

NC Early Education Coalition

2018 Child Care Subsidy Market Rate Proposal

Background on the Issue

Child care subsidy rates must be at the market rate level to ensure equitable access to quality early learning programs for children living in low-income working families. Without it, young children miss out on critical child development and early learning opportunities and their parents may not be able to obtain or maintain employment to support their families. Further, child care programs may be unable or unwilling to serve these families because the subsidy rates are so far below what private parents can pay.

The NC General Assembly recognizes the value of the child care subsidy program and since 2015 has steadily funded subsidy rate improvements for all children ages 0-12 served in three-, four- and five-star programs in Tier 1 and Tier 2 counties. In the 2017 legislative session, Tier 3 counties serving young children zero through two years of age in three-, four- and five-star programs also received better rates. The subsidy reimbursement rates were authorized at 100% of the 2015 market rate study level.

Coalition Recommendation: *Improve child care subsidy rates for children three to five years of age in three-, four- and five-star licensed child care programs in Tier 3 Counties.**

The NC Early Education Coalition appreciates the state legislature's effort to improve subsidy reimbursement rates for child care programs in Tier 1 and Tier 2 Counties, and for children zero through to two years of age in Tier 3 Counties. However, we believe the same rate improvements should be extended for all age children in all counties so that there is uniform policy across the state. Specifically The Coalition urges the state legislature to establish subsidy rates at 100% of the 2015 market rate study for all young children three to five years of age in three-, four- and five-star licensed child care programs in Tier 3 Counties. This is critically important to do in the 2018 legislative session before the next market rate study is published in 2018 when rates will change again.

Why is this important?

- **Adequate child care rates are critically important to ensuring that low-income children and families have access and opportunity for high quality early care and education in all counties.** When subsidy reimbursement rates are below the private pay rates charged by the child care program, the program will often charge low-income families the difference or lower the number of subsidized families it will serve.
- **Adequate and fair rates allow child care providers to maintain a sustainable business model and deliver quality services for all children and especially children from low-income working families.** Without fair rates, child care programs are forced to close classrooms, cut teacher salaries and benefits, or delay program and facility improvements that are necessary to maintain quality.
- **Subsidy reimbursement rates fall below market rates in all Tier 3 Counties and create serious financial hardship for child care providers.** All of the Tier 3 Counties lag behind 2015 market rates for all age children. For example, a 4-star child care center in Wake County serving a 4 year old subsidized child loses \$260 per month or \$3,120 per year. If this same center served 10 subsidized children it would lose 31,200 per year. See rates chart below.
- **Tier 3 Counties actually serve a significantly higher proportion of young children and child care providers than do Tier 1 and Tier 2 Counties combined.** Although Tier 3 only represents 20% of the Counties, these Counties serve 65% of all subsidized children three to five years of age. Almost half (43%) of all child care programs are located in Tier 3 Counties.

***Tier 3 Counties:** Brunswick, Buncombe, Cabarrus, Carteret, Chatham, Durham, Forsyth, Haywood, Henderson, Iredell, Johnston, Lincoln, Mecklenburg, Moore, New Hanover, Orange, Pender, Union, Wake, Watauga

Three to Five Year Old Rates

County	Current Rates			2015 Study Rates			Difference 2015 Study Vrs. Current Rates		
	Three Star	Four Star	Five Star	Three Star	Four Star	Five Star	Three Star	Four Star	Five Star
Brunswick	\$558	\$578	\$618	\$647	\$659	\$671	\$89	\$81	\$53
Buncombe	\$530	\$562	\$611	\$730	\$747	\$775	\$200	\$185	\$164
Cabarrus	\$556	\$596	\$658	\$755	\$839	\$979	\$199	\$243	\$321
Carteret	\$528	\$548	\$587	\$542	\$582	\$648	\$14	\$34	\$61
Chatham	\$645	\$684	\$724	\$665	\$714	\$764	\$20	\$30	\$40
Durham	\$771	\$795	\$829	\$973	\$1,013	\$1,077	\$202	\$218	\$248
Forsyth	\$515	\$549	\$601	\$666	\$694	\$730	\$151	\$145	\$129
Haywood	\$517	\$542	\$593	\$529	\$560	\$601	\$12	\$18	\$8
Henderson	\$541	\$564	\$613	\$616	\$646	\$675	\$75	\$82	\$62
Iredell	\$632	\$688	\$775	\$683	\$804	\$1,004	\$51	\$116	\$229
Johnston	\$571	\$607	\$666	\$669	\$710	\$778	\$98	\$103	\$112
Lincoln	\$552	\$599	\$666	\$672	\$708	\$743	\$120	\$109	\$77
Mecklenburg	\$721	\$746	\$776	\$881	\$939	\$1,035	\$160	\$193	\$259
Moore	\$539	\$574	\$640	\$630	\$688	\$784	\$91	\$114	\$144
New Hanover	\$603	\$630	\$672	\$738	\$766	\$795	\$135	\$136	\$123
Orange	\$752	\$805	\$869	\$936	\$1,012	\$1,137	\$184	\$207	\$268
Pender	\$551	\$594	\$663	\$659	\$694	\$753	\$108	\$100	\$90
Union	\$572	\$615	\$674	\$753	\$811	\$907	\$181	\$196	\$233
Wake	\$713	\$744	\$809	\$947	\$1,004	\$1,099	\$234	\$260	\$290
Watauga	\$573	\$588	\$630	\$583	\$618	\$652	\$10	\$30	\$22

Source: NC 2015 Market Rate Study, NC Division of Child Development and Early Education

Comments From Early Education Programs About The Impact of Low Market Rates

“We currently closed our infant room, and in our toddler room enrollment is at half its capacity. Parents on subsidy can’t afford to pay the difference, but we can’t afford to keep the room open with just the rate we’re getting now.”

“We have had to stop enrolling new subsidy children because of the financial strain it was causing. We will continue to keep the ones we have, but are only taking new subsidy children from families of children already enrolled. We hate to do that but we also want to be able to give raises to our teachers and keep our building and materials maintained at the level our families have come to expect.”

“If high quality care is not affordable, it is not accessible. This is an issue that spreads much wider than our county, and has a broader reach than just the early years. If young children from lower-income households don’t have access to quality early experiences, the kinds of experiences that provide a foundation for social-emotional health and cognitive learning, the Achievement Gap begins much earlier than even Elementary School. This has a lasting effect on our children, our community, and our future workforce.”

“Without fair subsidy reimbursement rates, we are always facing the factor of low wages for our staff.”

“It is expensive to operate a quality child care center...one that hires educated teachers, that promotes warm and thought-provoking interactions with children, that follows an approved and developmentally appropriate curriculum, and one that provides a safe and stimulating environment. About 50% of child care centers in our county charge families who receive child care subsidy, the difference between the parent co-pay, the market rate reimbursement from the state, and the private tuition rate. This makes quality child care inaccessible for many lower-income families. Many times, parents are forced to choose the least expensive child care site which may result in at-risk children being cared for and educated in less-than-quality settings.”

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