



EARLY EDUCATION IS ESSENTIAL!

A Legislative Guide to the State of Early Childhood Education in North Carolina

Introduction and Table of Contents



Early education is essential: for children’s healthy development, working families, and our state’s economy and future prosperity. Leaders and experts in health, education, economics, law enforcement, the military, and business all agree that investing in high-quality early childhood programs is one of the best investments we can make. Early education is key to building children’s foundation for success in school and in life, which improves outcomes in health, education and economic well-being for everyone.

But despite the widespread knowledge of the benefits of early education, it remains drastically underfunded. For far too long, our child care system has been built upon unaffordable costs for families, inequitable access to high-quality early learning programs, an unsustainable business model for child care providers, and unlivable wages and benefits for early education teachers. COVID-19 has worsened all of these challenges and pushed the early education system to the brink of collapse.

This *Legislative Guide to the State of Early Childhood Education in North Carolina* contains an overview of the state’s early childhood education system, its major programs, and financing strategies. The Guide highlights how COVID-19 has devastated the early childhood system, and recommends key policies to stabilize the child care industry. It concludes with a set of policy recommendations for strengthening and transforming the early childhood education. Last, the Guide includes state and national resources to aid policymakers in understanding the essential benefits and the role that early education plays in our state. North Carolina is recognized as a national leader in early childhood education, and our state can lead the way in building a better early education system for the future.

The Covid-19 pandemic has made it abundantly clear that it’s imperative to make early education a top priority. We must all work towards a stronger and more equitable early education system that truly meets the needs of all young children, families, early educators, and communities across the state. We must now focus on increasing the quality, availability, and affordability of early learning opportunities for all young children in North Carolina – regardless of race, family income, or zip code – in order to stabilize, sustain, and ultimately transform the early education system.

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Early Education is Essential

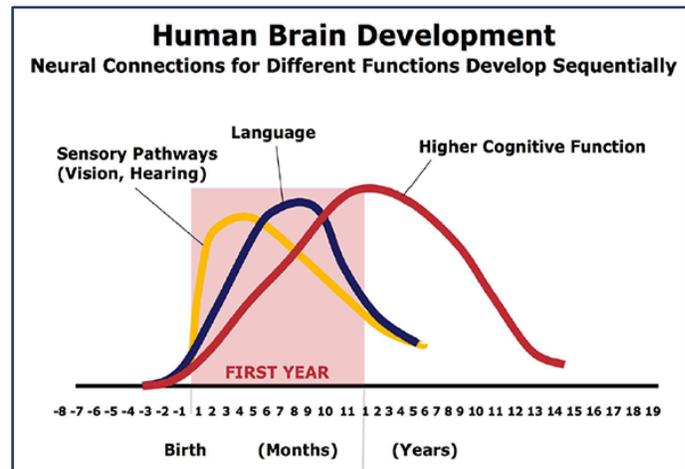
For young children, families, businesses, and our economy

Early education is essential for young children’s healthy development.

The science is clear: early experiences matter. Our brains grow faster during the first years of life than at any other time, developing one million neural connections every second between the ages of 0-3.

A child’s brain is not fully built at birth. The basic architecture of the brain is constructed through an ongoing process that begins before birth and continues into adulthood, and the connections that form early provide either a strong or weak foundation for the connections that form later. The quality of this foundation built in early childhood affects all future development, health, learning and lifelong success.

Babies’ early experiences and relationships with responsive and caring adults – including their parents, early educators, and other service providers – shape their brain development. For babies to thrive, they must have opportunities and support for healthy development, and be surrounded by strong and resilient families and communities.



Source: Harvard University Center on the Developing Child

Safe, stable, stimulating, loving interactions between an infant and a parent or caregiver promote optimal brain and body development in the first three years of life. To meet the substantial challenges



that parenting brings, parents who have sufficient financial resources, social connections, limited stress, and good physical and mental health are in the best position to support their young child’s health development and early learning.

High-quality early education has been proven to help build a strong foundation for future success in school and in life. Children who attend high-quality early education programs are better prepared academically, socially and emotionally, and the skills developed through quality early childhood education last for a lifetime.

Early education is essential for promoting equity and reducing the opportunity gap.

Early learning and developmental disparities begin before birth and are measurable as early as infancy. Research shows that disparities in the cognitive development, general health, and social-emotional development of low-income children and children of color are evident at 9 months and grow larger by 24 months of age.

Children in low-income families and children of color often are exposed to more adverse early childhood experiences, known as ACEs, and inequities that delay or compromise their development and place

Early Education is Essential

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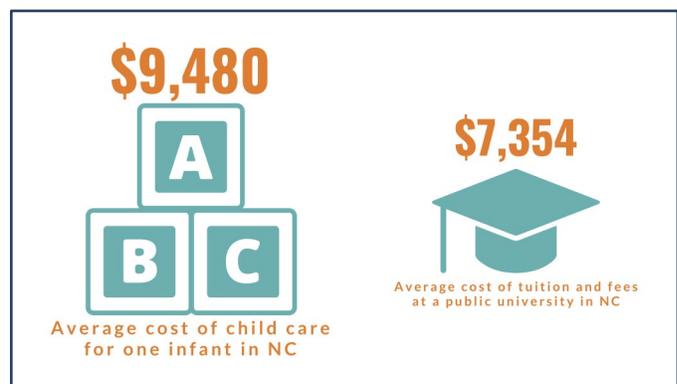
them at a disadvantage for healthy growth and school readiness. Evidence suggests that children who enter kindergarten behind are likely to remain behind throughout their educational careers.

Positive early education experiences and strong relationships with adults can help alleviate the effect of these factors. Research shows that children facing disparities show the biggest gains from high-quality early care and education, but children of color or from low-income families are less likely to be able to access and afford high-quality early education due to high cost, lack of availability, and underfunding of programs to support families. Reducing inequities in access to child care will help to make sure all children – regardless of race, family income, or zip code – have a foundation for success.

Early education is essential for working families.

Parents of young children rely on child care to do their jobs and contribute to their own family’s financial security, as well as the state’s economy, while knowing that their children are receiving a safe and nurturing early education. Today, 67% of young children in North Carolina live in households with all parents working. Nearly three in 10 mothers now return to work within two months of their baby’s birth, and almost 40% with an infant under a year old are employed full time.

Families rely on child care to work. But child care is often both unaffordable and unavailable for many of the parents who need it. *The average annual cost of infant child care in North Carolina is \$9,480, which is more than the annual cost of public college tuition.* Unlike all other areas of education, including higher education, families pay the majority of the costs for early education: 60% of funding for child care comes directly from parents. This means that parents must bear the highest burdens for their children’s education when they themselves are younger, typically have less income, and are less established in their career.



A parent earning minimum wage in North Carolina would need to work full time JANUARY → AUGUST just to pay for child care for one baby.

According to the U.S. Department of Health and Human Services, child care is considered affordable if it costs no more than 7% of a family’s income, but infant care for one child would take up 18% of a median family’s income in North Carolina. The cost burden makes child care particularly unaffordable for low-income families – who spend on average 1/3 of their income on child care for one infant – leading to further inequities and larger gaps in their children’s education and development.

Federal and state programs like Child Care Subsidy Assistance, Head Start, and NC Pre-K provide assistance for parents who can’t afford high-quality child care, but across all programs, funding is acutely insufficient to meet the need. Each year, there are tens of thousands of children on the NC Pre-K and the Child Care Subsidy Assistance Program waiting lists, but statewide, only a small percentage of eligible children are served.

