THE BUSINESS OF CARE

Strengthening Family Child Care as a Path to Wealth Building.

MARCH 2025

Boston Indicators
Racial Wealth Equity Resource Center

massbudget
Massachusetts Budget & Policy Center

ABOUT THE MASSACHUSETTS BUDGET AND POLICY CENTER

Massachusetts Budget and Policy Center (MassBudget) is a not-for-profit research center advancing equitable policy solutions that create an inclusive, thriving Commonwealth. For 35 years, MassBudget has partnered with advocates, legislators, grassroots organizations and national thought leaders to provide research and data to solve the Commonwealth's most pressing issues. Recently, this has included passage of the Fair Share Amendment; boosting take-home pay for low-income families through Earned Income Tax Credit (EITC) increases; improving the Child and Family Tax Credit; and playing a substantial role in the passage of the nation's most progressive K-12 education funding bill – the 2019 Student Opportunity Act.

ABOUT BOSTON INDICATORS

Boston Indicators is the research center at the Boston Foundation, which works to advance a thriving Greater Boston for *all* residents across *all* neighborhoods. We do this by analyzing key indicators of well-being and by researching promising ideas for making our city more prosperous, equitable and just. To ensure that our work informs active efforts to improve our city, we work in deep partnership with community groups, civic leaders and Boston's civic data community to produce special reports and host public convenings.

ACKNOWLEDGMENTS

We would like to thank all of the partners who have collaborated with us on this work. First and foremost, we thank the family child care owners who participated in our surveys and focus groups. And a special thanks to Alejandra Tejeda and the staff at SEIU Local 509 who helped to collect information, conduct focus groups, and ultimately, make this project possible. Finally, we would like to thank staff at the Department of Early Education and Care who provided generous support with data collection and research.

Cover photo by Yan Krukau on Pexels.

THE BUSINESS OF CARE

Strengthening Family Child Care as a Path to Wealth Building

MARCH 2025

AUTHORS

MassBudget
Adam Jones

EDITORS

Boston Indicators
Luc Schuster
Peter Ciurczak

The Boston Foundation
Sandy Kendall
Danubia Camargos Silva

DESIGN

Isidor Studio
Mel Isidor

The Boston Foundation

massbudget
Massachusetts Budget & Policy Center

BOSTON INDICATORS
RACIAL WEALTH EQUITY
RESOURCE CENTER

CONTENTS

FOREWORD

At Boston Indicators, we have spent the past three years examining the drivers of racial wealth inequity in Greater Boston through our Racial Wealth Equity Resource Center initiative. We have explored access to homeownership, the challenges of retirement security, and the historic policies that have shaped today's stark wealth divides and patterns of residential segregation. One of the central questions guiding this work is how we can better support pathways to wealth-building for those who have historically been left behind?

Family child care (FCC) presents one such pathway. It is a sector dominated by women—especially women of color and new immigrants—who are creating and running small businesses that provide an essential public service. But while small business ownership is often a key wealth-building strategy, the reality for FCC owners in Massachusetts has been decidedly precarious. As this report from the Massachusetts Budget and Policy Center makes clear, FCCs operate under significant financial constraints. Low reimbursement rates for state-subsidized care, unpredictable revenue streams, and high operating costs mean that many FCC owners struggle to break even, let alone grow their businesses or depend on them to build long-term financial security.

These financial challenges are not accidental—they reflect a much deeper, systemic devaluation of care work in the U.S. In *Care Work in Massachusetts: A Call for Racial and Economic Justice for a Neglected Sector*, a 2022 report by Boston Indicators, we documented how care work has historically been underpaid and undervalued, particularly because it has long been performed by women, especially women of color and immigrants. This history is essential to understanding why FCC owners today face such steep financial barriers. While their work is indispensable to families and communities, public funding and market dynamics have not treated it as such.

Despite these challenges, there are promising strategies that could help FCC owners not just sustain their businesses but thrive. This report highlights how recent policy changes, such as the Commonwealth Cares for Children (C3) grants, have provided much-needed stability to the sector. It also underscores the importance of raising reimbursement rates to better reflect the true cost of providing care, reducing barriers to expansion, and supporting FCC owners with financial tools that can help them build lasting wealth.

Family child-care providers play a vital role in our early education system and in our economy. Yet, as this report makes clear, they have not received the support necessary to make their businesses a viable wealth-building pathway. We hope this research informs future policy efforts that recognize and invest in these essential small business owners, ensuring that their work is both financially sustainable and a true opportunity for economic mobility.

— Luc Schuster, *Boston Indicators*

REPORT SUMMARY:

Family child-care programs (FCCs) are a unique and vital part of the Massachusetts child-care and education system. FCC owners tend to serve some of the highest-need children and families in the Commonwealth, yet the owners and assistants who run these programs often take home some of the lowest wages among educators. While much research has been dedicated to improving the quality of care and education in child-care settings, this report focuses on a different but equally critical challenge: how to strengthen the financial stability of FCCs as small businesses. How can they grow? How can they become platforms for building wealth?

Our analysis draws from a mixed-methods approach, combining FCC program budgets, data from the Department of Early Education and Care, and qualitative insights from focus groups with owners. This synthesis offers a deeper understanding of the financial realities of FCC ownership and identifies strategies to support owners not just as educators but as small business owners. While many FCC educators prioritize family accessibility and program quality over their own take-home pay, achieving financial security should not come at the expense of their well-being. Recent policy improvements—such as flexible operational grants to providers and increased funding for child-care subsidies—have strengthened the sector, but more targeted interventions are needed. Increasing owner revenue, expanding administrative support, implementing housing-oriented solutions, and developing wealth-building strategies would help FCC educators thrive both financially and professionally.

UNDERSTANDING FAMILY CHILD-CARE PROVIDERS

Why FCCs Are Important Now

FCCs exist at a unique intersection of child-care programs and small businesses, with just one or two people taking on the work. Owners of these programs are forced to navigate the struggles that come with both.

As early childhood educators, they face the inherent challenge of providing high-quality care to children at crucial points of development. As business owners, they must manage program administration to ensure that they comply with regulations and maintain a sustainable business. Doing just one of these full-time requires great skill and dedication. Doing both is even more demanding and creates significant potential tradeoffs. Still, there are thousands of FCC educators in Massachusetts who serve these essential functions each day. Difficult as the work may be, many choose to do it and have a significant impact on children and communities.

