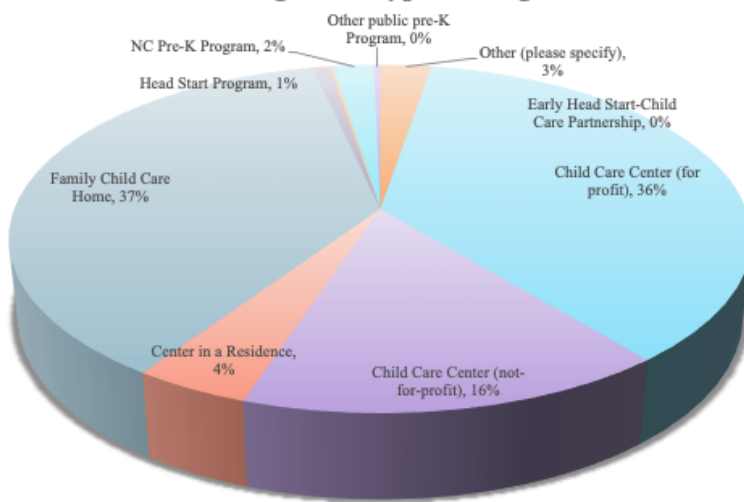




In February 2024, the North Carolina Child Care Resource and Referral Council (NC CCR&R Council hereafter referred to as the Council) contracted with Well World Solutions to conduct a survey of child care providers in the state to better understand the challenges providers would experience when Stabilization Grants for Compensation and Bonuses sunset in June 2024. About 5,400 child care providers around the state received an e-mail to complete a short 15-minute web-based survey. Responses were obtained from 1,529 child care programs for an overall response rate of 28%. Of the 1,529 respondents, 961 were center-based programs and 568 were family child care providers with the response rate among centers being 23% and among family child care providers being 49%.

About the Responding Child Care Programs

Figure 1: Type of Program



Respondents represented all [14 NC CCR&R regions](#) with 63% being center-based programs, including child care centers, and other early education providers such as Head Start, before and after school programs, combination of pre-K and school-based programs. The remaining 37% of respondents operated family child care programs. Figure 1 shows these details.

Responding centers, on average, had 7 classrooms (3 for infant/toddlers, 3 for pre-schoolers and 1 for school-age children) with 5 of these classrooms being open (2 for infant/toddlers, 2 for pre-schoolers and 1 for

school-age children). Overall, they could serve more than 80 children, on average – they reported having about 10 vacant spots (3 for infant/toddlers, 4 for pre-schoolers and 3 for school-age children). Family child care providers reported having 6 children enrolled currently (2 infant/toddlers, 2 pre-schoolers and 2 school-age child) and having 2 vacancies (fewer than 1 vacancy each for infant/toddlers and pre-schoolers and just over 1 vacancy for school-age), on average.

Most responding programs were rated as 3- (23%) 4- (34%) or 5-star (30%) programs with another 5% being licensed as faith-based. The remaining were 1- (4%) or 2-star (2%) programs or had a temporary license (2%).

Expectations For Program When Stabilization Grants Sunset in June 2024

When Stabilization Compensation/Bonus Grants (called Stabilization Grants hereafter) sunsets in June 2024, **most programs (88%) expect to have to increase parent fees** with 40% saying they would have to do so immediately, another 15% expecting to do so within 3 months and another 11% expecting to do so within 4 to 6 months of the sunset. **About two-thirds of programs expect difficulty in hiring comparably experienced and educated staff**, with almost half expecting to experience those difficulties immediately after the sunset.

Most concerningly, among responding programs, **almost 3 in 10 programs (29%) expect to close when Stabilization Grants sunset** – if applied to the total number of child care programs in North Carolina, this would represent **1,535 out of the 5,400 programs currently operating** in North Carolina.

