

Trends in the Number of Licensed Child Care Homes

To participate in the CACFP, family child care homes must be licensed, certified, registered, or otherwise approved by their state. A licensed home is one that has been granted formal permission to operate because state-determined health, safety, and other requirements have been met. Unlicensed homes generally fall into two categories: (1) those that are exempt from state regulation because they do not receive public funds like CACFP reimbursements and/or serve a small number of children; and (2) those that are “underground”—homes that should be licensed, but instead operate without the knowledge or approval of the state.

Concerned about the health and safety of all child care facilities, state child care regulatory agencies have attempted to minimize the number of underground homes, primarily through educating caregivers about the value of a license and how to obtain one. In promoting licensure, state agencies and child care sponsors have traditionally used the CACFP as a major attraction. Indeed, some homes may have felt that the only reason to be licensed was to receive the CACFP reimbursements.

The changes to the CACFP reimbursement system raised the possibility that the CACFP would no longer be a strong enough enticement for some homes to obtain or renew a license, which might result in an overall reduction in the number of licensed homes. The hypothesis that the CACFP changes would result in fewer licensed child care homes is addressed in this section. It finds no evidence that the CACFP changes have affected licensure at the national level.

Overview of State Licensing Practices and Terminology

Licensing is a general term describing states’ regulation of family child care homes. Homes become licensed when it is determined that they have met the health and safety standards set by their state. A license is required for homes to receive public funds like the CACFP reimbursements. Most states require licenses to be renewed annually, but a few states grant two-year licenses.

State regulations vary considerably, and each state uses slightly different terminology. Some states grant licenses, which usually require state and local inspections (e.g., health and fire) of child care facilities. Other states have certification, approval, or registration systems, which are generally less stringent than licensure, often involving simple sign-up procedures and self-inspection by the caregiver. Many states use a combination licensure - registration system, requiring larger homes to become licensed and allowing smaller homes to register. In this report, homes covered by any type of child care regulation—licensure, registration, approval, or certification—are referred to as “licensed.”

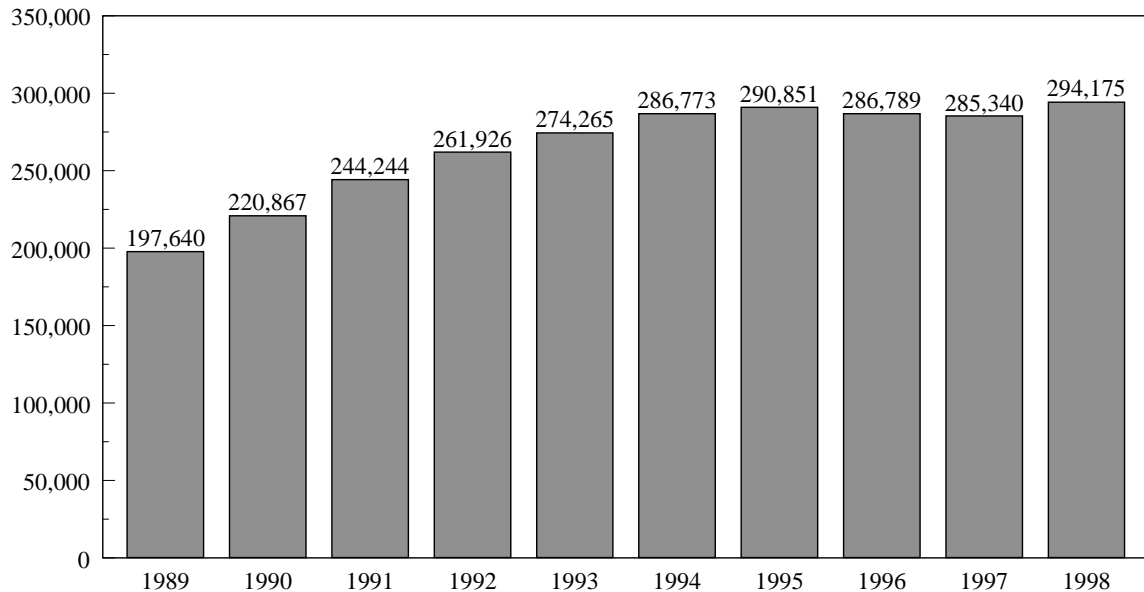
Most states classify their homes by size as being either family child care homes (FCCH) or group or large child care homes (G/LCCH). Generally, FCCH allow up to six children, and G/LCCH allow between seven and 12 children. The age of the children is sometimes considered in determining the maximum numbers allowed in each type of home. Some states