FCCs also embody the intersection of two policy issues that have gained traction in recent years. One is the importance of a well-functioning early education and care sector that supports the needs and preferences of children, families, and educators. The other is the importance of building wealth, especially in order to narrow persistent gaps between demographic groups. Since the COVID-19 pandemic, Massachusetts has taken significant steps toward improving the child-care sector. In 2021, the Department of Early Education and Care (EEC) used federal funds from the American Rescue Plan Act to establish the Commonwealth Cares for Children (C3) program, which provides monthly support for a wide range of program expenses, like teacher pay, food, and educational supplies.[1,2] The state legislature and EEC have also worked in tandem to increase child-care access and affordability for families.[3] And political leaders have kept wealth inequality front and center in debates, ever since the Federal Reserve Bank of Boston's 2015 report detailing the city's extreme racial wealth gap.[4]

Throughout the United States' history, care work has been disproportionately performed by women, more specifically, women who are poor, racial minorities, and immigrants.[5] Despite the skill and competence required to provide quality care for children, this work has always been, and in many cases continues to be, undervalued. This relationship between the demographics of the workforce and the compensation for the work is not coincidental. The impact of centuries of undervaluation is felt today. Even the most equity-oriented policymakers and advocates face a significant challenge. To reverse these harms and close economic gaps requires more than acknowledgment. Intentional, targeted investments are necessary to create a truly equitable early education workforce without burdening families with impossible tuition rates.

Examining the experiences of FCC owners demonstrates the important practical consequences for how the Commonwealth nurtures this important but fragile sector. Groups that are overrepresented in early education, like women, Black people, and immigrants, tend to hold less wealth.[6] Within the early education workforce, FCC providers receive relatively low compensation, making it difficult to save for the future and leverage income to build wealth.[7] They are also more likely to operate in communities that are economically disadvantaged. These educators are too often unable to fully capitalize on business ownership, though policymakers frequently tout such entrepreneurship as a productive strategy for wealth-building. Identifying and understanding the barriers to plentiful income and the ability to build wealth through thriving FCC businesses is an initial step toward improving outcomes for these workers.

While FCC owners have their own unique attributes and needs, early educators who work in centers, school districts, and other settings also deserve more recognition, support, and respect. Early childhood educators of every type across the Commonwealth perform essential work that is often challenging and underpaid. However, the marginalization of FCC educators warrants heightened awareness from advocates to develop tailored solutions. Moreover, some of the unique features of FCCs offer a useful lens for understanding the early education sector and its labor force more broadly. The solutions we offer may disproportionately benefit FCC educators, but many could benefit all early educators, and in turn, the sector and our state economy.

COMMONWEALTH CARES FOR CHILDREN (C3)

The Commonwealth Cares for Children (C3) grant program distributes funds on a monthly basis to Massachusetts child-care providers. All providers licensed by the Department of Early Education and Care (EEC) are eligible to receive these funds.[8]

C3 funding amounts are based on a two-part formula that accounts for licensed capacity, enrollment, staffing patterns, and equity factors that potentially increase a program's funding amount. These equity factors include the percentage of enrolled children receiving subsidies for care and the relative opportunity of the area where the program is located.[9]

Owners update their program information with EEC every month to reflect any changes in staffing or enrollment, and funding amounts may change accordingly. For FCCs, if the program's 12-month enrollment average is at least three children, the program will receive the full base amount. If average enrollment falls below three children, funding is prorated. In December 2024, the average FCC C3 funding amount per child was $190.[10]

Who Operates FCCs?

FCCs are operated by an owner-educator. An FCC owner can establish their business as a sole proprietorship, a partnership, a limited liability company (LLC), or a corporation. Most FCC owners choose to operate as a sole proprietorship, due to the relatively lower cost of establishing this type of business.[11]

FCC owner-educators can work alone and receive a license to serve up to eight children, or they can employ an assistant and serve up to 10 children, per EEC regulations. In the FY 2025 state budget, the legislature removed language that restricted FCC capacity to 10 children.[12,13] However, EEC's Board of Directors must approve new regulations for any new capacity rules to take effect.

FCCs can operate independently or as part of an FCC system that supports providers in maintaining enrollment through EEC Child Care Financial Assistance (CCFA) contracts or vouchers. By joining a system, FCC owners also gain access to technical assistance and professional development opportunities.

Who Do FCCs Serve?

Family child care programs are operated out of the home of an owner-educator.[14] FCCs are licensed by the Commonwealth of Massachusetts to serve up to 10 children, depending on the age of children and whether the owner employs an assistant.[15] Licenses are currently available at capacities of six, eight, or 10 children. FCCs represent one of the two provider types licensed by the EEC to provide child care in Massachusetts. The other is group and school aged child care (GSAs), comprising programs that provide early education and care for young children in a community-based setting outside the home.[16]

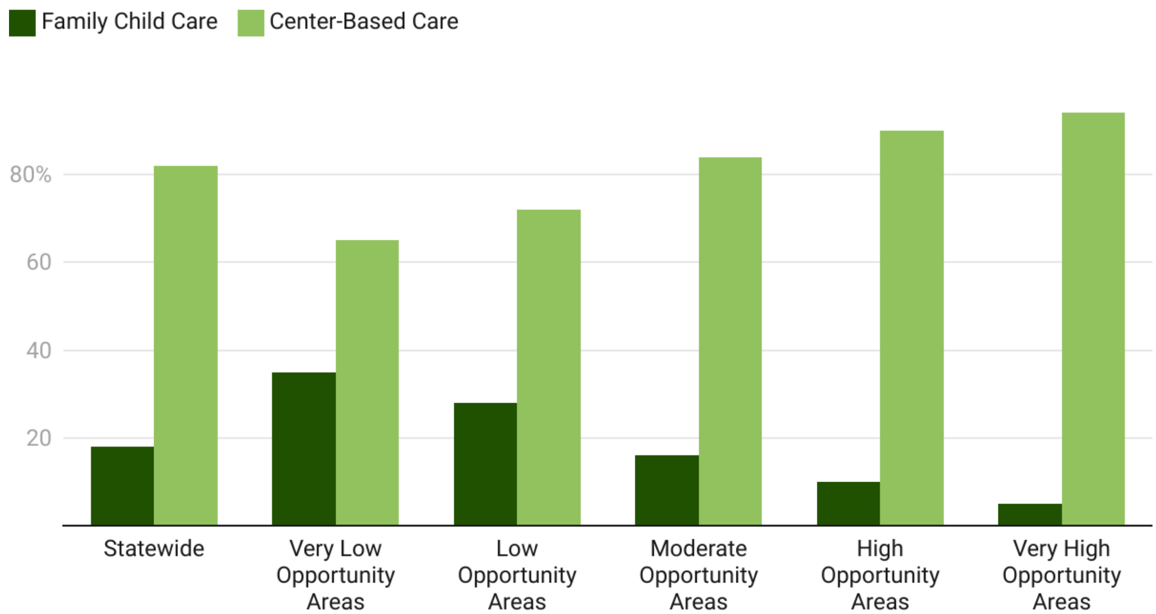
FCCs are a significant part of Massachusetts' early education and care system, especially in under-resourced communities. There are over 5,700 licensed FCCs operating in Massachusetts and over 44,000 FCC licensed seats. FCCs represent about 18 percent of all EEC-licensed child-care capacity.[17]