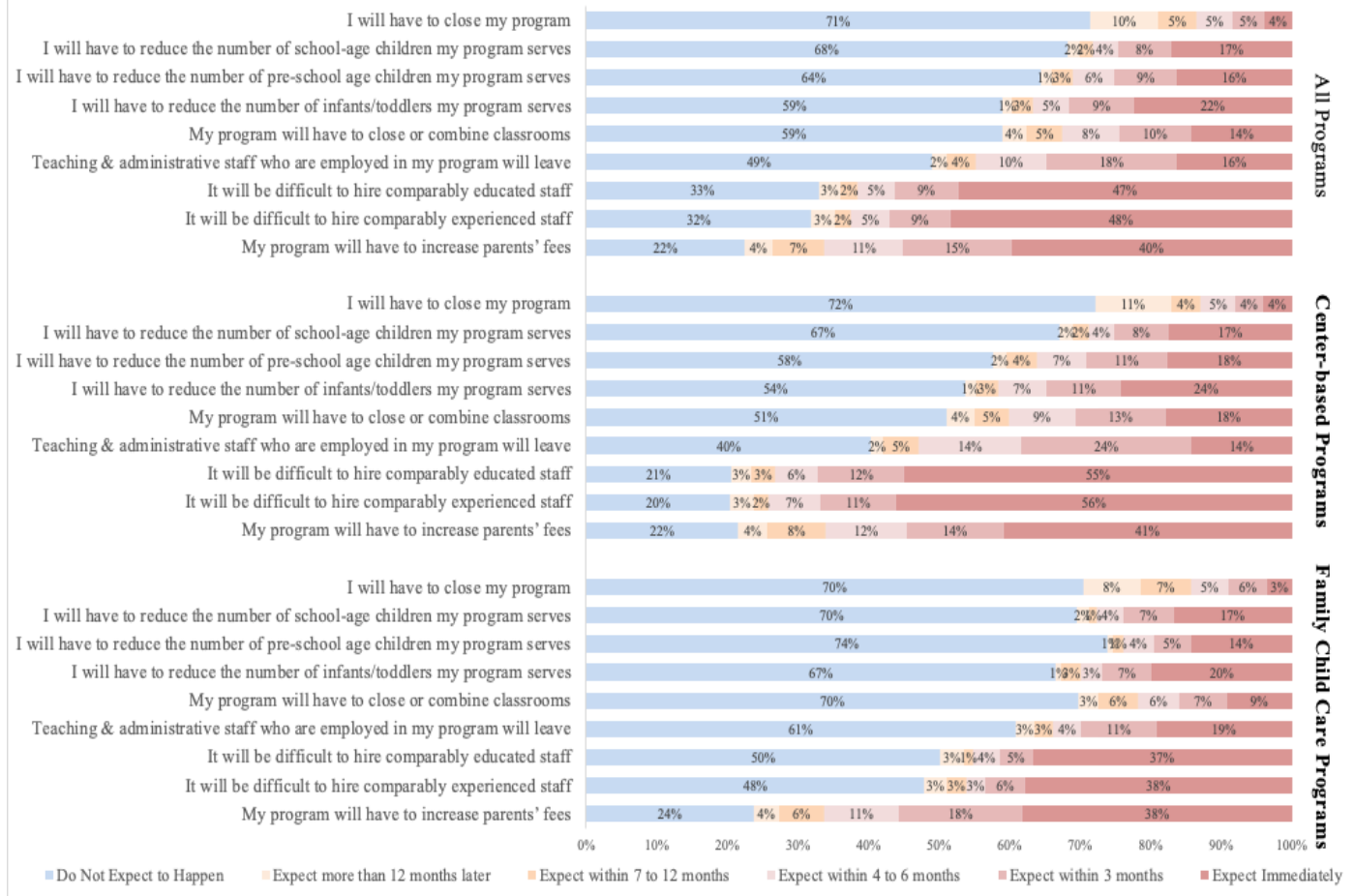
When Stabilization Grants sunset, North Carolina could be looking at losing 91,660 slots due to the closure of these programs. See Table 1 for details.

Program Type	% Expecting to Close	# of Programs Estimated to Close	# of Slots Impacted
Center-based programs	28%	1,185	88,850
Family child care programs	30%	350	2,810
All child care programs	29%	1,535	91,660

Fewer programs, though still a substantial share of all programs, expect to: 1) have administrative staff leave (51%); 2) close or combine classrooms (41%); 3) reduce the number of infant/toddlers served (41%); 4) reduce the number of pre-schoolers served (36%); 5) reduce the number of school-age children served (32%); or 6) close their programs entirely (29%). Notably, most of those giving these responses expect these negative impacts immediately to within a 4 to 6 month time-frame.

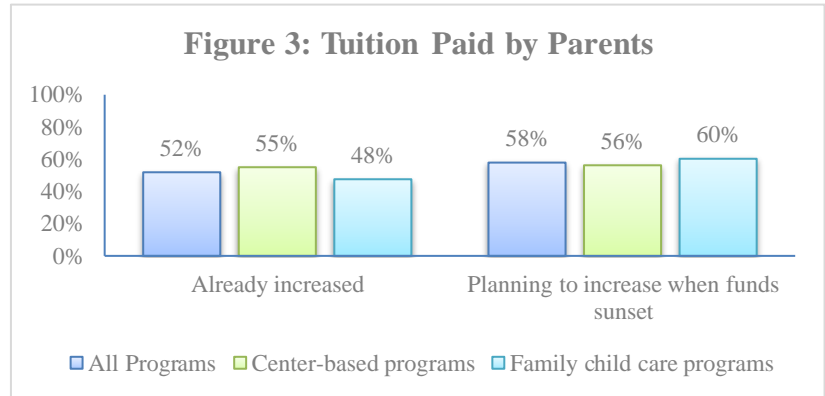
Figure 2 below provides more details and shows the differences in expectations between center-based and family child care programs. Similar shares of center-based (78%) and family child care (76%) programs expect to raise parent fees when Stabilization Grants sunset; and the next two most common expectations (difficulty hiring comparably experienced and/or educated staff) are also the same across program types.