Early Education is Essential

For young children, families, businesses, and our economy



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children under the age of three for each licensed child care slot in North Carolina

Child care is also hard to find in North Carolina. All 100 counties are considered “child care deserts,” with an average of 5 children competing for every available licensed space and even more extreme shortages in rural counties. Pre-COVID, the existing supply of infant-toddler child care programs could only serve about 19% of the state’s babies in need of child care. While finding early learning opportunities for young children is a struggle for all families, this shortage creates a crisis for working families who desperately need quality child care in order to maintain employment and financially support their families.

Early education is essential for businesses and our state’s economy.

Just like roads and utilities make up the infrastructure to help to keep our society going, our early education system is a core piece of the infrastructure that helps families work and fuels economic growth. High-quality early education provides a powerful two-generation approach to support the well-being of children, parents, and our state’s economy. It supports the education and development of tomorrow’s workforce, by preparing the children who will be our future workers, leaders, and innovators. It also supports today’s workforce by allowing parents to participate in the labor force, increasing their education, improving productivity, and helping businesses attract and retain talent.

North Carolina businesses depend on a strong workforce, now and in the future, to be competitive and successful. But nationwide, we are facing a large and growing shortage of skilled workers. High-quality early education is a

proven way to increase the skills and opportunities of our future workforce. Consistent, long-term research shows that early education improves third grade reading and math scores, reduces retention and special education placements, increases high school graduation rates, and leads to higher earning potential and success in work and life.

“For American business, advancing high-quality child care is a winning proposition. **It’s a wise investment in America’s future – strengthening business today while building the workforce we’ll depend on tomorrow and for decades to come.** High-quality child care builds our nation’s human capital two generations at a time.”

-U.S. Chamber of Commerce

**WITHOUT
ADEQUATE CHILD
CARE, NORTH CAROLINA
FAMILIES, BUSINESSES
& OUR STATE LOSE
\$2.4 BILLION EACH YEAR**

Source: NC Early Childhood Foundation

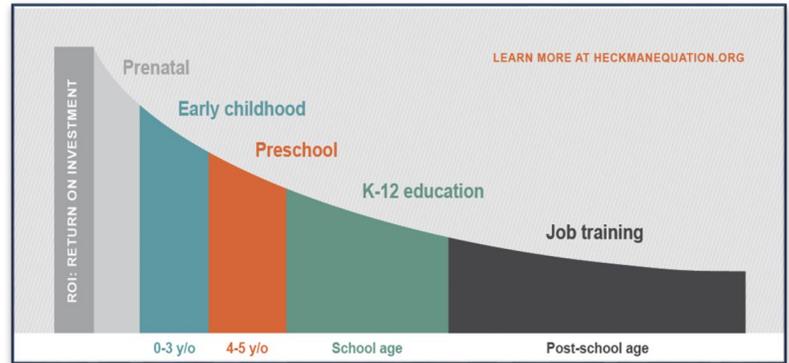
Insufficient child care has immense immediate costs for today’s workforce, too. When families do not have the child care they need, parents’ work productivity and ability for increased future earnings falls, resulting in costs to parents, their employers, and, ultimately, taxpayers. Research shows that the lack of reliable child care for working parents of young children comes to between \$1.7 billion - \$2.4 billion in annual costs for North Carolina.

Early Education is Essential

For young children, families, businesses, and our economy

Early education is essential for our future prosperity and delivers a solid return on investment.

High-quality early education is a powerful and cost-effective way to improve child development and increase opportunities throughout life. Renowned economist and Nobel Prize winner James Heckman has found that *every \$1 invested in high-quality early childhood programs has a \$13 return on investment.* The greatest returns are found in investments in programs at the earliest stages of life.



The return on investment comes in the form of better health, education and career outcomes for children, as well as higher education, labor force participation, and income for their parents. It also comes in the form of cost savings on expensive societal problems such as school retention and remediation, unemployment, poverty, poor health, and crime. Investing in early childhood programs is one of the best investments we can make for everyone in North Carolina. When we invest in early education, we prepare our children to grow, learn and succeed—and our communities, workforce and economy become stronger now and in the future.

Resources

- Harvard University Center on the Developing Child, *In Brief: The Science of Early Childhood Development*: <https://developingchild.harvard.edu/resources/inbrief-science-of-eecd/>
- Dodge, KA; Bai, Y; Ladd, HF; Muschkin, CG (2017), *Impact of NC's Early Childhood Programs and Policies on Educational Outcomes in Elementary School*: <https://scholars.duke.edu/display/pub1157851>
- Child Care Aware of America, *The U.S. and the High Cost of Care: 2019*: <https://www.childcareaware.org/our-issues/research/the-us-and-the-high-price-of-child-care-2019/>
- Economic Policy Institute, *The Cost of Child Care in North Carolina*: <https://www.epi.org/child-care-costs-in-the-united-states/#/NC>
- Center for American Progress, *Understanding Infant and Toddler Child Care Deserts*: <https://www.americanprogress.org/issues/early-childhood/reports/2018/10/31/460128/understanding-infant-toddler-child-care-deserts/>
- U.S. Chamber of Commerce Foundation, *Workforce of Today, Workforce of Tomorrow: The Business Case for High-Quality Childcare*: https://www.uschamberfoundation.org/sites/default/files/Workforce%20of%20Today%2CWorkforce%20of%20Tomorrow%20Report_0.pdf
- ReadyNation, *Want to Grow North Carolina's Economy? Fix the Child Care Crisis*: <https://www.ncearlyeducationcoalition.org/wp-content/uploads/2019/05/ReadyNation-NC-Report-March-2019.pdf>
- NC Early Childhood Foundation, *The Child Care Crisis Cost North Carolina \$2.4 Billion Yearly—Before the Pandemic*: <https://buildthefoundation.org/2020/12/new-report-child-care-crisis-cost-north-carolina-2-4-billion-yearly-before-the-pandemic/>
- The Heckman Equation, *13% ROI Research Toolkit*: <https://heckmanequation.org/resource/13-roi-toolbox/>

North Carolina's Early Education Landscape

Types of Child Care Programs

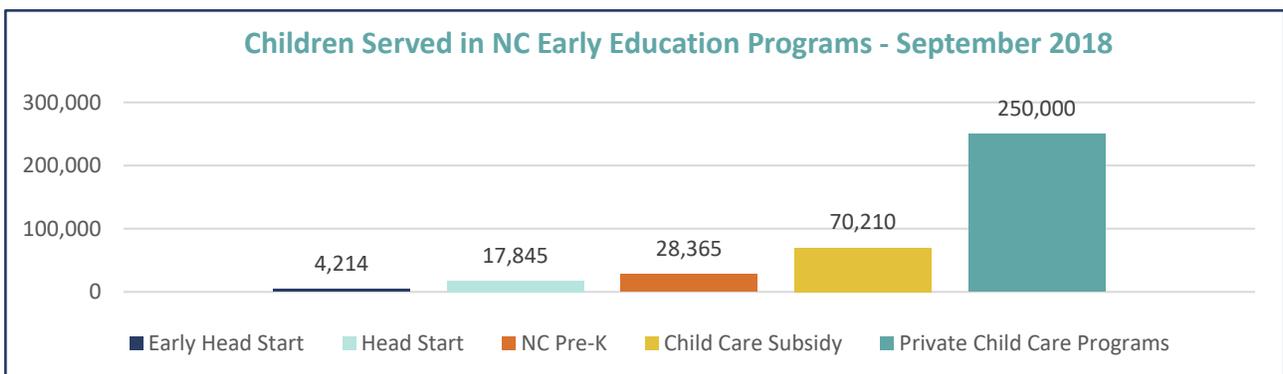
By law, child care is defined as an arrangement where two or more unrelated children are cared for more than four hours per day. Child care programs are required to be licensed and are regulated by the NC Division of Child Development and Early Education. There are licensing exceptions for recreational programs, religious affiliated/sponsored programs, school track-out programs, and other exemptions.

