Understanding child care centers and Head Start programs

We know how important it is to be informed about the businesses and institutions you work with. That’s why we developed this guide covering the statistics, trends, key terms and regulations that concern child care centers and Head Start programs.

With this Get Smart guide, we can help you learn the things you need to know to write this type of business. 

View guide
What are child care centers and Head Start programs?

Child care centers are institutions that provide nonresidential care for a child during the day by a person other than the child’s legal guardians. Child care licensing requirements vary by state.

Head Start programs are federally funded programs often based in centers and schools. They promote literacy, education, child development and other supportive services for families and children under the age of 5 from lower-income households.¹

Profile of a typical child care provider

Typically, a child care provider:

• Provides supervision and educational programs for a group of infants and preschool-age children
• Is open during business hours (day care center) or operates after school
• Is licensed by the state and has trained staff
• Has strict staff-to-child ratios set by the state (the American Academy of Pediatrics recommends a ratio of one adult for every three babies up to 24 months of age)
• Is fairly costly (center-based child care costs about $11,000 a year, which is slightly more than the average cost of tuition and fees for in-state residents of a public college) yet stable because child care is still considered a necessary, nondiscretionary expense

Services offered by child care centers include:

• Infant care
• Pre-K care
• After-school care
• Educational programming
• Note: Some day care centers have begun providing other amenities, such as yoga, sign language and webcam technology to allow parents to check on their children²

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Profile of a typical child care provider (cont’d)

Typical Head Start program:
• Consists primarily of children 5 years old or younger who meet eligibility requirements that include falling below a certain income level, homelessness, receiving Temporary Assistance for Needy Families (TANF) and Supplementary Security Income (SSI), disabled children and foster children⁴
• Primarily nonprofit organizations based in a center (away from home) that provide care for five days and more than six hours per week; most teachers have a higher education degree, and many are parents and/or volunteers⁵

Services offered by Head Start:
• Early learning programs — learning social skills, emotional well-being, language and literacy learning and concept development
• Health — includes physical support (health screenings, oral health), mental health support and providing nutritious meals
• Family well-being — supports parents and families of Head Start children, including assistance with housing stability, continued education and financial security

The importance of day care centers

Number of children under the age of 5 (in millions)

The number of children under the age of 5 is projected to increase over the next 10 years, translating to growth in the child care industry over the next decade.6

More parents are working

Fewer than 1 in 3 children today have a full-time, stay-at-home parent.

A generation ago, more than half of all children had a stay-at-home parent.7

Most children under the age of 5 receive child care from someone other than a parent. While much of this care comes from a family relative, 36.9% of children receive care from a licensed child care facility and 19.1% receive care from an unlicensed child care facility.7

Labor participation for women has grown over the years but appears to have reached a secular peak; labor participation for men has declined over the years but appears to have stabilized.

As parents become busier and fewer families have a stay-at-home parent, there will continue to be high demand for child care services.

Where the market is going

**Trend 1: Child care centers such as preschools and Montessori programs have been becoming more and more popular; there has been a shift from child care to early childhood education**

Many schools are adding programs to traditional STEM (Science, Technology, Engineering, Math) programs. STEAM programs add an Arts component, while STREAM programs add an additional Reading component. Some diocesan schools offer STREAM education with religion replacing reading.8

**Trend 2: Affordability remains a concern within this industry**9

- The cost of care in most states exceeds 7% of the state median income for a family, which is above the official threshold for the standard of affordable child care
- The Child Care Development Fund, a key source of child care funding for low-income families, has not kept pace with inflation or demand

**Trend 3: Challenges in recruiting and retaining qualified staff**

Low salaries (average of $22,310 in 2016 for child care classroom staff) contribute to this issue.8

**Trend 4: Technology is changing how child care centers can provide services**

Child care centers are using increasing technology to run and surveil their operation, as well as educate children. Technology can also enable parents to check in on their children in real time, from receiving status updates on mood and behavior to viewing photos and live videos of their kids throughout the day.10

**Trend 5: Increased competition from substitutes**

An aging population means that grandparents may be increasingly available for child care, and employers are increasingly providing child care services.7

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Key terms to know

<table>
<thead>
<tr>
<th>USE THIS</th>
<th>DON'T USE THIS</th>
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<tbody>
<tr>
<td>Student receiving special education services</td>
<td>Special education or special needs student</td>
</tr>
<tr>
<td>Child with autism (or any other developmental or behavioral diverse ability)</td>
<td>Autistic child (or any other descriptor for developmental or behavioral diverse ability)</td>
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**Child care centers (vs. family child care centers)** — These centers often group children by age and are generally operated out of nonresidential, commercial buildings. Centers are larger and enroll more children; they typically have a dedicated director and numerous staff members.12

**Licensed family child care centers** — Care for seven or fewer children (plus two additional school-age children) children in a private residence.13

**Early childhood education** — Early childhood education consists of activities and/or experiences that are intended to effect developmental changes in children prior to their entry into elementary school. Early childhood education (ECE) programs include any type of educational program that serves children in the preschool years and is designed to improve later school performance.14

**Early Head Start** — A federally funded program that serves income-eligible infants, toddlers, and expectant parents. Early Head Start provides services that include prenatal development/healthy pregnancy, child development, health, nutrition, parent education/family development, and parent leadership opportunities. Early Head Start reserves 10 percent of its enrollment for children with special needs.15

