

# NC Early Education Coalition

## NC Pre-K Expansion and Rates Fact Sheet

### Background

In FY 2017-18, the NC General Assembly expanded the NC Pre-K program adding \$27.3 million in funding over two years to serve an additional 1,725 children in FY17-18 and 3,525 children in FY18-19 with a goal of eliminating 75% of the program's waiting list. Total funding for NC Pre-K program is \$154.5 million in FY 2017-18 and \$163.8 million in FY 2018-19. Funding for the program came from a combination of state, lottery, and federal funds (see table below).

Funding was made available for slots only. A 'slot' refers to the capacity of a site to serve one child for a full program year, which is a 10 month, part-day program. The total rates provided to serve one slot for one year remained at \$5,200 which is the same amount allocated per slot since 2012 despite a legislative report that found that these rates paid only 61% of the direct services cost.<sup>i</sup>

In the fall of 2017, the NC Division of Child Development and Early Education surveyed the local NC Pre-K program contractors to determine their ability to expand the program. Almost half (44) of the 100 county-level contractors responded that they were unable to expand the program due to a variety of financial and programmatic challenges. Consequently, not all 100 counties are able to expand the NC Pre-K program and this leaves many disadvantaged four-year old children without a high quality early learning experience prior to kindergarten.

**NC Pre-K rates need to be adjusted to meet 2017/18 costs and funding sources need to be expanded to address expansion challenges. Here's why:**

- **The efforts by state legislature to expand the NC Pre-K program is a giant step forward towards meeting the need for this program.** Children and families in North Carolina rely on the NC Pre-K to support their early learning and school readiness. The goal of the expansion efforts is to serve 75% of the 6,345 children on the wait list. Yet despite the expansion, the program will serve just half of all eligible children. According to the NC Division of Child Development and Early Education, there were 62,287 eligible preschool children and 28,834 children will be served in FY 2017.
- **NC Pre-K expansion is limited by the lack of capacity in some counties to expand the program.** Only 56 of 100 counties requested and received expansion funding. Local Contractors cited capacity issues including: an inadequate supply of licensed early education teachers to open additional classrooms; not enough 5- or 4-star licensed child care programs able to expand classrooms; local match challenges; no transportation of children to sites; and no waiting list or other identified need to expand the program.
- **The NC Pre-K funding model is limiting expansion in many counties.** The NC Pre-K funding model is based on a shared, blended funding approach to provide high quality Pre-K programs to as many children as possible. Program funding covers just 61% of direct service costs, and approximately 50% of administrative costs. The burden is on local communities to secure additional support, which is very challenging. Other fund sources reported by contractors include Smart Start, Head Start, Title I, and other local funds. However, these funding streams are capped or restricted and have not been expanded in recent years which limits expansion opportunities.
- **Low slot rates affect the ability of local contractors to expand the program.** The NC Pre-K slot rates have not been increased since 2012. The state invests an average of \$5,228 per slot when the actual average slot cost is \$9,126<sup>ii</sup>. This payment rate is intended to fund a salary and benefits for a B-K licensed teacher and an assistant teacher, as well as all classroom costs. Local contractors which include private child care providers, local school districts, and Head Start agencies often do not have

additional local resources to recruit and pay salaries and benefits to hire qualified staff or expand classrooms which requires start-up funding including additional supplies, materials, and equipment, transportation and other program services and costs. Teacher salaries are not adequately covered in this rate. In 2010 the base teacher salary in public schools was \$30,430. Today the base pay is \$35,000. This represent a 15% increase in base pay. Many child care teachers in NC Pre-K programs have not had such an increase. This has resulted in increasing turnover of NC Pre-K teachers in child care centers, as they migrate to the public schools or other fields for better pay and benefits.

