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Equitably Financing Child Care for North Carolina Families



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

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Our families, communities, and the entire state benefit when high quality early child care and education are accessible to every child. The COVID-19 pandemic has shown just how crucial the early childhood education system is for young children and working parents, and it also has revealed the harsh impacts of public underinvestment. Many providers have been left teetering on the edge of closure, facing increased costs to deliver safe and high quality care, while mothers have left the workforce at alarming rates. Educators, who have risked their lives to care



for children during the pandemic, still struggle to make ends meet and often work for low wages and no benefits.

Even before COVID-19 hit, low and stagnant wages for many parents of young children meant they were simply unable to pay for high quality early education on their own. North Carolina has driven some crucial relief to child care providers during the pandemic, but the system needs sustained investment in order to

support an equitable recovery from COVID-19 and to ensure that every child in the state can reap 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

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/americas-child-care-deserts-2018/>

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

REIMBURSEMENTS TO PROVIDERS PLAY A CRITICAL ROLE IN CHILD CARE AND EARLY EDUCATION

North Carolina's child care subsidy program helps cover some of the costs of licensed early childhood care and learning for more than 100,000 children and their families across the state each year.³ Such financial support is an important tool in making early childhood care and education opportunities accessible and in supporting the development of quality programming. This federal and state funded program referred



to most commonly as a 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 December 2020 numbered more than 17,4000.⁴ 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 the 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. Child care quality in North Carolina is measured through a star rating system in

which five stars represent the highest rating. Only licensed providers with ratings of three, four, or five stars are eligible to participate in the subsidy program. According to recent data from the Division of Child Development and Early Education, 77 percent of children ages 0 to 2 who are receiving a child care subsidy are in four- and five-star programs while 75 percent of children ages 3 to 5 who are receiving a 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

3 NC Department of Health and Human Services, Division of Child Development and Early Education, 2020. Care for Children Receiving Subsidy. Accessed at <https://ncchildcare.ncdhhs.gov/Provider/Providing-Child-Care/Subsidized-Child-Care/Care-for-Children-Receiving-Subsidy>

4 NC Department of Health and Human Services, Division of Child Development and Early Education, January 2021 Subsidy Expenditure Report, Children Served / Waiting List by County, Accessed at: <https://ncchildcare.ncdhhs.gov/Home/DCDEE-Sections/Subsidy-Services/Expenditure-Reports>

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/>

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

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). The Market Rate Survey is used to set reimbursement rates that child care providers receive from DCDEE for serving children who are enrolled in the state's child care subsidy program. 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 on which the most recent (October 2018) rates paid to providers are based. CUACS completed a 2018 Market Rate Survey for DCDEE, but that survey has not yet been used by the state 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 2018 Market Rate Survey, "a total of 5,319 eligible respondents were contacted and asked to participate in the survey; 4,582 of those completed the survey by phone, paper, or online, representing a response rate of 86.1 percent. The response rate for child care centers was higher than for child care homes at 88.6 and 80.6 percent, respectively." ([https://ncchildcare.ncdhhs.gov/Portals/0/documents/pdf/F/FINAL Child Care Market Rate Study REPORT082718.pdf](https://ncchildcare.ncdhhs.gov/Portals/0/documents/pdf/F/FINAL%20Child%20Care%20Market%20Rate%20Study%20REPORT082718.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, it 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, North Carolina has 4,000 unique child care markets.

The Market Rate Survey is not the final determinant of the effective market rates (or reimbursement rate) that providers are paid. The NC General Assembly has the final say on how much funding is available for the child care subsidy program and traditionally has authorized actual rates that are less than the rates from the most recent Market Rate Survey. However, in recent years, the 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 its website: <https://ncchildcare.ncdhhs.gov/Home/DCDEE-Sections/Subsidy-Services/Market-Rates>.

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 several important factors affecting the financing of early childhood care and education in 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 show that the state's commitment to the child care subsidy program decreased by 53 percent from Fiscal Year 2007-2008 to Fiscal Year 2018-2019.⁸ Fewer children are enrolled in the child care subsidy program as a result.



A second issue is how subsidy dollars are allocated within 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 the Center for American Progress suggest that the monthly

⁷ Aurelien and Sirota, June 2019.