Figure 2: Program Expectations Because of Stabilization Grant Sunsetting



Parent Fees

More than half of the programs (52%) have already raised tuition fees for parents in anticipation of Stabilization Grants ending and because of inflation. Almost six in ten programs (58%) indicated that will increase their fees after June 2024 when Stabilization Grants are due to sunset (see Figure 3).



As Table 2 below shows, programs which reported raising tuition fees had already raised fees by an average of \$20 or 9% for infant/toddler care, of \$20 for pre-school children (a 10% increase) and of \$10 for school-age children (a 7% increase).

Providers who are planning to raise fees after the sunset of Stabilization Grants, are planning to do so by \$30 (or 14%) for infant/toddler care, and by \$25 each for pre-school children (a 13% increase) and by \$25 for school-age children (a 17% increase). **If these increases go into effect, parents could be facing annual child care cost of \$13,000 for an infant/toddler, \$11,700 for pre-schoolers and \$9,100 for school-age children.** Prices will rise more in family child care programs compared to center-based programs, as shown in Table 3.

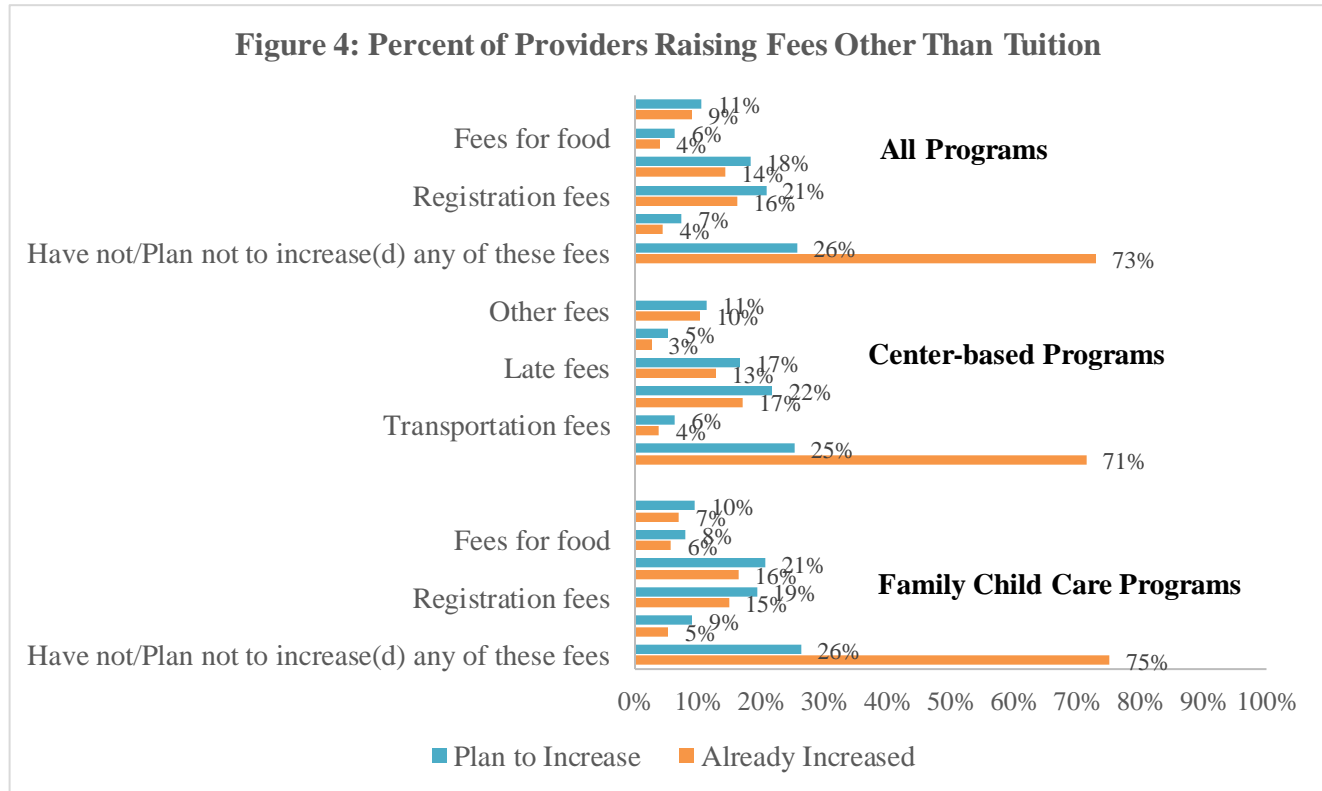
Table 2: Median Weekly Rate

	Before Increase	Now	Planned Increase	% Already Increased	% Planned Increase	Current Cost to Parents	Potential Annual Tuition Cost to Parents	Potential Change in Annual Cost
Median Hourly Rate								
All Programs								
Infant/Toddler	\$200	\$220	\$30	9%	14%	\$11,440	\$13,000	\$1,560
Pre-schooler	\$180	\$200	\$25	10%	13%	\$10,400	\$11,700	\$1,300
