

## NORTH CAROLINA'S CHILD CARE CRISIS DURING COVID-19

**On behalf of early childhood advocates, The NC Early Education Coalition urges state policymakers to continue to provide additional financial resources to stabilize and sustain North Carolina's child care and early education system, which has been devastated by the COVID-19 crisis. The availability of high-quality child care is essential for working families, children's healthy development, and North Carolina's economic recovery and future prosperity. Congress has passed a second round of federal COVID-19 child care funding and we provide the feedback below in an effort to support the state in meeting the most urgent needs of the child care and early education system.**

**Families rely on our early education system in order to keep working, and our state's economy does too.** The pandemic has underscored the importance of the child care industry to the health and economic well-being of North Carolina's children and families. North Carolina's response and recovery from COVID-19 is not possible without the child care sector. Thousands of women have dropped out of the work force as the child care burden has become too great to bear with schools and child care programs shuttered. Throughout the pandemic, child care providers have stepped up to stay open – often at considerable loss – to support essential workers and working families during this hazardous time. Until the COVID-19 crisis passes, North Carolina will not be able to go back to work without affordable, reliable child care and early education in all 100 counties.

**The first round of Federal funding was a good start but was not enough to stabilize and sustain the child care industry.** In 2020, North Carolina received \$118 million in federal funding for child care relief through the federal CARES Act and an additional \$20 million in COVID-19 child care relief funding through the NC General Assembly. With this funding, DHHS/DCDEE initiated several urgently needed temporary initiatives<sup>1</sup> which provided short-term support for children, families and the child care industry. But despite the investment of significant federal COVID relief funds, child care programs are still struggling. There has been a steady reopening of child care programs as a result of the federal funding. As of December 2020, 94% of all child care programs have reopened: 95% of licensed child care centers and 97% of family child care homes. However, most child care programs have high vacancy rates and total enrollment for all child care programs is at just 59% of the pre-COVID rate in February 2020. A total of 126,439 children were attending child care programs in December 2020 compared with 215,050 children pre-COVID. (See charts below)

Without full enrollment, child care programs do not have sufficient revenue to meet their operating budgets, including personnel and fixed costs like facilities rent or loan payments. Also, child care programs now face additional expenses because of important health and safety standards and higher staffing costs due to social distancing requirements limiting group size to 10 children.

**In 2021, the second round of federal COVID-19 funding must be invested wisely to support and rebuild the child care industry for its long-term sustainability.** The new federal COVID-19 relief package includes approximately \$338 million in designated child care funding for North Carolina. With this funding, DHHS/DCDEE will be able to continue to support some of the 2020 COVID-19 child care initiatives, and consider opportunities to build a stronger and more equitable child care and early education system that truly meets the needs of all young children, families, early educators, and communities across the state.

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<sup>1</sup> *Covid-19 Child Care Policies*, NC Department of Health and Human Services, retrieved from <https://ncchildcare.ncdhhs.gov/Whats-New/Coronavirus-Information-for-Child-Care/updated-covid-19-child-care-payment-policies>

**Emergency child care policies need to continue until the COVID-19 crisis is under control, families return to work, and schools and child care fully reopen.** It is important to continue to stabilize the child care industry and ensure that every county has the capacity to support young children’s healthy development and the child care needs of working parents. These policies will be necessary for months to come as the state deals with the continuing impact of this pandemic and reopening North Carolina, and can help lay the groundwork for a stronger child care system after the pandemic ends. Now is the time for policymakers to also use these federal COVID-19 child care funds to invest in long-term strategies that will rebuild and sustain a stronger early care and education system for all children and families in all 100 Counties.

**Here are the most urgently needed child care priorities:**

- **Continue Bonus Payments/Hazard Pay for Child Care Teachers and Staff**

Child care teachers are considered “essential” workers, and are the workforce behind the workforce. Yet, the average wage for a child care teacher in North Carolina is just \$12 per hour, despite the fact that 62% hold at least an associate degree. One in five teachers has no health insurance during a pandemic, and 38% received public assistance in the prior three years.<sup>2</sup> Still these early childhood teachers remain in the classrooms, risking their own health to care for the children of working families. Bonus payments must be continued for at least six months in order to retain qualified child care teachers and staff, stabilize the current workforce, and recruit additional staff that will be needed as programs expand enrollment. Salary supplement strategies including Child Care WAGES and the Infant Toddler AWARDS program, are also important and will assist in retaining more qualified early educators. Long term, additional strategies to provide living wages, health benefits, sick leave and family leave for child care teachers and staff must also be developed to attract and retain a qualified workforce in the future.

