

Equitably Financing Child Care in Every North Carolina County



Reimbursements
to providers play a
critical role in child care
and early education

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Budget & Tax Center

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The delivery of quality early child care and education to every child who needs it is challenged by a system that is fractured by underinvestment and the inherent limits of parents' stagnant and often too low wages to support pay for quality early education alone. It is through an equitable and public financing system that North Carolina contributions can build a quality, accessible early childhood system.

Without attention to funding needs by child care providers, North Carolina is falling short of serving every child in the state and reaping the full benefits of quality early learning experiences. Recent research by the Center for American Progress has found that 42 percent of North Carolina's children under the age of five live in child care deserts (communities where there are too few child care slots for young children living there).¹ For those living in places where slots are available, early childhood care and education can often be unaffordable. On average, North Carolina families with young children pay approximately 25 percent of their income to child care costs.²



NC's child care subsidy program helped cover some of the costs of licensed early childhood care and learning for approximately 72,316 children and their families across the state each month.³ Such financial support is an important tool in making

¹ Malik, Rasheed, Katie Hamm, Leila Schochet, Cristina Novoa, Simon Workman, and Steven Jessen-Howard, December 6, 2018. America's Child Care Deserts in 2018. Accessed at: <https://www.americanprogress.org/issues/early-childhood/reports/2018/12/06/461643/america-child-care-deserts-2018/>

² Special Data Request, April 2019, NC Child Care Services Association, Early Childhood Data Repository.

³ NC Division of Child Development and Early Education, Fact Sheet on Child Care Subsidy for 2018-19. Accessed at: https://ncchildcare.ncdhhs.gov/Portals/0/documents/pdf/C/Child_Care_Subsidy_Fact_Sheet_for_2018-2019.pdf?ver=2019-11-13-161832-777

early childhood care and education opportunities accessible and supporting the development of quality programming. This federal and state funded program referred to most commonly as child care subsidy, however, falls short every year of meeting the demand for assistance from families across the state. Those registered on the waiting list as of April 2019 number more than 38,000.⁴ Many more children are eligible for the program based on income and parents' work status but are not represented in this figure due to variations in county-level wait list practices, knowledge of the program among eligible families, and limitations of NC FAST system in collecting data. North Carolina is serving just 10 percent of those eligible under federal standards.⁵

Moreover, the number of children enrolled in high quality early childhood care and education settings has remained stable over time. According to the most recent data from the Division of Child Development and Early Education, 77 percent of children 0 to 2 receiving child care subsidy are in four and five-star programs while 75 percent of children aged 3 to 5 years old receiving child care subsidy are in four- and five-star programs.⁶ North Carolina has set up important policies to support access to higher quality for those in the child care subsidy program, including limits to the assistance provided to those enrolled in less than three-star settings. However, further progress to ensure the accessibility and availability of early childhood care and education for children whose families receive assistance is critical to supporting broader returns.⁷



There are two important issues to financing early childhood care and education in

4 NC Department of Health and Human Services, Division of Child Development and Early Education, November 2019 Expenditure Report, Child Care Waiting List, Accessed at: https://ncchild-care.ncdhhs.gov/Portals/0/documents/pdf/D/December_2019_Subsidy_Expenditure_Report.pdf?ver=2020-01-17-152806-627

5 Aurelien, Martine and Alexandra Forter Sirota, June 2019. The Missed Opportunity for North Carolina's Youngest Children. NC Justice Center: BTC Report. Accessed at: <https://www.ncjustice.org/publications/the-missed-opportunity-for-north-carolinas-youngest-children/?eType=Email-BlastContent&eld=cbbf28f3-42d9-46c5-a198-cd4b84bb2a93>

6 Special Data Request, June 2019, NC Division of Child Development and Early Education.

7 Aurelien and Sirota, June 2019.

MARKET RATES FOR PROVIDERS

In North Carolina, the state's Division of Child Development and Early Education (DCDEE) conducts a Market Rate Survey to meet the requirements of the federal Child Care Development Block Grant (CCDBG). Each state must submit their Market Rate Survey as part of their Child Care Development Fund (CCDF) plan to the US Department of Health and Human Services every three years (prior to the 2014 CCDBG Reauthorization, states submitted a CCDF Plan every two years).

