



# Dignified Pay for Quality Care: What New York’s Family Child Care Providers Need to Thrive



Center for  
New York City  
Affairs

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The author accepts sole responsibility for the substance and views presented in this report.

# Table of Contents

---

<b>Executive Summary</b>	1		
--------------------------	---	--	--

---

<b>Introduction</b>	12		
---------------------	----	--	--

---

<b>1. What Is Family Child Care and Why Is It Important?</b>	14		
--	----	--	--

---

<b>2. Family Child Care (FCC) and Group Family Child Care (GFCC) Providers and Their Business</b>	17		
A. The FCC and GFCC Business Model			
B. The Providers			

---

<b>3. FCC and GFCC Business and Provider Income</b>	27		
A. Revenue			
B. Operating Costs			
C. Take Home Pay			

---

<b>4. What Drives Inadequate Revenue and Low Take Home Pay?</b>	39		
A. Low and Unstable Enrollment			
B. Public Program Design and Promotion			
C. Market Failure and the Government’s “Market Rate Methodology”			
D. Costs			

---

<b>5. Additional Challenges Impacting Program Quality and Stability</b>	46		
A. Recruiting and Retaining Experienced Staff			
B. Agency and Bureaucracy Engagement			
C. Late and Non-payment			
D. Parent Dynamics			
E. Small Business or Independent Contractor Status			
F. Inability to Take Time Off			
G. Lack of Information about			

---

<b>6. A Five-Part Policy Package for Stable, High-Quality Home-Based ECE</b>	55		
A. True Cost of Care Method			
B. Universal Child Care			
C. A Sector-wide Career Ladder			
D. Public Marketing Campaign for All ECE Programs			
E. A Wage Subsidy Fund			

---

<b>7. Recommendations</b>	62		
A. Values			
B. Policy Recommendations			

---

<b>Conclusion</b>	70		
-------------------	----	--	--

---

<b>References</b>	71		
-------------------	----	--	--

---

<b>Appendix</b>	72		
A. Glossary			
B. Data and Methodology			
C. A Pension Program for FCC and GFCC Providers			

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# EXECUTIVE SUMMARY

Child care, also called early care and education (ECE), is a hot topic. Despite increased investment in Pre-K and 3-K since 2014, the costs of private care outside these public programs have become burdensome for most families in New York City. It was, therefore, a central issue in the recent mayoral election.

However, what has been missing from the call for universal child care during (and before) that campaign season is the experiences and perspectives of people who own, direct, or work in the over 10,000 licensed ECE programs in New York City, which collectively have the capacity to serve 468,000 children daily.

This report is designed to fill some of that void.

In 2024, the Center for New York City Affairs (CNYCA) at The New School surveyed 465 licensed Family Child Care (FCC) and Group Family Child Care (GFCC) providers – small business owners and independent contractors working from their own homes in all five boroughs.<sup>1</sup> The surveys were conducted in three languages: English, Spanish, and Mandarin. The number of responses we received make this, to our knowledge, the second-largest survey of providers in the country.

FCC and GFCC providers are part of the city's publicly subsidized ECE system, but they have struggled to stay afloat in recent years. Since the launch of Pre-K in 2014, the city has lost 1,400 FCC and GFCC businesses. Of the providers we surveyed, 70 percent currently accept New York State Child Care Assistance Program (CCAP) vouchers. About 22 percent also provide

contracted care for New York City Public Schools (NYCPS), typically the City's 3-K program.

We followed up that survey with focus groups including 59 of these providers to further understand their business practices and experiences working with existing government programs and policies. We were seeking insights about what policy and program changes are needed to sustain ECE businesses, including improving job quality in the sector as a way to recruit and retain ECE providers and workers.

We have incorporated some of what these providers told us in these sessions as the highlighted quotes you will find throughout this report. Providers participated in focus groups confidentially, so we have excluded providers' full name from their quotes.

The surveys and focus groups revealed the following key findings and policy recommendations:

## Key Findings

There are seven unique characteristics that distinguish home-based care from center-based care, which is why home-based ECE is so critical for child development, parents, communities, and the ECE sector. These special elements are particularly beneficial for children with special needs, single-child and immigrant families, and parents with non-traditional work hours.

FCC and GFCC programs provide:

- A home away from home; a bridge to the larger world for the children involved.
- Mixed-age learning, where children of all ages play and learn together.

<sup>1</sup> CNYCA also surveyed legally exempt providers. A future CNYCA report will synthesize findings from the survey of this other home-based ECE program type.

- A long-term, family-style bond for children.
- A long-term relationship that supports parents too.
- Small programs with staffing ratios capable of delivering personalized care.
- Culturally and linguistically responsive care.
- Community-building among families and neighbors.

*“When children first come to our family daycare, we’re bilingual, so they feel safe and easily adapt. They’re not afraid...When they were four, they could go home and teach their parents English.” – L., age 39, FCC provider in Bensonhurst, Brooklyn.*

*“The same kids I took care of when they were three and four are now 13 and 14, and they’re hanging together still after all these years, creating a family outside of, you know, what we built in our daycare.” – K., age 49, FCC provider in Kingsbridge/Riverdale, the Bronx.*

Providers are seasoned professionals, proud of the businesses they’ve established and their role as leaders in their communities.

- The average provider has been in business for 10 years.
- Providers work hard. In addition to being open 10 hours per day, the median provider works an additional 21 hours per week cooking, cleaning, shopping, and doing lesson planning and paperwork. Half of providers also offer early drop-off and/or late pick-up to accommodate parents.
- Despite long hours and low take home pay, providers aspire to work in ECE. The majority (64 percent) want to continue to do so as small business owners in their homes. Others are interested in transitioning to other program types or occupations due to the ongoing systemic hardships their programs face.
- While there are no education requirements to own and operate a licensed home-based program in New York City, 40 percent of providers have an associate’s degree or more

and 26 percent have a child development associate (CDA) certificate. An additional 52 percent are interested in obtaining a CDA.

Providers are almost exclusively immigrant women and women of color.

- 94 percent of providers identify as female, and 90 percent identify as Black, Hispanic, Asian, or “other” (non-white). Over half (62 percent) identify as Hispanic.
- Three-quarters were born outside of the U.S. but have lived in the U.S. for a long time – on average, for 23 years.

*“I’m 30, but I will be old one day. I hope I make it, and it would be sad if I had given my life working [in] this country—paying taxes, paying everything—and to not get a pension with the way we work...We work hard.” – L., age 31, GFCC provider in Brooklyn.*

FCC and GFCC providers are economically precarious, earning less than the minimum wage.

- Almost half (48 percent) of FCC providers and one-quarter (26 percent) of GFCC providers do not pay themselves a set wage. Their personal income is what is left after all business expenses are paid.
- Even when accounting for open business hours only, the median provider in 2023 earned far less than the minimum wage. As independent contractors or small business owners, providers do not have employment contracts that legally guarantee them at least the minimum wage.
- While the median FCC and GFCC provider earned \$7.33 and \$5.98 per hour, respectively, their hourly wage increases threefold if they have “good enrollment,” to \$18.84 and \$17.62, respectively.<sup>2</sup>

<sup>2</sup> “Good enrollment” is defined as an FCC program with six or more children enrolled or a GFCC program with 10 or more children enrolled. It is used throughout the report to compare to the assumptions included in “true cost of care” models by Simon Workman, co-founder and principal of Prenatal to Five Fiscal Strategies.

Figure 1

# Providers are earning less than the minimum wage

Median provider by license type and enrollment

	FCC		GFCC		All	
	All*	With 6 or more enrolled	All*	With 10 or more enrolled	All*	With 6 or more enrolled
Annual Take-home Pay	\$19,047	\$58,666	\$15,431	\$47,942	\$15,485	\$29,942
Hourly Pay #1 Open Hours Only	\$7.33	\$18.84	\$5.98	\$17.62	\$6.01	\$11.20
Hourly Pay #2 All Hours	\$4.81	\$15.52	\$4.16	\$11.07	\$4.30	\$7.58

"Hourly pay #1" uses the provider's open business hours only. "Hourly pay #2" includes both open business hours and additional working hours each provider reported (see Section 2-A).

\*Excluding providers who had zero children enrolled in 2023. Number of providers surveyed = 408

Source: CNYCA GFCC/FCC Provider Survey, January - August 2024

- The median FCC or GFCC provider earns less per hour than ECE assistant teachers (Figure 2). Even when controlling for good enrollment, FCC and GFCC providers earn significantly less than the professionals with the most similar work responsibilities: center directors.
- Not only are providers unable to pay themselves fairly; they struggle to bring in enough revenue to cover their operating costs, including offering competitive salaries to teachers and assistants. According to a baseline estimate of the true cost of care, in 2023 an FCC or GFCC program would need annual revenue of \$130,288 or \$245,630, respectively, to break even.<sup>3</sup> However, only 12 percent of FCC providers have annual revenue above \$100,000 and only 13 percent of GFCC providers have annual revenue above \$200,000.
- In addition to low revenue, providers

also experience significant hardship due to reimbursement payment policies by government agencies, as well as late and non-payment by parents, government agencies, and Family Child Care Networks (FCCNs).<sup>4</sup> These include: extra costs due to late payment fees and interest on loans and credit card debt; late payment to staff and lower take-home pay; and disruptions in housing utility services.

*"So, in the beginning, I undercut myself... You want to get people in and you'll start low, which I did, and yeah, it did get people in. But then I realized I was subsidizing the daycare out of my salary... I wasn't getting a salary." – T., provider in Central Harlem.*

*"We make about \$6 an hour, but we need to pay [staff] \$16.50." – Y., age 32, GFCC provider in the northeast Bronx.*

<sup>3</sup> CNYCA analysis of Simon Workman and Steven Jessen-Howard, "New York State Cost of Quality Child Care Study" (Center for American Progress, November 2019), adjusted for inflation.

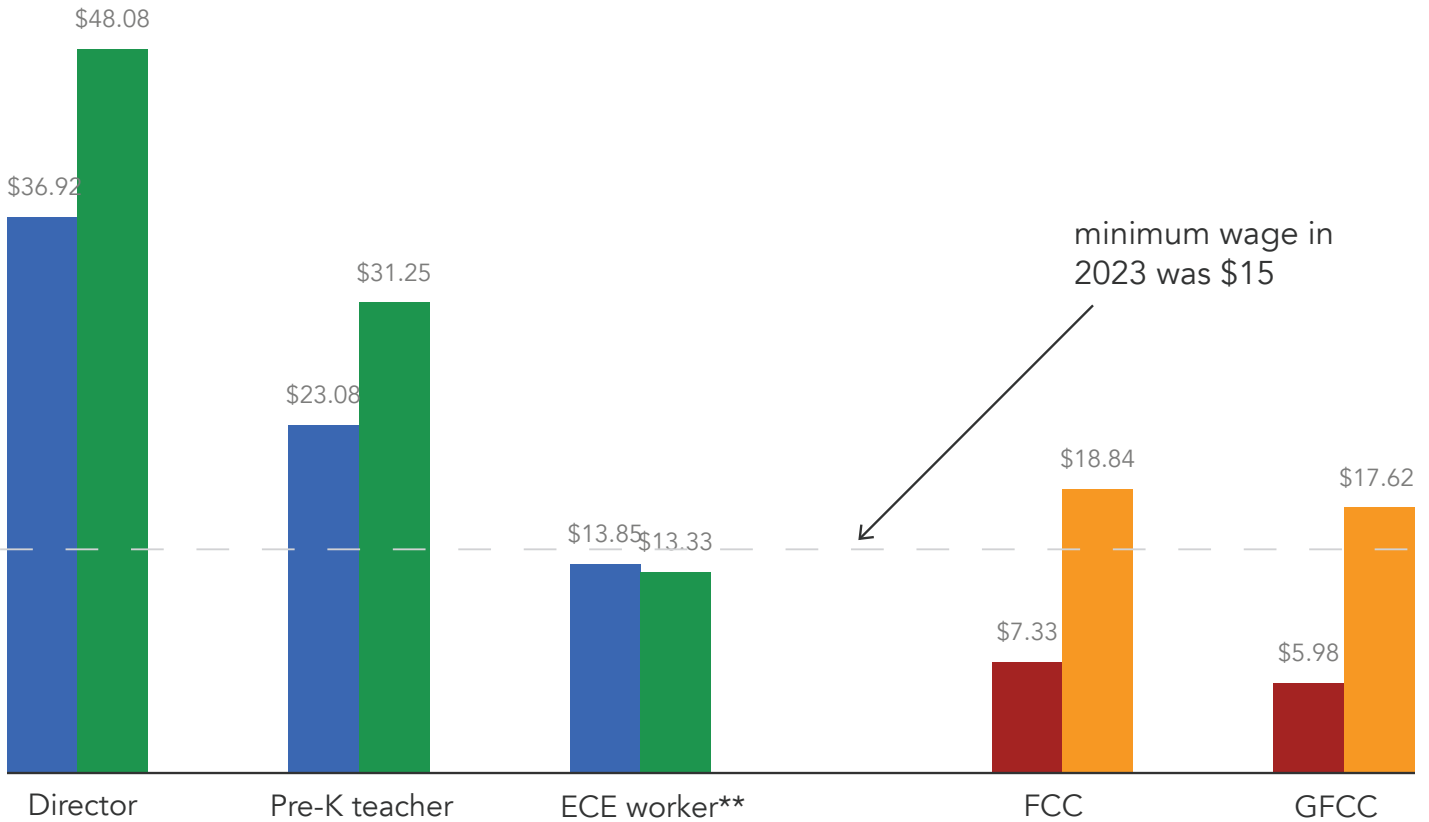
<sup>4</sup> An FCCN is a non-profit member organization. FCC providers are required to join an FCCB if they want to contract with the NYCPS to provide 3-K. See Appendix A: Glossary for more details.

Figure 2

# Median wage by ECE occupation and program

2023

Center (non-profit) Public All With "good" enrollment\*



\*With "good" enrollment is defined as an FCC with 6 or more children enrolled or a GFCC with 10 or more children enrolled.

\*\*ECE worker includes lead and assistant educators.

Excluding providers who had zero children enrolled in 2023. Number of providers surveyed = 408

Source: CNYCA GFCC/FCC Provider Survey, January - August 2024; CNYCA analysis of American Community Survey 2023 5-Year Data, U.S. Census Bureau

As a result of low take home pay, many providers are extremely dependent on public assistance, which also helps to offset operating costs and increase the stability of their programs.

- While the average provider has lived in her current place of residence for 13 years, 78 percent of providers are renters and, therefore, face some level of housing insecurity compared to homeowners. Of these renters, one-third (32 percent) of FCC providers and 14 percent of GFCC providers

live in public housing or receive a housing subsidy voucher.

- Thirty percent of FCC providers and 20 percent of GFCC providers are SNAP recipients.
- Over half are on a public health insurance plan, either because they qualify for Medicaid or, in some cases, receive Medicare or veterans' benefits. Only 20 percent, largely GFCC providers, purchase health insurance on the market. Ten percent are

uninsured. Thirty percent, largely GFCC providers, reported that they have lost health insurance in the past because of fluctuation in take home pay.

## **There are five systemic causes of low take-home pay and business instability.**

### **1. Low and Unstable Enrollment**

Providers are severely under-enrolled. In 2023, the average provider was operating at approximately half capacity. The average FCC provider had 4.1 children enrolled and the average GFCC provider had 8.8 children enrolled, regardless of whether or not they had a NYCPS contract. Enrollment has a significant impact on revenue and pay. The median hourly wage for FCC and GFCC providers increases threefold if they have “good enrollment.” (See Figure 1.) However, only 29 percent of FCC providers and 51 percent of GFCC providers surveyed had good enrollment in 2023.

Efforts to increase parent’s access to ECE programs since 2014 through the creation and expansion of Pre-K and then 3-K (which contract with center- and home-based programs) have had a negative impact on many FCC and GFCC providers. Providers are more likely to have experienced a decline in enrollment, rather than an increase in enrollment as one might expect from such substantial public investment. While CNYCA was unable to obtain sufficient data from the City to do a neighborhood-level analysis of supply and demand, low enrollment signifies that the challenge parents have accessing ECE is not lack of overall supply, but the inability to afford the price of care outside of subsidized options.

**“It’s not an easy profession. And it does mean that, like, if you lose one student or lose a few students, you know, you might not be able to pay the rent that month ...because the profit margin is so small.”**

*“It’s not an easy profession. And it does mean that, like, if you lose one student or lose a few students, you know, you might not be able to pay the rent that month ...because the profit margin is so small.” – A., age 36, GFCC provider in Bushwick, Brooklyn.*

### **2. Public Program Design and Promotion**

Prior to the launch of Pre-K and 3-K, providers, who offer mixed-age child care were able to recruit a family when a child was an infant or toddler and retain that family as a client for years. Now, given that many children leave at the age of three or four for 3-K or Pre-K, providers have much more enrollment turnover. Moreover, they must focus their enrollment on children of younger ages that require additional staff.

There is a significant disparity between the contract rates for center-based programs and the FCCN-affiliated FCC and GFCC programs. The current FCCN extended-day contract pays \$16,900 per child per year, which is \$10,573 less than the \$27,473 the City paid the average center-based program for offering the same service in City Fiscal Year 2025 (New York City Mayor’s Office of Operations 2025). For the school-day contract, FCCN-affiliated providers earn \$9,900 per child per year in revenue – nearly half the \$19,314 the average center-based program received for offering the same service in FY 2025. This creates significant disparities between what home- and center-based programs are able to offer. It poses a challenge in a 3-K enrollment process that is centered around parent choice.

*“The pay is different. If we were provided with the same amount of money as the center, we could hire better teachers.” – Y., age 50, GFCC provider in Sheepshead Bay, Brooklyn.*

“**You’re dealing with younger parents. A lot of times because they’ve just had these children, so they usually have less cash saved.**”

Furthermore, NYCPS’s centralized enrollment process and the requirement that most FCC and GFCC providers be affiliated with an FCCN in order to contract with NYCPS creates extra barriers between providers and parents. Numerous providers report that they are unable to help parents navigate the enrollment process to actually secure a seat at their program.

*“It’s hard to fill your programs now because you can have these children come at infancy. And then by the time they’re three, the parents are taking them out. Whereas before Pre-K-For-All, before Covid, if you had a child that was in your program, the likelihood is that...they was there 0 to 10 years old, 0 to eight. Now they’re leaving you at three years old.”* – S., age 46, GFCC provider in East New York, Brooklyn.

*“There were so many requests for children under two. Because I had so many children in September, I hired an extra teacher. I hired six people with three teachers. With six staff, I could only fill 10 slots. We had to fill 10 slots. I have 10 students, three teachers, and rent, and it’s less than even working part-time, right?... the large 3K program has the ratio of one teacher to four children, while we can only have one teacher care for two children under two years old. If we have the ratio of one teacher to three children, our life might be a little easier.”* – H., GFCC provider in Flushing, Queens.

### **3. Market Failure and the Government’s “Market Rate Methodology”**

*“You’re dealing with younger parents. A lot of times because they’ve just had these children, so they usually have less cash saved.”* – A., age 36, GFCC provider in Bushwick, Brooklyn.

The problem of inadequate tuition rates is rooted in the dynamic between private pay clients and providers. Based on extensive experience, providers know that most parents cannot afford the true cost of care or even the CCAP voucher rate. Therefore, FCC and GFCC providers’ average private pay rates are 30 percent and 38 percent lower, respectively, than a baseline estimate of the true cost of care.

Because New York currently uses a “market rate methodology” to determine CCAP voucher rates, the market failure that results in inadequate private pay rates is embedded in public rates. The CCAP voucher rate, determined by the State Office of Child and Family Services (OCFS) through a survey it conducts with providers every two years about their private rates, is not surprisingly also inadequate to cover the true cost of care. In 2023, the maximum CCAP voucher rate was, on average, 28 percent and 36 percent lower than a baseline estimate of the true cost of care for FCC and GFCC providers, respectively.

In addition, New York State law prohibits providers from accessing the maximum CCAP rate unless they already charge their private pay clients the same or more. Thirty percent of providers surveyed by CNYCA reported not receiving the maximum rate. Efforts to make the application process easier with an “attestation form” in recent years have not eliminated this problem. Instead, this attestation form has complicated private rate setting in general, leading to further problems with the market rate methodology.

CCAP voucher rates are also the rates NYCPS pays FCCN-affiliated providers who contract to provide 3-K programming to the public. Approximately 20 percent of providers in the

city are impacted by this contract. Currently, providers receive the maximum 2024 CCAP voucher rate (\$325) if they have an extended-day contract (10 hours of care per day) and a reduced rate (\$275) if they have a school-day contract (six hours and 20 minutes of care per day). This contract rate is woefully inadequate given that the CCAP voucher rate does not cover the baseline cost of care in an ECE program, much less one with the higher credential and program requirements needed to meet NYCPS standards.

#### **4. The Impossible Challenge of Staffing a High-quality Home-based Program**

ECE is labor intensive, and ECE quality is directly linked to children developing a long-term bond with experienced, trusted ECE staff.

The most immediate impact of inadequate private pay and public rates is on staffing. Providers have to compete with other ECE programs to recruit and retain staff. Because of lower public rates and higher required staff-to-children ratios than center-based and public ECE programs, providers are severely constrained in their ability to offer competitive wages and benefits.

Providers also compete with other industries offering minimum wage jobs that have fewer training requirements and shorter onboarding periods. The ECE background check process is incredibly long (it can take months or sometimes a year to complete) and the lack of agency transparency about the processing time is extremely stressful for providers and new staff.

Current public program design, which funnels three- and four-year-olds towards NYCPS-contracted care, puts providers in an impossible position to adequately staff programs for the infants and toddlers that require higher staffing ratios. Furthermore, given fluctuations in enrollment, providers have to choose between asking staff to accommodate variation in weekly hours worked or paying for staff even when their enrollment doesn't justify it.

*"I wish I could pay them more, much more, because they do their CDA, their credentials, everything. Then there are home attendant jobs that pay \$20, \$22 an hour. What are people going to do if they have papers, work permits? They would rather leave." – T., age 43, GFCC provider in Bushwick, Brooklyn.*

*"I want to bring another staff member. I want to be able to take a break...But money is the problem. Because just when I thought I was able to afford to bring in a new staff member, I lost four kids off my roster. So, it's just hard, like getting the staff and when things is sometimes not consistent." – T., age 37, GFCC provider in Hunts Point, the Bronx.*

#### **5. Providers Are Lost in a Sea of Agencies and Organizations**

Providers engage directly with one State agency – OCFS – and as many as four separate City agencies (the Department of Health, Human Resources Administration, Administration for Children's Services, and NYCPS) as well as the Mayor's Office of Child Care and Early Childhood Education. Twenty percent of providers are affiliated with an FCCN, which also engages with NYCPS (and the State Education Department) on their behalf. Also, 44 percent are union members of the United Federation of Teachers (UFT). Providers also receive support from many community-based organizations, some of which are funded by OCFS, such as those that make up the NYC Child Care Resource & Referral Consortium (NYC CCR&R).

Despite, or perhaps because of, this plethora of 'supporters,' providers often are unable to find assistance when problems arise and are also burdened by the paperwork required by

**“ I wish I could pay them [my staff] more, much more, because they do their CDA, their credentials, everything.”**

so many agencies. Many providers describe a lack of coordination across agencies resulting in slower processes and redundancies. These create extra work for providers, who often have to submit the same paperwork to multiple agencies or spend countless hours following up with agencies to check on the status of issues that disrupt their daily operations.

Providers' major challenges with City and State agency engagement include:

- Inadequate orientation regarding OCFS regulations, the role of City agencies, and small business law.
- Unclear timelines, poor communication, and the inability to receive human technical assistance regarding licenses, background checks, CCAP voucher and 3-K applications, and inaccurate or late payments.
- Inconsistencies with the inspection process.
- Lack of knowledge of existing efforts to support them, such as scholarships for training and CDA certificates and free dental and vision benefits from UFT.

*“They’re always asking me for the same document, the same. I go back and I send it, send it to the supervisor, upload it to FAM, bring it in personally, and like they said, you get your receipt and two days later they’re asking for it again. I have one [assistant] for eight months and the other for a year and a half and they’re not fully approved yet.” – L., age 52, GFCC provider in Bushwick, Brooklyn.*

*“If you have something wrong somewhere, you'll have a six-year violation! Parents these days will check online to see if your center is good...One time I had a violation. Do you know why? The doctor forgot [to] write down a dose he administered.” – W., age 49, GFCC provider in Flushing, Queens.*

“**If you have something wrong somewhere, you’ll have a six-year violation!”**

## Policy Recommendations

Based on our research with providers, this report recommends policy actions that will immediately and in the long-term align ECE supply and demand, decrease the cost burden on families, improve quality, and fairly compensate hard-working providers, who are currently living at or near poverty.

All such actions must:

- Involve meaningful FCC and GFCC provider input.
- Prioritize language justice for a widely multi-lingual provider universe.
- Provide adequate agency staff for human technical assistance and support to providers.
- Involve inter-agency cooperation and collaboration with the NYC CCR&R.

Business instability and low take home pay are the result of structural and systemic challenges that demand policy reform and public investment. There is not simply one policy solution. Our research demonstrates that a five-part policy package can resolve the challenges presented here and result in a high-quality, stable, home-based child care sector. As our research demonstrates, home-based child care is a critical component of early care and education and will continue to be for any plans to expand access to more parents through subsidized or universal care.

Figure 3



- 1. A true cost of care methodology** for all public vouchers and contracts would tie public rates to the actual costs of running an ECE program, including adequately compensating staff and providers. If adopted, this would immediately increase provider take home pay, staff wages and benefits, and ECE business stability for the 70 percent of providers that accept CCAP vouchers, and the 22 percent that provide contracted care for NYCPS.
- 2. Universal child care** in New York, meaning that all families, regardless of income level or immigration status, can access ECE subsidized by the government (with no or low-cost co-pays for families). All seats in a universal system would be paid through public vouchers or contracts. Therefore, low private pay rates would be eliminated and would no longer put downward pressure on business stability, provider take home pay, and staff wages.
- 3. A sector-wide career ladder** that guarantees compensation for similar work across all program modalities will have numerous benefits. Not only will it fairly compensate people that have been historically undervalued (based on working hours, experience, and credentials), it can bring new people into the ECE workforce, reduce the loss of existing ECE staff and providers, and remove pay disparities that cause turnover and quality difference across modalities.
- 4. A public marketing campaign for all ECE programs** should describe all such programs and clarify that 3-K and Pre-K are part of a broader sector. It should educate parents about the unique characteristics of FCC and GFCC programs, such as a mixed-age learning, that was overshadowed by the launch of universal Pre-K and 3-K. Such a campaign will immediately improve enrollment at FCC and GFCC programs. If all FCC and GFCC programs had good enrollment, provider take home pay would increase threefold.
- 5. A wage subsidy fund** at the State or City-level would be used to fill the gap between current salaries and a minimum wage standard for each ECE occupation. This gap may exist because of low or unstable

enrollment, low private pay rates, or vouchers or contracts using a market rate methodology. As independent contractors or small business owners, providers do not have the protections of an employment contract, so a wage subsidy fund is a necessary protection for them. If the City had a wage subsidy fund for ECE workers today, 6,500 FCC or GFCC providers and their staff would have immediate improvement to take home pay and wages.

