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Illinois' Commission on Equity in Early Childhood Education and Care Funding  
Office of The Governor, J.B. Pritzker

September 26, 2020

## **Memo: Racial Equity in Child Care: Supporting Families Who Use Family, Friend and Neighbor Care**

Dear Working Group Leads,

In this memo the Sylvia Cotton Center for Research and Policy Innovation at Illinois Action for Children outlines the reasons why Family, Friend and Neighbor (FFN) care is essential to racial and economic justice in Illinois and urges the consideration of the following recommendations to FFN funding adequacy, funding mechanisms, and management and oversight. Adequately funding this care will require substantial new investment but is essential to meet the needs of workers of color who are the backbone of our current economy, and to ensure their children receive a higher standard of care.

### **WHY FFN CARE MATTERS, ESPECIALLY DURING COVID-19**

Parents choose to use FFN care for many reasons. Many parents work nontraditional hours as do essential workers. The COVID-19 pandemic has highlighted that children of essential workers need care while their parents deliver our food, care for us in hospitals, load our packages, and take care of our other basic needs. Many essential workers are people of color and minimum wage workers. Care for their children often occurs during evenings, overnight, and weekends when many licensed child care settings do not operate. This care is not easily comparable to traditional early learning services as it may include part of an academic day and part of out-of-school time. Many FFN providers offer care beyond the traditional 9 a.m. - 5 p.m. schedule, often making it the best solution for parents with long commutes, who depend on transit, or who work nights or weekends.

**During a time of COVID-19 pandemic, many families are turning away from large child care settings with strangers to FFN providers because it feels safer.** Parents choose FFN care because they prefer their children be with someone they know and trust. FFN care allows parents to enter and remain in the workforce, generating significant economic returns for families and communities in the process.

**A strength of FFN child care is that it tends to be used in great numbers by African-American families.** FFN care is responsive, culturally relevant, and often provided by caregivers who look, speak, and live similarly to the children in their care. FFN care is home-based, offering an intimate environment that many families prefer for infants and toddlers. FFN providers make care available right in working families' neighborhoods.

The pandemic and a renewed focus on the pervasiveness of systemic racism have both lent new urgency to addressing racial inequities. Within the Child Care Assistance Program (CCAP), FFN care is most often used by families of color, especially African-American families.

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**The Governor's Commission on Equitable Funding for Early Childhood Education and Care must resolve the care challenges for families choosing FFN care in order to address some of the most glaring inequities in the existing child care system.** A child care system that fails to support this care will fail to advance racial equity at a much larger scale.

**Illinois has long supported parents' right to use FFN care in CCAP and in its child care regulations because of their contributions to their communities.** These contributions should be recognized financially. For example, providing care for children with disabilities or during nonstandard and variable hours, flexibility with payments (even accepting in-kind payments such as house cleaning and cooking), and transporting the child to school, doctors' appointments, therapy, etc.

**The Illinois Child Care Assistance Program (CCAP)** reimburses FFN care, also known as license-exempt home-based child care, at a low rate of \$18.38 per child for a full day of care for up to three unrelated CCAP-eligible children. (More children are allowed if the children are all related). This reimbursement currently pays the provider \$2.30 per hour per child for an eight-hour day, substantially below Illinois' minimum wage of \$10. A typical license-exempt home provider in CCAP cares for two children.

It is sometimes argued that, in CCAP, FFN providers do not deserve to be paid the same as licensed child care homes or centers because they do not undergo the same training and monitoring as licensed programs. Since the current payment mechanism was put into place decades ago, FFN providers have become increasingly regulated in CCAP: they now must enroll with the Gateways Registry professional development system, provide a social security card and/or immigration status, undergo a CANTS check, a criminal background check, annual health and safety training and in-person monitoring. These steps are important for the safety of children but have not resulted in additional income for providers.

We are not proposing that FFN providers be paid *as much as* licensed providers. **We do propose that they be paid in a way that recognizes their strengths and does not treat them as fundamentally lesser versions of licensed providers or even babysitters,** who currently make significantly more money despite limited education and skills.

We are not idealizing FFN providers. Their services can range from poor to excellent just as licensed providers' services can. Given the low rate of reimbursement, however, even the best FFN caregivers have difficulty providing optimal care without resources to buy basic equipment, toys, and learning materials. If we are committed to racial equity we need to support their work and not drive them down or out of the child care system with substandard reimbursement or unnecessary regulation.