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 the 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

A related issue with current subsidy rates is that providers are prohibited from receiving reimbursements rates that are higher than the rates they charge private fee-paying families. Most providers serve a mix of children who receive subsidies and children who don't, and many families who do not receive assistance simply cannot afford to pay higher rates. This means that even when subsidy rates increase, providers may have to raise their rates, which places a greater cost burden on private fee-paying families, in order to receive higher reimbursements. Some providers choose to keep private rates lower and forgo higher reimbursements.

STATEWIDE FLOOR FOR SUBSIDY REIMBURSEMENTS IS A STEP TOWARD MORE ADEQUATE AND EQUITABLE FUNDING

Fully addressing the inequities and inadequate funding created by the current method for calculating market rates will require the N.C. Division of Child Development and Early Education (DCDEE) to develop an alternative methodology for calculating rates based on the actual cost of providing high quality care. DCDEE is currently pursuing this strategy, but it will take at least two years for the state to implement an alternative methodology, and child care providers need additional stabilization now. A subcommittee of the Subsidy Advisory Committee to NC DCDEE proposed an interim move that would address some of the issues facing providers who serve the greatest share of children who receive child care assistance.

The proposal would establish a minimum reimbursement rate for qualifying early childhood care and education programs based on the statewide market rate for their star level and for the age of the child receiving a subsidy.¹¹ Providers would receive either the statewide rate or their county market rate, whichever is higher. 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 raising rates based on the 2018 market rate study and implementing the statewide market rate as a floor. The proposal here also assumes a change in policy so that providers can accept reimbursement rates that are higher than private fee-paying rates, allowing providers to benefit from this investment without increasing the cost burden on families who do not receive subsidies.

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

11 The initial proposal established a threshold for providers with 40 percent or more of the children they serve receiving assistance as being eligible for the state market rate. The proposal discussed in this report covers all providers.

HIGHER RATES GIVE A BIG BOOST TO COUNTIES AT GREATEST RISK OF LOSING CHILD CARE ACCESS

An analysis of rate increases based on the Subsidy Advisory Committee's proposal for a statewide floor suggests that this move could generate meaningful returns to qualifying providers' bottom-lines. (See Appendix B for more information about the methodology and data sources.)

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

Figure 1 provides an example of how the adoption of a statewide floor would boost reimbursement rates for providers in four neighboring counties in western North Carolina. Currently, rates differ significantly across counties. Increasing rates to the statewide floor would give providers payments that are closer to the cost of providing quality care and would make rates much more equitable across the counties. In the case of Buncombe County, current rates for family child care homes serving infants are higher than the statewide floor, so while the rate in Buncombe is not increased, providers are "held harmless" and maintain their higher county rate.

Ninety-eight counties would see increased investment from this proposed rate increase, with the greatest change in reimbursement rates going to economically distressed rural counties where the gap between current market rates and the state floor is the largest. Estimates of total increased investment by county, along with current and proposed rates for infants attending five-star providers are available in Appendix A.

Moving to the most recent county rates available and establishing a statewide floor would require an investment of approximately \$72 million annually. This funding would help close the gap between the cost of delivering high quality services and the reimbursement that providers receive, helping to improve early education for families and working conditions for educators. Improving providers' bottom lines will reduce the need to underinvest in staffing and learning materials or to take out loans in order to regularly meet payroll and bills.

