FIRST FIVE YEARS FUND

CHILD CARE CHOICES:

AN OVERVIEW OF EARLY LEARNING & CARE SETTINGS

Choices allow parents to **meet individual needs.**

Finding child care that is affordable, safe, and developmentally appropriate is critical for children and families alike. Children experience both short- and long-term benefits from quality early learning, which sets them up for success as they enter school and beyond. For a majority of families with young children, child care is an economic necessity while they work or attend school. As families navigate their unique circumstances, choice and access as it pertains to child care settings is imperative.

People may use different phrases – including daycare, early learning, child care, preschool or pre-K – to describe the various settings, programs, and opportunities that support young children, but the commonly made distinction between 'care' and 'education' in early childhood is a false one. **Since children are born learning, anywhere they are receiving care is a place for learning, regardless of the physical location or what it is technically called**. Quality early learning and care can occur in any number of settings, including publicly or privately funded early learning centers, schools, community spaces, religiously affiliated buildings, in a child's home or someone else's home and other settings. Likewise, care can be provided by professional caregivers, family members, and other trusted individuals.

This resource provides a broad overview of the settings where children go while they are not in the care of their parent(s) or guardian(s) before they enter the traditional K-12 school system. The settings outlined here are not mutually exclusive, as families often piece together multiple forms of child care to meet their individual needs. This diverse landscape of options is referred to as a mixed-delivery system because there are numerous programs and funding sources that work together to care for children. Parents make decisions about where to place their children based on a combination of factors, including cost, location, hours of care needed, individual needs of the child, culture, values, and more.

CHILD CARE SETTINGS

CENTER-BASED CARE

- Child care centers
- On-site care (at or near a workplace)
- Faith-based programs
- Preschool
- Pre-K
- Nursery school

HOME-BASED CARE

FAMILY CHILD CARE

- Family child care homes

FAMILY, FRIEND & NEIGHBOR CARE

- Relative
- Non-relative
- Nanny/Nanny-share/Au pair
- Babysitter

Note: The federal Head Start program, which delivers comprehensive early learning services to families in poverty, can operate in a variety of center- and home-based settings

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Types of Early Learning & Care Explained

This reflects FFYF's definitions of early learning and care settings and may not be exhaustive. Given the mixed-delivery nature of the system, some explanations may differ from state or local usage. It is also worth noting that the existence of a care type does not guarantee its availability. A slot across town or across a county line is, for most families, no slot at all – a gap that is especially pronounced in rural areas. As a result, families are often forced to choose the care that is most accessible rather than the care they want.

CENTER-BASED CARE

Center-based care generally offers classroom-like settings that group children by age to better meet their developmental needs and provide structures that support growth. Center-based care is often what people mean when they refer to “child care” or “daycare.” While “daycare” is a commonly used term, it does not accurately reflect any specific type of care, and thus it is not included in the graphic on the previous page. Based on the state and locality in which these programs operate, there are various program structures, funding sources, and regulations that centers must meet.

Child Care Centers

Centers generally operate in commercial buildings, care for more children than other settings, and operate during standard work hours. Child care centers often care for children in classrooms, with a structured routine, where children are grouped by age to meet their developmental needs. Many centers serve children from infancy until kindergarten entry, and may refer to their classrooms serving 3- to 5-year-old children as preschool or pre-kindergarten. Licensing requirements vary by state, but centers usually have health and safety standards they must follow. Child care centers can be funded in different ways, the two main categories are nonprofit and for-profit.

- **Nonprofits** are generally mission-driven and focused on delivering services rather than generating profits. They may be operated by community organizations, government entities, faith-based groups, or schools, and often rely on a combination of parent fees, philanthropy, grants, and public funding. Any surplus revenue is typically reinvested into program quality, facilities, or staff.

- **For-profits** operate as businesses, relying primarily on parent tuition and fees to cover costs. They range from independently owned small businesses to franchise networks to large national companies, and financial pressures vary considerably across that spectrum. Many smaller providers supplement tuition revenue with grants, philanthropic support, and employer or government partnerships, just to remain viable. Despite operating within the same broad category, for-profit providers differ significantly in who they serve, where they are located, and how they engage with public funding.