School-age	\$140	\$150	\$25	7%	17%	\$7,800	\$9,100	\$1,300
Center-based Programs								
Infant/Toddler	\$205	\$230	\$25	12%	11%	\$11,960	\$13,260	\$1,300
Pre-schooler	\$185	\$204	\$25	10%	12%	\$10,608	\$11,908	\$1,300
School-age	\$125	\$135	\$20	8%	15%	\$7,020	\$8,060	\$1,040
Family Child Care Programs								
Infant/Toddler	\$188	\$200	\$35	6%	18%	\$10,400	\$12,220	\$1,820
Pre-schooler	\$177	\$195	\$30	10%	15%	\$10,140	\$11,700	\$1,560
School-age	\$150	\$168	\$25	12%	15%	\$8,736	\$10,036	\$1,300

In addition to raising tuition fees, more than one-quarter of programs (27%) have already increased non-tuition fees such as registration fees (16%), late fees (14%), fees for food (4%), fees for transportation (4%) and other fees (9%) anticipating the sunset of Stabilization Grants. But almost three-quarters of

programs (74%) are planning to raise non-tuition fees once Stabilization Grants end in June 2024 – 21% plan to increase registration fees, 18% late fees, 7% transportation fees, 6% fees for food and 11% other fees (see Figure 4).

Figure 4 also shows that similar shares of center-based (29%) and family child care (27%) programs have already raised various fees, while 75% of center-based programs and 74% of family child care programs plan to raise fees when Stabilization Grants ends. Both types of programs are most likely to raise registration and late fees.



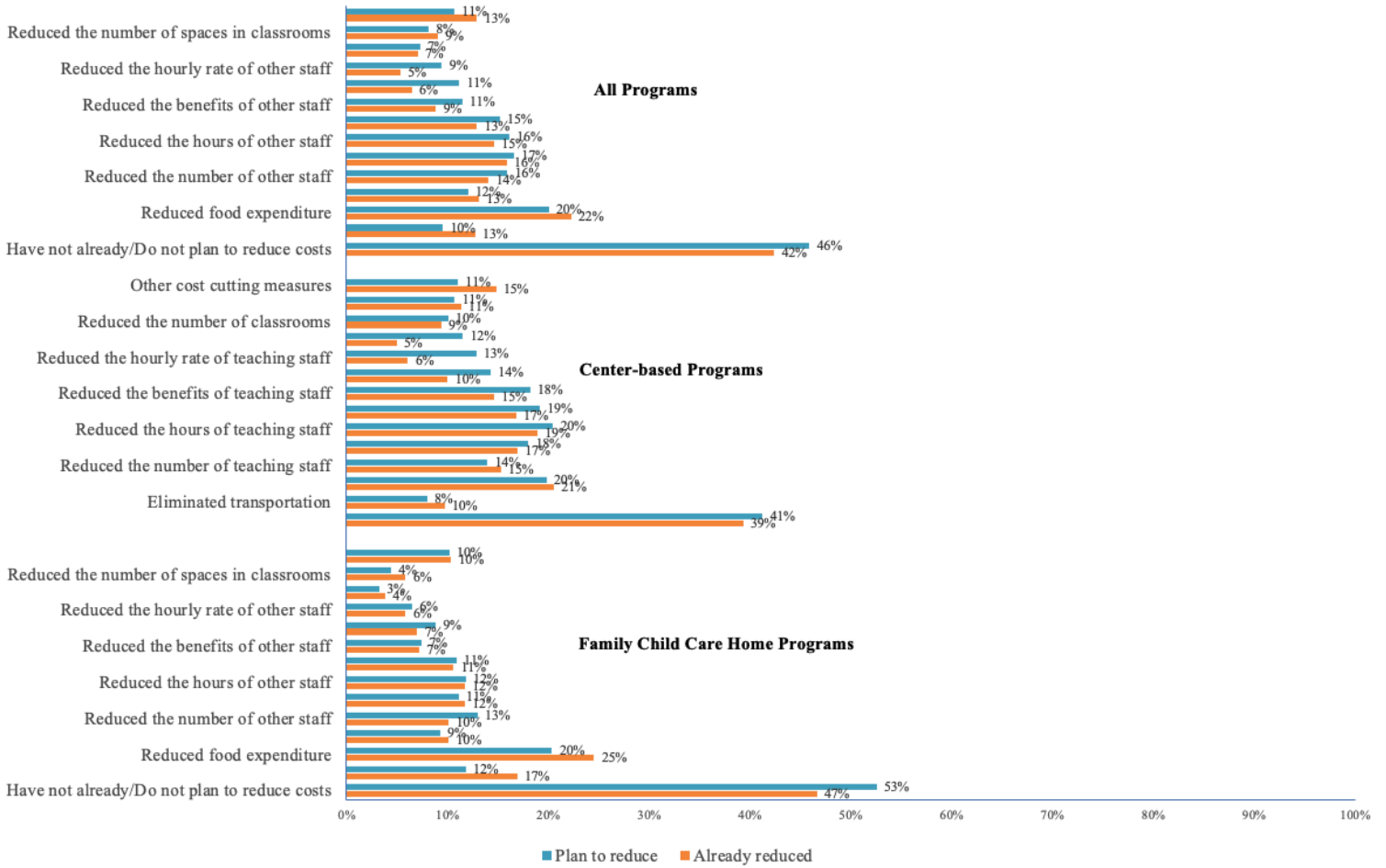
In conjunction with increases in tuition, increases in these non-tuition fees could make these programs outside the reach of many North Carolina parents.