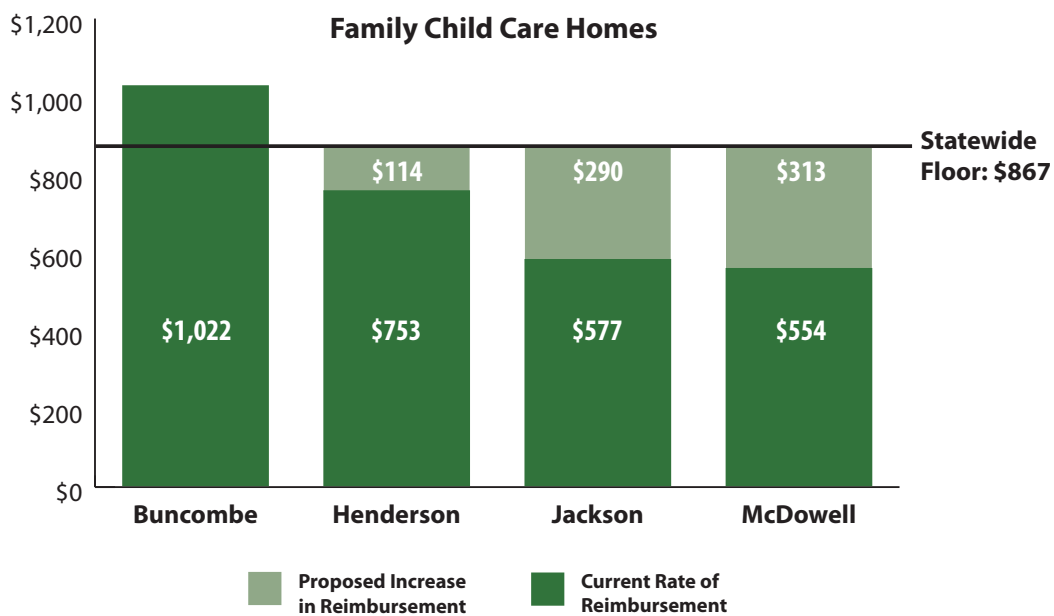
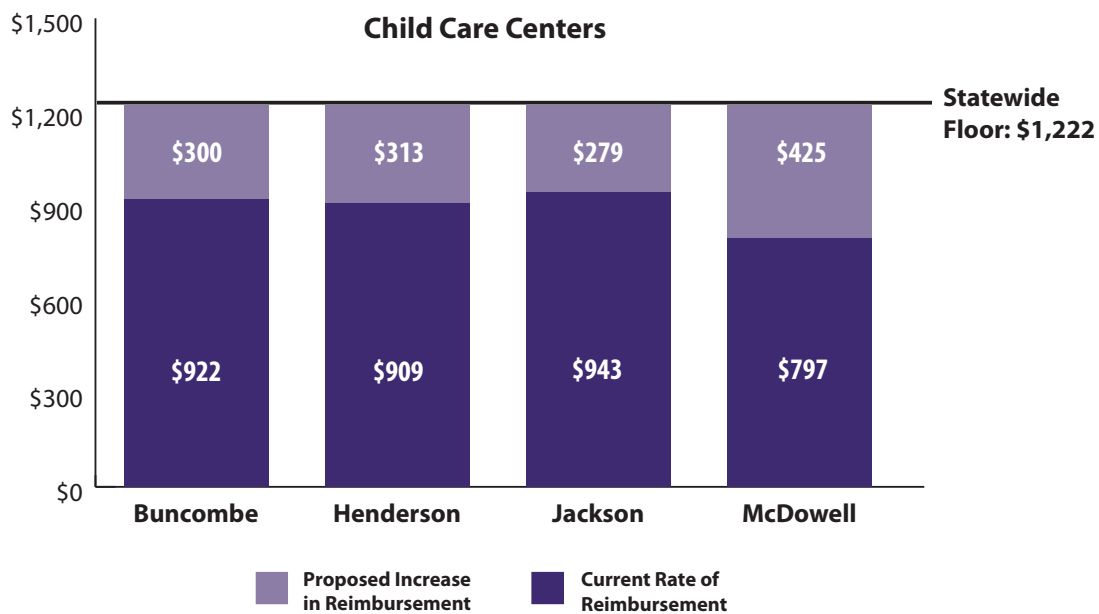
12 Forry, Nicole, Paula Daneri, and Grace Howarth. Child Care Subsidy Literature Review. December 2013, Child Trends, OPRE Brief 2013-60. Accessed at: <https://www.qrisnetwork.org/sites/all/files/resources/mrobinson@buildinitiative.org/2014-03-28%2008:18/Child%20Care%20Subsidy%20Literature%20Review.pdf>

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: Moving to a statewide floor would boost the per-child reimbursement for providers significantly.

Proposed increase in monthly subsidy reimbursement per child for 5-star providers caring for infants in four Western N.C. counties



Source: DCDEE Current Market Rates and 2018 North Carolina Market Rate Survey.

The difference in dollars going to providers could be significant enough to change the county-level availability of teachers through increases wages and professional development. 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.¹⁵ Under this proposal, Buncombe County providers that serve children receiving subsidies could collectively see about \$157,000 in additional funding per month. 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.

