*The findings, conclusions, and strategies presented today are those of Afton Partners and do not necessarily represent the views, positions, or endorsement of the Governor's Office, Task Force on Child Care and Early Education, or Department of Health and Human Services.*

JULY 9, 2026

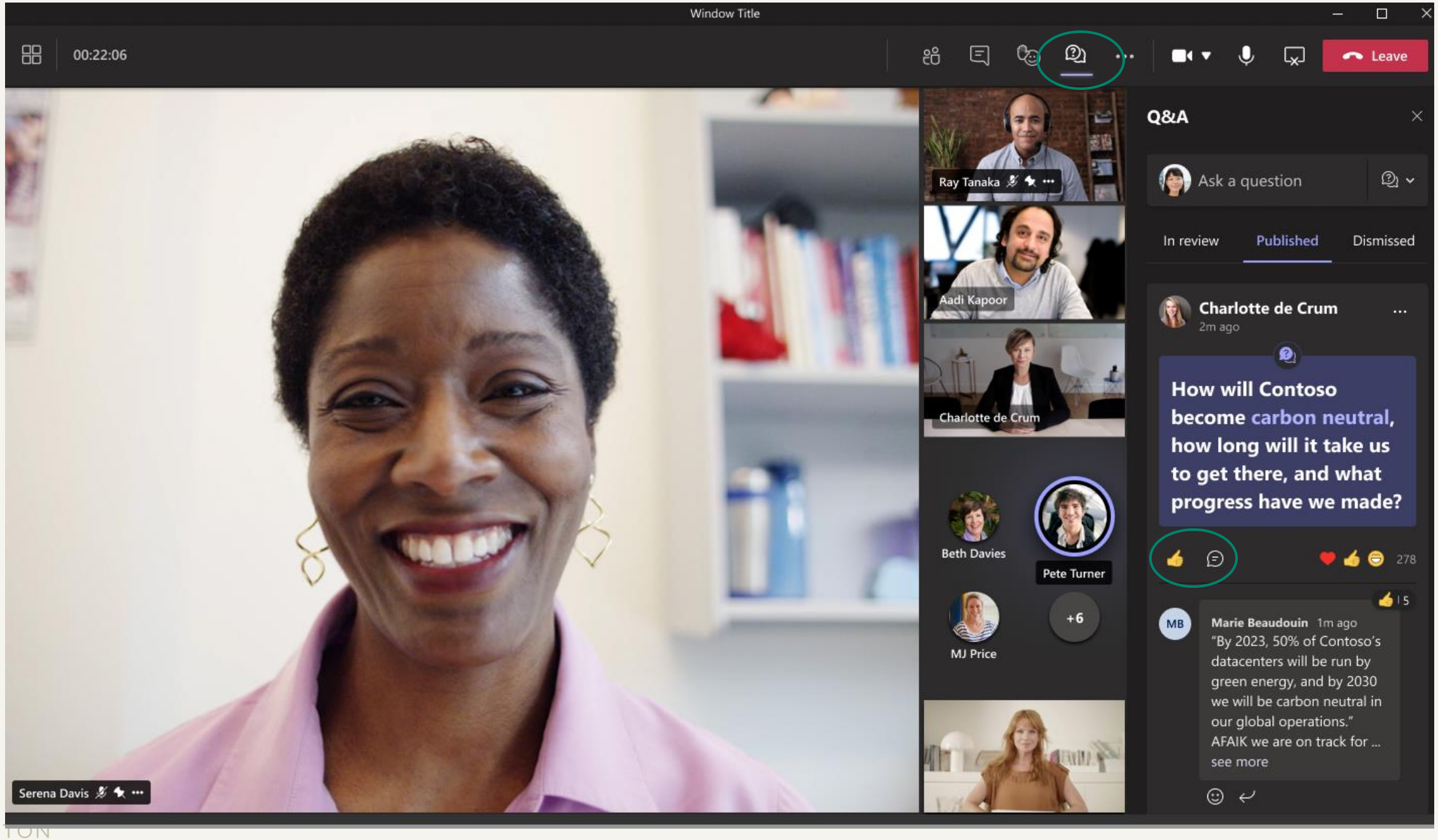
# North Carolina Child Care and Early Education Diagnostic

Key Findings & Opportunities

AFTON

# Housekeeping

- Please **introduce yourself** in the chat with your name, organization, and role (i.e. child care provider, state agency representative etc.)
- This **webinar is recorded**; the recording and slide deck will be shared afterwards
- Throughout the webinar, you will be **muted and off camera**
- Please **use the Q&A feature** to ask questions at any time, we will answer as many as we can after the presentation
  - You can also ‘vote for’ or ‘like’ other questions you see posted, we will try to prioritize questions with engagement


Window Title
00:22:06
Leave
Ray Tanaka
Aadi Kapoor
Charlotte de Crum
Beth Davies
Pete Turner
+6
MJ Price
Serena Davis
Q&A
Ask a question
In review
Published
Dismissed
Charlotte de Crum
2m ago
How will Contoso become carbon neutral, how long will it take us to get there, and what progress have we made?
278
5
MB
Marie Beaudouin 1m ago
"By 2023, 50% of Contoso's datacenters will be run by green energy, and by 2030 we will be carbon neutral in our global operations."
AFAIK we are on track for ...
see more

# Agenda

01

DIAGNOSTIC GOALS & APPROACH

02

CURRENT STATE OF CHILD CARE ACCESS & SUPPLY

03

MODELED STRATEGIES AND THEIR ESTIMATED IMPACT

04

Q&A

# Afton Partners

- Prioritize justice
- Act with integrity
- Collaborate inclusively
- Center the human experience
- Be well

**Afton Partners creates the conditions that enable individuals, families, and communities to thrive.** We collaboratively transform policies, programs, and systems so they are effective and sustainable by harnessing the power of thoughtful community engagement, sophisticated data analysis, comprehensive research, and collaborative design.

Afton is proud to be among the nation's leading consulting teams in ECE and K-12 education. Our services have resulted in strategically aligned systems, community-informed policy and program design, smarter resource allocation, effective implementation, and improved sustainability in states across the country.