FCCs are disproportionately likely to serve higher-need children compared to GSAs. EEC uses a scale called the Child Opportunity Index (COI) to identify under-resourced communities and determine where finite resources, like operational funds, should be directed.[18] These areas are defined at the census tract level—far smaller than cities and most towns.[19] For example, within the city of Boston, COIs range from very low in the Roxbury neighborhood to very high in a neighborhood like Back Bay, with other neighborhoods somewhere in between.[20] FCC licensed seats are overrepresented in areas categorized as having low or very low opportunity.

Family child care owners are licensed by the Commonwealth of Massachusetts to **serve up to 10 children,** depending on the age of children and whether the provider employs an assistant.

FCCs Comprise a Greater Share of Licensed Seats in Lower Opportunity Areas

Share of Family Child Care and Center-Based Seats by Child Opportunity Index



Source: Massachusetts Department of Early Education and Care • Created with Datawrapper

No care setting is inherently superior, and families weigh multiple factors when choosing a setting for their children. That said, FCCs are unique in the service that they provide. Several reasons that families report choosing FCCs include:[21]

- **Comfort of the setting.** This can refer to both the "homier" nature of the environment and the fact that children are forming and deepening a relationship with just one or two educators.
- **Affordability.** Staff salaries make up a significant portion of the cost of child care. Because FCCs employ fewer administrative staff, the programs are often less expensive for families. Furthermore, without the pressure of paying a larger staff and providing benefits, FCC owners may have more flexibility in setting tuition amounts. If the owner has an existing relationship with a family, they may also be more willing and likely to negotiate tuition. This is especially significant for families in communities with fewer resources. FCCs often represent a lifeline for families seeking high-quality care, but who may have lower incomes and limited work flexibility.
- **Availability of non-standard care hours.** Home-based educators are more likely to offer care outside of Monday through Friday business hours. More than half of licensed FCCs operating in Massachusetts offer care during non-standard hours (open before 8:00 a.m., open after 6:00 p.m., or open on weekends).[22]
- **Ability to group different-aged siblings.** In a center-based setting, children are typically grouped by age, but FCCs allow younger and older children to learn and socialize together.

OUR STUDY:

A MIXED METHODS APPROACH TO THE FCC FIELD IN MASSACHUSETTS

FCC Program Budget Data

Information on FCC program revenue and expenses was gathered through an online survey created by MassBudget, which was distributed by SEIU Local 509 to its membership in August 2024. SEIU Local 509 is the union that represents licensed FCC owners in Massachusetts who participate in the Commonwealth's Child Care Financial Assistance (CCFA) system. Responses were collected between August and October 2024. Owners were asked to report typical monthly values for the following revenues: CCFA reimbursement, C3 operational funds, Child and Adult Food Program (CACFP), and tuition (Table 1); and the following expenses: business insurance, food for children, educational supplies and toys, office supplies, advertising costs, program activities, assistant pay (if applicable), rent or mortgage and residential insurance, utilities, cleaning supplies, and home repairs and maintenance (Table 2). The survey was offered to owners in English and Spanish, with SEIU Local 509 providing translation services.

An initial round of analysis of the online survey suggested that additional follow-up with respondents was necessary to eliminate response errors and inconsistencies in the data. Several responses suggested confusion about what information was being requested or the specified time period. Working collaboratively with SEIU Local 509, MassBudget designed a follow-up survey in January 2025 that was distributed to owners that allowed them to confirm previous responses and provide corrections where necessary. SEIU staff assisted providers in person, as necessary, to ensure that the follow-up survey questions were accurately conveyed and that the information given matched their program operations.

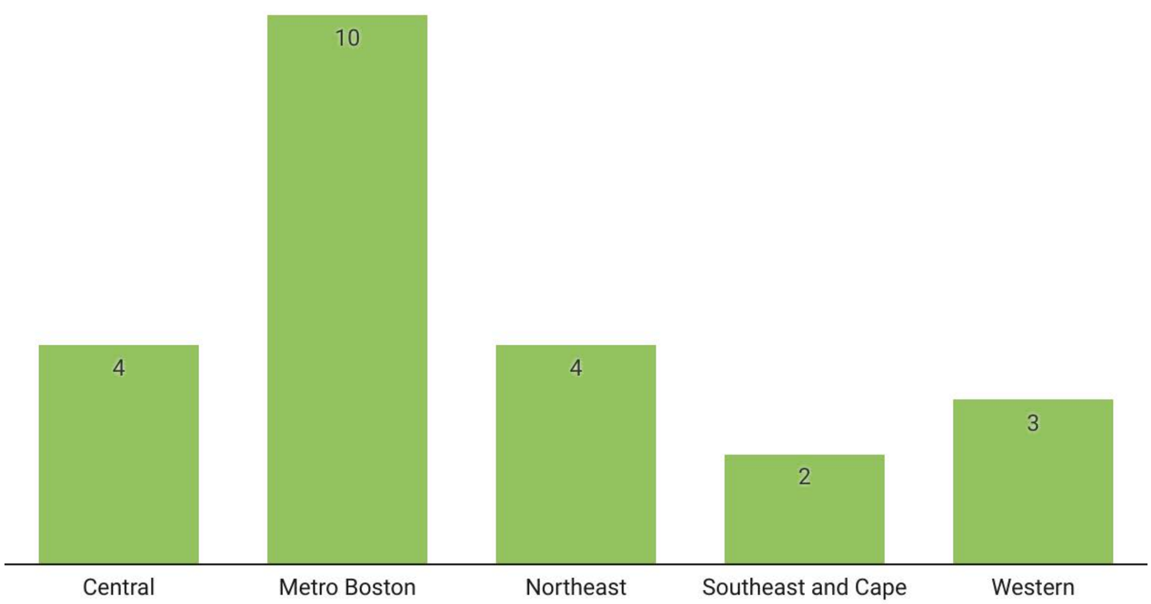
There were 34 responses to the initial survey. After the follow-up survey, the sample was reduced to 23 owners. All of the providers in our sample belong to FCC systems, which are organizations that support FCC owners with managing CCFA enrollment and other administrative capacity.