EQUITABLE REIMBURSEMENT RATES CAN LEAD TO COMMUNITY-WIDE BENEFITS

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 third 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

15 Buncombe Partnership for Children and Child Care Services Association, “Working in Early Care and Education in North Carolina: 2018 Workforce Study” (Child Care Services Association, July 2019), https://www.childcareservices.org/wp-content/uploads/CCSA_2020_Statewide_WorkStudyRprt-FINAL-web.pdf

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.¹⁶

The long-term solution to inequities in the early childhood education system is a robust commitment of public funding, which includes developing subsidy reimbursement rates that cover the cost of high quality care everywhere in North Carolina. This will help ensure that ability to pay does not limit the quality that every child deserves. Increasing subsidy reimbursement rates and establishing a statewide floor is a first step toward this goal, particularly for infants and toddlers. This funding can help stabilize the child care industry, prevent child care deserts from expanding in the state, and ensure that parents can count on access to child care as the state recovers from the COVID-19 pandemic. It can support providers' engagement with the child care subsidy program and has the potential not only to improve family economic outcomes but also to support community economic advancement. This change addresses the wide disparities in reimbursement levels across counties, offering a more equitable path toward a reimbursement rate that better matches what it costs to deliver quality early childhood care and education, regardless of location.

16 Buncombe Partnership for Children and Child Care Services Association, "Working in Early Care and Education in North Carolina: 2018 Workforce Study" (Child Care Services Association, July 2019), https://www.childcareservices.org/wp-content/uploads/CCSA_2020_Statewide_WorkStudyRprt-FINAL-web.pdf

APPENDIX A: County-level changes to monthly and annual subsidy reimbursements

Table 1 shows the change in monthly reimbursements for five-star child care centers and family child care homes for caring for an infant whose family is receiving a child care subsidy. The proposed new rate includes using the most recent market rate survey and implementing a statewide floor. Data on rates for three- and four-star providers and for children through age 5 is available on request.

TABLE 1: Current and proposed monthly child care subsidy reimbursement rates for infants in five-star providers

County	Child Care Centers			Family Child Care Homes		
	Current Market Rate	Proposed New Rate	Proposed Increase	Current Market Rate	Proposed New Rate	Proposed Increase
Alamance	\$996	\$1,222	\$226	\$800	\$950	\$150
Alexander	\$713	\$1,222	\$509	\$504	\$867	\$363
Alleghany	\$762	\$1,222	\$460	\$462	\$867	\$405
Anson	\$929	\$1,222	\$293	\$714	\$867	\$153
Ashe	\$750	\$1,222	\$472	\$470	\$867	\$397
Avery	\$1,010	\$1,222	\$212	\$611	\$867	\$256
Beaufort	\$807	\$1,222	\$415	\$673	\$867	\$194
Bertie	\$835	\$1,222	\$387	\$593	\$867	\$274
Bladen	\$906	\$1,222	\$316	\$541	\$867	\$326
Brunswick	\$755	\$1,222	\$467	\$613	\$867	\$254
Buncombe	\$922	\$1,222	\$300	\$1,022	\$1,022	\$-
Burke	\$769	\$1,222	\$453	\$624	\$867	\$243
Cabarrus	\$1,031	\$1,222	\$191	\$791	\$867	\$76
Caldwell	\$714	\$1,222	\$508	\$642	\$867	\$225
Camden	\$981	\$1,222	\$241	\$672	\$867	\$195
Carteret	\$761	\$1,222	\$461	\$706	\$867	\$161
Caswell	\$957	\$1,222	\$265	\$623	\$867	\$244
Catawba	\$1,018	\$1,222	\$204	\$657	\$867	\$210
Chatham	\$1,069	\$1,419	\$350	\$669	\$867	\$198
Cherokee	\$897	\$1,222	\$325	\$558	\$867	\$309
Chowan	\$823	\$1,222	\$399	\$532	\$867	\$335
Clay	\$991	\$1,222	\$231	\$522	\$867	\$345
Cleveland	\$788	\$1,222	\$434	\$611	\$867	\$256
Columbus	\$809	\$1,222	\$413	\$609	\$867	\$258

Source: DCDEE Current Market Rates and 2018 North Carolina Market Rate Survey.