Since 2011, we've worked on over 150 initiatives in 40 states, DC, & Puerto Rico.

# Project Overview

# Child Care and Early Education Diagnostic Goals

Identify the most pressing challenges facing North Carolina's child care and early education system and analyze root causes driving those challenges

Building on the work of and recommendations from the North Carolina Task Force on Child Care and Early Education, surface strategic levers to address child care challenges in North Carolina and assess solutions

Build a case and evidence base for strategies to advance in the near- and long-term

Quantitatively and qualitatively assess strategies to inform recommendations for investment

# Process for identifying the recommended policy strategies

Improving equitable access to affordable, high-quality child care in North Carolina requires a multi-pronged approach.

Step 1

**Research,** including a landscape analysis and a SWOT analysis

Step 2

Initial assessment of **impact and feasibility of strategies** through provider and stakeholder engagement

Step 3

**Connecting strategies to identified root causes** of child care instability in North Carolina

Step 4

**Prioritization** and **iteration** based on evidence and impact

# The recommended policy strategies are informed by deep research, community engagement, and analyses.

| | |
|---|---|
| SWOT | **SWOT analysis and research** that provided a knowledge base and shared understanding of the current state strengths, challenges, and root causes of limited child care access and supply |
| Community Engagement | **Deep community engagement** involving semi-structured **interviews** with 17 stakeholders, 3 **provider focus groups**, and a **provider survey** with over 100 respondents |
| Supply & Demand | **Supply and demand analysis** to identify North Carolina child care deserts and demonstrate the unmet child care needs |
| Churn & Viability | **Churn and viability analysis** to better understand the structural characteristics of child care providers in North Carolina and risk factors associated with instability |
| Rubric | **Rubric evaluation** to assess promising interventions, estimate cost, and compare interventions using the rubric's criteria to gauge impact |

❖ Look out for findings from our various analyses and research components.

# Current State: Access & Supply in NC

# North Carolina's child care and early education system faces challenges, but there are opportunities for impactful change.

## The Problem

- **Access**: Families cannot find or afford care that meets their needs
- **Supply**: Provider closures and workforce shortages limit available slots

## What This Means for North Carolina

- Families have unmet child care needs
- Providers can't sustain or expand child care programs
- Gaps exist statewide, but are deepest in underserved communities

## Recommendation

Adopt and invest in a **suite of policy strategies** that:

- Address systemic pressures,
- Support stability, and
- Encourage expansion within North Carolina's child care and early education sector

# ACCESS

## Families cannot find care that meets their needs

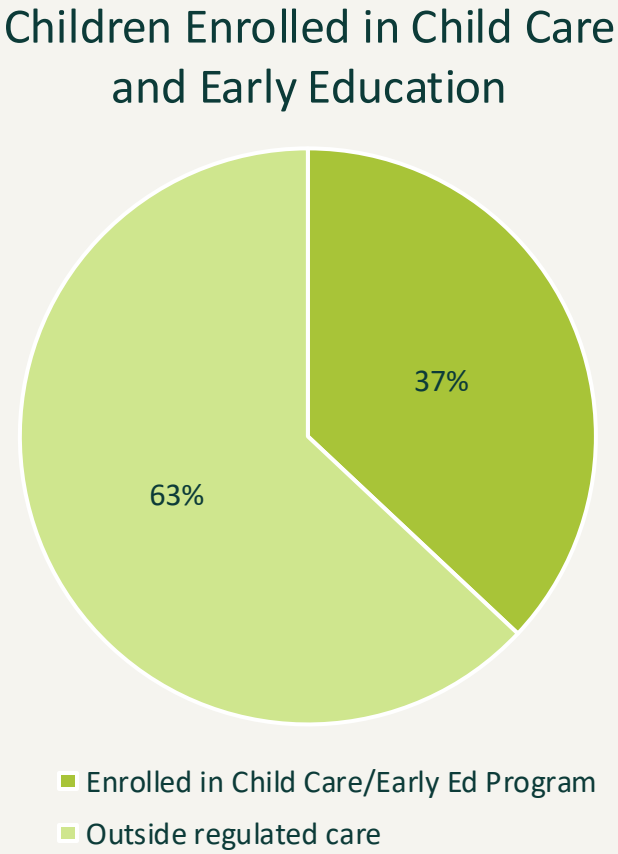
### Who is currently not accessing care?

Statewide, there are ~5–6 child care slots for every 10 children, drastically limiting the options families have with accessing care **(Supply & Demand)**

6 counties in North Carolina are considered child care deserts, meaning there are fewer than 1 slot for every 3 children. Families in those counties are much less likely to have access to local services **(Supply & Demand)**

A majority (63%) of children under five with all parents in the workforce received care outside the licensed child care system (Duke)

Families seeking infant and toddler care face the greatest barriers, with only 40% of providers offering care for children under age 3 **(Churn & Viability)**