- **NC Pre-K administrative caps are inadequate and do not support child find or local site and slot development.** Administrative costs for NC Pre-K contractors have been capped at 4% of each NC Pre-K contractor's total allocation, and are inadequate paying just 53% and 51% of the average total administrative costs for Smart Start partnerships and LEAs respectively<sup>iii</sup>. Consequently, local contractors must also find supplemental funds to adequately administer the program which has significant requirements. Also, although the NC Pre-K program is a 10-month program for children's attendance, it requires year-round administration including summer efforts for child recruitment, eligibility determination, and site development and selection. These program costs are not adequately covered by the 4% administrative costs. Further, all costs are paid on a reimbursement basis which is extremely difficult for stable program operations.
- **NC Pre-K funding sources are not adequate to support comprehensive expansion of the program in all 100 counties.** The NC Pre-K program has always been funded by a combination of state general funds and lottery funds, and federal TANF funding particularly in the past five years. The total FY 2017-18 NC Pre-K budget of \$163,803,504 is funded by state general funds (44%), lottery funds (48%), and federal TANF funds (8%) - all from the Department of Health and Human Services budget (see graph and table below).

Lottery funding is an essential funding stream for NC Pre-K. When the lottery was originally created, 25% of the education lottery fund was dedicated to NC Pre-K by law. However, there is no longer any specific dedicated proportion for the NC Pre-K program, and only 13% of the education lottery fund was dedicated by the legislature to the NC Pre-K program in FY 2017-18 (see chart below).

### **NC Early Education Coalition Recommendations**

- Create a capacity building fund or a supplemental slot allocation so that local communities can address the challenges in expanding the program.
- Increase direct service slot rates to at least a total of 75% of the total average costs over time.
- Increase the local administrative rate to a minimum rate sufficient to sustain and expand the program, and align administrative costs with other state and federal programs.
- Expand and diversify the funding streams for NC Pre-K such as dedicating an increased portion of the state lottery funds for the NC Pre-K program or developing a new funding stream within the Department of Public Instruction for the state's Pre-K program.

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<sup>i</sup> **Study Costs and Effectiveness Associated with NC Pre-K Slots**, Report to the Senate and House Appropriations Committee on Health and Human Services by the NC Department of Health and Human Services, February 1, 2017.

<sup>ii</sup> Ibid.

<sup>iii</sup> Ibid.

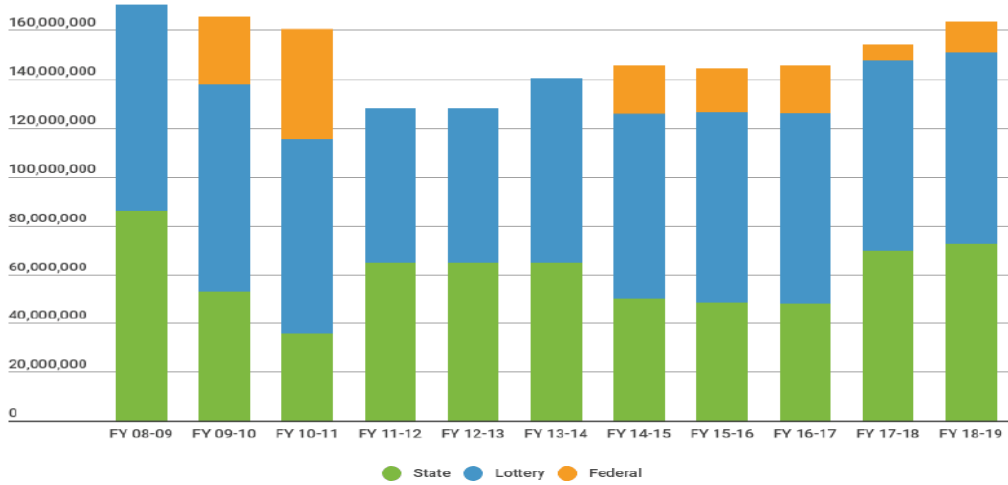
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### **For more information contact:**