CHILD CARE FINANCIAL ASSISTANCE (CCFA) PROGRAM

The Commonwealth's Child Care Financial Assistance (CCFA) program helps children in families with low incomes and other priority populations (specifically, children with an active case with the Department of Children and Families, children whose families have recently received support from the Department of Transitional Assistance, children with parents under age 24, or children experiencing homelessness) to access free or low-cost child care. Income-eligible CCFA is available to children in families whose household income is less than 50% of the state median income (SMI). Generally speaking, CCFA-eligible children can secure child care via voucher, where the child can enroll in any program with an available seat that participates in the CCFA system, or via a licensed child-care seat that has been set aside (or "contracted") at a specific child-care program.

CCFA for priority populations is an entitlement and EEC must connect eligible children to care. Income-eligible CCFA is subject to appropriations by the state legislature. Income-eligible children can only be connected to care if budget appropriations are sufficient and they are able to access an available seat. Since March 2024, EEC has not been able to provide new vouchers for income-eligible children, although they continue to provide vouchers to children in priority populations. EEC will not be able to resume voucher disbursement until the state legislature appropriates additional funding.

MassBudget-SEIU Local 509 Budget Survey Respondents by Region



Source: MassBudget-SEIU Local 509 Budget Survey • Created with Datawrapper

Focus Groups with Providers

Three focus groups were held with SEIU Local 509 member-educators during October 2024. The groups were facilitated by SEIU Local 509 staff in Spanish. They were hosted in Boston, Lawrence, and Worcester to achieve greater geographic diversity and representation. A total of 31 owners participated in the groups, ranging in experience from one month to 29 years in the field.

Participants were asked open-ended questions to reflect on how they prioritize finite resources, how their programs contribute to their individual finances, and what barriers they encounter in operating their programs and achieving their financial goals.

C3 and CCFA Data from the Department of Early Education and Care

The Department of Early Education and Care provided multiple forms of C3 data for this research, including FCC program information from spring 2024 C3 applications and select responses from FCC owners to the EEC fall 2023 C3 survey. EEC also provided anonymized child-care financial assistance enrollment data for FCC programs between 2023 and 2024.

C3 applications are updated by owners on a monthly basis and collect information about program staffing and enrollment, both of which impact potential funding amounts. EEC provided a wide array of data on program operations from its most recent (fall 2023) survey.

Sample Background and Analysis Description

Due to the size of our sample relative to the number of FCC owners in Massachusetts, our analysis of self-reported program finances is not meant to make definitive claims about the profitability of all or most FCC programs.[23] Rather, we believe that this information, taken together with focus group data and data on the broader FCC and early education sector allows us to better understand and contextualize these providers' experiences as we formulate and recommend policy solutions for support.

FCC owners responding to our program budget survey said they rely on a handful of revenue sources to run their programs. These included reimbursement from EEC for CCFA and associated parent fees, tuition from private-pay families, C3 operational funds, the Child and Adult Care Food Program (CACFP), and grants from the state for capital improvement projects.

HOUSING-SPECIFIC ADJUSTMENTS

Because an FCC owners' business space is also their residence, we had to isolate the portion of housing costs that are used for business purposes. Owners themselves do this calculation when they file taxes. This time-space usage percentage represents the percentage of time that a home is used for business purposes and the percentage of the physical space that is used for business purposes. For our estimations, we used a flat time-space usage percentage of 35 percent, which is a commonly used percentage for home-based provider cost analyses.[24] This means that for our analysis, if an owner reported paying $1,000 per month for rent, we counted $350 as a business expense. Obviously, this is not how an owner thinks about housing costs in practical terms, but this adjustment allows us to more easily compare FCC programs to businesses that do not operate in a residence.

Table 1: Most Respondents Rely Heavily on CCFA Reimbursement

Monthly Revenue Source	Average % of monthly revenue	Average amount received per child
CCFA Reimbursement (n=22)	60%	$860
C3 Operational Funds (n=23)	26%	$293
Tuition (n=11)	25%	$781
CACFP (Federal Food Program) (n=20)	6%	$71

Source: MassBudget-SEIU Local 509 Budget Survey • Created with Datawrapper

Table 2: Assistants, Food, and Housing Costs Are Respondents' Largest Expenses

Monthly Expense	Average % of monthly expenses	Average amount spent per child
Assistant Pay (n=18)	35%	$343
Food for children (n=22)	17%	$154
Housing (Rent or mortgage plus insurance) (n=23)	16%	$35
Educational supplies and toys (n=22)	8%	$80
Business liability insurance (n=21)	8%	$52
Repairs and maintenance (n=21)	8%	$76
Office supplies (n=21)	5%	$43
Program Activities (n=18)	4%	$29
Utilities (n=23)	5%	$43
Cleaning supplies (n=23)	3%	$26
Advertising (n=9)	3%	$22

Source: MassBudget-SEIU Local 509 Budget Survey • Created with Datawrapper

The Challenges of Running a Family Child-Care Business

LOW REIMBURSEMENT AND LOWER TUITION; ESPECIALLY FOR KIDS OLDER THAN TWO

Across our sample, child-care financial assistance (CCFA) reimbursement was the most common type of revenue. CCFA is Massachusetts' subsidized child-care program, which relies on multiple funding sources to implement two distinct subsidy programs. Nearly all (22 of 23) of the owners in our budget survey sample enrolled at least one child with CCFA and 21 owners enrolled a majority of CCFA recipients. For owners who enrolled a child with CCFA, reimbursements accounted for 60 percent of their monthly per child revenue. An owner's ability to sustain CCFA enrollment (discussed further below) is critical to maintaining a viable program.

A significant difficulty that owners face with CCFA is the reimbursement rate itself. Daily rates are set by EEC and differ based on the care setting, the age of the child, the region where the program operates, and whether the child is enrolled part time or full time. Providers receive payment for each day a child is enrolled. EEC has made considerable progress in the past two years to increase these rates by adopting a methodology for setting rates that is increasingly based on the true cost of providing care.[25] The agency's simplification of reimbursement rate regions has also increased geographic equity across the Commonwealth.

