

NC DEPARTMENT OF
**HEALTH AND
HUMAN SERVICES**
Office of the Secretary

ROY COOPER • Governor

MANDY COHEN, MD, MPH • Secretary

SUSAN G. PERRY • Chief Deputy Secretary for Opportunity and Well-Being

United States Senate Committee on Health, Education, Labor and Pensions (HELP)

“Supporting Children, Workers, and Families by Strengthening America’s Child Care Sector”

April 27, 2021

Testimony of

Susan Gale Perry

**Chief Deputy Secretary for Opportunity and Well-Being
North Carolina Department of Health and Human Services**

Chairwoman Murray, Ranking Member Burr and Members of the Committee, thank you for the opportunity to testify today on strengthening America’s child care sector as we move through pandemic response and recovery to build an infrastructure that ensures families have affordable child care so they can work, children have high-quality early learning experiences that give them the best opportunity to fulfill their potential, and employers have a ready workforce now and for the future.

The pandemic has shined a spotlight on child care’s essential role in our nation’s security and economic infrastructure. Child care programs across the country kept their doors open and their teachers stayed on the job even through the most treacherous moments of the pandemic – when little was known about COVID or how to slow the spread, personal protective equipment was scarce, and programs had no idea how they would be able to keep the lights on and make payroll.

Less visible, but equally critical: children of essential workers benefited from maintaining a daily routine and having access to safe and nurturing environments with access to healthy foods and daily learning activities.

Our state’s child care system was able to continue to operate throughout the pandemic because we took early and aggressive action to protect and stabilize child care programs and incentivize the workforce to stay on the job. North Carolina’s child care response was layered and fast-moving thanks to significant federal investment and policy flexibility, and we are grateful and heartened by the continued leadership and support of the President and Congress.

Nevertheless, there is no doubt that the pandemic has taken a significant toll on child care programs and the workforce. In North Carolina, as in most of the country, parent fees make up approximately 75 percent of a child care program’s revenues, with the rest coming from

publicly funded child care subsidies and other sources. Over the course of the pandemic vacancy rates have been as high as 80 percent, and only since March has attendance pushed above 50 percent. As a result, child care programs that typically operate on very thin margins have now been pushed to or over the edge of solvency. At the same time, families have struggled to access affordable child care as jobs have been lost and working hours have been cut. Even before the pandemic, families with two children in child care paid on average 16.8% of their income on child care, while a single parent with one infant paid 38.4% of their income for child care.¹

Many say that our nation's child care system was broken before the pandemic, and that brokenness has only been exacerbated by the pandemic. I would argue that our child care system is not broken – because it has never been made whole to begin with. It operates using a market-based business model that doesn't work because the cost to produce the service is more than most parents can afford. For decades, parents, child care providers, and policymakers have recognized that the fiscal underpinning for our nation's child care system is flawed, resulting in poverty wages for child care workers, programs that operate on the thinnest of margins, and high costs for families. Yet high quality, affordable child care is the bedrock of our economy. It allows parents to go work, employers to hire and retain workers, and nurtures children's healthy development which is essential for their well-being our nation's well-being.

Child care has remained resilient and responsive to children, families, and employers throughout this pandemic despite the fragility of the system – but its future hangs in the balance after more than a year of weathering the storm, diminished revenues, and an uncertain market outlook. We can seize this moment to take bold steps towards making this incomplete system whole – or risk taking steps backward that diminish access to affordable care or lower quality that jeopardizes children's healthy development.

The stakes are too high not to go forward and build stronger. Achievement gaps show up early as 18 months old and persist throughout school, and the science is irrefutable that early experiences lay the foundation for all future learning. It's time for our child care policies and financing to catch up to the brain science and mounting evidence of what works.

Background on North Carolina's Child Care System:

Pre-Pandemic Data

North Carolina's regulated child care is primarily center-based (78 %). Families with two children in child care paid on average 16.8% of their income on child care, while a single parent with one infant pays 38.4% of their income for child care.² Approximately 25% of children in regulated care receive child care subsidies. Early childhood teachers earn on average \$12 per hour and 50% of the workforce does not have access to health insurance.³ Data below, unless otherwise noted, is from February 2020.