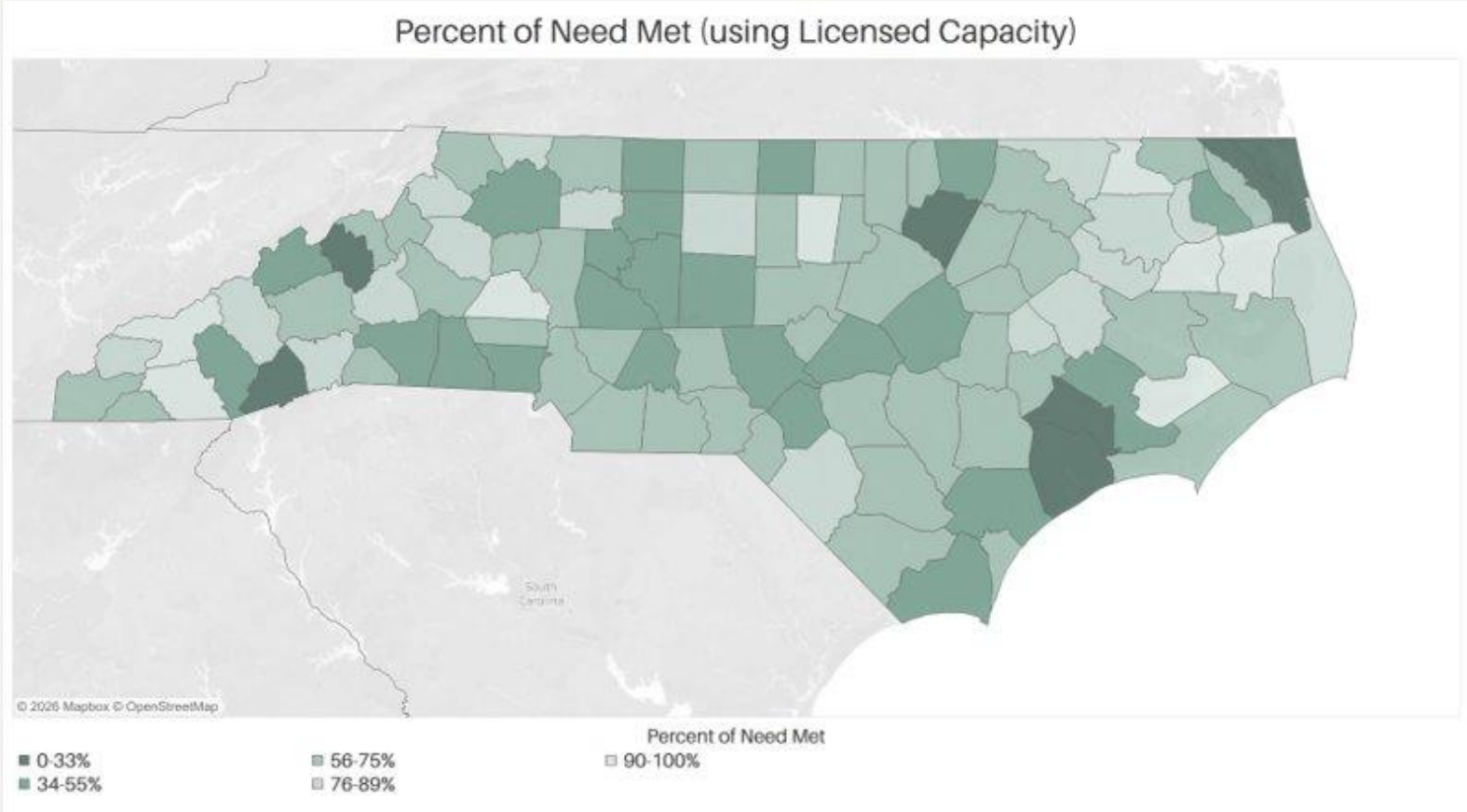

Source: DCDEE Early Learning Dashboard (July 2025)

# ACCESS

## Families are not adequately served - and experiences are deeply uneven

### How do experiences with access vary across communities?

There is significant variation across counties in the extent to which licensed child care supply meets demand. **(Supply & Demand)**



# ACCESS

## Families cannot find care that meets their needs

Licensed Capacity

The maximum number of children a provider is legally authorized to serve based on state licensing standards. Data from NCDHHS from 2026.

**62%**
(% Need Met)

**369,857**
(Licensed Capacity)

**597,680**
(Estimated Demand)

**227,823**
(Total Estimated Slots Needed)

Operational or Desired Capacity

CCRI-published figure. Estimated operational capacity based on provider-reported enrollment plus vacancies, reflecting the number of children a provider can realistically serve given current staffing and operational conditions.

**46%**
(% Need Met)

**275,306**
(Desired Capacity)

**597,680**
(Estimated Demand)

**322,374**
(Total Estimated Slots Needed)


14

# ACCESS

## Families cannot find care that meets their needs

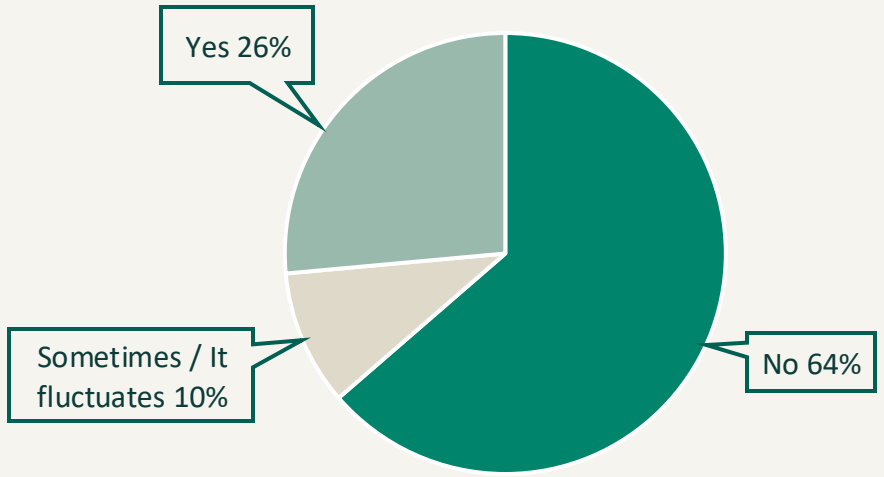
### Why is operational capacity so much lower than licensed?

Common reported reasons include:

- Challenges hiring and retaining qualified staff
  - Driven by inadequate wages and lack of benefits
- Choosing to have lower ratios
- High cost of operating additional classrooms
- Physical space limitations

**(Community Engagement)**

% of Survey Respondents Operating at Licensed Capacity (n=121)




"There are plenty of children in need of care. The challenge is hiring and keeping staff with competitive wages and benefits."

– Center-based provider, Cleveland County

## Families are not adequately served - and experiences are deeply uneven

Tuition Rates have also increased between 2023 to 2025 by as much as ~20% on average for 5-star Homes, with variation by setting and urbanicity

**Tuition Rate Increases by Setting and Urbanicity**

| Urbanicity | % Rate Increase | | |
|---|---|---|---|
| **Homes** | **Three Star** | **Four Star** | **Five Star** |
| All Regions | 9% | 16% | 20% |
| **Centers** | **Three Star** | **Four Star** | **Five Star** |
| Urban | 2% | 3% | 5% |
| Suburban | 5% | 6% | 10% |
| Rural | 5% | 6% | 9% |

Tuition increases place the burden primarily on families seeking care. In this case, the families most affected are those receiving care in home-based settings.