Across most of the United States and up until recently in Massachusetts, reimbursement rates for subsidized child care were based solely on a survey of market rates (e.g., tuition) in a region. Tuition rates are set by individual owners and are informed primarily by their estimation of what families would be willing to pay for care. One significant drawback of this strategy is that it does not adequately consider the cost a provider incurs for providing care. Another drawback of only using market rates to inform CCFA reimbursement rates is the potential exacerbation of regional inequities. In more affluent communities, where parents can afford to pay higher child-care costs, CCFA would be higher than in lower-resourced communities to a degree that does not reflect the costs incurred by educators in these respective communities.

The cost to educators for serving children is typically higher than market rates (which account for family affordability). Because of this, subsidy reimbursement rates that are set as some percentage of market rates often represent a net loss for providers, as they are responsible for meeting licensing standards regardless of their income.

In 2023, EEC partnered with the Center for Early Learning Funding Equity (CELFE) to develop cost estimation models for care across different regions of Massachusetts. We refer to this estimate as the true cost of care. This true cost of care was determined by gathering information on all the expenses that providers incur to run a program that meets state licensing regulations and other industry benchmarks. This includes things like adequate salaries for staff, food, program supplies, and housing/facilities costs for a specific geographic region.

EEC incorporated the CELFE model into across-the-board rate increases, with some additional region- and age-specific targeted increases, for providers for FY 2024. Current reimbursement rates do not yet match cost of care rates but are now being adjusted and increased with the goal of reaching the true cost of care in every region, in every care setting, and for every age grouping as appropriations are made available. In 2024, EEC received approval from the federal government to adopt a cost of care methodology for setting reimbursement rates moving forward.

In 2024, EEC commissioned American Institutes for Research (AIR) to update and refine the CELFE cost model. The rates produced by AIR are shown in tables 3 and 4.[26] In March 2025, SEIU Local 509 members ratified increased reimbursement rates for FY 2025 (Table 3 and Table 4).[27] Only FCC educators serving children under two in the Greater Boston area receive reimbursement that meets or exceeds the cost of care.

Table 3: Children Under Two: Only Metro Area Rates Cover Cost of Care

Region	2024 Cost of Care Daily Rate	FY25 CCFA Reimbursement Daily Rate	% Difference
Western	$67	$59	−12%
Central	$68	$59	−13%
Northeast	$74	$59	−20%
Metro	$80	$89	11%
Southeast and Cape	$69	$59	−14%
Metro Boston	$84	$89	5%

Source: American Institutes for Research • Created with Datawrapper

Table 4: Children Two and Older; Rates Far Below Costs in All Regions

Region	2024 Cost of Care Daily Rate	FY25 CCFA Reimbursement Daily Rate	% Difference
Western	$67	$49	−26%
Central	$68	$49	−27%
Northeast	$74	$49	−34%
Metro	$80	$56	−30%
Southeast and Cape	$69	$49	−28%
Metro Boston	$84	$56	−33%

Source: American Institutes for Research • Created with Datawrapper

A particularly notable challenge that FCC owners experience in terms of rates is the financial impact of serving children between the ages of two and five. Across subsidy regions, reimbursement rates are lower for children over two than they are for younger children. This is likely because in a typical child-care setting, as children get older, fewer adults are required to maintain required ratios. In a center-based setting, where children are separated by age, and individual classrooms within a center have different ratio requirements, classrooms with older children require fewer educators. This makes those children less expensive to support. In FCCs, however, lower capacities and mixed-age classrooms mean that there is less variability in staffing as the ages of enrolled children change. EEC's work with the Center for Early Learning Funding Equity (CELFE) found that there is not a significant difference in the cost of caring for children from birth through five in the FCC setting.[28] In the Greater Boston area, where rates between under-twos and over-twos differ the most, an owner's CCFA reimbursement decreases 37 percent when a child turns two, amounting to a loss of $8,548 over a year for a child enrolled full time.

In focus groups, owners consistently voiced the need for consistent, reliable CCFA enrollment and higher reimbursement rates. In our Worcester group, one educator said simply, "When I'm full, I'm stable." When asked about additional support they would like from the state to improve their experience, the most frequent response was an increase in CCFA reimbursement rates. There was a sense among owners that a lot is asked of them in terms of licensing standards and various reporting requirements, but that they are not given enough resources to consistently uphold their end of this bargain.

In focus groups, owners consistently voiced the need for consistent, reliable enrollment and higher reimbursement rates for the Child Care Financial Assistance program.

Tuition

For FCC owners who enrolled private-pay families, tuition was the next largest source of program revenue. Because owners set their own tuition rates, there is often an assumption that they, as rational business owners, would charge a rate higher than what the state provides for CCFA reimbursement to maximize their income—especially considering that CCFA rates generally do not reflect the cost of providing care. However, responses to our survey suggest that when owners are given the flexibility to set their own prices, they often prioritize family affordability over increasing their own revenue.

Eleven owners in our budget survey enrolled private-pay children. For these owners, private-pay tuition made up about a quarter of their overall revenue. Among this sample, tuition amounts varied widely, but only three owners charged families a rate that was greater than the cheapest reimbursement rate in their region (i.e., the rate for children two and older). In other words, most of the owners in our sample who enroll private-pay children would be better off financially if they charged the equivalent of CCFA reimbursement.

FROZEN VOUCHERS AND UNCERTAIN REVENUE

One critical challenge for FCC owners is enrollment management and ensuring that every spot set aside for CCFA is filled. Apart from the issues of inadequate reimbursement rates, owners are best off if they can maximize the number of children in their care. Of course, owners might have flexibility with program expenses that would offset under-enrollment. But many program expenses are fixed (i.e., rent/mortgage, assistant pay, household maintenance), which creates the need for a minimum amount of revenue to keep the business running.

Maintaining full or adequate enrollment requires the coordination of multiple moving pieces, including some outside of providers' control. Whether or not a provider accepts CCFA recipients, they need a family that is seeking care. Many communities across Massachusetts experience misalignments with child-care supply and demand. Some providers operate in communities where the demand for care is low, even though the slots are available. Relatedly, transportation is often a barrier for families looking to secure a child-care seat, a complaint owners voiced in focus groups.

Beyond these challenges, owners who participate in the CCFA system rely on the state's ability to provide subsidies in the first place. The CCFA system is supported by a combination of line items appropriated in the annual state budget, utilizing a combination of federal block grants and state dollars.[29] The legislature determines appropriations based on federal contributions, available state revenue, caseload, and goals set forth by the governor's administration (including EEC), and early education advocates.

Since March 2024, EEC has been unable to provide new income-eligible CCFA vouchers due to insufficient funds in the related state budget accounts. Since then, providers who enroll children with CCFA have struggled to maximize their enrollment, as insufficient funding limits the state's ability to subsidize care for a new child when a seat in a program becomes available.