NC DCDEE contracted with NC State's Center for Urban Affairs & Community Services (CUACS) to conduct the 2015 Market Rate Survey that the most recent (October 2018) rates paid to providers are based on. CUACS completed a 2018 Market Rate Survey for DCDEE, but that survey has not yet been used by the legislature to set rates. All child care centers and family child care homes regulated by DCDEE were sent surveys except Head Start centers, Developmental Day centers, and providers that offer only part-time care for young children (ages 0-5 for less than 32 hours a week). According to the 2015 Market Rate Survey, "Child care centers had a response rate of 91.5 percent and family child care homes had a response rate of 80.4 percent. Combined there were over 5,500 providers who completed survey forms online, via mail or by telephone, representing an overall response rate of 87.7 percent." (https://ncchildcare.ncdhhs.gov/Portals/0/documents/pdf/M/market_rate_survey_report_2015.pdf)

The 2014 CCDBG reauthorization allows states to propose and create an alternative methodology for setting the child care subsidy reimbursement rate that can factor in the cost of delivering care. NC DCDEE affirmed an intention to pursue an alternative market rate in its latest CCDF, but for now uses the traditional definition of market rates described in the 2015 Market Rate Survey:

A "market rate," or "subsidy rate," as referenced in North Carolina legislation, is the maximum amount that a child care center or home may be paid through subsidy funding for child care services. Child care providers are reimbursed at the market rate or their private-paying rate, whichever is lower. Market rates are established for each county as well as statewide; age groups (infants/toddlers, 2-year-olds, 3- to 5-year-olds, and school-age children); types of child care providers (centers versus homes); and rated license levels (one- through five-star providers). The age groups for centers are as described above; however, for homes, infants and 1-year-olds are considered separately.

Market rates are not average child care rates. Market rates are established using the 75th percentile by child, which means that if surveys showed that there were 100 children whose parents paid for child care in a certain county, the market rate would use the 75th percentile rate, counting from lowest to highest paid for an individual child in that county. Market rates have been set using the 75th percentile so that eligible children could have access to a majority of child care options. Further adjustments to the 75th percentile have been made in order to ensure ascending market rates for higher star ratings.

States have the flexibility to define child care markets across the designated age categories: Infant/Toddler, 2-year-olds, 3- to 5-year-olds, and School Age. North Carolina chose to define each county as a unique child care market, that is also broken down into



unique markets based on the Star Rating of the provider. Child care centers and child care homes are rated between one and five stars. In NC's Market Rate Survey, each county has 20 distinct "market rates" calculated for child care centers and for child care homes. Due to this decision to define markets along these criteria, NC has 4,000 unique child care markets.

The Market Rate Survey is not the final determinant of the effective market rates (or reimbursement rate) providers are paid. The NC General Assembly has the final say on how much funding is available for the child care subsidy program and has traditionally authorized actual rates that are less than the rates from the most recent Market Rate Survey. However, in recent years the NC General Assembly increased market rates linked to the NC Department of Commerce's Economic Development Tier Rankings. The latest child care subsidy market rates, effective October 2018, moved Tier 3 counties to the 75th percentile rates for infants to 2 year-olds in the 2015 Market Rate Survey. In Tier 1 and 2 Counties, the rates increased to the 100th percentile rates for infants to 5-year-olds (a first for exceeding the 75th percentile). These increases only apply to three-, four-, and five-star rated centers and homes. DCDEE provides the latest County Market Rates on their website: <https://ncchildcare.ncdhhs.gov/Home/DCDEE-Sections/Subsidy-Services/Market-Rates>

North Carolina. The first has been noted quite extensively in analysis of the state budget, which finds that the overall level of funding cannot fund services at needed levels to achieve access and quality. Recent estimates based on last year's budget finds that the state's commitment to the child care subsidy program has declined by 53 percent since Fiscal Year 2007-2008.⁸ Fewer children are enrolled in the child care subsidy program as a result.

The second issue is how the dollars are allocated in the system. The rate at which early childhood care and learning providers set their tuition rarely reflects the full cost of what it takes to provide care, especially when considering the standards of quality that deliver the greatest return to the child, family, and broader community.⁹ While related to the private "market" rate, the reimbursement rate provided through the child care subsidy program to providers falls short as well.