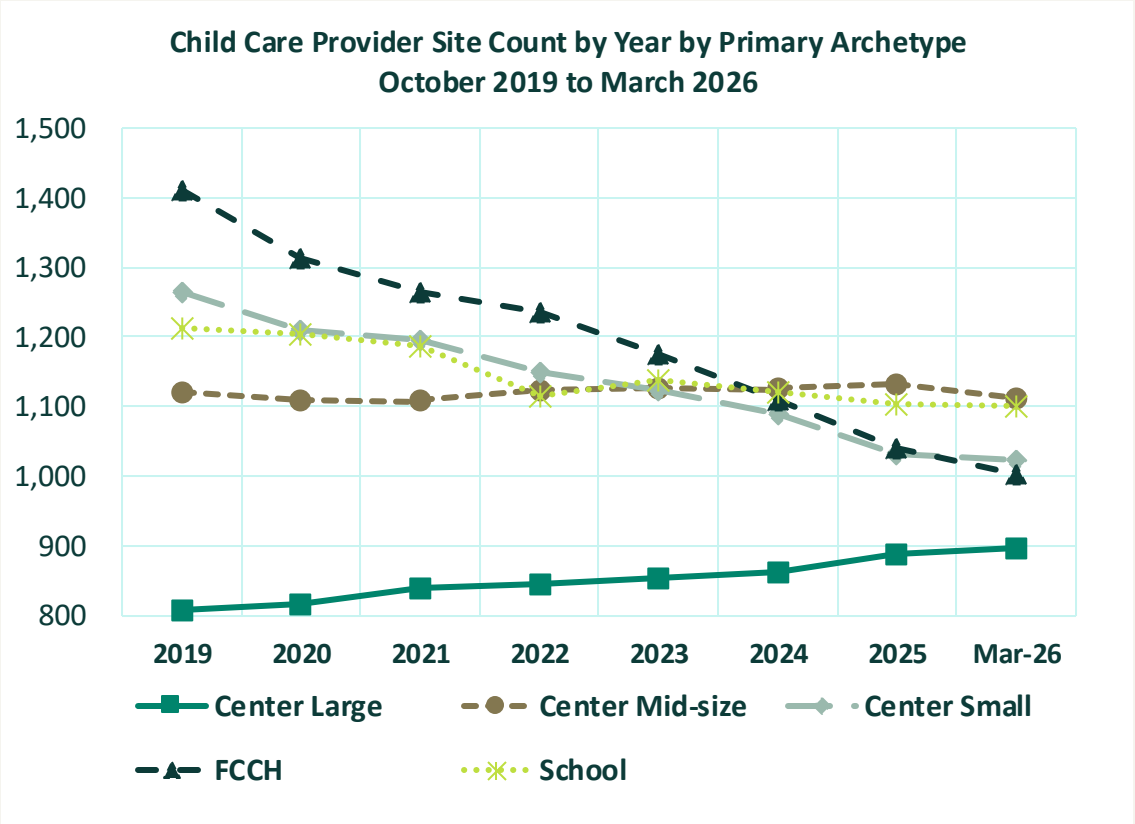
*Table is specifically capturing rate increases for infant-care, as there is minimal variation by age*

# SUPPLY

## Supply is shifting in ways that deepen uneven access - and will accelerate without intervention

### Which providers are growing and which providers are exiting?

- Between 2019 and 2026, the number of licensed child care facilities declined by ~12%, a net loss of ~6,000 licensed slots.
- This masks a more alarming composition shift, notably:
  - A decline of 29% in Family Child Care Homes (FCCHs)
  - A decline of 19% in Small Centers
- These providers offer critical services such as care in non-traditional hours, care for multilingual learners etc. **(SWOT Analysis)**




**(Churn & Viability)**

# SUPPLY

## Supply is shifting in ways that deepen uneven access - and will accelerate without intervention

### Which providers are growing and which providers are exiting?

- Large Centers are growing, especially in urban counties and in the Central region of North Carolina
- The most distressed counties (in terms of unemployment rate, median household income etc.) have experienced the greatest loss of licensed child care capacity, while the least distressed have seen growth
- Small Centers and FCCH providers are closing at higher rates statewide

(Churn & Viability)

**County Call Out:**

Many least distressed, urban counties in Central North Carolina, like **Wake County,** have experienced a net decline in providers, but have still grown in licensed capacity due to an increase in Large Centers.

41 = 3,859

CHILD CARE PROVIDER SITE CLOSURES

OUT OF 507 CHILD CARE FACILITIES IN 2019

GAIN IN LICENSED CAPACITY CHILD CARE SLOTS

BETWEEN OCT 2019 AND MARCH 2026

| Provider Sites Net Openings and Closings by Type | + 25 Large Centers | - 3 Mid-Size Centers | -19 Small Centers | -53 FCCHs | + 9 Schools |
|---|---|---|---|---|---|

(Churn & Viability)

# SUPPLY

## Supply is shifting in ways that deepen uneven access - and will accelerate without intervention

In recent years, **rural counties** experienced the greatest loss in the number of providers and licensed child care capacity **(Churn & Viability)**

| October 2019 to March 2026 | Rural | Suburban /Regional Center | Urban |
|---|---|---|---|
| Net Change in Provider Sites | -271 sites (-12.1%) | -143 sites (-9.3%) | -269 sites (-9.3%) |
| Net Change in Licensed Capacity | -5,122 slots (-4.3%) | -139 slots (-0.1%) | -807 slots (-0.5%) |

**County Call Out:**

Most-distressed rural counties like **Transylvania** have limited child care slots, which amplifies the impact of every child care facility closure.

3 = 91

CHILD CARE PROVIDER SITE CLOSURES

OUT OF 11 CHILD CARE FACILITIES IN 2019

LOSS IN LICENSED CAPACITY CHILD CARE SLOTS

BETWEEN OCT 2019 AND MARCH 2026

2026 COUNTY DEMAND: 1,418 CHILDREN

LICENSED CAPACITY: 426 SLOTS

**(Supply & Demand)**

# Modeled Strategies & Estimated Impact

# A set of policy strategies can enable a child care and early education system that more effectively serves children and families.