TABLE 1, cont.: Current and proposed monthly child care subsidy reimbursement rates for infants in five-star providers

County	Child Care Centers			Family Child Care Homes		
	Current Market Rate	Proposed New Rate	Proposed Increase	Current Market Rate	Proposed New Rate	Proposed Increase
Craven	\$776	\$1,222	\$446	\$771	\$867	\$96
Cumberland	\$971	\$1,222	\$251	\$967	\$967	\$-
Currituck	\$884	\$1,222	\$338	\$607	\$867	\$260
Dare	\$1,060	\$1,222	\$162	\$779	\$867	\$88
Davidson	\$1,236	\$1,236	\$-	\$648	\$890	\$242
Davie	\$862	\$1,222	\$360	\$723	\$867	\$144
Duplin	\$702	\$1,222	\$520	\$594	\$867	\$273
Durham	\$1,318	\$1,464	\$146	\$966	\$1,040	\$74
Edgecombe	\$907	\$1,222	\$315	\$685	\$867	\$182
Forsyth	\$861	\$1,222	\$361	\$792	\$867	\$75
Franklin	\$1,093	\$1,222	\$129	\$707	\$867	\$160
Gaston	\$1,026	\$1,222	\$196	\$708	\$867	\$159
Gates	\$996	\$1,222	\$226	\$595	\$867	\$272
Graham	\$822	\$1,222	\$400	\$571	\$867	\$296
Granville	\$885	\$1,222	\$337	\$678	\$867	\$189
Greene	\$791	\$1,222	\$431	\$672	\$867	\$195
Guilford	\$1,266	\$1,266	\$-	\$833	\$867	\$34
Halifax	\$838	\$1,222	\$384	\$645	\$867	\$222
Harnett	\$934	\$1,222	\$288	\$982	\$982	\$-
Haywood	\$897	\$1,222	\$325	\$542	\$867	\$325
Henderson	\$909	\$1,222	\$313	\$753	\$867	\$114
Hertford	\$887	\$1,222	\$335	\$535	\$867	\$332
Hoke	\$876	\$1,222	\$346	\$807	\$867	\$60
Hyde	\$1,223	\$1,223	\$-	\$814	\$867	\$53
Iredell	\$1,141	\$1,222	\$81	\$761	\$867	\$106
Jackson	\$943	\$1,222	\$279	\$577	\$867	\$290
Johnston	\$924	\$1,222	\$298	\$1,211	\$1,211	\$-
Jones	\$961	\$1,222	\$261	\$590	\$867	\$277
Lee	\$926	\$1,222	\$296	\$633	\$867	\$234
Lenoir	\$756	\$1,222	\$466	\$638	\$867	\$229
Lincoln	\$827	\$1,222	\$395	\$672	\$869	\$197
Macon	\$793	\$1,222	\$429	\$548	\$867	\$319
Madison	\$927	\$1,222	\$295	\$581	\$867	\$286

TABLE 1, cont.: Current and proposed monthly child care subsidy reimbursement rates for infants in five-star providers

County	Child Care Centers			Family Child Care Homes		
	Current Market Rate	Proposed New Rate	Proposed Increase	Current Market Rate	Proposed New Rate	Proposed Increase
Martin	\$957	\$1,222	\$265	\$533	\$867	\$334
McDowell	\$797	\$1,222	\$425	\$554	\$867	\$313
Mecklenburg	\$1,194	\$1,278	\$84	\$799	\$876	\$77
Mitchell	\$925	\$1,222	\$297	\$532	\$867	\$335
Montgomery	\$936	\$1,222	\$286	\$560	\$867	\$307
Moore	\$736	\$1,222	\$486	\$680	\$867	\$187
Nash	\$801	\$1,222	\$421	\$747	\$867	\$120
New Hanover	\$849	\$1,222	\$373	\$766	\$867	\$101
Northampton	\$1,047	\$1,222	\$175	\$678	\$867	\$189
Onslow	\$809	\$1,222	\$413	\$735	\$867	\$132
Orange	\$1,329	\$1,445	\$116	\$1,080	\$1,276	\$196
Pamlico	\$894	\$1,222	\$328	\$540	\$867	\$327
Pasquotank	\$768	\$1,222	\$454	\$623	\$867	\$244
Pender	\$954	\$1,222	\$268	\$687	\$867	\$180
Perquimans	\$900	\$1,222	\$322	\$528	\$867	\$339
Person	\$885	\$1,222	\$337	\$781	\$867	\$86
Pitt	\$924	\$1,222	\$298	\$767	\$867	\$100
Polk	\$1,016	\$1,222	\$206	\$649	\$867	\$218
Randolph	\$736	\$1,222	\$486	\$607	\$867	\$260
Richmond	\$813	\$1,222	\$409	\$500	\$867	\$367
Robeson	\$1,111	\$1,222	\$111	\$688	\$867	\$179
Rockingham	\$813	\$1,222	\$409	\$587	\$867	\$280
Rowan	\$796	\$1,222	\$426	\$670	\$867	\$197
Rutherford	\$819	\$1,222	\$403	\$553	\$867	\$314
Sampson	\$1,154	\$1,222	\$68	\$731	\$867	\$136
Scotland	\$880	\$1,222	\$342	\$645	\$867	\$222
Stanly	\$845	\$1,222	\$377	\$639	\$867	\$228
Stokes	\$712	\$1,222	\$510	\$664	\$867	\$203
Surry	\$967	\$1,222	\$255	\$595	\$867	\$272
Swain	\$839	\$1,222	\$383	\$509	\$867	\$358
Transylvania	\$1,048	\$1,222	\$174	\$646	\$867	\$221
Tyrrell	\$828	\$1,222	\$394	\$462	\$867	\$405
Union	\$1,020	\$1,222	\$202	\$795	\$1,013	\$218

