has shown that staffed Family Child Care Networks can help [improve the quality](#) of care delivered by participating providers. Thus, a Network strategy—rooted in community and peer support—can be a pathway to quality for regulation-exempt settings. However, success depends on clear support—not just from private philanthropy but also public leaders, including the North Carolina Division of Child Development and Early Education. An alternative, publicly-supported, pathway to quality could include funding to expand provider Networks as well as enabling providers who participate in Networks to apply for publicly funded programs and supports.

#### GUIDING PRINCIPLE #3

##### Leverage Resources from Many Sources

Child care is expensive, and home-based child care providers need help accessing and leveraging public and private funding to support one-time costs (like capital for start-up, expansion, securing licensing and more) as well as to augment parent fees.

Private philanthropy is an important source of support for child care. But all too often these dollars do not trickle down to the small, and often isolated, programs that struggle to remain financially viable. Even when these providers learn about funding, the process of applying often feels daunting, or they do not have the tax status required for application. Not surprisingly, Network leaders report that many of the HBCC providers with whom they work were unaware of, or unable to access, philanthropic funding prior to joining the Network.

Targeted leadership, coupled with strategies intentionally designed to enable Networks to serve as ‘third party intermediaries’ on behalf of participating providers, can enable success. National organizations like Home Grown, financial intermediaries like Self-Help and the LIIF, as well as philanthropic organizations, have begun to embrace an approach aimed at building support and stronger funding for home-based provider Networks.

In low-income neighborhoods, public funding is also needed to ensure sustainability. The primary source of public funding for child care in North Carolina is the federal Child Care and Development fund. More recently, federal funding from the American Rescue Act Plan has enabled child care stabilization grants. But these dollars are not the only option. Several additional public funding sources, identified below, are worth exploring.

- The NC Partnership for Children (Smart Start) supports local partnerships with flexible funding that could be tapped for a wide range of child care programs and services.
- American Rescue Plan Act funding awarded to local governments could potentially support a range of child care initiatives.
- State Education (NSCEAA) [Opportunity Scholarships](#), a program that helps low- and moderate-income families with children 4 years of age or older pay tuition and fees at participating private schools, is another option. This program, along with the State Education Department’s [Disability Grants](#) program, will be merged into a new [ESA+ Program](#) in the 2022-23 school year.
- [Child And Adult Care Food Program \(CACFP\)](#) is an open-ended, federally funded, program that reimburses the cost of meals and snacks in qualified child care settings. Family child care homes that sign an agreement with a sponsoring organization may participate in CACFP. Network sponsoring agencies could potentially serve as CACFP sponsors on behalf of participating homes. In some states, legally exempt HBCC providers are able to participate in the CACFP. Further exploration into NC implementation of CACFP is needed, including a close look at expanding the number of community-based organizations that can serve as CACFP sponsors for HBCC.
- Home visiting initiatives could be a potential support for Networks that engage HBCC providers that do not seek to pursue regulation or even view themselves as a child care business. One research-based model, Parents as Teachers (PAT), has developed a home visiting strategy specifically aimed at home-based caregivers.

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Crafting strategies that enable a wide range of providers—led by Network leaders with skills in development, administration and fund management—is key to expanding and stabilizing the child care sector.

#### NEXT STEPS

In addition to thinking carefully about the Guiding Principles discussed above, North Carolina can take several steps aimed at building stronger connections with and support for home-based child care providers and the Networks that support them.

#### Reframe the Licensing Value Proposition

Perhaps the biggest barrier to growing the supply, and improving the quality, of home-based child care is fear of disobeying the law. HBCC providers across the state can share stories of providers who were threatened with prosecution, publicly shamed, shunned or maligned in some way for a perceived failure to comply with regulatory requirements. Even in cases where the accusations proved false, the damage was done. When faced with judgement and potential prosecution, trust is shattered, and providers go underground to avoid exposure.

Providers who remain hidden and isolated cannot benefit from the many supports designed to strengthen the quality of child care in North Carolina. They may be able to reach families—because word of mouth is powerful—but families who choose to enroll in the program cannot apply for public subsidy to help pay for the care, even if they live in poverty. And at a time when North Carolina needs more child care, the State is failing to tap a potentially vital source. In short, everyone loses.