HOUSING COSTS ARE A MAJOR BURDEN

Owners in our budget survey sample were generally not comfortably affording their housing. According to the Department of Housing and Urban Development (HUD), the median fair market rent in Massachusetts in 2025 is about $1,963 per month.[30] To comfortably afford this housing payment (i.e., pay no more than 30 percent of gross income for it), you would need to earn about $78,520 per year before taxes.

Massachusetts' relatively high cost of living, specifically regarding housing, demands that residents earn high incomes (or have sufficient wealth) to sustain a life here. In 2022, the median hourly wage for an early educator in Massachusetts was $16.95, compared to $29.12 for all occupations. Early educators are twice as likely to live in poverty as the average worker in the Commonwealth. The struggle to keep up with housing costs is not unique to FCC owners, although when your income is dependent on your ability to maintain your housing, there is increased pressure. A focus group participant in Worcester, who wants to transition to a bigger space and increase her capacity, told us, "I was approved for [a home loan of] $400,000 with $40,000 down and there are no good houses around here at that price."

In our budget survey sample, 13 educators (about 68 percent of respondents) owned the home being used as an FCC space. Although our sample is far smaller, the proportion aligns with EEC's fall 2023 survey, which found that about 69 percent of FCC educators owned their space. Homeownership is typically associated with higher wealth. Nationally, homeowners have an average net worth of about $396,000, while renters hold an average of just over $10,000.[31] However, owning a property also places the burden of repair and upkeep squarely on the owner. If income is low and/or inconsistent, property ownership might pose barriers to year-to-year program operation, even if the home itself contributes positively to wealth longer term.

> In our budget survey sample, 68% of educators (13 respondents) owned the home being used as an FCC space.

Survey responses also demonstrated that housing repair costs can be high and disruptive. Because owners must consider and protect the safety of the children in their care, they have little flexibility in delaying or forgoing potentially expensive projects. Repairs cost owners in our budget survey sample, on average, $5,170 per year. This amounts to about 6 percent of the average annual revenue in our budget survey sample, but even this amount can pose a challenge. With repair costs often owed at the time of service, owners may not have the cash on hand to complete repairs.

In the aforementioned 2024 AIR study that modeled care costs, researchers noted that recent inflation has had a significant impact on the operation of child-care programs.[32] Between 2022 and 2024, overall program costs for FCC providers rose between 12 percent and 19 percent depending on the age of children served and program location.

PAYING MONTHLY BILLS LEAVES LITTLE ROOM FOR BUILDING WEALTH

Across all focus groups, FCC owners expressed that most of their attention goes toward just making it through the year and not necessarily plans to save for the future.

For many, standard program revenue simply does not cover the cost of the care that they provide, and they rely on resources other than this revenue to sustain the program. Some owners spoke about their reliance on credit to supplement expenses that were not covered by tuition, C3 funds, CCFA reimbursement, or CACFP. Owners are sometimes unable to pay monthly bills in full and have devised their own systems for staggering payments so that their programs remain functional.

Focus group participants spent significant time discussing the common phenomenon of relying on family, usually a spouse, to either contribute directly to their program operations or to take on more financial responsibility when their programs were struggling.

In each focus group, owners were mindful of the fact that, for most of them, building wealth and securing retirement would either not be possible or would be uncomfortable. One owner told a story about inquiring at the Social Security office about her prospective benefits upon retirement and she learned that she was going to get between $500 and $700 a month. "That was devastating," she reflected. Another frustrated owner spoke about the disconnect between the intensity of her work and her ability to reap its benefits. "I've worked from 7:00 a.m. to 11:00 p.m. for years—I don't have anything saved."

Strategies and Supports That Are Making a Difference

C3 FUNDS AND FEDERAL FOOD PROGRAM ARE DIFFERENCE-MAKERS

Commonwealth Cares for Children (C3)

All of the owners in our budget survey sample received C3 funds, and the payments represented approximately a quarter of their overall revenue. Focus group participants consistently cited the significant positive impact that C3 payments have had on their sustainability. Programs averaged monthly C3 payments of about $1,900. In a setting where over half of owners report an annual take-home pay of less than $30,000, $1,900 can represent more than half of net profit.[33] One owner told us that before C3, she was operating her business on a "month to month" basis. With C3, she now "ha[s] breathing room." When asked how they manage to run programs on tight margins, multiple owners explained that even though their business is not thriving, they are markedly better off than they were before C3 was introduced. For many owners, C3 is the primary reason that they are not closing their programs altogether.

In a sector and care setting where revenue can be volatile, C3 and its disbursement model represent a particularly effective form of stabilization. A key feature of these funds for FCC providers is their relative de-emphasis on monthly enrollment. All FCC owners, regardless of licensed capacity, receive funds for 10 children and maintain that funding amount if they enroll an average of at least three children over the prior 12 months.[34] Most revenue sources are based entirely on a child's active enrollment, but C3 funds are much less reactive to these changes.

Child and Adult Care Food Program (CACFP)

CACFP is a federally funded program that reimburses child-care programs for providing nutritious meals to children in their care. The Department of Elementary and Secondary Education (DESE) administers this program in Massachusetts and approves sponsoring organizations across the Commonwealth to manage FCC participation. FCC programs are eligible for CACFP participation if at least 25 percent of their children receive CCFA.[35]

Twenty owners in our budget survey participated in CACFP and owners received, on average, approximately $73 per month per child. CACFP revenue represented, on average, about 6 percent of providers' monthly revenue. Still, the revenue is meaningful. Food costs are one of a providers' largest expenses, and the average monthly CACFP reimbursement in our budget survey sample covered just over half of the average monthly total cost of program food.

Having an Assistant Is a Priority, Though Costly

Owners discussed the pressure that they feel to compensate their assistants competitively. An owner in one focus group pointed out that the people she would hire as an assistant could make comparable money doing work in the service industry, without the physical and mental demands of caring for young children. She recognized the need to pay a competitive wage but finds it difficult when her program already runs on tight margins.

In our sample, 18 owners employed an assistant, and most employed them full time. The average monthly wage for an assistant was $2,506 or a little over $30,000 annually. FCC owners reporting assistant wages in the June 2024 C3 applications paid assistants, on average, $14.71 an hour, which totals just over $30,000 annually.

In our sample, 18 owners employed an assistant, and most employed them full time. The average monthly wage for an assistant was $2,506 or a little over $30,000 annually.

Owners in focus groups described the positive correlation between assistants and program quality. With another licensed adult present, children can receive more one-on-one attention during a day. Assistants increase an owner's capacity to tend to business administration, either by allowing the owner to leave a learning space or by doing this work themselves while the owner remains with children.