TABLE 1, cont.: Current and proposed monthly child care subsidy reimbursement rates for infants in five-star providers

County	Child Care Centers			Family Child Care Homes		
	Current Market Rate	Proposed New Rate	Proposed Increase	Current Market Rate	Proposed New Rate	Proposed Increase
Vance	\$820	\$1,222	\$402	\$680	\$867	\$187
Wake	\$1,376	\$1,417	\$41	\$909	\$976	\$67
Warren	\$949	\$1,222	\$273	\$581	\$867	\$286
Washington	\$977	\$1,222	\$245	\$617	\$867	\$250
Watauga	\$762	\$1,222	\$460	\$613	\$867	\$254
Wayne	\$958	\$1,222	\$264	\$684	\$867	\$183
Wilkes	\$937	\$1,222	\$285	\$638	\$867	\$229
Wilson	\$806	\$1,222	\$416	\$608	\$867	\$259
Yadkin	\$737	\$1,222	\$485	\$525	\$867	\$342
Yancey	\$952	\$1,222	\$270	\$506	\$867	\$361

Table 2 shows the change in total reimbursements to licensed child care providers by county. Estimates are based on the adoption of new rates and a statewide floor for three-, four-, and five-star rated child care centers and family child care homes serving children ages 0 through 5. The monthly and annual totals are based on point-in-time attendance data from December 2020 and so could change based on changes in attendance (e.g., by age or provider star rating) throughout the year. See Appendix B for a full discussion of the methods used for these estimates.

TABLE 2: Estimated increase in total reimbursements to licensed providers

County	Total Monthly Payments		Increase in Payments		
	Current Rates	Proposed New Rates with Statewide Floor	Monthly	Annual	Percent
Alamance	\$554,000	\$635,000	\$82,000	\$979,000	15%
Alexander	\$95,000	\$136,000	\$42,000	\$501,000	44%
Alleghany	\$21,000	\$32,000	\$10,000	\$126,000	49%
Anson	\$106,000	\$140,000	\$34,000	\$409,000	32%
Ashe	\$80,000	\$129,000	\$49,000	\$585,000	61%
Avery	\$37,000	\$46,000	\$9,000	\$106,000	24%
Beaufort	\$248,000	\$338,000	\$90,000	\$1,075,000	36%
Bertie	\$38,000	\$55,000	\$17,000	\$206,000	45%
Bladen	\$106,000	\$143,000	\$38,000	\$451,000	36%
Brunswick	\$322,000	\$494,000	\$172,000	\$2,068,000	54%
Buncombe	\$644,000	\$800,000	\$157,000	\$1,881,000	24%
Burke	\$237,000	\$360,000	\$123,000	\$1,479,000	52%
Cabarrus	\$401,000	\$452,000	\$51,000	\$610,000	13%
Caldwell	\$274,000	\$427,000	\$152,000	\$1,827,000	55%
Camden	\$6,000	\$7,000	\$1,000	\$16,000	22%
Carteret	\$86,000	\$130,000	\$44,000	\$526,000	51%
Caswell	\$49,000	\$57,000	\$8,000	\$96,000	16%
Catawba	\$479,000	\$578,000	\$99,000	\$1,187,000	21%
Chatham	\$144,000	\$199,000	\$56,000	\$668,000	39%
Cherokee	\$70,000	\$96,000	\$26,000	\$316,000	38%
Chowan	\$31,000	\$40,000	\$9,000	\$113,000	30%
Clay	\$37,000	\$44,000	\$8,000	\$91,000	21%
Cleveland	\$154,000	\$204,000	\$50,000	\$600,000	32%
Columbus	\$119,000	\$156,000	\$36,000	\$435,000	30%

Source: NC DCDEE data on attendance of children receiving subsidies in December 2020.

