

The Decline of Family Child Care in Maryland

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Executive Summary

Nationally, home-based child care, which includes regulated family child care (FCC), is the most common type of non-parental child care for children under age 5 in the United States. However, the number of regulated FCC providers has declined steadily since 2008, including the number of FCC providers receiving Child Care and Development Block Grant (CCDBG) funds to care for children receiving child care subsidies.^{i,ii} This mixed methods study examined the decline of regulated FCC providers in the state of Maryland. The study aimed to address the following research questions:

- How did the rate of FCC closures change following changes to Maryland's scholarship¹ policies prior to the COVID-19 pandemic?
- What are the characteristics of FCC providers who stay open (i.e., had an active license) longer?
- Why are Maryland's FCC providers closing? How do former FCC providers feel about no longer being in business?
- How can Maryland attract and retain FCC providers?

Methods included an interrupted time series analysis (ITSA) of the Maryland State Department of Education (MSDE)'s provider-level licensing data and child-level scholarship data from January 2015 to March 2020 to examine decline rates following policy changes of interest; a survey of 332 former FCC providers; interviews with 14 of the former FCC providers who completed a survey; interviews with 13 professionals who support FCC providers; and interviews with 17 operating FCC providers who completed a separate survey for currently operating providers in Maryland.

Findings:

- Based on the administrative data analyses we used to examine changes in supply before and after the policies were implemented, we found that, from 2015 to 2020, the number of FCC providers operating in Maryland declined steadily.
- The rate of FCC provider closures, however, began to slow in 2018 and 2019 following Maryland's increase in scholarship reimbursement rates for providers and increase in family eligibility to 65 percent of the State Median Income (SMI). This suggests that the 2018 and 2019 policy changes helped FCC providers stay in business.

¹ Maryland refers to child care subsidies, funded through the federal Child Care and Development Block Grant (CCDBG), as child care scholarships.

- According to surveyed former FCC providers, a wide variety of factors contributed to their decision to close their home-based child care business, rather than one reason being a primary driver of closure.
- Interviews with former FCC providers revealed that ongoing challenges centered around (1) providers' low or unstable income, (2) long hours and work-life imbalance, and (3) feeling unsupported and underappreciated. As a result of an accumulation of these challenges, former FCC providers experienced burnout.
- Most former FCC providers reported an event or change in life circumstances that ultimately prompted closure, such as a new or worsening health condition, moving to a new home, the departure of a strong lead teacher, a spouse changing careers, or their own children starting school. However, given the ongoing challenges they experienced and the resulting stress and burnout, it was also common for former FCC providers to view the event or change in life circumstances as an “opportunity” to close.
- Professionals who support and work closely with FCC providers in Maryland (e.g., directors of child care associations and child care resource centers, licensing specialists, and quality assurance specialists) provided the following state-targeted recommendations for attracting and retaining FCC providers in the field: (1) increase compensation, benefits, and financial incentives for opening a FCC business or meeting training and/or professional development requirements; (2) further develop career supports and a career pipeline for FCC providers; (3) develop an FCC Network to help providers connect with one another and with existing resources and supports; (4) contract with FCC providers to offer infant and toddler care and to help small FCC providers convert to large FCC homes and be eligible to offer public pre-k, thus supporting their financial stability; (5) improve coordination of requirements and communication across the state's scholarship, Maryland EXCELS,² and licensing programs; and (6) expand supports for non-English-speaking providers.

Recommendations:

Maryland and other states/territories should consider the following strategies to attract and retain family child care providers:

- **Continue to monitor the effects of increased income eligibility and reimbursement rates.** Changes to Maryland's scholarship policies—in particular, increasing the income eligibility threshold for a scholarship—may have led to a slowing in the decline of FCC providers and an increase in the number of FCC providers serving children with scholarships, though the overall percentage remained low (under 30%). However, while our ITSAs provided detailed descriptions of how and when the outcomes changed, we cannot claim that the policies caused the changes. Nevertheless, we recommend that MSDE continue to monitor the effects of increased income eligibility on the supply of FCC providers in the state.
- **Increase compensation, benefits, and financial incentives.** To help stabilize FCC providers' income, we suggest several strategies, including contracting with FCC providers; accounting for the costs of care when setting reimbursement rates; offering benefits through an FCC network or union; and expanding grants for startup costs, trainings, and education.
- **Improve work-life balance:** Develop business and administrative supports through an FCC network or other intermediary organization for family child care providers. Such organizations can support FCC providers by providing access to health benefits, substitute caregivers, business, and administrative supports, and/or other shared services.ⁱⁱⁱ

² Maryland Excellence Counts in Early Learning and School Age Care (EXCELS) is Maryland's quality rating and improvement system (QRIS).

- **Improve ECE systems.** Provide better coordination across licensing, Maryland EXCELS, and the scholarship program by reducing redundant/duplicative paperwork requirements and otherwise streamline the process for participating across ECE systems within the state; ensure communications in multiple languages (e.g., forms, documentation, trainings); and seek regular input from FCC providers about challenges and suggested improvements.
- **Expand mental health supports.** Mental health supports could be delivered through FCC networks, intermediary organizations, or peer support networks.

As a final note, we acknowledge that our analyses focused on policies prior to the pandemic and that the surveys and interviews with former FCC providers asked respondents to focus on challenges experienced prior to the COVID-19 pandemic. Former and current FCC providers may have experienced new and/or additional challenges during the pandemic.

Introduction

Background

Home-based child care (HBCC) is the most common type of non-parental child care for children under age 5 in the United States, particularly for infants and toddlers.^{iv} HBCC is especially prevalent in rural communities^v and areas with a high number of families living below the federal poverty line.^{vi} Many parents prefer HBCC for several reasons, including affordability, flexibility for parents with nonstandard work hours or variable work schedules, and the ability for siblings to be cared for together in mixed-age groups by a caregiver who might share the family's home language and/or cultural background.^{vii}

HBCC includes regulated family child care (FCC) providers and unregulated family, friend, and neighbor caregivers (see Box 1 for definitions of HBCC and FCC). Nationally, there are about 1 million paid home-based providers³ who care for approximately 3 million children; among this group of paid providers, a little more than 10 percent are licensed or registered with their state.^{viii}

Definitions of regulated FCC providers, including regulations for a small and large FCC provider, vary by state. Maryland defines an FCC home as “a provider who may care for up to 8 children with no more than two children under the age of two.” It defines a large FCC home as “a provider caring for 9–12 children with no more than four under the age of two. The provider's own children under the age of six are counted within the group of nine to 12.”^{ix} As of June 30, 2021, Maryland had 4,455 FCC providers with a capacity to serve 34,801 children. According to a 2018 survey of parents with children aged 5 and under in Maryland, about 7 percent of families used an FCC provider, although this percentage varied by region of the state.^x

National decline in family child care

While many families rely on FCC, the number of FCC providers has steadily declined since 2008. Nationally, the number of FCC providers declined by 13 percent from 2008–2011;^{xi} by 15 percent from 2011–2014;^{xii} and by 22 percent from 2014–2017.^{xiii} The number of small FCC homes (i.e., licensed homes with one caregiver) declined more than large FCC homes (i.e., licensed homes with two or more caregivers). From 2011–2017, the number of small FCC providers fell by 35 percent, while the number of large FCC homes fell by 8 percent.^{xiv}

There may be several reasons for the decline in FCC providers. Between 2008–2011, many states reported that the economy contributed to the decrease due to higher unemployment and decreased demand for child care;^{xv,xvi} between 2011–2014, states reported that the economy, lower enrollment, changing demographics (e.g., declining birth rates^{xvii}) and increased provider

Box 1. Definitions

Home-based child care (HBCC): NSECE defines HBCC as paid and unpaid caregivers who are responsible for young children not their own for at least five hours each week (NSECE, 2016).

Family child care (FCC): The National Survey of Early Care and Education (NSECE) defines FCC as “paid care for at least one child, where at least one child had no prior relationship to the provider, and the care is provided only in the provider's home.” (NSECE, 2016).

Child Care Scholarship: Maryland refers to child care subsidies, funded through the federal Child Care and Development Block Grant (CCDBG), as child care scholarships.

³ This includes “listed” individuals who appear on state or national lists of early care and education services, such as licensed, regulated, license-exempt, or registered home-based providers, and “unlisted” individuals who are either paid or unpaid and do not appear on state or national lists.

requirements may have contributed to the decrease of FCC providers;^{xviii,xix} and from 2014–2017, states attributed the decrease to many FCC providers aging and retiring.^{xx}

More than 50 percent of states increased their licensing regulations for FCC providers between 2011–2014.^{xxi} During this time, states required more preservice qualifications for FCC providers, they increased the number of required annual training hours needed, they required background checks and fingerprinting, and they required training on specific topics, such as SIDS, obesity prevention, and emergency preparedness.^{xxii}

In addition to the reasons above, a recent literature review and a multi-state study of the decline in FCC, found that several interrelated challenges—related to working conditions, business sustainability, and ECE systems—have contributed to the decline in FCC providers.^{xxiii,xxiv}

National decline in family child care providers' participation in the child care subsidy system

There has also been a decline in the number of FCC providers participating in the subsidy system. While the overall number of child care providers that received Child Care and Development Block Grant (CCDBG) funds fell by over half (nearly 52 percent) from 2006 to 2015, the largest declines have been among home-based providers—both family, friend, and neighbor caregivers offering care in the children's own home (a loss of 65 percent) and FCC providers caring for children in the providers' home (a loss of 60 percent).^{xxv} Reasons for the decline in HBCC participation in the subsidy system over that time may be due to the burden posed from increased regulations or higher-quality standards.^{xxvi} Even before the federal Child Care and Development Fund (CCDF) reauthorization in 2014, there had been an increasing emphasis nationally on formal settings and some states have created incentives to encourage families to use licensed, center-based care and care with higher-quality ratings.^{xxvii} While increased regulations, quality standards, and incentives for families to use higher quality rated care are meant to promote children's health and safety and access to high quality care, FCC providers may not have the resources or supports to help them meet these standards.