It is imperative that North Carolina change the narrative, and publicly communicate that improving the quality of child care—regardless of current regulatory status—is of paramount importance. To this end, we recommend that the North Carolina Division of Child Development and Early Education (NCDCEE) take the following steps:

- Issue a public statement that provides ‘amnesty’ for existing HBCCC providers willing to pursue licensing.
- Create public education materials that underscore ‘amnesty’ and make the case for pursuing family child care licensure.
- Ensure that these public education materials are shared with all professionals who are engaged in enforcing local building, fire and sanitation codes or inspecting facilities to ensure compliance with local rules and regulations.
- Create a collaborative, step-by-step toolkit aimed at helping HBCC Network leaders and other industry intermediaries (such as CCR&Rs) guide providers through the licensing process. A simple flow chart, from start to open for potential providers, would be a helpful resource.
- Secure funding for targeted technical assistance, provided by Network leaders and HBCC peers, aimed at boosting participation in licensing.
- Secure funding for start-up and mini-grants, administered by Networks, to help participating providers with costs associated with pursuing licensing.

#### Expand Supply

Historically, efforts to expand the supply of child care in North Carolina have focused on growing center-based child care. One of the many things our nation learned during the COVID-19 pandemic was that parents often prefer small settings, with fewer children and providers that they know and trust. In short, growing the supply of home-based child care can—and should—be a priority for the state. To this end, we recommend the following:

- Embrace the notion that a viable pathway for home-based child care is to recognize homes that serve as few as 2 children as legally-exempt from licensure. Providers can therefore start their businesses with only 2 full-time children, be included in quality improvement supports, and grow to serve a larger number of children when they meet regulatory requirements.
- Link HBCC start-ups to state-of-the-art technology to support operations (such as

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“A Network strategy—rooted in community and peer support—can be a pathway to quality for both regulated and regulation-exempt providers.”

[Wonderschool](#) or [BrightWheel](#)) and child assessment tools (such as [Cognitive ToyBox](#)).

- Explore new business models for providers that seek to grow their business in a non-residential setting, such as a church or community-based organization. This could include the [micro-center](#) model or a [family child care pod](#) model. Faith-based early childhood program operators, like Peletah Ministries in New Bern, might be a pilot site, given that they have space at their facility that could be adapted for child care.
- Enable expansion of legally exempt part-day programs, potentially in partnership with community-based organizations like PODER Emma in Buncombe County.

#### Embrace Quality in All Settings


As noted earlier, provider Networks can be a very effective strategy for improving quality in small and home-based settings. In addition to promoting licensing and supporting quality rating, Networks can help small sites implement child assessment practices, access better quality and more affordable food, offer targeted family supports, and more. To this end, we recommend the following:

- Allocate funding for targeted quality improvement supports in all Networks.
- Encourage Networks to pilot child assessment tools, especially some of the newer, technology-based tools that are user friendly for providers and parents, such as [Cognitive ToyBox](#).
- Encourage links to supports for cultural communities and families for whom English is a second language, such as [LUNA Latinas Unidas](#).
- Encourage expansion of CACFP, including the opportunity for Networks to serve as CACFP sponsors for family child care providers.
- Explore links with home visiting initiatives, most particularly [Parents as Teachers](#) (which has a model designed for home-based child care).

#### Build Connections Among Existing HBCC Networks

Provider Networks have existed for years, under various auspice and with a range of membership structures. Identifying where Networks exist and fostering leadership to bring Networks together to share ideas and best practice, can be a helpful first step. To this end, we recommend the following:

- Identify other HBCC Networks in North Carolina that face similar challenges and encourage common cause among local partners to strengthen awareness and provider voice.
- Link Networks to national organizations like [Home Grown](#), which can help leverage additional funding and support.
- Leverage state and national organizations that have experience working with cultural communities and providers for whom English is a second language and can offer unique expertise.
- Explore potential links to faith-based entities with early childhood expertise, including national, statewide or local organizations.

The supply of family child care in North Carolina has declined dramatically over the past ten years. Without an intentional strategy to change the narrative and a focused set of finance and policy reforms, this trend will likely continue. The state cannot afford to lose a critical source of child care. The time has come to recognize home-based child care as a vital and valued part of the early care and education system, and to embrace provider Networks as a system-building strategy that can help stabilize and strengthen care provided in small settings. 

# Appendix

## Provider-Friendly Supports for Home-Based Child Care: Promising Practices from Other States

Quite a few states have sought to make the process of regulating or improving quality in HBCC less intimidating and more provider friendly. Effective examples from five states are described in more detail below.

### Minnesota

The State of Minnesota has made family child care (FCC) a priority for many years and supports a host of initiatives aimed at boosting the supply and quality of these small settings, including start-up grants, targeted technical assistance, free training, CDA scholarships and more. Most counties have an Early Childhood Coordinator who serves as a liaison to FCC providers. Key informants underscored that effective support may not require a full-time position; indeed, in some rural areas Early Childhood Coordinators work only about 10 hours a month. But interviews underscored that even a small amount of staff time focused on FCC can make a difference. In some rural areas Coordinators have vans, so they can drive around to FCC homes and offer trainings/support/resources.