- **Provide Emergency Child Care Subsidy Assistance for Working Families**

Many working families cannot afford the full cost of child care, which has an average yearly cost of \$9,200, higher than the cost of one year of public college tuition. Too many working families that remain on the child care subsidy assistance waiting list during COVID-19 are desperate to return to work but can’t afford the cost of child care, and many don’t have any other child care options without financial support. As of November 2020, there were 16,557 eligible families on the child care subsidy assistance waitlist. One-time vouchers to support these families in affording and accessing child care during 2021 is urgently needed. Without this assistance, parents will not be able to return to work and will struggle to secure and maintain employment to support their own families as well as to contribute to our state’s economic recovery. Their children will miss out on the educational and developmental benefits of quality early care and education that prepares them for success in school and in life. Supporting low-income families with child care assistance also helps child care programs have the financial resources to serve these families which helps stabilize their operating budgets.

- **Add Another Round of Operating Grants for Reopened Child Care Programs**

Although 94% of all child care programs have reopened to serve working families, most have high vacancy rates. Income from private pay parents typically covers 70% of a program’s payroll, staff benefits and fixed operating costs. Child care programs that remain open need at least a portion of the private parent fees covered in order to stabilize their operations during the COVID-19 crisis. In 2020, DHHS/DCDEE established a new Operating Grant program to provide supplemental financial assistance to open child care programs to cover fixed operating costs such as payroll, staff benefits, utilities, facility rent and/or mortgage costs, and facility maintenance. A second round is needed to support child care programs so that they can remain open until they reach full enrollment levels. Operating grants should be targeted to child care programs serving

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<sup>2</sup> *The 2019 Early Care and Education Workforce in North Carolina, Child Care Services Association.*

low-income families receiving child care subsidies and to those counties with an inadequate supply of child care programs to meet the needs of working families.

- **Raise child care subsidy market rates to improve access for working families**

Low and inequitable child care subsidy reimbursement rates for child care providers serving families receiving child care subsidies is a long-standing problem. DCDEE pays providers monthly using a combination of state and federal funds, and the reimbursement amounts (referred to as “market rates”) are set for each county based on a survey of private fee-paying rates. However, many providers’ private fees do not reflect the actual cost of providing high quality care or paying educators a living wage, because fees would then be prohibitively expensive for many parents. Furthermore, current market rates have not been updated since 2018, and are based on survey data from 2015. Setting rates by county also leads to major geographic inequities, with providers in many low-income and rural counties receiving rates that are hundreds of dollars lower than urban counties. DCDEE has committed to implementing a new system for setting market rates, but this will not be in place earlier than 2023. In the meantime, raising market rates to a *statewide floor* based on state average rates in the most recent survey would provide greater stability and geographic equity for child care providers during the pandemic and recovery. Counties whose current rates are higher than the statewide average should be held harmless and allowed to maintain those rates.

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### Status of Child Care Programs

Source: NC Child Care Resource and Referral Council in partnership with the NC Division of Child Development and Early Education, 12/2020.

Total Child Care Programs Open	February 2020	December 2020	# Change Feb to Dec	% Change Feb to Dec
<b>Program Type</b>	<b>Open #</b>	<b>Open #</b>	<b>Closed #</b>	<b>Closed %</b>
Licensed Centers	3,879	3,678	-201	-5%
Licensed Family Child Care Homes	1,363	1,263	-100	-7%
<b>Total</b>	<b>5,242</b>	<b>4,941</b>	<b>-301</b>	<b>-6%</b>

Total Child Enrollment	February 2020	December 2020	# Change Feb to Dec	% Change Feb to Dec
Licensed Centers	205,572	121,027	86,545	-42%
Licensed FCC Homes	7,478	5,412	2,066	-28%
<b>Total</b>	<b>215,050</b>	<b>126,439</b>	<b>88,611</b>	<b>-41%</b>

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