do not categorize homes by size and report only the total number of their homes or put all homes in a single category, either FCCH or G/LCCH. In this report, “family child care homes” refers to all homes, including both FCCH and G/LCCH. Most states consider any care arrangement beyond 12 children to be a child care “center” rather than a “home.” This report focuses solely on homes, excluding data on centers.

Trends in Numbers of Licensed Homes

From 1989 to 1998, the total number of licensed family child care homes in the United States increased by 49 percent, from 197,640 to 294,175. As shown in Exhibit 13, the number of homes rose steadily each year from 1989 to 1995, reached a plateau in 1996 and 1997, then increased in 1998.

Exhibit 13
Number of licensed family child care homes in the United States



From 1997 (the year the CACFP changes were implemented) to 1998, the total number of licensed child care homes increased by 3.1 percent. This represented the first such increase since the 1994 to 1995 period. Since the hypothesized effect of the CACFP changes would be to reduce rather than increase the number of licensed homes, the data do not suggest that the changes had such an effect. Although one cannot rule out the possibility that the number

of licensed homes would have grown even more in the absence of the changes, the national trend does not suggest a negative impact.²⁶

Examining the trends on a state-by-state basis yields much the same result (see Appendix C). The number of licensed homes either increased or remained fairly stable from 1997 to 1998 in most states. Of the 50 states and the District of Columbia, 13 saw increases of more than 5 percent, 27 remained essentially stable (between a 5 percent gain and a 5 percent loss), and 11 declined by more than 5 percent.

Both types of homes—small homes (FCCH) and group/large homes (G/LCCH)—increased in number from 1997 to 1998. Small homes are by far the more numerous, accounting for around 80 percent of the number of homes reported by category in 1998. Among states that report counts for both types of homes, the growth rates among small and large homes were fairly comparable for 1997-1998, as shown in Exhibit 14.²⁷ Over three prior years, however, the number of licensed smaller homes was shrinking while the number of larger homes was growing.

Exhibit 14
Percent change in the number of licensed child care homes by size



26 It is possible that an effect of the CACFP changes would take longer to appear in the licensing data, as providers let their licenses lapse. The CF survey is conducted in the summer of each year, and most states require annual license renewals. Thus if a provider's license required renewal by mid-1998 and the provider decided to let the license expire, that expiration would probably be reflected in the data used here. If a provider got a new or renewed license after July, 1997 and subsequently decided to let it expire, the expiration would probably not be reflected in the data until the 1999 survey. The study will continue to monitor changes in the number of licensed homes and present these data in the final report.

27 This analysis is limited to the 32 states that report homes in both the FCCH and G/LCCH categories for all four years. The total number of homes in these states makes up about half of the national total. The overall 1997-1998 growth rate for the 32 states is reported here as the growth rate for the country as a whole.

Reasons for the 1997-1998 Changes in Number of Homes

Licensing officials from all states were asked to explain changes in their states' number of homes from 1997 to 1998. Twenty-eight states responded to the request and most gave multiple reasons for their changes. Responses given by more than a single state are summarized below.