Assistants also represent a financial investment that an owner can make to increase overall revenue. Employing an assistant increases the number of children that a provider can enroll. The maximum number of children that an educator can keep without an assistant is eight, but with an assistant they can keep up to 10 children under current regulations. Assistants also allow owners to enroll more children younger than age two, for whom owners typically receive more revenue. Of course, assistants themselves are a programmatic expense, and owners can be worse off financially if they employ an assistant but do not enroll enough children to offset the additional expense.

Owners were also mindful of the impact that wages may have on their assistants' benefit eligibility for programs the Supplemental Nutrition Assistance Program (SNAP). Our analysis did not discern between payments that were made "off the books" versus on the books.

When focus group participants were asked what they would prioritize with additional resources, the most common responses were increasing assistant pay and making updates to their physical space that would improve program quality or make it more feasible to care for more children. In EEC's fall 2023 C3 survey, about 12 percent of FCC programs reported that they had used C3 funds to increase assistant pay.

STATE POLICY RECOMMENDATIONS

Income Supports

1 Significantly increase investment in the CCFA program to serve more children, continue to increase reimbursement rates, and reform the FCC reimbursement rate structure to better align age and cost.

Until a couple of years ago, CCFA reimbursement rates were based only on a percentage of market rates. Starting in fiscal year 2024, EEC began to make increases to reimbursement rates with the goal of reaching benchmarks tied to the actual cost of providing care. Current CCFA rates for FCCs reimburse care for children ages two through five at a significantly lower rate than for children birth to two, despite the cost of care being similar.

Research done over the past few years demonstrates clearly that the current age groupings for family child care CCFA reimbursement do not suggest meaningful differences in provider costs by age. A more accurate FCC rate structure would combine children birth through five into a single group with a single reimbursement rate, adjusted by region. There *are* significant cost differences for FCC providers between serving children birth through five and school-aged children, and the reimbursement rate structure should reflect this difference. This cost difference is driven primarily by the need for fewer staff per children as they age beyond early childhood.

Revising the rate structure for FCCs in this way will require significant investments beyond current CCFA appropriation. Across-the-board rate increases of just a few percentage points typically require tens of millions of newly invested dollars. Increasing rates for children two and older to match under-two rates is likely to cost, at least, an order of magnitude more.

This proposed change will also require continued study to optimize the design, EEC Board approval, and negotiation with SEIU Local 509 in its role as the collective bargaining agency for FCC owners. While pursuing this long-term solution, the legislature and EEC should continue to address the current discrepancy when state funding is available to increase rates. As the agency did when it recently increased rates for fiscal year 2025, EEC should continue to prioritize rate increases for children two and older and/or continue to increase those rates at a greater pace than for younger children to prevent significant revenue reductions as children age.[36]

2 Explore increasing the maximum licensed capacity for family child-care homes.

The fiscal year 2025 state budget created a pathway for EEC to change its licensing regulations and increase the maximum number of children that FCCs are licensed to serve.[37] Current regulations allow a single FCC educator (without an assistant) to care for up to eight children, but the maximum capacity for an owner with an assistant is 10 children. Advocates for changing the regulation argue that a licensed owner should be able to enroll 12 children if they have an assistant. Of course, any regulatory changes must weigh potentially negative impacts on children receiving care against safety and quality as primary considerations.

Similarly, the state can work to ensure that owners are able to maximize the use of their programs within current regulations. The fiscal year 2025 budget included language that prevents municipalities from enacting regulations on the size of FCC programs in their jurisdiction that are more restrictive than EEC's regulations.[38] In other words, if a program meets EEC licensing criteria, a municipal law may not impede its operation. EEC and other supporting agencies can undertake outreach to providers around this policy change, and support providers in navigating these changes where they live. At the state's lowest CCFA reimbursement rate for family child care, each additional full-time child would bring FCC owners an additional $12,000 of revenue in a year.

3 Continue to refine the C3 formula to be an even better backstop for providers experiencing temporary enrollment disruptions.

FCC owners in each focus group reported that C3 operational grants have had significant positive effects on their programs. Because it is possible for providers to receive full C3 funding amounts even if they are not fully enrolled, they are better able to weather the storm of underenrollment. For providers who face changes in enrollment (and associated revenue) frequently, C3 acts like a guaranteed revenue for providers to rely on. EEC's fall 2023 C3 survey revealed that a third of respondents were able to increase their own compensation as a result of receiving C3 grants. Simple and progressive policy choices like this allow us to target the most financially vulnerable educators while supporting the entire field.

EEC is responsible for maintaining a C3 formula that considers, among other factors, the financial stability of providers in need and providers' business structure.[39] As EEC continues to refine the C3 program, the challenges described in this report and in similar research warrant particular attention.

Business Supports

4 Improve supports offered to FCCs for the management of their businesses.

In conjunction with increased financial supports, providers would likely benefit from resources that help them to get the most out of their programs financially, and the most out of themselves as educators. Several organizations, including SEIU Local 509, United Way, and Amplify Latinx, already provide such support to providers across the Commonwealth, and many more providers stand to benefit from these professional development networks. As EEC seeks to improve the experiences and outcomes of FCC providers, emphasis should be placed on equipping all providers with foundational knowledge around running a high-quality, profitable program.

---

5 Continue to support and increase investment in the Early Education and Out-of-School Time Capital Grant program.

These grants are available through Governor Healey's FY 2024–FY 2028 Capital Investment Plan and are specifically intended to increase program quality and licensed capacity. Eligible projects include improvements to play and activity spaces, infrastructure repairs, and new classroom construction. Our budget survey data, focus group data, and data from EEC suggest that FCC owners see facilities upgrades as high priorities, and also that these upgrades are often a financial challenge. As of fall 2023, more than a fifth of FCC providers used C3 grants to pay for capital improvements to their programs, suggesting that a significant percentage of owners are directing these flexible funds toward their physical space. These kinds of programmatic upgrades result in higher quality experiences for children. These investments are likely to produce returns for both providers and the system broadly. Providers are able to increase their profit if their space allows them to accommodate more children. And in a state where there are, generally, not enough slots to meet the demand for care, increasing overall supply is a benefit for everyone.[40,41]

---

6 Develop and support financial instruments geared toward FCCs and similar businesses.

Home-based providers often struggle to secure loans for additions or improvements to their program space.[42] Traditional financial institutions often view these projects as high-risk and unattractive. Considering the need for increased child-care supply, state or local government could support initiatives that would extend credit to providers that they might not otherwise receive. This could come in the form of pilot programs in partnership with established financial institutions.

