

STATE OF NORTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

ROY COOPER  
GOVERNOR

KODY KINSLEY  
SECRETARY

April 23, 2024

To: NC Pre-K Stakeholders  
NC Early Care and Education Advocates

*For Electronic Delivery*

Dear NC Pre-K Stakeholders and NC Early Care and Education Advocates,

Thank you for your commitment to the children of North Carolina by supporting the Pre-Kindergarten (NC Pre-K) Program. **Unfortunately, with the expiration of one-time COVID-19 funding this summer, NCDHHS must revert reimbursement rates to NC Pre-K providers on July 1, 2024 to levels funded by the General Assembly.** We will continue to work diligently with the General Assembly, with the hope that they will increase funding and stabilize the program in the upcoming short session, which begins April 24<sup>th</sup>. Without legislative action, we know these rate reductions, on top of already sub-par rate levels, will force NC Pre-K programs to serve significantly fewer children across the state, and several communities may no longer be able to offer the program.

NC Pre-K operates in every county statewide to provide high-quality early childhood education for at-risk four-year olds. Extensive research shows that NC Pre-K has **significant short- and long-term benefits** for children who participate in the program, including higher literacy, math, and social-emotional skills at school entry as well as reduced rates of special education placement and grade repetition through elementary school. Currently, NC Pre-K is serving just under **30,000 children across the state.**

Despite the program's proven benefits, NC Pre-K is facing **severe financial challenges:**

- **State reimbursement rates cover less than half the cost of the program.** On average, state funding covers 48% of the cost for a NC Pre-K slot, requiring local communities to raise the additional 52% from county, philanthropic, or other funding sources. The monthly state reimbursement rate for a NC Pre-K slot has only risen \$37 since 2012. The General Assembly has provided marginal rate increases in the past few years, but these increases have not nearly kept pace with the rising costs to run the program.
- **Costs for providers to run NC Pre-K have increased significantly.** While state reimbursement rates have remained stagnant, operating costs for local communities to run NC Pre-K, including costs to recruit and retain qualified teachers, have continued to increase year-over-year. Many communities have either exhausted local funding sources or lack sufficient funds to run the program.
- **One-time COVID-19 funding expires this summer.** Governor Cooper and NCDHHS used COVID-19 federal funding in the last two years to sustain NC Pre-K during a critical time, but these one-time supplements will expire by June 2024.

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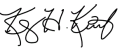
The current challenges with NC Pre-K are part of a **broader early care and education crisis in North Carolina**. With the expiration of the federal grants that supported operational costs and teacher salaries during the COVID-19 pandemic, a growing number of child care facilities will not be able to provide care at a cost that is affordable for families. Based on a recent survey from the North Carolina Child Care Resource and Referral Council, 29% of child care centers stated they would be forced to close without additional financial support. **Closures of this scale would have a staggering impact on NC's families, workforce, and economy.**

Our goal during this legislative short session is to ensure this information is in the hands of our legislative partners:

- NC Pre-K is at risk. With the expiration of one-time COVID-19 funding this summer, **NCDHHS must reduce state reimbursement rates to NC Pre-K providers beginning July 1, 2024**. Without **additional state investment in fiscal year 2024-25**, NC Pre-K will serve fewer children across the state, and several communities may no longer be able to offer the program.
- The NC General Assembly **needs to invest \$197 million in NC Pre-K this legislative session** to meet the full cost of operating all current slots and ensure the program remains financially sustainable. Governor Cooper's soon-to-be-released budget proposal will include this investment.
- We are in an early care and education crisis. Our state's child care and early childhood system needs a substantial investment of hundreds of millions of dollars this legislative session, including this investment in NC Pre-K, as well as Child Care Subsidy rate increases and an extension of Child Care Stabilization Grants. **The General Assembly can support access to child care and Pre-K across the state and strengthen the early education workforce by making the investments included in Governor Cooper's budget proposal**. Without these investments, **thousands of families across the state will lose child care.**

Thank you for your commitment to ensuring North Carolina's children have access to high-quality early care and education. And most of all, for your steadfast leadership and creative problem solving at this challenging time.

In partnership,

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Kody H. Kinsley