In 2019 the Minnesota Legislature created a statewide [Task Force](#) to explore family child care regulation and support systems and recommend reform. The Task Force made myriad recommendations, in eight areas, including streamlined licensing and QRIS paperwork and procedures; increased business supports, funding and support for Shared Services and staffed Networks; improved mentors/coaches; expanded opportunity for new business models not currently allowed under statute; credit for training hours as well as creation of a new FCC Training Advisory Committee; on-going updates to the state's Guide to Becoming a Licensed Family Child Care Provider; and more.

### Connecticut

The CT Office of Early Childhood (OEC) funds a host of support services for home-based child care including: licensing and business development supports and training, Staffed Family Child Care Networks (SFCCN), targeted training and technical assistance, health and mental health consultation and more. These services are delivered via partners, that include the following:

- The [Women's Business Development Council](#)—supports a suite of business training and technical assistance supports designed for child care, with special workshops aimed specifically at HBCC.
- The Connecticut Association for the Education of Young children (CTAEYC)—oversees an [Early Childhood Professional Development \(PD\) Platform](#) that includes free training, college courses and resources for Family Child Care (FCC) providers. The training is linked to [incentives](#) and available in Spanish.

- [All Our Kin](#)—delivers a host of in-person and virtual training sessions, leads a Staffed Family Child Care Network, and created two publications (available in Spanish) to help FCC providers navigate licensing: [Becoming a Licensed Family Child Care Provider](#) and [Family Child Care Provider Rights and Responsibilities: What Every Provider Should Know](#). Additionally, AOK offers a zero-interest loan program to support the cost of equipment or needed renovations.
- The CT Nurses Association—administers Health Consultation specifically designed for Family Child Care.
- The Early Childhood Consultation Partnership—administers Mental Health Consultation specifically designed for Family Child Care.

In 2018 OEC issued an RFP aimed at expanding the number of Staffed Family Child Care Networks in the state with an eye to increased access to business supports. Seven organizations were funded to participate in the initiative.

### Illinois

In Illinois, Child Care Resource and Referral (CCR&R) agencies are funded to recruit home-based child care providers to: 1) become licensed and join staffed Networks; 2) provide support on business practices for home-based child care; 3) help regulated family child care homes attain national accreditation. The state's professional development system (Gateways) includes scholarships and Great Start Wage subsidies designed for family child care, as well as targeted outreach to Spanish-speaking family child care providers.

Illinois also has several unique home-based child care financing approaches, including:

- Slot contracts with Staffed Family Child Care Networks in the City of Chicago;
- A child care subsidy rate 'add-on' (of 10%—20% of the base rate) linked to participation in a tiered training program.

### Virginia

Virginia funds Child Care Aware of Virginia, the state's CCR&R network, to recruit and train home-based child care providers and support an Infant/Toddler specialist specifically focused on family child care. Virginia is also home to [Infant-Toddler Family Day Care](#), which has provided comprehensive business and pedagogical supports to home-based child care providers since 1983.

In 2020 the [Virginia Early Childhood Foundation](#) launched a new initiative—the [Ready Network](#)—designed to specifically focus on strengthening [home-based child care businesses](#) including free access to a CCMS technology platform powered by Wonderschool.



# Appendix

## Provider-Friendly Supports for Home-Based Child Care: Promising Practices from Other States *continued*

### Washington

The State of Washington Department of Children, Youth and Families (DCYF) embraces a **Peer Mentorship** model to support family child care, with key leadership from a non-profit called **The Imagine Institute**. Experienced family child care providers apply to be Peer Mentors, who offer 20 hours/month support to family child care “Interns” using a structured pathway and tools developed by The Imagine Institute and linked to the state’s quality rating and improvement system as well as the professional development registry. Interns may also apply for a New Provider Award of up to \$4,000 to start their business.

DCYF also supports a statewide **Substitute Pool**, staffed by The Imagine Institute, that is uniquely focused on family child care. The Imagine Institute:

- Recruits, trains and orients substitutes
- Supports an on-line technology system that enables FCC homes (and centers) to request and ‘match’ subs
- Pays for up to 50 hours of free substitute time per provider—based on available funding (first come; first served)

The Imagine Institute augments this work with an array of training + supports specifically designed for regulation-exempt Family, Friend and Neighbor (FFN) caregivers and available in 3 languages.

Recently, funding was made available to the Imagine Institute to support purchase of Child Care Management Software (CCMS) licenses (from Brightwheel) and related supports aimed at helping home-based child care maximize the power of technology.



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