In general, providers have reported the following as the most challenging aspects of participating in the subsidy system: low payment rates, payment reliability and timeliness, and administrative burdens such as paperwork.^{xxviii} While there haven't been any prior correlational studies examining subsidy participation and decreases in FCC, low payment rates are likely a factor in FCC providers leaving the field given that FCC providers often serve families who are living below the federal poverty line and subsidy payment rates are typically not enough to cover program costs.^{xxix}

National participation of family child care providers in quality rating and improvement systems

A two-state study of FCC providers' voluntary participation in quality rating and improvement systems (QRIS) found that providers who received a subsidy were nearly twice as likely to participate in their state's QRIS compared to providers who did not receive a subsidy.^{xxx} FCC providers who participated in their state's QRIS reported they did so for professional growth and additional financial supports; FCC providers who did not participate in QRIS reported it was due to overwhelming requirements and the high costs of meeting those requirements.^{xxxi} FCC providers also reported several challenges to participating in QRIS, including burdensome paperwork, attending trainings without a substitute, juggling QRIS demands with caring for children, and participating in assessments that are not designed for FCC or mixed-age environments. QRIS have generally excluded lower-resourced providers, providers of color, and family child care providers, deepening inequities and offering additional resources (e.g., tiered reimbursement, bonus payments, and professional development resources) to providers who already have access to many resources.^{xxxii}

Study overview

This research report summarizes findings from a mixed methods study (see Box 2) of the decline of FCC providers in Maryland. The purpose of the study was to answer the following questions:

1. How did the rate of FCC closures change following changes to Maryland's scholarship policies prior to the COVID-19 pandemic?
2. What are the characteristics of FCC providers who stay open (i.e., have an active license for longer periods of time)?
3. Why are Maryland's FCC providers closing? How do former FCC providers feel about no longer being in business?
4. How can Maryland attract and retain FCC providers?

MSDE Child Care Scholarship Policy Implementation 2015–2020

The research team worked with MSDE to identify seven scholarship policies that could potentially impact the supply of FCC providers in the state. Here we list the date of policy implementation. However, for analysis we collaborated with MSDE to estimate the date of the policy's expected impact on providers. Furthermore, given that several policies were implemented at once, we examined the combined effect of these policies. As a result, the policy dates used in our analyses may differ from the implementation dates listed here. For the dates used in analyses see Box 3, and for additional details on how we addressed policies in analyses, please see the administrative data analyses methods section.

1. **August 2015:** Scholarship application and reimbursement vendor moved from scholarship reimbursement from local departments of social services to a statewide centralized system.
2. **October 2015:** Providers were required to participate in Maryland EXCELS, Maryland's QRIS, to receive a scholarship reimbursement.
3. **December 2017:** Provider reimbursement rates were increased from the 10th to the 12th percentile of the 2017 market rate survey.⁴ Payments were retroactive to July 2017.
4. **February 2018:** Families in the highest eligibility income tiers became eligible for scholarships.⁵ Between February and April 2018, letters were mailed to these families that were on the waitlist for child care scholarship.

Box 2. The Maryland Child Care Policy Research Partnership

In October 2019, Child Trends, in partnership with the Maryland State Department of Education (MSDE) Division of Early Childhood, received funding for a four-year project from the Office of Planning, Research, and Evaluation within the U.S. Department of Health and Human Services to investigate how Maryland's Child Care and Development Fund (CCDF) policies, regulations, and initiatives enacted since the Child Care and Development Block Grant (CCDBG) Act of 2014 have affected low-income families' equitable access to high-quality child care.



⁴ H.B. 430, 2018 Maryland General Assembly, 2018 Reg. Sess. (Mar. 2018). https://mgaleg.maryland.gov/2018RS/fnotes/bil_0000/hb0430.pdf

⁵ Maryland State Department of Education. (2018, February 13). *Hogan Administration Lifts Freeze on Child Care Subsidy List* [Press release]. <https://news.maryland.gov/msde/hogan-administration-lifts-freeze-on-child-care-subsidy-list/>

5. **May 2018:** Provider reimbursement rates were increased from the 12th to the 20th percentile of the 2017 market rate survey.⁶
6. **August 2018:** Income eligibility for families was raised from 32 percent to 65 percent of the state median income (SMI). For a family of four, income eligibility increased to \$71,525 (from \$35,702).⁷
7. **July 2019:** Reimbursement rates were increased to the 30th percentile of the 2019 market rate survey.⁸

We expected that the above policy and administrative changes might impact the supply of FCC providers in several ways. The August 2015 move to a statewide centralized system could improve the reliability of scholarship reimbursements, which could financially support FCC providers ability to remain open. However, the October 2015 requirement for providers to participate in EXCELS to enroll children receiving scholarships could increase administrative burden and lead to FCC providers not participating in the scholarship program or potentially leaving the field. We also expected that the scholarship program's increases to family income eligibility and provider reimbursement rates, occurring between 2017–2019, would increase both the number of children and families and the number of providers participating in the scholarship program. Since policies had multiple overlapping implementation timepoints, the participation trends of providers we see over this time period may reflect the combined effect of these policy changes.

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⁶ H.B. 430, 2018 Maryland General Assembly, 2018 Reg. Sess. (Mar. 2018).

https://mgaleg.maryland.gov/2018RS/fnotes/bil_0000/hb0430.pdf

⁷ H.B. 430, 2018, Maryland General Assembly, 2018 Reg. Sess. (Mar. 2018).

https://mgaleg.maryland.gov/2018RS/fnotes/bil_0000/hb0430.pdf

⁸ Maryland State Department of Education. (2019, August 7). *Maryland Takes Major Steps to Improve Access to Quality Child Care* [Press release]. <https://news.maryland.gov/msde/maryland-takes-major-steps-to-improve-access-to-quality-child-care/>

Methods

This report presents data from a variety of sources, including administrative data, a survey of former FCC providers, a survey of current FCC providers, and interviews with a subset of former and current FCC providers who completed the surveys.

Administrative data analyses: To address how FCC provider closures changed following MSDE's policy implementations (RQ1), MSDE's administrative data were analyzed using an interrupted time series analysis (ITSA).⁹ We utilized MSDE's provider-level, child care licensing data as well as child-level, child care scholarship data from January 5, 2015, through March 2, 2020. We focused on data from this timeframe to explore the policy changes MSDE hypothesized were most likely to impact the outcomes of interest, and to exclude confounding data related to mandated provider closures starting in March 2020 during the COVID-19 pandemic. We excluded summer camps, informal home-based providers, and license-exempt providers. We linked Maryland EXCELS (QRIS) data and child-level scholarship data, using providers' ID numbers, to determine the quality ratings for providers serving children with scholarships. We encountered challenges with data cleaning that are common with administrative datasets, such as duplicate entries and errors in provider names and addresses. We also noted errors in provider licensing dates, with overlapping or missing dates. As a result of data inconsistencies, the counts and analyses presented in this memo should be considered estimates.

The ITSA was used to determine the change in the total number of FCC providers and the percentage of providers enrolling children receiving scholarships from 2015 to 2020 following changes to Maryland's scholarship policies. We collaborated with MSDE to estimate when we would expect to see a change in provider behavior in response to each policy of interest. For example, we estimated how soon after reimbursement rates increases were implemented, we would expect to see providers opting to enroll children with a scholarship. We used the estimated impact date to inform when the policies would be included in the ITSA. Isolating the effect of a single policy on the outcomes of interest was complicated by

Box 3. Estimated impact dates of Maryland's child care scholarship policies for use in analysis

The following dates were used in analyses of the administrative data and indicate when policies were likely to have a measurable impact on provider behavior. The date used in analysis may differ from the policy implementation date, included in parentheses. See the administrative data analyses methods section for additional information.

October 2015: (1) The scholarship application and reimbursement vendor moved from local departments of social services to a statewide centralized system (Aug. 2015), and (2) providers were required to participate in Maryland EXCELS, the state's QRIS, to receive a scholarship reimbursement (Oct. 2015).

March 2018: (3) Provider reimbursement rates were increased from the 10th to the 12th percentile of the 2017 market rate survey (Dec. 2017), and (4) subsidy eligibility was opened to families who had previously been waitlisted (Feb. 2018).

September 2018: (5) Provider reimbursement rates were increased from the 12th to the 20th percentile of the 2017 market rate survey (May 2018), and (6) income eligibility for families was raised from 32% to 65% of the state median income (Aug. 2018).

July 2019: (7) Reimbursement rates were increased to the 30th percentile of the 2019 market rate survey (July 2019).