## Statewide Stabilization

- **Establish a Statewide Subsidy Rate Floor**
- **Fully Fund Statewide WAGE$ Program**
- **Subsidize Care for Child Care Workers**
- **Less Restrictive Zoning**
- **Sustain FCCH Project Supports & Expand Start-Up Grants**
- **Increase Investment in NC Pre-K**
- Expand Child Care Academies
- Provider Resource Hub
- Property Tax Exemption
- Employer Technical Assistance

## Pilots to Support Rural Communities

- ***Pilot*** Provider stabilization through technology shared services, and coaching
- ***Pilot*** Co-locate child care with public schools
- ***Pilot*** Co-locate national high-quality center with community college
- ***Pilot*** Grants for Infant-Toddler Child Care Expansion

## Long-Term System Transformation

- Child Care Endowment
- Child Care Choice Voucher
- Paid Family Leave
- Child Care Tax Credit
- Comprehensive Compensation Supports

# Estimated Impact

We modeled each strategy's estimated impact on:

- **Access** (changes in licensed capacity and enrollment)
- **Workforce impact** (jobs created, workers retained, new workers recruited)
- **Annual cost** (incurred by the state)
- **Targeted Impact on high-need groups** (impact of strategy on rural regions, western NC, infants & toddlers, and family homes)
- **Political feasibility** (political momentum and stakeholder support)
- **Sustainability** (ability of strategy to maintain continuity considering cost, stability policy durability, and admin burden)

*For policies that require time to fully implement, cost and impact represents the annual cost and impact once the strategy is fully up and running. Modeled impact is not anticipated immediately.

STRATEGY ONE

# Establishing a Statewide Subsidy Rate Floor

# **STRATEGY** | Subsidy Rate Reform

## STRATEGY DESCRIPTION

- Increase reimbursement rates based on the newer market rate study and establish a statewide subsidy floor that sets a minimum reimbursement rate based on a statewide average.
- Providers would receive either their current subsidy reimbursement rate or the statewide floor, whichever is higher

## HOW WILL THIS IMPACT THE EARLY EDUCATION AND CHILD CARE FIELD?

### Estimated Direct Impact

- **Up to an additional 31,000 child care slots:** Increased subsidy funding would allow providers to invest in child care program expansion and encourage new providers to enter the market.
    - Rural counties and Western North Carolina counties will be most positively impacted given their current rates are disproportionately low.
- **Additional child care enrollment:** Additional child care slots would encourage new enrollment.

### Estimated Indirect Impact

- **Up to an additional 2,500 child care jobs created:** Increased funding used to expand and open child care classrooms would raise the demand for child care educators.

# Peer state examples show how increasing subsidy rates, in conjunction with other system changes, have improved access to care.

## UPJOHN INSTITUTE

- Upjohn Institute studied a 2014 increase in subsidy rates and found that **each additional $100 in funding per child**:
  - **Raised the number of available slots** in the system by 4%
  - Induced **new providers to enter the marke**t with an increase of 0.4 percentage points. (UpJohn)

## VERMONT

- Vermont **increased reimbursement rates by 35%** in January 2024 (with additional FCC increases in July) **and expanded eligibility** to middle-income families.
- Provider numbers **rebounded after decline**, rising 1.3% (Jul 2023–Dec 2024) and 2.4% (Nov 2023–Dec 2024), with a 4.8% increase in providers accepting subsidies. (Child Trends)

## WASHINGTON DC

- DC redesigned subsidy payments using a cost-estimation model to expand access to quality care
- **56%** of providers said **higher reimbursement rates increased willingness to accept subsidized children**
- **81%** of providers said **subsidy participation helped maintain enrollment.** (Urban Institute)

STRATEGY TWO

# Fully Fund Statewide WAGE$ Program

# Current State: Low wages in the child care and early education sector contribute to workforce instability.

**Child care roles are not competitive:** Providers repeatedly identified **low wages as the core driver of workforce instability** and the inability to compete with other industries, with starting wages at just $14/hour according to a 2023 ECE Workforce Study. Jobs in other sectors (e.g., retail, fast food, public schools) offering higher pay, benefits, and stability are pulling workers away from the early childhood field.(Early Years)

**Staffing shortages:** A 2024 NAEYC survey found that **60% of programs** were experiencing staffing shortages.(NAEYC)

**Workforce challenges limit child care access:** Providers consistently reported closing classrooms and maintaining long waitlists, indicating that **workforce instability directly limits capacity to offer services.** **(Community Engagement)**

**Inequitable access:** While the WAGE$ program has shown it is effective in reducing educator turnover, it's a locally administered program that currently only reaches 67 counties, and some counties experience waitlists.(Early Years)

# **STRATEGY** | Fully Fund Statewide WAGE$ Program

## STRATEGY DESCRIPTION

- Streamlined statewide WAGE$ program at the state-level rather than county by county including standard statewide eligibility criteria and standardized supplement amounts.*
- Ensure access to the WAGE$ program in all 100 North Carolina counties.
- Statewide administration of waitlists could also reduce administrative redundancies and costs for the program.
- This would cost the state a total of $32M per year ($21M in additional annual funds)

*Modeled cost and impact of this strategy was based on averages of current supplement amounts. State would need to consider ideal eligibility and supplement amounts to apply statewide, to increase with inflation over time.

## HOW WILL THIS IMPACT THE EARLY EDUCATION AND CHILD CARE FIELD?

### Estimated Direct Impact

- **Increase in WAGE$ participation:**
  - Expanding the program statewide would allow 12,000 more eligible child care workers to participate. This model would create greater equity in access to WAGE$ across the state.
- **Increase in child care worker retention:**
  - Child care workers who participate in the WAGE$ program have a lower turnover rate than the state average for the child care field.

### Estimated Indirect Impact

- **Increase in child care slots:**
  - The WAGE$ program would bring additional workers into the field, allowing providers to open additional classrooms.