2019 Population 0-4 years	609,770
2019 Population 5-14 years	1,294,472
Children in Regulated Care	265,432
Children Receiving Subsidized Care	65,031
Children Enrolled in NC Pre-K	29,509
Regulated Child Care Centers	4,392
Regulated Family Child Care Homes	1,354
Average 2019 Tuition for an infant in center-based care	\$9,254
Average 2019 Early Childhood Teacher Salary	\$12/per hour

Features of NC's Child Care Infrastructure

- **Quality Rating Improvement System Embedded in Licensing:** the state's 5 star rated license awards points for teacher education and program standards. A 1-star program meets minimum licensing requirements while a 5-star program meets the highest quality standards.
- **Child Care Subsidies:** Working families with children ages 5 and under and incomes at or below 200 percent of the Federal Poverty Level (FPL), or with children ages 6 to 12 years and incomes at or below 133% of FPL are eligible for child care subsidies. Subsidy reimbursement rates are based on a market rate survey and differentiated by age, Star Rating, type of care, and county There are currently 17,400 children on the waiting list.
- **NC Pre-K:** Provides eligible (at or below 75% State Median Income) 4-year-olds a high-quality educational experience to enhance school readiness. NC Pre-K is delivered in both public school and 4 and 5 Star child care centers, with approximately half of the slots being provided in each. Features include a licensed teacher, use of a research-based curriculum and child assessment, developmental screenings, and low teacher to child ratios. The program is provided 6.5 hours a day, 5 day a week.
- **Quality Infrastructure:** North Carolina's quality initiatives and support for families seeking and using child care are delivered primarily through the state's Child Care Resource and Referral and Smart Start systems. Child Care Resource and Referral agencies provide training and technical assistance to child care providers and referrals to care for families. Smart Start is public-private Partnership established in 1993 with legislatively mandated board and network of 75 local nonprofits held accountable for state and county population level outcomes for early learning quality, health, and family support. North Carolina's Community College system provides early childhood courses, certificate programs and degree programs in all 100 counties and online. The state also benefits from being the birthplace of the nationally recognized T.E.A.C.H.® and WAGES® initiatives, that provide nearly full scholarships for higher education coursework and reward child care staff for attaining higher levels of education with salary supplements.

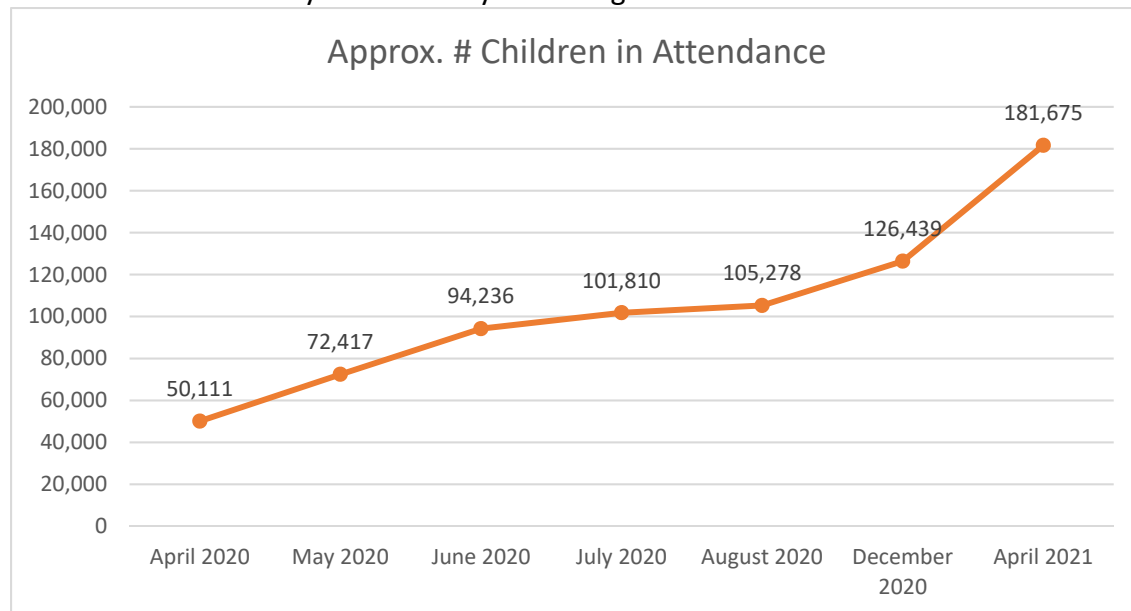
Pandemic's Impact on NC's Child Care System

Child Care Programs

As of April 2021, over 97% of NC's child care programs are open. Over the course of the pandemic, 34 child care centers and 20 family child care homes with total capacity to serve 1,004 children have closed. Since March, 140 child care centers and 59 family child care homes with capacity to serve 1,359 children have been newly licensed and opened.

