

ACTIONS 3.3; 3.4; 3.5

Increase child care affordability for more North Carolina families by expanding subsidies and raising subsidy rates; target the needs of low-income families by providing higher subsidy rates to public and private providers in high poverty, underserved, and rural communities.

EXPAND CHILD CARE SUBSIDIES; RAISE CHILD CARE SUBSIDY RATES, and PROVIDE HIGHER SUBSIDY RATES to PROVIDERS in UNDERSERVED COMMUNITIES

High quality child care is important for all and every working parent needs to feel comfortable that they are leaving their child in the care of a highly competent and trusting provider. Currently, too many families who need child care are unable to afford it and only a small percentage of those eligible for a subsidy actually receive it. Expanding child care subsidies is critical to increasing access to high-quality early care and education for more NC children and families and improving children’s opportunities for success in school.

Raising child care subsidy rates enables providers to serve more children while ensuring that this care is high-quality, affordable, and provided by professional and skilled staff. Subsidy reimbursement rates are crucial for helping providers cover the costs of services; increasing these rates also encourages providers to accept more children using the subsidy, thus expanding access to quality programs for low-income families. Due to systemic barriers, children of color living in low income families are more likely to enter kindergarten with fewer early literacy and language skills when compared to their peers. However, they also show the largest gains from subsidies that support high quality early care and education.

To improve equity in access to high quality care, provide higher subsidy rates to providers in high-poverty, under-resourced, and rural communities. This advances equity by equipping them with the resources to recruit and retain educators, maintain their businesses, and meet the needs of the children and families they serve.

70% OF NC CHILDREN attend child care facilities where NC’s current child care subsidy rates are too low to pay the cost of care.

WHAT WE KNOW

In response to the coronavirus pandemic, Congress approved roughly \$52 billion in federal pandemic child care aid. This move increased awareness and understanding of the difference that money can make in stabilizing child care and working parents. However, **federal funding is running out and the pandemic worsened the affordability and accessibility crisis** as the cost of care increased and the number of licensed home child care providers decreased. As states make decisions about how they will continue to stabilize and strengthen their child care systems, they need to utilize a both/and strategy that embraces the tension of increasing the range and number of families that can access subsidies, while also targeting subsidies and increased reimbursement rates to providers serving high poverty and rural communities.

Despite the importance and benefits of providing high quality care to children in low-income families, the current subsidy system makes this difficult to achieve. The **current subsidy model** sets reimbursement rates based on what families can afford to pay, rather than what the care actually costs. The state surveys providers across North Carolina to find out what they charge parents and uses that value to set county-specific reimbursement rates. This means that providers serving lower income and rural families receive lower reimbursement rates than providers serving higher income families. This creates substantial inequities across the state and means that providers serving the lowest income families have fewer financial resources to invest in the care they provide. For example, the **monthly subsidy for infants in a 5-star licensed child care provider** in Transylvania is \$1,400 per month but in Forsyth county it is substantially lower at \$878 per month.

One example of a **both/and child care subsidy strategy** is to (1) eliminate the parent co-payment requirement for working families with incomes under 200 percent of the federal poverty level as these families face significant cost barriers to affording child care; and (2) establish a phase-in of the parent co-payment for working families between 200 and 300 percent of the federal poverty level to **reduce the benefits cliff**.

Another example is to (1) set a strong **statewide minimum reimbursement rate** to ensure a high base quality of care for all children, and (2) allow for setting higher county-level market rates when needed. A statewide market rate would serve as a floor for reimbursing providers and create greater equity in funding across the state.

Dive Into the Data

Like all families across the country, North Carolina families report that the cost of care is a major struggle. Across the state, child care consumes an average of **24% of gross household income**. However, this ranges greatly across the state, from around **38% in Mecklenburg, Orange, and Wake counties to around 19% in Ashe, Tyrell, and Duplin counties**. These percentages are all much larger than the seven percent of household income that the U.S. Department of Health and Human Services considers affordable for child care expenses. Explore this indicator and more through the **Pathways Data Dashboard**.

WHAT WE NEED

The collective sense of crisis created by the pandemic and broad public actions made in response to workplace shutdowns pushed discussions about paying for child care from being an individual to a collective issue. They also placed a focus on the solution: a primarily publicly funded child care and early childhood system that enables all working families to enter the labor force confident that their children will receive developmentally supportive care. Evidence informs us that when child care systems are publicly funded **“we can set clear standards for programming, teacher pay, and professional development, all factors that research links to a high level of care. Such standards, in turn, remove much of the guesswork for parents struggling to gauge the merits of various child-care programs.”**

HOW TO SUPPORT

Child care subsidies are one public funding policy lever that is **supported by a majority of voters** across the political spectrum and across many interest groups, especially small and large businesses owners. This broad base of support is because subsidies accomplish multiple things—helping families have enough income left for other necessities after paying for child care, raising the wage floor for providers and strengthening the quality of care, helping women on the edge stay in the workforce, and helping businesses have the labor force to meet staffing needs. North Carolina’s General Assembly and all local governments can engage in bipartisan policymaking that is creative and expansive regarding the variety of ideas and subsidy tools used to ease the child care cost burden, including grants, tax credits, salary supplements, and employer incentives.

Increasing access to high-quality early care and education in communities with the most needs and vulnerabilities benefits all by improving the overall success of North Carolina’s education and economic systems.

INITIATIVES WORKING IN THIS AREA



Every ChildNC is a community-led, statewide coalition of organizations, parents, teachers, and students who advocate for every child’s constitutional right to a sound, basic education. Their work focuses on promoting equity so that race, ethnicity, economic background, regional location, disability, gender identity and sexual orientation, immigration status, and language are not barriers to educational opportunity. They are deeply engaged in advocating for the Leandro Plan, which is a non-partisan, research-based, community-informed set of policies and investments for modernizing our public schools and improving access to early education and K-12 programs and services.



The **NC Early Education Coalition** works to ensure that all children – regardless of race, family income, or zip code – have access to high-quality early care and learning experiences. The Coalition is the only statewide advocacy coalition dedicated to promoting high-quality, accessible and affordable child care across North Carolina. They accomplish their mission of advocacy and education by: developing policy positions, researching and producing fact sheets, providing training and resources, cultivating relationships with policymakers and the media, engaging a full-time lobbying team at the NC General Assembly, mobilizing advocates and Coalition members, and collaborating with state and national early childhood partners.

Visit the Pathways Action Map to learn more about these and other initiatives leading efforts in this area.