Cutting Costs

In addition to increasing fees in anticipation of the end of Stabilization Grants, **58% of programs have already cut costs** with reductions in food expenditures (22%) followed by reducing teacher hours (16%), reducing the hours of other staff (15%), reducing the number of other staff (14%), reducing the number of teaching staff (13%) and eliminating transportation costs (13%) among other strategies. In addition, 19% of programs have already notified staff about the approaching reduction in compensation. **More than half of the programs (54%) are also planning to cut costs when Stabilization Grants sunset** in June 2024 – again reducing food expenditures (20%) followed by reducing teacher hours (17%), reducing the hours and number of other staff (16% each), reducing teacher benefits (15%) and reducing the number of teaching staff (12%) among other strategies. Furthermore, 18% of programs plan to notify staff of impending reductions in compensation when Stabilization Grants sunset. Similar strategies have already been implemented or are being planned by both center-based and family child care programs (see Figure 5).

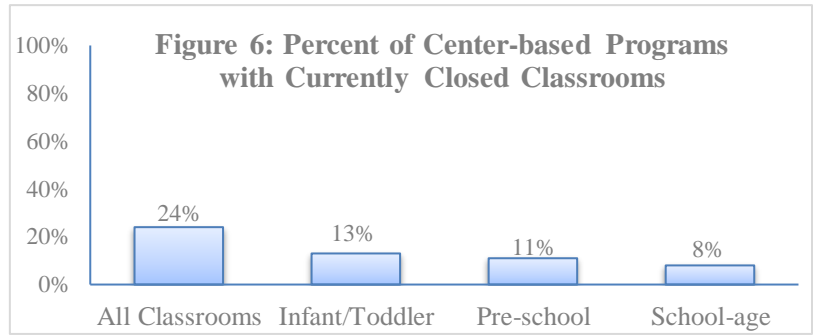
Reduction in staff compensation and food expenses potentially point to reduced program quality as lower compensation for staff might mean less qualified teachers and other staff and cheaper food might mean less nutritious food.

Figure 5: Percent of Providers Reducing Costs



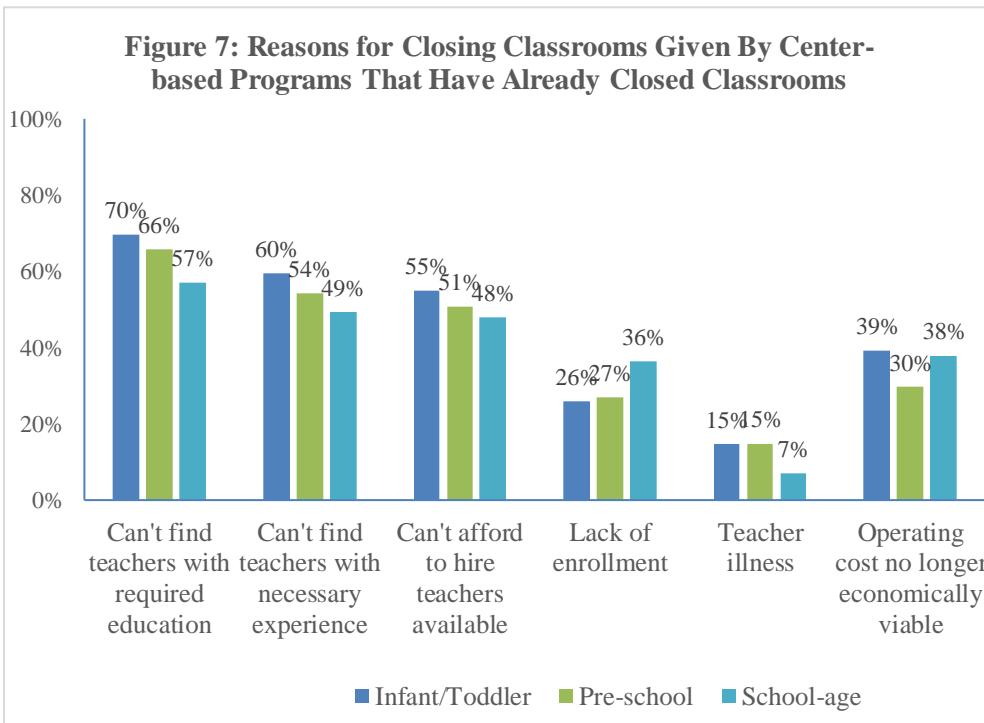
Closing Classrooms (Center-based programs)

