

Statement on the North Carolina Budget

Throughout this legislative session, the NC Early Education Coalition has focused on ensuring that children have access to high-quality early learning experiences, that parents can afford child care so that they can work, that early educators can afford to keep teaching, and that child care programs receive adequate funding to sustain their services.

We believe that the state budget released on June 28, 2022, represents another missed opportunity for early education. North Carolina is facing the quickly-approaching end of federal Covid relief funds for child care programs and families and an increasingly severe early childhood workforce crisis. In light of this year's record state surpluses, this budget could and should have invested in stable, sustainable policy solutions to ensure that each and every child has the opportunity to grow, learn and succeed. Our young children, families, communities, businesses, economy, and our future are all depending on it.

A bright spot in this year's budget is the reallocation of federal ARPA funds to increase child care subsidy reimbursement rates in all counties to the 2018 market rate survey level. This increase will help child care programs serve more children from working families with low incomes. Child care subsidy rates have been stagnant for years, making this allocation a long overdue step forward. However, these additional funds are not enough. More funding is still needed to keep up with today's increased costs, to address long-standing inequities in the reimbursement rate structure, and to increase access to high-quality child care.

The highlight for early childhood programs in this year's budget is an investment in improving both NC Pre-K and Smart Start. NC Pre-K received \$9 million in recurring state funds to increase reimbursement rates by an additional 7% over the planned 2% increase in the 2021 budget, with the intention of increasing compensation for NC Pre-K teachers working in private child care programs. While Smart Start did not receive additional funds in this year's budget, the budget raises the administrative cap for funds previously allocated, meaning that local partnerships will be able to utilize additional funding to best serve their communities.

However, we are most disappointed to see the lack of funding for early educators. Nearly every industry is facing a workforce crisis, but staffing shortages in child care impact working parents across all trades. Child care teachers are the workforce behind the workforce. Parents can't work if their child care facilities don't have teachers, but due to low compensation, fewer and fewer people are entering the early childhood field and qualified teachers are leaving at unprecedented rates for better paying positions outside of the field. The Child Care Stabilization Grants funded by the federal American Rescue Plan Act (ARPA) have helped child care programs increase teacher pay and provide other incentives to address staffing shortages, but the final quarterly grant payment will be disbursed in January of 2023. Without an increased investment – such as expanding the Child Care WAGES program statewide – before that funding runs out, the underlying issues of low compensation, high turnover, and a dwindling workforce pipeline will remain the same and will exacerbate an already precarious situation. If these child care small businesses can't remain open, parents can't work, and the economy suffers. With ample state funding available, it is disheartening that the budget does not include this investment in the essential early educators who are teaching and caring for our state's youngest children.

The modest increases included in this budget are important, but North Carolina continues to need a budget that invests in the long-term sustainability of a strong early childhood system. We remain committed to working with state policymakers to secure funding to help stabilize and sustain child care programs and teachers and to make child care more accessible for young children and working families across the state.

Early Education in the 2022 Budget:

NC Pre-K

- \$9 million in recurring funds to increase rates an additional 7% over the planned increase in the 2021 budget, for a total increase of 9% this biennium, with the intention of supporting salaries for NC Pre-K teachers in private child care programs.
- A portion of these funds will also be used to raise the reimbursement rate for public schools and Head Start programs by 5%.

Smart Start

- Raises the cap for administrative costs from 8% to 9%.

Federal American Rescue Plan (ARPA) Child Care Funding

- Reallocates a portion of the federal ARPA funding for child care subsidy (\$206-215 million in the 2021 budget) to temporarily increase child care subsidy reimbursement rates to the 2018 market rate level until funds expire in September of 2024.

Other Child Care Action

- Aligns state criminal background checks for prospective child care providers with federal block grant requirements; allows providers to begin on a provisional basis once those requirements have been met; requires DCDEE to report to the legislature annually on the impact of this policy change.