# WAGE$ is a proven approach to increasing teacher retention and education.

## NORTH CAROLINA

**WAGE$ participants** in North Carolina have a **turnover rate of 13%, significantly lower** than the statewide child care turnover **average of 38%**.

The program offers **salary supplements** based on Tiers and the worker's education level, with the average 6-month wage supplement being $1,227. Over 4,000 participants received supplements in FY25.

Nearly **100% of WAGE$ participants reported satisfaction** with WAGE$ and its administration. (Early Years)

## IOWA

After starting as a regional program, operating only in selected counties, **Child Care WAGE$ Iowa expanded statewide in 2022**. Iowa's budget went from $635 thousand to $7 million to expand services from 38 counties to 99 counties.

In FY25, WAGE$ provided supplements to 1,746 educators in 643 Iowa programs with an average six-month supplement of $1,809. (IAAEYC)

This expansion created **greater stability in the child care workforce**, with an average retention of 86% among participants, and 35,579 children positively impacted. (IAAEYC)

# Implement Subsidized Child Care for the Child Care Workforce

# **STRATEGY** | Subsidized Child Care for Child Care Workforce

## STRATEGY DESCRIPTION

- Modify NC's Child Care Subsidy Program eligibility to allow child care staff to participate regardless of their income level.
- Children of child care staff would be considered a "priority group" on the waitlist.
- A qualifying child care employee is employed by a legally operating child care program and works at least 20 hours per week.
- A subsidy is paid to cover the cost of the employee's children enrolling in a program.
- This would cost the state approximately $77M annually.

## HOW WILL THIS IMPACT THE EARLY EDUCATION AND CHILD CARE FIELD?

### Estimated Direct Impact

- **Increase in 2,900 additional child care workers receiving subsidies:**
  - Child care workers employed at licensed centers or homes that do not offer this benefit would now be eligible.
  - Child care workers who were not previously eligible for subsidies would now be eligible.
- **Increase in child care worker recruitment and retention:**
  - Child care workers would be motivated to stay in the field if they received this benefit.
  - New child care workers would be motivated to enter the field if they received this benefit.
- **Increase in provider financial stability:**
  - Providers who currently offer this benefit would save money as the cost is now incurred by the state.

### Estimated Indirect Impact

- **Additional child care slots:**
  - Additional savings for providers would encourage investment in program expansion.
  - New workers entering the field would allow providers to serve more children.

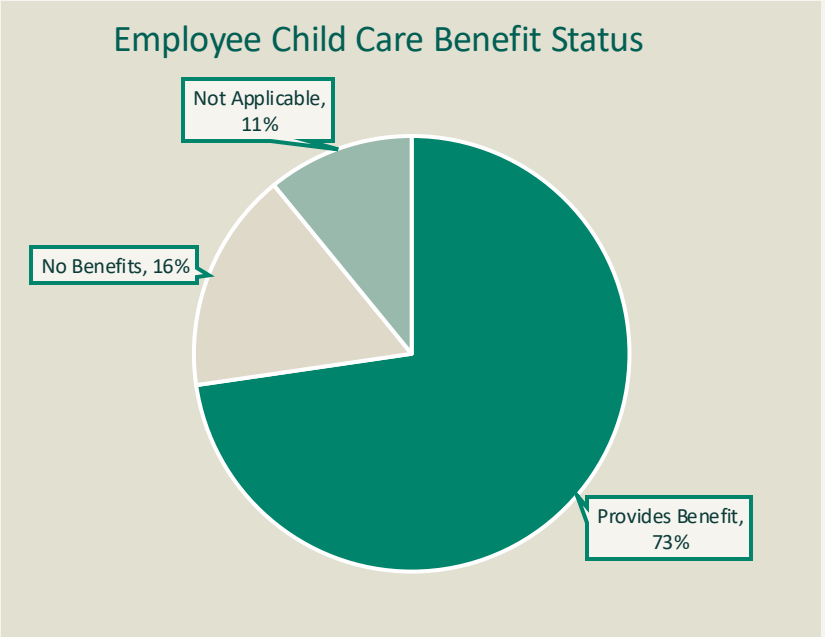
# Supports and non-salary benefits, like subsidized child care, incentivize recruitment and retention of child care workers and support providers.

Focus group providers strongly affirmed that subsidized child care would be a major benefit for recruitment and retention

Benefits (like free or subsidized child care) were seen as particularly important in addressing turnover and improving job quality, **especially when wage increases are constrained.**

Providers are already informally offering subsidized slots to their staff (e.g., 20% and 50% discounts), but this creates a financial strain.

**(Community Engagement)**




The provider survey revealed that 80 of 110 programs report that they offer an employee child care benefit; 64 of those offer discounted rates and 16 offer free child care **(Community Engagement)**

"80% of our staff, our workforce, they are working moms. If they're not making a lucrative salary like a nurse would make, at least they get peace of mind knowing they get to bring their children to work with them, right? [Because] they cannot afford the tuition."
--Provider