More than 4 in 10 center-based programs (41%) indicated that they expected to close or combine classrooms when Stabilization Grants sunset in June 2024. However, almost one-quarter (24%) of center-based programs have already closed one or more classrooms with 13% having closed infant/toddler classrooms, 11% having closed pre-school classrooms and 8% having closed classrooms for school-age children (see Figure 6).



Center-based programs that have already closed classrooms did so mainly because they could not find teachers with the required education (70%), with the necessary experience (60%) and could not afford to hire hire teachers who were available (55%) among other reasons. Figure 7 provides further details.

On average, center-based programs have, as of now, closed fewer than 1 classroom, but the classrooms that have closed have closed for an average of almost an entire

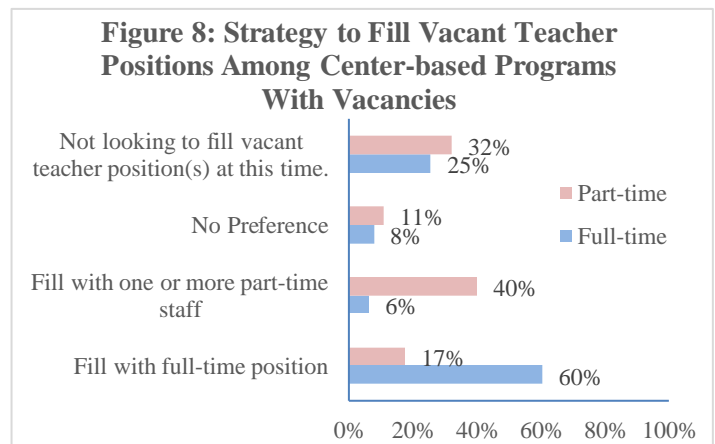


year (49.5 weeks).

Staffing (Center-based programs)

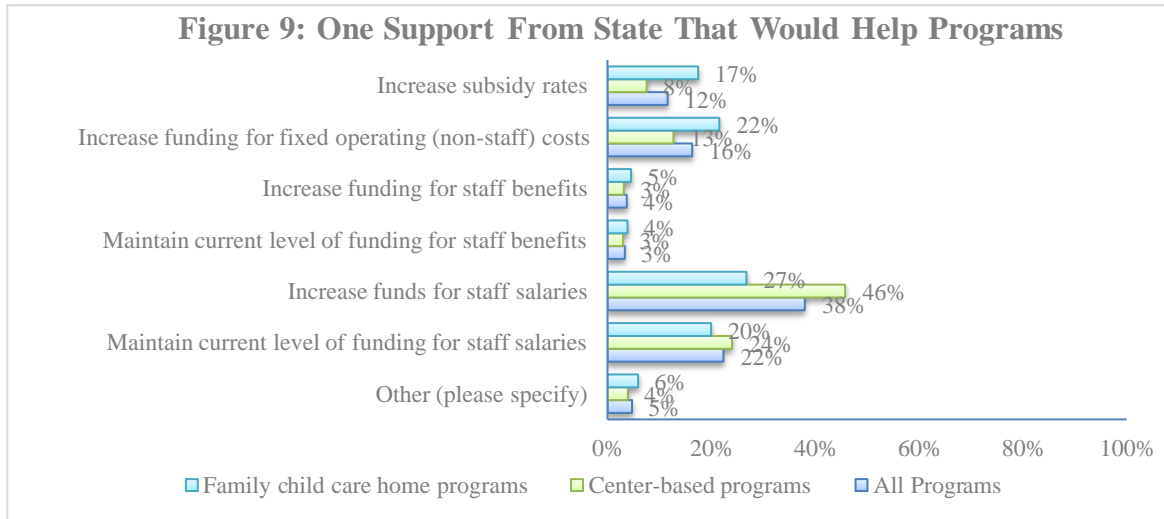
Center-based programs currently have slightly under 2 (average=1.88) full-time teacher positions and have just over 1 (average=1.29) part-time teacher positions vacant. These positions are mainly vacant in infant/toddler and pre-school classrooms.