### **FUNDING ADEQUACY: Cost Factor Options for a FFN Reimbursement Formula**

We propose that Illinois create a FFN reimbursement formula in CCAP built on the proposed formula for licensed family child care (FCC). The licensed FCC formula begins with baseline salaries adjusted for different levels of education. Since care takes place in the provider's home, the formula builds some household business expenses (such as rent and business insurance) into the reimbursement. The formula adds on various child care expenses, such as children's meals, materials, cleaning and maintenance, required trainings of providers and, if applicable, union dues.

Figure 1 shows how the licensed FCC formula adds household and child care business expenses on top of a base salary and benefits. Similarly, FFN reimbursements begin from a baseline salary, including add-ons for an AA or BA degree, particularly in fields such as child development or early education. In the example of Figure 1, the FFN provider has no degree and earns the minimum wage by caring for just two children. Since this is not a formal business, there is no addition for household business expenses such as rent and insurance. Add child care expenses such as meals, materials, professional development and maintenance. Also, add special services, such as providing care for special needs, working evenings or weekends, and providing transportation (again zero in this example).

Figure 1.

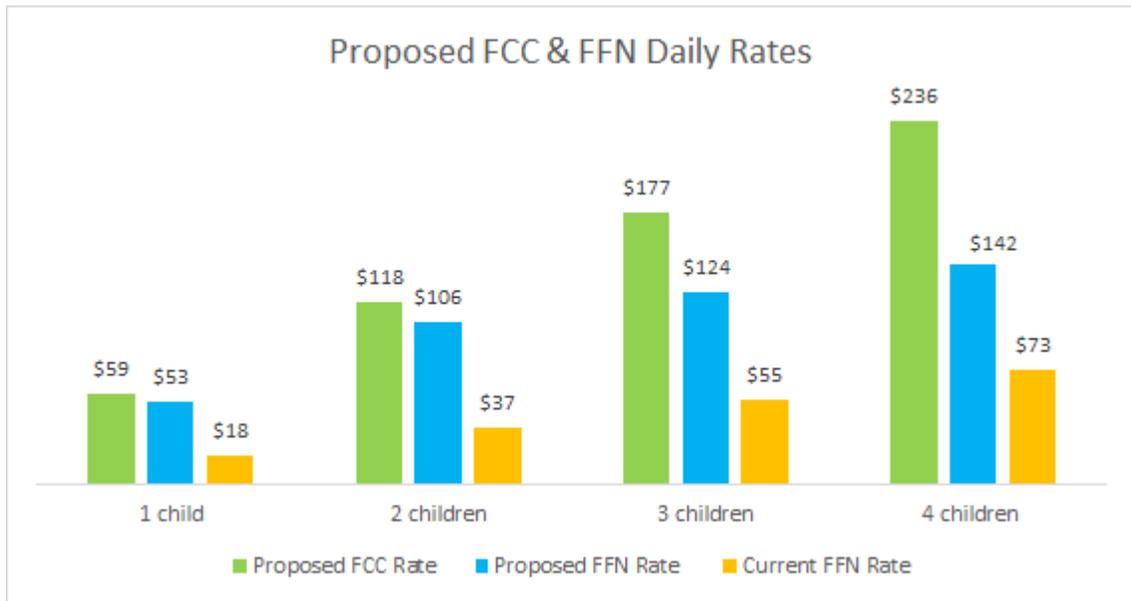
Example of Licensed FCC Cost Estimate, 7 children, annual <sup>1</sup>		Example of Family Friend & Neighbor Child Care Cost Estimate, 2 children, annual <sup>2</sup>	
rent	\$12,000	rent	
utilities	\$4,300	utilities	
maintenance / cleaning	\$2,111	maintenance / cleaning	\$2,111
internet	\$1,446	internet	\$1,446
food (7 children)	\$6,300	food (2 children)	\$1,800
materials & administration (7 children)	\$2,800	materials & administration (2 children)	\$800
professional development	\$600	professional development	\$240
insurance	\$2,363	insurance	
union dues	\$900	union dues	
provider salary, AA degree	\$40,952	provider salary (IL min. wage)	\$20,000
assistant salary, 1/2 time	\$14,286	assistant salary, 1/2 time	\$0
FICA	\$4,226	FICA	
Worker's Compensation	\$635	Worker's Compensation	
Retirement	\$2,154	Retirement	
health insurance	\$8,112	health insurance	
<b>Total cost</b>	<b>\$103,184</b>	<b>Total cost</b>	<b>\$26,397</b>
<b>Per-child cost (7 children)</b>	<b>\$14,741</b>	<b>Per-child cost (2 children)</b>	<b>\$13,199</b>
<sup>1</sup> Caring for 8 children is legal. The FCC costs are based on one cost estimate submitted to the Illinois Early Childhood Funding Commission. We believe it is the final proposal.		<sup>2</sup> Providers for 2 children earn Illinois' minimum wage and small additions to income with more children. Additional income can be added for having credentials or college degrees, providing nonstandard hour care, and other assets.	

