

# FISCAL RESEARCH DIVISION

A Staff Agency of the North Carolina General Assembly

## **Division of Child Development and Early Education Overview & Budget**

**Joint House and Senate Appropriations Committees  
on Health and Human Services**

**February 15, 2023**

# Division of Child Development and Early Education (DCDEE) Overview & Budget

- Authorized budget for Fiscal Year 2022-2023
- DCDEE overview
  - Child Care Subsidy
  - NC Pre-K
  - Smart Start
  - Other responsibilities
- Significant budget actions from the 2021-2023 Fiscal Biennium



# DCDEE

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# DCDEE Recent Spending, Current Authorized Budget

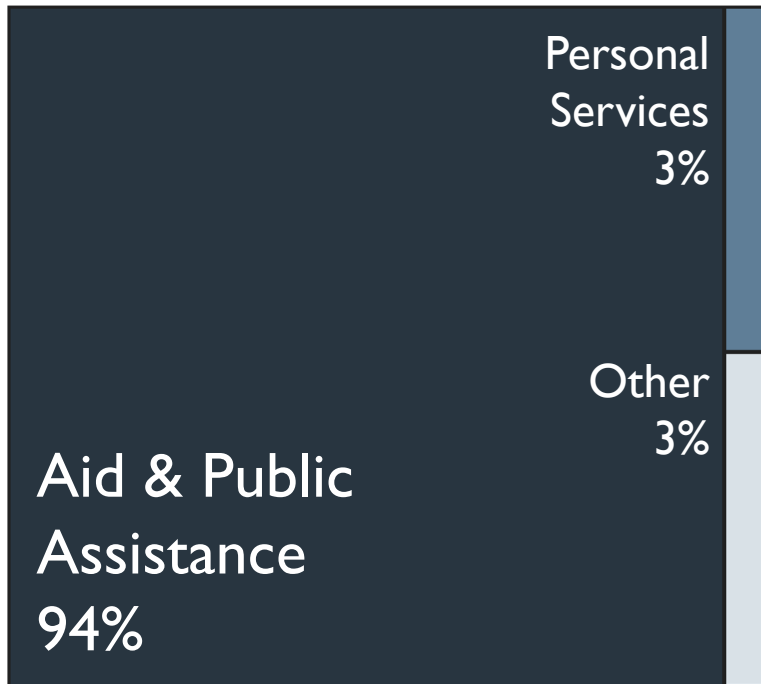
| (\$ Millions)            | Actual<br>FY20-21 | Actual<br>FY21-22 | Authorized<br>FY22-23 | Change FY22-<br>23 vs FY21-22 |
|--------------------------|-------------------|-------------------|-----------------------|-------------------------------|
| Total Requirements       | \$1,016.0         | \$1,473.2         | \$1,100.8             | (\$372.4)                     |
| Receipts                 | 787.3             | 1,243.4           | 848.9                 | (394.5)                       |
| <b>Net Appropriation</b> | <b>\$228.7</b>    | <b>\$229.7</b>    | <b>\$251.9</b>        | <b>\$22.2</b>                 |
| FTE Employees            | 336.0             | 332.0             | 332.0                 | -                             |

- Requirements and receipts have fluctuated significantly over the 3 years shown due to nonrecurring COVID-19 relief funding. In total, DCDEE received \$1.9 billion in federal COVID-19 relief funding.
- The \$22.2M increase in net appropriations for FY23 is due primarily to increases in Smart Start and NC Pre-K funding in the 2021 and 2022 Appropriations Acts as well as underspending appropriations in the NC Pre-K program in FY22.