STRATEGY FIVE

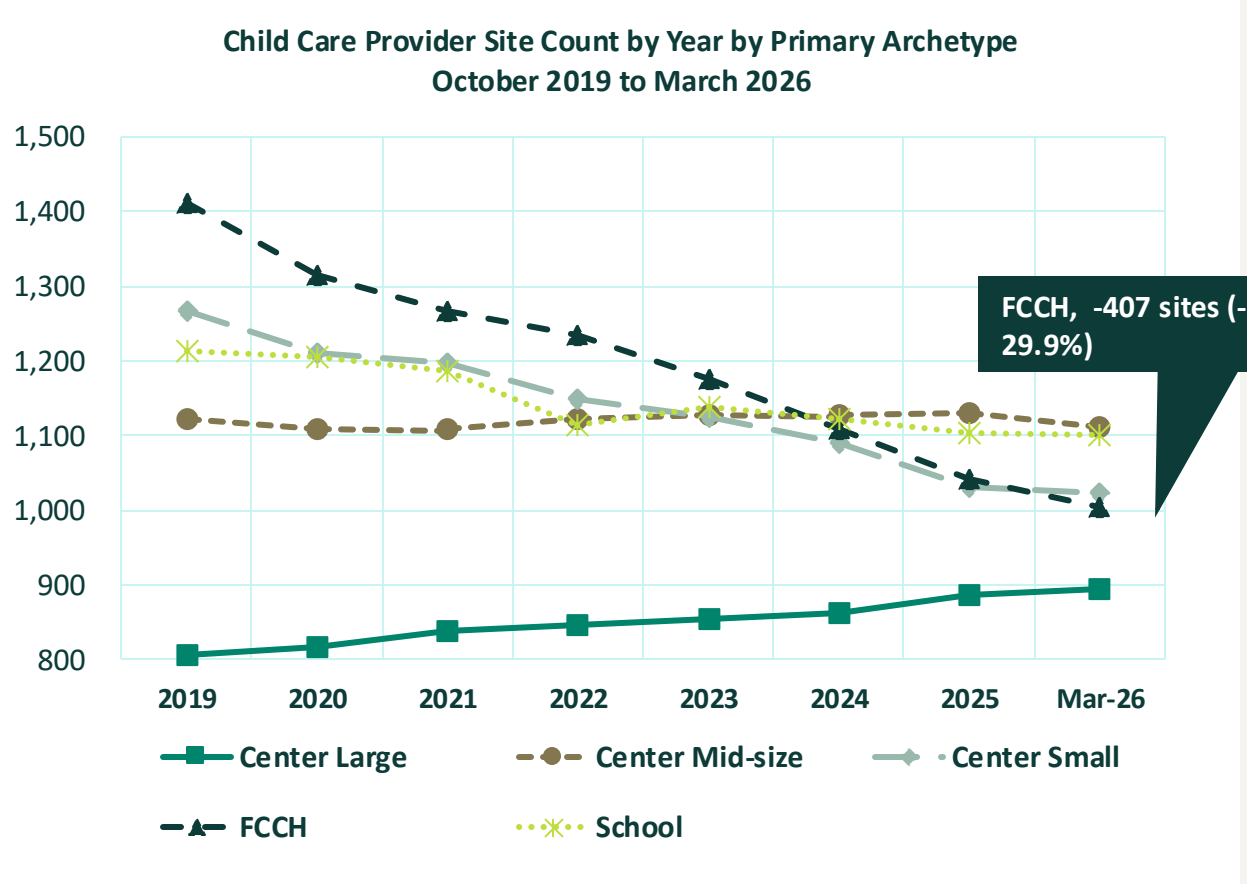
# Sustain FCCH Project Supports & Expand Start-Up Grants

# **Current State:** North Carolina has seen a disproportionate decline in Family Child Care Home (FCCH) providers over the past several years.

**Increasing Program Closures:** Between 2019 and 2026, 30% of FCCH providers closed, the largest decline compared to all other provider types. **(Churn & Viability)**

**Low FCCH Enrollment:** Only 1% of North Carolina children aged 0-5 with both parents in the workforce receive care through a licensed FCCH program. (Duke Center for Child and Family Policy)

As of FY23, only 6% of North Carolina children receiving child care subsidies received care in an FCCH, compared to an average of 15% nationally (Administration for Children & Families, Office of Child Care).




**(Churn & Viability)**

# **STRATEGY** | Sustain FCCH Project Supports & Grants

## STRATEGY DESCRIPTION

- If $1M were to be allocated to an organization to provide the following to existing and prospective family child care homes:
  - Start-up grants
  - Business expansion grants, and
  - Coaching/technical assistance through FCCH consultants.
- A similar strategy is currently in proposed legislation, SB 1042 “Child Welfare/Foster Care/Child Care Funding”.

## HOW WILL THIS IMPACT THE EARLY EDUCATION AND CHILD CARE FIELD?

### Estimated Direct Impact

- **Additional 475 child care slots:** FCCH start-up grants and business expansion grants would result in new or expanded programs and therefore increase available slots.
- **Stabilization and preservation:** Technical assistance and consultation to support existing programs to stabilize and stay open.

# Comprehensive FCCH supports have already been successfully piloted in North Carolina.

The Statewide FCC project, funded by a $500K state legislative pilot and approximately $3M in CCDF funds, run by the Southwestern Child Development Commission (SWCDC) supported new and existing FCCH programs with start-up, expansion, and business sustainability grants, technical assistance, and communities of practice, including:

- Awarded **start-up grants** for 28 new programs (160 slots) through approximately $500k from the in-home care legislative pilot
    - Programs were required to serve infants and toddlers
- Awarded Innovative **grants for start-up or expansion** to 24 child care providers
- An additional **38 programs** received **business toolkit grants** through
- 73 counties were supported by the pilot's **technical assistance,** coaching and consultations on enhancing business practices
- The project funded 17 TA consultants who were able to **reach 477 FCCH providers**
- (EdNC and SWCDC)

## **Evidence:** Over the course of the FCCH Project, 52 providers received start-up or innovative grants.

**Innovative Start-up or Expansion Grants** were distributed to **24 child care providers**, with **at least 22 provider sites still operating** as of March 2026*

**In-Home Start Up Grants** were distributed to **28 child care providers,** with **at least 20 provider sites still operating** as of March 2026*

* The number of operating child care provider sites as of March 2026 may be a slight undercount due to a lack of NC DHHS data for 7 provider grantees. This could be a result of a business name change, reporting errors, or other unknown factors.

STRATEGY FOUR

# Less Restrictive Zoning for Child Care Providers

# Zoning is a known barrier to FCCH start-up, with multiple states easing restrictions to create FCCH-friendly environments.

## RESEARCH

The Duke Sanford Center for Child & Family Policy found the following barriers impact the opening and operation of FCCHs in the state:

- Local zoning requirements and ordinances limit capacity and require additional permits or building safety requirements.
    - These requirements are often not aligned and more restrictive than child care licensing regulations.
- Costs of compliance with those regulations are often not supported by the States' small business grant programs
- Homeowners associations often impose additional rules or limit ability to operate FCCHs

## STATE EXAMPLES

Multiple states, including Florida and Oklahoma, have passed legislation that eases restrictions on FCCH providers and protects their right to operate a child care program in their home.