In North Carolina, the child care subsidy market rates — what providers receive for serving a child in the child care subsidy program — are established based on analysis of the private fee-paying market rate. The child care subsidy market rates vary dramatically across counties and create an inequitable funding system that threatens the sustainability of the state's early childhood and education system.

The reimbursement rate for five-star providers serving an infant in Buncombe County is \$922, but estimates by Center for American Progress suggest that the monthly



⁸ [Aurelien and Sirota, June 2019](#)

⁹ Roheck, Monica, March 2012. A Summary of Research on How CCDF Policies Affect Providers. Urban Institute. Accessed at: <https://www.urban.org/sites/default/files/publication/25451/412578-A-Summary-of-Research-on-How-CCDF-Policies-Affect-Providers.PDF>

cost of delivering infant care in the state is \$1,003. The gap of \$81 per month quickly becomes significant if the provider is serving four infants receiving subsidy in a year. Estimates suggest that to improve the quality of the early childhood care and education experiences for infants by reducing the number of children per teacher, increasing the pay of teachers and benefits, and providing more time and space for classroom learning and materials requires a monthly investment of \$1,870.¹⁰

On the path to addressing the current inequities of the market rate calculations for fully valuing the expense of providing quality early childhood care and education in the state, a subcommittee of the Subsidy Advisory Committee to the North Carolina Division of Child Development and Early Education proposed an interim move that would address some of the issues facing providers serving the greatest share of children in need of child care assistance. The proposal would move the reimbursement rate for qualifying early childhood care and education programs¹¹ to either the statewide market rate (for their star level and for the age of the child receiving subsidy) or the established county market rate, whichever is more. In so doing, the statewide market rate would serve as a floor for reimbursing providers and create greater equity in funding across the state. The following analysis provides an estimate of the fiscal benefits to providers of this proposal to use the statewide market rate as a floor.

COUNTY AND PROVIDER LEVEL ANALYSIS OF CHANGING REIMBURSEMENT POLICIES

While data limitations exist (**See Appendix For Methodology And Data Sources**), preliminary analysis of the proposal from the Subsidy Advisory Committee suggests that moving to a state rate as a floor for child care subsidy reimbursements for qualifying providers could generate important returns to providers' bottom-lines, closing the gap between the cost of delivering services and the reimbursement received, and improving the quality of programming. Researchers have found that children with child care subsidies are more likely to be in a provider setting that is high quality while higher child care subsidy reimbursement rates have increased the number of eligible families served.¹² Increased child care provider reimbursement rates were also associated with increased work hours among parents¹³ and have been correlated with higher earnings and lower out-of-pocket costs for child care for families.¹⁴

10 Center for American Progress, Cost of Child Care Calculator, Accessed at: <https://costofchild-care.org/>

11 The proposal establishes a threshold for providers with 40 percent or more of the children they serve receiving assistance as being eligible for the state market rate. However, due to limitations on data availability, this calculation does not account for this threshold at the provider level.

12 Forry, Nicole, Paula Daneri, and Grace Howarth. Child Care Subsidy Literature Review. December 2013, Child Trends, OPRE Brief 2013-60. Accessed at: <https://www.qrisnetwork.org/sites/all/files/resources/mrobinson@buildinitiative.org/2014-03-28%2008:18/Child%20Care%20Subsidy%20Literature%20Review.pdf>

13 Dryden White, Ann and Magaly Queralto, May 2003. Impacts of Eligibility Expansions and Provider Reimbursement Rate Increases on Child Care Subsidy Take-Up Rates, Welfare Use and Work. NBER Working Paper No. 9693. Accessed at: <https://www.nber.org/papers/w9693>

14 [Forry et al, December 2013.](#)

Figure 1: Using the state rate as a floor would boost the per child reimbursement by providers significantly.

2018 per child monthly reimbursement rates for four counties in N.C. and the percent increase if the 2015 state reimbursement rate were used.

