

Think Babies™ NC 2021-2025

Prenatal to Age 3 Policy Priorities for Infants, Toddlers, and their Families



Increase Child Care Subsidy Rates to Cover the Cost of Quality Care for Infants and Toddlers

Increasing child care subsidy rates ensures providers in every county can stay open, offer more services for working parents, and provide high-quality learning to North Carolina's youngest children. Child care providers in NC are reimbursed for child care subsidy according to rates set by the NC General Assembly. The subsidy rates are based on county-specific market rates, which are determined from a statewide survey of private fee-paying rates for care. Current rates are still based on 2015 data, even though the most recent survey was conducted in 2018.¹ Both surveys predate COVID-19 and do not accurately reflect the increased costs and conditions of child care businesses in 2021. Consequently, subsidy rates have not kept up with covering the true cost of care.

The Think Babies™ NC Alliance believes that all reimbursement rates must be increased to the 2018 market rate survey level, and a "statewide floor" based on the statewide average rates for all counties must be established to alleviate geographic disparities. Doing so will hold harmless counties with higher rates, and it will also eliminate the requirement that subsidy rates cannot be higher than private tuition rates, which allows child care programs to receive higher rates without raising costs for parents. This policy is needed in order to stabilize providers and ensure every community can meet the need for high-quality infant-toddler care for working families across the state.

Why Is This Important to Do Now?

Increased Child Care Subsidy Rates will provide stability to babies and providers.

Infants and toddlers need stable caregivers and settings to develop trust and confidence to explore their world. However, the current subsidy rates for infants falls far short of fully covering their care² and therefore contributes to inconsistency and instability in caregiving relationships. Higher subsidy rates can lead up to an 86% increase in a single center-based enrollment versus multiple caregiving arrangements,³ helping to provide the consistency the youngest children need.

Turnover among staff also increases instability in care, yet infant-toddler teaching staff in NC are among the lowest paid teachers, earning on average \$11.50 per hour in NC.⁴ This is less than teachers of preschool children and workers in the retail and service sectors, contributing to frequent turnover and shortages among staff. However, the current market rates are too low to feasibly allow wages to be raised. Child care providers operate their businesses on razor-thin margins because they rely primarily on parent fees, along with reimbursements for serving children who receive Child Care Subsidy Assistance. Because current rates are so far below the actual cost of providing care, programs stand to lose money by serving children at subsidy rates without charging parents higher fees that they cannot afford. Raising rates to more fully cover the current costs of the high-quality care we know serves babies' needs will also provide support to child care

Infant-toddler teachers
make an average of
\$11 per hour.
1 in 5 doesn't have
health insurance.

providers, who are a critical piece of the economic landscape in our emergence from the COVID-19 public health emergency.

Increased Child Care Subsidy rates will support more high-quality options for infants and toddlers.

Low reimbursement rates can disincentivize child care programs from accepting children from families with low-income who depend on Child Care Subsidy Assistance. More than a quarter of centers and homes in NC do not accept subsidy,⁵ which limits the already scarce care options for infants and toddlers. The labor-

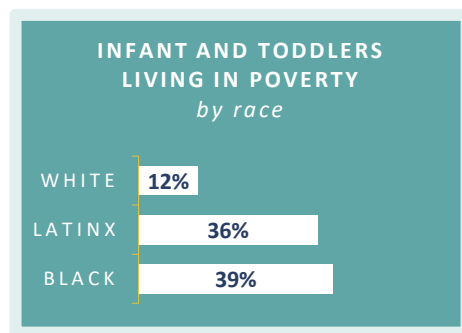
Subsidy rates per child are **\$200-\$900 less per month** than the cost of care.

intensive aspect of quality infant-toddler care can make it not cost-effective to run programs for the youngest children, which is why many programs choose not to offer this service. The current subsidy reimbursement rate per child is more than \$200 less per month than what is estimated to provide base-level care and more than \$900 short of providing high-quality care.⁶

COVID-19 closures and the struggle to reopen have further strained providers' abilities to serve infants and toddlers. In September, 2021 there were 5629 center- and home-based providers operating in NC; however only 2902 currently enroll children birth to three.⁷ More than half of the counties in NC have fewer than twenty 4- and 5-star programs that serve infants and toddlers.⁸ The unequal subsidy rates across counties, which can vary more than \$400 per month per baby,⁹ contributes to large geographic areas of the state without any high-quality infant-toddler programs for working families.¹⁰ Increasing the high-quality care options for infants and toddlers depends on adopting subsidy reimbursement rates that accurately reflect the cost of providing this valuable and necessary service.