⁹ ITSA is a quasi-experimental statistical method used to understand the effect of a change (often a change in law or policy) on an outcome. This technique allows researchers to compare outcomes of interest before and after a particular policy is implemented. An ITSA allows us to identify two types of changes: changes in level, in which the outcome increases or decreases at the time of the policy, and changes in the rate of change, in which the pre-existing trend in the outcome changes.

the fact that Maryland implemented multiple child care policies from 2015 to 2020, and multiple policies were implemented within just a few months of one other. When the latter occurred, we grouped policies together and analyzed them as a single policy implementation; the timepoints included in the ITSA represent the end date of a policy implementation window. In other words, the ITSA captures any change that occurred after the included policies were enacted, relative to trends prior to this date. Box 3 contains the ITSA policy timeline and grouped policies. When multiple policies were grouped together, we are not able to examine the unique impact of each individual policy.

In order to describe the characteristics of FCC providers who stayed open (i.e., had an active license) longer (RQ2), we also conducted descriptive analyses of MSDE's administrative data.¹⁰ We conducted t-tests by year (from 2017–2019), comparing Maryland EXCELS participation rates for FCC providers who closed that calendar year to providers who remained open.

Surveys of former FCC providers: To assess the reasons FCC providers were closing, their opinions on closing, and ways to attract FCC providers to the field (RQ3 and RQ4), we conducted surveys and interviews with former FCC providers. The survey of former FCC providers was fielded from May to June of 2021. The survey explored reasons why the respondent was no longer operating their licensed Maryland FCC program and whether they would prefer to still be in business if circumstances were different. A total of 332 former FCC providers completed the survey (the survey was sent to approximately 4,700 individuals, with a response rate of 7%).

Interviews with former FCC providers: To describe why FCC providers were closing and ways to attract FCC providers to the field (RQs 3 and 4), we conducted interviews with former FCC providers. Roughly 40 percent (n = 142) of survey respondents indicated interest in being interviewed. We attempted to contact 25 of these individuals and ultimately interviewed a total of 14 former FCC providers from July to September of 2021.

Interviews with current FCC providers: To explore current FCC providers' perspectives on the decline in family child care, and to learn how some FCC providers have navigated challenges, including supports that have enabled them to remain in the field (RQs 3 and 4), we also interviewed currently operating FCC providers who completed a separate survey and indicated interest in being contacted for a follow-up interview. We attempted to contact 67 of these individuals and ultimately interviewed a total of 17 currently operating FCC providers from September 2021 to January 2022.

Interviews with professionals who support FCC providers: We also conducted interviews in June and July 2021 with 13 professionals who support FCC providers in Maryland to understand why FCC providers were closing and how to attract providers to the field (RQs 3 and 4). This included three licensing specialists, five quality assurance specialists¹¹, and five directors of organizations that support FCC providers in Maryland (e.g., directors of child care associations and MD's child care resource centers¹²).

For a full description of study methods, see [Appendix 1: 2019 Maryland Child Care Research Partnership \(MDCCPRP\) Detailed Data Collection & Analysis Methods Summary](#).

¹⁰ We initially intended to conduct a survival analysis—a statistical technique that investigates the association between various factors (in this case, characteristics of the area the provider operated in and the provider's participation in EXCELS) and the likelihood of survival (i.e., staying open). However, the data did not meet the assumptions required for this analysis, so we instead descriptively examined the association between providers closing and EXCELS participation

¹¹ Quality assurance specialists are professionals that support providers participating in Maryland EXCELS.

¹² In Maryland, child care resource and referral agencies are referred to as child care resource centers.

Changes to the Supply of FCC Providers Following Maryland's Enacted Scholarship Policies 2015–2020

We conducted interrupted time series analyses (ITSA) of MSDE's administrative data to describe provider outcomes from 2015 to 2020, following changes to MD's scholarship policies (see Box 3). We examined two outcomes:

1. the supply of FCC providers, and
2. the supply of FCC providers serving children with scholarships.

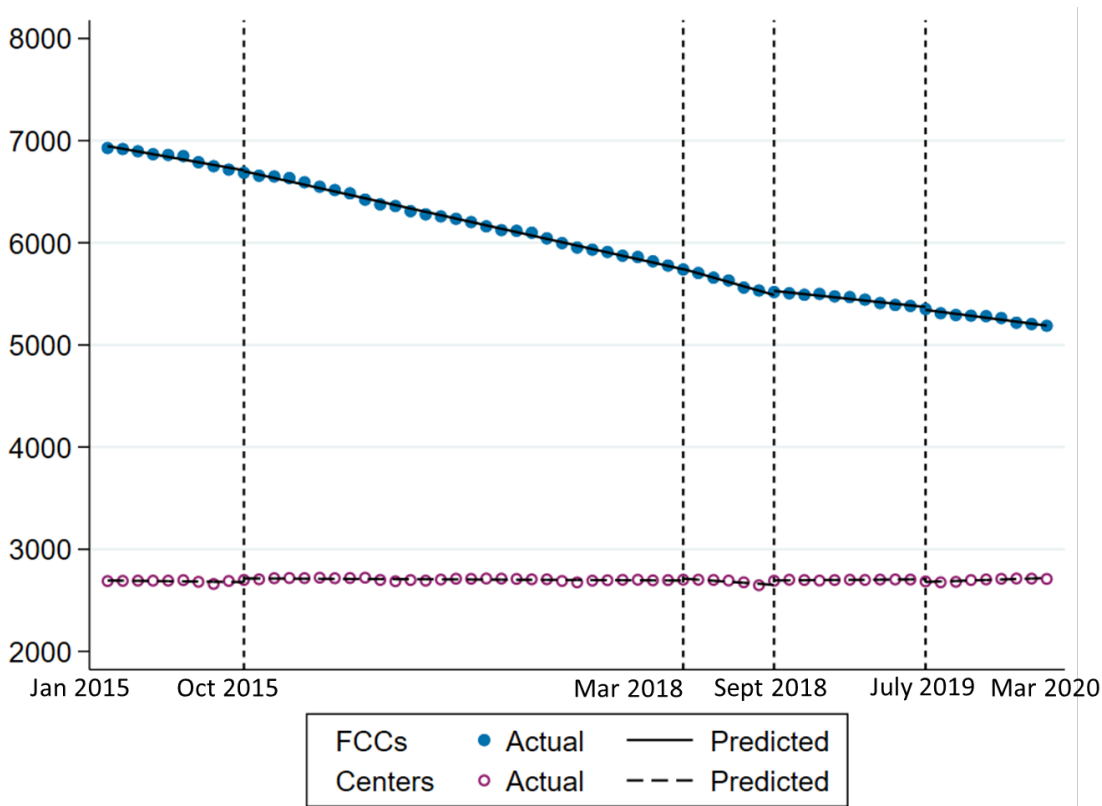
Decline in the number of FCC providers

Based on the ITSA we used to examine changes in supply before and after the policies were implemented, we found that from 2015 to 2020, the number of FCC providers operating in Maryland declined steadily (Exhibit 1). However, there was a noticeable slowing occurring after the September 2018 reimbursement rate and income eligibility increases, and by early 2020 the decline had slowed to a loss of roughly 19 providers per month (compared to roughly 27 per month at the beginning of 2015).

The descriptive nature of this study and the overlapping implementation of policies means that we cannot isolate a particular policy as being the driver of change, but it suggests that the slow in the decline of FCC providers occurred during the timeframe when a combination of policies were implemented. In Exhibit 1, each policy implementation window is noted by a dotted vertical line and a corresponding date at the bottom of the graph.

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Exhibit 1. Count of FCC and center-based providers



Source: Child Trends' analysis of MSDE administrative data.

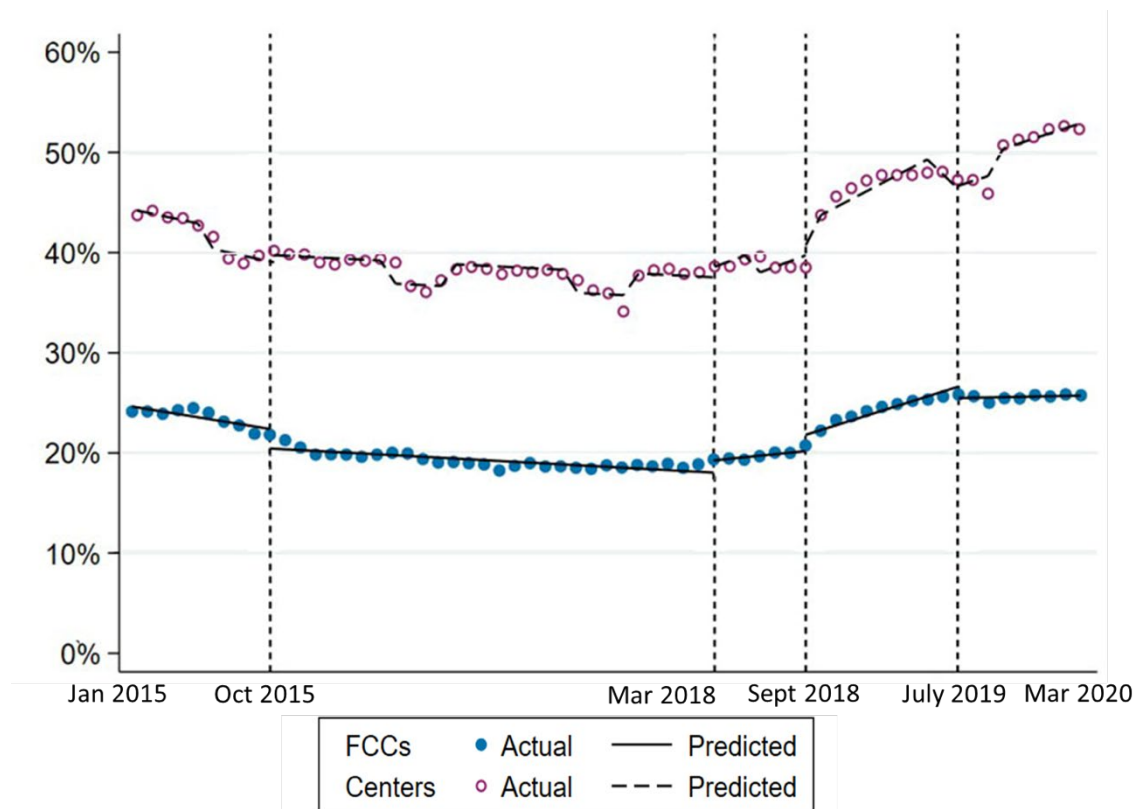
Decline in the number of FCC providers by census tract income level