Center-based programs are mainly looking to fill a full-time or part-time teaching vacancy with a similar position, but 25% of programs indicated they would not fill a full-time vacancy and 32% would not fill a part-time one (see Figure 8).



State Support Useful For Programs

When asked to name one support that would help programs be sustainable, the most common response was *increasing funds for staff salaries* (38%) followed by *maintaining current levels of funding for staff salaries* (22%), *increasing funding for fixed operation (non-staff) costs* (16%) and *increasing subsidy rates* (12%). Center-based programs were more likely to ask for staff salary support while family child care programs were more likely to ask for operational support and increase of subsidy rates, as Figure 9 shows.



Respondents noted:

“We have to pay employees a good rate because it is so expensive to live here. When Walmart or a movie theater is paying what we pay teachers, it is hard to get teachers”. – Region 1

“We have lost 5 teachers that had been with us for years to others professions due to pay and benefits even after raising our pay scale. There is no way we can maintain and pay a livable wage while keeping cost manageable for families.” – Region 10

“With the rate of inflation across the state, there is no possible way the center will be able to provide quality staff for children with the rate of pay we can afford to pay without the grant. We can't even find quality staff with the amount of pay with the grant. I have no doubt that if we have to decrease pay after the grant is completed, we will lose staff and ultimately have to close.” – Region 11

*“With the end of the stabilization compensation/bonus grant funding, I fear for the future of not just my childcare center, but all childcare centers. I fear for the loss of income for the teachers as well as the level of care the children will receive after deductions are made, as I believe staff will leave to find employment elsewhere. The stabilization compensation/bonus grant funding has been a HUGE blessing to our center and has provided stability for my staff as well as the children under our care. Please consider extending this funding. With inflation and interest rates the way they are now. I am unsure of how long childcare centers will be able to survive without additional funding. For example, [***] is who I have my childcare center mortgage financed with and my monthly mortgage has increased from roughly \$5,000 to almost \$9,000 per month. It is extremely scary to think of what may happen when funding ends.” – Region 12*

“I doubt we can survive if Stabilization Compensation/Bonus funding ends. Already, as owner, director, and lead teacher, working 57 hours per week in the classroom, I can not afford to pay myself a salary. As a retired North Carolina teacher, I currently must dip into my retirement check and my Social Security funds each week to meet payroll. I have nowhere else to get money to supplement parent

tuition. Cost of food has gone up. I receive no funding for food. I will be forced to raise tuition. Already I have parents who tell me they cannot send their child for weeks at the time because they don't have the funds to pay tuition. Parents are hurting. I just had a parent enroll two children in our daycare because their current daycare had to increase tuition and this family could not afford an increase.” – Region 3.

See Appendix A for additional quotes.

In short, child care programs across North Carolina expressed grave concerns for their programs about the impending sunset of the Stabilization Compensation/Bonus Grants. These grants have helped almost all child care programs in North Carolina. A previous survey conducted in March 2023 showed that more than eight (8) in ten (10) programs used the funds to provide salary increases (or first time salaries for many family child care providers) and/or bonuses and about 6 in 10 programs used the funds to hire more staff – this allowed many programs to continue to operate and keep their doors open.

This survey shows the continuing crucial need for these funds. Almost 9 in 10 programs (88%) said they expect they will have to raise tuition fees paid by parents if this support goes away with 4 in 10 expecting to do so immediately. More than half of the programs (52%) have already raised tuition fees by \$10-\$20 per week representing a 7%-10% increase for the various age-groups. When the Stabilization Grants sunset in June 2024, almost 6 in 10 programs (58%) said they plan to increase tuition fees by \$25-\$30, an increase of 13%-17% for the various age-groups. If these increases go into effect, parents could be facing an annual child cost of \$13,000 for an infant/toddler, \$11,700 for a pre-schooler and \$9,100 for a school-age child with prices rising more in the currently more affordable family child care settings compared to center-based settings. In addition, to tuition fees, many programs have already raised other fees and plan to do so again when Stabilization Grants sunset – these include registration fees, late fees, fees for food, transportation and other fees. These increases could make accessing child care programs out of reach for many North Carolina parents and thus impact their ability to work.

In addition to increasing fees, almost six in ten programs (58%) have already cut costs by reducing food expenditures and by reducing staff hours and numbers among other strategies, and 54% plan to do implement cost cutting strategies when Stabilization Grants sunset. This would mean that parents may find themselves in a position of having to pay more for potentially lower quality care for their children which could also lead to negative consequences for their children.