Early education services are provided by a wide range of programs with different designs, purposes, and eligibility guidelines. Programs may be sponsored by public or private funds, for-profit or non-profit, or religious sponsored organizations. North Carolina has three main child care programs offering direct services to children and families:

- **Private Child Care Programs:** Family Child Care Homes take place in a family residence and may serve up to eight children, whereas Child Care Centers serve larger numbers of children in publicly located facilities. Both serve children ages 0-12 and are funded primarily through parent fees. Most offer full-day, year-round services, and some offer special services, like shift care.
- **NC Pre-K:** State-funded pre-kindergarten program for disadvantaged 4-year-olds that is free to all eligible children and families and takes place in private child care centers and public schools.
- **Early Head Start/Head Start:** Federally-funded programs for children ages 0-3 and 3-4 in families with incomes below 100% of the federal poverty level, and children with special needs above the income levels. Offers classroom-based programs, sometimes in combination with NC Pre-K programs, and also home-based services.

The **Child Care Subsidy Assistance Program** is a financial assistance program that helps low-income working families afford private child care programs. Families must be working, attending school or in training programs. Also, families must be income eligible: families with children ages 0-6 with incomes below 200% of the federal poverty levels (FPL) and families with children ages 6-12 at or below 133% FPL. Families pay a share of the costs, up to 10% of their monthly income; free for families receiving child protective or child welfare services.

Pre-Covid, there were, 5,746 licensed child care programs, serving approximately 250,000 young children, ages 0-12. Some children may be served by more than one program. For example, a 4-year-old child attending the NC Pre-K program in a private child care center may also need full-day, full-year services, which is funded by the Child Care Subsidy Assistance Program.



North Carolina's Early Education Landscape

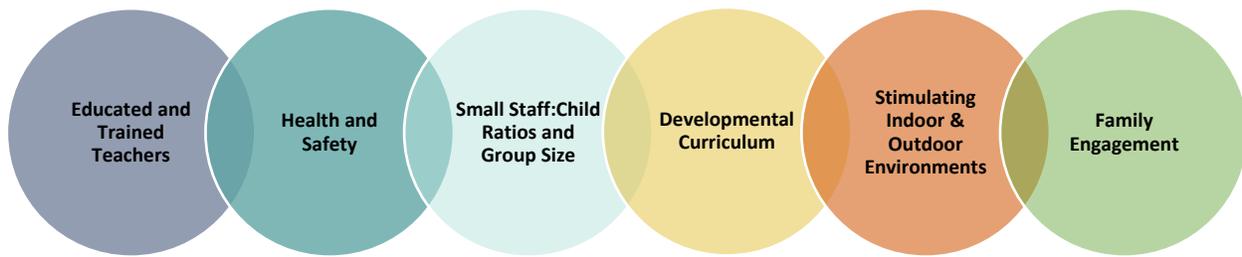
Early Education System Infrastructure and Program Support

Quality Rated-Licensing System (QRIS) and Regulatory System

Research shows that high-quality child care programs produce better outcomes in healthy development, early learning, and school readiness. Quality matters, and it rests on three core components:

- **Interpersonal Interactions:** The learning environment created by teachers is critical to the quality of an early childhood program. A well-trained and highly skilled teacher tailors her interactions to fit the needs of the child, creates a language-rich environment, and supports each child's cognitive, physical, and social emotional development.
- **Physical Environment:** Children need a physical setting – both inside and outdoors – where they can play, explore, and learn safely.
- **Program Support Structure:** Programs need effective leaders to provide instructional support to teachers and sound business management for the overall program, along with professional development, stable, sufficient funding streams, and a pipeline of well-trained teachers.

Quality Child Care Components



Since 2000, North Carolina has used a voluntary five-star quality rated license system to assess, improve, and communicate the level of quality in early childhood education programs. All licensed programs start at the one-star level, and are encouraged and supported to go beyond the minimum one-star licenses they need to operate and to meet higher quality standards in staff education and program standards.



The NC QRIS system includes well-defined quality standards aligned with financial incentives, regular quality monitoring and accountability, and provides guidance and technical assistance for child care programs to achieve higher levels of quality. Recognizing that quality matters and that higher levels of quality care costs more, state law established that only child care programs that achieve a 3-, 4-, or 5-star license may serve children in the Child Care Subsidy Assistance Program.

The NC Division of Child Development and Early Education (DCDEE) licenses all child care programs, and is responsible for all state regulatory oversight and monitoring. Child Care operating rules are set by the NC General Assembly and NC Child Care Commission. All child care programs are required to meet basic standards for staff qualifications, staff to child ratios and group size, curriculum and program design, and health and safety practices. Child care programs are also required to meet sanitation, building and fires codes as required by state and local jurisdictions.

North Carolina's Early Education Landscape

Smart Start Early Childhood System

[The Smart Start system](#) includes the North Carolina Partnership for Children and 75 local partnerships that provide a comprehensive array of services, including early literacy, child health, family support and early learning programs. The Smart Start system supports both families and child care programs by funding child care subsidies, paying enhanced rates to boost the quality of child care, and other quality enhancement activities, such as training, technical assistance, and workforce compensation. Smart Start also provides leadership, funding, and infrastructure support for the NC Pre-K program.

Child Care Resource and Referral Network

The [NC Child Care Resource and Referral](#) (CCR&R) Council and 14 regional CCR&R agencies provide families with comprehensive consumer education and referral services to all licensed child care programs in the state to assist families in finding affordable quality child care programs that best fit their child and family. CCR&R also offers child care providers with ongoing training to meet professional development and continuing education training, and provides technical assistance to help start child care programs, address program and licensing standards, and achieve higher quality. In addition, CCR&R offer specialized technical assistance on infant-toddler care, child behavior issues, and school-age child care, among other services.

Early Education Workforce Quality Enhancement Initiatives

Designed and administered by [Child Care Services Association](#), North Carolina has several nationally-recognized quality enhancement initiatives focused on strengthening the education and compensation of the early childhood workforce.

- [T.E.A.C.H. Early Childhood® NC Scholarship Program](#): provides debt-free college education with comprehensive scholarship opportunities for early educators working in licensed child care programs. It is available statewide and funded by DCDEE.
- [Child Care W.A.G.E.S.® Program](#): provides tiered education-based salary supplements to teachers, directors and family child care providers working with children from birth to five, with the goal of improving this workforce's retention, education and compensation. WAGE\$ is made possible through a funding collaboration between local Smart Start partnerships that choose to participate and DCDEE.
- [Infant Toddler Educator AWARD\\$](#): modeled after WAGE\$, the AWARD\$® program focuses on infant-toddler teachers and family child care providers working full time with children from birth through age two. AWARD\$ is available statewide and is funded by DCDEE.

