

FCC & Pre-K Policy Guides

Issue 3: How Pre-K Systems Fund FCCs

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Summary

This *Data Snapshot* identifies pre-K funding sources at the system level (state or local), including those from the state, local revenue, federal sources, and those from the private sector. It also examines what funds, including pre-K dollars, are used at the family child care (FCC) provider level. FCCs often have multiple funding streams and varying amounts depending upon several factors (e.g., length of day, pre-K funding policies, ages of children, other child and family demographics, etc.). We identify and discuss two different scenarios. This information may help inform policymakers when reviewing and refining their pre-K funding policies.

Introduction

This *Data Snapshot* begins with outlining some of the funding sources pre-K systems utilize to operate their programs. Although pre-K systems often have multiple revenue streams, they are typically underfunded and cannot adequately support children in high-quality programs.¹

In addition to addressing quality issues, states have been pushing to increase the number of children enrolled in pre-K programs. One of the strategies states have been using is to fully utilize all of the available, and appropriate, settings, such as public schools, Head Start classrooms, private preschools, FCC providers, etc. FCCs are one of the least utilized settings in pre-K systems, but one that has been increasing over the years.² To help policymakers understand this particular setting, this *Data Snapshot* presents the perspective of FCC educators who may receive pre-K funding.³ These providers typically do not rely solely on pre-K dollars, but also blend funds at their program level to serve the children in their care who may not be eligible for pre-K (e.g., they are too young) and/or may need additional services beyond pre-K (e.g., longer day of care or full year care). Understanding how these programs are funded locally may help pre-K systems develop additional policies to support their operation.

Funding Sources of Pre-K

Funding for pre-K programs is a combination of federal, state, local, and private dollars. In 2022-2023, states spent, on average, \$7,277 per child.⁴ When adding other reported spending (not all states could report all funds), the average per-child expenditures increased to \$8,294.⁵ Similarly, very few states report local funding (e.g., county dollars, voter-approved tax revenue, local school district funding, etc.), and private dollars are typically received at the local program level and not collected or reported to the state pre-K system administrators. Even taking into account all funding sources, average state pre-K spending is much lower than the comprehensive Head Start program (\$13,840 per child) and substantially lower when compared to the average per-child public

school K-12 spending of \$18,426 (2022-2023).⁶ The National Institute for Early Education Research (NIEER) estimates that, nationwide, states need to spend an average of \$4,138 more per child to provide programs that meet minimum quality standards and compensate teaching staff on par with their peers in K-3 public classrooms.⁷

State & Local Funding

State pre-K dollars are typically general fund appropriations. Some states and cities use “sin taxes” such as lottery ([Georgia](#)), soda tax (Philadelphia), and tobacco/nicotine tax (Arizona, [California](#), and [Colorado](#)) to fund pre-K programs or quality services to support them. About a quarter of the state pre-K programs use the school funding formula (SFF), at least in part, to fund programs.⁸

Locally, dollars are often generated through voter-approved funds. The Children’s Funding Project describes the importance of these funds as they “dedicate revenue for a specific purpose... which provides sustained funding that cannot be cut or reassigned to another use. This allows children’s funds to focus on long-term impacts and to build a resilient and diverse network of programs and providers.”⁹ Some examples¹⁰ of using voter-approved funds to support pre-K include:

- Seattle Preschool Program’s [Families, Education, Preschool and Promise \(FEPP\) Levy](#) is overseen by the Levy Oversight Committee that monitors its progress and makes recommended legislation on FEPP.
- San Antonio’s Pre-K 4 SA has been [funded](#) by a 1/8 cent sales tax since 2012, which was reauthorized by voters in 2020.
- Oakland Children’s Initiative ([Measure AA](#)) authorizes the city to collect \$198 per year in parcel tax on single-family homes and \$135.25 per year per unit of multi-unit residences until 2048-2049.
- Multnomah County’s Preschool For All is [funded](#) through a percentage of personal income taxes for those with taxable incomes over \$125,000 (individuals) and \$200,000 (joint filers).