*“The only time we hear about anybody is when they want their name on a ballot...They send a thousand of the same fliers during the week. I don't know you. I've never seen you in my community before. But you say, ‘Oh, we're going to do this for child care workers.’ Then you get into office...and now that I helped vote you in? I'm just mud.” – K., age 45, FCC provider in Mott Haven, Bronx.*

In addition to these systemic changes, our report includes 33 specific policy actions that range from short- to long-term and no-cost to requiring significant public investment. Fifteen of them, listed here, are actions the City can take today.

### **The Mayor's Office should:**

1. Replace or improve current City websites, like MyCity.nyc.gov, with one that houses all information about childcare supply and options for families. An improved marketplace will increase public awareness about current ECE options and help the City and advocates understand where (by neighborhood or program modality) there is a supply and demand mismatch. It should educate the public about modalities (home-based, center-based) and program types (full-day care, Pre-K programming) and their unique values. Users should be able to

**“The only time we hear about anybody is when they want their name on a ballot...They send a thousand of the same fliers during the week. I don't know you. I've never seen you in my community before.”**

- search by key criteria and locate programs on a map. It should easily connect families to application processes for subsidized ECE (CCAP vouchers and NYCPS programs).
2. Develop a new marketing campaign to educate the public about all ECE programs simultaneously and about options for families to affordably access these programs. Integrating a quality rating and improvement system into this marketing (and the related website above) can also improve matchmaking between parents and ECE programs.
3. Commit to using City revenue to guarantee that existing subsidized ECE options are accessible to all eligible families regardless of whether or not Child Care and Block Grant (CCBG) funds adequately cover costs.
4. Submit an annual report to the City Council that evaluates capacity and utilization across private and public ECE programs. Without this knowledge, public programs cannot be expanded in ways that prioritize vulnerable families and established ECE programs.
5. Work with the Fund for the City of New York to amend the rules governing its Returnable Grant Fund (RGF) program so that FCC and GFCC providers can access interest-free loans in the event of late payments from City agencies.

### **The City Council should:**

6. Hold an annual public hearing with all agencies involved in the ECE system as well as relevant community-based organizations (such as the NYC CCR&R), FCCNs, ECE program staff and providers, and parents to respond to the mayor's annual report

(see recommendation #4) and share their perspectives on the current ECE system. This hearing can break down silos between ECE businesses, parents, and agencies; improve understanding across these groups of what is currently working (and not); and facilitate democratic planning for the ECE system.

7. Amend its laws to include FCC and GFCC providers in the existing public pension programs (a process that would also include state legislation).

### **The Administration for Children's Services (ACS) should:**

8. Overhaul the Childcare Attendance & Payment System (CAPS) or replace it with a better one, so that providers can enter enrollment and attendance to be paid accurately and on time.
9. Implement presumptive eligibility, as has been permitted by the governor, permitting the City to use CCBG funding to cover the cost of care while ACS determines family eligibility for a CCAP voucher.

### **The Department of Health and Mental Hygiene (DOHMH) should:**

10. Communicate expected processing times for licenses and staff background checks, as well as contact information for appropriate staff for applications, inspections, and grievances to providers. Work with OCFS to identify strategies for improving license and staff background check processing times.
11. Work with OCFS to develop a written policy in layman's terms and in multiple languages for site visits, violations, and grievance processes that prioritizes education and safety.
12. Facilitate an inspection process that strikes a balance between technical assistance and public safety, pairing providers with the same inspectors when appropriate.

### **The Human Resources Administration (HRA) should:**

13. Partner with the NYC CCR&R and other community-based organizations to actively assist FCC and GFCC providers to maintain their Medicaid, SNAP, and other benefits in light of the 2025 One Big Beautiful Bill Act.

### **New York City Public Schools (NYCPS) should:**

14. Use a true cost of care methodology for its next five-year contract with FCCNs to deliver programs such as 3-K.
15. Work with FCCNs and their affiliated providers to improve the ability of providers to engage with parents during the 3-K enrollment process.

# INTRODUCTION

Child care, or early care and education (ECE), is a hot topic. Despite the City's investment in Pre-K and 3-K since 2014, the costs of private care outside of these public programs has become increasingly burdensome for most families in New York City. It has, therefore, been a central issue in the recent mayoral election and will continue to be a priority for Governor Kathy Hochul as she heads into an election year in 2026.

However, what has been missing from the call for universal child care is the experiences and perspectives of people who own, direct, or work in the over 10,000 licensed ECE programs in New York City that have the capacity to serve 468,000 children daily. This report is designed to fill some of that void.

In 2024, the Center for New York City Affairs at The New School surveyed 465 of the city's approximately 6,500 licensed Family Child Care (FCC) and Group Family Child Care (GFCC) providers – small business owners and independent contractors working from their own homes in all five boroughs. Our in-depth survey, the first of its kind in the country, was conducted in three languages: English, Spanish, and Mandarin. The number of responses we received make this, to our knowledge, the second-largest survey of providers in the country. In 2025, we also invited providers to participate in focus groups to further understand their business practices and experiences.

We have incorporated some of what these providers told us in focus groups as the highlighted quotes you will find throughout this report. Providers participated in focus groups confidentially, so we have excluded providers' full name from their quotes.

FCC and GFCC providers are part of the city's publicly funded, subsidized ECE system, but they have struggled to stay afloat in recent years. Since the launch of Pre-K in 2014, the city has lost 1,400 FCC and GFCC businesses. Of the providers we surveyed, 70 percent currently accept State Child Care Assistance Program (CCAP) vouchers, and 44 percent provide contracted care for New York City Public Schools (NYCPS), typically the City's 3-K program.

In our survey, we sought insights about what policy and program changes are needed to sustain FCC and GFCC businesses, which are a critical component of the city's ECE ecosystem. These programs are unique in offering: a mixed age, adaptable setting for all children, from infants to after-school care; culturally and linguistically responsive care; small programs that are well-suited for children with special needs; a willingness to serve low-income families receiving CCAP vouchers; and non-traditional hours care.

Policy and program changes that can improve job quality for providers and workers in the sector are critical for maintaining capacity in this unique ECE sector.

CNYCA'S work was motivated by the findings of our 2023 report, [“High Calling, Low Wages: Home-Based Early Care and Education Providers in New York City,”](#) which utilized American Community Survey data and found that home-based providers (of which FCC and GFCC providers are just two types) are:

- **The lowest-paid workers in the ECE industry, making less than the minimum hourly wage.** In 2021, the median home-based provider made an estimated \$10.61

per hour in New York City—less than half (40 percent) what the median center-based Pre-K teacher earned per hour.

- **More likely to rely on public assistance than others in the city workforce.** With half of home-based providers living at or below 200 percent of the federal poverty level, they are twice as likely to receive food stamps than others in the city’s workforce. Forty-six percent of providers utilize Medicaid for their health insurance coverage.
- **Severely housing insecure.** Seventy-nine percent of the city’s home-based providers are renters. Their low take home pay makes them severely rent-burdened, meaning that they spend more than 50 percent of their income on housing, which threatens business stability.
- **Overwhelmingly immigrant women and women of color, even compared to other ECE occupations.**

These findings demonstrated the need for immediate action to redesign ECE programs and policies and how they compensate regulated home-based providers. They also illuminated the need for additional information about the business practices, revenue and expenses, and experiences of regulated home-based providers, so that policy reforms can better meet their unique needs.

This report specifically synthesizes findings from our research on FCC and GFCC providers who engage most frequently with government policy and programs. The purpose of this report is to provide clearer insights about what policy and program changes are needed to sustain their businesses and improve their job quality. A future report will synthesize findings from our research on legally exempt providers. (See Appendix A: Glossary.)

# What Is Family Child Care and Why Is It Important?

New York City's existing ECE system is complex. The provision of child care takes place largely in the private sector and is subsidized by public resources, and parents' and providers' unpaid work. For families that rely on care outside of their homes, regulated ECE is provided in a variety of program types. Each has its own unique set of State and City regulations, policy supports, and funding streams. (See Appendix A: Glossary.)

According to State regulation, FCC and GFCC programs are small businesses owned and operated by providers in their own homes. FCCs may care for a maximum of eight children at a given time, while GFCCs may care for up to 16 children, so long as the programs have sufficient staffing. (See Appendix A: Glossary.) The only technical difference between the two, then, is that GFCCs are expected to hire staff and, therefore, may have a more complex business structure. FCCs, on the other hand, can be run solely by the business owner herself, unless she chooses to hire staff in order to care for infants or for additional support.

This regulatory definition doesn't fully describe what is unique and special about FCC and GFCC programs, and why they are so critical for child development, parents, communities, and the ECE sector. In this section, we provide a description of FCC and GFCC programs developed by providers themselves during CNYCA's focus groups. There are seven unique qualities of FCC and GFCC programs that distinguish these from other ECE program types and modalities.

Seven unique qualities of home-based child care.

*FCC and GFCC programs provide:*

- A home away from home; a bridge to the larger world.
- Mixed-age learning, where children of all ages play and learn together.
- A long-term, family-style bond for children.
- A Long-term relationship that supports parents too.
- Small programs with staffing ratios capable of delivering personalized care.
- Culturally and linguistically-responsive care.
- Community-building among families and neighbors.

- 1. A home away from home; a bridge to the larger world:** FCCs and GFCCs operate out of residential spaces, bridging the familiarity of a child's own home and the complex, social world. This is critical, given that ECE programs are the first learning environment many children experience outside their nuclear family. Providers describe their spaces as comfortable, loving, familiar, and intimate.

*"Because it's in a home, it's a nice bridge... giv[ing] children these strong foundations before they're ready to move on to the next thing." – A., 36-years-old, GFCC provider in Bushwick, Brooklyn.*

## 2. **Mixed-age learning, where children of all ages play and learn together:**

Compared to center-based and Pre-K programs, which often separate children into different classrooms by age, providers offer a mixed-age setting. Providers become experts in all child development stages, not just for a particular age. Providers describe how beneficial this is for all children: younger children observe and learn from older children; older children learn to care for younger ones and can consolidate their own knowledge as they do so. This interactive experience supports children who learn in different ways. For families with multiple children, all of them can be cared for in the same space, fostering bonds and making pick-up and drop-off more convenient for parents. For single children, a mixed-age environment allows them to obtain the social and emotional development benefits of bonding with children of different ages.

## 3. **A long-term, family-style bond for children:**

FCCs and GFCCs serve all age groups, from infants to school-age children. The providers become a key relationship in a child's life, not just for one year but throughout the critical stages of early child development. This is distinct from a center-based or Pre-K program, where a child graduates from one classroom teacher to another. Decades of empirical research demonstrate that children under the age of five are best served by caregivers with whom they have a long-term relationship, which fosters a loving bond (Bromer et al. 2021). Some providers mentioned that young children were able to confide in them about serious issues at home. Additionally, long-term bonding provides insight into a child's unique needs, interests, and challenges. This gives providers more information with which to adapt curriculum and programming to support the learning and growth of individual children.

*"We start with babies. They have been with us from the time they're in diapers until they're ready to eat, talk, and develop their daily habits. We have the same environment, the same teachers, and that gives them a greater sense of security, which helps them develop very healthily both physically and mentally." – L., 56 years old, GFCC provider in Bensonhurst, Brooklyn.*

## 4. **A long-term relationship that supports parents too:**

When a child is enrolled in an FCC or GFCC program for multiple years, the long-term relationship with the provider benefits the parent as well. This is critical for young or first-time parents and single-child households in particular. Providers, with their years of experience with children of all ages, can help parents make sense of what to expect at various stages of child development and when to seek out professional support for developmental challenges or special physical needs. This bond also allows providers to support parents in other ways, including navigating complex applications for CCAP vouchers, early intervention, public school, and social assistance. Providers often find themselves counseling parents regarding family dynamics and offering flexibility to parents with work schedules that require early drop-off or late pick-up.

*"A lot of the new parents...They don't really know a lot about parenting, honestly. So, they get worried, like one child might have eczema, and...they're panicking... And I have to say 'no, she's okay. You know, it's eczema acting up.'" – H., GFCC provider in Flatbush/Midwood, Brooklyn.*

**“A lot of the new parents... They don't really know a lot about parenting, honestly.”**

**5. Small programs with staffing ratios capable of delivering personalized care:**

FCCs and GFCCs have a smaller capacity and higher staffing ratios than centers, which facilitates more personalized care. For example, the ratio for infants in an FCC or GFCC program is one adult for every two children, whereas in a center the ratio is 1:4; the ratio for four-year-olds in an FCC or GFCC program is one adult for every six children, whereas in a center the ratio is 1:12. A smaller program where one educator supports fewer children has many benefits. Providers can offer more of the one-on-one support critical for helping to identify special needs and disabilities, such as hearing or visual impairment. Many children find large classrooms overwhelming and do better in a smaller setting with more individualized support. Providers can be more flexible in curriculum and program design; a smaller cohort allows them to adapt programming to meet the needs and interests of each child. They also are better able to accommodate food sensitivities and cultural and religious preferences.

**6. Culturally and linguistically responsive care:**

As primarily immigrant women, English is not the first language for many providers, so they become a culturally and linguistically responsive option for families where English is a second language. This allows young children to more easily adapt to a new setting outside of their nuclear family, because they do not have language barriers. Additionally, in a residential setting it is easier for providers to represent their own cultures, giving children exposure to new cultures, customs, and languages.

*“When children first come to our family daycare, we’re bilingual, so they feel safe and easily adapt. They’re not afraid...When they were four, they could go home and teach their parents English.” – L., 39 years old, FCC provider in Bensonhurst, Brooklyn.*

**7. Community building among families and neighbors:**

FCCs and GFCCs are more grounded in community than center-based programs because the providers live in the communities where they work. This fosters new connections in the community, not only between the provider and the family, but also among all parents and children enrolled in the program. This is especially critical for families who have recently migrated to the city – from another state or another country.

*“The same kids I took care of when they were three and four are now 13 and 14, and they’re hanging together still after all these years, creating a family outside of, you know, what we built in our daycare.” – K., 49 years old, FCC provider in Kingsbridge/Riverdale, Bronx.*

## SECTION 2

# Family Child Care (FCC) and Group Family Child Care (GFCC) Providers and Their Businesses

This section provides details about how FCC and GFCC programs operate and who the owners of these businesses are. All statistics about providers are generated from our 2024 survey of 465 FCC and GFCC providers. (See Appendix B-1: Survey Data.)

While FCCs and GFCCs are similar in many ways, capacity and staffing requirements create distinctions. Throughout this report, we provide survey results on “all providers,” which is inclusive of FCC and GFCC providers, and we disaggregate results on FCC and GFCC providers when there are significant differences in results or as it relates to differences in their businesses.

## 2-A. The FCC and GFCC Business Model

Each type of ECE program is managed differently. While center-based programs are often non-profit or for-profit businesses employing people in various occupations, FCC and GFCC programs are small businesses owned and operated by the provider out of her own home.

FCC and GFCC programs have the same staffing ratios but different capacities. (See Appendix A: Glossary.) The only technical difference between the two, then, is that GFCC programs are expected to hire staff. That influences how providers set up and manage their businesses.

Figure 1

## Business legal entity type

Entity Type	All	FCC	GFCC
Sole Proprietor	42%	70%	38%
Corporation	28%	6%	32%
LLC	28%	18%	28%
General or Limited Partnership	2%	6%	2%
Nonprofit	0%	2%	0%

Number of providers surveyed = 465

Source: CNYCA GFCC/FCC Provider Survey, January - August 2024

For example, GFCCs are more likely to be incorporated and hold insurance policies needed for staff.

FCCs can be successfully managed with less business structure; incorporation and payroll services can be unnecessary added costs. For both FCCs and GFCCs, insurance policies like workers compensation insurance will only cover staff, not business owners. OCFS regulation, access to legal and tax advice, enrollment and related staffing levels, and revenue all influence how providers set up and manage their businesses and how they relate to overall ECE policy.

### Legal Structure

The average provider has been in business for 10 years; 96 percent of them report their business income for tax purposes. Figure 1 illustrates the different business entity types providers use. FCCs are most likely to operate as unincorporated, self-employed sole proprietors, as are over one-third of GFCCs. A sole proprietor is similar to an independent contractor. They therefore pay taxes based on business income, not on wage earnings.

### Staff and Payroll Processing

Providers are required to hire staff based on age-based enrollment levels. GFCCs overwhelmingly (93 percent) use a mix of full-time, part-time, and temporary staff; less than half of FCCs do, with only 17 percent having full-time staff. (See Figure 2.) However, nearly half (46 percent) of all providers who do not have staff are interested in hiring

Figure 2

### Program staffing by license type

	FCC	GFCC
Has any staff	46%	93%
Has any full-time (FT) staff	17%	66%
Has any part-time (PT) staff	32%	67%
Average number of FT staff	0.71	1.56
Average number of PT staff	0.39	1.61
Average number of temporary staff	0.23	0.95
Average number of family helpers	0.65	0.78

Number of providers surveyed = 465

Source: CNYCA GFCC/FCC Provider Survey, January - August 2024

Figure 3

### Payroll processing by license type

	FCC		GFCC	
	Staff	Self	Staff	Self
W-2 Payroll employee	18%	12%	48%	42%
1099 independent contractor	38%	28%	38%	24%
I don't pay myself a wage/salary		48%		26%

Number of providers surveyed = 465

Source: CNYCA GFCC/FCC Provider Survey, January - August 2024

staff. As discussed in Section 5-A, providers have a hard time recruiting and retaining staff, so policy solutions that would improve their ability to do so would also increase their ability to care for more infants and improve their own job quality.

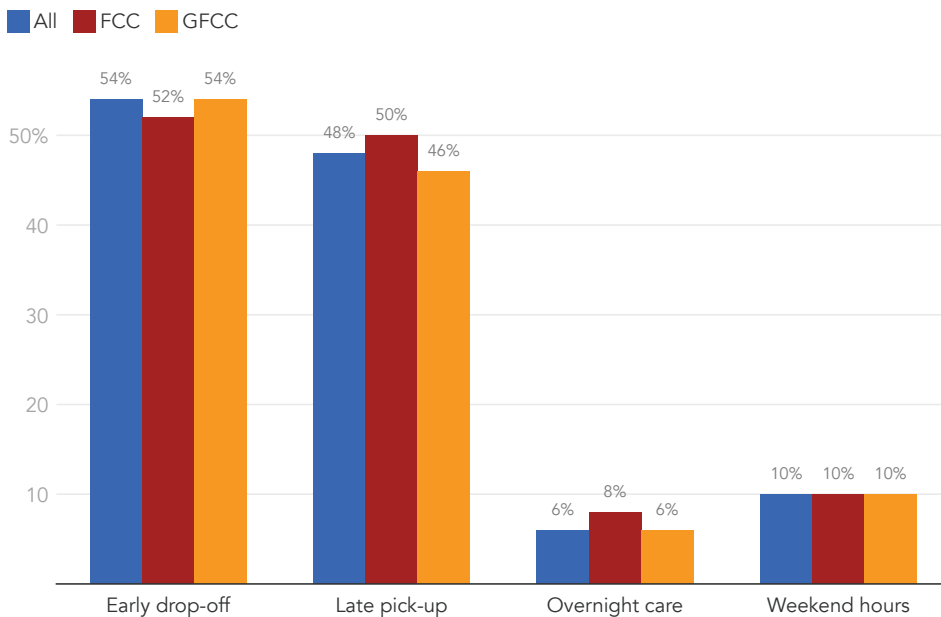
One of the key motivations of this research is to more precisely estimate take home pay for providers. How providers pay their staff and themselves is important, not just for how we analyze the data we collected, but also what policy solutions can be used to improve ECE job quality.

CNYCA's survey found that about half of FCC providers and one-quarter of GFCC providers do not pay themselves a set wage; as independent contractors, their personal income is what is left after all business expenses are paid. (See Figure 3.) Throughout the U.S. economy, many sole proprietors with no staff benefit from keeping their business accounting

simple and determining their income annually as they complete the tax filing process. For providers who have staff and benefit from having more structured business accounting, “I don’t pay myself a wage/salary” is a sign that business revenue is too low or too uncertain to plan for compensating themselves.

As Figure 3 shows, over one-third of providers also pay staff as independent contractors, who, like their employers, are responsible for self-employment taxes. This is often symptomatic of the enrollment and revenue instability that puts providers in the position of relying on temporary workers rather than permanent staff.

**Figure 4**  
**Non-traditional hour offerings**



Number of providers surveyed = 465  
Source: CNYCA GFCC/FCC Provider Survey, January - August 2024

**Figure 5**  
**Working hours**

Median Provider

	Weekly hours
Open business hours	51
Cooking, cleaning, shopping	10
Paperwork	4
Lesson Planning	4
Other	3
<b>Total</b>	<b>72</b>

Number of providers surveyed = 465  
Source: CNYCA GFCC/FCC Provider Survey, January - August 2024

## Open Business Hours and Working Hours

The median provider is open for business 10 hours per day for five days per week and closes their business only about one week per year. Because they work from their homes, they are also often willing to provide extended pick-up and drop-off hours beyond the 10-hour day for parents who need them. (See Figure 4.)

Providers are on-site during all open business hours, or 50 hours a week. They also report working additional hours to cook, clean, shop, and do paperwork and lesson planning. (See Figure 5.) There is little variation between FCC and GFCC providers on these results. Combining these and incorporating reported days off, the median provider usually works 72 hours per week.

## Public ECE Program Participation

While providers are small business owners, they also interact with many government programs and policies intended to make ECE accessible and affordable to parents. (See Figure 6.) This means that policy decisions can directly impact them, their staff, and the families they serve.

For example, 80 percent of providers receive reimbursement for meals to children from the federal Child and Adult Care Food Program (CACFP). Additionally, 70 percent accept Child Care Assistance Program (CCAP) vouchers that income-eligible, working, or academically enrolled parents can use to cover the cost of ECE at a program of their choosing. Approximately 22 percent contract with New York City Public Schools (NYCPS), primarily to provide 3-K to the public.<sup>5</sup> See Appendix A: Glossary for more details about these programs.

## 2-B. The Providers

### Gender

While 49 percent of employed New York City residents identify as female, 94 percent of providers do (U.S. Bureau of Labor Statistics 2025).

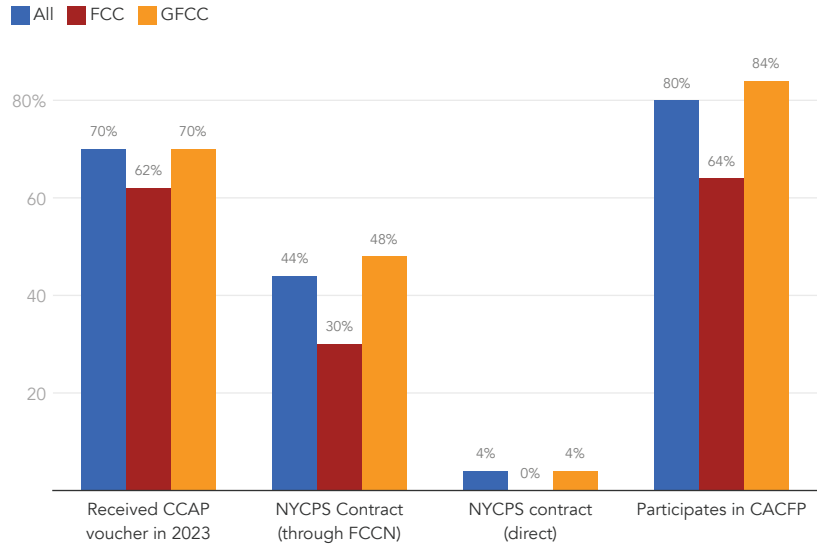
### Race, Ethnicity, and Immigration

While 63 percent of all employed people in New York City identify as Black, Hispanic, Asian, or “other” (non-white), 90 percent of FCC and GFCC providers do (U.S. Bureau of

<sup>5</sup> While 22 percent of providers contract with NYCPS, 44 percent of CNYCA survey participants do. Therefore, our survey over-sampled providers with this type of public program engagement.

Figure 6

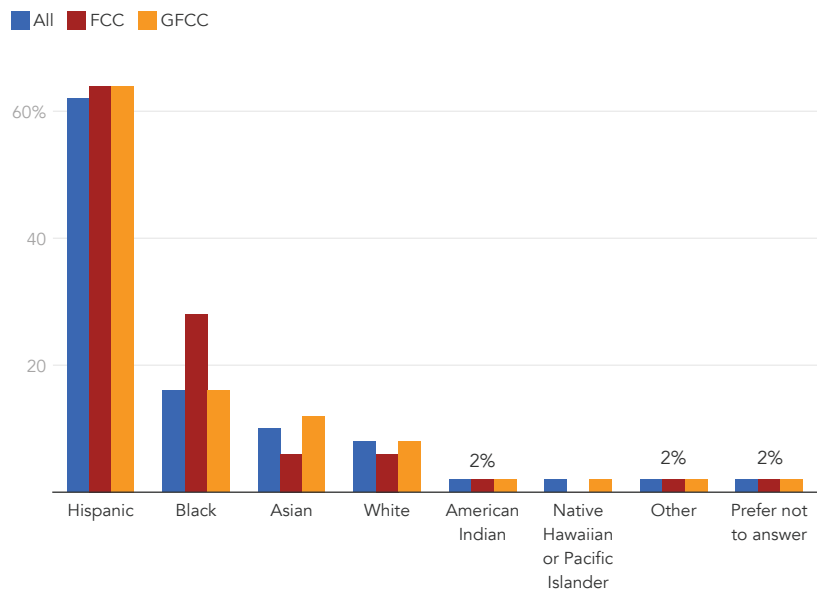
### Participation in government programs



Number of providers surveyed = 465  
Source: CNYCA GFCC/FCC Provider Survey, January - August 2024

Figure 7

### Race and ethnicity of FCC and GFCC providers



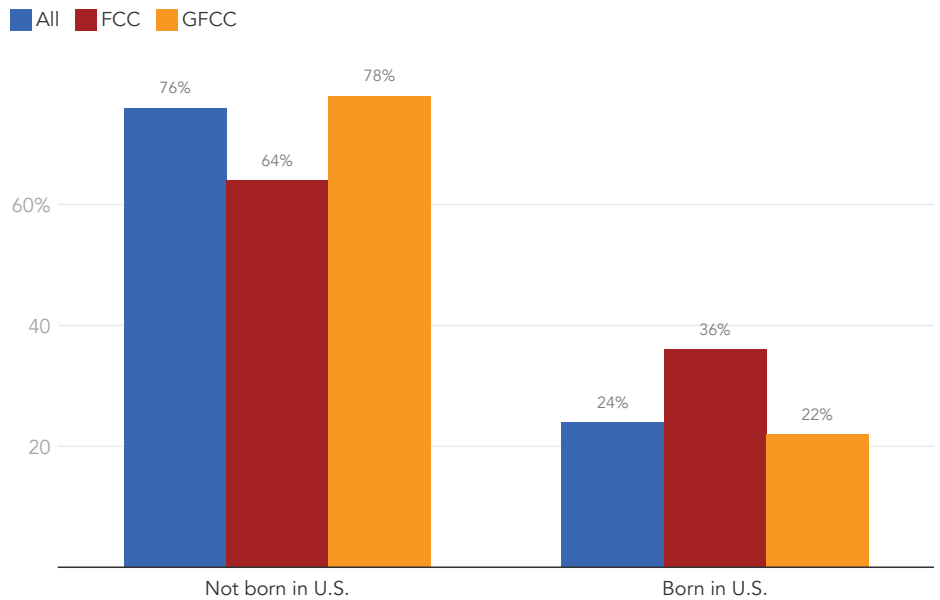
Number of providers surveyed = 465  
Source: CNYCA GFCC/FCC Provider Survey, January - August 2024

Labor Statistics 2025). Over half (62 percent) identify as Hispanic. Black participants to our survey were especially likely to identify as FCC providers, while Asian participants were more likely to be GFCC providers. (See Figure 7.)