**Preschool programs** — Preschool is an early childhood program in which children combine learning with play in a program run by professionally trained adults. Children are most commonly enrolled in preschool between the ages of 3 and 5, though those as young as 2 can attend some schools. Preschools are different from traditional day care centers in that their emphasis is learning and development rather than enabling parents to work or pursue other activities.16

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11 “Types of Child Care,” Child Care Aware of America, childcareaware.org/families/types-child-care/ (accessed March 10, 2020).
Relevant regulations

These are the main regulations currently governing child care providers:

Child Care and Development Block Grant (CCDBG) Act — The primary federal grant program that provides child care assistance for families and funds child care quality initiatives. CCDBG is administered to states in formula block grants. States use the grants to subsidize child care for low-income working families. CCDBG also funds Child Care Resource and Referral services and quality projects for infants and toddlers.¹⁶

Child Care and Development Fund (CCDF) — The Child Care and Development Fund (CCDF) is administered by states, territories and tribes. States use CCDF to provide financial assistance to low-income families to access child care so they can work or attend a job training or educational program. States can also use CCDF dollars to invest in improving quality through teacher workforce, supporting child care programs to achieve higher standards, and providing consumer education to help parents select child care that meets their families’ needs.¹⁶

Title I Preschool — Many school districts support preschool programs with their Title I (Education for the Disadvantaged) funds. More than 50,000 public schools across the country use Title I funds to provide additional academic support and learning opportunities to help low-achieving children master challenging curricula and meet state standards in core academic subjects.²⁷

Early Intervention Programs for Infants and Toddlers with Disabilities (part of IDEA: Individual with Disabilities Education Act of 2004) — Awards formula grants to the 50 states, District of Columbia, Puerto Rico, the Department of the Interior, and Outlying Areas to assist them in implementing statewide systems of coordinated, comprehensive, multidisciplinary, interagency programs and making early intervention services available to children with disabilities, aged birth through 2, and their families. Under the program, states are responsible for ensuring that appropriate early intervention services are made available to all eligible birth-through-2-year-olds with disabilities and their families, including Indian children and families who reside on reservations geographically located in the State.²⁸

State-by-state licensing and regulation

For more information about state-by-state requirements for a Child Care center, please visit the National Database of Child Care Licensing Regulations website: https://childcareta.acf.hhs.gov/licensing

For more information about child care staff ratios by state for a Child Care center, please visit the daycare.com site at: https://www.daycare.com/states.html
Relevant regulations (cont’d)

These are the main regulations currently governing child care providers:

Temporary Assistance for Needy Families (TANF) — Temporary Assistance for Needy Families is a federal block grant program established under Title IV-A of the Social Security Act. It provides temporary cash assistance to needy families primarily to facilitate the return to or preparation for work; provides supported employment for obligors not paying child support; and assists teen parents while obtaining a high school diploma or GED. It meets some of the costs of foster care such as wraparound case management, parent aid, intensive in-home services, child abuse and neglect investigations, and foster care.13

Federal Child and Dependent Care Tax Credit (CDCTC) — The Federal CDCTC helps families meet their child and dependent care expenses. Families can use any type of child care (such as a center, family child care home, or a neighbor or relative’s house). The care must have been provided for one or more qualifying persons (dependent child age 12 or younger when the care was provided).16

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For more information about child care staff ratios by state for a Child Care center, please visit the daycare.com site at https://www.daycare.com/states.html.

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13 “Everything You Need to Know about the Child Care Development Block Grant (CCDBG),” Child Care Aware of America, info.childcareaware.org/ccdbg-ccdf#background (accessed March 16, 2020).
Exposures to recognize

The current and emerging exposures for child care providers include:

- Accidents in the classroom and on the playground
- Corporal punishment and abuse
- Water damage from overnight or weekend sink or toilet overflow
- Medication management
- Food allergies
- Field trips, including passenger van transportation
Get more information

To learn more about day care centers and Head Start programs, check out the following associations.

Associations and organizations:

- National Child Care Association >>
- Child Care Aware of America >>
- Office of Head Start >>
- National Institute for Early Education Research >>
- Early Childhood Training and Technical Assistance System >>
- National Head Start Association >>
Helpful resources and materials

These resources and materials will help you write coverage for child care centers and Head Start programs. Please contact your underwriter to get access to any of the documents.

Resources

• Human services new business supplemental application
• Human services day care supplemental application
• OthersFirst property enhancements coverage forms:
  - Property enhancement forms: human services property endorsement; human services workplace violence loss of income endorsement; human services enhancement endorsement
  - Liability enhancement forms: human services workplace violence loss of income endorsement

Loss control and claims materials

• 15-passenger van backing and rollover
• Preventing slips and falls
• Sexual abuse and molestation (including child-to-child)
• Special needs transportation
• Employee screening (background checks, drug tests)
• Non-owned auto
• Scalding/thermal shock checklist
• Cyber liability
• Water damage
• Successful return to work (SRTW)
• Child accidents
• Food allergens

Loss control and claims materials are available to Nationwide policyholders at MyLossControlServices.com.
Before writing coverage for child care centers or Head Start programs, learn a little about the provider.

These factors will be considered for eligibility:

- The center’s child wellness guidelines
- Registration requirements (e.g., Is this a drop-in facility?)
- Staff-to-child ratio
- Range of outsourced activities, such as karate class
- Employee screening procedures
- Field trip procedures, special activity staff-to-child ratio, passenger van loss control
- Ease of public access to the facility, other tenants, nearby tenants
- Violations on state inspections
- Credit score (for-profit providers only)
- Experience of directors (new ventures only)

For more information on how we can help protect child care centers and Head Start programs, contact your underwriter.