Local funding may also come from school districts choosing, or requiring, to dedicate a portion of their revenue from school taxes and/or state school aid. Twelve states require school districts to contribute local funding to support public preschool.¹¹ For the Chapter 70 program in Massachusetts, the state calculates the total amount a district needs to spend to provide an adequate education and requires local school districts to contribute about 54% of that cost while the state provides the rest.¹² Alabama requires, a minimum in-kind or cash match of 25% of costs per classroom.¹³

Federal Funding

Historically, federal dollars come from several different U.S. Departments, including Education for Title 1 and the Individuals with Disabilities Education Act (IDEA) Part C (infants and toddlers) and Part B (preschoolers); and Health and Human Services for Head Start, Child Care Development Fund (CCDF), and Temporary Assistance for Needy Families (TANF).¹⁴ Each funding source has rules defining how the dollars can be used, who is eligible to receive funding and administer the programs, and who are the direct recipients. For example:

- *Head Start*. Head Start funds flow directly to programs or agencies (grantees). The federal Office of Head Start awards competitive grants to both public (e.g., school district, public university, city office of early learning, etc.) and nonpublic agencies or programs (e.g., nonprofits, United Way, etc.). Head Start programs may operate in FCC settings. However, to do so, most of the children who are enrolled must have families who are at or below the poverty line.¹⁵ Even though states do not administer federally funded Head Start programs, there are some ways states can support the Head Start programs that operate within their states. The 2007 Head Start Act provides funds to support a Head Start Collaboration Office to help facilitate relationships between the state and its Head Start agencies.¹⁶ In

2023-2024, 13 states provided supplemental state dollars to Head Start grantees in their states by extending the day, offering quality enhancements, or adding funding for seats.¹⁷ Only 5 of these 13 states allow FCCs to participate in their pre-K programs.¹⁸

- *Title I.* Title 1, Part A under the Elementary and Secondary Act of 1965, funds are controlled by public school districts that decide whether to allocate any funding for pre-K.¹⁹ Only schools with high percentages or numbers of children from low-income households receive Title 1 funds. Seventeen state programs report the use of Title I funding to support public preschool, but only 6 states are able to report exactly how much funding is used, and most states indicate only that school districts are permitted to use Title I funding to support pre-K, not that they actually do.²⁰
- *IDEA.* There are 2 sources of IDEA funding targeted for preschoolers with special needs. IDEA Part B funding is intended to support the education of children with disabilities ages 3-21, while IDEA Part B, 619 funding is specifically dedicated to serving 3-5-year-olds (not yet in kindergarten) with disabilities.²¹ Spending data for IDEA Part B and Part B 619 are not available, so the amount of combined funding used specifically for preschoolers with disabilities is unknown. All IDEA funding flows to states, where a formula is applied to determine how much funding is passed along to individual school districts (a portion is also kept at the state level for program administration).²² Local school districts are then responsible for the education of children with disabilities, regardless of setting.
- *Temporary Funding Sources.* In addition, over the years, there have been temporary funding sources like the COVID-19 relief funds (American Rescue Plan (ARPA), Governor's Emergency Education Relief Fund (GEERS), Coronavirus Aid, Relief, and Economic Security (CARES) and the Preschool Development Grants Birth through Five (PDG B-5)), that some states have used to increase access or enhance the quality of their pre-K programs. For example, Nevada is [piloting](#) FCCs in the state's Ready! State Pre-Kindergarten program using PDG funds. However, most of the funding sources are now no longer available, leaving states to find other funding sources to support the gaps they left behind.

Private Dollars

Finally, pre-K revenue may contain funds that are not publicly generated but come from private sources such as family contributions (i.e., tuition) or private foundations. One of the challenges with this type of funding source is that the pre-K system does not know the total amount of funds being collected.

Tuition

The states that allow pre-K programs to charge tuition or a co-pay vary somewhat in terms of their rules designating which families can be charged. Most states prohibit charging families who fall below a specific percentage of the federal poverty level or state median income, as well as families who fall into specific designations that imply financial hardship (e.g., homeless, Title I eligible, etc.). For example, the Michigan School Readiness Program requires those who do not meet the income eligibility²³ to pay a locally determined sliding scale fee, unless the children are experiencing homelessness, have an IEP, or are in foster care.²⁴ The Seattle Preschool Program only funds a 6-hour day pre-K program. To help families who need a longer day, the city provides [tuition guidance](#) and collects the fees.