Factors that could potentially reduce the cost of FFN care are reduced expenses for FFN providers who provide care in the child's home rather than their own home. Internet, maintenance, and food costs may not be applicable in these situations. These are considerations for the implementation planning. We urge that changes made for implementation respect providers' contributions as reflected in Illinois' minimum wage.

Figure 2 compares the proposed licensed FCC and FFN reimbursements daily for one to four children. Also included for comparison is the current FFN reimbursement level of \$18.38 per full day. We treat FFN care as having high fixed costs and spread these over the first two children. After the second child, the increases are very modest—the same as the current FFN rate.

This chart is misleading in one key respect. It makes it appear that licensed FCC and FFN providers would receive approximately the same daily reimbursement under the proposals: \$118 and \$106 for two children. In reality the typical FFN provider in CCAP cares for two children, while the typical licensed FCC provider in CCAP cares for seven CCAP children and would (with a part-time assistant) receive \$413 daily.

Figure 2.



We also estimated the total annual costs to the state of the proposed FFN reimbursement in CCAP and compared them to the proposed licensed FCC cost and the current FFN cost. The results in Figure 3 are based on the number of FCC and FFN providers who received CCAP payments and the number children in CCAP that each provider served in October 2019.<sup>1</sup>

Figure 3.

State Costs: Comparison of Proposed FFN Reimbursement with Current FFN & Proposed Licensed FCC Reimbursements				
	Number of Providers (October 2019)	Number of Children (October 2019)	Total Cost, annual	Cost per Child
FCC (proposed)	4,161	34,910	\$ 514,573,400	\$ 14,740
FFN (proposed)	13,409	31,441	\$ 341,835,629	\$ 10,872
FFN (current)	13,409	31,441	\$ 144,471,395	\$ 4,595

The proposed FFN reimbursements more than doubles the current cost of reimbursing FFN providers but remains substantially below the cost of reimbursing licensed FCC providers in CCAP.

<sup>1</sup> It is possible that we overestimated the number of full-time children, which would lead to an overestimate of the total costs. Current FFN reimbursements do not include any quality add-ons the FFN providers receive. Also it is likely that total costs will rise once higher reimbursements attract more family, friends and neighbors to provide care.

## FUNDING REIMBURSEMENT MECHANISM

Illinois' options for reimbursing providers in CCAP include contracting them in advance to provide care in an enduring contract that specifies number of children served, their ages, hours of care, and perhaps quality of care. This contract provides stability for both providers and the state budget. While it makes sense to use more contracts for stable licensed child care, this is probably not yet the best payment mechanism for FFN providers. The latter currently tend to be somewhat more temporary, as is the employment of the parents who use them.

**We believe that the current voucher system, in which providers basically invoice the state for child care services rendered, remains the better option for FFN providers.** We also believe that a stable, long-term FFN provider should be able to petition the state for a contract.

Some people think that the vouchered CCAP reimbursement should be based on an hourly wage instead of the simpler current categories of part-time (under five hours) daily rate and full-time (five hours or more) daily rate. We see pros and cons of each alternative. For example, if the state were to reimburse an hourly rate, it would save money compared to paying a daily rate (and reimburse under CCAP more realistically) if a provider worked only 6 hours per day, but it would pay more if a provider worked 10 hours per day. On the other hand, the part-time and full-time rates give parents and their provider more flexibility, for example, if their days vary from 6 to 10 hours, depending on factors outside of their control, such as the employer's needs. We make no judgement about an hourly rate as opposed to part-time and full-time daily rates. If the state opts for an hourly rate, we believe that 8 of those hours should equal a reasonable full daily rate.

## MANAGEMENT & OVERSIGHT

Illinois' early care and education governance structure should include a department dedicated to FFN care that continually improves the state, regional and local systems that support this care.