Note: Some values may not add up due to rounding.

TABLE 2, cont.: Estimated increase in total reimbursements to licensed providers

County	Total Monthly Payments		Increase in Payments		
	Current Rates	Proposed New Rates with Statewide Floor	Monthly	Annual	Percent
Craven	\$279,000	\$393,000	\$114,000	\$1,362,000	41%
Cumberland	\$1,196,000	\$1,324,000	\$127,000	\$1,530,000	11%
Currituck	\$19,000	\$23,000	\$4,000	\$54,000	24%
Dare	\$43,000	\$49,000	\$6,000	\$74,000	14%
Davidson	\$416,000	\$510,000	\$94,000	\$1,128,000	23%
Davie	\$101,000	\$136,000	\$34,000	\$414,000	34%
Duplin	\$203,000	\$297,000	\$94,000	\$1,127,000	46%
Durham	\$1,468,000	\$1,599,000	\$130,000	\$1,562,000	9%
Edgecombe	\$177,000	\$200,000	\$24,000	\$284,000	13%
Forsyth	\$1,065,000	\$1,279,000	\$214,000	\$2,564,000	20%
Franklin	\$259,000	\$284,000	\$25,000	\$296,000	10%
Gaston	\$716,000	\$793,000	\$77,000	\$926,000	11%
Gates	\$12,000	\$15,000	\$3,000	\$40,000	28%
Graham	\$20,000	\$28,000	\$8,000	\$94,000	39%
Granville	\$185,000	\$221,000	\$35,000	\$423,000	19%
Greene	\$38,000	\$50,000	\$12,000	\$148,000	33%
Guilford	\$1,920,000	\$1,920,000	\$-	\$-	0%
Halifax	\$162,000	\$235,000	\$73,000	\$877,000	45%
Harnett	\$214,000	\$265,000	\$52,000	\$622,000	24%
Haywood	\$230,000	\$341,000	\$111,000	\$1,329,000	48%
Henderson	\$226,000	\$293,000	\$67,000	\$801,000	29%
Hertford	\$85,000	\$114,000	\$29,000	\$351,000	35%
Hoke	\$162,000	\$213,000	\$52,000	\$620,000	32%
Hyde	\$3,000	\$3,000	\$-	\$-	0%
Iredell	\$399,000	\$462,000	\$63,000	\$753,000	16%
Jackson	\$111,000	\$145,000	\$34,000	\$405,000	30%
Johnston	\$476,000	\$578,000	\$102,000	\$1,225,000	21%
Jones	\$46,000	\$57,000	\$11,000	\$130,000	24%
Lee	\$147,000	\$202,000	\$55,000	\$659,000	37%
Lenoir	\$182,000	\$261,000	\$79,000	\$948,000	43%
Lincoln	\$181,000	\$242,000	\$61,000	\$733,000	34%
Macon	\$140,000	\$198,000	\$58,000	\$700,000	42%
Madison	\$32,000	\$40,000	\$8,000	\$94,000	25%