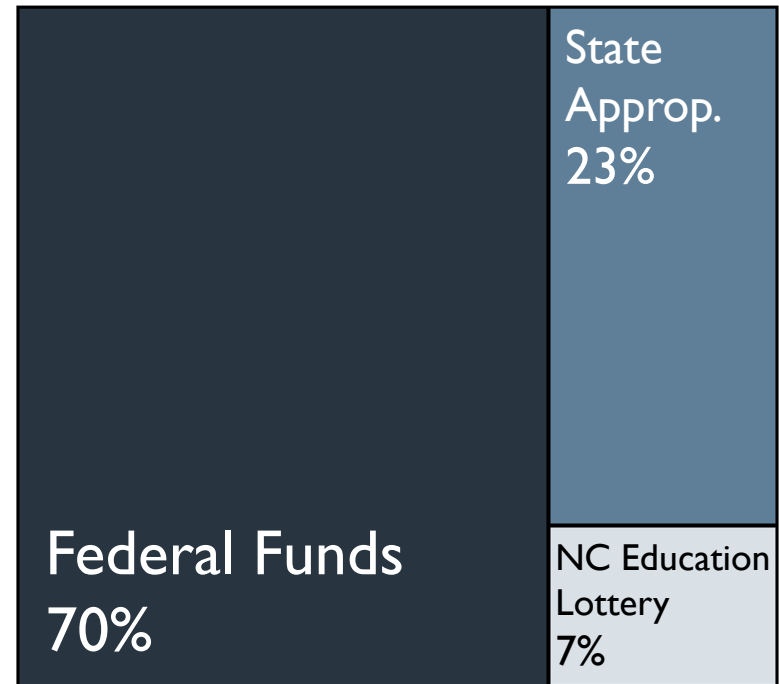


# DCDEE FY23 Authorized Budget Expenditures and Funding Sources

## Expenditures: \$1.1 Billion

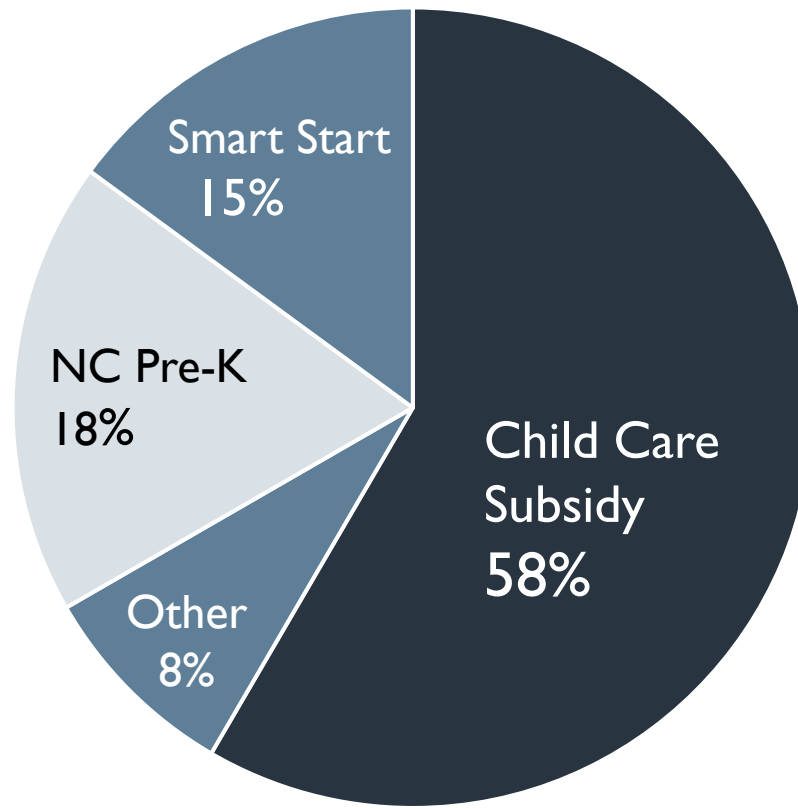


## Funding Sources: \$1.1 Billion



# DCDEE FY23 Authorized Budget Total Requirements by Program

**\$1.1 Billion** in budgeted spending, broken down by program



Note: may not sum to total due to rounding



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## Child Care Subsidy Overview

Locally administered and state-supervised voucher system, provides financial assistance to eligible families for child care

### **December 2023**

|                 |        |
|-----------------|--------|
| Children Served | 62,041 |
| Waitlist        | 5,384  |



## Child Care Subsidy Eligibility

Qualifying families meet situational and financial criteria:

- Situational

- Working or attempting to find work through Work First
- In school or job training program
- Child requires care to support child protective services or child welfare services
- Child has developmental needs