Resources

- Center for American Progress, *Quality 101: Identifying the Core Components of a High-Quality Early Childhood Program*: <https://cdn.americanprogress.org/content/uploads/2017/02/10063958/QualityEarlyChildhood101-brief.pdf>.
- North Carolina Foundations for Early Learning and Development: https://ncchildcare.ncdhhs.gov/Portals/0/documents/pdf/N/NC_Foundations.pdf?ver=2017-05-16-105950-953
- Smart Start Annual Report FY 2019-2020: <https://indd.adobe.com/view/36c9c0bc-4c37-4199-a896-b83b0d8f345e>
- NC Association for the Education of Young Children, *Early Childhood Education Acronyms*: <http://ncaeyc.org/wp-content/uploads/2020/07/AcronymsInEarlyChildhoodEducation.pdf>

North Carolina’s Early Education System Governance, Funding and Financing Structure

Early Education Governance

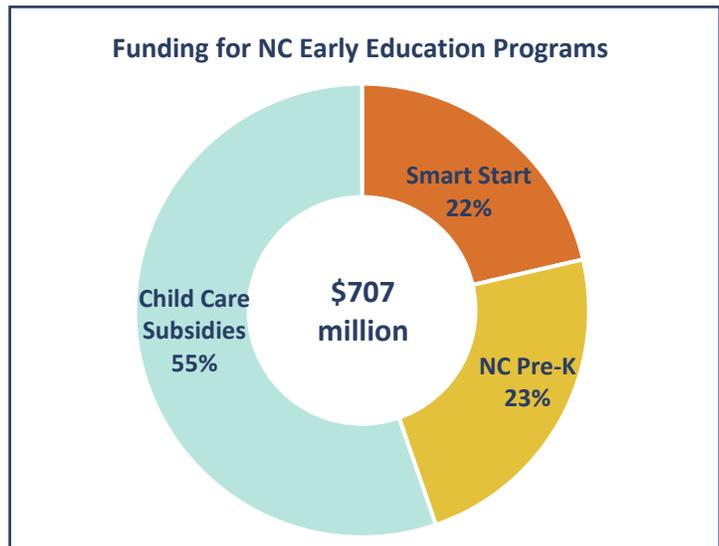
In North Carolina, the [NC Division of Child Development and Early Education](#) (DCDEE) within the NC Department of Health and Human Services is the primary agency that supports the early care and education system. DCDEE supports early education by serving as the licensing and regulatory agency, administers the federal Child Care and Development Fund and Child Care Subsidy Assistance program, administers the NC Pre-K program, collaborates with and directs funding for the Smart Start Program, funds the statewide Child Care Resource and Referral Program, evaluates teacher and administrator education, licenses early childhood education in non-public programs, and provides parents with a web-based tool to search for licensed child care programs. DCDEE also serves as the grantee for the federal Preschool Development Grant Program.

The NC Department of Public Instruction also plays a role in early education through its [Office of Early Learning](#). The NC Office of Early Learning provides support for PK – Grade 3 Early Learning and federally-funded preschool programs, including the Preschool Exception Children for Children with Special Needs, Title I Preschool programs, and the NC Head Start State Collaboration Office.

Early Education Financing

Financing child care services at the state level is a complex proposition and entails the blending and braiding of federal and state funding. In North Carolina, three major publicly-funded early childhood child care programs – Smart Start, NC Pre-K Program, and the Child Care Subsidy Program – are funded through a combination of federal and state funds. Total funding for all three programs for FY 2020-21 is approximately \$707.7 million.

The Smart Start and NC Pre-K programs rely primarily on state appropriations. The Child Care Subsidy Program is primarily funded by federal funding, which requires a state “maintenance of effort” match.



Early Childhood Program Funding FY 2020-21				
Funding Source	Smart Start	NC Pre-K	Child Care Subsidy	Total (Millions)
Federal	\$7.0 (5%)	\$58.9 (36%)	\$290.7 (73%)	\$356.6
State	\$146 (95%)	\$28.9 (17%)	\$107.6 (27%)	\$273.1
Lottery	N/A	\$78.0 (47%)	N/A	\$78.0
Total	\$153.0	\$165.8	\$398.3	\$707.7

North Carolina's Early Education System Governance, Funding and Financing Structure

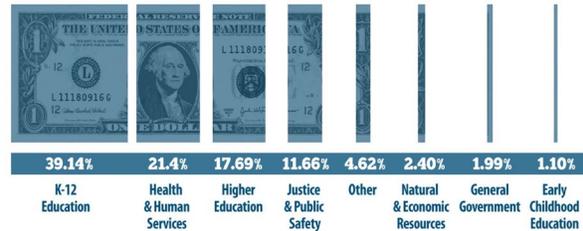
The Early Education Financing Challenge

Early education funding is not sufficient to meet the needs of North Carolina's children and families. Early education funding only makes up about 1% of the total state budget. No early education program is fully funded or able to serve all eligible children.

Despite the \$707 million in federal and state funding annual investment, North Carolina's early education programs have always been underfunded, leaving thousands of children and their families unable to access high-quality early education.

Public Early Education Funding

State funding for birth-through-five and K-12 education make up the smallest and largest proportions of the budget respectively.



Source: NC Budget & Tax Center

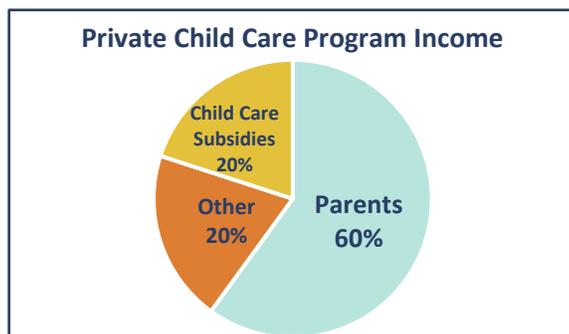
Child care is unaffordable for the majority of working families, with average costs exceeding the cost of public college tuition or rent (see page 2). Due to the extreme shortage of high-quality child care programs across the state, child care is also unavailable for many parents who need it (see page 3).

The Private Child Care Market is Broken

Child care programs operate as small private businesses, and they have always operated on razor-thin margins. The child care market approach to financing private child care is simply no longer effective.

Parents can't afford the cost of child care, programs can't afford to operate without more funding, and early educators can't afford to work for such low wages.

Child care programs depend on parent tuition and fees for 60% of their income. And while child care costs may vary across counties, the high price paid by parents still does not cover the full the costs of child care.



Child care is expensive because it is a labor-intensive industry, which leads to high costs for families despite the fact that child care workers are among the lowest paid professionals nationwide. Young children require individualized attention, and supporting their healthy development, safety, and early learning is dependent upon low staff: child ratios and small groups size. Facility costs are also high as programs need adequate space per child both indoors and outdoors.