Attendance/Vacancy Rates

Over the course of the pandemic vacancy rates have been as high as 80 percent, and only since March has attendance pushed above 50 percent. Approximately 70% of children are currently attending child care compared to pre-pandemic enrollment. About 95% of children whose families receive subsidy are currently attending child care.



Challenges Meeting Operational Costs and Staffing Needs

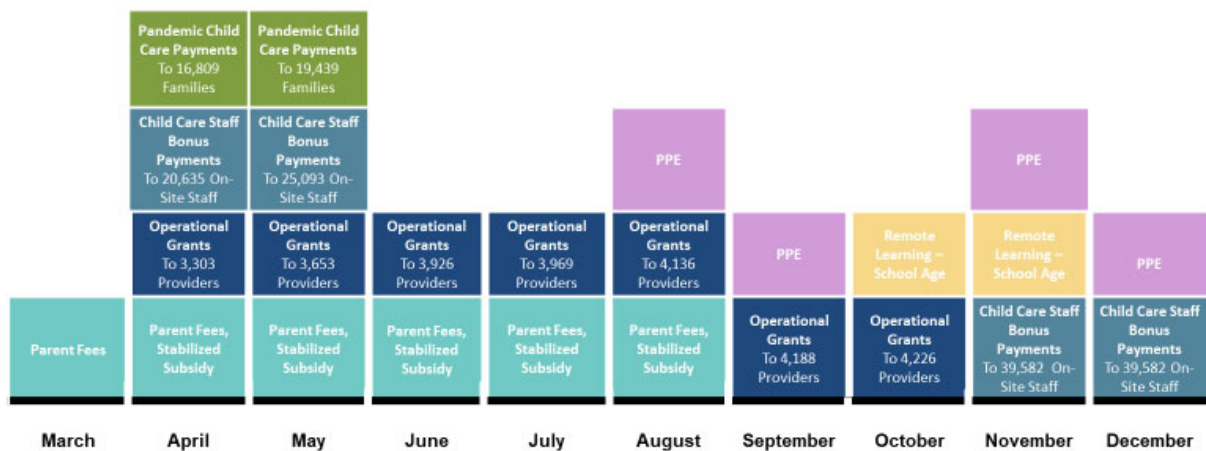
Child care programs report that, without the financial support that has been being provided by the state through operational stabilization grants, they would still not be able to operate for more than two months at current attendance levels. Program operators also report a more significant challenge competing for qualified staff, as large corporate retailers and restaurants have raised hourly wages beyond what most child care programs can afford to pay and also offer health and other benefits.

NC's Pandemic Child Care Response

A Comprehensive Strategy

North Carolina's child care response has been multi-layered to support child care programs, essential workers, and to provide support to the child care workforce serving on the front lines. The below graphic shows the major strategies employed over the past year, and tables following describe in detail the state's comprehensive approach and additional planned strategies still in development.