- Financial

- Family income below threshold

## Child Care Subsidy Eligibility

- Family income eligibility
  - Ages 0-5 or special needs children: Household income less than **200%** of Federal Poverty Level (FPL)
    - Family of 4: less than **\$60,000 per year** or **\$5,000 per month**
  - Ages 6-12: Household income less than **133%** of FPL
    - Family of 4: less than **\$40,000 per year** or **\$3,333 per month**

Note: Families are responsible for monthly copayments based on **10%** of gross income

FPL Source: US Department of Health and Human Services

# Child Care Subsidy Providers

## Current *Permanent* Reimbursement Rates

| Age               | Tier 1&2  | Tier 3   |
|-------------------|---|--|
| <b>0-2</b>        | 100th Percentile, 2015 Market Rate Study, effective 10/1/2018 | 75th Percentile, 2015 Market Rate Study, effective 10/1/2017   |
| <b>3-5</b>        | 100th Percentile, 2015 Market Rate Study effective 10/1/2018  | 75th Percentile, 2015 Market Rate Study, effective 10/1/2018   |
| <b>school age</b> | 75th Percentile, 2015 Market Rate Study, effective 10/1/2017  | Based on 2013 Market Rate Study, last increase effective 1/1/2015, 25% of the difference between the current market rates and the 2013 market rates. |

Federal recommended payment rates: 75th percentile of rates reported in the most recent market rate survey

Source: 2014, 2017 and 2018 Appropriation Acts, and

<https://ccdf-fundamentals.icfcloud.com/assessing-market-rates-and-child-care-costs>



## Child Care Subsidy Providers

### Current *Temporary* Reimbursement Rates

- SL 2022-74 Section 9L.2 temporarily increased reimbursement rates for the child care subsidy program to those recommended (75<sup>th</sup> percentile) in the 2018 Market Rate Study
- Funded with one-time federal COVID-19 relief child care block grant funds, which must be spent by September 30, 2024