Since there were fewer FCC providers in lower-income census tracts than higher-income tracts, we standardized the values to examine the percent change in the FCC provider supply for each income category relative to the number of providers in January 2015. This analysis revealed that the slowed rate of loss of FCC providers, which began in September 2018, was not sustained in lower income census tracts (Exhibit 6 in Attachment A). By July 2019, lower-income census tracts (but not higher-income census tracts) saw a sharp decline in the number of FCC providers relative to their January 2015 count. By March 2020, lower-income census tracts had about 68% of their January 2015 supply of FCC providers, whereas as higher-income census tracts had about 77% of their January 2015 supply.

Increased percent of FCC providers enrolling children using scholarships

The September 2018 policy changes also coincided with an increased likelihood that FCC providers were enrolling children with a scholarship (Exhibit 2). The percentage of FCC providers serving children with scholarships increased by nearly half a percentage point per month (0.49%) following the September 2018 rate and eligibility increases. The number of FCC providers serving children with scholarships increased as well during this time, despite the overall decrease in the number of FCC providers, as shown in Exhibit 1.

Exhibit 2. Percentage of FCC and center-based providers serving children with scholarships

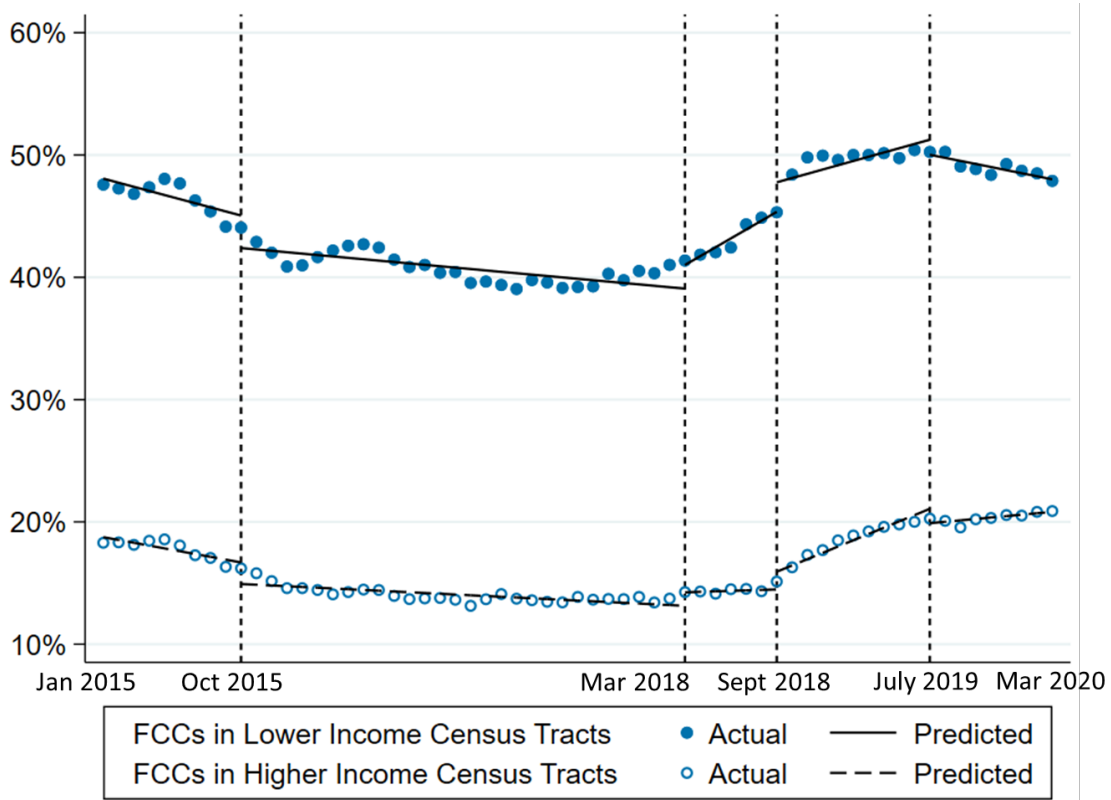


Source: Child Trends analysis of MSDE administrative data.

Increased percent of FCC providers in higher income census tracts enrolling children using scholarships

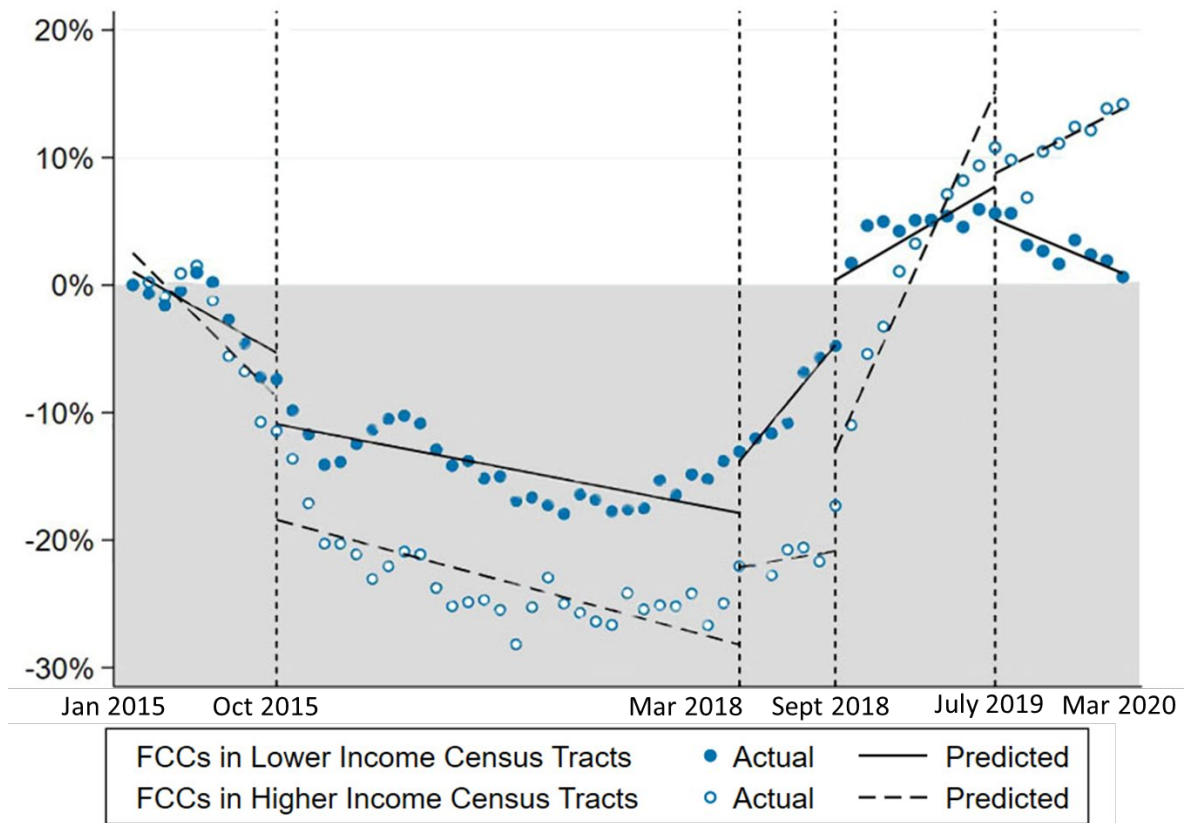
We also explored if there was an increase of FCC providers serving children with scholarships in low/high income census tracts. Overall, FCC providers in lower income census tracts were much more likely to serve children with scholarships (Exhibit 3). However, after standardizing, the percentage of FCC providers serving children with scholarships increased most quickly for providers located in higher income census tracts (Exhibit 4), although the rate remained quite low (below 30%) over time (Exhibit 3). This effect is likely due to the policies that increased scholarship income eligibility (policies 4 and 6), allowing eligible families with higher incomes who live and/or work in higher income census tracts to access scholarships.

Exhibit 3. Percentage of FCC providers enrolling at least one child using a scholarship in census tracts with higher and lower incomes



Source: Child Trends' analysis of MSDE administrative data.

Exhibit 4. Percentage of FCC providers enrolling at least one child using a scholarship in census tracts with higher and lower incomes after standardizing



Source: Child Trends' analysis of MSDE administrative data.

