

Statement on the 2023 North Carolina State 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.

On September 20th, the NC General Assembly released the final state budget for the 2023-2025 biennium. The total budget spends approximately \$30 billion each year, but is significantly lacking in investments in child care and other policies to support young children, their families, and their educators.

Despite bipartisan support in both the House and Senate for large investments in early education - including a \$300 million [bipartisan bill](#) to support the early childhood workforce - the final budget does not include any of the crucial funding or policies proposed.

The final budget does include a provision instructing the Division of Child Development and Early Education (DCDEE) to spend any remaining federal American Rescue Plan Act (ARPA) funds to extend the compensation grants for early educators. *However, the budget does not include any new or additional funds for this purpose.* Instead, it would pull funding away from other early childhood priorities previously identified by this legislature, while only providing - at most - an additional 6 months of funding for the compensation grants.

With ample state funding available and very large reserves, legislators had more than enough opportunity to address all of the various aspects of our current child care crisis this year, but they have failed to do so. We view this budget as a huge disappointment for early education.

Here is what is in the final budget for early education:

- Instructs DCDEE to use any remaining federal ARPA funds from the 2021 appropriation to extend compensation grants; DCDEE estimates the amount to be approximately \$100 million, which will extend the grants until June 2024; *does not include any new or additional funding*
- \$1.5 million each year of the biennium (non-recurring) for the Dolly Parton Imagination Library program administered by Smart Start
- \$900,000 each year of the biennium (non-recurring) to establish a Tri-Share child care pilot program in up to three counties, which creates a public/private partnership to share the cost of child care between employers, eligible employees, and the state
- \$525,000 each year of the biennium (non-recurring) to establish a pilot program that provides business and financial assistance in creating and sustaining family child care home programs
- Increases the reimbursement rate for Developmental Day Centers to up to a maximum of \$1,350/month per child.

- Allows Smart Start to charge 10% administrative overhead of their total allocation, up from the previous cap of 8%.
- \$1.2 million each year of the biennium (recurring) to provide child care support for parents who are enrolled in community colleges
- Increases the number of children allowed to be enrolled in family child care home programs from 9 to 10 children
- Increases NC Pre-K class size from 18 to 20 children

Other notable budget provisions and legislation:

- One significant bright spot in this budget is the passage of Medicaid expansion. One in five early education teachers do not currently have health insurance, and this long-awaited expansion will allow hundreds of thousands of North Carolinians to access affordable, high-quality health care.
- SB 20 allocates \$74 million to make the 2021 Child Care Subsidy reimbursement rate increase permanent (currently using federal ARPA funds) and de-couples private tuition rates from subsidy reimbursement rates. This bill also bans abortion after 12 weeks in most cases; we believe that linking child care funding to such a politicized and personal issue puts in jeopardy all of the important progress that must still be made.

Right now, North Carolina is facing a child care system that is unavailable for young children, unaffordable for parents, unavailable and unaffordable for parents, and unsustainable for early educators. Unfortunately, with federal relief funding coming to an end soon and no new state investments included in this budget, our child care system is on a precarious path, the impacts of which will be felt by everyone in our state.

We remain committed to working with policymakers to secure future funding and policies to support the long-term sustainability of a strong early childhood system. North Carolina's young children, families, communities, businesses, economy, and our future are all depending on it.