

# Fact Sheet: Setting a Statewide Floor for Child Care Subsidy Reimbursement Rates in North Carolina

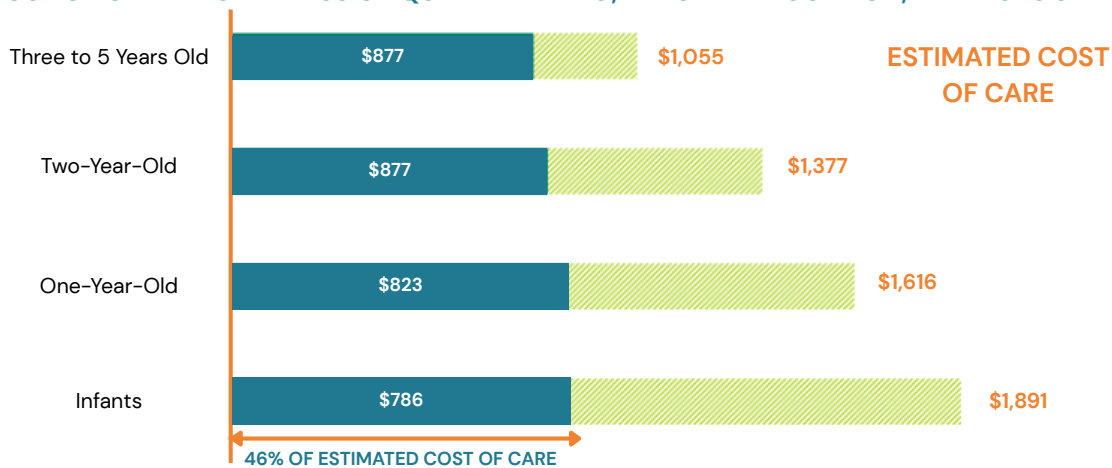


*Raising subsidy rates to help stabilize child care providers across North Carolina.*

## North Carolina's child care system is in crisis.

Child care subsidy reimbursement rates are too low, uneven, and don't reflect the true cost to deliver care. This leaves providers financially unstable, drives closures, and limits child care access for families who need it. A statewide floor for child care subsidy reimbursement rates would establish a stabilizing baseline for child care providers across the state, regardless of zip code.

### THE AVERAGE SUBSIDY REIMBURSEMENT FOR RURAL CENTERS FALLS SHORT OF THE ESTIMATED COST OF CARE REGARDLESS OF QUALITY RATING, TEACHER EDUCATION, AND AGES SERVED



Source: DCDEE 2021 Subsidy Market Rates & AIR True Cost of Care Report  
Note: Values represent the average current market rate for rural centers across three-, four-, and five-star QRIS ratings and regions.

## Why It Matters:

### Demand exceeds supply.

- In May 2025, only 12.5% of income-eligible children were being served by NC's Subsidized Child Care Assistance Program (SCCA).<sup>1</sup>

### Reimbursement rates don't cover the cost of care.

- Provider subsidy reimbursement rates are based on 2021 market rates — not actual costs. For example, some rural child care providers are only receiving 46% of what they spend to provide care for each infant they serve through the subsidy program.<sup>2</sup>
- This gap means providers are operating in a deficit; they have less money to recruit and retain staff with sufficient pay and benefits, are forced to serve fewer children, and face the risk of closure.

### Rural communities are especially hard hit by child care closures.

- NC has lost 12% of child care programs since 2019, with the steepest losses among small, rural providers.<sup>3</sup>
- Gaps in child care subsidy reimbursement rates by county mean rural child care providers can be reimbursed up to \$700 less per infant than providers in urban counties.<sup>4</sup>
- Providers in rural NC face similar costs to deliver quality care as those in urban areas, but funding is lower because it is tied to what families can afford in rural regions. As a result, rural providers often receive significantly less revenue despite comparable costs, undermining their financial viability and creating greater instability.

*"With our current market rates, we simply do not get enough money to pay the teachers what they deserve while being able to pay all of the other center expenses. Everything in our economy has increased over the last several years except for our reimbursement rates. This needs to change."*

— Center-based provider, Haywood County

## The Case for Setting a Statewide Floor for Child Care Subsidy Reimbursement Rates:

### It stabilizes providers.

- Child care providers say low subsidy program reimbursements are a top concern and that a subsidy rate floor would help their programs stay in business.<sup>5</sup>

### It can expand our state's supply of child care.

- Low child care subsidy reimbursement rates hold child care providers back from serving more children. Providers say they're unable to open new classrooms due to low reimbursements.<sup>6</sup>
- Research shows that increased state investment in subsidized child care enables providers to expand capacity and enter the market, growing overall supply statewide.<sup>7</sup>

### It can bring more child care providers into the subsidy system.

- Research from another state showed when the reimbursement rate increased by 35%, they saw a 4.8% increase in providers accepting subsidies. A similar response is expected in North Carolina.<sup>8</sup>
- Bringing more providers into the subsidy system not only increases access to child care for low-income families but also gives providers additional funding to stay open, improve quality, and potentially expand.

### It improves child care and early education quality.

- An Urban Institute study found as little as a \$100 increase to base child care subsidy reimbursement rates was associated with a ~30% increase in the likelihood a provider met key quality benchmarks.<sup>9</sup>

*"If additional funding were available, our program would prioritize investments that directly strengthen staffing, improve program quality, and expand our ability to serve more children and families. . . Overall, additional funding would allow us to stabilize and grow our workforce, improve program quality, and better meet the needs of the children and families we serve."*

— Center-based provider, Alamance County

<sup>1</sup> NC DCDEE, [SCCA Statewide Fact Sheet, SFY 2024–2025](#).

<sup>2</sup> NC DCDEE, [North Carolina Child Care Narrow Cost Analysis \(2023\)](#).

<sup>3</sup> Analysis conducted by Afton Partners using NC DHHS licensed capacity data (March 2026) and ACS 2024 5-year estimates.

<sup>4</sup> NC DCDEE, [Statewide Child Care Subsidy Floor](#).

<sup>5</sup> Provider focus groups conducted by Afton Partners in April 2026.

<sup>6</sup> Provider focus groups conducted by Afton Partners in April 2026.

<sup>7</sup> Lee et al., [Effects of Child Care Vouchers on Price, Quantity, and Provider Turnover](#).

<sup>8</sup> [Child Trends, Vermont Policy Changes \(2025\)](#).

<sup>9</sup> Bassok et al., [Are Higher Subsidy Payment Rates and Provider-Friendly Payment Policies Associated with Child Care Quality?](#)