Following are reasons generally associated with an *increase* in number of homes from 1997 to 1998:

- ! **State initiatives.** Several states have implemented child care initiatives to increase the number of licensed homes. This is often in response to a perceived shortage of quality child care. Some state officials reported waiting lists in the tens of thousands for openings in licensed child care facilities (including both centers and homes). To meet this need, some states have offered grants to encourage the creation of new homes or upkeep of existing homes in communities where the need is greatest. Other initiatives have targeted unlicensed homes—either closing them or persuading them to participate in the licensure process. State initiatives usually include a community-based education campaign, which teaches current and prospective caregivers about how to become licensed and why licensure is desirable. The CACFP has often been an important selling point in these outreach activities. (State initiatives to increase the number of homes were noted by 10 of the 28 states.)
- ! **Normal fluctuation.** Some states, noting the absence of any state initiative or regulatory reform, simply characterized their modest increases or decreases as being typical year-to-year fluctuations. The child care field traditionally experiences high turnover, which helps to explain small fluctuations. The annual turnover rate for child care homes may be as high as 30 to 40 percent in some states, with most of it being accounted for by smaller homes. (This reason was cited by five of the 28 states.)
- ! **Greater demand for child care.** Some state officials attributed the increase in homes to higher demand, which was caused by welfare reform and/or demographic shifts. They said there were simply a greater number of working mothers and/or young children needing care, and caregivers responded to the demand. (This reason was cited by four of the 28 states.)
- ! **New type of licensure.** Some states modified their regulations to create a new type of licensure. This meant creating a new system to regulate previously exempt homes, which increased the number of licensed homes. (This reason was cited by two of the 28 states.)

Following are reasons generally associated with a *decrease* in number of homes from 1997 to 1998:

- ! **Changes to CACFP.** Some state officials reported hearing of caregivers that did not renew their licenses because of the new CACFP reimbursement system. (This reason was cited by seven of the 28 states.)
- ! **Tougher regulations.** Some child care providers may have let their licenses expire in states that enacted tougher regulations and requirements. Examples include fingerprinting and criminal checks for caregivers, smaller required child-to-staff ratios, newly required training for caregivers, and increased fees to process license applications. (This reason was cited by four of the 28 states.)
- ! **Trend toward fewer homes.** Some state officials noted that their state had experienced an increased number of G/LCCH but decreasing or stagnant numbers of FCCH. Although this may result in the same or even a greater number of openings for children, it has resulted in fewer homes. Some state officials thought that this trend may be because it is more cost efficient for a G/LCCH to operate compared with smaller FCCH. (This reason was cited by three of the 28 states.)
- ! **Changes to zoning ordinances.** Tougher local zoning ordinances now forbid child care in some areas, which has prevented new homes from starting in some states. (This reason was cited by two of the 28 states.)
- ! **Removing closed homes from records.** Some state officials commented that their departments are understaffed, and with a backlog of work, they have just recently begun to remove closed homes from their record books. Therefore, the homes they removed in 1998 may have been non-operational for more than a year, and the number of homes they reported in 1998 may not represent a true decline from 1997. (This reason was cited by two of the 28 states.)
- ! **Strong economy.** Low unemployment rates have meant that caregivers and potential caregivers have a greater number of employment options, many of which pay considerably more than child care. (This reason was cited by two of the 28 states.)

The seven state officials who thought that the CACFP changes helped to explain their states' decreases in licensed homes were not sure what impact the changes had. Six of the seven officials gave at least one other reason to explain the decline in licensed homes, some gave as many as three additional reasons. On average, states that experienced a decrease in homes offered a greater number of reasons compared with states that had increases.

Nationally, the CACFP changes did not prevent an increase in the number of licensed providers from 1997 to 1998, even though the trend in prior years had been downward. It appears that, at most, the CACFP changes had some dampening effect on the number of licensed providers in a few states.

The increase in the number of licensed providers from 1997 to 1998 stands in contrast to the declining number of CACFP family child care homes. The contrast may stem partly from differences between the licensure data and the CACFP data, such as the fact that a person with a valid license may not actually be providing care. Nonetheless, the CF data and the responses of state officials strongly suggest that real growth occurred in the number of active licensed homes, even though the number of homes participating in the CACFP clearly declined. One possibility is that as new providers were licensed in the most recent year, they were less likely than previous providers to enroll in CACFP because of the lower meal reimbursements. Alternatively, CACFP participation may follow licensure with a lag, in which case the recent growth spurt in licensed homes may foreshadow growth in the number of CACFP homes in the next year or two.