Public child care subsidies, designed to help working families access child care, are the other major source of public funding for private child care programs. But child care subsidies are limited in scope and insufficient in funding. Child care subsidy rates for providers don't support the full cost of quality child care, and are more likely to reflect the incomes of families in the area than the actual cost of running a child care program. Child care subsidy rates vary by county, age of child, and star rating, resulting in

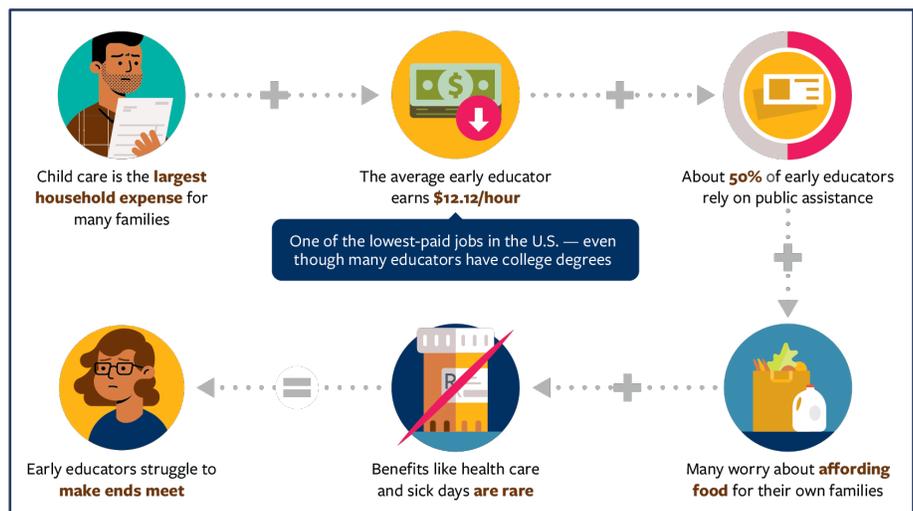
North Carolina's Early Education System Governance, Funding and Financing Structure

considerable inequities across the counties, especially for infants and toddlers, rural areas, and under-resourced counties with a high proportion of families with low to median income.

The Early Childhood Workforce Crisis

Consequently, child care programs do not generate sufficient revenue income from either parent fees or child care subsidies to pay teachers and staff professional wages and benefits. Early educators, the majority of whom are women and primarily women of color, are paid on average just \$12.00 per hour, even if they have degrees. Teachers working with infants and toddlers earn the least, regardless of educational level. Only one in five early education teachers receives health care benefits, and nearly 40% rely on some form of public assistance. Low wages and the lack of benefits is the primary reason why there is such high turnover in the early education field. During the last year, 21% of the full-time teaching staff left their early education program. This not only impacts teachers and child care programs, it also impacts young children who depend on stable, secure relationships and continuity of care to support their development.

North Carolina is also facing an acute workforce shortage, made worse by COVID-19 pandemic. The talent pipeline is shrinking: today, fewer young people are entering the community college system to earn a degree in the early childhood field than in 2008 during the last recession, and one-third of the current early educator workforce plans to leave the field in the next few years. A bachelor's degree in



Source: Center for the Study of Child Care Employment

early childhood education has the dubious distinction of being the college major with the lowest projected lifetime earnings. Moreover, the early childhood workforce needs compensation that reflects the importance of their work and the expertise necessary to educate our state's youngest children. Providing professional compensation and benefits, comparable to kindergarten teachers, helps recruit and retain effective and educated teachers and promotes a stable, healthy learning environment for children. To address this crisis, North Carolina will need to address the low compensation and benefits of early educators without adding to the existing cost burden for parents or child care programs.

Resources:

- NC Budget and Tax Center, *Equitably Financing Child Care in Every North Carolina County*: <https://www.ncjustice.org/new-report-adequate-equitable-financing-for-high-quality-child-care-needed-to-sustain-n-c-s-recovery/>
- Opportunities Exchange, *Rate Setting in Reality: Moving Beyond the Myth of Market-Based Pricing*: https://opportunities-exchange.org/wp-content/uploads/OpEx_2020_RateSetting_IssueBrf.pdf

North Carolina's Early Education System Governance, Funding and Financing Structure

- Bipartisan Policy Center, *Payment Practices to Stabilize Child Care*: <https://bipartisanpolicy.org/explainer/payment-practices-to-stabilize-child-care/>
- Child Care Services Association, *2019 Early Care and Education Workforce in North Carolina*: https://www.childcareservices.org/wp-content/uploads/CCSA_2020_Statewide_WorkStudy_Rprt_FINAL_web.pdf
- Center for the Study of Child Care Employment, *The Early Childhood Workforce Index 2018*: <https://cscce.berkeley.edu/wp-content/uploads/2018/06/Early-Childhood-Workforce-Index-2018.pdf>
- NC Child, *Early Childhood Educators in the Coverage Gap*: <https://ncchild.org/publications/early-childhood-educators-in-the-coverage-gap/>
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The COVID-19 Child Care Crisis

The COVID-19 Child Care Crisis

Families rely on our early education system in order to keep working, and our state's economy does too. The pandemic has underscored the importance of the child care industry to the health and economic well-being of North Carolina's children and families. North Carolina's response and recovery from COVID-19 is simply not possible without the child care sector, but COVID-19 has had a devastating impact on North Carolina's child care industry. The lack of sufficient public investment has forced child care programs, educators, and families into a series of impossible choices with damaging consequences.

Child care providers have stepped up to stay open – often at considerable loss – to support essential workers and working families during this hazardous time.

Child care teachers are considered “essential” workers and are the workforce behind the workforce, yet they remain woefully underpaid and often receive no benefits like health insurance. Thousands of mothers have dropped out of the workforce as the child care burden has become too great to bear with schools and child care programs shuttered. And tens of thousands of families across the state are desperate to return to work, but they can't afford the cost of child care and are still waiting for child care subsidy assistance. Currently, there are 16,557 eligible families on the child care wait list, many of whom are working in essential industries including health care, grocery stores, assisted living and child care itself.



But despite the investment of significant federal relief funds, child care programs are still struggling.



There has been a steady reopening of child care programs as a result of the federal funding. As of December 2020, 94% of all child care programs have reopened: 95% of licensed child care centers and 97% of family child care homes. However, most child care programs have high vacancy rates and reduced enrollment: total enrollment for all child care programs is at just 59% of the pre-COVID rate in February 2020. A total of 126,439 children were attending child care programs in December 2020 compared with 215,050 children pre-COVID. Costs are now 47% higher than the pre-pandemic operating cost because of the reduction in program capacity due to physical distancing requirements and by the need to purchase additional sanitation supplies to ensure children's health and safety.

The COVID-19 Child Care Crisis

Total Child Care Programs Open	February 2020	December 2020	# Change Feb to Dec	% Change Feb to Dec
Program Type	Open #	Open #	Closed #	Closed %
Licensed Centers	3,879	3,678	-201	-5%
Licensed Family Child Care Homes	1,363	1,263	-100	-7%
Total	5,242	4,941	-301	-6%

Total Child Enrollment	February 2020	December 2020	# Change Feb to Dec	% Change Feb to Dec
Licensed Centers	205,572	121,027	-86,545	-42%
Licensed Family Child Care Homes	7,478	5,412	-2,066	-28%
Total	215,050	126,439	88,611	-41%

The first round of Federal funding was a good start but was not enough to stabilize and sustain the child care industry. In 2020, North Carolina received \$118 million in federal funding for child care relief through the federal CARES Act and an additional \$36 million in COVID-19 child care relief funding through the NC General Assembly. With this funding, *DHHS/DCDEE initiated several urgently needed temporary initiatives* which provided short-term support for children, families and the child care industry.

The second round of Federal COVID-19 funding must be invested wisely to support and rebuild the child care industry for its long-term sustainability. Emergency child care policies need to continue until the COVID-19 crisis is under control, families return to work, and schools and child care fully reopen. It is important to continue to stabilize the child care industry and ensure that every county has the capacity to support young children’s healthy development and the child care needs of working parents. Early childhood advocates agree that the top priorities for the second round of COVID-19 child care relief must focus on families, child care providers and the early childhood workforce. Now is the time for policymakers to use these federal COVID-19 child care funds as down payments on long-term strategies that will rebuild and sustain a stronger early care and education system for all children and families.