Foundation Support

The Pima Early Education Program Scholarships (PEEPs) program operates a preschool program in Tucson, AZ, and [supplements](#) state and federal funding with donated funds from the United Way of Tucson and Southern Arizona, comprised of dollars from individuals, businesses, and non-profits.

Funding Scenarios at the FCC Level

To understand the impact of different FCC program configurations on how program expenses need to be supported by the primary revenue streams available to FCC providers, we created a series of two funding scenarios specific to FCC providers in pre-K systems that currently include FCC providers in Vermont and Maryland. Both systems vary in the number of hours they fund, their pre-K reimbursement rates, and the requirements for FCC educators to participate in the program.

Vermont

In 2023-2024, Vermont Universal Prekindergarten Education (Act 166) funded public pre-K for 10 hours per week, 35 weeks per year.²⁵ The annual per-child funding rate ([set statutorily](#)) was \$3,656 per child (2022-2023). Since one of the reasons families may choose home-based settings is for wraparound services (e.g., extended- or full-day, summers, etc.), either families are responsible for paying additional costs, or FCCs have to access other funding sources to pay for the remaining hours of care. Some children, but not necessarily all, may be eligible to receive child care subsidies. In practice, Figure 1 illustrates the share of total costs each revenue stream would support for a Vermont FCC pre-K provider serving at least some children who are eligible for a child care subsidy.²⁶ This breakdown would shift significantly for parents choosing to pay for a full- or extended-day program.

Figure 1. Illustrative Example of Funding Breakdown for a FCC Provider in Vermont



Maryland

In Maryland, FCC/pre-K providers can either apply directly to the state to be a pre-K contractor or apply to be a pre-K provider through the [Family Child Care Alliance of Maryland](#).²⁷ The FCC Alliance of Maryland has a contract with the state to provide oversight, professional development, and coaching to the FCC homes participating in the grant, in addition to funding contracted FCCs \$13,000 per pre-K slot. These providers are expected to operate 6.5 hours per day for 9 months. In a recent evaluation, most FCC pre-K providers served additional children who were not supported with pre-K dollars (e.g., infants/toddlers, non-income eligible pre-K students, etc.).²⁸ Data were collected, including self-reported financial data and individual cost model interviews for 8 FCC providers, to understand the implementation of the [Blueprint for Maryland's Future](#).²⁹ Figure 2 illustrates the description, expenditures, and the total revenue from state (pre-K), federal (child care, CCDF quality dollars, food program), and private sources (parent tuition on a sliding scale) for one of the FCC/pre-K providers included in the report.

Figure 2. Self-reported Revenue for FCC/Pre-K Provider in Maryland

FCC, Suburban, Mixed Age Enrollment, Not Leaving Field, 3-10 Years of Experience			
Program Description			
Size: 8 children	Actual Enrollment: Infants – 1 Toddlers – 2 Pre-K - 3	Tuition: Infants - \$16,200 Toddlers - \$16,200 Pre-K - \$14,300 School-Aged - \$9,100	Business Structure: LLC, For-profit
Under Enrollment Level: 10% Vacancy to Fill Length: Avg. 4 weeks	Enrollment Goal: Infants – 2 Toddlers – 3 Pre-K – 3	Maryland EXCELS Rated: Yes, Level 5	NAFCC Accredited: Yes
Workforce			
Staff: Owner operated + 1 assistant	Hours Worked/Week: 70	Average Hourly Rate Pre-Tax: \$19.00	Degreed: Yes, Lead Certified: No
Revenues			
Gross Tuition: \$138,960.00 Infants - \$29,160.00 Toddlers - \$58,320.00 Pre-K - \$51,480.00	Total Tuition Goal: \$154,400.00 % of Goal Attainment: 90% Sliding-Fee Scale: Yes	Other Revenues: \$0	Small Business Loans: No Child and Adult Care Food Program: Yes - \$9,480.00
Total Annual Gross Revenue: \$148,440.00			
Expenses			
General Expenses			
Staff Expenses (i.e. salary, benefits, training, schooling, certification, etc.): \$40,800	Business Services (i.e. payroll, tax services, administrative software, etc.): \$1,216.00	Technology (i.e. hardware, teaching software/tools, websites, etc.): \$1,800.00	General Overhead (i.e. rent/ mortgage, utilities, modifications, fees, etc.): \$19,028
Marketing & Family Engagement: \$480	Other (including insurance, interest on loans, cleaning supplies/consumables, etc.): \$12,200	Total General Expenses: \$75,524.00	
Child-Specific Expenses			
Infants: \$1,300	Toddlers: \$1,300	Pre-K: \$1,155	School-Age: N/A
Total Child Specific Expenses: \$3,755.00			
Total Expenses: \$79,279			
Total Pre-Tax Net Revenue: \$69,161.00			