2015 state 75th percentile rate: Centers			
	Infant-toddler monthly rate	2-year-old monthly rate	3- to 5-year-old monthly rate
North Carolina four-star centers	\$888	\$815	\$780
North Carolina five-star centers	\$1,140	\$1,040	\$975

Infant - Toddler Monthly Rate				
	Current four-star rate	% change to 2015 state rate	Current five-star rate	% change to 2015 state rate
Buncombe	\$793	12.0%	\$922	23.6%
Henderson	\$739	20.2%	\$909	25.4%
Jackson	\$718	23.7%	\$943	20.9%
McDowell	\$653	36.0%	\$797	43.0%

2-year-old Monthly Rate				
	Current four-star rate	% change to 2015 state rate	Current five-star rate	% change to 2015 state rate
Buncombe	\$747	9.1%	\$775	34.2%
Henderson	\$646	26.2%	\$675	54.1%
Jackson	\$668	22.0%	\$758	37.2%
McDowell	\$631	29.2%	\$677	53.6%

3- to 5-year-old Monthly Rate				
	Current four-star rate	% change to 2015 state rate	Current five-star rate	% change to 2015 state rate
Buncombe	\$554	40.8%	\$592	64.7%
Henderson	\$511	52.6%	\$542	79.9%
Jackson	\$460	69.6%	\$530	84.0%
McDowell	\$557	40.0%	\$601	62.2%

Source: Authors' calculation with detailed allocation of dollars according to where the child is served.

The analysis suggests that these changes will provide the greatest benefit to counties with high levels of need, as measured by the share of children receiving child care assistance, and with highest levels of child care deserts.

Full county level tables are available in Appendix A, and the analysis shows that a potential shift to setting a state level standard would move more dollars to providers to advance the goal of quality early childhood care and education in every county. Indeed, recognizing the potential for reimbursement rates to support providers' adoption of quality measures, 32 states have developed increased reimbursement rates.¹⁵

An estimated \$92.7 million would be needed to provide those providers in counties with reimbursement at the state rate rather than their lower county rate. This is likely a high estimate because the original proposal would only provide this rate to those serving a certain threshold of children receiving assistance. It also doesn't account for data issues that result in potential accounting of where the child is served in contrast to where the child resides.

For individual providers, these dollars could make a significant impact on their bottom line, changing their monthly reimbursement to more closely approximate the cost of services, thereby reducing the need to underinvest in staffing and other quality measures or borrow to meet payroll and bills in a month.

A deeper look at four counties in Western NC shows that the difference in dollars provided to providers could be significant enough to change the county-level availability of teachers as well as the quality of programming by increasing wages, professional development, or increasing investments in facilities and learning materials.

For example, Buncombe County providers that serve children on subsidy could collectively see almost \$200,000 more funding per month. In so helping providers to meet their bottom-line, such a move to the floor could stabilize the child care industry, holding the line on child care deserts in the state and ensuring parents can count on child care for their children. For centers serving several children enrolled in the child care subsidy program, the monthly increase could help them retain qualified teachers by raising wages or providing benefits.

The 2018 Buncombe County Early Childhood Workforce Study reports: "Though some conditions are improving, many early childhood educators make a salary below the Asheville Metropolitan Area's living wage, as defined by Just Economics (\$13 per hour in 2017 and 2018 without health insurance). Many lack access to health insurance and benefits." Specifically, the study found that median starting wages for early childhood teachers in for-profit centers was \$10.50/hour; nonprofit organization's median starting wage for teachers was slightly higher at \$12/hour.¹⁶

¹⁵ Urban Institute, The Child Care and Development Fund Policy Database, Accessed at: <https://ccdf.urban.org/>

¹⁶ <https://buncombepfc.org/wp-content/uploads/2019/08/Working-in-Early-Care-and-Education-Buncombe-Co-Report-2018-FINAL.pdf>

COMMUNITY WIDE BENEFITS LIKELY FROM MOVE TO STANDARD REIMBURSEMENT RATE

The potential for more children to be served in quality early childhood care and education settings is an opportunity that North Carolina should not miss. Quality child care experiences are associated with significant returns to the broader community in the form of greater preparation for kindergarten and achievement of 3rd grade reading standards, improved labor market earnings and progress for parents, and anchoring of employers to communities.