Layered Early Childhood Pandemic Supports Provided in 2020



CHILD CARE HEALTH AND SAFETY

Activity	Summary
Health and Safety Guidance	In response to COVID-19, DCDEE issued provider-friendly health and safety guidance on March 23 rd . The guidance has been regularly updated to align with the latest CDC recommendations as well as to address common questions from child care providers. DCDEE has provided webinars and trainings to child care providers to further explain health and safety guidance.
Child Care Health Consultants	The state established a network of child care health consultants who are a resource for child care providers needing technical assistance or having health-related questions, and have supported implementation of COVID-19 prevention guidance across all 100 counties.
No Unlicensed Care	During the Stay-at-Home order from March 30 to May 8, the state issued policy guidance that unlicensed preschool age care was not permitted.
Smart Start Partnership	In March 2020 when food and cleaning supplies became scarce, the state partnered with the Smart Start system to help child care programs access food and cleaning supplies.
PPE	The state purchased and shipped a 4–8-week supply of Personal Protective Equipment (PPE) and cleaning supplies for child care homes and centers. This order was repeated in November.
Child Care Vaccine Promotion	Three-pronged strategy to promote vaccine uptake. 1. Child Care Health Consultants provided Vaccine 101 trainings; 2. Smart Start worked with hospital and health systems to host child care vaccine events and negotiate set-aside vaccines; 3. the Child Care Resource & Referral \ contacted every child care program, acted as a single point of contact for vaccine information, and connected programs and staff with events and shots.

FAMILY ACCESS AND AFFORDABILITY

Essential Worker Child Care Program	
<i>What is it</i>	Financial assistance for child care for essential workers.
<i>Who it is for</i>	Essential workers (whose income is below 300% of the poverty line and have no other child care options).
<i>How it works</i>	Families call the child care hotline to identify an open child care provider near them, and submit an application to their child care provider. Providers submitted attendance for children receiving emergency child care subsidy by the end of each month.
<i>Duration</i>	April 1, 2020 through May 31, 2020.
<i>Metrics</i>	The state issued \$34,737,121 in emergency child care subsidy payments to emergency child care providers for April and May 2020. The number of children served by emergency subsidy was 16,809 children in April 2020 and 19,438 children in May 2020.

School-Age Support Program	
<i>What is it</i>	Financial assistance for child care for families with school age children in remote learning.
<i>Who it is for</i>	Parents or guardians of school age children in remote learning making less than 200% FPL.
<i>How it works</i>	Families filled out an application and submitted it to their child care provider. Providers uploaded the application and submitted attendance for children receiving remote learning care by the end of each month.
<i>Duration</i>	October 1, 2020 through November 31, 2020.
<i>Metrics</i>	The state issued \$12.1 million in remote learning payments to emergency child care providers for October and November 2020. The number of children served by emergency subsidy was 7,752 children in October 2020 and 7,492 children in November 2020.

Coverage of Parent Subsidy Co-pays	
<i>What is it</i>	The state covered the cost of parent copayments so that families/parents did not have to pay these costs during the pandemic.
<i>Who it is for</i>	Parents receiving child care subsidy.
<i>How it works</i>	The state issued payments directly to child care providers (regardless of whether they are open or closed) to cover the cost of parent copays.
<i>Duration</i>	April and May 2020 for all providers; June – August 2020, April – October 2021 for open providers only.

Child Care Hotline	
<i>What is it</i>	The state launched a hotline to provide child care options for children of critical workers who do not have access to typical care because of COVID-19 closures. The hotline is a partnership with the NC Child Care Resource & Referral network.
<i>Who it is for</i>	Families needing to find local child care options.
<i>How it works</i>	Families can call 1-888-600-1685 to receive local options for children from infants through age 12. The hotline is open Monday through Friday 8 a.m. to 5 p.m.
<i>Duration</i>	Launched March 20, 2020.
<i>Metrics</i>	Between March 20 th and December 1 st , the hotline has received over 4,300 calls and has connected over 3,100 callers to child care for over 4,200 children to child care. The hotline continues to operate to serve families.

CHILD CARE PROGRAM OPERATIONAL SUPPORT

Subsidy Payment Stabilization	
<i>What is it</i>	From March through August 2020, all child care programs (open and closed) received subsidy payments that were based on February's attendance or the current month's attendance, whichever was higher. For June – August, the state continued to cover subsidy payments for open programs.
<i>How it works</i>	The state has issued payments directly to programs based on February attendance. If programs have higher attendance in April or May, they received an additional payment for the difference.
<i>Duration</i>	March, April, and May 2020 (all programs); June, July, August (open programs only).
<i>Metrics</i>	The state issued approximately \$38 million per month in subsidy payments for March – August 2020 (includes cost of parent subsidy co-pays).