Source: 2022 Appropriation Act



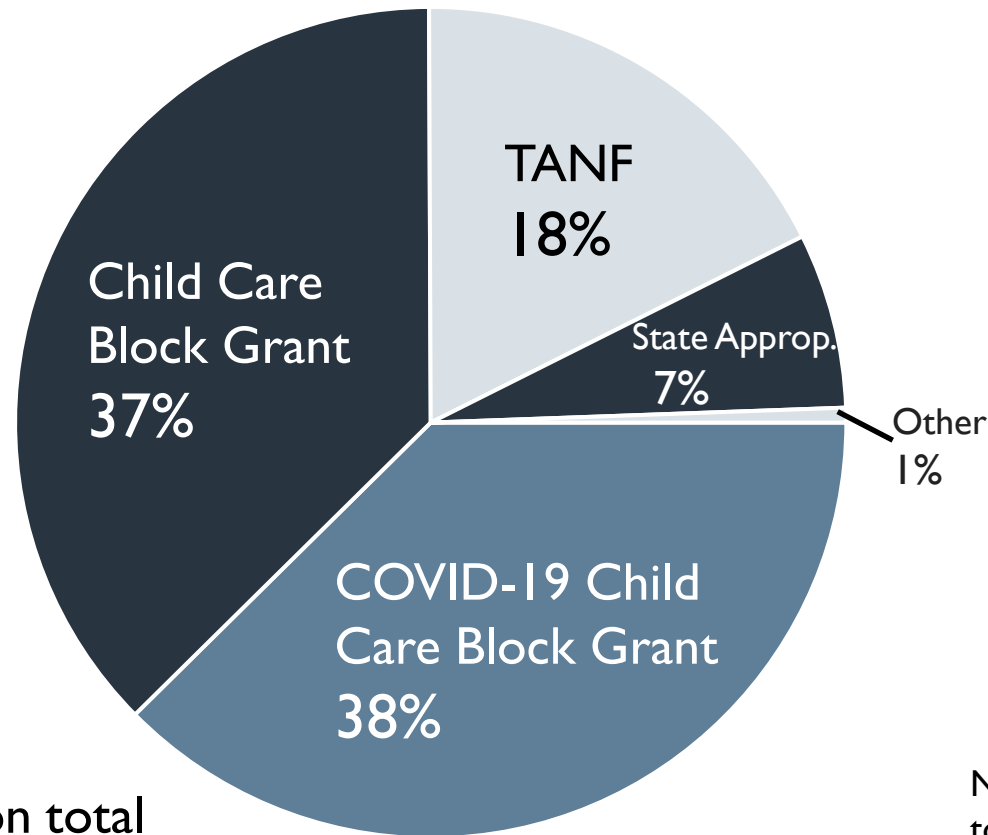
## Child Care Star Rated License

### Star Rating System

- Scale is from 1-5 stars
  - 3+ stars minimum to participate in child care subsidy
- Programs earn their star rating based on
  - Staff education
  - Program standards
- Exemption: Notice of Compliance (religious sponsored child care facilities)

## Child Care Subsidy Funding

### Child Care Subsidy Funding Sources



\$643 million total

Note: may not sum to total due to rounding

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## NC Pre-K Overview

North Carolina's public pre-kindergarten program, designed to enhance school readiness for eligible four-year-olds

- 10 months (36 weeks) of instruction, 6.5 hrs per day
- Max class size of 18 children (1:9 staff-to-child ratio)
- Licensing requirements for teachers
- Providers must maintain licensed star rating of 4 or 5 stars



# DCDEE

## NC Pre-K Eligibility

- Income eligibility
  - Family income at or below 75% of State Median Income
    - Family of 4: **\$74,393 per year** or **\$6,199 per month**
- Children of eligible military families
- Additional risk factors (up to 20% served if income ineligible)
  - Educational needs, developmental disabilities, chronic health conditions, Limited English Proficiency

Source: DCDEE



## NC Pre-K Program Data 2022-2023

- Students Served: **27,918**
- Sites: **1,229**
- Classrooms: **2,255**
- Contractors by type:
  - **46** Local Partnership for Children (Smart Start)
  - **42** Public School
  - **2** Head Start

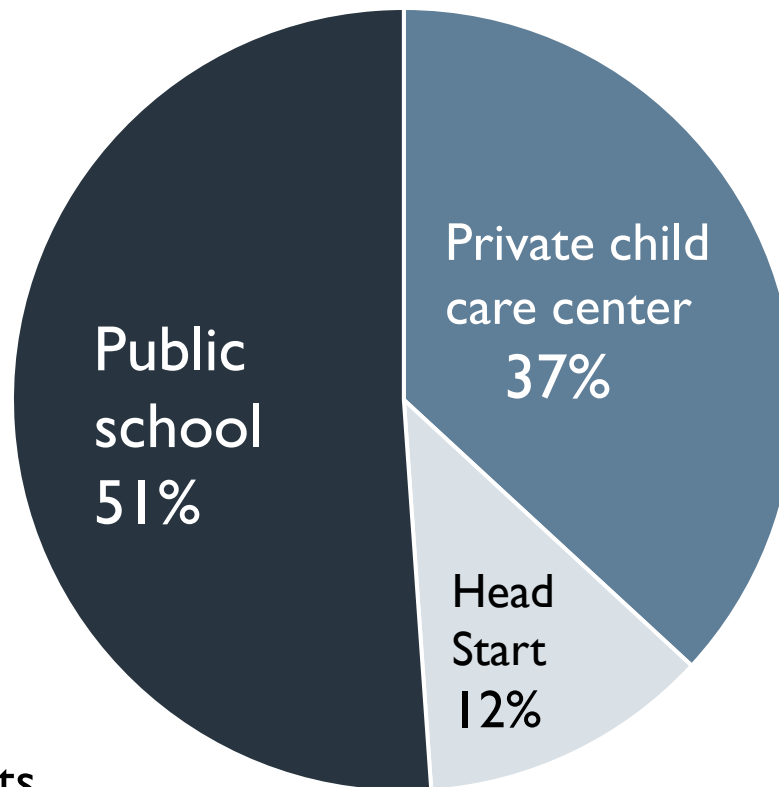
Data as of 01/06/23

Source: DCDEE



## NC Pre-K Program Data 2022-2023

### NC Pre-K 2022-23 Students Served by Facility Type



27,909 total students

Data as of 01/06/23

Source: DCDEE

## NC Pre-K Reimbursement Rates

| Facility Type      | Monthly Rate |
|--------------------|--------------|
| Private Child Care | \$682        |
| Public Schools     | \$496        |
| Head Start         | \$420        |