These are the most urgently needed child care priorities:



CONTINUE HAZARD PAY FOR CHILD CARE TEACHERS AND STAFF

Child care teachers are considered “essential” workers, and are the workforce behind the workforce. Yet, the average wage for a child care teacher in North Carolina is just \$12 per hour and one in five teachers has no health insurance during a pandemic. Still these early childhood teachers remain in the classrooms, risking their own health to care for the

children of working families. Bonus payments must be continued for at least six months in order to retain qualified child care teachers and staff, stabilize the current workforce, and recruit additional staff that will be needed as programs expand enrollment.

The COVID-19 Child Care Crisis



PROVIDE EMERGENCY CHILD CARE SUBSIDY ASSISTANCE

Many working families that remain on the Child Care Subsidy Assistance waiting list during COVID-19 are desperate to return to work but can't afford the cost of child care. As of November 2020, there were 16,557 eligible families on the waitlist. One-time vouchers to support these families in affording and accessing child care is urgently needed.

Without this assistance, parents will not be able to return to work and will struggle to secure and maintain employment to support their own families as well as to contribute to our state's economic recovery.



OPERATING GRANTS FOR REOPENED CHILD CARE PROGRAMS

Child care programs that remain open need another round of operating grants in order to stabilize their operations during the COVID-19 crisis and help cover fixed operating costs such as payroll, staff benefits, utilities, facility rent and/or mortgage costs, and facility maintenance. Operating grants should be targeted to child care programs serving

low-income families receiving child care subsidies and to those counties with an inadequate supply of child care programs to meet the needs of working families.



RAISE CHILD CARE SUBSIDY MARKET RATES TO IMPROVE ACCESS

Low and inequitable child care subsidy reimbursement rates for child care providers that serve families receiving child care subsidies is a long-standing problem. Current market rates have not been updated since 2018, and are based on survey data from 2015. Setting rates by county also leads to major geographic inequities, with providers in many low-

income and rural counties receiving rates that are hundreds of dollars lower than urban counties. Raising market rates to a statewide floor based on state average rates in the most recent survey would provide greater stability and geographic equity for child care providers during the pandemic and recovery.

Resources:

- NC Early Education Coalition, *COVID-19 Child Care Crisis Position Statement*: <https://nearlyeducationcoalition.org/wp-content/uploads/2021/01/ECE-COVID-19-Leg-Ask-2021-1.12.20.pdf>
- NAEYC, *How States Can Spend \$10 Billion for Child Care Well, Wisely & With Urgency*: https://www.naeyc.org/sites/default/files/wysiwyg/user-74/policy_10billion_for_ccdbg.pdf
- NC Budget & Tax Center, *Updating N.C. child care subsidy rates using the state rate as a floor*: <https://drive.google.com/file/d/1aaDYyOFbaupCYIJikwinC27h6T4rf6oR/view>
- NAEYC, *Child Care Pandemic Surveys*: <https://www.naeyc.org/pandemic-surveys>
- NC Early Education Coalition, *Stories from the Field*: <https://nearlyeducationcoalition.org/wp-content/uploads/2020/11/Child-Care-Is-Essential-Provider-and-Parent-COVID-19-Stories.pdf>
- Child Care Aware of America, *Picking up the Pieces*: <https://www.childcareaware.org/picking-up-the-pieces/>
- Bipartisan Policy Center, *North Carolina's Response to COVID-19: Child Care Actions*: <https://bipartisanpolicy.org/wp-content/uploads/2021/02/North-Carolina.pdf>
- NC DCDEE, *COVID-19 Child Care Payment Policies*: <https://ncchildcare.ncdohhs.gov/Whats-New/Coronavirus-Information-for-Child-Care/updated-covid-19-child-care-payment-policies>

Building A Better Early Education System for the Future

Building a stronger, more effective and equitable early education system for the future will require new policies and public investment in programs and services supporting young children and families.

COVID-19 has exposed the foundational weaknesses of the child care system. It is essential that we build a more resilient early education system to fully meet the needs of young children and families, and create a system of high-quality, affordable, and accessible child care programs that are supported by sustainable funding. Early education must also be interconnected with child health, early intervention, child welfare, and family support systems to ensure that there is a comprehensive continuum of support for young children’s health development, early learning, school readiness, and future success.

Recognize and Fund Child Care as a Public Good

During the COVID-19 pandemic, policymakers at all levels called child care essential. For decades, researchers and economists have confirmed the value of early education for young children’s healthy development, early learning, school readiness, and success in life. Every day, working families and employers rely on child care in order to be productive members of the workforce. Child care is key to North Carolina’s economic recovery and future prosperity.

For years, voters have supported increasing funding for early childhood education, regardless of party affiliation. But despite the recognition of the value of child care, as a society, we have yet to make the significant investments that are required to make early education universally available and affordable for all children and families, regardless of their income, race, or zip code. Child care remains out of reach for too many families, particularly families of color, families in poverty, families in rural communities, families with infants and toddlers, and families with children with special needs. These children, their families, and our economy are all at a disadvantage because of it.



The NC Early Education Coalition, along with national and state early childhood partners, believes child care is a public good, just like public education, and is an essential part of state’s education and economic infrastructure. For early education to be universally available for all children and families in every community, it will require a new financing model with adequate, equitable, and sustainable funding sources. We must work towards a future in which the early education system is funded primarily by public dollars and based on the true cost of care, including compensation and benefits to support a qualified early childhood workforce.

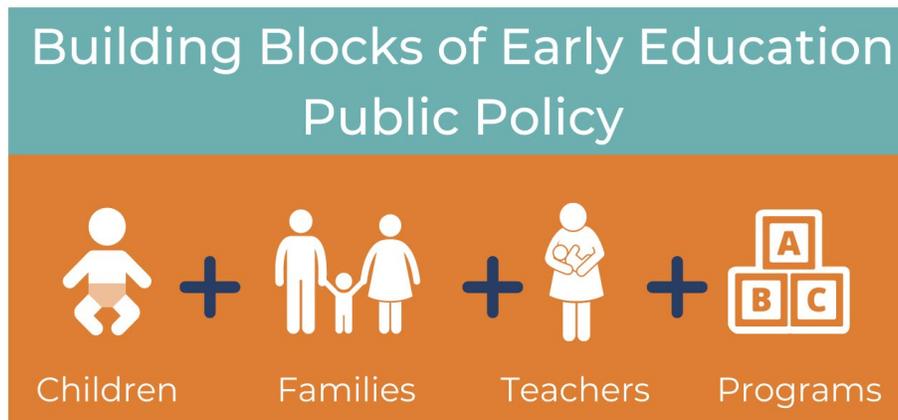
An Early Childhood Education Policy Road Map for the Future

Until this goal is reached and there is a significant increase in public funding at the federal, state, and local levels, North Carolina can still make progress towards building a stronger, more effective, and more equitable early childhood system by strengthening policy and funding support for families, child care programs, and the early childhood workforce. The NC Supreme Court’s decision in *Leandro v. State of North Carolina* affirmed every child’s state constitutional right to a sound, basic education beginning in early childhood. *Leandro* offers North Carolina a policy framework for some of the most urgently-needed investments and supports for the early education system.