While 43 percent of the city’s workforce was born outside of the U.S (U.S. Bureau of Labor Statistics 2025), that was true of three-quarters of FCC and GFCC providers. (See Figure 8.) Although FCC providers are more likely to be native-born than GFCC providers, they are still primarily immigrants. While CNYCA did not survey providers about citizenship status, we found that immigrant providers have lived in the U.S. for a long time – on average, for 23 years.

Figure 8

### Immigration status of providers



Number of providers surveyed = 465

Source: CNYCA GFCC/FCC Provider Survey, January - August 2024

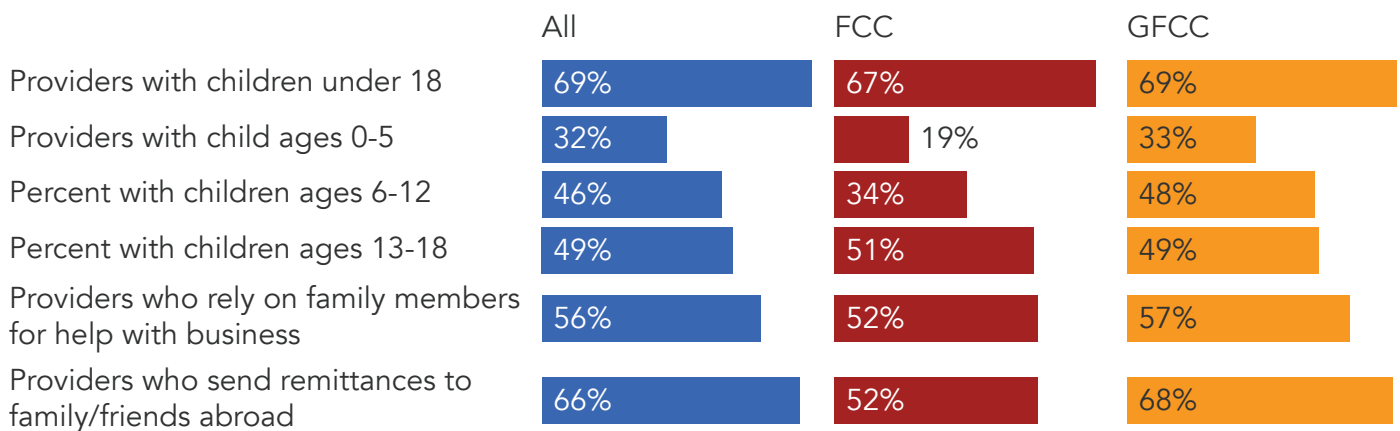
### Age

In New York City, 71 percent of all workers are 25-54 years old – in their prime working years (U.S. Bureau of Labor

Figure 9

## Parental and other caretaking dynamics in providers’ households

All FCC GFCC



Number of providers surveyed = 465

Source: CNYCA GFCC/FCC Provider Survey, January - August 2024

Statistics 2025). That was also true for 70 percent of CNYCA survey participants. They range in age from 21 to 81 years old. The average provider is 47; some 29 percent are 55 and older.

## Family Dynamics

By definition, providers use their own living space for their businesses. Therefore, it is important to understand how their businesses fit in the context of their families and households.

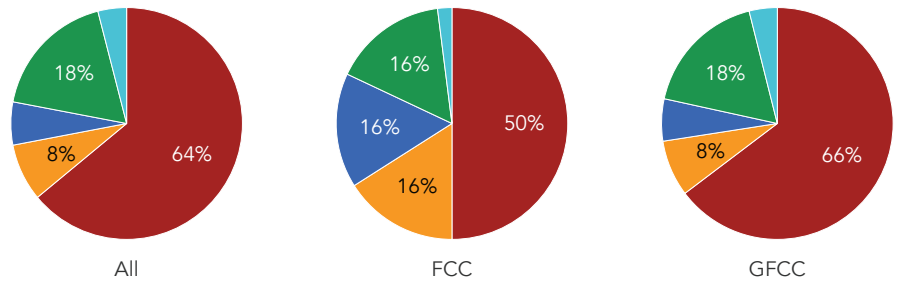
Only one percent of providers lives alone; the average provider lives with 3.5 people, 2.4 of which are directly dependent on the provider. State child care regulations require that all household members ages 18 and older must participate in a background check.

Sixty-nine percent of providers are the parent or guardian of a child under the age of 18, but only 32 percent are the parent or guardian of a child under the age of six. (See Figure 10.) One-third of providers, then, likely qualify for and should receive a CCAP voucher for their own child who is occupying a "seat." OCFS regulation removes a seat from a provider's total capacity for paying clients for each of the provider's own children who are present. However, it is a misconception to assume that most providers are currently in business in order

Figure 10

## Housing type

■ Renter: Private ■ Renter: NYCHA ■ Renter: Voucher assistance ■ Homeowner: Mortgage  
■ Homeowner: No mortgage



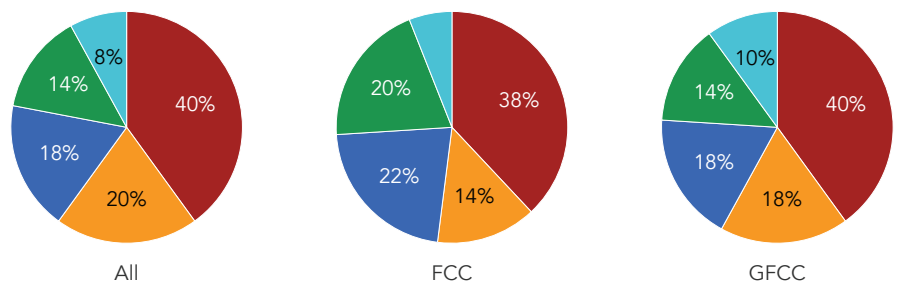
Number of providers surveyed = 465

Source: CNYCA GFCC/FCC Provider Survey, January - August 2024

Figure 11

## Highest level of education

■ High school degree or equivalent ■ Did not answer ■ Bachelor's degree ■ Associate's degree  
■ Master's degree



It is likely that many participants in the "Did not answer" category have less than a high school degree or equivalent given license requirements. Number of providers surveyed = 465

Source: CNYCA GFCC/FCC Provider Survey, January - August 2024

to simultaneously care for their own young children. Instead, providers are more likely to be seasoned parents with school-age children. Lastly, over half of providers report that they rely on family members to help with their business operations. More insight about this choice and dynamic can be found in Section 5-A.

## Housing

The average provider uses 40 percent of her home exclusively for business activities, and another 48 percent of her home for business activities during open business hours. The average provider has lived in her current place of residence for 13 years; 78 percent are renters. Therefore, they face some level of housing insecurity compared to homeowners. (See Figure 11.)

Compared to GFCC providers, FCC providers are much more likely to live in NYCHA housing, where they have enhanced tenant protections and rent control.<sup>6</sup> FCC providers are also more likely to receive housing vouchers to subsidize their rent of private housing, which provides relief on a main business operating cost.

## Educational Attainment

In New York State, all ECE providers and staff are

<sup>6</sup> For households earning less than 120 percent Area Median Income (AMI), NYCHA residents pay 30 percent of their income as rent. There is no point at which a NYCHA resident loses their housing if their income exceeds this threshold. However, if a NYCHA resident's household income exceeds 120 percent AMI for 24 consecutive months, NYCHA will readjust the resident's rent to "fair market value."

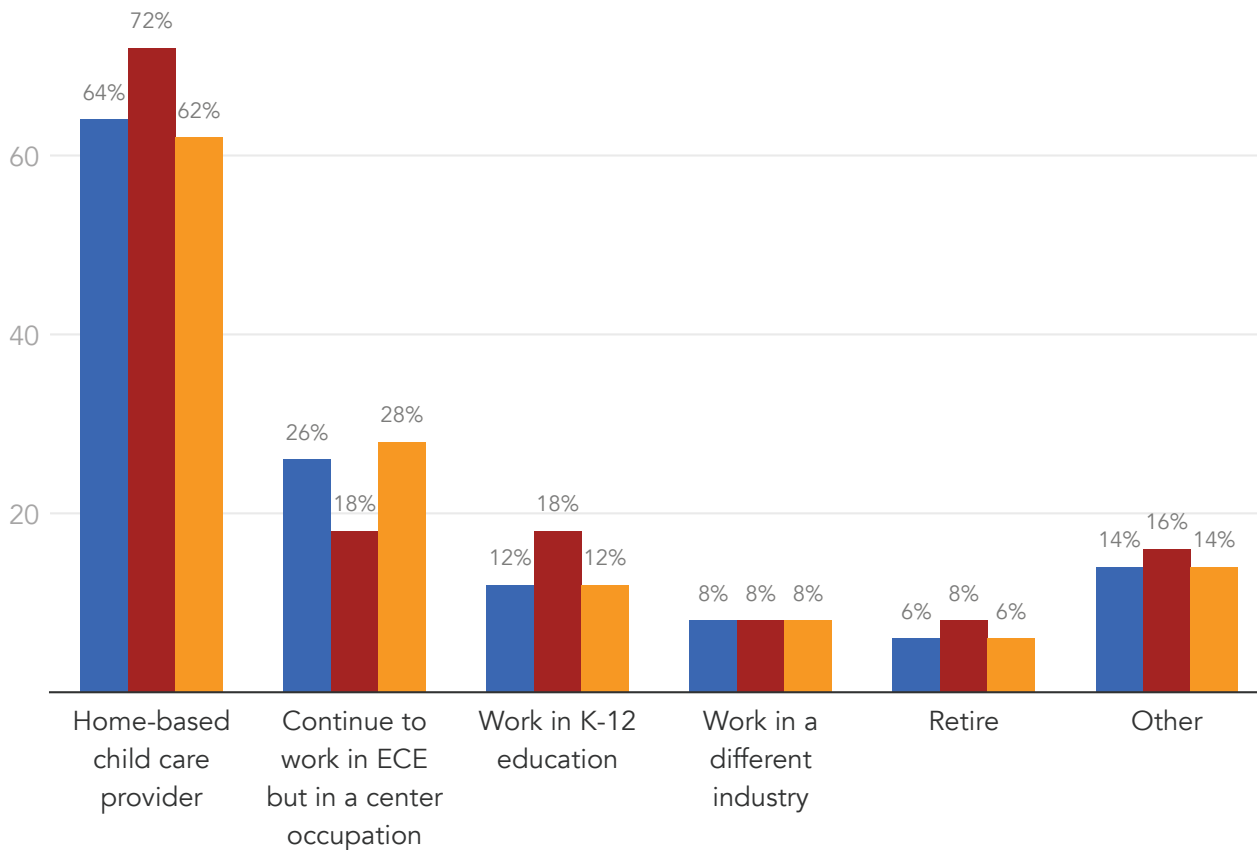
required to complete industry-specific training—some more than others. For example, everyone is required to complete pre-employment health and safety training. All center-based, FCC, and GFCC providers and staff are also required to complete 30 hours of training every two years.

Center-based directors are required to have a bachelor's degree or be in the process of obtaining one. Family providers have no formal education requirements, aside from CPR certification. Instead, they must be at least 18 years old with two years of ECE work experience. (Unpaid work for one's own family counts.) Nevertheless, 26 percent of providers have a bachelor's degree or more. (See Figure

Figure 12

## Career aspirations

■ All ■ FCC ■ GFCC



Participants were able to select more than one option. Number of providers surveyed = 465

Source: CNYCA GFCC/FCC Provider Survey, January - August 2024

9.) Educational attainment is relatively similar for FCC and GFCC providers, with GFCC providers more likely to have advanced degrees.

### Career Aspirations

Despite the long hours and precarity in this part of the ECE sector, providers aspire to work in ECE. The majority want to continue to do so as small business owners in their homes, but many are also interested in transitioning to other program types or occupations. (See Figure 12.) Providers can access more opportunities for enrolling children by having a contract with NYCPS. They can also access different occupations in the ECE sector with more education, particularly the child development associate (CDA) certificate. However, the long hours providers work makes additional

education challenging to pursue. Over half of providers who do not have the CDA are interested in obtaining it. (See Figure 13.) Providers also cited travel time and language barriers as impediments to completing CDA certification. This suggests they are not sufficiently aware of recent developments in the CDA program, allowing for coursework to be completed online and in Spanish. See Section 5-G for more details on this issue.

### Reliance on Public Assistance

As Section 3-C demonstrates, FCC and GFCC providers earn such low take home pay that they live near the federal poverty level. As a result, they regularly qualify for and rely on public assistance programs. (See Figure 14.)

Figure 13

### CDA certificate interest

	All	FCC	GFCC
Currently have CDA	26%	20%	28%
Interested in obtaining a CDA	52%	54%	52%
Obstacle: No time	40%	36%	40%
Obstacle: Travel	26%	18%	28%
Obstacle: Language barriers	16%	18%	16%

Number of providers surveyed = 465

Source: CNYCA GFCC/FCC Provider Survey, January - August 2024

Figure 14

### Public assistance benefit utilization by providers and their households

Someone in household receives	All	FCC	GFCC
SNAP	22%	30%	20%
WIC	10%	6%	10%
Cash Assistance	2%	2%	2%

Number of providers surveyed = 465

Source: CNYCA GFCC/FCC Provider Survey, January - August 2024

Providers are self-employed and are, therefore, responsible for securing their own health insurance. Over half are on a public insurance plan, either because they qualify for Medicaid or, in some cases, receive Medicare or veterans' benefits. (See Figure 15.) Only 20 percent of providers, largely GFCC providers, purchase their own health insurance on the market. Ten percent are uninsured.

New York State offers both Medicaid, for households earning up to 138 percent of the federal poverty line (FPL), and the NYS Essential Plan, for households earning up to 250 percent of the FPL. Most providers, due to their low take home pay, qualify for either of these plans. Enrollment fluctuates with income; one-third of providers, largely GFCC providers, reported having lost health insurance in the past for this reason.

Figure 15

## Health insurance

	All	FCC	GFCC
Medicaid	52%	62%	50%
Medicare / VA	6%	8%	4%
Purchased directly (ACA marketplace, State's Essential Plan, etc.)	20%	14%	22%
Union	2%	0%	2%
Spouse's employer/union	10%	6%	12%
No health insurance	10%	10%	10%
Experienced disruption in health insurance due to business income fluctuation	30%	14%	32%

Number of providers surveyed = 465

Source: CNYCA GFCC/FCC Provider Survey, January - August 2024

# FCC and GFCC Business and Provider Income

The primary goal of this research is to obtain a more precise estimate of providers' take home pay and how dynamics with revenue and operating costs contribute to low take home pay. This section provides estimates of FCC and GFCC providers' take home pay and compares the results to other ECE occupations. These estimates are drawn from extensive revenue and cost data provided by CNYCA survey participants, which are outlined first.

## 3-A. Revenue

In ECE programs, the majority of revenue is a product of the tuition price (or "rate"), typically calculated weekly and often based on the age of the child. In the estimated revenue results below, we calculate revenue for each FCC and GFCC provider surveyed using data they provided on rates and enrollment. (See Appendix B-3: Revenue Methodology.)

*"It's not an easy profession. And it does mean that, like, if you lose one student or lose a few students, you know, you might not be able to pay the rent that month...because the profit margin is so small." – A., 36 years old, GFCC provider in Bushwick, Brooklyn.*

We found that FCCs and GFCCs have low and unstable enrollment. (See Section 4-A.) Therefore, the estimated annual revenue presented below is low and likely insufficient for covering operating costs. (See Section 3-B.) However, it is unwise to conclude that increasing enrollment will be sufficient to raise revenue and, therefore, take home pay. Before presenting the estimated annual revenue, we outline key findings about tuition rates and pricing dynamics.

## Weekly Private and Public Rates

Providers run private businesses that serve mixes of clients, including parents who: pay tuition themselves; receive CCAP subsidy vouchers; and sign up to attend 3-K or other programs funded by NYCPS. However, all of these tuition rates are rooted in the dynamic between private pay clients and providers, because of New York State's choice to use a "market rate methodology" to determine rates for public programs.

Numerous studies have demonstrated that this methodology is flawed and contributes to business instability and low take home pay (Workman and Jessen-Howard 2019, Workman and Capito 2023). With the exception of high-income households, most New Yorkers cannot afford the true cost of care. So, providers charge parents what they can afford to pay, not what it costs to provide ECE. Using these private rates to determine public contracts therefore exacerbates the inability of ECE programs to cover their operating expenses.

Figure 16 presents the rates providers reported they charge private clients and received for CCAP vouchers in 2023 alongside the maximum 2023 and 2024 CCAP voucher rates established by OCFS as a point of reference.<sup>7</sup> Providers' reported voucher rates are important, because current New York State law requires that providers apply to receive the maximum CCAP voucher rate established by OCFS and prohibits them from applying for the most recent maximum rate unless they already charge their private clients this rate (or more). If a provider

<sup>7</sup> CCAP voucher rates are set every two years; the rate in effect in 2023 was the rate established in 2022.

Figure 16

# Private, CCAP voucher, and "cost of care" rates

2023 weekly full-time rates for FCC and GFCC providers

	Infant	Toddler	Pre-K	School-age	12-and-older	Average rate****
Private pay (Med)*	\$325	\$300	\$275	\$250	\$175	<b>\$300</b>
Private pay (Ave)*	\$311	\$291	\$275	\$225	\$151	<b>\$292</b>
Reported CCAP voucher (Med)	\$319	\$291	\$265	\$215		<b>\$292</b>
Reported CCAP voucher (Ave)	\$315	\$292	\$259	\$211		<b>\$289</b>
2023 CCAP voucher (Max)**	\$325	\$300	\$275	\$250		<b>\$300</b>
2024 CCAP voucher (Max)	\$400	\$350	\$325	\$289		<b>\$358</b>

doesn't apply for the most recent maximum voucher rate, they will continue to receive the same CCAP voucher rate they received from the last time they applied.

The bottom row of Figure 16 includes the estimated 2023 weekly rate, adjusted for inflation, from the baseline scenario in the "true cost of care" estimates produced for New York State by Simon Workman, co-founder and principal of Prenatal to Five Fiscal Strategies (P5FS). This true cost of care weekly rate is derived from P5FS's model using OCFS regulation, average local operating costs for relevant FCC and GFCC program expenses, and a "baseline" wage scenario where a provider has pay parity with a lead teacher in a center-based program and assistants earn the minimum wage. The baseline scenario is one of three wage scenarios presented in P5FS's model. We chose it as a point of reference for Figure 16, because it is the most realistic cost of care comparison

for the current policy landscape. This is not a recommendation of what the true cost of care *should* be; the baseline scenario wages are insufficient for the work, experience, and required training of providers and their staff.

Figure 16 demonstrates that using a market is not an optimal way to determine the price of ECE. Providers' average private pay rate is 30 percent lower than the low-end baseline estimate of the true cost of care (for FCC providers) and 38 percent lower than the high-end baseline estimate of the true cost of care (for GFCC providers). Using a market between providers and parents to determine private pay and CCAP voucher and contract rates results in severe underpayment for services.

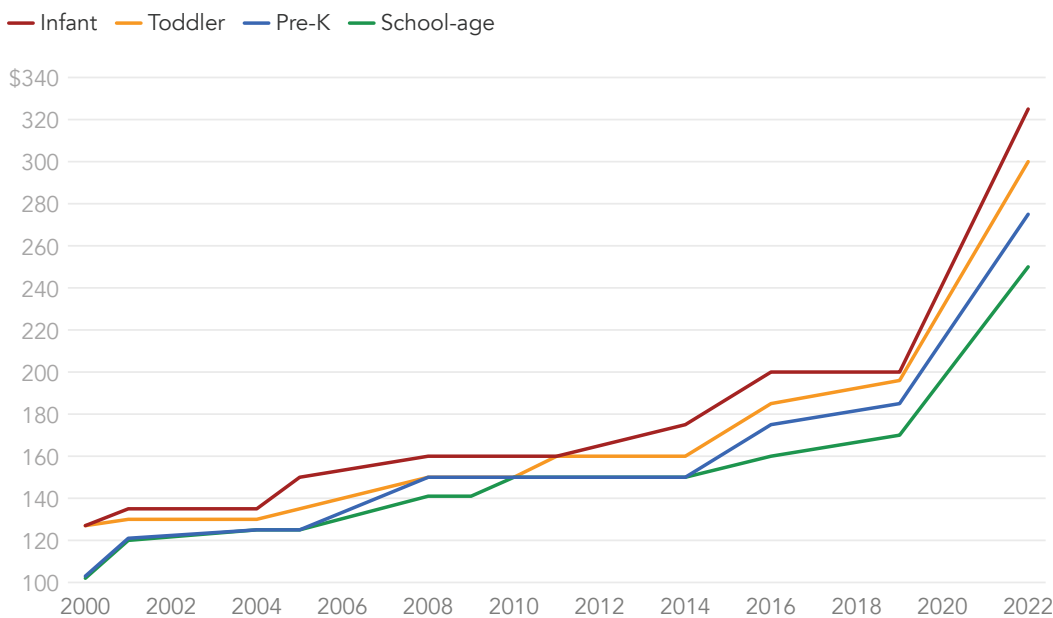
CNYCA's survey data reveals signs of market failure and that providers have severely constrained bargaining power in their market.

First, there is very little variation in private pay rates reported by providers. Given that there are neighborhoods with different average household income levels and that quality differences exist among ECE programs, we would expect to find more price variation. The lack of price variation, including comparing FCC and GFCC providers who have significantly different personnel requirements and variable costs, demonstrates that providers face serious constraints in setting their rates.

Second, few providers had separate rates for children with special needs for us to analyze, so those results are not presented in Figure 16. However, providers that do have separate rates for special needs by and large offer lower rates for children with special needs, not higher rates as might be expected given the extra care and attention many children with special needs require. This affirms what we know from our focus groups with providers: they are incredibly compassionate and often willing to negotiate their prices down to accommodate families in need. (See Section 4-C.)

Figure 17

### FCC and GFCC weekly CCAP voucher rates



Source: CNYCA analysis of "New York State Child Care Market Rate Survey Report," 2000-2024, OCFS.

Third, results in Figure 16 list both the average and median private pay rates of providers. In most cases, the median is higher than the average, meaning there are more extreme lower values pulling the average down. Like the results on pay differentials for children with special needs, this demonstrates that providers are constrained in their ability to set rates that cover their costs – even potentially in higher-income neighborhoods – but are susceptible to negotiating their prices down. Further evidence of market failure is provided in Section 4-C.

Our analysis also provides evidence for future policymaking regarding CCAP voucher rates and how providers access them.

First, compared to the true cost of care baseline, we find that the maximum CCAP voucher rate available in 2023 was insufficient for covering the baseline required costs (including providers and staff wages that are woefully inadequate given their responsibilities, work hours, and experience). The OCFS market rate methodology that produces these regional rates resulted in significant increases in 2022 and 2024 – the largest in over 20 years. (See Figure 17.) Part of this increase is due to

State policymakers understanding that rates needed to be raised, culminating in a methodology change from setting the rate at the 80th percentile, instead of the 69th percentile.<sup>8</sup> However, Figure 16 demonstrates that this adjustment is

<sup>8</sup> Every two years, providers in five New York State regions are surveyed about the rate they charge clients based on the age of the child. OCFS then determines what the 80th percentile provider in each region charges and establishes this as its maximum CCAP rate for the region.

insufficient for addressing the disparity between current market prices and the true cost of care. Even the 2024 CCAP rate was still far short of covering the true cost of care in 2023.

Lastly, Figure 16 demonstrates that the average provider is not receiving the maximum CCAP voucher rate. ACS worked hard during the Covid pandemic to make it easier for providers to apply for the most recent CCAP voucher rate through an “attestation form.” But those efforts have not eliminated the problem. Thirty percent of providers reported that they have not received the higher rates with the simplified attestation form. Additional issues and policy recommendations regarding this law are discussed further in Section 4-C.

### NYCPS Contract Rates

NYCPS relies heavily on centers, as well as FCCs and GFCCs, to deliver Pre-K and 3-K. The majority of providers who have taken advantage of this opportunity do so by joining a Family Child Care Network (FCCN). In fact, 20 percent of all FCC and GFCC providers subcontract with their FCCN, which holds the contract with NYCPS, to provide 3-K programming. When the City established the FCCN-affiliated provider contract, they set the weekly rates equivalent to the maximum CCAP voucher rate. This

is troubling given that the maximum CCAP voucher rate doesn’t cover the true cost of care in an ECE program, much less one with higher requirements.

Currently, providers receive the maximum 2024 CCAP voucher rate (\$325) if they have an extended-day contract (10 hours of care per day) and a reduced rate (\$275) if they have a school-day contract (six hours and 20 minutes of care per day). For an additional 18 hours and 20 minutes of care per week, providers are only receiving an additional \$50 per week per child, or \$2.73 per hour per child.

