



NC Works when Child Care Works – **Mitigating the impacts of COVID-19 & the workforce crisis.**

Joint Legislative Oversight Committee on Health & Human Services
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Child Care Federal Relief Funding*

**CARES Act – \$118M to
DHHS**

Staff Bonuses (April-May, Nov.-Dec. 2020)
Subsidy reimbursements + family copays (March-Aug. 2020)
NC Pre-K payments
Emergency subsidies for essential workers
Operating grants (April-July + Aug.-Oct. reduced amounts)
*\$80M CARES + \$35M from NCGA.

CRRSA – \$336M

Operating grants X 6 mos. (March-Aug. 2021)
Copays for subsidy-eligible families
NC Pre-K Summer Learning Loss Program

**ARPA – \$1.3B (\$805M to
DHHS & \$503M to NCGA)**

Stabilization Grants (“Fixed Costs & Families” Grants Oct. 2021-March 2023 + “Compensation” Grants Oct. 2021-Dec. 2023)
Subsidies waiting list
Workforce development through DHHS-DCDEE

Federal Relief Funding's Impact

- \$1.9 Billion invested in families/child care programs
March 2020-Sept. 2024
 - Decline of NC child care sites slowed during pandemic due to investments of relief funds:
 - Down 451 sites Jan. 2018 – Jan. 2020 (pre-pandemic)
 - Down 190 sites Jan. 2020 – Jan. 2022
 - Number of child care sites down 10% Jan. 2018 – Jan. 2022

Source: "NC Child Care Commission Director's Report, " NCDHHS-DCDEE, May 2, 2022

ARPA Stabilization Funding (\$805.7 million)

- “Stabilization Grants” Sent Out as of April 25, 2022:
 - Number of Programs: 4,124
 - Child Care Centers: 2,989
 - Family Child Care Homes: 1,135
 - Total Child Care Jobs Impacted: 40,524
 - Total Capacity Impacted: 374,344

Source: [NC DHHS Stabilization Grants Dashboard 1: Oct. 4, 2022](#)

Stabilization Grants – 2 Types

No. 1 – “Fixed Costs & Families” Grants

- All approved programs receive grants based on capacity, subsidized child care enrollment, program quality (star rating), infant/toddler enrollment, and community context (using Social Vulnerability Index).

No. 2 – “Compensation” (Staff-based) Grants – Pick one:

- Bonuses (Option 1) – agree to use the additional funding to provide bonuses to all staff using bonus plan submitted to DCDEE.
- Base Pay/Benefits (Option 2) – agree to increase base pay and/or benefits, implementing a compensation scale that ideally factors in education and length of service as well as job responsibilities.

Stabilization Grants – 2 Types

Total Grant Payments as of April 25, 2022 – \$509,232,073

	Centers	Family Care Homes	Total
Approved Programs	2,989	1,135	4,124
“Compensation” (Staff-Based) Grants	\$130,517,751	\$6,750,564	\$137,268,315
“Fixed Costs & Families” Grants	\$347,172,163	\$24,791,595	\$371,963,759
Total Grant Payments	\$477,689,914	\$31,542,159	\$509,232,073

Source: “NC Child Care Commission Director’s Report, ” NCDHHS-DCDEE, May 2, 2022

“Compensation” Grants Uptake, as of April 25, 2022

Compensation Grants	Centers	Family Care Homes	Total
Option 1 – Bonuses	920	316	1,236
Option 2 – Increase Base Pay/Benefits	1,592	630	2,222
Opted Out	179	79	258 (7%)
Total	2,691	1,025	3,716

Source: “NC Child Care Commission Director’s Report, ” NCDHHS-DCDEE, May 2, 2022

“Fiscal Cliff” – What & When?

Stabilization funding must be liquidated by Sept. 2023:

- “Fixed Costs & Families” Grants end **March 31, 2023**
 - Reduced by 1/3 in July 2022 (for July-Sept. 2022)
 - Reduced by additional 1/3 in October 2022 (for Oct.-Dec. 2022)
- “Compensation” Grants end **December 31, 2023**
 - NCDHHS-DCDEE using approximately \$150 million in discretionary ARPA-CCDBG funding allocated by legislators for workforce initiatives to continue these grants through the end of 2023. **Liquidation not required for these funds until Sept. 2024.**
(Source: [Press Release, NCDHHS, Sept. 13, 2022](#))

Regulatory Changes – DHHS

- Allow 6 months, up from 120 days, to replace a position with a “qualified” (QRIS) candidate **until Aug. 15, 2023** (12 months after the State of Emergency ends).
- **Expired on May 11, 2020** (2 mos. into pandemic)
 - Allowed child care programs to operate using the minimum allowable staff/child ratios and group sizes
 - Allowed increasing the maximum group size provided the staff/child ratios are maintained for the youngest child in the group
 - Allowed child care centers to exceed current indoor and outdoor space requirements

Regulatory Changes – NCGA

Session Law 2021-127 (S570) – “Hold Harmless Star Ratings/ERS Assessments”

- I. Moratorium on mandatory ERS Assessments **until Feb. 15, 2023**
- II. Allows education flexibilities in programs by reducing the percent of “Lead Teachers” (only) who must have completed early childhood college coursework or degrees from 75% to 50%
 - **Effective through June 30, 2023**
 - To allow DHHS-DCDEE to implement workforce development plan to increase early childhood teacher pipeline by 20% (8,000 new teachers meeting higher qualifications) over 3 years

Source: “Alternative Strategies to Address Goals of S570,” NCDHHS-DCDEE

“Regulatory (Workforce) Cliff” – What & When?

- Moratorium on mandatory ERS Assessments ends on **Feb. 15, 2023** (six months past end of pandemic State of Emergency)
- Education flexibilities that reduced the percent of “Lead Teachers” who must have completed a certain amount of early childhood college coursework or degrees from 75% to 50% ends on **June 30, 2023**

Source: [Session Law 2021-127 \(S570\) – “Hold Harmless Star Ratings/ERS Assessments”](#)

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Problem – Not enough quality child care available

Goal – Increase availability of quality child care to meet demand

Strategies – Increase public investments + System innovations & reforms

Did you know? NC has one of the oldest & most expensive quality rating systems (QRIS) in the nation

- Established in 1999
- \$13 million in 2017

Source: [*The Effects of Accountability Incentives in Early Childhood Education*](#), National Bureau of Economic Research, Sept. 2017

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Increase Public Investments	System Innovations & Reforms
<ul style="list-style-type: none">○ Extend workforce supports beyond Dec. 2023 “fiscal cliff”○ Align reimbursement rates for subsidized child care with costs of program requirements/standards○ Invest in Technical Assistance (TA), professional development, on-site coaching/mentoring○ Invest in behavioral/mental health support services for children in care/families	<ul style="list-style-type: none">○ Extend workforce flexibilities beyond “regulatory cliff” (Session Law 2021-127 – “Hold Harmless Star Ratings/ERS Assessments”)○ Allow accreditations from national ECE accreditation organizations as an alternative path to earn higher Star Ratings○ Modernize NC’s QRIS (Star-Rating system) to focus quality measurements on classrooms & staff-child interactions, rather than college transcripts.

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*“Status quo, you know,
that is Latin for ‘the mess we’re in’”*

– Ronald Reagan in a speech in Washington on March 16, 1981

Bottom line – If we do not make bold, meaningful changes in the near term, at federal, state and local levels, we are not going to be able to expand access to quality child care for all North Carolina families who need it now or those who will need it in the future.