NC Pre-K Stabilization	
<i>What is it</i>	NC Pre-K payment rate adjustments due to the pandemic
<i>Who it is for</i>	All NC Pre-K providers, regardless of site location or if programs were open or closed.
<i>How it works</i>	The state issued full NC Pre-K payments to contracting agencies through the remainder of the 2019-2020 school year. For the 2020-2021 year, the state is making payments based on a programs contracted slot amount rather than attendance.
<i>Duration</i>	March 2020 – June 2021.
<i>Metrics</i>	For the 202-21 school year, the state contracted for 29,896 slots and has served 20,546 children in 100 counties. A remote learning option was also available for families as Pre-K classrooms operating primarily in public schools shut down for much of the year. As of March 2020, less than 11% of NC Pre-K classrooms are providing remote instruction; most of these classrooms are remote at the request of the families.

Child Care Operational Grants	
<i>What is it</i>	The state has issued operational grants to licensed child care facilities that are open for all or part of April – October 2020. The operational grants are intended to help providers cover fixed monthly operating costs during these months of the COVID-19 crisis, recognizing that revenues from parent fees are significantly lower as non-essential workers have kept their children at home.
<i>Who it is for</i>	Child care providers that are open for all or part of April – October 2020; March – October 2021.
<i>How it works</i>	The state has issued operational grant payments directly to child care programs. For each month, grants for child care centers ranged from \$500 to \$30,000 per month, and grants for family child care homes ranged from \$359 to \$2,500 per month. Grant amounts were scaled based on number of children served, star level, percent of subsidy children served, and percent of infants and toddlers served. Grants have been adjusted downward based on improving attendance rates over time.
<i>Duration</i>	April – October 2020; March – October 2021.
<i>Metrics</i>	The state has issued about \$120 million in operational grants for approximately 4,200 child care programs that were open in 2020.

CHILD CARE WORKFORCE SUPPORT

Bonus Payments for Child Care Staff	
<i>What is it</i>	Bonus payments for private child care employees (teaching and non-teaching staff) working onsite at open programs.
<i>Who it is for</i>	Teaching and non-teaching staff (including administrators, directors, cooks, janitors).
<i>How it works</i>	The state provided bonus payments in April and May of 2020 of \$950 per teacher per month to full-time teachers and \$525 per staff month to full-time staff. Part-time employees were also eligible for bonus payments of \$475 per teacher per month and \$262 per staff per month. Payments were issued to child care programs, who were required to pay the bonus payments to their staff during regular pay periods. Another round of smaller payments were issued in November and December. Programs received an administrative rate to cover the costs of payroll taxes and payment processing.
<i>Duration</i>	April, May, November, December 2020
<i>Metrics</i>	25,093 child care staff received \$38,167,164 in bonuses in April and May 2020. 39,582 child care staff received \$36,419,158 in bonuses in the second round.

Hope4Healers Helpline	
<i>What is it</i>	The state launched a helpline to provide mental health support to front line workers, including child care staff.
<i>How it works</i>	Child care staff can call 919-226-2002 to get connected to licensed mental health professionals, 24 hours a day, 7 days a week. This program is still operational.

Additional 2021 Strategies Underway

For Child Care Programs and Directors: The state is continuing to provide operational grants to child care programs and will couple that with business training and technical assistance. Additional strategies to build the supply of family child care, including creating family child care networks that use shared business services and engage in a community of practice and support are also under development.

For the Child Care Workforce: A teacher pipeline initiative to address the workforce shortage that will include recruitment, retention and educational attainment strategies is being developed. Evidence-based resiliency training for teachers will be implemented so that they can best support children and parents as they recover from the emotional impact of the pandemic.

For Children and Families: The state will also cover the costs of parent co-pays for families receiving child care subsidies as well as incentivize child care programs to develop tuition scholarships for families with some of the stabilization grants they will receive. A voluntary summer learning program for NC Pre-K families is also planned.

Data Transparency and Technology Improvements: The state will modernize some of its legacy data systems (workforce, regulatory, subsidy, NC Pre-K) to make them both more user-friendly for child care programs and others who use them in their daily work and enable access to better, more integrated data that can be used to promote accountability and improvement.