Even more problematic is the disparity between the FCCN contract and what center-based programs receive to offer the same services. The current FCCN extended-day contract pays \$16,900 per child per year, which is \$10,573 less than the \$27,473 the City paid the average center-based program for offering the same service in City Fiscal Year 2025 (New York City Mayor’s Office of Operations 2025). For the school-day contract, FCCN-affiliated providers earn \$9,900 per child per year in revenue – nearly half the \$19,314 the average center-based program received for offering the same service in FY 2025. This creates significant disparities between what home- and center-based programs are able to offer, which is discussed further in Sections 4-B and 5-A.

Figure 18

## Other Income Sources

Other income sources	FCC (median)	FCC (mean)	GFCC (median)	GFCC (mean)
CACFP revenue	\$3,309	\$3,536	\$9,539	\$9,694
OCFS Workforce Retention Fund (reported)	\$5,615	\$7,362	\$10,100	\$13,897

GFCC providers are permitted to contract directly with NYCPS, though the number that do so is much smaller than providers that are FCCN-affiliated. Only four percent of survey participants had these direct contracts with NYCPS, which was not sufficient for CNYCA to estimate average NYCPS contract rates for these providers.

## Other Income

In addition to tuition revenue, there are a few additional sources of revenue for providers which CNYCA collected survey data on and included in estimates of annual revenue. (See Figure 18.)

First, providers reported the annual revenue they receive from the Child and Adult Care Food Program (CACFP). All providers are eligible to receive reimbursement for meals to children through this federally funded program. The majority participate in CACFP. (See Figure 6.) Providers can receive reimbursements for up to two meals and one snack per attendee per day, and the government has different reimbursement rates based on whether or not the provider operates her business in a low-income area as defined by the federal government (United States Department of Agriculture 2016). Notably, center-based ECE programs have higher reimbursement rates than FCC and GFCC programs (New York State Department of Health 2025). Figure 18 presents the average and median reimbursements participating providers received in 2023. Comparing it to the food costs providers report in Figure 21, CACFP reimbursements do not cover the FCC provider's food costs. However, the average GFCC provider's food costs and CACFP reimbursement are similar.

Second, providers reported the revenue they receive from the OCFS Workforce Retention Fund in 2023. This was the third year that grants were offered by OCFS to ECE programs to mitigate budget shortfalls during the pandemic

using additional federal funding provided to states through the American Rescue Plan Act (ARPA) and the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Fifty-six percent of providers received the OCFS Stabilization Grant in 2021 and 52 percent received the OCFS Stabilization Grant in 2022. The third grant was designed to address low wages in the ECE sector, laying the foundation for a permanent wage subsidy program. (See Section 6-E.) Sixty-six percent of providers received it.

## Total Revenue

CNYCA asked providers to report their annual revenue and also estimated it based on the elements described above. (See Appendix B-3: Revenue Methodology.) It is challenging to truly estimate annual revenue because enrollment (and attendance) fluctuations have a significant impact. CNYCA estimates assume that the enrollment reported by providers was consistent for the entire year. Additionally, our estimates do not take into account that providers struggle to collect payments for days that children are absent, both from private pay clients and the CCAP voucher program.<sup>9</sup> (See Figure 27.) For these reasons, CNYCA likely over-estimates annual revenue.

Figure 19 provides the percentage of FCC and GFCC providers whose estimated revenue is within certain ranges. In the true cost of care baseline scenario, an FCC provider would need \$130,288 annual revenue and a GFCC provider would need \$245,630 annual revenue (both inflation-adjusted for 2023) to break even. In 2023, only 12 percent of FCC providers had annual revenue above \$100,000 and only 13 percent of GFCC providers had annual revenue above \$200,000. Twenty-four percent of FCC providers and 14 percent of GFCC providers

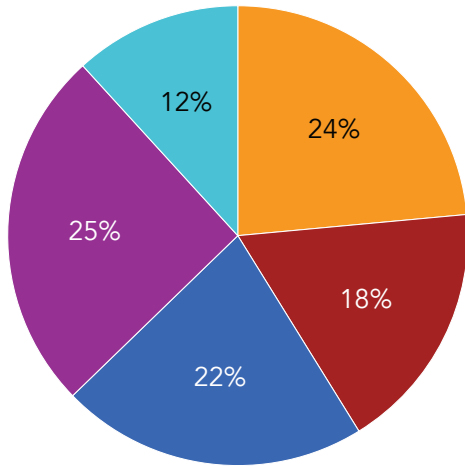
<sup>9</sup> In 2023, New York State legislature increased the number of absences providers can be paid for without reducing CCAP voucher payments. New CCDF requirements, which OCFS must comply with by August 2026, will require that providers be paid on enrollment, not attendance moving forward. However, this will continue to be an issue with private pay clients.

Figure 19

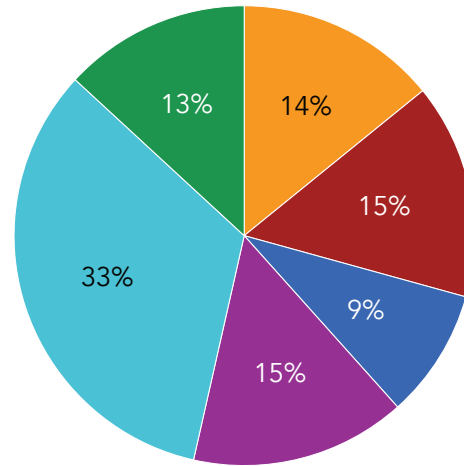
## FCC and GFCC Estimated Revenue

Includes all 2023 revenue sources (tuition, CACFP, and OCFS Workforce Retention Fund)

Legend: \$10,000 or less (orange), \$10,001 to \$25,000 (red), \$25,001 to \$50,000 (blue), \$50,001 to \$100,000 (purple), \$100,001 to \$200,000 (light blue), \$200,001 to \$400,000 (green)



FCC



GFCC

Analysis excludes providers who had zero children enrolled in 2023. Number of providers surveyed = 408

Source: CNYCA GFCC/FCC Provider Survey, January - August 2024

brought in an estimated \$10,000 or less per year – which can be largely attributed to extremely low enrollment.

Figure 20 presents the average reported and estimated revenue side-by-side for FCC and GFCC providers. Because revenue is so closely tied to enrollment, Figure 20 presents results for the average FCC provider with six or more enrolled children and the average GFCC provider with 10 or more. These “good enrollment” thresholds are used in P5FS’s true cost of care model and are utilized throughout this analysis to make comparisons to P5FS estimates.

Across the board, CNYCA’s estimated revenues are higher than the average provider’s reported revenue. This is expected, given data limitations

and methodological assumptions, such as steady enrollment and payment based on enrollment (not attendance), both of which are not currently common. However, even those with good enrollment do not have average revenue that comes close to revenue needed in the true cost of care baseline scenario. Increasing enrollment will not solve the problem of insufficient revenue. Rates must also increase to cover the true cost of care.

### 3-B. Operating Costs

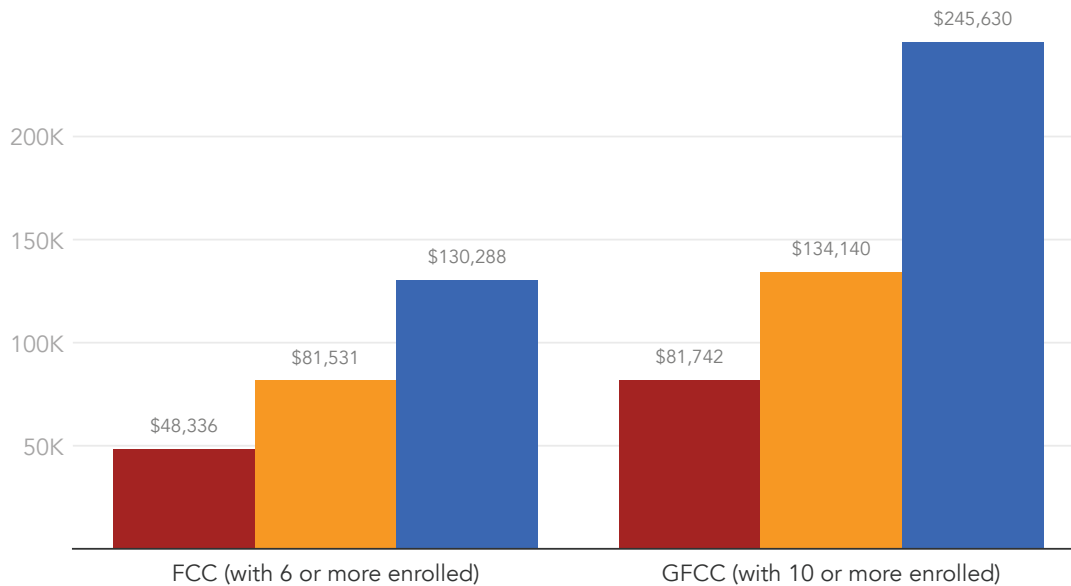
CNYCA collected data from providers about their current operating costs, in order to estimate FCC and GFCC provider take home pay and to better understand how costs contribute to low take home pay. However,

Figure 20

## Comparing providers' actual revenue to necessary revenue to cover true cost of care

2023 annual revenue

■ Reported ■ Estimated ■ True cost of care baseline scenario



Number of providers surveyed = 219

Source: CNYCA GFCC/FCC Provider Survey, January - August 2024; CNYCA analysis of Simon Workman and Steven Jessen-Howard, "New York State Cost of Quality Child Care Study," adjusted for inflation.

current operating costs, in a financially constrained setting, should not be equated with the true cost of care, a term that is used throughout this paper to describe what the costs of operating an ECE program should be, given prices of necessary inputs (i.e. rent/mortgage, food, insurance, etc.) and with necessary salaries and benefits for a stable workforce that can provide high-quality care. This section includes results from CNYCA's survey and a comparison to estimates from P5FS's true cost of care model.

Figure 21 provides average operating costs by category. They include the cost of staff wages, but not the cost of a provider's take home pay. However, some other personnel costs, like health insurance and retirement benefits, can be assumed to cover both staff and providers. There are some living costs (i.e. rent/mortgage and all utility bills) only a portion of which,

in accordance with Internal Revenue Service standards, should be considered business expenses. Results for these costs presented in Figure 21 are weighted based on the time-space percentage reported by each provider. (See Appendix B-4: Operating Costs Methodology.) Results on FCC and GFCC providers are shown separately, because their capacity differences lead to substantially different fixed and variable costs. For example, a GFCC needs more residential space (fixed cost) and food (variable cost) to serve a larger number of children. Results include costs for the average FCC and GFCC provider, as well as the average FCC and GFCC provider with good enrollment, to compare to P5FS's true cost of care model.

There is little variability in terms of individual cost categories and total operating costs. Values highlighted in yellow in Figure 21 are those with large variations in responses; in most cases,

many providers currently have zero costs in those categories. For example, the majority of providers are renters and do not pay a water bill.

Figure 21

## Average FCC and GFCC program costs

2023 annual costs

Results highlighted in yellow have large variation (with a coefficient of variation greater than 2.0)

Cost	FCC		GFCC		All
	All	With 6 or more enrolled	All	With 10 or more enrolled	All
<b>Total annual costs</b>	<b>\$26,696</b>	<b>\$39,906</b>	<b>\$74,015</b>	<b>\$92,994</b>	<b>\$66,901</b>
<b>Total non-personnel costs</b>	<b>\$15,127</b>	<b>\$21,820</b>	<b>\$29,247</b>	<b>\$35,407</b>	<b>\$26,268</b>
Rent/Mortgage*	\$6,795	\$6,714	\$12,935	\$13,954	\$12,046
Electricity*	\$834	\$1,020	\$1,458	\$1,612	\$1,372
Gas*	\$318	\$257	\$723	\$787	\$663
Water*	\$53	\$12	\$89	\$102	\$84
Telephone and internet*	\$757	\$786	\$1,211	\$1,213	\$1,146
Food	\$4,229	\$6,894	\$9,404	\$12,712	\$8,668
Cleaning	\$1,862	\$2,150	\$2,441	\$2,601	\$2,350
Repairs	\$1,382	\$1,651	\$2,483	\$2,621	\$2,315
Staff wages	\$10,716	\$17,510	\$43,160	\$55,750	\$39,139
Health insurance	\$566	\$292	\$803	\$821	\$770
Insurance (other)	\$953	\$1,014	\$2,520	\$3,082	\$2,287
Tax prep	\$538	\$803	\$1,489	\$1,574	\$1,352
Licenses, permits, background checks	\$237	\$243	\$287	\$296	\$280
Membership dues	\$114	\$217	\$162	\$182	\$154
Payroll services	\$253	\$332	\$1,206	\$1,498	\$1,094
Marketing	\$568	\$734	\$935	\$878	\$883
Professional training	\$324	\$517	\$885	\$878	\$809
Retirement fund contributions	\$288	\$283	\$805	\$1,015	\$724
Taxes	\$829	\$1,256	\$5,979	\$8,791	\$5,334
Other supplies	\$1,695	\$2,148	\$3,107	\$3,455	\$2,917
Transportation	\$1,424	\$1,566	\$2,096	\$2,086	\$2,001
Other costs	\$101	\$24	\$663	\$1,027	\$580

\*Results were weighted using the time-space percentage reported by each provider  
Number of providers surveyed = 465

Source: CNYCA GFCC/FCC Provider Survey, January - August 2024

## Comparing Current Costs to the True Cost of Care

Understanding operating costs is necessary for evaluating the sufficiency of current CCAP voucher and NYCPS contract rates as well as improving the methodologies for calculating those rates.

Figure 22 compares the average current operating expenses of providers with good enrollment to P5FS’s 2019 true cost of care model for the base scenario (adjusted for inflation), assuming the same levels of enrollment. It compares full operating costs (excluding provider take home pay) and non-personnel costs (excluding staff wages and health insurance benefits).

Figure 22 demonstrates that FCC and GFCC providers are severely financially constrained. The gap between current and true operating costs, even when excluding the most important

cost – staff wages and benefits – is significant. High operating costs are not a significant driver of low take home pay. Instead, revenue is too low and unreliable for these business owners.

### 3-C. Take Home Pay

*“So, in the beginning, I undercut myself...You want to get people in and you’ll start low, which I did, and yeah, it did get people in. But then I realized I was subsidizing the daycare out of my salary...I wasn’t getting a salary.” – T., 52-year-old provider in Central Harlem, Manhattan.*

Providers’ take home pay depends on earning revenue above operating costs. (See Appendix B-5 Take home Pay Methodology.) Variations between FCCs and GFCCs make it challenging to find one number to encapsulate personal earnings. Figure 23 presents the average and median annual and hourly take home pay, broken down by license type (FCC or GFCC), by enrollment level, and with two different calculations for hourly pay.

Figure 22

## Comparing current costs to true cost of care

Average 2023 annual costs

	CNYCA Survey	True cost of care baseline scenario	Difference
<b>FCC costs*</b>	\$39,906	\$79,004	-\$39,098
<b>FCC non-personnel costs**</b>	\$21,820	\$55,900	-\$34,080
<b>GFCC costs*</b>	\$92,994	\$194,347	-\$101,353
<b>GFCC non-personnel costs**</b>	\$35,407	\$129,516	-\$94,109

Analysis only includes FCC providers with 6 or more enrolled and GFCC providers with 10 or more enrolled. Number of providers surveyed = 219

\*Average costs includes staff wages, but excludes provider take-home pay.

\*\*Non-personnel costs excludes all wages and health insurance costs.

Source: CNYCA GFCC/FCC Provider Survey, January - August 2024; CNYCA analysis of Simon Workman and Steven Jessen-Howard, “New York State Cost of quality child care study,” adjusted for inflation.

Figure 23

## FCC and GFCC provider take-home pay

	FCC		GFCC		All	
	All*	With 6 or more enrolled	All*	With 10 or more enrolled	All*	With 6 or more enrolled
Annual take-home pay (ave)	\$18,566	\$41,625	\$25,440	\$41,147	\$24,148	\$31,034
Annual take-home pay (med)	\$19,047	\$58,666	\$15,431	\$47,942	\$15,485	\$29,942
Hourly pay #1 (ave)	\$6.84	\$15.00	\$9.83	\$15.89	\$9.29	\$11.95
Hourly pay #1 (med)	\$7.33	\$18.84	\$5.98	\$17.62	\$6.01	\$11.20
Hourly pay #2 (ave)	\$5.09	\$11.53	\$6.18	\$9.87	\$5.93	\$7.47
Hourly pay #2 (med)	\$4.81	\$15.52	\$4.16	\$11.07	\$4.30	\$7.58

"Hourly pay #1" uses the provider's open business hours only. "Hourly pay #2" includes both open business hours and additional working hours each provider reported (see Section 2-A).

\*Excluding providers who had zero children enrolled in 2023. Number of providers surveyed = 408

Source: CNYCA GFCC/FCC Provider Survey, January - August 2024

During focus groups, one provider estimated the average provider salary. She was spot on:

*"We make about \$6 an hour, but we need to pay [staff] \$16.50." – Y., 32-year-old GFCC provider in the Northeast Bronx.*

Overall, we find that the average FCC and GFCC provider earned less than the minimum wage in 2023 (\$15 per hour) even when accounting for open business hours only. The median FCC or GFCC provider with good enrollment was able to earn more than the minimum wage but only if you exclude from these calculations the 21 additional hours they work beyond their open business hours.

Given the high variation in the data, Figure

23 presents the average and median annual take home pay and hourly take home pay. This provides meaningful insights. When the median is higher than the average, as it is for FCC and GFCC providers with a minimum number of children enrolled as well as all FCC providers, there are more very low values in the data that are pulling the average down. When the median is lower than the average, as it is for all GFCC providers as well as all providers (both with and without a minimum number of children enrolled), there are more very high values that are pulling the average up.

Importantly, estimated take home pay only compensates providers for their labor time after subtracting operating expenses. It doesn't factor in many business start-up costs. Additionally,

business owners expect to earn profits on their invested capital (such as the home and furniture which depreciates more with intensive use) or to be compensated for the risks they bear (of which this report describes many). Providers are, in fact, responsible for all start-up costs related to their businesses – from renting space to purchasing supplies to getting background checks for their employees – and are currently paid by government agencies only after services are delivered. Providers, then, are expected to take on a lot of upfront risks, like any business owners, and their compensation should include some acknowledgment of this. Therefore, if we

were to include a reasonable profit rate into our calculation of take home pay, the estimates in Figure 23 would be even lower.

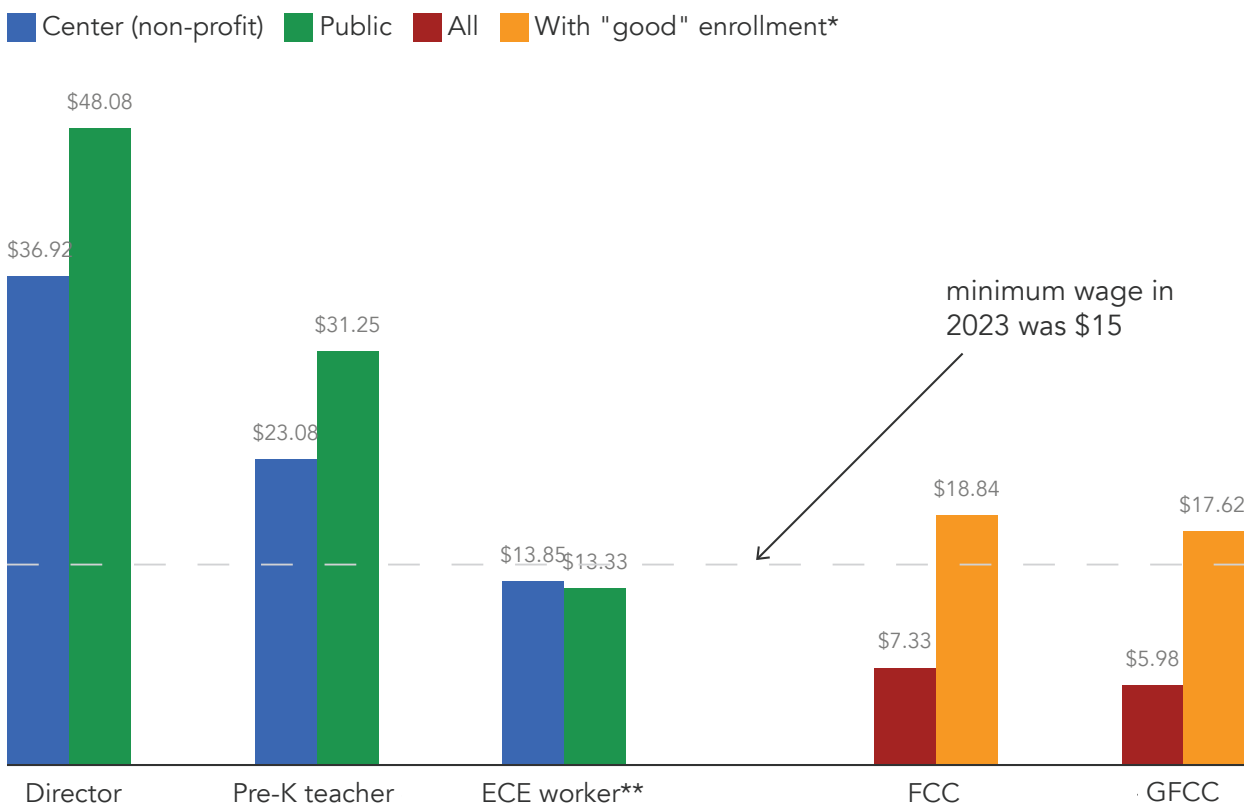
### Comparing Providers' Income to Other ECE Occupations

Figure 24 provides estimates of the hourly wages of FCC and GFCC providers in comparison to other ECE workers by occupation and program type. The number of hours per week and per year worked vary greatly within the ECE workforce – with many employees in a Pre-K and 3-K settings working part-time

Figure 24

## Median wage by ECE occupation and program

2023



\*With "good" enrollment is defined as an FCC with 6 or more children enrolled or a GFCC with 10 or more children enrolled.

\*\*ECE worker includes lead and assistant educators.

Excluding providers who had zero children enrolled in 2023. Number of providers surveyed = 408

Source: CNYCA GFCC/FCC Provider Survey, January - August 2024; CNYCA analysis of American Community Survey 2023 5-Year Data, U.S. Census Bureau

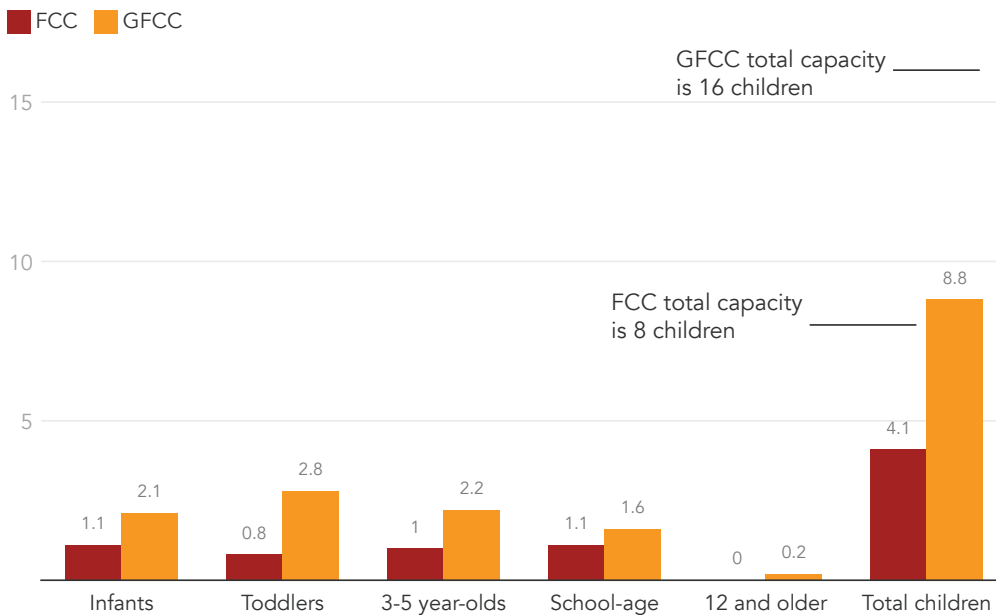
and seasonally, while workers in a center- or home-based-program work year-round. Hourly wages, then, provide a better comparison than annual income. For this comparison, we use the estimate for hourly pay (Figure 23, #1 above), which only includes open business hours in the hourly wage calculation. We make this choice, which undoubtedly overestimates hourly earnings, because the ECE sector is known for under-compensating workers for planning time in many occupations. The data used to estimate the wages of other ECE workers does not account for uncompensated planning time, so hourly pay (Figure 23 #1) is the best estimate to use.

Figure 24 highlights the bleak earnings of FCC and GFCC providers. The median FCC or GFCC provider earns less per hour than ECE workers (which includes lead and assistant educators, who are not certified Pre-K teachers). Even when controlling for good enrollment, FCC and GFCC providers earn approximately half the hourly wage of the occupation most similarly aligned with them: center directors.

Figure 25

## Average enrollment by age

Number of enrolled children



Number of providers surveyed = 465

Source: CNYCA GFCC/FCC Provider Survey, January - August 2024

Policymakers are currently charged with developing a career ladder for the ECE sector. Policy experts have discussed at length which occupation providers should have pay parity with. A group of policy experts, led by CUNY's Professional Development Institute and Jenn O'Connor, principal at Jenn O'Connor Consulting, LLC, has developed an ECE sector-wide career ladder that acknowledges occupation, credentials, and work experience. In this framework, FCC and GFCC providers are on the same career ladder as directors.<sup>10</sup> This doesn't mean that directors and providers will always make the same salary, given that current regulated educational requirements and pay standards in the ECE sector result in the average provider having lower educational attainment than the average director. However, if such a career ladder was embraced by policymakers (and integrated into voucher rates and contracts), a provider and director would have pay parity if they had equal educational attainment and years of experience. Figure 24 illustrates that there is significant pay disparity today between providers and directors. Policy reforms are needed to address this pay disparity. See Section 6-C for more discussion on the

benefits and impact of a sector-wide ECE career ladder.

<sup>10</sup> This assessment of where to place providers on a career ladder is aligned with the evolution of P5FS's New York models. While in their 2019 true cost of care model, P5FS assumes FCC and GFCC providers should have pay parity with lead teachers, in their 2023 model P5FS assumes FCC and GFCC providers should have a salary that is closer to, though not equal to, a director.

## SECTION 4

# What Drives Inadequate Revenue and Low Take Home Pay?

There are four main drivers of low revenue and provider take home pay: low and unstable enrollment, current city program design and promotion, market failure and the government's "market rate methodology," and costs. In this section, we address each of these topics, drawing on data collected from CNYCA's survey and focus groups with providers.