State and local governments might consider financial assistance for potential homebuyers who have demonstrated a commitment to the field and intend to use their home to offer child care. Rental assistance for providers supplying child care, specifically state-subsidized child care, is another possibility. Municipalities could be given a local option to provide a partial property tax exemption for home-based child-care providers that participate in the state's CCFA system.

In 2024, Governor Maura Healey's administration established an Inter-Agency Task Force on Ensuring Affordable, High-Quality Child Care to develop whole-of-government strategies to support a thriving child-care sector that supports children and working families.[43] Among the agencies sitting on the task force is the Executive Office of Housing and Livable Communities. As this administration works to implement task force findings, housing supports for FCC providers represent an opportunity for innovation that makes Massachusetts a national leader in FCC child care.

Wealth-Building Supports

7 Establish and contribute to retirement accounts for FCC owners.

The FY 2025 state budget directs EEC to develop a career ladder for early educators in the Commonwealth. Part of this work should seek to explore strategies that will facilitate not just increases in income, but also wealth. Areas of inquiry may include options for retirement savings accounts to which FCC owners and the state can contribute. Although FCCs are not nonprofits, they would benefit from access to the Commonwealth's Defined Contribution CORE Plan. The CORE plan is a tax deferred and post-tax 401(k) savings plan that is available to employees of small nonprofits. Despite their differing tax classification, FCCs provide care that is essential to the function of the Commonwealth, often at a financial cost to themselves.

In future discussions of FCC and other early educator compensation, evaluating child-care provider pay against the goal of the capacity to consistently build wealth has the potential to move policy debates in a more ambitious direction that better reflects the value and aspirations of the field.

ENDNOTES

1. Commonwealth of Massachusetts Department of Early Education and Care. Commonwealth Cares for Children (C3) Grants: Overview. 2025.
2. MassBudget. ARPA & Federal Early Education Funds in MA. 2022.
3. Commonwealth of Massachusetts FY 2025 final budget. Section 32.
4. Federal Reserve Bank of Boston. The Color of Wealth in Boston. March 2015.
5. Boston Indicators and Boston SkillWorks. Care Work in Massachusetts: A Call for Racial and Economic Justice for a Neglected Sector. September 2022.
6. The Massachusetts Early Education and Care Workforce Survey 2019 Key Findings. University of Massachusetts Boston. 2019.
7. The Massachusetts Early Education and Care Workforce Survey 2019 Key Findings. University of Massachusetts Boston. 2019.
8. Commonwealth of Massachusetts Department of Early Education and Care. Commonwealth Cares for Children (C3) Grants: Overview. 2025.
9. Meeting of the Board of the Massachusetts Department of Early Education and Care. September 2024. Slide 29.
10. Meeting of the Board of the Massachusetts Department of Early Education and Care. February 2025. Slide 41.
11. Presentation by Shared Services of Massachusetts. “Family Childcare: Understanding the Business Model.” February 2022.
12. Commonwealth of Massachusetts FY 2025 Final Budget. Section 25.
13. Commonwealth of Massachusetts 606 CMR: Department of Early Education and Care
14. Commonwealth of Massachusetts Department of Early Education and Care. Learn about Family Child Care.
15. Commonwealth of Massachusetts Department of Early Education and Care. Learn about Family Child Care.
16. Commonwealth of Massachusetts Department of Early Education and Care. Data on Key Performance Indicators. January 2025.
17. Data obtained from EEC in December 2024.
18. Diversitydatakids.org. Child Opportunity Index (COI). 2025.
19. U.S. Census Bureau. Understanding and Using American Community Survey Data. Page 78. September 2020.
20. Diversitydatakids.org. Child Opportunity Index (COI). 2025.
21. Office of Child Care. Child Care Homes: Why Choose a Family Child Care Home?
22. Data obtained from EEC from October 2023.

23. As sole proprietorships, FCC program finances are intertwined with the finances of the individual owner. Although our program budget data collection was thorough and sought to obtain accurate data, we recognize that the information that we received is not sufficient to make accurate estimations of an FCC program's overall profitability. Key information, typically found in tax filings, such as specific time-space usage percentages and household composition would be necessary to create an estimation of overall profitability that accurately reflects a provider's financial situation.

24. Civitas Strategies. "How to Calculate Your Time-Space Percentage Before the Year Is Over." 2014.

25. Center for Early Learning Funding Equity. Cost Estimation Study Final Report. September 2023.

26. Meeting of the Board of the Massachusetts Department of Early Education and Care. November 2024. Slide 40.

27. Meeting of the Board of the Massachusetts Department of Early Education and Care. December 2024. Slide 32.

28. Center for Early Learning Funding Equity. Cost Estimation Study Final Report. September 2023.

29. Child Care Financial Assistance-related line Items in Fiscal Year 2025 state budget include 3000-3060, 3000-4060, 1596-2411, 1596-2434, and 1596-2435.

30. United States Department of Housing and Urban Development. The FY 2025 Massachusetts FMR Summary. 2025.

31. Board of Governors of the Federal Reserve System. "Changes in U.S. Family Finances from 2019 to 2022: Evidence from the Survey of Consumer Finances." October 2023.

32. Meeting of the Board of the Massachusetts Department of Early Education and Care. November 2024. Slides 17-50.

33. Meeting of the Board of the Massachusetts Department of Early Education and Care. "Board Meeting Materials (Slide Deck)." Slide 47. December 2022.

34. Meeting of the Board of the Massachusetts Department of Early Education and Care. September 2024. Slide 29.

35. Massachusetts Department of Early and Secondary Education. CACFP New Institution Onboarding. February 2025.

36. Meeting of the Board of the Massachusetts Department of Early Education and Care. "December EEC Board Meeting Slide Deck." Slide 32. December 2024.

37. Commonwealth of Massachusetts FY 2025 Final Budget. Section 25.

38. Commonwealth of Massachusetts FY 2025 Final Budget. Section 76.

39. Commonwealth of Massachusetts FY 2025 Final Budget. Section 36.

40. [TBD]

41. Rappaport Institute for Greater Boston. "An Economic Analysis of the Child Care and Early Education Market in Massachusetts." October 2024.

42. Rappaport Institute for Greater Boston. "An Economic Analysis of the Child Care and Early Education Market in Massachusetts." October 2024.

43. Healey-Driscoll Administration. Executive Order No. 625- Establishing an Inter-Agency Task Force on Ensuring Affordable, High-Quality Child Care. January 2024.

MARCH 2025