What Worked and Lessons Learned to Take Forward

North Carolina has been able to retain its child care infrastructure by moving quickly, working in partnership with our child care provider community and using and sharing data to drive decisions and build trust. Lessons learned to carry forward post-pandemic:

1. Families need flexibility and programs need stability. The pandemic brought into sharp focus the mismatch between how the current child care system operates and is funded and what families need and want at all times, not just during emergencies. Parents needed flexible child care hours during the pandemic as their working schedules changed based on business closures or curtailed hours, a shift to remote working, and during stay-at-home periods. At the same time, child care programs count on full-day, full-time parent fees to make their budgets work. The state's pandemic child response both supported families with help paying for child care and attendance flexibility and supported child care programs with stabilization grants and child care workforce incentives and additional resources.
2. Demand-side interventions combined with supply-side subsidies work best. North Carolina has been able to retain its child care infrastructure because it has been able to continue funding the demand side – parent subsidies and an essential worker child care assistance program – and provide direct funding to child care programs to cover fixed operating and additional costs for supplies and staffing to meet the COVID health and safety guidelines.
3. Clear and transparent data and communications are necessary to build trust and drive action. Sharing data and progress and communicating clearly and frequently with child care providers, families and the public helps connect people to the resources they need, builds trust, and promotes shared accountability. Throughout the pandemic, the state has shared data widely and worked in partnership with child care programs on planned strategies.
4. Flexible policies and funding build capacity to move quickly and effectively. Flexibilities and significant new funding have made it possible to help families meet their child care needs and programs to stay open. For example, flexible policy allowed families receiving subsidies to keep their eligibility when they could not bring their children to care for many days because of the pandemic. Child care programs were able to continue to operate because flexible policy allowed them to receive subsidy payment for full attendance even when children were not present. The state was able to operationalize policy changes and new initiatives quickly because it had funding to procure new technology solutions and temporary staffing to get funding responsibly and accountably to child care programs.

Recommendations to Build a Strong Foundation for Our Future

1. **Give Families Real Choices.** The reality is that work has been changing for some time and the child care system has not shifted to meet the changing needs. Service industry jobs typically have unpredictable schedules. Other businesses are more frequently offering alternative work schedules and working from home options. Families want and

need child care for less than 40 or 50 hours a week or during hours outside of the traditional 9AM – 5PM business hours.

- a. *Rebuild the supply of family child care.*** North Carolina has historically relied heavily on center-based care to meet families’ needs, and the number of regulated family child care homes has been declining here and across the country. The pandemic has once again raised the need to find new ways to build a supply of family child care, particularly in targeted and often rural child care deserts and to meet many families’ preferences for a smaller family environment especially for their infants and toddlers. Funding and effort should be devoted to developing networks of family child care providers who can access shared business services and use technology to connect to each other and resources they need remotely.
 - b. *Support all child care programs in adapting to meet the needs of working parents.*** Providing all child care programs with shared services opportunities, business training and technical assistance, and direct funding to offset costs to produce quality child care beyond parents’ ability to pay will be needed for the child care system to be able to better meet the needs of working parents.
 - c. *Promote a mixed-delivery system for Pre-K.*** North Carolina has a strong mixed-delivery system for providing its high-quality prekindergarten program. This works best to meet the range of families’ needs, especially those who need full day working hour care for their children.
 - d. *Strengthen and protect quality.*** All parents want their children cared for in places where they are safe, healthy, nurtured and learning so they get the best start for school and life success. Investing in unregulated care options should be approached with caution to avoid undermining regulated care or promoting care that is not optimal for children’s healthy development.
 - e. *Support families that stay at home with their children.*** Paid parental leave, tax credits, and programs and other funding streams that support family caregivers, such as home visiting models, are additional important strategies to support families beyond the scope of the Child Care Development Block Grant.
- 2. *Prioritize the Early Childhood Workforce.*** Put the people caring for and educating young children while parents are at work first. Children need teachers skilled in supporting healthy development, early literacy, and optimal child development.

 - a. *Create a dedicated funding stream for improving workforce compensation and benefits.*** Child care workforce compensation and benefits are most sustainably provided through their employers. However, parents can’t pay the cost to produce a quality child care program that also pays wages that attract and retain a well-qualified workforce (for example, pay parity with public school teachers.)
 - b. *Fund the full cost of attendance in degree programs in early childhood.*** Providing free tuition based on need for teachers and directors in the field who