Summary

Overall, results suggest that changes to Maryland's scholarship policies may have led to an increased percentage of FCC providers serving children with scholarships, though the overall percentage remained low (under 30%). The relative effect of increased income eligibility and reimbursement rate increases on provider scholarship participation was greatest in higher-income communities, where many of the newly eligible, higher-income children likely resided. Finally, while the decline in the number of FCC providers did slow slightly in 2018 and 2019 when Maryland introduced scholarship policies that increased income eligibility thresholds and increased reimbursement rates, the number of FCC providers continued to decline steadily. Compared to higher-income census tracts, lower-income census tracts saw the greatest loss in FCC provider supply relative to January 2015 counts.

The complete ITSA results are located in Attachment A. While these ITSAs provided detailed descriptions of how and when the outcomes changed, we cannot claim that the policies caused the changes. Ideally, we would have a comparison group of providers who were not exposed to the policies. A comparison group would allow us to determine whether certain changes were only occurring in the group exposed to the policies. As a result, we cannot rule out the possibility that there were additional factors occurring from 2015 to 2020 that influenced the count of FCCs and the percentage of providers serving children with scholarships.

Relationship between Maryland EXCELS Participation and Closure

We conducted descriptive analyses of administrative data to examine the relationship between FCC closure and participation in Maryland EXCELS. For each year from 2017 to 2019, we compared the Maryland EXCELS participation rate among providers who were open at the start of the year and subsequently closed to the Maryland EXCELS participation rate among providers who were open (i.e., had an active license) at the start of the year and remained open. As shown in Exhibit 5 below, we found that providers who closed were less likely to have been enrolled in Maryland EXCELS than providers who remained open. Specifically, 44.8 percent of providers who closed in 2017 participated in Maryland EXCELS compared to 60.6 percent of providers who did not close during the year. This difference is statistically significant at the $p < .01$ level. In 2018, the patterns were similar with 44.7 percent of providers who closed participating in Maryland EXCELS compared to 62.9 percent of providers who remained open (also statistically significant at the $p < .01$ level). In 2019, 53.0 percent of providers who closed were participating compared to 64.2 percent of providers who remained open (again statistically significant at the $p < .01$ level). Results were not examined for 2020 because of variations due to COVID-19.

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Exhibit 5. Percentage of providers enrolled in Maryland EXCELS by closed or open status

	Percent of Providers who Closed that Were Enrolled in Maryland EXCELS	Percent of Providers who Remained Open that Were Enrolled in Maryland EXCELS	
2017	44.8 %	60.6%	***
2018	44.7 %	62.9 %	***
2019	53.0 %	64.2 %	***

Note: *** Statistically significant at the $p < .01$ level
 Source: Child Trends' analysis of MSDE administrative data.

The overall pattern suggests an association between participation in Maryland EXCELS and a reduced likelihood of closing. This analysis does not allow us to make a strong claim that participation in Maryland EXCELS is *causing* FCC providers to be less likely to close, because it could be that providers who are less likely to close for other reasons are also more likely to participate in Maryland EXCELS. However, it does suggest that further research is warranted, examining whether the Maryland EXCELS program is supporting providers in remaining open.

Reasons for Closure among Maryland’s Family Child Care Providers

The survey of former FCC providers asked respondents, “How much did each of the following issues contribute to your decision to stop operating a registered (licensed) family child care program?” For each issue presented, respondents were asked to indicate whether it contributed to their decision “Very much,” “Somewhat,” or “Not at all.” Issues presented on the survey included:

- Supply and demand-related factors, such as competition with other early childhood programs or low demand for child care;
- Personal or family-related factors, such as burnout or stress from the job, family relocation, or illness/disability of self or a family member;
- Regulation-related factors, such as difficulty understanding or complying with new training requirements or new fingerprinting requirements; and
- Business-related factors, such as difficulties finding or keeping assistants/co-providers, difficulties accessing needed technology, or difficulties completing business practices such as billing parents or filing taxes.

Respondents also had the option to write-in additional factors that contributed to their decision to close.

An accumulation of challenges contributed to stress and burnout, which led to closure

Former FCC providers who completed the survey (n = 332) endorsed a wide variety of factors that contributed to their decision to close their home-based child care business. Based on the survey data, no single reason or set of reasons stood out as primary drivers of closure. In fact, survey respondents identified an average of five factors that had contributed to their decision to close, with 88 percent of respondents indicating that more than one factor contributed to their decision, and 50 percent of respondents indicating that five or more factors contributed to their decision. Among the many contributing factors identified, job-related stress or burnout was cited most frequently, with 47 percent of survey respondents indicating that it contributed “very much” (18%) or “somewhat” (29%) to their decision to close.

Consistent with these survey findings, follow-up interviews with a subset of survey respondents (n = 14) highlighted that, for many former FCC providers, there was an accumulation of ongoing, interrelated challenges that persisted, contributing to stress and/or burnout and, ultimately, the decision to close. As one former provider explained, “It’s not one factor why I closed, it’s several factors.” The ongoing challenges described by providers during interviews tended to center around (1) low or unstable income, (2) long hours and work-life imbalance, and (3) feeling unsupported and underappreciated.

Low or unstable income

Although one former FCC provider noted that they earned “good money” as a child care provider and were able to live “comfortably” on their salary, many interviewees discussed low or unstable income as a significant challenge to operating an FCC business. Former FCC providers highlighted two main factors that contributed to low or unstable income:

“The largest thing was just that income. ... It was getting harder and harder to maintain all of our personal expenses and our home expenses doing this, when I could go back to teaching and we knew that we would be fine again. ... So, that was the ultimate decision.”

-Former FCC provider

- **Competition, leading to under enrollment or enrollment fluctuations.** Many former FCC providers reported that competition with other early childhood programs made it difficult to maintain full enrollment, and at partial capacity, the income was not sufficient. Former providers mainly discussed competition with center-based providers and/or other FCC providers. For example, one former provider had been relatively new to the area when they opened their child care business and struggled to compete with more established FCC providers who “would get referrals from friends of friends, or their older one went there so they sent their next couple children there too I just didn’t have that.” Other former providers discussed competition with public pre-kindergarten or Head Start/Early Head Start, noting that some parents chose these types of programs because they believed they are better at preparing children for school. One interviewee said, “There’s this concept that ... a quality preschool education cannot be obtained in a family home.” Advertising was one strategy that former providers discussed using to address the challenges posed by competition, though they recalled struggling in this effort. One explained, “I didn’t know how to advertise. I tried to put up signs outside, but those kept getting pulled up, so I was wasting money with that. I did post on Facebook, but I didn’t know how to reach people.” One former FCC provider intentionally lowered their tuition rates to make their program more competitive with others in the community, but this led to even greater financial challenges:

I was competing with other neighborhood daycares and the school’s afterschool program, so I had to lower my rates That was another reason I closed because there was no payment to me; it was all going back into the program.

- **Difficulties or reluctance around collecting payments from parents, especially in the context of low scholarship reimbursement rates.** Additionally, some former FCC providers discussed financial

challenges resulting from difficulties enforcing tuition payment among parents or from their own reluctance to collect parent co-pays and/or the balance owed when a child's scholarship did not cover the full tuition. One former provider recalled that, at one point, they were serving six children but only being paid for one, *"I was pretty much working for free I was having a hard time saying no to these people because I knew that they were desperate for my help. And I am a person that wants to help people."* Another former provider explained that they would not ask families with scholarships to pay the balance owed because they felt it was unethical:

The reason the parent is getting the scholarship is because they can't afford [the cost of care]. And so, for me to then turn around and be expected to then charge them more, that doesn't work ... the reality is we providers are human beings and we recognize they can't afford it. So, we're going to say no, I can't do it, and now I'm getting paid way less for that child.

Long hours and work-life imbalance

Former FCC providers frequently spoke about the long hours required for the job. They also discussed the overwhelming number of responsibilities that made it difficult to balance work and family. One said, *"It's almost like you're never off. ... If I stepped away, it was never really fully stepping away."* Interviewees discussed several aspects of the job that contributed to long hours and work-life imbalance:

"It's truly a 14-hour day; it's not sustainable long-term."

-Former FCC provider

- **Parents needing child care during non-standard hours.** Many former FCC providers described serving parents who worked nontraditional hours and needed non-standard hour care. This led to caring for children for extended periods of time. For instance, one former provider recalled a parent who *"had a crazy work schedule. I was opening at 4:30 in the morning for her. So, it was a long day cause my other children weren't coming until 8:00."* Another former provider explained that because of their proximity to several hospitals, some of the parents they served were nurses or other medical professionals who worked evening shifts. This provider opened at 6am for most families, but also served one mother who picked up her child after a 3–11pm shift at the hospital, *"She had three boys and I felt like, 'Oh wow, I need to help her.'"*
- **Required training and paperwork.** Many former providers also discussed working extended hours, including evenings and/or weekends, to keep up with paperwork and training required by the state. They described the investment of time needed to complete initial and ongoing training requirements for their license as burdensome and unrealistic given the nature of providing care in a home-based setting. One former provider said:

We're already working 12 hours, and then you want us to go off and do all these other hours. You know, it's like, we're not centers! We're in the trenches. We're the chefs, we're everything. We wear every single hat.