Increased Child Care Subsidy rates will improve equity for infants and toddlers.

Raising and equalizing the reimbursement rates across NC will provide an economic boost to the state while also addressing inequities that often leave rural and/or low wealth communities with the fewest programs to support children and families,¹¹ creating a self-perpetuating cycle of lower incomes and less economic development in the areas that often need it the most. Perhaps unsurprisingly, the counties with the highest poverty rates are frequently the same counties with very few high-quality care options for infants and toddlers. Across counties, the poverty rate for Black, Hispanic and Native American people in NC is more than double the poverty rate for Whites and Asians.¹² Any increase in subsidy funds to better cover the true cost of high-quality care will increase the availability of care and reduce the financial burden on low-income families, allowing NC to address economic inequities that hinder the state's economic growth.



Better reimbursement rates will also improve providers' ability to increase wages for infant-toddler teachers. Low wages disproportionately affect people of color. As indicated in the Working in Early Care and Education in North Carolina report, 51% of the teaching staff in NC are people of color, and a larger 73% of family child care providers reported they were people of color. Nationally, reports have found that the infant-toddler teacher "wage penalty" disproportionately affects African American teachers.¹³ One report found that while 43% of all center-based early educators work with infants and toddlers, 53% of African American teachers work with this young age group. In addition, the report found that "African American early educators who work with infants and toddlers earn \$0.78 less per hour on average than other infant-and-toddler teachers; among preschool teachers, this wage gap widens to \$1.71 per hour. While all teachers experience a "pay bump" for working with older children, the increase for African American educators is smaller than it is for other educators: \$0.96 less per hour on average."¹⁴ By increasing reimbursement rates, providers will have much-needed additional revenue to increase wages for early educators working with infants and toddlers.



Think Babies™ NC Alliance

The Think Babies™ NC Alliance seeks to ensure that North Carolina's youngest children, prenatal to age 3, benefit from effective and equitable public policies, programs, and funding so that all children have what they need to thrive: healthy beginnings, supported families, and quality early care and learning experiences.

For more information:

Think Babies™ NC Alliance: Info@ThinkBabiesNC.org

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¹ Prenatal to Three. (2021). State Policy Roadmap.

² Prenatal to Three. (2021). State Policy Roadmap.

³ Ibid.

⁴ Child Care Services Association (CCSA). (August 2021). Infant and Toddler Care in North Carolina.

⁵ DCDEE. (October 2021). Child Care Analysis Summary Report.

⁶ Prenatal to Three. (2021). State Policy Roadmap.

⁷ CCSA. (September 2021). Early Care and Education Programs in North Carolina.

⁸ DCDEE. (October 2021). Child Care Analysis Summary Report.

⁹ DCDEE. (October 2018). Subsidized Child Care Market Rates.

¹⁰ DCDEE. (October 2021). Child Care Analysis Summary Report.

¹¹ Ibid.

¹² Kaiser Family Foundation (KFF). (2019). NC Custom State Health Facts Report.

¹³ McLean, C., Austin, L.J.E., Whitebook, M., & Olson, K.L. (2021). Early Childhood Workforce Index – 2020. Center for the Study of Child Care Employment, University of California, Berkeley. <https://cscce.berkeley.edu/workforce-index-2020/report-pdf/>

¹⁴ Center for the Study of the Child Care Workforce. (2019). Racial Wage Gaps in Early Education Employment. <https://cscce.berkeley.edu/wp-content/uploads/2020/02/RacialWageGaps-Early-Education-Brief.pdf>