### 4-A. Low and Unstable Enrollment

CNYCA's survey results show that FCCs and GFCCs are severely under-enrolled. In 2023, the average FCC and GFCC were operating at approximately half capacity. (See Figure 25 and Appendix A: Glossary.)

CNYCA analyzed survey data to determine if having a NYCPS contract had any impact on enrollment. The answer: no.

In the analysis of take home pay in Section 3-C, we provide results for providers with good enrollment. The impact on take home pay is significant. While the median FCC and GFCC provider earned \$7.33 and \$5.98 per hour, respectively, their hourly wage increases threefold if they have good enrollment, to \$18.84 and \$17.62, respectively. However, only 29 percent of the FCC providers and 51 percent of GFCC providers surveyed had good enrollment in 2023.

CNYCA attempted to compile a comprehensive list of all ECE seats across all City agencies to determine if enrollment correlated with excess supply by neighborhood. However, we were unable to acquire all of the data to do so. This

is a sign that the City is currently unaware of the existing supply as well. While we were unable to obtain sufficient data to do this neighborhood-level analysis, low enrollment signifies that they challenge parents face accessing ECE is not lack of supply, but the inability to afford the price of care outside of subsidized options.

Survey participants were asked to compare their enrollment to other time periods, including before the Covid pandemic and before the expansion of Pre-K and 3-K. The overall trend for both FCC and GFCC providers was decreased enrollment after each of these events. (See Section 4-B.) The enrollment levels in Figure 25, then, are not an aberration. In fact, they are the result of a decade-long decline in enrollment for the majority of providers. It is not surprising, then, that enrollment has not rebounded five years after the pandemic started. Other factors, primarily the design of Pre-K and 3-K, have had an impact on FCC and GFCC program enrollment.

### Personal Strategies

Providers overwhelmingly attribute their enrollment successes to their own direct marketing. Because word of mouth is the most successful strategy, it's not surprising that providers mentioned their enrollment increased over time. Others mentioned that prior experience in ECE or education provides a pipeline to parents and trusted messengers. Providers also mentioned a variety of targeted marketing and outreach they conduct: placing flyers in businesses and institutions in their community that parents frequent; participating

in online parent groups; having a presence at neighborhood events; posting signs on-site; and seeing outdoor excursions to the playground as an opportunity to connect with potential clients. Comfort with technology also influenced providers' choice of direct marketing strategies.

Neighborhood dynamics as well as competition with other programs within the neighborhood was widely discussed. For example, one provider mentioned that she experiences high turnover, because the majority of children in her vicinity now live in shelters and move frequently, as families struggle to secure permanent housing. Some providers describe their neighborhood as highly populated with families with young children. In these settings, some providers can withstand strong competition with other ECE programs. Some describe developing good rapport with other ECE programs in the area, where it becomes common to refer parents to each other's programs when one has reached maximum enrollment.

Less prevalent in focus group discussions were providers who attributed any of their enrollment to government agency efforts (including promotion of CCAP and NYCPS programs or online directories maintained by government agencies). Furthermore, providers had a huge variation in their experiences with FCCNs. While some attributed enrollment to FCCN efforts, others were disappointed that enrollment had not increased as a result of joining an FCCN.

## Systemic Challenges

Despite different personal strategies, providers share similar challenges with how government programs affect enrollment.

**CCAP Voucher Application Process:** The process of applying for a CCAP voucher can take months. It is also so overly complicated that many parents who qualify for a voucher are unable to receive one simply because they cannot navigate the process. As the State increases eligibility for CCAP vouchers to make

subsidized care available to more families, this slow enrollment process increasingly impacts providers' ability to fill seats. Providers often choose to address this long application process time by caring for children before their enrollment paperwork has been finalized, hoping the paperwork will ultimately be accepted and the provider will be able to back-date the voucher to receive payment for that work. Many providers take this risky action to "guarantee" (as much as possible) the child will stay with them after the voucher is finalized, but this often results in providers working for free for months. If it isn't, providers know it is nearly impossible to ask parents to cover the cost, because they know parents cannot afford it.

While ACS has eliminated all application and enrollment paperwork backlogs, the process could be further improved if OCFS simplified the CCAP application itself. Advocates have also called on the City to implement presumptive eligibility for CCAP vouchers. Federal Child Care Development Fund (CCDF) rules permit states to cover the cost of care while family eligibility is being determined. In 2024, Governor Hochul signed a law that permits Local Departments of Social Services (LDSSs) to implement such presumptive eligibility. ACS could implement this policy.

Sufficient funding and agency staffing are also necessary to prevent future application processing delays and confusion. There are currently thousands of families on ACS's CCAP voucher waitlist, because there are insufficient funds allocated to the program. In 2025, the City ran out of State CCBG funding for CCAP vouchers. While additional State and City dollars were subsequently added to the City budget for the current fiscal year, a more long-term funding agreement between the City and State is needed.

*"I do think the process is overly complicated. And a lot of parents find it really hard to navigate applying for childcare. And yeah, a*

*lot of times the cases fall through, because... they don't know they can't reach a person that works...at those offices...And sometimes they don't speak the language or of whoever is there, and it's hard for them to navigate that process.” – C., 30-year-old GFCC provider in East Tremont/Crotona, the Bronx.*

*“Before they [vouchers] were approved fast... The parents only had to bring in a copy of our license and that was enough. Now, for the parents to get approval it can take 6 months to a year.” – N., 54-year-old GFCC provider in Bedford Park/Fordham, the Bronx.*

**NYCPS Central Enrollment:** The City encourages parents to apply for 3-K or Pre-K slots during a January-February open enrollment period, using the MySchools.nyc.gov website and ranking programs in preferential order. This is problematic for a number of reasons.

The website doesn't sufficiently describe different program modalities, including the benefits of using FCC and GFCC programs. Providers reported numerous examples of parents, some of whom are existing clients, who have selected their programs as their top 3-K choice but have not been able to enroll in their programs.

Each April or May, NYCPS creates lists of families receiving offers of 3-K and Pre-K placements. However, since most providers contracting with NYCPS are affiliated with an FCCN “middle man,” it's the FCCN, not the individual providers, who get those lists. It's unclear how FCCN staff distribute enrolled children among member providers. This leaves providers in the dark about how many children have been offered a space at their program. They're also unable to meaningfully engage with parents before the parental June application deadline, even while center-based programs that do have access to the family offer list are doing so as a strategy to increase enrollment.

Parents who miss the open enrollment period can sign up for 3-K after the start of school, using MySchools.nyc.gov to find available FCC and GFCC programs. However, the website lists FCCN staff as the contact for each site, an additional barrier between providers and interested clients.

Some providers also report that their FCCN contracts require they be fully enrolled to receive full payment. If even one child leaves during the 3-K contract, that leads to lower payments. Because providers cannot directly recruit families to fill that newly open 3-K seat, these lower payments can persist for the entire school year, affecting providers' ability to maintain salary and meet other costs.

In short, these arrangements have generally not yielded good results for FCCN-affiliated providers. They also constrain providers' ability to retain existing clients who are ready for 3-K, undermining one of the evidence-based priorities for early care and education: long-term relationships and bonding between children and their educators.

*“If parents' first choice is our childcare, the government should assign the child to us, not the childcare under the Department of Education. That's unfair to us. It's a problem. I've come across this a lot. They assign our child to other childcare, not according to the parents' wishes. Privately, we have done a lot to promote our childcare. Parents finally agreed to come, but the Department of Education assigned the child to another childcare. All our efforts were in vain.” –LI, 39-year-old provider in Bensonhurst, Brooklyn.*

*“This year, too, every parent chose my school, but the Department of Education hasn't assigned me any children. This is the biggest problem. Because of this, our small childcare has worked so hard to provide care for children from very young age to older age and parents are happy to stay with us, but the Department*

*of Education won't give us children.” – YI, 50-year-old provider in Sheepshead Bay, Brooklyn.*

*“One of our families left our 3-K in March because they were moving, and I had to find somebody to take over their spot. Because if you don't have enough enrollment, DOE doesn't give you enough money. They take away your funding ...which is crazy because you still have to pay teacher's salary, still have to pay the same rent, you still have to pay the same for everything.” – S., 36-year-old provider in Flatbush/Midwood, Brooklyn.*

## 4-B. Public Program Design and Promotion

Emergency Covid-era federal funds supported statewide initiatives to stabilize child care programs and their workforces. But these efforts

were temporary, based on an assumption that disruptions in ECE were pandemic-related and that a fully recovered New York economy would be able to support ECE programs.

While pandemic shocks were real, ECE programs had also experienced instability well before the pandemic. CNYCA survey results find that the launch of Pre-K in 2014 and 3-K in 2017 had as great, or even greater, effects on FCC and GFCC enrollment and revenue. (See Figure 26.) Very few providers have seen their enrollment increase over the past 10 years. This points to a problem with public program design and promotion, both for providers who participate in the 3-K program and those who do not.

**Competition with 3-K and Pre-K:** Universal and free 3-K and Pre-K programs present a plethora of challenges for providers. Prior to their launch, providers would enroll children at the age of two

Figure 26

## Comparing 2023 enrollment to previous periods

Percent of survey participants who had direct experience

	FCC			GFCC		
	Decreased	Increased	Stayed Same	Decreased	Increased	Stayed Same
<b>Pre-pandemic (2019)</b>	60%	16%	24%	48%	30%	22%
<b>Before 3-K-For-All started (2017)</b>	36%	12%	26%	48%	18%	18%
<b>Before Pre-K-For-All started (2014)</b>	32%	6%	38%	46%	14%	14%

Number of providers surveyed = 465

Source: CNYCA GFCC/FCC Provider Survey, January - August 2024

or younger. Typically, that child would remain enrolled until kindergarten (and even continue as an after-school client because of the strong bond established over multiple years). Now children may only stay enrolled for a year or two. If a provider runs a 3-K program, they may be able to retain the child for an extra year but the centralized NYCPS enrollment process doesn't guarantee this. The result: more turnover in FCC and GFCC seats.

*"It's hard to fill your programs now because you can have these children come at infancy. And then by the time they're three, the parents are taking them out. Whereas before Pre-K-For-All, before Covid, if you had a child that was in your program, the likelihood is that...they was there 0 to 10 years old, 0 to 8. Now they're leaving you at three years old." – S., 46-year-old GFCC provider in East New York, Brooklyn.*

*"The most important thing is subsidized childcare. It covers until age three. Pre-K kids will leave because of the money. We don't have Pre-K...Before 3-K or Pre-K program, our children stayed until they were five, sometimes until they were six. They left after finishing kindergarten. Now, because of money, they transfer...We don't have ACS program, nor pre-K. Parents say, "Teacher H\*\*\*\*, I really want to stay, but I don't have the money. I need these subsidies." – W., 50-year-old GFCC provider in Flushing, Queens.*

If they can afford the resulting lost income, many working parents want to be home with a child during its first few years of life, or share childcare with another family member, like a grandparent. This means lower ECE uptake rates among families with children younger than two. The launch of Pre-K and 3-K made recruiting families with young children even more challenging for FCC and GFCC programs. While 20 percent of FCC and GFCC programs offer 3-K slots, enrollment is centralized, run by NYCPS and distributed through FCCNs. Additionally, providers report center-based programs in their

area offering both 3-K and Pre-K tell parents they have to enroll at the center for 3-K to guarantee a seat for Pre-K. Providers, then, are rarely able to recruit pre-school-aged children directly anymore.

*"There were so many requests for children under two. Because I had so many children in September, I hired an extra teacher. I hired six people with three teachers. With six staff, I could only fill ten slots. We had to fill ten slots. I have ten students, three teachers, and rent, and it's less than even working part-time, right?... the large 3K program has the ratio of one teacher to four children, while we can only have one teacher care for two children under two years old. If we have the ratio of one teacher to three children, our life might be a little easier." – H., GFCC provider in Flushing, Queens*

#### **4-C. Market Failure and the Government's "Market Rate Methodology"**

Market failure describes situations where there is an acute mismatch between supply and demand, because the agreed upon price doesn't work for both the buyer and the seller. The ECE market is broken, because, as Section 3 demonstrates, providers are unable to cover their operating expenses. This results in the inability to pay themselves and their staff adequately, with impacts on the quality of the services they deliver. In this section, we provide additional evidence about the inability of parents to pay the rates providers set, both impeding their access to ECE and putting downward pressure on revenue for FCC and GFCC programs.

The problem with the ECE market is not that providers don't know how to set prices. In fact, they use a mix of common business methods to do so. This includes a cost-based approach. Numerous providers described a pricing worksheet developed specifically for FCC and GFCC programs to determine what price of

service will cover their own costs. They also do market research, including assessing the rates of nearby ECE programs to determine “what the market can bear.” Many providers have price differentials for different age groups; some set part-time rates at greater than half full-time rates to incentivize full-time clients. Some offer discounts to parents with more than one child.

Providers are also acutely aware that parents can’t pay “true cost of care” rates. They report using two strategies in response. In the interest of transparency and uniformity, some choose to offer the admittedly insufficient CCAP voucher rate to private clients. This has the ancillary benefit of allowing them to obtain the maximum CCAP rate for clients using CCAP vouchers.

The second and much more common approach is to have a target rate in mind and negotiate down based on a range of factors. Some establish a sliding scale and ask parents to provide a pay stub to determine what discount they will offer. Many described the emotional conversations they have with parents, who cry and beg, in discussions about rates. Other providers simply know, from years of experience with local families, that parents cannot afford their target rate. Providers are also more willing to negotiate prices down if they have or have had low enrollment.

*“I need to survive, so I'll do it no matter how low the price is.” – L., 39-year-old FCC provider in Bensonhurst, Brooklyn.*

*“I won't sell myself short, but I will definitely lower my rate for a parent that I know she's going to continue to...pay on time, because at this point, the way that the child care system is set up ... you can't even afford to lose that child. So, if you got to take a couple of hundreds less than what you get from the state, then I'll work with parents to do that, because that's just what it is.” –T., 37-year-old GFCC provider in Hunts Point, Bronx.*

There are many reasonable explanations for ECE market failure. First, ECE is labor intensive. High staffing ratios are required to meet health and safety standards and to guarantee high-quality care, which benefits families and society. Meanwhile, parents of young children are typically early or mid-career adults. They aren’t financially able to pay for the full cost (and long-term benefits) of ECE upfront.

The city’s 3-K and Pre-K programs offer a clear alternative. Its costs are not paid directly by young families. They are public goods made available through a mix of federal funding and local tax revenue.

### **The Government’s “Market Rate Methodology”:**

Current New York State regulation leads to further market failure. Providers are currently required to apply to receive an increase to the most recent maximum CCAP voucher rate that results from OCFS’s market rate methodology every two years. The current application process is a simplified, attestation form; it replaces an earlier application process providers regarded as too onerous to use. (The result was that many providers continued to be paid at the rate they had received when they first accepted a CCAP voucher recipient – as much as 10 years previously.)

The new attestation form has increased the number of providers receiving the maximum CCAP voucher rate. But it has also created a new problem: confusion among providers about their autonomy in setting rates for private clients.

*“I just follow the rates that we have, that they set the market rate. It's just basically a flat rate we can't go below. Right? We could go above, but it's hard as it is. Right?” – H., GFCC provider in Flatbush/Midwood, Brooklyn.*

Providers overwhelmingly understand the attestation form to mean that, if you want the

maximum CCAP voucher rate, you must charge private clients the same rate. This creates another opportunity for market failure: providers and parents are not arriving at an equilibrium price, because providers fear it will impact their ability to obtain the maximum CCAP voucher rate. If that's true, OCFS's market rate study becomes a self-reinforcing cycle impeding reliable price setting.

#### **4-D. Costs**

As Section 3 highlights, FCC and GFCC providers respond to their financial constraints by keeping costs low. This, however, is not a good outcome. In fact, one issue that came up repeatedly in focus groups was the resulting inability to spend money to make their businesses run optimally and with high quality. For example, focus group participants discussed wanting to increase staff wages and benefits. (See Section 5-A.)

That means policymakers should find ways to bring costs down for providers without impacting business quality or increasing working hours. This could include the State or City developing a comprehensive and affordable pooled risk benefits package or prioritizing providers in the distribution of housing vouchers offsetting rental costs.

## SECTION 5

# Additional Challenges Impacting Program Quality and Stability

While they are at the top of the list, inadequate revenue and low take home pay are not the only challenges to program quality and stability providers shared. This section provides insight on a number of these other issues.

### 5-A. Recruiting and Retaining Experienced Staff

ECE is a labor-intensive industry. According to the Center for American Progress, 68 cents of every dollar spent at a child care program goes towards staff wages and benefits (Center for American Progress 2018).

The problem of recruiting and retaining staff is primarily due to insufficient business revenue that makes it impossible to offer competitive wages and benefits. The resulting high turnover weakens critically important long-term bonds to children and parents.

Because of lower rates per seat and higher staffing ratios, FCC and GFCC providers are severely constrained in offering wages and benefits comparable to those offered at center-based and public programs. They are particularly concerned about their inability to afford benefits, since even a minimum wage earner working full-time is not income-eligible for Medicaid.

### Personal Values and Strategies

*"I want parents to be as comfortable as possible. I'm very careful with who I allow in here and around the children. And I also have small babies, and I have special needs children. And my son is also special needs...I like to have a complete background check. I like to know them from somewhere or somebody who tells*

*me that they're good. And then I have them work with me for a little while as well before I make any final decisions." -An., 39-year-old FCC provider in East Harlem, Manhattan.*

Providers have an average of 10 years of experience running their businesses and have clear ideas of what they look for in employees. They have also developed thoughtful vetting and training processes.

Providers look for staff who have experience in the field (including with particular age groups) and are responsible, patient, and warm in interactions with children. Trust is also key; they are inviting staff into their homes to work with a vulnerable population. As a result, many providers limit their staff recruitment to family and friends. The lengthy process to get staff approved by DOHMH and the upfront costs related to that (such as CPR training and background checks), result in many providers using a trial period to test out new staff (whose fingerprints have been cleared) before completing the full hiring and training process.

### Systemic Challenges

*"I wish I could pay them more, much more, because they do their CDA, their credentials, everything. Then there are home attendant jobs that pay \$20, \$22 an hour. What are people going to do if they have papers, work permits? They would rather leave." - T., 43-year-old GFCC provider in Bushwick, Brooklyn.*

*"Every time we hire someone, we can't expect them to be professional, right? It doesn't matter if you don't know how to do it. I'll teach you. Once he has learned, he will leave. He wants to find a better position, one with a higher*

*salary and better benefits. We can't offer any benefits, right? We're just a stepping stone. If we offer benefits, we'll be left with nothing, not a penny.” – W., 49-year-old GFCC provider in Flushing, Queens.*

There are two other challenges providers face in retaining staff. First, the process of getting staff cleared to work can take up to a year. A lack of transparency about the process increases stress for providers and new staff hires. This can lead to providers’ losing qualified staff who cannot wait out this process, and to losing families who cannot use available seats without additional staff in place.

DOHMH and OCFS have no published target processing time that providers and staff can use to set expectations regarding this process. Providers also report that it is nearly impossible to talk to anyone at these agencies to get a clear update of where an application is in the process. This poor communication also leads staff to walk away from work in the ECE field. While OCFS has made changes recently to its Facility Application and Management System (FAMS) to reduce processing time, it also acknowledges the process is particularly long for people who have worked out of state or have anything flagged on their background check.

Second, given fluctuations in enrollment, providers have to choose between two problematic scenarios. They either must ask staff to accommodate variation in weekly hours worked, which may prompt them to instead find additional part-time work or a job that provides more stable hours. Or they have to pay for staff when enrollment does not justify it, which limits their own revenue and take home pay.

**“ I want to bring another staff member. I want to be able to take a break . . . But money is the problem. I want to bring another staff member. I want to be able to take a break . . . But money is the problem.”**

*“I want to bring another staff member. I want to be able to take a break...But money is the problem. Because just when I thought I was able to afford to bring in a new staff member, I lost four kids off my roster. So, it's just hard, like getting the staff and when things is sometimes not consistent.” – T., 37-year-old GFCC provider in Hunts Point, Bronx.*

One focus group participant also opined that experienced ECE workers got burnt out during the pandemic and have pivoted to working in other industries.

This combination of issues requires providers to regularly confront a time-intensive, costly hiring process in a business that is highly dependent on reliable staff. While many providers pay for upfront training and the background check process as incentives to recruit staff, these costs add up in a sector with high turnover and low business revenue.

## **5-B. Agency and Bureaucracy Engagement**

New York City providers engage directly or through their family child care network (FCCN) with up to two State agencies (OCFS, NYSED) and as many as four separate City agencies (ACS, DOHMH, HRA, and NYCPS) as well as the Mayor’s Office of Child Care and Early Childhood Education. Many providers describe issues with specific agencies, but also the lack of coordination across agencies resulting in slower processes and redundancies. These create extra work and stress for already overworked providers, who often have to submit the same paperwork to multiple agencies or spend countless hours following up with agencies to

“**They [agencies] lack coordination between them: you send information via FAM... you go to the office and leave hard copies, and not even then do they come and inspect, they say ‘you haven’t completed this’ so they come and give you a violation.**”

check on the status of issues that disrupt their daily operations.

*“They [agencies] lack coordination between them: you send information via FAM... you go to the office and leave hard copies, and not even then do they come and inspect, they say “you haven’t completed this” so they come and give you a violation.” – A., 45-year-old GFCC provider in Morrisania, the Bronx.*

*“They’re always asking me for the same document, the same. I go back and I send it, send it to the supervisor, upload it to FAM, bring it in personally, and like they said, you get your receipt and two days later they’re asking for it again. I have one [assistant] for 8 months and the other for a year and a half and they’re not fully approved yet.” – L., 52-year-old GFCC provider in Bushwick, Brooklyn.*

**Unclear Processes and Poor Communication:**

Many providers describe repeatedly and fruitlessly submitting the same documentation to a specific agency. Online systems like Childcare Attendance & Payment System (CAPS) routinely crash and do not have basic confirmation processes to affirm that submissions were received. Few bureaucratic processes they engage with have easy-to-find, published processing times (i.e. 8-10 business days, or 30 days) that would offer guidelines to work within.

Providers report that previously used paper applications were actually more effective than online tools, because they required agencies to have open office hours and staff to process applications.

Prior to the pandemic, providers were able to deliver paperwork directly to DOHMH offices and speak with staff at that time. Since the pandemic, providers report only being allowed to submit paperwork to a drop box.

**Inadequate Orientation:** Despite regular engagement with multiple government agencies and mandated biannual training, providers are overwhelmingly unaware of legal requirements, programs, and opportunities that could improve their business practices and job quality. They do not appear to be receiving adequate information from specific agencies, nor have City and State agencies worked together to consolidate this information and translate it in relevant languages.

There is no live orientation (only an asynchronous online orientation) where providers can engage with OCFS or DOHMH staff in real time when they start their businesses. Since they are not clear about regulations and systems upfront, providers regularly experience delays and unnecessary stress in opening or managing their businesses. Numerous providers have encountered penalties for not having adequate workers’ compensation and unemployment or other insurance, and would have benefitted from clearly stated requirements in an orientation or application process. They also report having a hard time obtaining information or responses from UFT, which is funded by OCFS to help providers navigate these processes.

**DOHMH Inspections:** DOHMH conducts quarterly, unannounced inspections of FCCs

and GFCCs to make sure they are complying with OCFS regulations. Providers report that lack of clarity on regulations and inspectors' inconsistent interpretation of them is stress-inducing. So are inspections that disrupt children's schedules and routines. They believe a lack of a grievance process and professional code of conduct for inspectors results in unnecessarily punitive encounters and undermines health and safety goals.

DOHMH staff acknowledge that it is challenging to strike a balance between providing technical assistance and enforcing regulations. Best government practices require them to keep an arms-length relationship with providers. On the other hand, DOHMH inspectors are the only government agency staff that providers, who are isolated and overwhelmed, ever connect with on-site. And while OCFS has oversight of the regulations and training process for inspectors, DOHMH staff are on the front lines of enforcement. This makes it difficult for DOHMH to amend the process to improve the experience for providers or DOHMH staff.

*"Sometimes he [the inspector] came at 1:00 in the afternoon when the kids were all asleep... he'll just keep pressing, pressing, pressing, and knocking on the door frantically. I opened the door to let him in. All my kids woke up and started crying...I've asked this question before: 'Can you come earlier or later?'...He'd say ...'We are required to come anytime, anywhere.' I think this isn't reasonable." – X., 30-year-old GFCC provider in Bay Ridge, Brooklyn.*

Many providers have received violations as a result of unclear regulations or inconsistent interpretation by inspectors of the regulations. They also find that the current policy of keeping violations published on the DOHMH website for six years negatively impacts their ability to recruit clients or build trust with parents. In the recent past, violations were only published for two years, which they feel is more appropriate, particularly for non-emergency violations.

*"If you have something wrong somewhere, you'll have a six-year violation! Parents these*

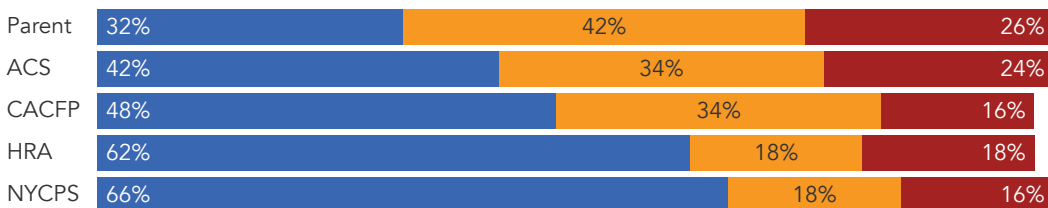
Figure 27

## Providers experience with late and non payment

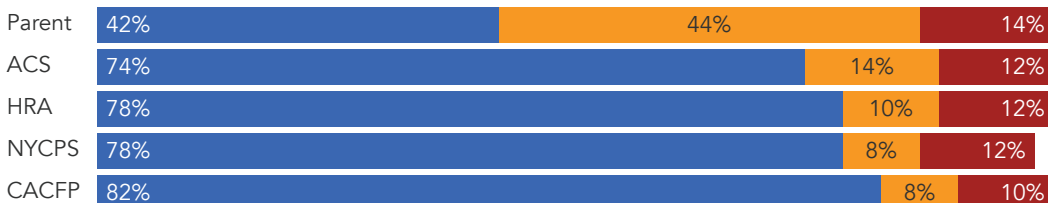
Percent of survey participants who had direct experience

■ Never ■ Sometimes ■ Often

### Pays late



### No payment



Number of providers surveyed = 465

Source: CNYCA GFCC/FCC Provider Survey, January - August 2024

days will check online to see if your center is good. Is your family day care a good one? What happens when you have a ton of violations?... One time I had a violation. Do you know why? The doctor forgot [to] write down a dose he administered. They wrote it as a violation.” – W., 49-year-old GFCC provider in Flushing, Queens.

