

Increase Child Care Subsidy Rates and Expand Access to Child Care

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

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. Using different rates for each county creates major geographic inequities, and as a result, many rural and low-wealth counties have fewer child care programs available to support children and families in those communities.

The federal American Rescue Plan Act appropriated approximately \$207 million for child care subsidy assistance for working families. But with the current inadequate and inequitable rates, child care programs simply cannot afford to provide high-quality child care for low-income working families. Additional federal funding through the Child Care Stabilization Grants has helped child care programs recoup costs and has provided some stability during the pandemic. That program will end in April of 2023, but child care subsidy reimbursements will still remain a key component of operations for many child care programs across the state.

More sustainable funding, including increased child care subsidy rates, is needed to support and stabilize the child care industry once federal funds are depleted so that programs are available to serve young children in all 100 counties.

Increased rates are needed to provide high-quality care to more young children and working families.

A new child care subsidy reimbursement rate structure would provide child care programs in every county with rates that incorporate the true cost of care and create greater equity in funding across the state for both child care centers and family child care homes, particularly in rural communities. A proposed new rate structure would:

- Set new subsidy rates at the county level based on the most recent 2018 survey of provider rates.
- Establish a new “statewide floor” based on the statewide average rate for all counties; holds harmless counties with higher rates.
- Eliminate 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 costs for all 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. Parents need to have accessible and affordable early education opportunities for their children so that they can work. Children need 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 or more, and they can’t raise tuition because parents can’t afford to pay more.

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