Source: Johnson, S., Swanson, C., Taylor, D., Martin, T., Farley, J., & Hudson, B. (2024). *Barriers, supports and costs associated with family child care participation in pre-k expansion requirements under the Blueprint for Maryland's Future*. Family Child Care Alliance of Maryland, p. 117.

Pre-K Policies that Support FCC/Pre-K Providers

There are several ways pre-K systems can support providers, especially FCCs, in operating their pre-K programs. FCC educators generally operate small programs, so the extent to which policies allow FCC educators to blend funding and receive payments in a timely and predictable manner may reduce unnecessary administrative burden and increase their ability to provide a more seamless program.

- **Allowing blended funding.** Some pre-K systems prohibit children who participate in state-funded pre-K from receiving any other public dollars to support their care and education. Other systems have a different approach. For example, New York City has encouraged blended/braided funding and attributes this policy strategy to the city's ability to grow and expand its pre-K services, including to FCCs.³⁰
- **Budget understanding.** This includes not only understanding the various revenue sources available to them, but also the requirements and regulations, which may be overlapping but also unique, and payment reimbursement conditions. Some pre-K systems offer courses in budget management, such as Philadelphia's PHL PreK, which provides a series of budgeting and financing workshops for FCC/pre-K providers. Multnomah County Preschool For All's intermediary organization offers small business training for FCC/pre-K providers, such as search engine optimization, grant writing for small businesses, talking to a banker, QuickBooks online, etc. Other beneficial topics include support for managing FCC/pre-K fiscal reporting requirements, city/intermediary contracts, and required financial audits.
- **Reimbursement payment schedule.** Most FCCs operate on a shoestring budget. Thus, receiving payment once or twice a year, after services are performed, may be a hardship for these small businesses, who often do not have lines of business credit. To help address this, some pre-K systems, such as Multnomah County's Preschool For All prorate payments into 11 monthly allotments beginning in August. In New Mexico, FCC/pre-K educators are permitted to request reimbursements monthly based on their funded enrollment. Reimbursement rates may be reduced, but only after efforts have been made by both the state and pre-K/FCCs to boost enrollment.
- **Enrollment vs. attendance payment policies.** In some pre-K programs, providers are paid based on the number of children enrolled or monthly average attendance rates, often resulting in a reduction of pay, even though FCC costs are fixed. Some strategies to address this include shifting to a classroom-based model in which the FCC/pre-K provider is funded to serve a set number of children or to reimburse for slots, not attendance, with support from the state to assist in the recruitment and enrollment of children.

Conclusion

This *Data Snapshot* identifies the main revenue streams for pre-K systems, but also what the funding looks like from an FCC/pre-K educator perspective. FCCs that participate in pre-K typically do not solely operate a pre-K program but rather utilize multiple funding streams with varying regulations. FCCs typically serve children from multiple age groups, including those not eligible for preschool, and those in need of care beyond pre-K or school-day/school-year hours. Pre-K system administrators can support these providers through enacting policies that consider reimbursement conditions and frequency of payment.

Annotated Resources

Children’s Funding Project. (2024). [*Denver Preschool Program: Governance, administration, and oversight flowchart*](#). Included in this brief is a graphic illustrating the governance structure of the Denver Preschool Program.