We support giving regional bodies (or the child care resource and referral agencies which currently do some of this work) more responsibility to develop support programs for FFN providers in their regions. Ideally this would include more local advice from parents, providers and employers and use community strengths in local networks and organizations such as workforce development programs.

We also believe that supports should be available to FFN providers regardless of whether they participate in CCAP because we care about the well-being and healthy outcomes of all Illinois children.

### *Anticipated Outcomes for Supporting FFN Caregivers*

- FFN caregivers will have more knowledge and skills to provide quality care, including increased knowledge of child development and health and safety.
- More FFN caregivers will enhance their quality and pursue licensure, helping to reverse or stabilize the current downward trend in licensure.
- FFN caregivers will have greater social capital and access to resources.
- Some communities of color will see increases in individual opportunities and racial justice.

### **Health and Safety Supports:**

- Use a partnering, rather than policing, approach to help FFN providers meet health and safety training and monitoring requirements.
- Provide funds to assist new FFN providers purchase health and safety equipment (e.g. smoke detectors, fire extinguishers, safety plugs). Funds should always be readily available and on a rolling basis.

- Continue to refine health and safety training content and delivery to be most effective for FFN providers.
- Keep CPR/First Aid a free training for providers with CCAP.
- Simplify method for tracking FFN training requirements. Invest in improving the Gateways Registry to be more user friendly for home providers and Center directors, and allow Child Care Resource and Referral agencies access to provider's Professional Development Records (PDRs) to better assist providers.
- Offer an appeal process for FFN providers who are canceled from CCAP because they do not meet monitoring requirements. Current policy requires public posting of monitoring issues; therefore, FFN providers should have a public recourse to address any concerns.
- For FFN providers receiving training/technical assistance through home visiting by a health and safety coach or consultant, count the visiting hours toward the FFN annual training hour requirement because home visits further providers' learning.

**Caregiving Supports:** Offer an array of supports to help FFN providers with their caregiving needs and interests. Offer supports in an FFN-friendly way by qualified staff with the same level of expertise of those that serve licensed home and center providers.

Supports include:

- Infant and Toddler specialists
- Mental Health Consultants
- Coordination with Early Intervention and Early Childhood Special Education
- Special needs training, coaching and equipment
- Quality grants to enhance care setting
- Home child care networks or peer groups
- Professional development scholarships
- Support to become licensed (training, TA, and funds)
- FFN-appropriate training opportunities
- Information about community resources
- Adequate compensation through CCAP for caregiving plus incentives to those who expand their skillset

**Professional Development:** Offer multiple FFN engagement paths based on the interest and needs of the FFN provider. Pay FFN providers additional funds such as stipends as they complete steps along each path. Stipend rates could be differentiated to encourage participation in steps considered to have greater impact on children's care.

1. **Building social capital (learning about resources for children and families):** This path is for short-term providers and those less interested in building their child development knowledge but who want to help the family. This path is the most individualized and, at times, may resemble case management. It involves discovering what a provider's or family's challenges are and what providers are willing or interested in learning/pursuing to help themselves, the family, or their settings.
2. **Child development for the non-professional:** This path is for providers more curious about child development topics such as brain development, social-emotional learning, literacy, numeracy, teaching through play, child behaviors, nutrition, and toxic stress. Includes opportunities for providers to complete credentials, though the ultimate goal is to increase provider caregiving knowledge and skills.
3. **Career pathway / licensing:** For FFN providers who want to explore becoming a licensed child care provider. Includes training that leads to ECE credentials and meeting licensing training requirements.

All providers would also have opportunities for training that meets their individual interests and child care challenges. CCAP-required FFN trainings would be harmonized with DCFS licensing requirements to support providers on the licensing pathway.

## NATIONAL CONTEXT & OTHER STATES

More than 3 million children—over a quarter of the 12 million children birth to age 5 in the United States—are served in paid, home-based child care settings, including FFN care. There are several national experts on FFN care that could share more research to the Funding Commission, some of whom live and work in Illinois. Beyond our team of experts at the Sylvia Cotton Center, particularly David Alexander and Marcia Stoll, a number of national experts could answer questions about FFN care or about developments in in other states: Julia Henly (University of Chicago), Juliet Bromer (Erikson Institute), Karen Schulman (National Women’s Law Center) and Hannah Matthews (Center for Law and Social Policy). If interested, we can provide a list of what other states are doing on FFN care.