Many former FCC providers emphasized that additional training and paperwork requirements for EXCELS, and paperwork associated with the scholarship program, were also very time-consuming. One former provider, who had operated a large FCC home, mentioned that participating in Maryland EXCELS, on top of everything else, felt "near impossible":

Just trying to keep up with all the paperwork. And I was able to do it, but it started taking me completely away from the [kids]. I would say I was only with the kids half the time; the other half was just paperwork.

Many former providers spoke about a lack of coordination across licensing, Maryland EXCELS, and the child care scholarship program, which further contributed to the amount of time they dedicated to paperwork.

- **General business operations.** Many former FCC providers struggled to balance the demands of operating a business and providing for the children in their care. One explained that family providers wear “three different hats. There’s the business side of things. And there’s the managing of the staffing and the help that every child care provider needs. And then [there’s] managing parents and the kids.” In particular, several former providers discussed challenges related to completing their taxes, including knowing what can be claimed as business expenses and the time and effort involved with keeping careful records. One former provider said they ultimately turned to an accounting or tax professional, which was very costly:

It was so time-consuming! And I didn't really know what I was doing, and so I was concerned that I was doing things incorrectly. So, I did hire a bookkeeping company, and that got excessively expensive very quickly.

- **Feeling like taking time off is not an option.** Several former providers discussed feeling like they could never take a sick day due to pressure from parents or simply because they sympathized with working families. As one explained:

It is really challenging when your child isn't feeling well or you're not feeling well, but I never felt like I could take a sick day ... you feel the pressure, you know those families don't have a backup, so then they're missing work.

- **Staffing challenges.** Staffing challenges contributed to long hours and the inability to take a needed break because FCC providers seldom had access to someone who could step in and cover for them when they were sick, had a doctor’s appointment, or needed to attend required trainings during business hours. One former provider said, “Finding quality substitutes who are readily available to step in during those emergency moments is impossible.” Further, several former providers noted that low salaries prevented them from being able to hire assistants or support staff who could have taken on a portion of their responsibilities:

I never really could [hire an assistant] because I was self-employed. When you just have your own income, I didn't have the money to pay somebody else to do anything, and my kids would do it for free.

Paradoxically, among former providers who were able to hire additional staff, general business operations, discussed above, became even more time-consuming because they essentially became their own human resources department.

Feeling unsupported and underappreciated

Many former FCC providers described feeling undervalued, unsupported, or disrespected by parents who may be dealing with a variety of stressors, by their own families, and by licensing specialists and/or state program staff. Over time, these feelings took a toll on providers and contributed to burnout.

“Just being there on my own and not having that support So, I've got licensing over here, I've got my family over here, and they're [both] more or less telling me, 'You can't handle it anymore.'”

-Former FCC provider

- **Parents.** Former FCC providers spoke about a range of difficulties related to their parent clientele. In addition to some parents being unable or unwilling to pay the child care costs they are responsible for or adhere to provider policies related to pick-up times, some providers also talked about parents being unappreciative or overtly disrespectful towards them. One Spanish-speaking former FCC provider said, “The parents were not ... welcoming. They were not grateful for the service.” They went on to explain:

The White mommies [treated me like] the maid. ... [They treated me] like I cannot read, I cannot speak. ... I left my [previous] career ... to give the best [care] to your kids, and you treat [me] like I am your maid. I am not your maid. ... Parents don't appreciate the family provider.

Another former provider noted:

I've always found that the most difficult [part of the job] is just getting the right sets of parents. Children aren't difficult no matter what challenges they may even have. It's sometimes a difficulty working with parents and inviting them into your home and having a good rapport.

- **Providers' families.** A few former FCC providers noted that their own families had become unsupportive of their work over time. For example, one said, "My husband, my family – I had been doing it for 23 years. My kids grew up in FCC and they ... more or less had had enough." Another former provider explained that their family was unable to access certain parts of their home during the day when the program was operating, and when they began preparing to move to a new house, their family made it clear they did not want to relocate the child care business to the new house, "My husband did not want me to. He was like, 'I don't wanna have to deal with that, basically, here.' I mean that was ... a big part of [why I closed the program]."
- **Licensing specialists and state program staff.** A few former FCC providers described having licensing specialists who provided minimal support or, in at least one case, engaged with them in a combative way. One former FCC provider recalled having a question but not feeling like they could ask their licensing specialist:

I had to call another provider [for advice because] I didn't know whether I can call my licensing specialist or not. You know, I figured she just comes in and does the inspections and then she leaves, you know?

Another former provider described a licensing specialist who was overbearing and unpleasant to interact with:

If I had to ask her (the licensing specialist) any type of question, she gave me her opinion as if she was my mother, instead of giving me the COMAR rules and my rights as a business owner. ... She [yelled at me] for a good three minutes [one time] So, that was a big portion of why I wanted to close. ... I didn't want to interact with her in any type of way.

Moreover, as mentioned above, many former FCC providers discussed spending an inordinate amount of time completing paperwork and navigating sometimes redundant state requirements for licensing, Maryland EXCELS, and/or the child care scholarship program. Some former providers also expressed feeling that their efforts went unrecognized by the state. One explained:

Licensing and regulations, as we went through the years, was the biggest challenge ... you raise that bar, and [FCC providers] will jump it. But it's getting to the point where, you know, where is the recognition? We work our butts off. You know, there's no recognition from MSDE.

Stress and burnout

As noted earlier, former FCC providers experienced burnout as the result of an accumulation of challenges, described above. For example, they emphasized that working long hours for relatively low pay, and never being able to take time off, was stressful, undermined their work-life balance, and contributed to burnout. One former provider stated candidly, “My personal care, my ability to take care of myself personally, suffered dramatically during this time period.” Another former provider explained:

“I just got tired. I got burnt. I got burned out, done, finished. You know? At some point you need a break.”

-Former FCC provider

Your home doesn't necessarily feel like your home 'cause you're sort of stuck in these long hours. And I loved the kids, and we had a great time, but it is exhausting. And when there's no days to kind of recoup and to have like a break, or if you're not feeling well to take an extra day, it can kind of weigh on you.

Many former FCC providers emphasized that other challenges—such as dealing with parents who don't respect boundaries and trying to keep up with licensing regulations and required trainings—added to the inherently exhausting nature of the job and contributed to burnout.

Circumstances Leading to Closure

For most former FCC providers, there was an event or change in life circumstances that ultimately prompted closure. These events or changes included a new or worsening health condition, moving to a new home, the departure of a strong lead teacher, a spouse changing careers, or their own children starting school. However, given prior ongoing challenges, which often resulted in stress and burnout, it was very common for providers to view the event or change in life circumstances as an “opportunity” to close. For example, one former provider had cared for friends and family for years, seldom being paid and feeling taken advantage of. They thought becoming a licensed FCC provider would help them set firm expectations and boundaries, but after operating for 3–5 years, little had changed; they continued to struggle financially. A needed surgery provided them with “a reason to stop.” Another former provider had operated their program for over 20 years while their spouse's job had provided the family with health insurance. When their spouse changed careers, this provider felt they needed a job with benefits. They explained that, had it not been for their spouse's job change, “I probably would still be doing childcare.” However, they also pointed out that they were ready to make a career change, “You don't just change careers if you still like what you do ... right?” In fact, this provider had been feeling frustrated, for years, about what they perceived to be a growing emphasis on academic instruction within FCC settings and a feeling that this shift was being forced on them.

Former FCC Providers' Perspectives on No Longer Being in Business

More than half (56%) of survey respondents reported that, if circumstances were different, they would have preferred to keep their FCC business open. However, among interview participants who had indicated on the survey that they would have preferred to keep their business open, fewer than half said they might consider reopening—if there were fewer regulations, improved work-life balance, and/or improved compensation for FCC providers.

Most interviewees, in fact, expressed a strong lack of interest in reopening. Some seemed to feel a sense of relief about no longer operating their business, such as one former provider who said, “I will never ever own a childcare again,” and another one who said, “I don't wanna be a family child care provider, I'm done. I'm not ever

gonna open up [again].” However, other interviewees explained that they closed reluctantly at the time and would have preferred to remain in business but would no longer consider reopening. For example, one said:

If things had been working well and if my income was at least somewhere where it was enough that we were sort of getting by with all the things that we needed to do and pay for our bills, I would have definitely stayed in it a little bit longer [but] I probably wouldn't go back now It wouldn't really make that much sense for my family since I don't have little ones anymore.

Several former providers emphasized that they would not consider reopening because they have since moved on in various domains of their life. For example, one explained:

I literally got rid of everything, converted my space into a real room now, painted it, you know, all that kind of stuff. Had six months gone by and somebody said we really need to reopen, I might have considered it. But at this point I really like what I'm doing I don't think anybody could twist my arm to do it again.

Another former provider similarly indicated that they probably would have remained open longer if circumstances had been different—in this case, if they had had a different licensing specialist and received more mentorship—but at this point in their lives, “Things have changed. I'm a stay-at-home mom now. My husband doesn't want me to work, and I don't care to work.”

The survey data on former FCC providers' career changes or whether they got a new job after closing their program, was limited. However, during follow-up interviews, we asked about their subsequent jobs or careers and why they were drawn to them. In response, former FCC providers emphasized various job characteristics that were important to them, such as benefits, better income, more flexible schedules, or less stress and/or responsibility. One former FCC provider mentioned earlier, who was practically working for free because of difficulties enforcing tuition payment among parents, discussed appreciating many different aspects of their new job:

I ended up going into the school system to sub because it was less hostile, and I could literally pick and choose the days that I worked. If I worked for a day, I would get \$100 and that, you know, that was how much I was making in a month [as an FCC provider]. ... [Also, as a sub], I could just show up to my job and then go home, and I can still be involved with helping kids and stuff, which I love to do. ... [It] was a better fit for me.

