



What Does NC Pre-K Cost?

In 2016, the General Assembly passed legislation requiring the North Carolina Department of Health and Human Services, Division of Child Development and Early Education (DCDEE), in consultation with the Department of Public Instruction (DPI), to study the cost and effectiveness of NC Pre-K. It mandated that DCDEE submit a report on findings and recommendations by February 1, 2017.

The report is online at <http://wp.me/a4fx8m-FB>.

This Fact Sheet outlines the findings of the report submitted by DCDEE.

What is NC Pre-K?

Since 2001, North Carolina has provided full school day, target public pre-kindergarten, now known as NC Pre-K (formerly More at Four). NC Pre-K slots and classrooms are located in three types of sites: private and non-profit child care, public schools, and Head Start facilities. Classrooms maintain at least a 1 to 9 staff-to-child ratio, with a maximum of 18 children per class. Programs must provide breakfast or a morning snack along with a lunch that meets USDA requirements.

At the local level, NC Pre-K Advisory Committees oversee the program, including developing operational policies and procedures, providing programmatic and fiscal oversight, and ensuring collaboration and shared responsibility for developing and implementing plans to deliver services. The local committees are represented by a mix of local school boards and systems, local Smart Start partnerships, licensed child care providers, Head Start, local departments of social services, parents of preschool-age children, county cooperative extension agencies, and child care resource and referral agencies.

Does NC Pre-K work?

Yes. More than 14 years of research studies of NC Pre-K found that it has demonstrated positive outcomes for children in key domains of learning for later school success, including language development and communication; cognitive development; and social and emotional development. Classroom quality scores related to global quality, teacher-child instructional interactions, language and literacy environment, and teacher sensitivity range from medium to high in NC Pre-K classroom evaluations. Improvement efforts should focus on overall classroom quality and instruction for dual language learners. There have been substantial improvements in teacher qualifications, with 99 percent of lead teachers holding a BA or four-year degree.

In the latest evaluation of NC Pre-K, researchers found that children are progressing at an even greater rate during their participation in NC Pre-K than expected for normal developmental growth.¹ NC Pre-K produces lasting benefits for children, including higher test scores, less grade retention and fewer special education placement through fifth grade.²

¹ Peisner-Feinberg, E. S., Schaaf, J. M., Hildebrandt, L. M., Pan, Y., & Warnaar, B. L. (2015). Children's kindergarten outcomes and program quality in the North Carolina Pre-Kindergarten Program: 2013-2014 statewide evaluation. Chapel Hill: The University of North Carolina, Frank Porter Graham Child Development Institute.

² "Impact of North Carolina's Early Childhood Programs and Policies on Educational Outcomes In Elementary School," Kenneth A. Dodge, Yu Bai, Helen F. Ladd, Clara G. Muschkin. Child Development, November 2016. DOI: 10.1111/cdev.12645.

Is the number of slots the same as the number of children served?

No. A slot represents the amount of funding for NC Pre-K services for a child per school year (10 months). More than one child can fill a slot: if one child leaves NC Pre-K and another child fills that slot during the same school year, then that slot is the equivalent of two children.

How Much Does NC Pre-K Cost?

State funding does not cover the full cost of NC Pre-K. This is intentional. NC Pre-K requires that programs demonstrate that they are using other funds to maximize resources (blended funding).

NC Pre-K contractors report using the following types of funds to cover the full cost of NC Pre-K:

- Smart Start
- Head Start
- Title I
- Preschool Early Childhood Funds
- Child and Adult Care Food Program
- Local Funds

State Funding:

State funding is provided through a maximum monthly reimbursement rate per slot. The three types of settings that host NC Pre-K slots – Head Start programs, public schools, and private and non-profit child care facilities – receive different reimbursement rates. The rationale for the different rates is outlined in the table below.

Maximum Monthly Reimbursement Rates Per Slot by Setting

Setting	Maximum Monthly Reimbursement Rate Per Slot	Rationale
Head Start	\$400	Estimated based on additional costs needed to meet NC Pre-K requirements, including extending Head Start operating hours, increased teacher qualifications, and a decrease in the maximum number of children allowed per classroom.
Public School	\$473	Estimated based on the average salary of a public school teacher with a Birth-through-Kindergarten license, the average salary of a public school teacher assistant, plus some classroom operating costs, recognizing that operating costs are shared across several programs.
Private Child Care	\$650*	Estimated based on the average lead teacher with a Birth-through-Kindergarten license and teacher assistant salaries, program equipment, occupancy, and other administrative costs.

**This is the maximum rate if the lead teacher has a Birth-through-Kindergarten License or higher. If the lead teacher has a BA/BS degree or higher and is working toward the Birth-through-Kindergarten license, the maximum rate per slot is \$600.*

On average, the overall cost for an NC Pre-K slot is \$9,126, with state funding covering 61 percent of that cost. Cost of the program varies slightly by setting.