Yet a quality early childhood experience is less accessible to low-income children whose parents may not be able to afford one or who live in a community without enough slots, thus generating broader inequities. Even when eligible for the child care subsidy program, parents must still find the resources to pay 10 percent of their income to participate – an amount that may be unaffordable for some families. On top of the required 10 percent copay, providers that charge a private pay rate higher than the child care subsidy market rate may charge that difference to parents. This differential rate can be another cost barrier for low-income families. Moreover, as researchers at the Century Foundation point out:

Due to longstanding structural racism that impacts employment, wages, and wealth, families of color often have fewer resources with which to purchase child care. In fact, African American and Latinx parents report that it is a particular challenge to find quality, affordable care in their communities. Comprehensive public solutions that prioritize allocating resources to those most in need are a must.¹⁷

A first step toward valuing quality early childhood care and education, particularly for infants and toddlers, is establishing a minimum that providers from all counties can access to ensure the stability and adequacy of support for children's quality early learning. If the state rate were implemented as a floor, it could support providers' engagement with the child care subsidy program and have the potential to improve not just family economic outcomes and address inequities but support community economic advancement. This change addresses the wide disparities in reimbursement levels across counties, offering a more equitable path towards a reimbursement rate that better matches what it costs to deliver quality early childhood care and education regardless of location.

¹⁷ Kashen, Julie and Katie Hamm, August 2019. Child Care for All: A Blueprint for States. The Century Foundation, Accessed at: <https://tcf.org/content/report/child-care-blueprint-states/?agreed=1&agreed=1>

APPENDIX A: 100 County Boost from Shift in Reimbursement Rate Policy

County	Current Monthly Reimbursement at County Rate	Monthly Reimbursement at State Rate	Monthly Change in Reimbursement	Annual Change in Reimbursement
Alamance	\$290,232	\$400,796	\$110,564	\$1,326,768
Alexander	\$44,593	\$70,296	\$25,703	\$308,436
Alleghany	\$13,215	\$23,185	\$9,970	\$119,640
Anson	\$52,512	\$75,354	\$22,842	\$274,104
Ashe	\$89,910	\$160,971	\$71,061	\$852,732
Avery	\$35,775	\$45,855	\$10,080	\$120,960
Beaufort	\$191,168	\$291,902	\$100,734	\$1,208,808
Bertie	\$44,605	\$72,217	\$27,612	\$331,344
Bladen	\$40,558	\$63,514	\$22,956	\$275,472
Brunswick	\$247,180	\$415,885	\$168,705	\$2,024,460
Buncombe	\$557,939	\$793,529	\$235,590	\$2,827,080
Burke	\$216,420	\$353,043	\$136,623	\$1,639,476
Cabarrus	\$264,218	\$367,161	\$103,381	\$1,240,572
Caldwell	\$213,006	\$366,019	\$153,013	\$1,836,156
Camden	\$750	\$888	\$138	\$1,656
Carteret	\$62,878	\$108,667	\$45,789	\$549,468
Caswell	\$24,217	\$33,392	\$9,175	\$110,100
Catawba	\$426,746	\$583,303	\$156,557	\$1,878,684
Chatham	\$127,937	\$170,671	\$43,226	\$518,712
Cherokee	\$93,777	\$145,689	\$51,912	\$622,944
Chowan	\$31,623	\$46,163	\$14,540	\$174,480
Clay	\$29,353	\$42,798	\$13,445	\$161,340
Cleveland	\$114,183	\$165,162	\$50,979	\$611,748
Columbus	\$113,723	\$153,997	\$40,274	\$483,288
Craven	\$177,806	\$277,525	\$99,719	\$1,196,628
Cumberland	\$906,682	\$1,174,589	\$270,559	\$3,246,708
Currituck	\$10,187	\$14,767	\$4,580	\$54,960
Dare	\$38,680	\$44,823	\$6,143	\$73,716
Davidson	\$339,143	\$516,231	\$180,178	\$2,162,136
Davie	\$73,592	\$104,155	\$30,563	\$366,756
Duplin	\$129,552	\$196,094	\$66,542	\$798,504
Durham	\$1,157,159	\$1,238,322	\$135,142	\$1,621,704