TABLE 2, cont.: Estimated increase in total reimbursements to licensed providers

County	Total Monthly Payments		Increase in Payments		
	Current Rates	Proposed New Rates with Statewide Floor	Monthly	Annual	Percent
Martin	\$48,000	\$60,000	\$12,000	\$141,000	24%
McDowell	\$113,000	\$162,000	\$49,000	\$589,000	43%
Mecklenburg	\$3,352,000	\$3,724,000	\$372,000	\$4,465,000	11%
Mitchell	\$33,000	\$40,000	\$6,000	\$78,000	19%
Montgomery	\$39,000	\$48,000	\$9,000	\$110,000	24%
Moore	\$208,000	\$261,000	\$53,000	\$631,000	25%
Nash	\$183,000	\$234,000	\$51,000	\$610,000	28%
New Hanover	\$667,000	\$825,000	\$158,000	\$1,901,000	24%
Northampton	\$57,000	\$66,000	\$9,000	\$113,000	16%
Onslow	\$577,000	\$810,000	\$234,000	\$2,804,000	41%
Orange	\$452,000	\$496,000	\$44,000	\$524,000	10%
Pamlico	\$32,000	\$42,000	\$10,000	\$119,000	31%
Pasquotank	\$77,000	\$119,000	\$42,000	\$504,000	54%
Pender	\$166,000	\$210,000	\$44,000	\$528,000	27%
Perquimans	\$29,000	\$40,000	\$11,000	\$136,000	39%
Person	\$87,000	\$116,000	\$29,000	\$353,000	34%
Pitt	\$588,000	\$694,000	\$106,000	\$1,268,000	18%
Polk	\$10,000	\$12,000	\$2,000	\$24,000	21%
Randolph	\$327,000	\$487,000	\$160,000	\$1,921,000	49%
Richmond	\$159,000	\$218,000	\$59,000	\$711,000	37%
Robeson	\$567,000	\$684,000	\$118,000	\$1,416,000	21%
Rockingham	\$200,000	\$283,000	\$83,000	\$996,000	41%
Rowan	\$444,000	\$675,000	\$231,000	\$2,775,000	52%
Rutherford	\$195,000	\$277,000	\$83,000	\$991,000	42%
Sampson	\$240,000	\$283,000	\$43,000	\$517,000	18%
Scotland	\$131,000	\$174,000	\$43,000	\$519,000	33%
Stanly	\$147,000	\$201,000	\$54,000	\$650,000	37%
Stokes	\$76,000	\$97,000	\$21,000	\$250,000	27%
Surry	\$210,000	\$230,000	\$20,000	\$240,000	9%
Swain	\$48,000	\$65,000	\$17,000	\$209,000	37%
Transylvania	\$142,000	\$164,000	\$21,000	\$253,000	15%
Tyrrell	\$3,000	\$4,000	\$1,000	\$16,000	49%
Union	\$353,000	\$406,000	\$53,000	\$641,000	15%
Vance	\$304,000	\$334,000	\$30,000	\$359,000	10%

TABLE 2, cont.: Estimated increase in total reimbursements to licensed providers

County	Total Monthly Payments		Increase in Payments		
	Current Rates	Proposed New Rates with Statewide Floor	Monthly	Annual	Percent
Wake	\$3,851,000	\$4,067,000	\$216,000	\$2,588,000	6%
Warren	\$84,000	\$109,000	\$25,000	\$305,000	30%
Washington	\$105,000	\$116,000	\$11,000	\$136,000	11%
Watauga	\$50,000	\$71,000	\$22,000	\$260,000	44%
Wayne	\$333,000	\$395,000	\$62,000	\$746,000	19%
Wilkes	\$179,000	\$205,000	\$25,000	\$303,000	14%
Wilson	\$275,000	\$383,000	\$108,000	\$1,291,000	39%
Yadkin	\$32,000	\$44,000	\$12,000	\$147,000	39%
Yancey	\$19,000	\$26,000	\$7,000	\$81,000	35%
Total	\$30,443,000	\$36,425,000	\$5,986,000	\$71,832,000	20%

APPENDIX B: Methodology

DATA

Estimated costs in this report are based on December 2020 attendance data by county for children who receive subsidies in North Carolina. The dataset was provided by the Division of Child Development and Early Education (DCDEE) to the Fiscal Research Division of the North Carolina General Assembly. DCDEE has stated that the child care subsidy program was operating at full capacity in this month. The dataset was limited to children attending three-star, four-star, and five-star child care centers and family child care homes.

ANALYSIS

In order to estimate costs by county, we:

- Excluded school age children
- Set new proposed rates for each county, age, star-level, and provider type (child care center or family child care home) by using the highest of the following values:
 - Current rate.
 - Modeled rate for that county, age, star-level, and provider type in the 2018 North Carolina Child Care Market Rate Study.
 - 75th percentile state rate for that age, star-level, and provider type.
- Multiplied the number of children in each rate category by the current and proposed rates.
- Summed these values by county to estimate the current and proposed total reimbursement.
- Multiplied the one-month cost by 12 to reflect a full year of service.

LIMITATIONS

Attendance data did not specify whether children were part time, full-service, or receiving wrap-around services. We assumed that all children were full-time and that providers would be reimbursed at the full monthly rate. We used only one month of data from December 2020, and so could not account for potential changes in the composition of children receiving a subsidy and which providers they attended throughout the year.

APRIL 2021

This is an updated version of a report first released in July 2020.

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

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