Building A Better Early Education System for the Future

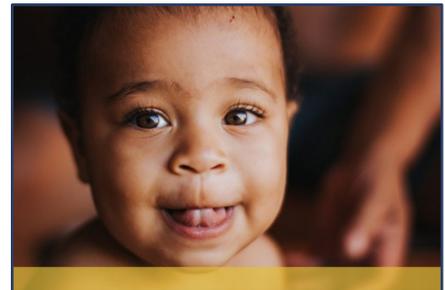
Building Blocks of Early Education Public Policy

The following is a short menu of top policy and funding enhancements to North Carolina's current early education system that have been recommended by many North Carolina early childhood organizations, as well as national early childhood leaders, economists, and think tanks. These are the core building blocks of early education public policy that build on what has been developed over the decade leading North Carolina to be recognized as a national leader in early childhood education.



Start Early – Think Babies

Even before COVID-19 shook the world, families with young children faced challenges that risk many babies' strong development, especially babies of color and those in families with low income. The COVID-19 pandemic will leave its imprint on the development of babies for the rest of their lives, as their parents face increased stress, physical and mental health issues, and economic challenges. For babies to thrive, they need healthy beginnings, supported families, and quality early care and learning. All parents are stressed and stretched in the first months and years of their child's life and need support to help navigate the critical years of their baby's development:



- Increase access to high-quality early care and education programs by increasing funding for Early Head Start and Child Care Subsidy Assistance and by prioritizing infants and toddlers on the Child Care Subsidy waitlist.
- Increase access to health care coverage for families with infants and toddlers to improve maternal and infant health outcomes and reduce disparities that begin before birth.
- Expand home visiting and parent education programs that support families and improve health outcomes, nurture social-emotional development, and help reduce child abuse and maltreatment
- Expand access to early intervention and mental health services for young children and their caregivers.
- Increase family-friendly workplace policies, including paid family leave, sick leave, and medical leave, so that families can care for their own child or family members without jeopardizing their employment and economic security.

Building A Better Early Education System for the Future

Increase Child Care Access and Affordability for Families

Families cannot afford the full cost of child care, and too many families never receive financial assistance through the Child Care Subsidy Assistance program. To support families, North Carolina should move towards enacting the following child care policies to shift the cost burden away from families:

- Develop a more equitable shared financing strategy for child care programs, with the public sector paying the greater share and parents paying the smaller share of the total costs.
- Support the full cost of care for all families with incomes below 200% of the federal policy level, similar to the state's NC Pre-K Program and federal Head Start and Early Head Start programs.
- Establish sliding fee scales for all child care programs for families with incomes up to 300% of FPL. Reduce the parent co-pay fees for the Child Care Subsidy Assistance Program from 10% to 7%.
- Increase funding for Child Care Subsidy Assistance each year to support eligible families on the wait list, with proportionate priority given for infants and toddlers.
- Reinstate the North Carolina Earned Income Tax Credit to increase families' economic security.



Improve Child Care Program Stability and Sustainability

Private child care programs cannot continue to bear the burden of subsidizing the cost of child care for parents who cannot afford to pay the full costs. Child care programs need more stable and ongoing financial support, including increased rates, contracts, incentives, and business practice supports to expand the supply of affordable child care for families:

- Improve the Child Care Subsidy Rates system in the short-term by establishing a statewide average rate for all counties for each age group, unless their county rate is higher. In the long-term, develop an alternative market rate methodology that is based on the true cost of care and includes the cost of professional salaries and benefits for teachers and staff.
- Increase rates for the NC Pre-K program, which have not been increased since 2012. Rate increases should account for inflation and then be indexed to an annual cost-of-living increase once the rates have been increased to reflect 2020 costs.
- Provide incentives for child care programs through fixed-price contracts or other incentives to develop quality programs in counties that have an insufficient supply of child care, particularly for infants and toddlers (the NC Pre-K program is an example of a fixed-price contract).
- Rebuild the supply of child care through bonuses and incentives, provider networks, expanded mixed delivery systems, and partnerships between programs, such as the Early Head Start/Child Care partnerships.
- Increase the business capacity of all child care programs through training, technical assistance, and technology.



Building A Better Early Education System for the Future

Improve Child Care Program Stability and Sustainability

Supporting young children’s healthy development and early learning requires significant knowledge, expertise, and skill. Yet early educator compensation and benefits fall far below professional standards for other public educators. Consequently, the early childhood field is facing a critical workforce shortage, and new strategies are needed to attract and retain a qualified early childhood workforce:



- Expand the state’s WAGE\$ and Infant Toddler Educator AWARD\$ salary supplement programs, particularly for teachers with advanced educational degrees.
- Establish a model early education teacher salary scale that is aligned with educational achievement and compensation on parity with kindergarten public school teachers.
- Support public school salary parity for teachers working in privately-operated NC Pre-K programs.
- Support multiple approaches to provide early educators with health care, sick leave, and family leave.
- Create a system with higher education faculty and institutions to align professional preparation coursework and testing for core competencies for the early childhood education field profession.
- Expand the T.E.A.C.H. Early Childhood® Scholarship program and develop new opportunities, such as an Early Education Teaching Fellows program, to support the costs of education for early educators and to encourage them to serve in rural areas and other low wealth areas of the state.

Resources

- Think Babies™ NC Alliance, *2021-2025 Prenatal to Age 3 Policy Priorities*: <https://ncearlyeducationcoalition.org/wp-content/uploads/2021/02/2021-Think-Babies-NC-Policy-Priorities.pdf>
- ZERO TO THREE, *Building for the Future: Strong Policies for Babies and Families After COVID-19*: <https://www.zerotothree.org/resources/3728-building-for-the-future#chapter-3077>
- ZERO TO THREE, *State of Babies Yearbook 2020*: <https://stateofbabies.org/state/north-carolina/>
- Prenatal to Three Policy Impact Center, *Prenatal to Three Policy Roadmap*: <https://pn3policy.org/>
- Alliance for Early Success, *Build Stronger: A Policy Roadmap for Transforming our Nation’s Child Care System*: <http://earlysuccess.org/content/uploads/2020/09/AllianceforEarlySuccessRoadmap2020916.pdf>
- Economic Policy Institute, *What Does Good Child Care Reform Look Like*: <https://www.epi.org/publication/what-does-good-child-care-reform-look-like/>
- The National Academies of Science Press, *Transforming the Financing of Early Care and Education*: <https://doi.org/10.17226/24984> and *Transforming the Workforce for Children Birth Through Age 8*: <https://doi.org/10.17226/19401>
- NC Early Education Coalition, *Invest in Early Childhood: Recommendations from Leandro v. State of NC*: <https://ncearlyeducationcoalition.org/wp-content/uploads/2021/01/Leandro-Issue-Brief-December-2020.pdf>

Early Childhood Organizations in North Carolina

About the North Carolina Early Education Coalition:

[The North Carolina Early Education Coalition](#) works to ensure that all children have access to high-quality early care and learning experiences. Since 1990, we have highlighted the proven power of quality early childhood education by sharing information and resources with parents, professionals, and policymakers. The Coalition is the only statewide advocacy coalition dedicated to promoting high-quality, accessible and affordable child care in North Carolina. Our membership includes statewide organizations, regional and local child care agencies, child care providers, and individuals committed to improving the quality of early education in North Carolina.