EQUITABLY FINANCING CHILD CARE IN EVERY N.C. COUNTY

County	Current Monthly Reimbursement at County Rate	Monthly Reimbursement at State Rate	Monthly Change in Reimbursement	Annual Change in Reimbursement
Edgecombe	\$98,157	\$129,387	\$31,452	\$377,424
Forsyth	\$710,194	\$1,037,567	\$327,373	\$3,928,476
Franklin	\$140,188	\$182,093	\$42,332	\$507,984
Gaston	\$530,174	\$721,745	\$192,084	\$2,305,008
Gates	\$4,263	\$5,638	\$1,375	\$16,500
Graham	\$26,838	\$42,218	\$15,380	\$184,560
Granville	\$127,806	\$164,624	\$36,818	\$441,816
Greene	\$22,647	\$35,711	\$13,064	\$156,768
Guilford	\$1,387,291	\$1,502,762	\$214,834	\$2,578,008
Halifax	\$79,533	\$131,783	\$52,250	\$627,000
Harnett	\$217,708	\$308,793	\$91,085	\$1,093,020
Haywood	\$221,795	\$374,447	\$152,652	\$1,831,824
Henderson	\$233,359	\$341,656	\$108,297	\$1,299,564
Hertford	\$73,329	\$108,212	\$34,883	\$418,596
Hoke	\$35,663	\$53,584	\$17,921	\$215,052
Hyde	\$2,958	\$3,155	\$270	\$3,240
Iredell	\$322,288	\$395,337	\$73,066	\$876,792
Jackson	\$135,935	\$211,610	\$75,675	\$908,100
Johnston	\$291,387	\$441,034	\$149,647	\$1,795,764
Jones	\$30,056	\$44,377	\$14,321	\$171,852
Lee	\$104,306	\$159,559	\$55,253	\$663,036
Lenoir	\$81,961	\$131,884	\$49,923	\$599,076
Lincoln	\$122,833	\$193,503	\$70,670	\$848,040
Macon	\$142,542	\$220,422	\$77,880	\$934,560
Madison	\$35,031	\$52,055	\$17,024	\$204,288
Martin	\$50,995	\$77,628	\$26,633	\$319,596
McDowell	\$123,512	\$185,347	\$61,835	\$742,020
Mecklenburg	\$2,938,982	\$3,422,721	\$569,245	\$6,830,940
Mitchell	\$4,026	\$5,240	\$1,214	\$14,568
Montgomery	\$33,974	\$48,548	\$14,574	\$174,888
Moore	\$51,733	\$80,458	\$28,725	\$344,700
Nash	\$101,025	\$149,976	\$48,951	\$587,412
New Hanover	\$434,708	\$624,912	\$190,204	\$2,282,448
Northampton	\$28,168	\$33,756	\$5,588	\$67,056
Onslow	\$553,879	\$884,921	\$331,042	\$3,972,504
Orange	\$410,950	\$456,244	\$77,794	\$933,528

EQUITABLY FINANCING CHILD CARE IN EVERY N.C. COUNTY

County	Current Monthly Reimbursement at County Rate	Monthly Reimbursement at State Rate	Monthly Change in Reimbursement	Annual Change in Reimbursement
Pamlico	\$21,920	\$32,974	\$11,054	\$132,648
Pasquotank	\$98,928	\$143,818	\$44,890	\$538,680
Pender	\$80,895	\$120,344	\$39,449	\$473,388
Perquimans	\$8,263	\$12,527	\$4,264	\$51,168
Person	\$56,714	\$99,730	\$43,016	\$516,192
Pitt	\$516,357	\$687,790	\$171,475	\$2,057,700
Polk	\$6,500	\$9,005	\$2,505	\$30,060
Randolph	\$268,630	\$448,175	\$179,545	\$2,154,540
Richmond	\$59,763	\$97,220	\$37,457	\$449,484
Robeson	\$291,279	\$413,060	\$121,781	\$1,461,372
Rockingham	\$130,217	\$199,257	\$69,040	\$828,480
Rowan	\$341,095	\$564,068	\$222,973	\$2,675,676
Rutherford	\$186,520	\$300,954	\$114,434	\$1,373,208
Sampson	\$122,568	\$165,898	\$45,240	\$542,880
Scotland	\$85,136	\$123,016	\$37,880	\$454,560
Stanly	\$133,764	\$185,253	\$51,489	\$617,868
Stokes	\$44,605	\$57,442	\$12,837	\$154,044
Surry	\$18,163	\$23,409	\$5,288	\$63,456
Swain	\$49,382	\$76,005	\$26,623	\$319,476
Transylvania	\$93,167	\$134,301	\$41,206	\$494,472
Tyrrell*	\$-	\$-	\$-	\$-
Union	\$256,844	\$359,194	\$102,461	\$1,229,532
Vance	\$210,098	\$233,821	\$56,494	\$677,928
Wake	\$2,759,631	\$2,897,778	\$317,646	\$3,811,752
Warren	\$28,715	\$45,308	\$16,593	\$199,116
Washington	\$7,187	\$7,341	\$1,282	\$15,384
Watauga	\$57,606	\$88,099	\$30,493	\$365,916
Wayne	\$177,548	\$247,323	\$69,775	\$837,300
Wilkes	\$138,011	\$166,781	\$28,770	\$345,240
Wilson	\$247,774	\$367,925	\$120,151	\$1,441,812
Yadkin	\$11,154	\$16,624	\$5,470	\$65,640
Yancey	\$15,966	\$23,678	\$7,712	\$92,544
TOTAL	\$22,593,913	\$29,827,988	\$7,728,922	\$92,747,064