Perspectives of Current FCC Providers and Coping Strategies They Use to Prevent Burnout

Our interviews with *current* FCC providers highlighted many of the same challenges that we heard about from former FCC providers, especially related to working long hours, struggling to maintain work-life balance, and feeling unsupported and underappreciated. Several current providers expressed that they are not happy in their jobs and are either considering or planning to close their business. For example, one said:

It is very hard to pour into children when you don't have the respect from the parents. ... And it gets to the point where it's not worth it. ... You, as a person, are disrespected on a regular basis, and so is your house. And all of the parts of you that you give to these families ... it's not appreciated. ... I don't think that anybody has any clue of what we do every day and I think it's very easy to walk away and go do something else at this point.

Another current FCC provider echoed this sentiment, “I think I'm getting to the point where I want my house back. ... I think the feeling for me is the feeling of, you know, being unappreciated. It's gotten to the point where, OK,

I'm getting close to being done." Another current provider focused more on the stress that goes along with being an FCC provider, "I'm going to leave the field. Like, my goal is within the next year to leave the field. ... It's basically just the stress. You can't have good mental health and be in this field."

However, current FCC providers also shared a variety of strategies they use to help mitigate the many challenges, preserve work-life balance, and prevent burnout. For example, we spoke with quite a few current providers who operate during specific hours that work best for them, only work a few days per week, or don't work year-round. For instance, one said, *"I only work three days [per week] because five days is total burnout."* Another explained:

My hours [are] 7:00 to 5:30, which does sometimes limit me because I've got families that really do need to drop off earlier or need to stay later. So, I've lost potential clients because of my hours But I refuse to change those because ... I have my family here, too, that I've gotta take care of.

Additionally, several current FCC providers discussed the importance of setting clear expectations and boundaries with parents. For example, one talked about developing detailed contracts that outline their provider sick day policy and identify holidays when the program will not be open. Another current provider talked about setting boundaries, such as when parents call or text outside of business hours, *"I feel like I have to answer them. But this is my time. ... I keep my ringer off on my phone and when I see your message, if it's convenient for me, I will get back to you."* This same provider also discussed turning away parents who make unreasonable demands, *"It's OK to say 'no' to save everybody's sanity at the end. [If] red flags go off ... you don't have to accept everybody. ... I learned that the hard way."*

Hiring an assistant to help balance work and family responsibilities was an additional strategy that several current providers discussed. One said:

I have an assistant that comes at least four hours every day that I pay, just so I can balance my family needs, go to the doctor. Because having a substitute is really hard to come by, especially if it's just somebody [you need] occasionally. But I use [my assistant] if my kids have doctor appointments or—it just makes life a lot easier having an extra person. Even though I have to pay her, it just makes life easier to balance.

Finally, several current FCC providers noted that it's important to have a strong support system and find ways to manage the stress that comes with the job, for instance, by seeking out emotional support from other providers and/or professional mental health support, when needed.

Perspectives of Professionals Supporting FCC Providers

In our interviews with professionals who support and work closely with FCC providers (including licensing specialists, quality assurance specialists, child care association staff, and child care resource center staff) participants offered several recommendations for additional supports that could help attract and retain FCC providers to the field in Maryland.

- **Increased compensation, benefits, and financial incentives.** Many interviewees suggested that increases in compensation and financial incentives are greatly needed for FCC providers. They noted that compensation for FCC providers is incredibly low and many lack access to benefits. One professional explained:

I mean, I think the salary or the money you're able to make is a huge determining factor when Amazon or McDonald's is paying \$17.00 an hour plus benefits. I think lack of access to paid sick leave, retirement planning and health benefits are tremendous challenges that people are just a lot smarter about now and know that it really impacts their lives.

Additionally, they noted that financial supports for accreditation, funding to cover startup costs, and reimbursement rates that reflect the cost of care, rather than based on the market rate, would all financially support FCC providers. Some noted that financial incentives are available for FCC providers to obtain a Child Development Associate (CDA) credential or an associate degree but noted that until compensation and benefits are improved, the field was going to continue losing FCC providers. One professional explained:

So, it was one of those what do you call them, unintentional consequences, right? So, we sort of get ahead of ourselves. We identify barriers, which is education, we get that we would remove that barrier, but we're not looking at all the others, which compensation, being a big one. So, as much as they love to own and operate their own business you can get health benefits, you can get better pay and stable pay by you know, closing that down and coming into the school system.

- **Provider associations and FCC networks.** A few FCC support professionals emphasized the importance of connecting new FCC providers with an FCC association to help them meet others in the field, ask questions, and learn about supports – particularly how to operate a business and what supports are available to help them be successful. One professional explained,

Our family providers are fairly insular; they do not have a lot of contact unless they are a member of one of those (child care association) organizations. And yet a lot of them are reluctant to reach out, especially in the beginning.... [But that's where] you're going to find people who run into the same problems you have, and who have solutions.... That really needs to be pushed a lot. It's almost like that should be one of the things they must do is to join an organization so that [they] know what's going on.

Some professionals also discussed FCC networks with a shared services model as creative avenues to solve systemic problems such as addressing staff shortages through substitute pools.

- **Contracting with FCC providers.** Several FCC support professionals suggested that the state could develop contracts with FCC providers to help support their financial stability. Particularly as the state expands its' public pre-k program, they suggested the state could contract with FCC providers to offer infant and toddler care or to help small FCC providers convert to larger FCC providers to offer public pre-k through a contract.
- **ECE system coordination.** FCC support professionals recommended several system improvements that could help better attract and retain FCC providers. This included better coordination among licensing, Maryland EXCELS, and the scholarship program—such as reducing duplicative paperwork requirements, coordinating the distribution of program information for FCC providers during the startup phase, and developing clearer communication about requirements across programs. They also suggested braiding funding across Maryland EXCELS, public pre-K, and the scholarship program to increase FCC providers' participation in these programs and streamline the process for participating.

- **Expanding supports for non-English speaking providers.** Several FCC support professionals discussed the need to provide additional support for immigrant and non-English speaking providers, including trainings facilitated in their native language and/or by individuals who share their background characteristics. One professional explained,

“They want trainings from people who look like them. I’m just going to put that very simply. They want to be trained and be coached by people with lived experience. And the equity, the diversity and cultural responsiveness—I know the State is doing many things on this, but it’s something as simple as really, ‘Have we looked at what and who is available to provide these trainings?’”

“[FCC providers] prefer trainings that are given by people from their community, whether that be their cultural, physical community, or their ethnic background, but also that have some connection to family child care, that have done it, that have been there. And I think when we can do better at that, then we get more buy-in, and there’s a different level there of transferring of information, and not just taking a class to say, ‘I took it,’ and check that box.”

-An FCC support professional

Recommendations to Support FCC Providers

Building off the recommendations we heard during interviews with current and former FCC providers and professionals who support FCC providers in Maryland, we propose several policy and practice strategies to better support and retain FCC providers in Maryland and across the country.

We also want to acknowledge that our analyses focused on policies prior to the pandemic and that the surveys and interviews with former FCC providers asked respondents to focus on challenges experienced prior to the COVID-19 pandemic. Former and current FCC providers may have experienced new and/or additional challenges during the pandemic.

Additionally, since the beginning of the pandemic in March 2020, Maryland has made the following changes to its’ scholarship policies because of COVID-19 relief funding:

- Increased reimbursement rates to the 70th percentile of the most recent market rate survey (MRS) in 2022;
- Increased family eligibility to 75 percent of the State Median Income (SMI);
- Waived or reduced family copayments; and
- Provided several rounds of stabilization grants to licensed ECE providers.

Given how interrelated the challenges are that FCC providers face, there is no single policy that can fully address the challenges that lead to closure. Rather, a combination of policies will be needed. Below we suggest how certain policy and practice changes might address each of the categories of challenges that FCC providers discussed.

- **Increasing compensation and benefits:** Many interviewees discussed low or unstable income as a significant challenge to operating an FCC business. They generally contributed their low and unstable incomes to under-enrollment, low scholarship reimbursement rates, and trouble collecting family copayments. Additionally, former FCC providers also spoke of their lack of paid time off (PTO), and FCC support professionals spoke of the lack of benefits as a major barrier to attracting and retaining FCC providers in the field.