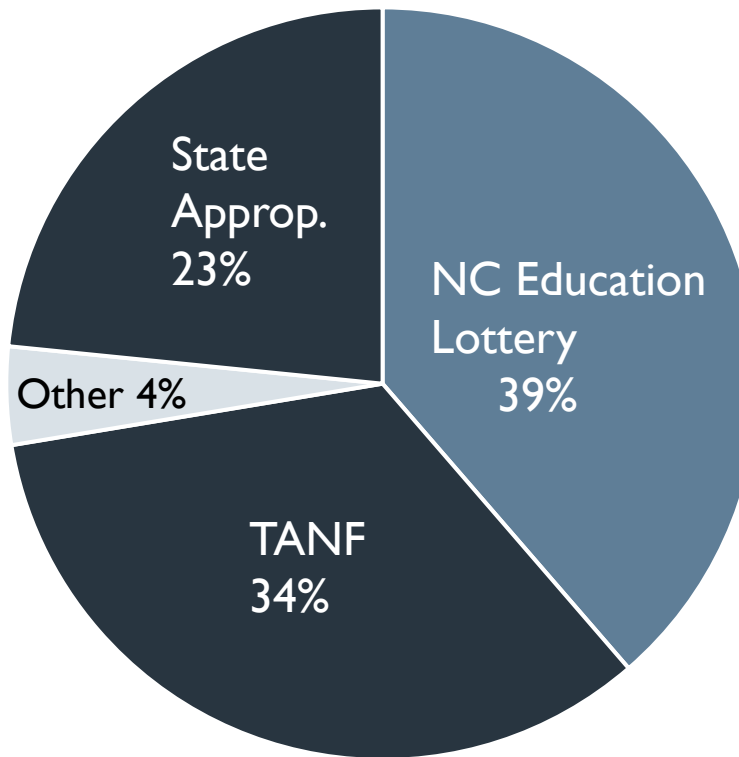
Rates updated for FY 2022-23  
per SL 2022-74 Section 9C.1



# DCDEE

## NC Pre-K Funding

NC Pre-K Funding Sources



\$202 million total



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## Smart Start Overview

- Public-private partnership: network of 75 nonprofit local partnerships that serve all 100 counties
- Provides planning, funding, and services to improve the quality of and access to child care, access to health services for young children, and family support services
- North Carolina Partnership for Children (NCPC)
  - Leads and coordinates local partnerships
  - Monitors local partnerships to ensure compliance with State and federal laws, legislative mandates, and State policies
  - Support local partnerships with training, data collection, and evidence-based and evidence-informed program rating

## Smart Start Overview

### Examples of Smart Start programs

- Child care subsidy (approx. \$64 million in FY23)
- Support child care programs to improve or maintain quality of care
- Family support, parenting education, home visiting
- Early literacy (ex: Dolly Parton Imagination Library, Reach Out and Read)
- Early education quality: education-based salary supplements, continuing education scholarships



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## Other responsibilities

8% of expenditures go towards:

- Child care capacity building
- Child care regulation
- Criminal record checks
- Administration

Vast majority of funding for these areas comes from receipts like federal funds and licensing fees, with very little from State Appropriations

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## 2021-2023 Significant Budget Actions

### SL 2021-180, 2021 Appropriations Act

- Added \$10M recurring each year for Smart Start
- Added \$1.7M recurring in FY 2021-22 and \$3.5M recurring in FY 2022-23 to increase NC Pre-K reimbursement rates for private child care centers (2% in the first year and an additional 2% in the second year)

### SL 2022-74, 2022 Appropriations Act

- Added \$9M recurring beginning in FY 2022-23 to increase NC Pre-K reimbursement rates 5% for all providers

# QUESTIONS

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