* No data for four or five start child care centers was contained in the NC FAST Payment Report for Tyrrell County for the month analyzed here. Because none of the centers present in the data met the star requirement for the proposed shift to using the state rate, there is no estimated cost. This could change if a child care center in Tyrrell County met the star requirement.

APPENDIX B: METHODOLOGY

DATA

The primary data used in this analysis was downloaded from the North Carolina Families Accessing Services through Technology (NC FAST) at a point-in-time (PIT), April 2019. The data does not include personal identifiers and only includes children who receive child care subsidies. Due to errors and potential malfunctions in NC FAST, there may be missing data; it is unclear how much data may be missing and whether the missing data is statistically significant. Because the Department of Social Services allows families to access child care in another county but use the funds of their resident county to pay for child care subsidies, the data contains out-of-county providers, whose reimbursement rates are paid at their respective county rate, but with the funds from the county where the beneficiary resides.

ANALYSIS

A two-step analysis was created due to limitations on the out-of-county providers that could be sorted into their counties.

First, for four Western NC counties, the data was cleaned to place children in the county where the provider was located since the reimbursement dollars go directly to the provider rather than the family.

Second, analysis of all 100 counties without the issue of out of county providers being moved to their county of operation was conducted. This analysis likely underestimates the dollars that would flow to counties that represent significant employment centers in a region, for example.

The analysis was conducted in the following way.

- The dataset was limited to Benefit Month 4 to capture only one month of service.
- The dataset was limited to four-star and five-star Child Care Center, thereby excluding all other types of providers such as Child Care Homes, Temporary Homes, Probationary facilities.
- The dataset was limited to infants through 5-year-olds, excluding school age children.
- This filtering produced a dataset of unique program participants, with the age of the child, the county of residence, and the star rating for the center they attended.
- The Division of Child Development and Early Education's Revised Market Rates for each county, effective Oct. 1, 2018, were then used to identify the rate each center would be allowed for each child given its star level.
- The 2015 Market Rate Report published by the Division of Child Development and Early Education was then used to identify the reimbursement that would apply to each child based on the star-level of the center if centers were reimbursed at the 75 percent rate (see Appendix A of the report).

- For the children where the state rate would exceed the current county rate for the relevant star-level, the state rate was used to calculate the potential cost of moving to the state rate.
- The total current reimbursement for all children served in the county was then calculated and compared to what the total would be under the state rate.
- Finally, that one-month cost was multiplied by 12 to reflect a full year of service.

Assumptions

- The data did not allow for clearly and accurately identifying the status of children regarding whether they are part-time, full service, or receiving wrap-around services. As such, all children were assumed to be “full-service” students. This assumption likely overestimates the real cost as some percentage of the children currently treated as full-time students would in fact only be reimbursed on a part-time status.
- All service providers receive the full reimbursement rate for their county — this is the assumption made for the data titled “county rate”
- We cannot account for students who may have been missing or otherwise not accounted for in the NC FAST system. While it is not possible to say with precision how missing data could change the real cost, it is likely to have only a modest impact.
- While the data is a snapshot (the month of April), it accounts for seasonal effects per known attendance trends in early childhood. Moreover, a preliminary analysis conducted on a different service month rendered similar results.

Limitations

There are serious data limitations to estimating the fiscal benefit to providers that include but are not limited to missing data in the NC FAST system, narrow scope of point-in-time data, and the presence of out-of-county providers that are being funded with dollars from outside of their counties, which impacts the accuracy of the market reimbursement rates. In so far as local providers and practitioners were able to accurately identify providers in the county, those numbers were adjusted for the Western N.C. analysis.

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**Report by Children First/Communities In Schools of
Buncombe County and the Budget & Tax Center**

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