### 5-C. Late and Non-payment

Providers regularly encounter late and non-payment from both private clients and public agencies. (See Figure 27.) It’s standard practice to charge private clients at the beginning of the enrollment period to prevent late and non-payment. Nevertheless, over 40 percent of

providers reported occasions of late and non-payment from parents. Meanwhile, government agencies tend to reimburse providers after services have been rendered, either on a bi-monthly or monthly basis. The reimbursement policy presents a persistent cashflow problem for providers who are already severely financially constrained.

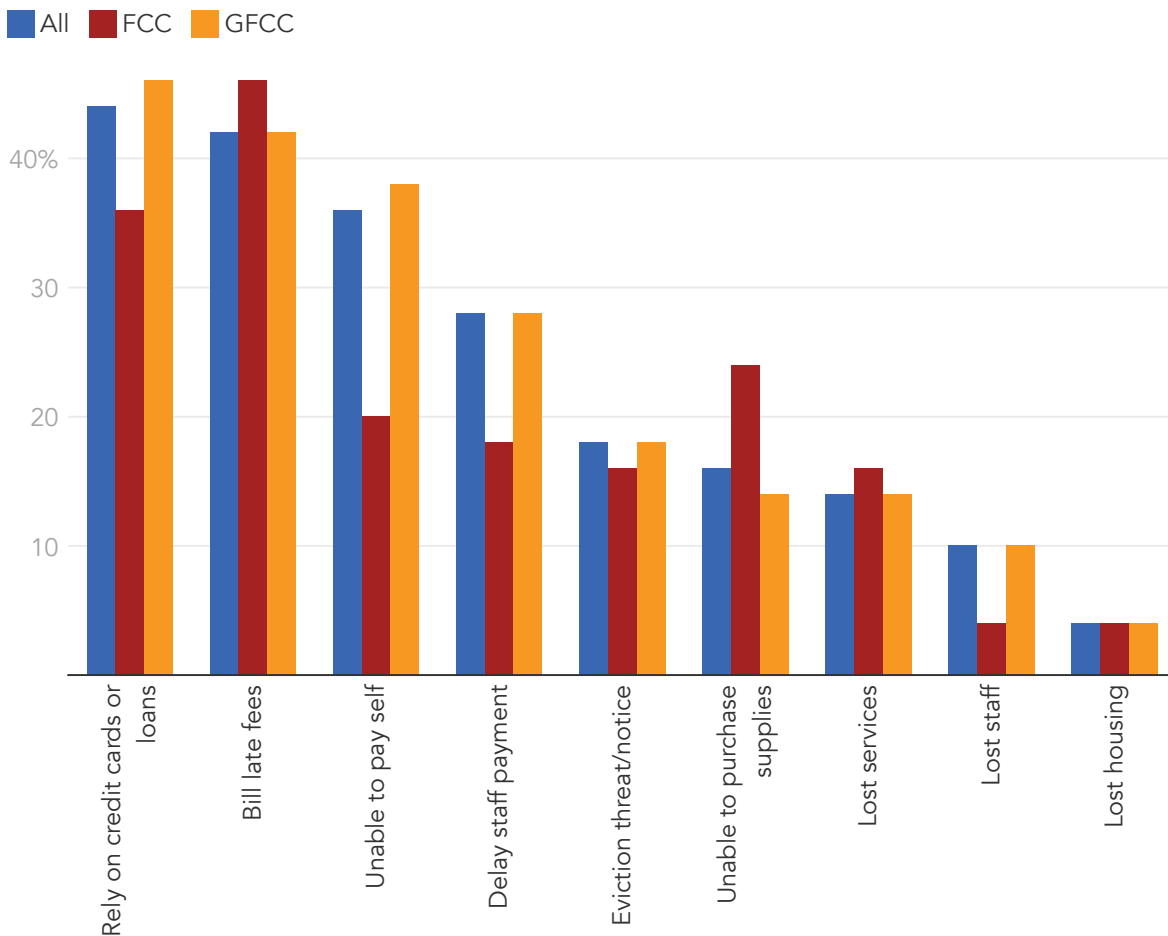
(See Figure 28.) They result in interest on loans and credit card debt, late payment to staff and lower take home pay, and instabilities in housing, and utility service disruption.

Agency late and non-payment adds additional, unnecessary stress to the parent-provider relationship and threatens program enrollment.

Figure 28

## Impact of late or non payment on providers

Percent of survey participants who had direct experience



Number of providers surveyed = 465

Source: CNYCA GFCC/FCC Provider Survey, January - August 2024

When agency systems fail and processes to remedy the problem are not clear or accessible, providers have no other choice but to look to the parent for support – knowing that by virtue of being eligible for the CCAP voucher, the parent is also financially constrained.

*“The child started my program in September... and I did not get paid for the child until February...I said to the parent, ‘you know, they’re not paying me. Could you pay me?’ And I kid you not, the parent paid for two weeks and stopped, right? And I’m like, okay, do I expel this child? Do I give up the space?”* – S., 41-year-old GFCC provider in Flatbush/Midwood, Brooklyn.

## Systemic Challenges:

Additional bureaucratic and technological barriers exacerbate late payment.

### Reimbursement policy for agency payments:

CCDF rules now require states to switch to prospective payment for federally funded CCAP vouchers, which New York State will comply with by August 1, 2026. Feedback from providers suggests that prospective payment should be instituted across all agencies.

### Childcare Attendance & Payment System

**(CAPS) system problems:** Providers report significant technical issues with ACS’s CAPS, where providers must log attendance as a condition for CCAP voucher reimbursement. CAPS regularly crashes, particularly when the attendance submission deadline approaches, which can lead to payment delays. Delays between a child being enrolled and added to CAPS for attendance tracking are also a headache for providers. Adding attendance for children added to CAPS after their CCAP voucher start date is overly complex. And families are sometimes mistakenly dropped from the system without notice or warning.

Enrollment-based payment, starting on August 1, 2026, will eliminate the need for providers to log attendance as they have been, but CAPS or another similar online portal will still be required. Therefore, a plan to resolve these issues should be developed and tested alongside improving or changing CAPS to comply with CCDF rules.

*“You guys aren’t paying her for those two weeks until the voucher gets approved. They’re like, ‘oh, but it’ll be fine though, do the Retro pay.’ And that didn’t happen with one of the children. They put a different start date, even though on the paperwork she put the start date when the child started. They didn’t pay me from that date. They paid me from when the voucher was approved.”* – K., 45-year-old FCC provider in Mott Haven, Bronx.

**NYCPS payment delays:** Contracts require FCCNs to pay providers every two weeks, but this is not necessarily being practiced, despite the fact that FCCNs have access to the Returnable Grant Fund (RGF) program that offers interest-free loans in the event of late payments from City agencies.

*“DOE has terrible delays with payment ...the first year was just awful. Like we were not paid for two months at all. And that was like \$60,000 of, you know, investments and things that just I had to like, cover. And they didn’t prepare me for it. They didn’t tell me about it. It was like it was such a degrading experience.”* – S., 36-year-old provider in Flatbush/Midwood, Brooklyn.

*“There are [FCCN] agencies that close and they leave you hanging, owing you money...It happened to me with an agency: it closed and didn’t pay over 7 months to several providers.”* – O., 33-year-old GFCC provider in Concourse/Highbridge, Bronx.

## 5-D. Parent Dynamics

### Personal Strategies

Providers expressed a strong bond with the parents and children they serve. Because they invite parents into their homes, their relationship becomes more intimate and lacks the professional boundaries of a center-based program in a commercial location. Many providers play a mentorship role with parents younger than they are. This bond is largely viewed as positive, but it also opens providers up to being more vulnerable or susceptible to being exploited.

*“You're dealing with younger parents. A lot of times because they've just had these children, so they usually have less cash saved.” – A., 36-year-old GFCC provider in Bushwick, Brooklyn.*

Providers describe some of the unrealistic expectations parents put on them and the challenges they face. For example, many parents ask for support outside of normal business hours (holidays, late pick-up, etc.). Parents don't always respect the program's hours and providers have a hard time getting payment for late pickups of children.

*“Another problem is also holidays, sometimes they work. So sometimes you have to open for a kid, because they say “No, I pay for the full week and I don't have someone else”, even if they do.” – Y., 49-year-old GFCC provider in Throgs Neck, the Bronx.*

Parents also can have a hard time paying on time. They are often reluctant to commit to a fulltime seat and also resist paying for days when their child is absent. Providers accommodating parents with lower rates or relaxed payment periods can be completely stiffed by parents in the end. As a result, providers described how they establish contracts with parents, including

clauses that require two weeks' notice for ending or changing services. But if parents do not uphold their end of these contracts there is no affordable or time-effective way of enforcing them.

### Systemic Challenges

Access to CCAP vouchers and NYCPS programs makes ECE more affordable to eligible families, but the City's promotion of these programs is minimal and applications to access them are overly complicated for many parents. While providers often help parents to successfully navigate these application processes, they also experience families losing CCAP voucher status, because parents don't keep up with the paperwork needed to maintain it.

Late and non-payment by parents also points to the need for more subsidies of child care services for parents not currently accessing CCAP vouchers or NYCPS programs. It also illustrates how efficient government payment systems can alleviate strains between parents and providers. If all payments were facilitated by government agencies, including collecting cost-sharing fees from parents, providers wouldn't have to put themselves in the position we've just described.

## 5-E. Small Business or Independent Contractor Status

FCCs and GFCCs will likely never have more than a few staff. This means that many things that make running a small business easier, like hiring an accountant or payroll company, are costly at such a small scale. Additionally, small businesses that have huge fluctuations in revenue and staff often find overhead costs, like workers compensation insurance, overly complicated and burdensome, especially because workers compensation insurance does not cover the business owner herself. If policymakers need FCC providers to use more formal business structures, like using

payroll services to provide staff with W-2s, FCC providers need to have stable enrollment to hire full-time, permanent staff.

The biggest challenge of independent contractor or small business owner status is its impact on the provider's own wages. Even if they do put themselves on their business's monthly payroll, they may forfeit it to prioritize other bills. All this poses a unique challenge for designing policies to increase their wages and benefits – one that would remain even if public ECE programming were to move away from the voucher model and towards a contract model.

Many of the recommendations below take this challenge into consideration and draw on best practices in other fields regarding independent contractors and micro-business owners.

## **5-F. Inability to Take Time Off**

State regulation requires that providers (or a staff person who has completed all training and background checks) be on-site during open business hours. Given high staff turnover and long staff application processing times, it is often impossible for providers to take time off for illness, vacations, or professional development. The regulatory logistical challenge makes public benefits like paid sick leave an impossibility. To take time off, they have to close their business for the day.

Providers describe the emotional turmoil that this results in. They feel both trapped and isolated. This is exacerbated by the emotional distress and anxiety created by work with challenging children, unresponsive agencies, and unstable enrollment and revenue.

Given this, it is not surprising that 82 percent of providers surveyed expressed interest in using a substitute provider pool to help them and their staff take time off. New York State is currently developing a substitute provider pool, which will be housed at participating Child Care Resource and Referral (CR&R) organizations.

## **5-G. Lack of Information about Existing Opportunities**

Policy advocates, policymakers, and unions have worked to achieve policy solutions to improve providers' opportunities and outcomes. However, our research shows that some of those opportunities are underutilized or misunderstood. In this section, we explore two examples to demonstrate that better communication about them is needed.

**The CDA and Training Opportunities:** The child development associate (CDA) certificate is a professional development credential that can open additional opportunities for providers and their staff, particularly if they are interested in obtaining a NYCPS contract or transitioning to another occupation in the field. Twenty-six percent of providers currently have a CDA and 52 percent expressed interest in obtaining one. (See Figure 29.) Many, however, said they lacked the money and free time that would require. They were unaware of steps that have already been taken to make the CDA affordable and more accessible.

For example, CUNY currently offers a credit-bearing CDA certificate online, in both English and Spanish, so there is no need for providers to travel to class. Additionally, the vast majority of providers are eligible for full scholarships (except for the cost of books) through the Educational Incentive Program (EIP) (Professional Development Program 2025). CUNY has also invested significant resources in staffing a division to assist people who've started their CDA but not taken the final exam to do so in a 10-week program that is also available online.

The same misunderstandings apply to the 15 hours of annual training required of providers and their staff. A common topic in our focus groups was the desire for more relevant, advanced training and frustration with existing trainings. Providers have ideas of trainings they want, but do not know how to advocate for themselves.

Figure 29

## CDA certificate interest

	All	FCC	GFCC
Currently have CDA	26%	20%	28%
Interested in obtaining a CDA	52%	54%	52%
Obstacle: No time	40%	36%	40%
Obstacle: Travel	26%	18%	28%
Obstacle: Language barriers	16%	18%	16%

Number of providers surveyed = 465

Source: CNYCA GFCC/FCC Provider Survey, January - August 2024

This suggests that most providers are only accessing trainings through the Professional Development Program and not exploring other extensive options through the Aspire Registry. It offers an online library that can be searched by topic. Participants are able to share feedback in post-training surveys. Providers, who are severely financially constrained, tend to opt for free trainings, which is a sign that they have not been properly informed about the EIP, which provides 75-100 percent reimbursement for up to \$2,500 in training and education costs annually.

- Comprehensive dental coverage and vision care (for the provider only).
- Unlimited telemedicine for the provider and her family.
- 24/7 mental health helpline.
- A \$10,000 life insurance policy.
- Reimbursement for health plan premiums.
- Prescription drug savings.

Unfortunately, these benefits do not extend to FCC and GFCC program staff or their families (with the exception of telemedicine access for the provider’s family members).

**Union Benefits:** One of the most common job quality concerns that providers expressed in their surveys and focus groups was access to health insurance benefits for themselves and their staff. While the majority of providers earn so little take home pay that they qualify for Medicaid, many are looking for comprehensive coverage for themselves, their families, and their staff. We found that providers had little understanding of benefits available through the United Federation of Teachers (UFT). All New York City FCC and GFCC providers who are enrolled as UFT members (regardless of whether or not they are dues-paying members) can obtain the following health benefits at no cost:

## SECTION 6

# A Five-part Policy Package for Stable, High-Quality Home-based ECE

There is not just one policy that can solve the set of challenges our research identifies. In this section, we make a direct link between key findings in this report and a package of policy solutions that can, if comprehensively enacted, improve business stability, provider and staff wages, and program quality. Many of the elements of this policy package have already been developed by policy experts and advocates in New York.

### 6-A. A True Cost of Care Method

Throughout this report, we reference the true cost of care. According to CCDF rules, states have the choice between using a market rate or alternative cost-based methodology for determining voucher and contract rates. If New York State adopted a true cost of care methodology, it would stop using the market rate methodology to determine CCAP voucher rates. Instead, the State would set voucher rates based on the actual costs of running an ECE program, including adequately compensating staff and providers. If adopted, this would immediately increase program revenue, staff wages, and benefits. This would, in turn, improve job quality for existing providers and staff thereby increasing program stability.

For all voucher- and NYCPS-contracted seats, providers would be paid a higher rate. This would offset low private pay rates that providers negotiate with parents not eligible for vouchers. However, low private pay rates would still be a factor in determining how to allocate total revenue. Therefore, while it may improve program revenue, the share of total seats paid for with vouchers or contracts would determine how much of this additional revenue providers could dedicate to their own take home pay.

Several true cost of care models have already been developed for New York State by P5FS that could be adopted immediately. They include improved compensation and benefits for all ECE occupations as well as other non-personnel costs that are necessary for safe and high-quality care. These models are also aligned with current State regulations, where weekly pay rates, regardless of hours worked, and pay differentials based on the child's age are standard.

Our research finds that providers think a new methodology should re-evaluate some of these standards. For example, providers discussed how pay differentials by age (which have grown over time; see Figure 18) are based on an assumption that older children are less expensive to care for. This does not align with some providers' lived experience. Additionally, dynamics with parents regarding hours of service are exacerbated by public policy that pays providers a weekly rate that does not acknowledge the specific hours of service provided.<sup>11</sup> Many providers believe a true cost of care methodology and resulting voucher and contract rates should use an hourly, not weekly, rate that can more accurately compensate providers for their time.

A true cost of care methodology will include pay differentials between center- and home-based programs. However, the difference would likely be smaller than exists now, given that FCC and GFCC providers have higher staffing ratios,

<sup>11</sup> CCAP voucher rates are for the week, where a program providing a child 50 hours of care receives the same revenue as a program providing a child 30 hours of care. Programs do not receive additional CCAP revenue unless care in one day exceeds 12 hours per day.

which increases their operating costs, while centers may have higher rental costs because they rent commercial spaces. The gap in pay differentials between center- and home-based programs will further shrink if the true cost of care methodology includes pay standards by occupation.

*“The pay is different. If we were provided with the same amount of money as the center, we could hire better teachers.”* – Y., 50-year-old GFCC provider in Sheepshead Bay, Brooklyn.

It is worth noting that the rates resulting from an OCFS true cost of care methodology are appropriate for licensed ECE programs, but are not sufficient for current NYCPS requirements for 3-K and Pre-K. New York City will need to develop its own true cost of care methodology to take into account additional requirements and responsibilities imposed on providers who have contracts to provide 3-K.

*“We’re part of a network that works for the Department of Education. And because of that, we have a lot of added responsibilities...It’s a lot of lesson plans, observations, everything that you would do in a classroom...We also had to get extra training. So, I had to get my CDA in order to provide that service. So, all of that is added responsibility and work, for a group of people that already do a lot of work, and same pay.”* – C., 30-year-old GFCC provider in East Tremont/Crotona, the Bronx.

## **6-B. Universal Child Care**

A universal ECE system would further improve take home pay and business stability as well as eliminate much of the friction between parents, providers, and public agencies that currently plagues the ECE sector. Many of the providers we engaged with believe State or City universal child care would best address the issues identified in our research – particularly the low pay and enrollment challenges related to a fragmented system where City

agencies compete to recruit families for public programs and private pay families can rarely afford the true cost of care.

A universal public program is defined as one that is available to everyone, regardless of income level or immigration status. For a universal child care program to be effective, equitable, and efficient, it must offer parents a choice of program types; provide affordable, fair, and progressive subsidies or cost-sharing for parents; and also pay providers and staff based on their hard work and established expertise in the field. As the City expands ECE programs to more families, it must work carefully at the neighborhood level to support established ECE businesses before creating additional public options that undermine the viability of those businesses. It must also prioritize the most vulnerable families in these expansion efforts.

In a universal system, all seats would be paid through CCAP vouchers or government contracts. Therefore, low private pay rates would be eliminated and no longer put downward pressure on total revenue and take home pay. However, a universal system would only yield adequate staff wages and take home pay for providers if it utilized a true cost of care methodology that adequately compensates staff and providers. Without that, implementation of a universal ECE system will meet supply constraints; there won’t be enough qualified ECE staff to make capacity available to more families who currently are not utilizing existing capacity because they cannot afford to pay for it privately. In a universal system utilizing a true cost of care methodology with adequate compensation, a fully enrolled program would have sufficient revenue to guarantee staff wages, provider take home pay, and benefits for all workers.

“**If we were provided with the same amount of money as the center, we could hire better teachers.”**

A universal ECE system will require improved agency systems to handle more parent applications and more payments. Currently income-eligible parents who receive CCAP vouchers or extended-day Pre-K and 3-K seats have their seats fully paid for by the voucher or contract, because CCBG funds can be used to pay for the seat. Parents who are not income-eligible but choose extended-day 3-K and Pre-K and 3-K are required to pay for the extended-day portion of care, because the City's Pre-K and 3-K programs only cover the school-day care.

Our assessment of this cost-sharing is that it has been a relatively streamlined and simple process between the cost-sharers (the parent and NYCPS), but that there are significant challenges in payment processing from NYCPS to ECE programs. For providers, there are further payment processing delays because their FCCNs also play a role in passing NYCPS payments on to them. While there are issues with the NYCPS centralized enrollment process (see Section 4-B) and significant payment processing challenges to overcome, NYCPS has established a well-functioning cost-sharing model with parents that could easily be expanded to universal ECE programming.

The City and State have maxed out the available CCDF funds as a result of expanded eligibility and improved voucher rates in recent years. That means that additional funds for a universal ECE system will most likely come from State and City tax revenue that will not necessarily require the extensive reporting requirements federal grants do. This is a policy design opportunity. The City will need to convene all agencies and key stakeholders, including parents and representatives from centers, FCCs, and GFCCs to determine the best cost-sharing model that can facilitate fair access to ECE programs and reduce the paperwork burden on all parties in order to expedite enrollment.

For example, if a universal ECE system required families earning above 85 percent of State Median Income (SMI) to pay seven percent of their income on ECE (a standard suggested

by the Biden-Harris administration), the City would need to review tax returns of all families and determine a unique price for each. On the other hand, if parents earning above 85 percent of SMI were required to pay \$100 per week, parents could immediately sign up and receive this service. Lengthy applications would only be required for parents who are eligible for full coverage according to New York State's current law.<sup>12</sup> This is just one example of a trade-off that will need to be evaluated with key stakeholders as a universal ECE system is designed.

### **6-C. A Sector-wide Career Ladder**

A career ladder that incentivizes people to join the ECE workforce and grow their expertise through education and experience in the field is essential for the labor-intensive ECE sector to meet parent demand.

There is currently an ECE staffing crisis in New York State across all program modalities (Empire State Campaign for Child Care 2025). This often results in existing ECE programs being unable to make available their full capacity, because they cannot meet sufficient staffing ratios. High turnover compromises the ability of programs to establish long-term relationships with children, which is critical for early childhood development. As our research demonstrates, low compensation and poor benefits contribute to high turnover at FCCs and GFCCs. Given the low wages in the field, the approval process and unpaid training hours further disincentivize people who want to work in ECE. For assistant teachers, they can make comparable wages in retail or fast food where there is minimal time between their hiring and start date and no upfront, unpaid training required.

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<sup>12</sup> 85 percent of State Median Income (SMI) is currently the income threshold for a CCAP voucher eligibility in New York State. In 2025, 85 percent SMI is \$77,226 for a 2-person family and \$95,397 for a 3-person family. For households earning \$1 more than the current CCAP voucher threshold, a \$100 weekly copay to access full-time child care would be approximately 6.7 percent of the 2-person family's annual income and 5.5 percent of the 3-person family's income.

These challenges extend throughout the ECE workforce at all occupations. Successful organizing and union bargaining, with the support of Mayor Bill de Blasio and the City Council, resulted in a budget agreement in 2019 to bring center-based Pre-K teachers' salaries to parity with starting salaries for public Pre-K teachers (Parrott 2019). However, that agreement excluded FCC and GFCC providers, and significant disparities exist in pay and benefits between FCC and GFCC staff, center-based staff, and public school staff with the same titles and responsibilities. This is directly linked to the fact that different contract rates and CCAP voucher rates exist, comparing centers and home-based programs, and different unions exist in the public schools and private sector. Together, these institutional arrangements create budget constraints that result in pay differentials and quality differences across modalities, as well as high turnover from one modality to another.

For example, NYCPS must pay public ECE staff according to the UFT contract for K-12 educators, which includes generous benefits and a career ladder that incentivizes obtaining additional education and experience. Center- and home-based programs offering Pre-K and 3-K through contracts with NYCPS do not include the UFT's K-12 educator career ladder and public benefits packages. The same issue arises with other occupations in the ECE sector. There are no built-in voucher or contract increases that acknowledge additional education obtained by FCC and GFCC providers, which may disincentivize providers from obtaining additional credentials. Due to low revenue, the standard has been to pay assistant teachers the city minimum wage. However, centers who contract with the City and are covered under the 2024 agreement between the City and District Council 37, Local 205, the Day Care Council of New York now pay assistant teachers \$18 per hour with a cost of living adjustment of three percent annually through 2025 (District Council 37 2024). City contract amounts have been

amended to reflect this change. As soon as ECE staff earn necessary experience or credentials, they often leave from one program modality to another because of the opportunity for better compensation and benefits.

What is needed, then, is not simply a minimum standard for compensation in the ECE sector, but a career ladder that guarantees compensation for similar work across all program modalities and incentivizes people to grow professionally either in their existing role or on a pathway to a different occupation within the field. Such a career ladder can bring new people into the ECE workforce, reduce the drop-off of existing ECE staff and providers, and remove pay disparity as the cause of turnover and quality difference across modalities.

In 2023, a group of policy experts, led by CUNY PDI and Jenn O'Connor, principal at Jenn O'Connor Consulting, LLC, began convening to develop an ECE sector salary scale to address these challenges. The group has developed a "career lattice," connected with predictable increases in compensation to ensure ECE workforce retention through fair compensation.<sup>13</sup> It takes into consideration the current credential requirements of various New York State and City ECE program types (OCFS-regulated programs, as well as 3K and Pre-K) and builds in raises based on years of experience and additional responsibilities of particular occupations. For the purposes of FCC and GFCC providers, it puts them on the same ladder as center directors given similar responsibilities, but recognizes that directors are currently required to have a higher level of education to start.

If a career ladder that builds in recognition for responsibilities, educational credentials, and years of experience were implemented, it would provide clarity for current and prospective ECE

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<sup>13</sup> A career lattice is different than a ladder, where a person enters a profession and moves along each rung of one ladder. The lattice reflects the flexibility with which the ECE workforce enters the field, moving across multiple roles (i.e. from assistant to teacher to director, or from provider to teacher), earning credentials along the way.

staff and providers and an understanding that the field includes professional development opportunities, not just low-wage jobs. However, it would also result in a level of complexity for contract and voucher rates and would require more public infrastructure.

For example, rather than having one CCAP voucher rate for a particular age group or one contract rate for all FCCN-affiliated programs offering 3-K, rates would need to be uniquely modified for all programs to reflect the credentials and experience of their existing staff. A career ladder that did not have voucher and contract rate differences and a system to facilitate it would put extra financial pressure on FCC and GFCC providers' take home pay. They would now be expected to pay staff according to credentials and experience, but those raises would likely come out of the revenue set aside for their own take home pay.

There would also need to be a public system that tracks and verifies the credentials and experience of all ECE staff and providers, so that rates of pay could easily be calculated. Such a system already exists in the Aspire Registry, but it is currently voluntary. Public investment would be needed to expand the Aspire Registry and support and incentivize ECE programs to use it. Without such a system, it would be hard to implement new voucher rates that reflect staff and provider credentials and experience.