Public funding, including the Child Care and Development Block Grant (CCDBG), can support eligible families in accessing care in both nonprofit and for-profit settings.

★ **Why Families May Prefer This Type of Care:** classroom-like structure, licensing requirements, and/or various resources including tailored facilities, supplies, and activities.

On-site Child Care

Recognizing the importance of child care for employees, some employers offer child care at or near their worksite. Most often considered a child care center, these providers may care for children in classroom-type settings grouped by child age. In some cases, such as at a hospital, on-site child care can provide care for families that need non-standard hour care, including overnight or weekend hours.

★ **Why Families May Prefer This Type of Care:** work hours, employer subsidies, and/or convenience.

Faith-based Programs

Some center-based care is run through faith-based organizations. Additionally, faith-based organizations may fill critical gaps in child care arrangements by offering child care during school breaks, before and after other providers' hours, or for short periods during the day. In some states, faith-based programs are exempt from licensure.

★ **Why Families May Prefer This Type of Care:** flexibility, lower cost, and/or shared beliefs with providers.

Preschool and Pre-K

Preschool and pre-K programs generally support children ages 3 through 5. These programs usually have a focus on school readiness. They may serve children full-time and year-round, or their hours may align with the local elementary school day and calendar.

Preschool and pre-K programs can occur in various settings such as schools, places of worship, nonprofit organizations, and child care centers. Preschool and pre-K are publicly funded in certain states and localities and may be targeted or universal in eligibility. However, where that is not the case, parents must pay out of pocket. Depending on state rules, these programs may or may not be licensed. The term nursery school is interchangeable with preschool. It is less commonly used, but often describes a center-based program for children ages 3 through 5.

★ **Why Families May Prefer This Type of Care:** focus on school preparedness, public availability, and/or having another child in the same setting.

HOME-BASED CARE

Many children across the country are cared for in a residential setting - whether that is in a caregivers' home or the child's own home. There are two primary kinds of home-based care: family child care homes and family, friend, and neighbor care.

Family Child Care Homes

Family child care homes - also known as licensed child care homes, licensed group family child care homes, legally exempt or license-exempt homes, certified child care homes, or registered child care homes - generally care for small groups of children in a residential setting and usually operate as a business. Family child care providers are primarily funded through parent payments, although low-income families may receive subsidies to cover some or all of the cost. While licensing standards and regulations vary by state, many family child care providers are required to meet basic health and safety standards, and educators often have specific training requirements. Family child care providers may operate independently or as part of shared resource networks that provide additional administrative and quality supports for individual providers.

★ **Why Families May Prefer This Type of Care:** smaller group size, shared cultural values, lower cost, and/or flexible hours (especially "non-traditional" night and weekend care).

Quality early learning can occur in any number of settings, including child care centers, schools faith-based buildings or private homes.

Family, Friend, & Neighbor Care

Family, friend, and neighbor (FFN) care is a broad term for informal care that is provided in the child or caregiver's home by someone who is a relative, friend, neighbor, babysitter, or nanny. These providers are generally exempt from licensing and other regulations because they care for a small number of children and, if they are paid, families usually pay them directly.

- **Relative Caregivers**: Many children are cared for by a relative, including grandparents. While some relatives may not view themselves as providers, they are important caregivers for young children. Often, relatives are not licensed or regulated, though requirements vary by state. They may or may not receive formal compensation.

- **Non-Relative Caregivers:** Neighbors and friends who offer care for young children in their community are generally considered non-relative caregivers. Like relative caregivers, many are not licensed or regulated, though requirements vary by state. They may or may not be compensated.

