

Legislative Update

May 13, 2019

House Early Childhood Budget Summary, Bill Cross-Over Action, and Coalition Commentary on the Early Childhood Budget

In this report, we present an overview of the House budget which passed on May 3, 2019, and some of the bills we are tracking on the Coalition's early childhood education agenda and the Think Babies™ NC public policy agenda. Some of these bills were either incorporated in the House budget or made it through the bill cross-over deadline of May 9th, so they are eligible for continued consideration during the session. We also include excerpts from our House Budget Blog in the comments section for each budget item. This report concludes with what is coming next as legislative activity continues and the budget moves to the Senate for action now.

Coalition Webinar on the Latest Legislative Action

Join us on **Monday, May 20th** for a Coalition webinar to review the House budget and the latest legislative activity. The webinar will take place from 1:00 – 2:00 pm and registration is required. Register now: <https://attendee.gotowebinar.com/register/8846506028909910027>

BUDGET OVERVIEW

In general, the House budget provided very little new money for early childhood education or the NC Division of Child Development and Early Education (DCDEE), and it continued the budget trend of replacing state funding for NC Pre-K with federal child care subsidy funding. Total funding allocations in all categories fell far below what was needed. Below are some highlights and our commentary on the House budget.

- **Smart Start**

Increased Smart Start funding state appropriations by \$5M in non-recurring funding for FY 19-20 and \$2M non-recurring for FY 20-01, with funding targeted to child care related, child care health, family support, and not child care subsidies.

Comments: House budget leaders provided just \$7M in non-recurring funding for Smart Start, even though both House and Senate Smart Start bills (H124 and S336) with bi-partisan support had \$20M in appropriations. Providing one-time only non-recurring funding will make it difficult for local partnerships to expand services and we had hoped any additional funding would have been recurring, especially if legislators truly wanted to expand services in their own home communities. s

The dedication of funding to child care related, health, and family support is troubling especially for our Think Babies™ NC priority to expand home visiting and parenting education, as family support received just \$1.2M of the total \$7M Smart Start two-year budget. 2018 budget bills for Smart Start provided \$10M alone in home visiting program expansion. With the UNC Home Visiting Landscape report that showed just 1% of all children had access to home visiting, this budget is woefully inadequate.

- **NC Pre-K**

The House budget maintains \$9.028M in state funding for NC Pre-K expansion in FY 19-20 and FY 20-21, which was previously appropriated in FY 2018-19 budget. The budget also provides \$1.7M in recurring state funding for a 2% rate increase in FY 19-20 and \$5.3M in recurring funding for a 6% increase FY 20-21. The rate increase is intended to be used for salary increases for private child care salaries.

In other Pre-K related funding, the House budget creates the “Upstart Virtual Pre-K Pilot Program” and provides \$1M in non-recurring funding in FY 19-20 only.

Comments: House budget leaders again reduced state funding for NC Pre-K and replaced it with federal TANF funding, which is very disappointing because it negatively impacts the amount of funding available for child care subsidy assistance for working families and makes NC Pre-K increasingly dependent on federal funding. This happened last year when both the Senate and House voted to reduce NC Pre-K state funding by \$50M and replaced it with federal TANF child care subsidy funding. That budget action reduced the state share to 24%, increased the share of federal funding to 38%, and left the lottery funding share at 48%.

Although House budget leaders did maintain their expansion funding of \$9M from the previous legislative session, their budget only continues the expansion trend and does not address the capacity building issues facing communities. In the last expansion round, 30 counties did not expand NC Pre-K, which clearly indicates there are significant barriers to expansion. These barriers were detailed in the Coalition’s 2018 NC Pre-K fact sheet and also the 2019 NIEER NC Pre-K report. Further, although the rate increases are appreciated since they are intended for private child care Pre-K teachers, the rate increases are too low, especially in the first year of the budget cycle, and do not address the needs for administrative or programmatic support funding or upfront funding to recruit and hire teachers and outfit new classrooms. We believe that the allocation process, which is a per child reimbursement approach, needs to change and the rate increase needs to be higher to address multiple capacity building issues.

On the Virtual Pre-K program and funding, we believe that virtual early learning preschools are not appropriate, nor is this an effective early learning strategy for early childhood education. When other states have implemented this program, some have connected the virtual learning to other early education or family support programs. We recognize that the Department of Public Instruction (DPI) wants to reach those children who are not able to access the NC Pre-K funding, but we had hoped that DPI would have created its own funding stream for NC Pre-K and would have added some evidence-based programming to make this pilot successful.