NC Pre-K Average Costs and Funding by Setting

	Head Start	Public School	Child Care
Average Staffing Expenses per Slot*	\$7,082	\$6,379	\$6,541
Average Operating Costs Per Slot*	\$2,114	\$2,752	\$2,548
Total Average Cost per Slot	\$9,197	\$9,131	\$9,088
Average Annual NC Pre-K Funding per Slot**	\$3,964	\$4,777	\$6,257
Percent of Costs Covered by State NC Pre-K Funding	46%	56%	72%

* To determine the NC Pre-K cost per slot in all sites, the analysis took into account the costs associated with providing education to all pre-kindergarteners at the site and not just those enrolled in the NC Pre-K program

**The reimbursement rate structure outlined was implemented by DCDEE in Fiscal Year 2012-13.

How much does it cost to administer NC Pre-K?

NC Pre-K is administered locally by Smart Start Local Partnerships, Local Education Agencies (LEAs), or, in a few instances, nonprofit organizations. Funding for NC Pre-K administration is capped at 4 percent of the total contract or \$20,000, whichever is greater. The actual cost to administer NC Pre-K is higher, so administrators must use other funds to oversee the program. The report notes that even the estimated cost of administering NC Pre-K is underreported because:

- Onsite staff time to ensure compliance with NC Pre-K standards is not reimbursed.
- Existing positions, which are not reimbursed, often incorporate NC Pre-K responsibilities.
- Some administrative NC Pre-K costs, such as accounting, property insurance and facility costs, are paid for through supplemental (non-NC Pre-K) funding.
- Costs incurred during screening, determining child eligibility and consulting with families are often not captured in dollars and not reimbursed.
- Schools do not typically allocate to individual programs indirect staff costs, such as IT/computer support, payroll support, accounts payable support, human resources and finance/contracting/monitoring support, so those costs are not represented in the overall NC Pre-K administrative costs. Those costs are included in Smart Start administrative costs.

In addition, the report notes that Although NC Pre-K is a 10-month program, it requires year-round administration.

NC Pre-K Administration Costs³

	Smart Start	Local Education Agencies
Average Monthly NC Pre-K State Funding for Administration Per Slot	\$212.40	
Average Total Annual NC Pre-K State Funding for Administration	\$79,031	\$74,031
Total average cost for all administrative categories (salaries, fringe, mandatory 4 benefits, office costs, agency costs, and costs drivers)	\$148,625	\$143,771
Average Percentage of Administration Funded by the State	53%	51%

³ Researchers surveyed NC Pre-K administrators to determine to determine which administrative services are supported with supplemental (non-NC Pre-K) dollars.

What Costs are Associated with Personnel?

Approximately 70 percent of the cost of NC Pre-K is personnel. Teachers in child care settings earn substantially less than their peers in Head Start and public school settings.

	Head Start	Public School	Child Care
Percent of Costs that are Personnel	77%	72%	72%
Average Lead Teacher Salary*	\$32,986	\$43,565	\$25,372
Average Assistant Teacher Salary	\$20,585	\$21,526	\$20,269

*The cost analysis model used did not isolate individual classroom costs. Therefore, all lead teacher costs were included in the analysis, not only NC Pre-K teachers.

What are the additional operating costs?

In addition to personnel, NC Pre-K costs include food, food preparation and facility costs. These costs account for about 30 percent of the total cost per slot.

	Head Start	Public School	Child Care
Average Annual Cost of Food and Preparation Per Slot	\$829	\$ 1,017	\$913
Average Cost per Square Foot for Facility (Rent/Lease/Mortgage)	\$4.10*	\$0.16*	\$13.61

*This figure does not include in-kind school contributions.

What does the report recommend?

- Conduct a follow-up study to analyze revenue available by type of setting (Head Start, public school, or child care) to more accurately set reimbursement rates.
- Consider increasing the cap for administration. NC Pre-K funding covers approximately half of the actual costs of administrating the program at an average monthly cost of \$212.40 per slot. The report examines increasing the administrative funding allowable with NC Pre-K dollars from 4 percent to 8 percent (\$425 per slot). The table below shows the estimated increase in average per slot costs.

Estimated Average Cost Per Slot with Administration Funds Increased to 8 Percent

	Head Start	Public School	Child Care
Current Total Average Cost per Slot	\$9,197	\$9,131	\$9,088
Total Average Cost per Slot with Increased Administrative Funding	\$9,622	\$9,556	\$9,513

If the State were to fund 100 percent of the remaining costs for NC Pre-K – increasing the cap for administration to eight percent – and maintain the existing 27,019 slots, it would require an additional \$47.2 to \$50.2 million in state funds.

- Consider better defining how administrative funds may be used to support local needs.
- Consider other State resources that may be used to offset local costs to administer the program (e.g., Birth-through-Kindergarten licensure, teacher compensation, and professional development activities).
- Because NC Pre-K supplements state funds with other resources, administrators emphasized that the program’s viability is linked to the availability of those funds.

Data Limitation

Many sites did not have all of the requested data readily available. This type of data collection is an intensive process. DCDEE also notes that the state was hit by two natural disasters during the data collection. As a result, many survey respondents replied with default values to use as their estimates of cost. The default values were based on previous research of costs in child care settings.

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About Us

This report was prepared by the North Carolina Early Childhood Foundation.



North Carolina Early Childhood Foundation is driven by a bold vision: Each North Carolina child has a strong foundation for lifelong health, education and well-being supported a premiere birth-to-eight system. We promote understanding, spearhead collaboration, and advance policies to ensure each North Carolina child is on track for lifelong success by the end of third grade. Learn more at www.buildthefoundation.org.