- **Nanny / Nanny-share / Au Pair:** While nannies often care for a child daily, this is considered another type of FFN care because they are not typically regulated by the state. Nannies provide individual care for families in their homes. In a nanny share, multiple families may hire a single nanny to care for multiple children. This is often done in one of the families' homes and provides children with social interaction as well as lower costs than a dedicated nanny. Au pairs come to the United States through a State Department program in partnership with a foreign country to provide live-in child care. In return, parents provide au pairs with room, board, and a stipend.

- **Babysitter:** Babysitters are another type of FFN care. While babysitters may care for children regularly, they often provide care on an hourly or as-needed basis and can fill in gaps in care while parents work or go out.

★ **Why Families May Prefer This Type of Care:** trust in the caregiver, personalized care, shared cultural values, cost, and/or flexible hours (especially "non-traditional" night and weekend care).

Strengthening the system requires meeting providers, and families, where they actually are.

Understanding the For-Profit Market

The for-profit child care sector spans a wide spectrum, from solo operators running small programs on razor-thin margins to large national chains backed by institutional investors. These providers differ in ownership structure, scale, and business model, but all play an important role in meeting families' diverse child care needs. Many also participate in public funding programs, including CCDBG, to varying degrees. The for-profit market can be divided into three broad groups:

Independent Providers

The first and largest group consists of independently owned centers and family child care homes. These programs are often run by a single owner-operator, frequently women and disproportionately women of color. Profit margins are estimated at less than 1% for most child care businesses, leaving small providers with little financial cushion to weather enrollment dips, staff turnover, or rising costs.

These providers are rooted in their communities. They often serve a higher proportion of infants and toddlers, offer nontraditional hours, and reflect the cultural and linguistic backgrounds of families. Small providers, particularly family child care homes, play an especially important role in rural and underserved communities where families have limited options, and their closure leaves gaps that no other group reliably fills.

Multi-Site Providers

This group consists of franchises and regional chains. Franchise providers are independently owned small businesses that operate under a national brand, using a shared curriculum, operating model, and quality standards in exchange for fees to the franchisor. Regional chains own and operate multiple centers within a state or region. They may be corporate owned or franchised. While their ownership structures differ, these providers benefit from greater economies of scale, shared administrative functions, and standardized operations than independent providers.

Multi-site providers are often concentrated in suburban and exurban communities with higher concentrations of dual-income households and families able to pay private tuition. They typically emphasize structured curricula, enrichment programming, and have brand recognition, and some also participate in public funding programs, including CCDBG.

National Corporate Providers

The third group consists of large corporate providers operating at national scale, with hundreds or thousands of locations, tens of thousands of employees, and in many cases, private equity backing or public market investors. According to a 2024 brief by the Congressional Research Service, profit margins in this group can reach 15% or more, and at sufficient scale, even modest margins translate into significant returns. Large for-profit child care chains are geographically widespread, but are most heavily concentrated in suburbs. They also operate in urban and some rural markets.

A prominent model in this group is employer-sponsored care, in which large providers contract directly with corporations to offer on-site or near-site care as an employee benefit, with centers co-located on corporate campuses, at hospitals, or near universities. As a result, the physical footprint of these providers is shaped by employer relationships and workforce recruitment strategies.

Looking Ahead

No single setting works for every family. The strength of the mixed-delivery system lies in its variety – a parent working overnight shifts, a family seeking care that reflects their culture, and a household needing full-day care near a worksite are all looking for something different. That variety is a feature worth protecting.

But choice is only meaningful when options actually exist. Too often, families are navigating a system where the care they need is unavailable, unaffordable, or out of reach. Federal investments – including CCDBG, Head Start, and the child care tax credits like CDCTC and 45F – are what make the difference between a setting existing on paper and a family being able to walk through the door. Sustaining and strengthening those investments is essential to ensuring that every family, in every community, can find early learning and care that works for them.

Currently, the child care market is shaped more by where providers can sustain a business and families can afford it than where families need care. The families who depend most on child care are overwhelmingly served by the providers operating under the greatest financial strain, and public dollars like CCDBG are essential to bridging that gap. Understanding this structure matters: expanding the market is not the same as expanding access, and strengthening the system requires meeting providers, and families, where they actually are.