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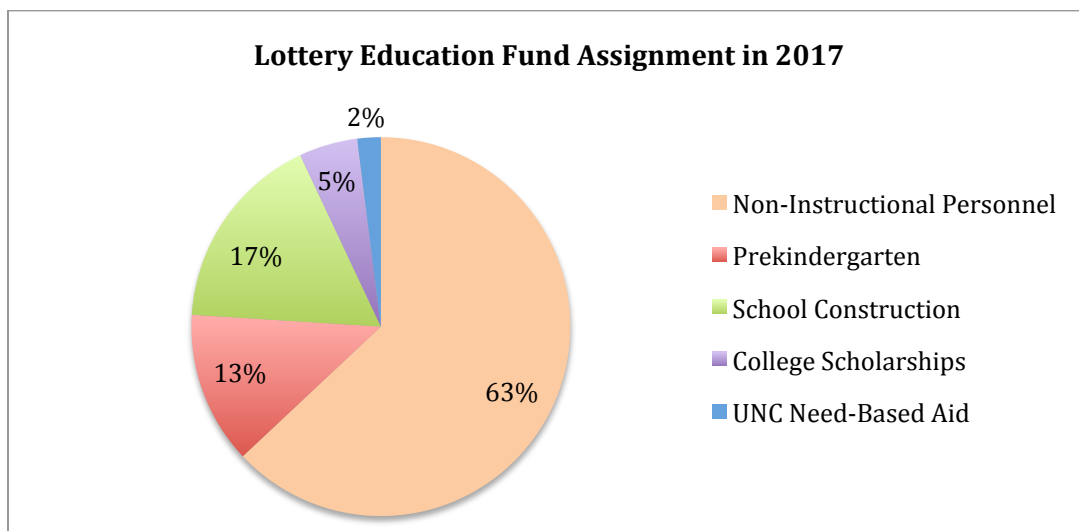
**NC Pre-K Funding FY 08-09 – FY 18-19**  
**Sources of NC Pre-K Funding From FY 08-9 to FY 18-19**



|          | State      | %   | Lottery    | %   | Federal    | %   | Total       |
|----------|------------|-----|------------|-----|------------|-----|-------------|
| FY 08-09 | 86,000,000 | 50% | 84,600,000 | 50% | -          |     | 170,600,000 |
| FY 09-10 | 53,000,000 | 32% | 84,600,000 | 51% | 28,000,000 | 17% | 165,600,000 |
| FY 10-11 | 35,800,000 | 22% | 79,600,000 | 50% | 45,000,000 | 28% | 160,400,000 |
| FY 11-12 | 65,000,000 | 51% | 63,100,000 | 49% | -          |     | 128,100,000 |
| FY 12-13 | 65,000,000 | 51% | 63,100,000 | 49% | -          |     | 128,100,000 |
| FY 13-14 | 65,000,000 | 46% | 75,500,000 | 54% | -          |     | 140,500,000 |
| FY 14-15 | 50,200,000 | 35% | 75,500,000 | 52% | 19,800,000 | 14% | 145,500,000 |
| FY 15-16 | 48,396,974 | 34% | 78,252,110 | 54% | 17,529,306 | 12% | 144,178,390 |
| FY 16-17 | 47,786,400 | 33% | 78,252,110 | 54% | 19,464,790 | 13% | 145,503,300 |
| FY 17-18 | 69,551,394 | 45% | 78,252,110 | 51% | 6,700,000  | 4%  | 154,503,504 |
| FY 18-19 | 72,651,394 | 44% | 78,252,110 | 48% | 12,900,000 | 8%  | 163,803,504 |

**Data Source:**

OSMC website – certified budgets, past budget bills and conference reports. Data provided by NC Early Childhood Foundation.



Source: State Lottery Education Funds Assignments FY 17-18 (Source: [www.nclottery.com/Education](http://www.nclottery.com/Education))