

Increase Child Care Subsidy Rates and Expand Access to Child Care

Pass HB 574: Revise Child Care Subsidy Rates

Increasing child care subsidy rates ensures providers in every county can stay open, offer more services for working parents, and provide high-quality learning to North Carolina’s youngest children.

Background

Child care providers in North Carolina are reimbursed for child care subsidy according to rates set by the NC General Assembly. The subsidy rates are based on county-specific market rates, which are determined from a statewide survey of private fee-paying rates for child care. Current rates are still based on 2015 data, even though the most recent survey was conducted in 2018. Subsidy rates vary by county, the age of children served, and star-rating. Using different rates for each county creates major geographic inequities. Many child care providers in low-income and rural counties receive thousands of dollars less per month than in urban counties, and as a result, have fewer child care programs available to support children and families.

Proposal: Pass and Fund H574

House Bill 574 increases the reimbursement rates for child care providers that serve children who receive child care subsidy assistance. This would help to stabilize providers and ensure every community can meet the need for quality child care for working families during North Carolina’s recovery from COVID-19. The total appropriation for H574 is \$146 million. This proposal improves child care subsidy rates by:

- Setting new subsidy rates at the county level based on the most recent 2018 survey of provider rates.
- Establishing a new “statewide floor” based on the *statewide* rates for all counties; holds harmless counties with higher rates.
- Eliminating the requirement that subsidy rates cannot be higher than private tuition rates, which allows child care programs to receive the higher rates without raising the cost for parents.

Monthly Subsidy Rates for Infants in 5-Star Child Care Center

County	Current rate	Proposed new rate	Proposed Increase
Cumberland	\$971	\$1,222	\$251
Mecklenburg	\$1,194	\$1,278	\$84
Pasquotank	\$768	\$1,222	\$454
Union	\$1,020	\$1,222	\$202
Forsyth	\$861	\$1,222	\$361
McDowell	\$797	\$1,222	\$425

Better child care subsidy rates provide a range of positive benefits to children, families, teachers, and child care programs.

- **Expands access to services:** Higher rates allow more providers to serve children and families who participate in the child care subsidy program. Working parents returning to jobs need to have accessible and affordable early education opportunities for their children. Children need the stability and high-quality environments that support their healthy development.
- **Provides child care programs with income stability:** Child care providers operate their businesses on razor-thin margins because they rely primarily on parent fees, along with reimbursements for serving children who receive child care subsidy assistance. Current subsidy rates are far below the actual cost of child care, and consequently, programs are losing money and can’t afford to serve subsidized families without charging parents higher fees.
- **Allows child care programs to pay better wages to attract and retain qualified teachers:** The average hourly wage for child care teachers in NC is \$12.00, and 70 counties pay below this rate. Child care programs can’t compete with Amazon, Walmart and other retailers that pay \$15.00 per hour, and they can’t raise tuition because parents can’t afford to pay more.

Fact sheet developed by the NC Early Education Coalition

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Resources: information provided by the NC Budget and Tax Center and NC Child.