Harmeyer, E., Weisenfeld, G., & Frede, E. (2023). [*Including family child care \(FCC\) programs in publicly-funded pre-K: Conditions for success*](#). National Institute for Early Education Research. After reviewing the limited research base, the authors developed a set of *Conditions for Success* as a starting point for policymakers seeking to guide quality in publicly-funded pre-K programs in home-based settings.

[*Illinois early childhood programs and funding streams guide \(working draft\)*](#). (2025, March). This guide provides an overview of Illinois’ Early Childhood Education and Care (ECEC) programs, including how each is funded and where it is housed (state agency/department).

New York State Council on Children and Families. (n.d.). [*Your “how to” guide: Blending & braiding funds to support early childhood education programs*](#). This guide was designed to support NY providers and policy makers in understanding the concepts of blending and braiding funds and then applying them to support early learning programming.

Weisenfeld, G., & Harmeyer, E. (2024). [*Including family child care in pre-k systems: An update at the city level*](#). National Institute for Early Education Research. This report presents a summary of FCC participation in city public pre-K programs accompanied by tables outlining the data, highlighting the strategies used in six cities/counties (Denver, Multnomah County (Portland), New York, Philadelphia, San Francisco, and Seattle) to support FCC integration into their pre-K systems.

Weisenfeld, G., & Harmeyer, E. (2024). [*Including family child care in state-funded pre-k systems: An update*](#). National Institute for Early Education Research. This report is an update to the 2021 report, [*Including Family Child Care in State and City-funded Pre-K Systems: Opportunities and Challenges*](#). In both reports, 24 states allowed FCCs to participate in their pre-K systems, however, the enrollment of children in FCC/pre-K settings has increased but remains relatively low as compared to other settings.

Weisenfeld, G., Harmeyer, E., Garver, K. (2024). [*Including Family Child Care Homes in Publicly-Funded Pre-K Programs: Estimating the Cost of Supporting Quality*](#). National Institute for Early Education Research. This report highlights that inadequate state pre-K funding makes it difficult to create a high-quality mixed delivery system, especially one that is inclusive of FCCs. This report builds upon NIEER’s [*Conditions for Success*](#), which outlines policies that could support the successful inclusion of FCC educators in state-funded pre-K systems, and investigates *how much* (based on cost) they would be needed to implement the high-quality policies and *how* FCC educators should be funded.

Acknowledgments

In 2024, the **Enriching Public Pre-K Through Inclusion of Family Child Care (EPIC FCC)** initiative was launched. With the support of Home Grown, NIEER has been working with pre-K system leaders and FCC educators in Alabama, Nevada, Durham, NC, and Michigan as they explore developing policies and funding streams to support FCCs in their pre-K systems. This *Data Snapshot*, as part of the FCC & Pre-K Policy Guides series, is a result of some of the research and discussions. Funding for this research was provided by [*Home Grown*](#), a national collaborative of funders, caregivers, and providers working together to advance an inclusive child care system where home-based child care is visible, valued, and well-resourced. We are grateful to them for their support. The authors are solely responsible for the content of this *Data Snapshot*.