More concerning, almost 3 in 10 programs (29%) said they expect to close when Stabilization Grants sunset – if applied to the total number of programs in North Carolina, this would represent 1,535 out of the 5,400 programs currently operating in the state and North Carolina could be looking at losing 91,660 child care and early education slots due to the closure of these programs. Additionally, 4 in 10 programs expect to close or combine classrooms thus further reducing the supply of child care and early education programs. Supply could be further curtailed due to the loss of staff who may find more lucrative work elsewhere when the Stabilization Grants (that have thus far increased their compensation package) end.

As one Region 6 provider noted, “I am fearful that the 20+ years we have dedicated to our community will be put to a halt after June of 2024 if funding does not continue. We are already struggling to find staff and without the help of the grant we will lose what we have and there is no one to replace them. We can only pass on so much to the parents...Are we ESSENTIAL??? Can communities survive without quality childcare?... We need HELP!!!”

Appendix A: Additional Quotes from Child Care Providers

Region	Quotes from Child Care Providers
Region 1	Childcare teachers have historically been one of the lowest compensated workers in our county. With the end of the staff bonuses we no longer have any incentive to offer teachers to stay except for their unending love of the children in their care. Unfortunately, that isn't enough because their loving hearts do not pay the bills.
Region 2	The stabilization grant was vital in keeping our facility afloat after COVID and the rise in necessities to keep our center operational.
Region 3	I strongly believe that ending the stabilization grant will cause a lot of centers to close or cause child care to become too expensive for parents.
Region 4	Seriously what are we supposed to do? Can't afford to pay the teachers what they are worth to be paid in order to keep them. What are we supposed to do?
Region 5	These funds have been a "lifeline" for our childcare program. Without this funding, our program would have closed or significantly increased parent fees above the "market rate" for our community, making it difficult for families to find affordable childcare. It is nearly impossible to recruit & retain qualified & quality staff at the hourly rate we pay--one can earn a higher hourly rate of pay working at McDonald's or Chick-fil-A. The NC General Assembly and the US Congress should recognize & respond to this imminent crisis.
Region 6	There is no question we will have to close and our facility has been open for 20+ years. We are still trying to recover from inflation costs and lack of income due to having to close classrooms due to not being able to pay a reasonable salary to the teachers. If the compensation goes away, we will have to revert back to the prior pay scale and no one in this economy would work for that pay. Our teachers are skilled employees and are shaping our youth. They deserve so much better.
Region 7	Then ending of the stabilization grant in June is going to close the doors of many centers including my own. Asking staff to work for such little pay in stressful environments without enough staff for relief is unfair. Without the proper funding for salaries there is going to be a lot of people in our community and state that will not have childcare. The amount of people on my wait list would make up three more centers. Yet I can't afford to fill four of my empty spots due to staffing issues which is also due to compensation. This will disappoint many people in our community and will break my heart when I have to let all of the parents know that we can't afford to stay open. My teachers who pour their hearts and souls into what they do every day who will now have to find other employment.
Region 8	I don't know. This 4 years have beaten me up and I'm tired. We are taking the same surveys and SCREAMING that we are going under, and no one is listening. It's disheartening.
Region 9	We are a small childcare facility in a small town. The majority of our enrolled families and staff families are low to mid-class. Raising tuition will put a HUGE hardship on our currently enrolled families. Not being able to maintain salaries and/or bonuses will result in losing staff members in a time that it is very difficult to find and keep staff, especially quality/qualified staff. All of this combined could seriously impact our program and result in us having to close the facility permanently after operating for 35+ years.

Region	Quotes from Child Care Providers
Region 10	We have lost 5 teachers that had been with us for years to other professions due to pay and benefits even after raising our pay scale. There is no way we can maintain and pay a livable wage while keeping costs manageable for families.
Region 11	With the rate of inflation across the state, there is no possible way the center will be able to provide quality staff for children with the rate of pay we can afford to pay without the grant. We can't even find quality staff with the amount of pay with the grant. I have no doubt that if we have to decrease pay after the grant is completed, we will lose staff and ultimately have to close.
Region 12	There is already a shortage in the childcare industry. Ending the stabilization grant will only make it worse. Who's going to care for the children, how will the parents work? This affects everyone!
Region 13	At the beginning of the grant, we raised teacher pay. The high cost of operating the center has caused us to have to increase our rates. We have teachers right now, but we are always worried that one may decide to leave and do something where they can make more money. Replacing these teachers are almost impossible. No one wants to work in childcare.
Region 14	Our center will not be able to maintain the salary and benefits that we now give our staff. In order to stay in business, we will have to increase our rates to parents that are already struggling to pay their bills. Several of my lead teachers are single mothers. They will have to find a job that pays more just to take care of their family. It will be hard to replace them with staff of equal education and experience. This will affect the quality of education for our students and affect our star rating. I truly hope the state is able to continue funding for our hard-working staff.