#### **6-D. Public Marketing Campaign for All ECE Programs**

New York City's universal Pre-K and 3-K programs have become a national model for how cities can quickly build high-quality ECE programs to make a sizable dent in one of the biggest contributors to the affordability crisis in the U.S. today. However, investment in Pre-K and 3-K and the City's exceptional promotion of these programs did not result in increased utilization of FCCs and GFCCs. In fact, FCC and GFCC programs have seen declining enrollment since the launch of these programs even when they are contracted to provide 3-K to the public.

The launch of a universal ECE system, then, is not sufficient to address the enrollment challenges that drive business instability and low take home pay for FCCs and GFCCs. In fact, if the City or State builds a universal ECE system by expanding NYCPS-designed programs, providers will experience further enrollment decline. This is because current programs administered by NYCPS utilize centralized enrollment and FCCNs to mediate relationships between providers and the agency, which has resulted in a plethora of problems for providers. If FCCNs continue to play a mediating role in a universal ECE system, that system will only be accessible to FCC and GFCC programs that are FCCN members.

An additional hurdle is the preference for age-based classrooms over mixed-age environments. Because Pre-K and 3-K have been heavily promoted in recent years, many parents are not aware of licensed center- and home-based programs that serve all ages, or that there are CCAP vouchers to subsidize the cost of those programs. As a result, the City needs to engage in a robust public education campaign to increase the visibility of center- and home-based programs that don't fit the 3-K or Pre-K mold. Such a campaign should utilize a term like "early care and education" to describe all ECE programs and clarify that 3-K and Pre-K programs are part of a broader ECE sector. It should educate parents about the unique added values of FCCs and GFCCs, such as mixed-age learning, that have become overshadowed by the launch of universal Pre-K and 3-K. (See Section 1.) Highlighting these benefits would mitigate the unintended effects of 3-K and Pre-K public education campaigns on parent education and public awareness.

It is critical that this rebranding happen before a universal ECE system is in place, because it will immediately improve enrollment at FCCs and GFCCs. If all FCCs and GFCCs had good enrollment, take home pay would increase threefold. (See Figure 23.)

Furthermore, educating parents about the variety of ECE options available to them will expand the public's imagination of what a universal ECE system should be and make sure that it is designed with parents' preferences in mind.

One of the challenges with a rebranding effort is that ECE programs today are tied to different funding streams or agencies that require different application processes. Families looking to access 3-K and Pre-K are invited to do so during a centralized enrollment process with an annual spring deadline. Parents eligible for CCAP vouchers either learn about the application from an ECE program directly or a City system, like 311 or the MyCity.nyc.gov website. Application processes outside of those public programs are specific to each individual center- or home-based program, where word of mouth is the predominant form of public education and promotion.

In a universal system, all of this can be streamlined so that there is one starting application (even if some parents will be required to submit more documentation so that CCBG funds can be used to pay for their family's seats). In the meantime, a rebrand of public programs should coincide with agencies streamlining the public-facing part of the application process as much as possible. Common terms should be adopted across agency programs and with the user (parent) experience in mind. For example, parents do not need to know the terms CCAP, CCBG, "legally exempt," or even the distinction between FCCs and GFCCs. Instead, agencies should work with marketing experts to develop consistent language that educates parents and breaks down silos.

## **6-E. A Wage Subsidy Fund**

Even in a universal system, with a public promotion campaign that educates parents about all of the available ECE program options, there's no guarantee that all seats will be utilized

in all ECE programs. This will affect total revenue at all ECE programs and take home pay for FCC and GFCC providers. Some programs will innovate to address budget shortfalls, while others will decide to close their doors.

However, if ECE programs face budget shortfalls, they will impact the business and its longevity, not the worker. Employees of center- and home-based programs will continue to receive their salaries and benefits despite these firm-level budgetary challenges, though at some point – if an ECE program does have to make some cuts – those employees may get laid off and be eligible for unemployment insurance as they look for other work. These are the kinds of protections New York State has in place for employees, but that do not extend to independent contractors or small business owners. FCCs and GFCCs who face low and fluctuating enrollment, even in a universal system with a robust public promotion campaign, will continue to do what they always do – subsidize the operations of their businesses out of the provider's take home pay. It is for this reason that the ECE system, even in its most expansive form financed by public dollars, will always need some sort of wage subsidy program.

Such a policy has been proposed in multiple years of State budget negotiations, to prevent ECE workers from leaving their jobs due to current low wages in the sector. Current policy discussions include providing an emergency wage subsidy of \$12,500 to all ECE staff and providers. In the case of the median FCC or GFCC providers, a \$12,500 wage subsidy would increase their annual take home pay to \$27,985 or \$10.86 per hour. This is still below the minimum wage but is an urgently needed 80 percent increase from their current hourly take home pay of \$6.01.

In the current ECE system, with a mix of public and private payers, the State or City would need a fund that could be used to fill the gap between current salaries and any minimum wage standards established through collective

bargaining or in a sector-wide career ladder. For example, assistants at centers currently earn \$18 per hour in New York City. If the State or City determined that this should be the minimum standard for ECE assistants, the government could provide a wage subsidy to home-based providers so that they can also pay their assistants \$18 per hour. In order for a wage subsidy to be a useful tool, the State or City will need to improve systems like the Aspire Registry for tracking the workforce and their appropriate compensation level. (See Section 6-C.)

In a universal ECE system paying the true cost of care that includes a sector-wide career ladder, wage subsidies will eventually not be needed for ECE employees. But they will still be needed for FCC and GFCC providers. They provide protection against self-exploitation that other employees (in the ECE sector and throughout the U.S. economy) receive through their wage contracts.

Wage subsidies are a policy tool often used to incentivize companies to hire the long-term unemployed or other marginalized workers. For example, New York City currently offers the Employer Incentive Plus program, where businesses can receive a wage subsidy of up to 60 percent of an employee's monthly salary if the employee is a public assistance recipient. New York State also offers the Work Opportunity Tax Credit, which reimburses employers through a federal tax credit for hiring people from a wide range of disadvantaged groups. The Summer Youth Employment Program (SYEP) can also be thought of as a wage subsidy program. With SYEP, the City pays the full wage for participating youth to work at non-profits, government agencies, or small businesses for the summer. One expected outcome is that youth will be permanently hired by their employer after the program is over. In all of these examples, the wage subsidy is a temporary financial incentive for employers to take a chance on a person they may not have otherwise hired.

In the context of the ECE system, use of a wage subsidy would be slightly different. Here, the goal is to make sure that minimum wage standards are met in order to reduce staff turnover, sustain and grow ECE capacity, and increase program quality. However, the existence of wage subsidy programs in current City and State programs is evidence that the City and State have established expertise with setting them up, either directly to businesses, directly to employees, or through tax credits. Such a program is a necessity for the stability of the ECE sector to fill the current gap while all of the other long-term policy solutions described above are being developed, legislated, and implemented over time.

## Recommendations

*“The only time we hear about anybody is when they want their name on a ballot, or it's time to physically vote. They send a thousand of the same fliers during the week. I don't know you. I've never seen you in my community before. But you say, ‘oh, we're going to do this for child care workers.’ Then you get into office and who am I? You said you was going to help do this for me. And now that I helped vote you in. I'm just mud.” – K., 45-year-old FCC provider in Mott Haven, the Bronx.*

The five-part policy package described in Section 6 is necessary for expanding public ECE programming by guaranteeing there is a stable, high-quality ECE sector to support those programs. This comprehensive policy package will take significant resources and time to implement well.

This section outlines policy values and recommendations that can also more immediately address some of the acute problems experienced by FCC and GFCC providers. They will be necessary steps towards a comprehensive policy solution, which must be built on top of the existing system and which is informed by federal funding that has specific guidelines.

### 7-A. Values

Our research identified some values that emerged frequently, regardless of the topic or the agency. These values should be integrated into all policy responses:

- 1. New systems should be built with meaningful FCC and GFCC provider input.** Providers are the experts in this sector and

should be the primary point of reference for the development of new agency systems used to manage the ECE sector. In many instances, systems have been launched without sufficient user testing, resulting in costly, unusable experiences for providers and families. Any new system – from a paper application to a complex online marketplace – should be designed for the holistic needs of FCCs and GFCCs. This requires testing new systems with multiple providers at multiple stages of development and incorporating their feedback before systems are publicly launched.

- 2. Language justice.** Some 62 percent of providers we surveyed identify as Spanish speakers. Seventeen percent speak languages other than English or Spanish. All agencies engaging with providers should provide translations of all regulations, resource guides, and correspondence with providers in multiple languages. We recommend these agencies adopt the practices of NYCPS's Office of Language Access, which provides translations in the nine most common languages spoken in the city. While some agencies report currently using Language Line, they must improve their communication with providers about its availability.
- 3. Agencies should be adequately staffed to provide human technical assistance and support.** While technology has improved application processing, it cannot replace the important role of trained and empowered agency staff. All agency processes and systems should clearly publicize how providers can contact relevant agency staff and hold open office hours where providers can work with trained agency staff who can

provide general guidance and technical support.

**4. Agencies will need to work together and in collaboration with the NYC CCR&R to improve the system.** ECE policy improvements are challenged by the number of federal, State and City agencies that make the system function. Many of these agencies are constrained by federal Child Care and Development Fund (CCDF) rules and State Office of Children and Family Services (OCFS) regulations. Furthermore, OCFS has historically funded the NYC CCR&R and UFT to provide support to providers in New York City. To increase the efficiency of scarce resources and streamline support to providers, these community and member organizations must be better integrated as thought partners into system improvements. While we've identified which agency has the authority to act on specific policy recommendations below, we understand that how agencies interact is much more complex than we may understand. We encourage agency staff to work together to find address the issues and recommendations described here.

## 7-B. Policy Recommendations

### 1. Guarantee that voucher and contract rates include take home pay and benefits for FCC and GFCC providers commensurate with experience, credentials and working hours.

- **New York State should implement a true cost of care methodology for Child Care Assistance Program (CCAP) voucher payments.** It should include a career ladder, so that take home pay for providers and wages for staff are commensurate with experience, credentials, and working hours. This alternative cost-based methodology should include health insurance costs for providers and their staff as well as necessary

insurance policies (and funding to utilize substitute providers) so that providers and staff can participate in the State's Paid Family Leave program and the City's Paid Safe and Sick Leave program.

- **New York State should establish a wage subsidy program to compensate providers and staff whose take home pay or wages fall below a minimum standard. This can be achieved by passing the Statewide Childcare Workforce Living Wage Fund bill (A.492A (Hevesi)/S.5533 (Brisport)),** which would establish a wage subsidy fund and mechanism for compensating providers and staff to fill the gap between current compensation and an established career ladder for the sector.
- **NYCPS should use a true cost of care method for its next five-year contract with Family Child Care Networks (FCCNs) to deliver programs such as 3-K.** In addition to meeting minimum health and safety standards, these multi-year contracts should incorporate the costs of increased educational requirements on providers and/or staff, an annual cost-of-living adjustment (COLA), pay differentials for those providing extended day care, and funds for providers to take paid vacation, in addition to current holiday and professional development days outlined in the contract. These contracts should also offer providers access to the same benefits as NYCPS teachers, either by enrolling providers directly in those benefits programs or incorporating the cost of similar quality benefits into the contract rate.

*"I think they could give us the same amount of vacation time as the Center. They could do it, it's just that they don't want to. So that's exactly what I'm talking about: it's unfair. We're at the bottom. We work the hardest, earn the least, and yet we don't even have vacations." -YI., 50-year-old GFCC provider in Sheepshead Bay, Brooklyn.*

## 2. Establish affordable, accessible benefits and protections for childcare programs, providers and their staff to access.

- **New York State should conduct a feasibility study of the best mechanism for providing a high-quality, comprehensive healthcare insurance program, including dental and vision, for providers and their staff.** Given the benefits cliff many providers and staff face as a result of improving compensation in the field as well as drastic federal funding cuts to Medicaid, the State should investigate all options and identify those that offer the best quality, cost effectiveness, and administrative ease. This could include: developing a subsidized State insurance plan for care workers specifically; expanding the vision insurance, dental insurance, and wellness offerings of the UFT and CSEA; and enrolling providers and their staff directly into programs serving public employees. Proposals investigated in the feasibility study should take into consideration the unique needs of providers, such as their employment status as independent contractors or small business owners, the reality that their take home pay is highly sensitive to enrollment, the prominent role of immigrants in the ECE workforce, and the need for simple application processes.
- **New York State and New York City should amend their laws to include FCC and GFCC providers in the existing public pension programs.** See Appendix C for more details.
- **New York State should establish an Unemployment Bridge program that provides unemployment compensation to workers who are excluded from regular unemployment insurance because of their immigration status or the work they do.** This can be achieved by passing the Unemployment Bridge Program bill (A.3582 (Reyes)/S.173(Ramos)).

## 3. Create a one-stop shop for all early care and education options that can immediately connect families and providers and facilitate planning for future City policies and programs.

- **The Mayor's Office should replace or improve current City websites, like MyCity.nyc.gov, with an online marketplace to house all information about childcare supply and options for families.** An improved marketplace will increase public awareness about current ECE options and help the City and advocates understand where (by neighborhood or program modality) there is a supply and demand mismatch. The portal should educate the public about program modalities (home-based, center-based) and program types (full-day child care, Pre-K programming) and their unique values. It should include a robust search function that enables the public to search by key criteria and view results on a map. The portal must create a simple mechanism for ECE programs to update availability that does not create a barrier to entry. It should easily connect families to application processes for subsidized care (such as CCAP vouchers or NYCPS programs). Everything should be designed mobile-first, with language access prioritized. The technology that undergirds the portal should be owned by the City of New York and developed with trusted technologists and experts in the field, including FamTech companies like Wiggle Room.
- **The Mayor's Office should develop a new marketing campaign to educate the public about all ECE programs simultaneously and options for families to affordably access those programs.** A citywide marketing campaign that highlights the unique qualities of FCCs and GFCCs and their benefits for child development can improve the conversation about parents' needs, help to broaden the conversation about the design of expanded ECE

programming, and improve FCC and GFCC providers' ability to recruit new clients. Integrating a quality rating and improvement system (QRIS), such as Quality Stars NY, into this marketing campaign and the related online marketplace (see above) can also improve matchmaking between parents and ECE programs.

- **The Mayor's Office should work with OCFS, City agencies, and the NYC CCR&R to develop a clear, simple application process for parents and providers to directly enroll children in a specific child care program of the parent's choosing.**

The current process to access subsidized care (either the CCAP voucher or NYCPS programs) is confusing, with different enrollment periods and application processes. CCBG-funded seats in both the programs also include the CCAP eligibility application, which is designed by OCFS. FCCNs add a further layer of complication to the NYCPS program enrollment process. All agencies and the NYC CCR&R who play a role in this process should work together to create a clear and simple application process (as well as propose regulatory changes to further improve the process). It must be easy to explain to parents in a new marketing campaign. It must facilitate a streamlined process between agencies to more quickly process applications for parents. It must offer a path for FCC and GFCC providers to directly enroll children in their programs and follow up on the status of those applications. Lastly, it must facilitate coordination among agencies, programs, FCCNs, and the NYC CCR&R about where excess supply is available.

- **The Mayor's Office should submit an annual report to the City Council that evaluates capacity and utilization across private and public ECE programs. The City Council should hold an annual public hearing about the report findings.** With multiple agencies and community-based organizations connecting parents and

providers, it is challenging to assess where there are gaps and inefficiencies. Without this knowledge, public programs cannot be expanded in ways that prioritize vulnerable families and established ECE programs. The Mayor's Office is in a unique position to synthesize information about capacity by neighborhood and demographic groups, and OCFS could be a partner in providing utilization data. This analysis should be prepared annually to aid the Mayor and City Council in legislative and budget priorities. Establishing a public hearing will also create an effective space for providers, ECE program staff, parents, and other stakeholders to share their perspectives regarding a complex ECE system.

- **New York City should commit to using City revenue to guarantee that existing subsidized ECE program options are accessible to all families** regardless of whether CCBG funds adequately cover program costs. Families in New York City are confused about what child care support is actually available, because of messaging in recent years on 3-K budget cuts and voucher waitlists. This constrains families' decisions about where to live and providers' business decisions. Agencies have also slowed application processing times due to concerns about funding. Committing City revenue to cover the costs of fully funding these programs will reduce confusion and disruptions in child care access.

#### **4. Remove bureaucratic barriers that result in revenue loss or cash flow problems for FCCs and GFCCs.**

- **New York State should automatically provide CCAP voucher rate increases to providers. This can be achieved by passing the Automatic Rate Increases for Child Care Providers bill (A.1001A (Clark)/S.4472A (Ramos)).** CNYCA's survey results reveal that only 30 percent of providers received the maximum CCAP rate in 2023

because, under current law, each program must affirm that their private pay rates are equal to, or exceed, the current maximum CCAP rate. This disproportionately affects providers serving low-income families who cannot afford the maximum CCAP rate. Notably, federal CCDF rules promulgated in 2024 clarify that states “are allowed and encouraged to pay child care providers the full established payment rate, even if it is higher than the price the provider charges privately paying families.”

- **OCFS should implement new federal guidelines to pay CCAP vouchers to child care programs at the beginning of the month and based on enrollment.** OCFS submitted a waiver to the federal government to delay implementing these new guidelines until August 1, 2026. OCFS should work proactively this year to develop and test new systems required for this transition, so it can be implemented quickly across the state.
- **NYCPS should change its payment processing for all ECE programming to pay programs at the beginning of the month and based on enrollment.** New federal guidelines only apply to federally funded seats. However, the majority of 3-K and Pre-K contracted seats are not federally funded. These best practices should be applied across the board.
- **ACS should further develop and implement a transparent recoupment policy that minimizes the impact of City administrative errors on providers’ cash flow.** ACS has begun implementing such a process, but it has not been clearly communicated to all providers. Recoupment of funds is most common when a provider is caring for a child that has transferred from one program to another but the parent hasn’t taken the proper steps to transfer the voucher. The recoupment policy should include standards for notifying providers if a payment error has been identified and giving providers a reasonable time and

process to refute the declaration. If the error is substantiated, providers should be given payment plan options rather than the agency clawing back all funds without notice, which providers report has had detrimental effects on their businesses.

- **ACS should overhaul the Childcare Attendance & Payment System (CAPS) system (or replace it with a better-functioning system) so that providers can enter enrollment and attendance to be paid accurately and on time.** Section 5-C outlines significant technical issues with CAPS. There are also many features that could be built into the system that would resolve multiple issues with accurate reporting. These challenges must be addressed, and anticipated challenges with CCDF rule changes (prospective, enrollment-based payments) should be addressed in an overhaul of CAPS. CAPS should be properly designed and supported to accommodate user needs during surge periods (like submission deadlines). It should incorporate design and technology that can minimize errors and posting delays that necessitate adjustments. Lastly, it should incorporate built-in notifications and customer service support to providers concerning changes in the system that could impact attendance and payment.
- **The Mayor’s Office and the Fund for the City of New York should amend the rules governing its Returnable Grant Fund (RGF) program so that FCC and GFCC providers can request interest-free loans in the event of late payments from City agencies.** While ACS is required by federal and state law to pay providers within 21 calendar days of receiving an invoice and NYCPS requires FCCNs to pay providers every two weeks, there are many bureaucratic challenges that result in slow payment processing. The RGF can help to mitigate the harm caused by payment delays. It already has systems in place to provide loans to human service providers

and FCCNs for existing City contracts and works with agencies to repay the loans directly. However, currently only non-profits are eligible to access the RGF.

## 5. Streamline how FCC and GFCC providers engage with City and State agencies to minimize disruptions in enrollment and staffing.

- **OCFS should improve its orientation, application, and onboarding process for providers to adequately introduce providers to all agency and small business requirements.** The OCFS orientation should include a live, remote option (not just an asynchronous video). The application process should allow providers to apply for their business license and CCAP participation simultaneously. Furthermore, OCFS should work with the NYC CCR&R and UFT to develop a standardized onboarding process, including getting oriented to systems like FAMS and CAPS, learning about the various agencies they will interact with, and how to contact staff at those agencies in the event of any problems.
- **OCFS should prioritize New York City FCC and GFCC providers in the substitute provider pool pilot currently being developed.** In the FY2026 budget, New York State committed to establishing a substitute provider pool to support ECE programs across the state. It and the mechanisms to establish it will alleviate challenges providers face with staff hiring and their own ability to take time off. A pilot program is currently being developed to test the legal and institutional mechanisms needed to implement a substitute provider pool statewide. New York City is home to over half of all of OCFS's licensed ECE programs. Additionally, over half of the state's ECE programs are FCCs or GFCCs. In order for the State to invest in a successful substitute provider program, pilot efforts should be conducted in New York City and must center the needs of FCC and GFCC providers for substitute relief.
- **DOHMH and OCFS should work together to establish clear, reasonable timelines for license and staff background check processing. They should improve providers access to DOHMH staff to discuss pending applications.** The agencies should establish and strive to meet target application processing times (e.g., 10-15 business days) and be transparent about those targets in the process with applicants. Prior to the Covid pandemic, providers were able to deliver paperwork directly to DOHMH offices and speak with DOHMH staff about license applications and staff background checks, which was effective for providers navigating these processes. DOHMH should publicize open office hours for providers to be able to walk into or call a DOHMH office where they can speak with a trained staff person who can provide technical assistance on pending applications.
- **DOHMH and OCFS should work together to improve written policy for site visits and violations that prioritizes education and safety.** Providers report that inspectors have inconsistent interpretation of regulations. The agencies should modify the current site visit checklist so that it is in layman's terms and in multiple languages. This checklist should describe what inspectors are evaluating and what constitutes a violation and should be used during the site visit. The inspection policy should include a way for providers to submit grievances regarding unfair or unprofessional inspections. Additionally, the agencies should modify the violation process. It should include a graduated violation process based on the severity of a violation. For example, DOHMH should issue warnings first before handing out violations for non-emergency or administrative issues. In the event of a non-emergency or administrative violation, providers should be given the opportunity to

fix the issue within 48 hours before violations are published. DOHMH should remove non-emergency or administrative violations from public record after they have been resolved. OCFS should return to its prior policy of keeping serious or emergency violations available to the public for two years.

- ACS should implement presumptive eligibility as has been permitted by the governor's signature of A.4099 (Clark)/S.4667 (Brouk) in 2024. This law permits Local Departments of Social Services (LDSSs) to implement presumptive eligibility for CCAP vouchers and utilize CCBG funding to cover cost of care during the eligibility determination process. Monroe County has successfully implemented presumptive eligibility with minimal instances of families not qualifying for a CCAP voucher.

## **6. Protect providers, their staff, and the families they support in response to federal and local immigration actions and policy changes.**

- **HRA should partner with the NYC CCR&R and other community-based organizations to actively assist FCC and GFCC providers to maintain their Medicaid, SNAP, and other benefits.** Providers are more likely than other working New Yorkers to rely on Medicaid and SNAP. However, they are also independent contractors or small business owners, who have a harder time than employees in completing applications requiring proof of employment. Furthermore, 76 percent of providers were not born in the U.S. and may be fearful of interacting with government agencies at this time. For these two reasons, providers will disproportionately lose access to these critical benefits without active support from HRA to communicate with them thoughtfully and from community-based organizations to combat the chilling effects.
- **New York State and City should backfill any federal funding cuts or freezes that**

**directly impact ECE programming** (i.e. CCDF, Head Start, and Temporary Assistance to Needy Families (TANF)) in order to minimize disruptions for programs, providers, and families.

- **New York State and New York City should continue to fund and grow programs, like Promise NYC and facilitated enrollment, that extend the CCAP voucher program to families regardless of immigration status.** LDSSs administering these programs should collaborate to identify and eliminate barriers that prevent families from enrolling for assistance.
- **New York State should provide universal representation to anyone at risk of deportation and invest in adequate legal services by passing the Access to Representation Act (A.270 (Cruz)/S.141 (Holyman-Sigal)) and Building Unrepresented Immigrant Legal Defense Act (A.2689 (Cruz) /S.4538 (Liu)).** Existing legal services in New York leave hundreds of thousands of New Yorkers without access to representation, which puts them at risk of family separation, detention in dangerous facilities, or deportation. Guaranteeing adequate access to legal representation for immigrants will directly support providers, 76 percent of whom were not born in the U.S., as well as the immigrant families that they serve.
- **New York State should protect immigrants' rights by passing the New York for All Act (A.3506 (Reyes)/S.2235 (Gounardes)).** The bill prohibits state and local officers from enforcing federal immigration laws, funneling people into Immigration and Customs Enforcement (ICE) custody, and sharing sensitive information with federal immigration authorities. It also ensures that people in custody are informed of their rights before being interviewed by ICE. The act prohibits ICE and Customs and Border Protection (CBP) from entering non-public areas of state and local property without a judicial warrant and begins the process of limiting their access to state information databases.

## 7. Provide more advanced training and support to meet the unique needs of providers as ECE professionals and small business owners.

- **OCFS should create a searchable online library of available trainings that meet licensing requirements and make information about the Educational Incentive Program (EIP) more available.**

The current OCFS website requires staff and providers to search through the websites of multiple training organizations to find trainings of interest. OCFS could create one library of training options (or promote this feature of the Aspire Registry and support providers in signing up), searchable by topic, which would save providers and staff time and help them better connect to relevant training. This new online library should also better promote the EIP, which provides 75-100 percent reimbursement for up to \$2,500 in training and education costs annually.

- **OCFS should develop a survey to obtain feedback from training participants and require all training programs to offer the survey as part of the training. OCFS should dedicate staff to review survey findings on an annual basis.** Providers overwhelmingly share a desire for more education and training on a wide range of issues and more in-depth trainings on many topics. Such topics include: working with special needs children; managing conflict with parents; mental health support; and using technology and social media for publicity. Requiring training providers and OCFS to offer participants the opportunity to give feedback on current and in-demand curriculum and requiring OCFS to review these surveys will greatly improve the training curriculum and providers' expertise.
- **New York State should establish a permanent grant program for FCC and GFCC providers to cover renovations, repairs, or capital improvements.** A permanent fund will strengthen the quality of ECE infrastructure. This fund can be

launched with the \$10 million allocated in the State FY2026 budget for capital grants to providers. This grant fund should be designed with sufficient flexibility to meet the needs of NYC-based FCC and GFCC providers, 78 percent of whom are renters, as well as the broader community of providers across the state. The grant program should be administered through a financial intermediary, such as a Community Development Financial Institutions (CDFI) like the Low Income Investment Fund (LIIF), that can leverage public resources with private or philanthropic funds and provide technical assistance during the application and construction processes. Working with an intermediary partner also allows New York State to avoid cumbersome reimbursement mechanisms, takes advantage of external expertise, and enables more efficient, equitable access to capital among providers who have historically struggled to access conventional financing.