Oklahoma offers an example which uses broad language that prohibits localities from enforcing more restrictive requirements than state licensing:

*"Local governing authorities shall not promulgate local regulations that permit or require licensees of family child care homes as defined in Section 402 of Title 10 of the Oklahoma Statutes to exceed or limit the capacity provided by the license granted to the family child care home licensee by the Department of Human Services."* (Bill No. 2452)

# **STRATEGY** | Less Restrictive Zoning

## STRATEGY DESCRIPTION

Pass legislation which prohibits localities from enforcing more restrictive zoning practices than state licensing requirements.

- There is a currently proposed legislation, Senate Bill 1051, "Don't Zone Out Child Care", which protects the rights of homeowners and tenants to operate an FCCH free of restrictions either by private covenants or restrictive local zoning.

This strategy will have no cost to the state, though it may impact local revenue.

## HOW WILL THIS IMPACT THE EARLY EDUCATION AND CHILD CARE FIELD?

### Estimated Direct Impact

- **Additional 1,500 child care slots:** By easing regulatory barriers, family child care providers may increase licensed capacity, and prospective FCCH providers may be more likely to enter the system and therefore increase child care slots.

"Even though the state says that the license capacity can be 8, 10, 12 or 15 [children] depending on what you're wanting to do... we've got one county that says, well, the most children that you're going to be able to keep in our county, or in our municipalities, is five total. Family child care homes can't make it."
-- CCR&R Leader

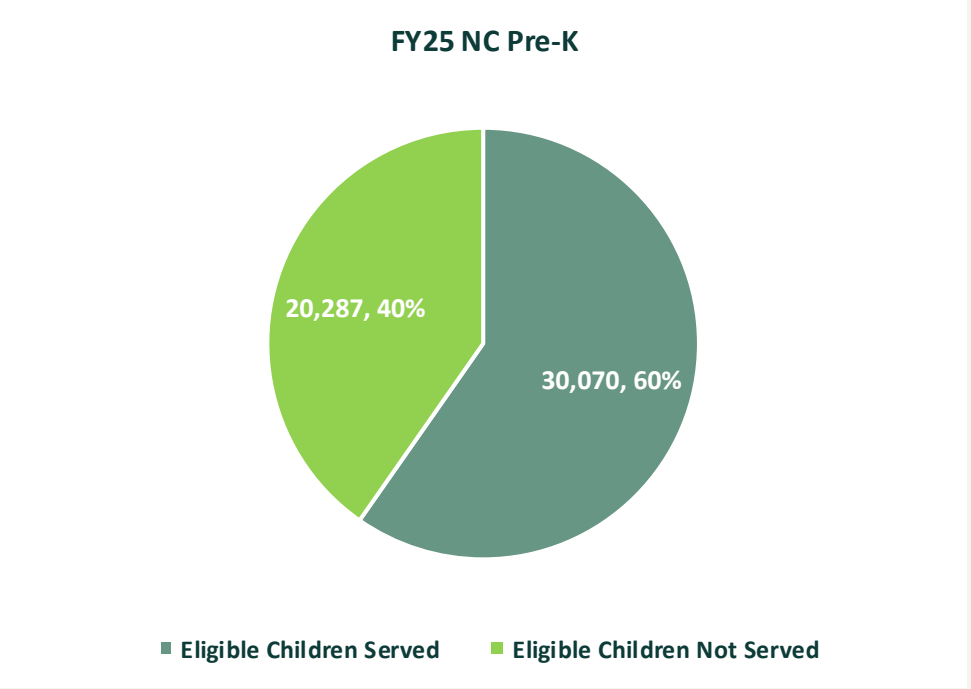
# Increase Investment in NC Pre-K

# NC Pre-K is a high-quality early childhood program that plays a crucial role in ensuring consistent child care access for families.

- Children who participate in NC Pre-K demonstrate higher standardized test scores in math and reading, lower special education placement rates, and lower retention rates in grades 3, 4, and 5. (Brookings/Duke)
- An analysis of child care provider data from 2019 to 2026 demonstrated that providers that operate NC Pre-K were less likely to close than those that do not. This suggests that the program can serve as an anchor for sustaining child care supply. **(Churn & Viability)**

# **Current State:** NC Pre-K faces growing funding gaps, administrative strain, and declining access for eligible children.

- North Carolina's investment in NC Pre-K has declined significantly over time while operating costs have risen over time. (NIEER)
- Reimbursement rates fall short of covering nearly 40% of the current cost of care. (NIEER)
    - Current average NC Pre-K reimbursement rates are also significantly lower than the current average child care subsidy reimbursement rates for 3-5 year olds
- NC Pre-K contractors are allocated up to 4% of their funding for critical operational costs (e.g. enrollment and eligibility determination, family outreach, data collection and reporting), but they report requiring as much as 15% to effectively manage the program. (NIEER)
- North Carolina enrolled fewer children in the 2024-2025 school year than the previous year. North Carolina now ranks 32nd nationwide in access for 4-year-olds, below the national average. (NIEER)




NC Pre-K enrollment only served about 60% of North Carolina's eligible 4-year-olds from lower-income families in 2025.

Source: Data received from staff at the Division of Child Development and Early Education (DCDEE) December 2025

# **STRATEGY** | Increase Investment in NC Pre-K

## STRATEGY DESCRIPTION

- Increase funding for the NC Pre-K program to raise reimbursement rates in all settings by 40% to reflect half of the current program operating costs.
- Raise the allowable funding for NC Pre-K contractors to cover administrative costs from 4% to 10%
- A 40% increase would cost the state an estimated additional $70M annually.

## HOW WILL THIS IMPACT THE EARLY EDUCATION AND CHILD CARE FIELD?

### Estimated Direct Impact

- **Provider stabilization:**
  - Existing providers will be able to cover their costs and sustain their business.
  - We will see less program closures and providers opting out of providing NC Pre-K.

### Estimated Indirect Impact

- **Recruitment and retention:** Increased reimbursement rates may incentivize workers join and/or remain in the workforce
- **Additional child care slots:** Additional funding could encourage braided investment in program expansion.

# Q & A

# Thank you