The NC Early Education Coalition also serves as the backbone organization for the [Think Babies™ NC Alliance](#). Think Babies™ NC seeks to ensure that North Carolina's youngest children, prenatal to age 3, benefit from effective and equitable public policies, programs, and funding so that all children have what they need to thrive: healthy beginnings, supported families, and quality early care and learning experiences. This statewide initiative is led by a cross-sector Leadership Team of state and local organizations focused on advancing public awareness and policy solutions for infants, toddlers, and their families. The Think Babies™ NC Alliance is a proud partner in the national ZERO TO THREE Think Babies™ campaign and the Pritzker Children's Initiative's National Collaborative for Infants and Toddlers.

The following organizations are key partners in the early education landscape of North Carolina, providing direct services, research and resources, or advocacy on behalf of young children, their families, and the early education system.

[Child Care Services Association](#): Child Care Services Association (CCSA) believes all children deserve a chance at their best life through the quality child care that is crucial for their development. To that end, CCSA provides free child care referral services, financial assistance to low-income families and technical assistance to child care programs. With spoonFULL, CCSA also provides nutritious meals to children at child care centers, where they may eat 50-100 percent of their meals. Throughout N.C., educational scholarships from CCSA's T.E.A.C.H. Early Childhood® Scholarship Program give child care professionals the means to obtain an education and CCSA's Child Care WAGE\$® and Infant-Toddler Educator AWARD\$® programs supplement their meager salary. CCSA also licenses T.E.A.C.H. and WAGE\$ across the U.S. and conducts early childhood systems research and policy development statewide and nationally.

[MomsRising](#): MomsRising is a national on-the-ground and online grassroots organization of more than a million people who are working to increase family economic security, decrease discrimination against women and moms, and to build a nation where businesses and families can thrive. MomsRising works to increase access to affordable, high-quality early care and education opportunities for children birth through age 5.

[National Domestic Workers Alliance](#): The National Domestic Workers Alliance (NDWA) is a membership-based national and local organization that represents the millions of domestic and care workers across the country. Founded in 2007, NDWA works for the respect, recognition, and inclusion in labor protections for the workers who clean our homes, educate and take care of our children, and look after

Early Childhood Organizations in North Carolina

our aging and disabled loved ones. NDWA focuses on grassroots organizing, leadership development, policy, enforcement, and legal work as a means to improve the lives of care workers, transform the systems of care and how we value care, and change the conditions of care jobs. NDWA has a growing base in North Carolina of child care professionals, both center-based as well as family child care providers, and they build movement to address some of the most pressing issues that impact child care educators, primarily: workforce compensation, access to child care subsidy, COVID-19 relief, and long-term solutions to shift the child care system into a publicly-funded system. NDWA's work is rooted in the rights and dignity of all domestic and care workers, a majority of whom are Black and people of color, immigrants, and women.

NCAEYC: NCAEYC is a proud state affiliate for NAEYC, the National Association for the Education of Young Children whose mission is to promote high-quality early learning for all children, birth through age 8, by connecting practice, policy, and research. NCAEYC works to advance a diverse, dynamic early childhood profession and support all who care for, educate, and work on behalf of young children. NCAEYC is committed to promoting [Equity in Early Childhood Education](#). As a membership association for early childhood education professionals, NCAEYC works to serve and connect our members and our field to: each other, resources, networks, high-quality professional development and advocacy opportunities. The impact of the individual and collective commitment of NCAEYC members creates a community of early childhood professionals that impact children and families in an array of roles and settings across our state: from child care and elementary classroom teachers, teaching assistants, administrators, child care center directors, elementary grade principals, higher education faculty, technical assistants, consultants and systems leaders, our members care about doing our best individually and as a field for young children and families. [NCAEYC's priority initiatives](#) focus on the critical importance of professionalism and well-being on practice in early care and education. NCAEYC and its members contribute uniquely to North Carolina's early childhood education landscape by promoting and implementing [NAEYC Standards, Position Statements, Principles, and Practices](#) as well [our field's Code of Ethical Conduct](#). NCAEYC is committed to [developmentally appropriate practice \(DAP\)](#) and [professionalism in early care and education](#) so children, families and our field thrive. NCAEYC is a 501(c)3 nonprofit organization and is in its 68th year of contributing to the early childhood education landscape in North Carolina.

NC Child: NC Child is statewide nonprofit organization advancing public policies to ensure that every child in North Carolina has the opportunity to thrive – whatever their race, ethnicity, or place of birth.

NC Child Care Resource and Referral (CCR&R) Council: The NC Child Care Resource and Referral (CCR&R) Council, comprised of [Child Care Resources Inc.](#), [Child Care Services Association](#), and [Southwestern Child Development Commission](#), provides management and oversight to fourteen Regional Lead Agencies to ensure the delivery of high quality CCR&R Core Services and access to Special Initiatives to all 100 counties statewide. CCR&R agencies facilitate access to early care and education and school-age child care options for families through consumer education and referral; improve the quality of child care options through technical assistance, professional development and training to providers; provide objective information for planning and policy development to the public and private sectors through data collection and analysis, and public awareness; and participate in statewide special initiatives.

Early Childhood Organizations in North Carolina

NC Early Childhood Foundation: The North Carolina Early Childhood Foundation's (NCECF) vision for North Carolina is that each child has a strong foundation for lifelong health, education and well-being, supported by a premiere birth-to-age-eight system. NCECF marshals North Carolina's great people, ideas and achievements to build a foundation of opportunity and success for every child by the end of third grade by: promoting understand, spearheading collaboration, and advancing policies. NCECF is nonpartisan and promotes policies and programs that are grounded in research and data, including that early literacy is rooted in birth-to-age-eight child development, and includes: Health and Development on Track Beginning at Birth; Supported and Supportive Families and Communities; High Quality Birth-to-Age-Eight Learning Environments and Regular Attendance.

North Carolina Budget & Tax Center: The North Carolina Budget & Tax Center (BTC), a project of the N.C. Justice Center, conducts non-partisan analysis of state budget and tax policy and monitors economic conditions in the state. BTC produces timely and accessible research that contributes to policy discussions and public debate, with the goal of building a broader understanding of the role of policy in supporting economic opportunity for every North Carolinian, regardless of their ZIP code or the color of their skin. BTC recognizes that a strong and equitable early childhood education system is crucial for families across the state to thrive, and is a key component of an economy that meets everyone's needs. We advocate for equitable public investment in the child care system so that high-quality care is accessible and affordable for all families, and so the system provides good quality jobs for early childhood educators and staff.

Smart Start: Smart Start is a network of 75 local partnerships across North Carolina that provide expertise, guidance and infrastructure to ensure each child in the state receives the care and nurturing they need to thrive. Each local partnership is tailored to meet the specific needs of their community as they invest in early education, literacy, health and family support. As a public/private partnership, Smart Start leverages private dollars to extend the reach and impact of public funding and ensure that each child is prepared for success in a global community. The North Carolina Partnership for Children (NCPC) guides and facilitates the Smart Start network, supporting the work of local partnerships and connecting them to the statewide early childhood system.

Western North Carolina Early Childhood Coalition: The Western North Carolina Early Childhood Coalition (WNC ECC) is a coalition of early childhood-focused organizations collaborating on policy advocacy to improve access to and quality of Early Childhood Care and Education programming in western NC counties. WNC ECC collaborates with statewide organizations on shared policy interests and works to represent western counties' priorities at the state level. Members engage local providers and families in building grassroots skills and leadership for these issues across the region.