- **OCFS, NYCPS, the NYC CCR&R, and UFT should better market online English and Spanish child development associate (CDA) certificates and EIP scholarships for the CDA.** CUNY and SUNY CDA coursework can be completed online and the vast majority of providers are eligible for full scholarship (except for the cost of books) through the EIP. However, 26 percent do not think they can participate because of the amount of time to travel to in-person classes and many expressed concerns about the financial costs associated with the CDA. Regular promotion of these opportunities should be sent out by agencies and funded partners, like the NYC CCR&R and UFT, to providers in English and Spanish.
- **NYC Small Business Services should partner with the NYC CCR&R and other FCC and GFCC technical services providers to develop an online library of relevant small business training and service resources.** Providers representing all business entity types expressed the need for

more information about their responsibilities as employers if and when they hire staff. The library should provide information for all common FCC and GFCC business entity types about necessary insurance requirements and beneficial programs, such as the [State's Paid Family Leave program](#), the [State's Secure Choice Retirement Savings Program](#), and the [City's Paid Safe and Sick Leave program](#). It should feature small

business grant and no- or low-cost loan programs, including those offered by the City and State. It should feature vetted free or affordable programs for payroll processing and bookkeeping. It should also provide information about learning opportunities – from the CUNY CDA certificate program and [City-sponsored, free ESL classes](#).

## Conclusion

Overwhelmingly, FCC and GFCC providers feel undervalued and disrespected. Our research demonstrates that their work is, in fact, being economically undervalued. As a result, the sustainability and viability of their businesses and the critical role they play in the city's ECE system continues to be in jeopardy.

Our research also demonstrates that comprehensive redesign of policies and government programs is necessary to address these challenges. Creating a universal ECE system on its own or a wage subsidy policy on its own will not address these challenges. A

package of policy solutions must be developed together and evaluated for their short- and long-term impacts. Given that some policies can be implemented quickly, while others will require a phased approach, attention must also be paid to mitigation strategies to make sure that the rollout of one policy before another does not have unintended consequences that undermine the long-term goals of ECE policy and their benefits to families, existing ECE programs and staff, the city's labor force and economy, and the social well-being of all New Yorkers.

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# Appendix

## A. Glossary

New York City's early care and education system is incredibly complex, with care provided in different **program types** and settings, by people with different **occupations** (job titles), and interacting with many **government agencies and policies**. The language choices in this report are intentional.

**Early care and education (ECE):** This term is used to describe the universe of work that is often called child care, which includes both child care and education services for infants to children before they start kindergarten, as well as for school-aged children, typically up to the age of 12, outside of normal school hours.

### Program types

**Center-based:** This describes ECE programs licensed to operate in commercial spaces. They may be operated by non-profit organizations or for-profit firms and must comply with State rules and regulations.

**Family Child Care (FCC):** FCCs are small businesses owned and operated by providers in their own homes. In New York City, FCC programs are registered by the City Department of Health and regulated by the State. They are officially called Family Day Care. They may have a maximum capacity of six children ages six weeks to under six years old, as well as two school-age children, for a total of eight children. They must hire additional staff for every two infants in care.

**Group Family Child Care (GFCC):** GFCCs are small businesses owned and operated by providers out of their homes, are licensed by the City Department of Health and regulated by the State. They are officially called Group Family Day Care. They're distinguished from FCCs

because they can care for up to 16 children (12 children ages six weeks to under six years old, as well as four school age children), with sufficient staffing. They must hire additional staff for every two infants in care.

**Home-based:** This term is used to describe all ECE program types in residential settings: registered FCCs, licensed GFCCs, enrolled legally exempt family providers, and unregulated home-based care, provided by caregivers in their homes without any compliance or interaction with City and State rules and regulations. While the purpose of this report is to highlight the role of FCC and GFCC providers, the U.S. Census data can only provide insight on the entire home-based provider population, because it does not distinguish among these different home-based program types.

**Legally exempt provider:** This term is used to describe providers enrolled to provide ECE in their home for up to eight children, so long as only two of the children are unrelated to the provider. Required to comply with certain health, safety, and education standards and training, they are legally exempt from other guidelines, because of the familial connection these providers have to the children and parents they serve. Enrolled legally exempt family providers are eligible to receive CCAP vouchers from income-eligible families. CNYCA will publish a separate report on its 2024 survey of legally exempt providers.

**Pre-K and 3-K:** These short-hand terms are used to describe Pre-K-For-All and 3-K-For-All, both programs administered by the New York City Public Schools (NYCPS). Both are school day, school year programs with no cost to parents, offered in both public schools and a variety of other center-, school-, and home-based settings. Extended-day and extended-year options are also available at some Pre-K and 3-K sites at

no cost for income-eligible parents and for an additional fee for all other parents. Please see [insideschools.org/pre-kindergarten](https://insideschools.org/pre-kindergarten) for a full description of Pre-K and 3-K various setting options.

**Public:** When describing an ECE program, this term means that the program is not only funded by the government, but run by a government agency, such as a 3-K-For-All program offered on site at a New York City public school.

## Occupations

**Assistant Educator:** This term is used to describe people who assist Pre-K teachers, lead educators and providers in early care and education. They provide classroom support to lead educators and individual children; and support all the tasks making ECE function.

**Director:** This term describes the person at center-based and public school ECE programs responsible for administration and management.

**Early care and education (ECE) worker:** This often describes all occupations in an ECE setting. Due to data limitations, this term is used in Figure 24 to combine lead and assistant educators.

**Lead educator:** The people responsible for the education of children under six years old. (This is distinct from a Pre-K teacher who only works with three- and four-year-olds.) They develop and lead curriculum to fulfill children's educational, developmental, cognitive, emotional and social needs. A lead teacher may also supervise assistants and volunteers.

**Pre-K Teacher:** This term is used to describe people working as pre-school teachers with three- and four-year-olds, in all ECE settings, not just limited to the NYCPS Pre-K and 3-K programs.

**Provider:** We use this term to describe FCC and GFCC small business owners required to carry out multiple job functions.

## Government agencies and policies

**Administration for Children's Services (ACS):** The City agency responsible for determining

eligibility for low-income families seeking to qualify for the Child Care Assistance Program (CCAP).

### **Child and Adult Care Food Program (CACFP):**

This is a voluntary federal program that ECE programs can participate in to receive reimbursement for meals to children. Providers can receive reimbursements for up to two meals and one snack per attendee per day, and the government has different reimbursement rates based on the low-income status of the provider or the community she serves. Notably, center-based ECE programs have higher reimbursement rates than providers.

**Child Care Assistance Program (CCAP):** Often known as "subsidized care" or "vouchers," CCAP provides income-eligible parents a voucher to use at a regulated ECE program of their choosing. The program is overseen by the State Office of Children and Family Services (OCFS) and administered by local social service districts (ACS in New York City). CCAP pays ECE programs directly a significant portion of the price to recipient parents for the services their child is enrolled in. Funds for CCAP vouchers are set aside in the New York State budget and are largely financed from the Child Care and Development Fund (CCDF). Many of the CCAP policy designs are guided by federal CCDF rules.

**Child Care Block Grant (CCBG):** CCBG is New York State's own terminology to describe CCDF funds distributed within New York State to Local Departments of Social Services (LDSSs), like New York City, which directly manage enrollment of families in the CCAP program.

**Child Care Development Block Grant (CCDBG):** CCDBG is the federal block grant component of CCDF. CCDBG funding to states is determined through a formula based on a variety of need-based factors, not demand for services.

**Child Care Development Fund (CCDF):** The largest federal funding source for child care. CCDF funds are distributed to states, tribes, and territories to help them administer CCAP for low-income families. OCFS is the lead agency

in New York State responsible for managing CCDF funds. OCFS must follow broad federal guidelines but also has significant autonomy in designing the State's CCAP.

**Department of Health and Mental Hygiene (DOHMH):** The New York City agency responsible for licensing, registering, and regulating FCC and GFCC programs. DOHMH has a contract with OFCS, which has oversight authority of DOHMH.

**New York City Public Schools (NYCPS):** The City agency that administers the Pre-K, 3-K, and other ECE programs, like EarlyLearn, in the five boroughs. The majority of these programs are not delivered at public schools but at center-based ECE programs which contract with the City. NYCPS was previously called the Department of Education (DOE).

**Office of Children and Family Services (OCFS):** The New York State agency responsible for implementing ECE programs, in compliance with federal and state law. It has oversight authority and establishes policies and regulations that govern the ECE sector. In all counties except the counties of New York City, OCFS is responsible for licensing and registering ECE programs and ensuring that they meet regulatory standards.

**Office of Child Care and Early Childhood Education:** An office established by Mayor Eric Adams to implement the Mayor's Blueprint for Early Care and Education and improve coordination across City agencies involved in ECE programs and policies.

## Other

**Attendance:** refers to the number of children present in an ECE program on a given day. Typically, attendance is lower than enrollment, because enrolled children may be absent on a particular day for a variety of reasons, such as illness or vacation. New York's CCAP voucher program currently reimburses providers based on attendance.

**Capacity:** Each ECE program type has a total potential seat capacity—the total number of children they can provide services to in the same

hour or day—based on a number of factors (program type, age of children, square footage, staffing). Seat capacity can be reduced at any time if a program does not have sufficient staff on-site.

**Child Care Resource & Referral Agencies (CCR&R):** Non-profit organizations in New York counties that have a contract with OCFS to provide services to parents and ECE programs in their counties. These include helping parents find an ECE program that meets their needs and providing technical assistance and training to ECE programs.

**Enrollment:** refers to the number of ECE program seats that are accounted for based on contracts between the provider and the parent. Enrollment is typically higher than attendance, because enrolled children may be absent on a particular day for a variety of reasons. On August 1, 2026 New York State must comply with CCDF rules to reimburse CCAP vouchers based on enrollment, not attendance.

**Family Child Care Network (FCCN):** Member organizations of individual providers. They offer technical assistance, training, and peer support delivered by paid staff. While providers may choose to join an FCCN to receive these supports, FCC providers are required to be members if they want to contract with the NYCPS to provide 3-K.

## B. Data and Methodology

### B-1. Survey Data

CNYCA worked with seven community-based organizations to design, test, and administer a survey of providers. These partner organizations include: All Our Kin; ECE on the Move; the NYC CCR&R Consortium (which is a partnership of the Child Development Support Corporation, Chinese-American Planning Council, Committee for Hispanic Children & Families, and the Day Care Council of New York); and the Women's Housing and Economic Development Corporation (WHEDco). The survey was translated into English, Mandarin and Spanish. CNYCA administered two surveys: one 60-question survey for FCC and GFCC providers; and a shorter 40-question survey for legally exempt family child care providers. The surveys are available upon request.

CNYCA set a goal to survey 10 percent of the provider population, which would have included 600 FCC or GFCC providers. A random sample of 10 percent of a population is the social science rule of thumb for producing accurate estimates about a population. Given the complexities of the survey, CNYCA recognized that random sampling was not truly possible. Trusted community-based organizations and staff would be needed to promote the survey, build trust with providers to encourage them to share detailed expense data, and help providers to complete it. CNYCA provided a \$350 stipend to all providers who completed the survey. CNYCA promoted the survey in multiple ways, including sending a print postcard to every licensed FCC and GFCC provider in New York City, sending email and text announcements to providers engaged with our seven community-based partners, and presenting the project at CCR&R professional development days. All providers were able to participate so long as they reside in New York City, have an active license number, and were in business in 2023.

CNYCA made the survey available from February to August 2024. We received interest from 1,364 providers, and 583 FCC and GFCC providers participated in the survey. After reviewing the surveys, CNYCA was able to analyze 465 completed surveys for this report. 59 surveys were from FCC providers, 396 surveys were from GFCC providers, and 10 surveys were from providers who did not list their license type.

It was important to CNYCA to obtain a representative sample of the FCC and GFCC provider population. Prior to conducting this survey, the only direct survey of licensed providers in New York City was limited to providers who have NYCPS contracts (Reid et al. 2020). Very little is known about this population, but CNYCA utilized OCFS and NYCPS publicly available administrative data to determine the distribution of providers across the five boroughs; the breakdown between FCC and GFCC license types; the percentage of providers with NYCPS contracts; and the percentage of providers accepting CCAP vouchers. Figure A-1 (below) lists the target distribution calculated from this administrative data as well as the percentage of completed surveys that fit into these categories.

Overall, CNYCA came close to reaching our survey goals in most areas. However, our dataset oversampled providers in Brooklyn, providers with NYCPS contracts, and FCC providers who accept CCAP vouchers. Our sample is also limited to the languages we used to administer the survey. While we do not have any administrative data about language preferences of providers, we set targets based on CNYCA's previous report about home-based ECE providers, which utilized the American Community Survey (Melodia 2023). It is likely that we oversampled Mandarin-speaking and English-speaking providers. Oversampling of some subpopulations within the FCC and GFCC provider population may lead to some bias in the results.

This survey is the largest sampling of FCC and GFCC providers in New York to date and, after Montoya et al's (2020) survey in California, it is the second-largest in the country. Therefore, while it is important to keep the potential for bias in mind while interpreting the results, this data includes more observations than American Community Survey data, making it a more reliable source for quantitative analysis on providers.

## B-2. Focus Groups

After reviewing the quantitative results of the survey, CNYCA and its seven community-based partners designed a set of focus group questions to use for collecting further qualitative data from providers, particularly in areas where more feedback would help to interpret the survey data. Focus groups were administered in three languages: English, Mandarin, and Spanish. Each focus group used the same

Figure A-1

## Progress towards representative sample targets

	Target Distribution	Survey Distribution
<b>Entity Type:</b>		
FCC	15%	12%
GFCC	85%	88%
<b>Borough:</b>		
Bronx	52%	52%
Brooklyn	18%	22%
Queens	15%	12%
Manhattan	11%	10%
Staten Island	3%	4%
<b>Client Type:</b>		
CCAP voucher recipient	71%	70%
NYCPS contract	22%	44%
<b>Language:</b>		
English	36%	60%
French	1%	1%
Mandarin	3%	10%
Spanish	60%	62%
Other		6%

standard questions. Due to provider preference and logistics, English and Spanish focus groups primarily took place over Zoom, while all Mandarin-language focus groups took place at the office of the Chinese-American Planning Council.

All providers who had completed the survey were eligible to participate and received a stipend of \$150 for participating in a focus group, and 126 providers signed up to participate. From June to July 2025, CNYCA organized eight focus groups, in which 59 providers participated. Focus group participants hailed from all five boroughs. Two-thirds of focus group participants are based in either the Bronx or Brooklyn. The remaining providers closely reflected the borough distribution of licensed providers in the city: 18 percent were from Queens; 10 percent were from Manhattan and three percent were from Staten Island. Focus groups oversampled providers with NYCPS contracts. While only 22 percent of all city providers have NYCPS contracts, 61 percent of focus group participants provide contracted care to NYCPS.

### **B-3. Revenue Methodology**

FCC and GFCC providers provided details on their enrollment by age group as well as whether or not the enrolled child was full-time, part-time, special needs, private pay, a voucher recipient, a NYCPS-contracted seat, or one of their own children. The survey question on enrollment asked, "How many children did your business care for in the past month?" While one of the main findings of this research project was that providers experience significant fluctuations in enrollment, we assumed that their answers to this question remained consistent for the full year. Enrollment for private pay and voucher clients was calculated as 52 weeks annually minus any vacation providers reported on the survey. For NYCPS-contracted seats we calculated the total number of days of enrollment based on the terms of the contract (school-year or extended-year).

For each provider, we estimated an individual revenue, multiplying enrollment by reported pay rates. Providers answered questions about their private pay, voucher, and NYCPS contract terms and rates. For providers who listed a child enrolled in a certain age group or payment type but no corresponding rate, we imputed the mean weekly rate for the age group and payment type from our sample. The majority of NYCPS-contracted providers work with a FCCN, so the published contract rates were applied to the provider's reported enrollment. Providers also answered questions about CACFP payments and OCFS Workforce Retention Grant payments in 2023. Their answers to these questions were added to the above revenue to obtain the estimated total annual revenue for each provider.

### **B-4. Operating Costs Methodology**

Providers consulted their business records and submitted answers for the price and frequency (monthly, quarterly, or annual) of the following business costs in 2023: rent/mortgage, electricity, gas, water, telephone and internet, food for children in your care, cleaning supplies and/or services, repairs and maintenance, staff wages, health insurance, insurance (workers Comp, liability, homeowners, etc.), tax preparation and bookkeeping, licenses/permits/background checks, membership dues, payroll services, marketing/advertising, professional development trainings, retirement fund contributions, taxes (federal, state, local income or business), other supplies (toys, diapers, etc.), transportation (to pick-up children, purchase food and supplies), and other. This list of categories was compiled in consultation with our seven community-based partners and FCC and GFCC providers who tested the survey before it was made public.

We annualized the costs provided based on the frequency of the bill (monthly, quarterly, or annual), evaluated the distribution of values for errors (values that were logically too low or high), and established a logic for each cost

category to replace illogical extreme values as needed. The first five costs are costs for the entire household (rent/mortgage, electricity, gas, water, and telephone and internet). We weighted the annual value for each of these items based on the time-space percentage for each provider. Each provider answered questions about the number of rooms and hours per week dedicated to their business, so we were able to calculate a personal time-space percentage, using the same formula as IRS Form 8829. After applying the time-space weight to the relevant items, we calculated an estimated total annual business cost for each provider.

### **B-5. Take Home Pay Methodology**

Twelve percent of FCC providers and 42 percent of GFCC providers claim to pay themselves as W-2 payroll employees, a sign that they are using payroll services and, therefore, have likely established a fixed weekly wage to pay themselves. The majority of FCC and GFCC providers, however, do not pay themselves a regular wage at all, or compensate themselves as independent contractors or with cash – all signs that providers are not paying themselves a fixed weekly wage.

In the report we use the term “take home pay” to describe the personal income providers pay themselves for their work, because it more accurately describes the compensation practice that the majority of providers use – using their net business income as their “take home pay,” available for personal use or to reinvest in their business. Regardless of what payroll processing providers use, our survey asked providers to list wages for staff separately from wages for themselves. In order to calculate take home pay, then, we subtracted the reported expenses, including staff wages, from the estimated revenue for each provider.

We calculated individual take home pay for each provider in three distinct ways. First, we produced an estimated annual take home pay using the components described above as:

*Estimated annual take home pay = estimated total annual revenue - estimated total annual business costs*

Second, we calculated an individual estimated hourly take home pay in two ways.

*Hourly take home pay #1 = estimated annual take home pay / all working hours*

*Hourly take home pay #2 = estimated annual take home pay / open hours only*

“All working hours” includes providers’ responses on their open business hours plus any additional hours they reported working outside of their open business hours cooking, cleaning, or shopping; doing paperwork; lesson planning; or other. (See Section 2-A.) This is the most accurate representation of their hourly take home pay, because it accounts for all hours worked.

“Open hours only” includes providers’ responses on their open business hours but excludes additional hours they reported working outside of their open business hours. This is a less accurate representation of currently hourly take home pay, but it offers perspective on what hourly take home pay would be for providers if they were able to complete their work duties during their open business hours.

## C. A Pension Program for FCC and GFCC Providers

*“I’m 30, but I will be old one day. I hope I make it, and it would be sad if I had given my life working [in] this country—paying taxes, paying everything—and to not get a pension with the way we work...We work hard, I work hard.” – L., age 31, GFDC Brooklyn, NY*

### Summary

FCC and GFCC providers should be covered by the existing high-quality, professionally managed New York City and State public pension systems. The recently launched New York Secure Choice Savings Program will not meet the needs of providers with low and unstable revenue and take home pay for two reasons. First, meaningful asset accumulation for low-wage workers requires matching contributions. FCC and GFCC providers are part of the City’s publicly funded, subsidized ECE system, serving families through vouchers and contracts with ACS and NYCPS. Therefore, the appropriate retirement contribution matcher for these small businesses is the City. Second, low-wage workers need a defined benefit plan that pools risk and delivers predictable, stable retirement income.

### The Problem

As small business owners or independent contractors with low and unstable revenue, FCC and GFCC providers are at risk of being poor in their retirement years. They are currently unlikely to have the cash on hand to save or invest in retirement accounts for themselves or their staff. Furthermore, given their persistent low take home pay, they will likely have low Social Security benefit payments when they reach retirement age. This is due to the fact that Social Security benefits for sole proprietors, which is the business entity type for 42 percent of providers, is calculated based on net profit, which is how we define take home pay.

In a future where a universal ECE system pays providers directly for all enrolled children, a true cost of care methodology could include funding for providers to make retirement savings account contributions on behalf of themselves and their employees. However, even in a universal system, there’s no guarantee that all seats will be utilized. Providers will continue to be in a situation where their take home pay, and what portion of it can be saved for retirement, is vulnerable to enrollment fluctuations.

In 2025, New York established the New York Secure Choice Savings Program, a simple way for employers and employees to access a retirement savings account tied to their payroll systems. Now firms that have been in business for at least two years, have 10 or more employees, and do not currently offer a qualified retirement plan, are required to register for the program. Smaller firms, such as FCCs and GFCCs, can also access this free service. Employees can customize their payroll deductions (and opt out completely). If they make no changes to their account within 30 days of enrollment, employees are automatically enrolled in the default setting to contribute three percent of their total pay to their personal Roth IRA.

This is a fantastic resource for providers, given the challenges that small business owners like them face in securing cost-effective benefits packages from the private market. There is a great deal of evidence that, when enrolled in a program like this, low-wage workers will direct money into their own accounts (Ghilarducci and Hassett 2021). However, while this program may offer a mechanism for providers to establish a retirement savings plan for themselves and their employees (provided they use a payroll system), it is insufficient to meet the retirement savings needs of providers who are currently low-wage earners and will likely always have enrollment fluctuations impinging on their take home pay.

## The Solution

A traditional pension plan, where participants make a set annual contribution as a percentage of their earnings and are guaranteed a pension payment level after a minimum number of years of service, is a more appropriate option for providers. This is because the final lifetime pension benefit level is not sensitive to fluctuations in take home pay, or to the market, or to how well one person can construct a portfolio. The guarantee to receive a pension in a certain tier after a minimum number of years of service (a vesting period), would further incentivize providers to make their required annual contribution even in tough financial times.

The easiest way to establish a pension program for providers would be to include them in the existing, well-managed City and State pension plans for public employees. New York City operates five pension programs, each providing a pension to a specific sub-set of City employees.<sup>14</sup> The New York State Common Retirement fund is a public pension plan for the employees of New York State government. These public plans successfully pool risk and deliver predictable, stable retirement income that should be extended to providers.

Providers serve their communities and, while they take on additional economic risk due to their status as independent contractors or small business owners, many providers are so committed to their businesses that they are willing to continue absorbing that risk in the present. What they want in exchange, however, is future stability, when they need medical care or can no longer work.

Alternatively, providers could join the Cultural Institutions Retirement System, a multi-employer plan serving cultural institutions and

daycare workers who are members of DC37. However, they would be required to form an association and would need to demonstrate financial stability in order to be considered for membership. This would require significant organizing efforts and, given the financial precarity of providers, it is unlikely they could meet the CIRS standards for financial stability.

## Program Mechanics

Under the City's and State's current public pension programs, permanent public employees are assigned to a specific tier, based on their starting date of employment. They have a set percentage of their wages deducted during every payroll period based on their salary. For example, Tier 6 NYCERS members earning \$45,000 or less annually, contribute three percent of their earnings towards the pension plan.<sup>15</sup> The City agency where they are employed also has a budget to make a contribution on behalf of each employee. Agency contributions are based on actuarial calculations set by the City Comptroller. After a minimum of five years of service, Tier 6 members can draw their full benefit starting at 63 years of age.<sup>16</sup> Those who work for the City for less than 20 years receive a retirement benefit of 1.67 percent times their final average salary (FAS) multiplied by the years of employment.

These public pension programs are governed by state and/or municipal law and those laws could be amended to include licensed FCC and GFCC providers. Agency budgets could be adjusted so that OCFS, ACS, or NYCPS could contribute towards these providers' pensions easily because they already have mechanisms in place to make contributions for their own agency staff. The City and State would need to develop a unique way to collect annual contributions from

<sup>14</sup> Of the five, there are three that would be natural connections for providers. These include the Teachers' Retirement System, for educators who work for NYCPS, CUNY and NYC Charter Schools; The Board of Education Retirement System, for all other employees of NYCPS; and the Employees' Retirement System, which covers most civilian employees that do not participate in pensions for specific uniformed agencies and educational institutions.

<sup>15</sup> All employees who joined the NYCERS public employee retirement system on or after April 1, 2012 are in Tier 6.

<sup>16</sup> Tier 6 members must contribute to the pension program until they separate from City service or until they retire. Those who complete their five years and want to retire earlier than 63 years of age receive a benefit reduction. For example, if you retire at 55 years of age, there is a 52 percent benefit reduction.

these small business owners (because they are not on the City or State payroll). While this may seem like a bureaucratic obstacle, it would be mitigated by the ease with which City and State agencies could contribute towards the program.

There would also need to be a unique method for calculating providers' FAS, given the fluctuation in enrollment and its impact on take home pay. We recommend that the public pension program adopt an FAS equivalent to the appropriate compensation level in the ECE sector-wide career ladder, developed by a group of policy experts, led by CUNY PDI and Jenn O'Connor, principal at Jenn O'Connor Consulting, LLC. The FAS should be tied to the appropriate career ladder position for each retiring FCC or GFCC provider, regardless of whether or not the provider was able to pay themselves that salary.

For example, according to a proposed career ladder, an FCC or GFCC provider opening their business with a high school diploma or equivalent, should have received a starting salary of \$57,274 and her salary would grow to \$66,302 after 15 years in businesses (or more if she attained higher, relevant education credentials during the time period). She would receive a monthly retirement benefit of \$1,366.47 per month after retiring at 63 years of age. This would be in addition to Social Security benefits and any retirement savings accounts she was able to contribute towards.

Given the persistent low wages in the sector and the amount of time it will take to move the City and State to a universal child care system with a true cost of care methodology, we also strongly recommend that the City and State develop this pension program immediately, enroll all licensed FCC and GFCC providers in the program, and acknowledge the years of service they've already provided along with an estimate of what salary they should have received during that time period using a true cost of care methodology and career ladder. Additionally, we strongly recommend that the City make this pension available to providers

who had been in business for 10 years or more but have closed their businesses in the past 10 years. This retroactive membership would support over 1,400 providers, many of whom closed businesses as a result of the design and launch of the City's Pre-K and 3-K programs that privileged contracting with center-based ECE programs.