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End Notes

- ¹ Friedman-Krauss, A. H., Barnett, W. S., Hodges, K. S., Garver, K. A., Weisenfeld, G., Gardiner, B. A., & Jost, T. M. (2023). *The State of Preschool 2022: State Preschool Yearbook*. National Institute for Early Education Research.
- ² Weisenfeld, G., & Harmeyer, E. (2024). [Including family child care in state-funded pre-k systems: An update](#). National Institute for Early Education Research.
- ³ In 2022-2023, 44 states and Washington, D.C. operated a total of 60 state-funded pre-K programs. However, only 24 states *allowed* FCCs to participate in at least one of the state's pre-K programs. FCC/pre-K enrollment information was able to be reported by 12 states (Arizona, Arkansas, California, Florida, Maryland, Massachusetts, New Mexico, New York, Ohio, Oregon, Virginia, and Washington) in 13 programs (Virginia has two programs). For more information, see: [Including family child care in state-funded pre-k systems: An update](#).
- ⁴ Friedman-Krauss, A. H., Barnett, W. S., Hodges, K. S., Garver, K. A., Jost, T. M., Weisenfeld, G., Duer J. (2024). [The State of Preschool 2023: State Preschool Yearbook](#). National Institute for Early Education Research.
- ⁵ *Ibid.*
- ⁶ *Ibid.*
- ⁷ Friedman-Krauss, A. H., Barnett, W. S., Hodges, K. S., Garver, K. A., Duer J., Weisenfeld, G., & Siegel, J. (2025). [The State of Preschool 2024: State Preschool Yearbook](#). National Institute for Early Education Research.
- ⁸ Friedman-Krauss et al., 2024.
- ⁹ Children's Funding Project. (2023, February). [Voter-approved children's funds: Funding our kids 101](#), p. 2.
- ¹⁰ To find additional locations of voter-approved children's funds, see: Children's Funding Project. (2025). [Children's funds across the country: Map](#).
- ¹¹ Friedman-Krauss et al., 2024.
- ¹² *Ibid.*
- ¹³ *Ibid.*
- ¹⁴ For more information about federal funding sources for early childhood programs, see Katz, E. (2024, May 13). [Federal funding streams for early childhood education](#). National Conference of State Legislators.
- ¹⁵ For more information about Head Start eligibility, see the [Head Start Performance Standards: 1302.12 determining, verifying, and documenting eligibility](#).
- ¹⁶ For more information, see U.S. Department of Health & Human Services, Administration for Children & Families. (2025, March 25). [Head Start collaboration offices and state systems: Head Start collaboration offices](#).
- ¹⁷ Friedman-Krauss et al., 2024.
- ¹⁸ Weisenfeld, G., & Harmeyer, E. (2024). [Including family child care in state-funded pre-k systems: An update](#). National Institute for Early Education Research.
- ¹⁹ U.S. Department of Education. (2024, February). [Serving preschool children through Title, Part A of the Elementary and Secondary Education Act of 1965, as amended: Non regulatory guidance](#).
- ²⁰ Friedman-Krauss et al., 2024.
- ²¹ Center for IDEA Fiscal Reporting. (2017). [Quick reference guide on the allocation of IDEA Part B subgrants to local educational agencies](#). WestEd.
- ²² Kolbe, T. (2021). [State funding for special education: Aligning policy with priorities](#). *Journal of Special Education Research*, 34(1), 19-31; and McCann, C. (2014). [Federal funding for students with disabilities: The evolution of federal special education](#)

[finance in the United States](#). New America.

23 At least 85% of families must meet the income eligibility requirement.

24 Friedman-Krauss et al., 2024.

25 Vermont FCC pre-K teachers must have a VT ECE/ECSE license, or receive regular, hands-on active training by a VT licensed ECE/ECSE at least 3 hours per week during each of the 35 weeks per year with written documentation. In addition, pre-K programs must have a minimum of 4 stars in STARS, or 3 with a plan. For more information, see: Weisenfeld, G., & Harmeyer, E. (2024). [Including family child care in state-funded pre-K systems: An update](#). National Institute for Early Education Research.

26 For more funding scenario examples, see: Weisenfeld, G., Harmeyer, E., Garver, K. (2024). [Including Family Child Care Homes in Publicly-Funded Pre-K Programs: Estimating the Cost of Supporting Quality](#). National Institute for Early Education Research.

27 FCC/Pre-K educators in Maryland are required to have a four-year degree and certification by the state to teach pre-K, or four-year degree and working towards certification. For more information, see: Weisenfeld, G., & Harmeyer, E. (2024). [Including family child care in state-funded pre-k systems: An update](#). National Institute for Early Education Research.

28 Johnson, S., Swanson, C., Taylor, D., Martin, T., Farley, J., & Hudson, B. (2024). *Barriers, supports and costs associated with family child care participation in pre-k expansion requirements under the Blueprint for Maryland's Future*. Family Child Care Alliance of Maryland.

29 The *Blueprint for Maryland's Future* granted all 3- and 4-year-old children from families earning incomes at or below 300% FPL access to high-quality full-day pre-K at no cost. Starting in FY23, all Maryland School districts began receiving funding to expand mixed-delivery preschool programs and are required by law to offer state-funded preschool.

30 Liss, E. (2023, March 21). [Blending and braiding to build an equitable early care and education system-Lessons from New York City. \(blog\)](#). Children's Funding Project.