Recommendations:

- **Contract with FCC providers to provide a steadier source of income:** As suggested by FCC support professionals, one way to address under-enrollment is for the state to contract with FCC providers. Contracts are used as a financing mechanism to support child care providers—usually a targeted group of providers (e.g., those who accept child care subsidies, providers caring for infants and toddlers) or for a specific goal (e.g., compensation or professional development) by offering funds for a set amount of time.^{xxxiii} Contracting with FCC providers could offer them steadier income and more financial stability by guaranteeing payment for a certain number of slots for children receiving a scholarship.
- **Reimbursement rates should account for the costs of care.** While our administrative data analyses showed an increase in the supply of FCC providers in Maryland following more generous scholarship policies (i.e., increased reimbursement rates and family eligibility levels), former FCC providers reported that scholarship reimbursement rates are too low. While Maryland has raised reimbursement rates to the 70th percentile of the market rate since our data collection and analyses, former FCC providers also noted that they often needed to reduce their rates to compete with other child care providers in their area, which often resulted in low incomes for the program. Therefore, the costs for providing care should also be considered when setting reimbursements rates. States have been encouraged to conduct narrow cost analyses.^{xxxiv} Recent cost estimation models have recommended that these calculations should include living wages, health and retirement benefits, PTO, non-personnel costs (e.g., rent, utilities, program supplies and materials, etc.), and should account for different quality levels and serving different ages of children.^{xxxv,xxxvi}
- **Offer benefits through FCC networks or unions:** While we did not ask former FCC providers if they had access to benefits, other state surveys of home-based providers have found that the vast majority of home-based providers do not have access to health benefits, paid time off, or support to save for retirement.^{xxxvii} Staffed FCC networks could offer health benefits or health plans that providers could buy into for participating providers ^{xxxviii} or some states have organized unions of home-based providers as a mechanism for offering better compensation and benefits.^{xxxix, xl}
- **Expand grants for startup costs, trainings, and credentialing programs:** Several former FCC providers explained that the initial investment of time and money needed to complete training requirements to obtain a license, in addition to the licensing process at large, felt burdensome and may deter people from becoming an FCC provider, and a few former FCC providers also mentioned that the return on their investment to keep up with the training requirements for licensing was often not worth it. As FCC support professionals recommended, offering financial incentives that could cover startup costs, other training costs required for licensing, and credentialing programs, which are needed to participate in EXCELS starting at level 2, would help alleviate some of the financial burdens placed on FCC providers to meet requirements.
- **Continue to monitor the effects of increased income eligibility and reimbursement rates:** Changes to Maryland’s scholarship policies—in particular, increasing the income eligibility threshold for a scholarship—may have led to a slowing in the decline of FCC providers and an increase in the number of FCC providers serving children with scholarships, though the overall percentage remained low (under 30%). However, while our ITSAs provided detailed descriptions of how and when the outcomes changed, we cannot claim that the policies caused the changes. Nevertheless, we recommend that MSDE continue to monitor the effects of increased income eligibility on the supply of FCC providers in the state.
- **Improving work-life balance:** Many of the former FCC providers described several challenges related to working long hours and a work-life imbalance, such as trying to meet parents’ work schedule needs, operating a business while providing care, not being able to take time off, and not being able to find or afford assistants to help them.

Recommendations:

- **Offer business and administrative supports through an FCC network or intermediary organization:** Former FCC providers described several challenges with knowing how to operate a business such as filing their taxes, completing paperwork, creating parent contracts, and balancing the requirements of running a business with providing care for children. Staffed FCC Networks offer these types of supports to FCC providers^{xli} or an intermediary organization could be funded to offer shared services such as administrative supports.
- **Create mechanisms that allow providers to access substitute caregivers:** Given the challenges FCC providers spoke of around affording and finding assistants who could support their program, access to substitute caregivers may be one way to help support FCC providers work-life balance. Some FCC networks offer substitute caregivers^{xlii} or states could contract with FCC providers (or through an intermediary organization) and offer specialized supports including substitute caregivers.^{xliii}
- **Developing supports:** Many former FCC providers described feeling undervalued, unsupported, or disrespected—by parents of the children they care for, by their own families, or by licensing specialists, and they described that the accumulation of challenges led to stress and burnout. The following suggestions may help to further support FCC providers.

Recommendations:

- **Increase access to mental health supports:** FCC networks or intermediary organizations could provide mental health consultation to FCC providers to help them feel more supported and to address provider burnout and stress.
- **Peer-to-peer supports:** FCC support professionals and former FCC providers spoke about how isolation is a common challenge among FCC providers and that having peer-to-peer supports can be very valuable for FCC providers, particularly when they're starting out and need help navigating requirements. While the FCC associations in the state offer this opportunity, expanding capacity for this through the current associations or an FCC network would be beneficial.
- **Home visitors:** Some home visiting models, which have traditionally been offered to new or expecting parents, have been adapted for home-based child care providers, including licensed FCC providers. Since professional development and other supports are traditionally designed for center-based programs, these models aim to offer home-based providers more individualized support to promote their wellness, confidence, and competence.^{xliv,xlv}

Improvements to ECE systems (licensing, Maryland EXCELS, and the scholarship program): Many former FCC providers and FCC support professionals spoke about burdensome and redundant paperwork required for participation in licensing, Maryland EXCELS, and the scholarship program.

Recommendations:

- **Improve coordination across programs:** Streamlining paperwork requirements across systems may help to reduce burden for FCC providers.
- **Ensure communications are available in providers' home languages.** Provide forms, documentation, and supports/trainings in languages providers speak.
- **Seek input from FCC providers for improvements:** MSDE leadership could meet with/hear from FCC providers on a regular basis to hear their specific concerns and ideas for improvements.

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Attachment A: ITSA results

Exhibits 6 and 7 contain the results of the ITS analyses of the number of FCC providers and percentage of providers enrolling children receiving scholarships. The tables display the monthly rate of change (“Overall Slope”), how much the rate of change increased or decreased (“Slope Change”), and whether the outcome significantly increased or decreased at the policy time point (“Level Change”). For example, the slope following the September 2018 policy indicates a loss of about 16 providers a month, representing a loss of close to 27 fewer providers compared to the loss prior to the policy change (about 43 providers a month). For the number of FCC providers (Exhibit 6) and percentage of FCC providers serving children receiving a scholarship we focus our write up on the most meaningful change that occurred following the September 2018 policies.

Exhibit 6. FCC provider decline ITSA results

	Jan. 2015	Oct. 2015	March 2018	Sep. 2018	July 2019
Number of FCC providers					
Overall Slope (providers/month)	-27.13*	-33.29*	-42.87*	-16.03*	-19.13*
Slope change (providers/month)	--	-6.25*	-9.58*	26.84*	-3.10
Level change (number of providers)	--	-10.95	3.76	40.61*	-29.15*
Standardized number of FCC providers in lower income census tracts					
Lower income slope (% of Jan. 2015 value)	-0.31%*	-0.65%*	-0.61%*	-0.13%*	-0.52%*
Lower income slope change (% of Jan. 2015 value)	--	-0.34%*	0.04%	0.47%*	-0.39%*
Lower income level change (% of Jan. 2015 value)	--	-0.50%	-0.37%*	0.65%*	0.10%
Standardized number of FCC providers in higher income census tracts					
Higher income slope (% of Jan. 2015 value)	-0.41%*	-0.43%*	-0.62%*	-0.26%*	-0.22%*
Higher income slope change (% of Jan. 2015 value)	--	-0.03%	-0.18%*	0.37%*	0.04%
Higher income level change (% of Jan. 2015 value)	--	-0.07%	0.16%	0.57%*	-0.55%*

Source: Child Trends’ analysis of MSDE administrative data.

* Denotes statistical significance, $p < 0.05$

Exhibit 7. Percentage of FCC providers enrolling children using scholarships ITSA results

	Jan. 2015	Oct. 2015	March 2018	Sep. 2018	July 2019
Percent of FCC providers enrolling children receiving a scholarship					
Overall Slope (% scholarship/month)	-0.25%*	-0.08%*	0.16%*	0.49%*	0.03%
Slope change (% scholarship/month)	--	0.17%*	0.24%*	0.33%*	-0.46%*
Level change (% scholarship)	--	-1.97%*	1.23%*	1.64%*	-1.16%*
Percent of FCC providers enrolling children receiving a scholarship in lower income census tracts					
Lower income slope (% scholarship/month)	-0.34%*	-0.11%*	0.72%*	0.35%*	-0.25%*
Lower income slope change (% scholarship/month)	--	0.22%	0.84%*	-0.38%*	-0.60%*
Lower income level change (% scholarship/month)	--	-2.66%*	-1.93%*	2.41%*	-1.23%
Percent of FCC providers enrolling children receiving a scholarship in higher income census tracts					
Higher income slope (% scholarship/month)	-0.23%*	-0.06%*	0.04%*	0.51%*	0.12%*
Higher income slope change (% scholarship/month)	--	0.17%*	0.10%*	0.48%*	-0.40%*
Higher income level change (% scholarship/month)	--	-1.76%*	1.11%*	1.45%*	-1.18%*
Standardized percent of FCC providers enrolling children receiving a scholarship in lower income census tracts					
Lower income slope base (% of Jan. 2015 value)	-0.71%*	-0.24%*	1.52%*	0.73%*	-0.53%*
Lower income slope change (% of Jan. 2015 value)	--	0.47%	1.76%*	-0.79%*	-1.26%*
Lower income level change (% of Jan. 2015 value)	--	-5.58%*	4.06%*	5.07%*	-2.59%
Standardized percent of FCC providers enrolling children receiving a scholarship in higher income census tracts					
Higher income slope (% of Jan. 2015 value)	-1.26%*	-0.34%*	0.21%*	2.81%*	0.64%*
Higher income slope change (% of Jan. 2015 value)	--	0.92%*	0.55%*	2.60%*	-2.18%*
Higher income level change (% of Jan. 2015 value)	--	-9.62%*	6.06%*	7.91%*	-6.44%*

Source: Child Trends' analysis of MSDE administrative data.

* Denotes statistical significance, $p < 0.05$

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