- **Child Care Subsidy Assistance for Working Families**

The House budget provides \$7M in recurring funding for FY 19-20 and \$7M for FY 20-21 from the federal CCDBF and TANF child care subsidy block grants. This will support about 1,100 eligible children. Through a special budget provision, the parent co-pay is reduced from 10% to 9% which is estimated to cost approximately \$600,000. This will likely reduce services for 100 children. In other action, the House budget reduces the CCDBG infant-toddler quality set-aside funding by \$565,189 and eliminates three positions, stating these are unfilled. (DCDEE say they are filled, or about to be filled).

Comments:

This is an extremely disappointing under-investment in child care subsidy assistance for working families and their children, especially considering there are almost 30,000 eligible children on the waitlist right now and only about 20% of all eligible children are currently served. The Coalition's budget request was for \$31M in funding, which would have served 6,000 children. The House budget of \$7M falls far short of what is needed. As noted previously, House budget leaders continued the trend of taking funding from one early childhood program to fund another program, which directly contradicts the federal intent by Congress and the President to expand child care subsidies for working families. This House budget action is both not fair and extremely short-sided, especially considering that the entire state is a child care desert, with every county experiencing severe shortages in quality infant-toddler programs and other child care programs that serve low-income children and families. These families would benefit greatly from opportunities to access quality early learning programs to support their children's healthy development and early learning to be on track for third grade reading success. The lack of child care subsidy funding impacts not only the number of spaces for children and families, but also the ability of child care programs to serve these families and to provide wrap-around services for families in the NC Pre-K program. Despite our push to Think Babies, infants and toddlers will continue to be underserved by the House budget. More than half of the young children currently on the waitlist are babies under age three, and no special priority was placed on serving our youngest children.

CROSS-OVER BILL ACTIVITY

This section includes a brief summary of bills that are part of the Coalition's early education and/or Think Babies™ NC agenda. These bills either made it into the House budget or were approved by one chamber before the cross-over deadline. Please note that bills with appropriations can still be considered, and other bills may find a way to be considered in another bill or in Senate budget action.

Moving On:

- **H882 Early Childhood Recommendations (Coalition and Think Babies™ NC).** This bill makes improvements to lead teacher education standards and compensation, and directs DCDEE to develop a feasibility cost study for a model infant-toddler program, similar to how NC Pre-K is structured. This bill was amended to remove all reference to religious-affiliated child care programs which do not have to participate in these new standards. H882 passed the House unanimously 111-0 and now goes to the Senate for consideration.
- **H655: NC Health Care for Working Families (Think Babies™ NC).** This bill expands access to health coverage under the NC Health Care for Working Families Program and establishes the North Carolina Rural Access to Health Care Grant Program. Although this bill was never heard in any Committees, House leaders still expect to bring it forward this session.
- **H124/S336: Expand Smart Start Funds (Coalition and Think Babies™ NC).** This bill appropriates \$20M to the NC Partnership for Children to distribute to Smart Start local partnerships. This bill was not heard in either the House or Senate, so not likely to be considered as a separate bill. However, as reported, the House budget included a total of \$7M in non-recurring funding over both budget years, so discussion will likely continue in the Senate budget process.

- **H379: Funds for Nurse-Family Partnership (Think Babies™ NC).** This bill appropriates \$4.7M to expand home visiting services through the Nurse-Family Partnership program and is included in the final House budget.

Not Likely:

- **S558: NC Healthy Pregnancy Act. (Think Babies™ NC)** This bill provides reasonable accommodations in the workplace for pregnant employees and provides protections for pregnancy-related discrimination. The bill stalled out in the Senate Rules Committee and did not make the cross-over deadline.
- **H669/S130: State Employees Paid Parental Leave Act.** This bill allows state employees to receive up to 6 weeks of donated paid parental leave. This bill was not heard in any Committee and no action was taken.
- **H696: NC Families Act (Think Babies™ NC).** This bill creates a Paid Family and Medical Leave insurance program that provides paid leave to employees after the birth or adoption of a child, for employees to care for a family member or themselves while recovering from a serious health condition, and for employees to care for an injured military service member. This bill was not heard in any Committee and no action was taken.

NEXT STEPS

Activity will continue during the legislative session as bills will continue to be discussed in both the House and the Senate. The next step in the budget process is that the Senate will take up their own budget bill, which will begin the week of May 13th and is likely to be completed by Memorial Day weekend, so look for it around May 22-24th. We will keep you posted as the budget develops and as our early childhood policy priorities appear in the Senate Health and Human Services Appropriations Committee.

For more information on the House Budget –

- Read the Coalition's complete early childhood budget report here: (link to report)
- Read the full NC General Assembly budget bill components - the **Special Provisions** and the **Money Report**, which incorporate all of the amendments. These documents can also be found at <https://www.ncleg.gov/>.

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