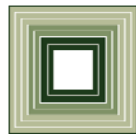


**Department of Health and Human Services
Division of Child Development
Smart Start
More At Four**

**Lisa Hollowell
Fiscal Research Division**



FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Division of Child Development

Mission

“To build a stronger social and economic future for North Carolina by promoting high quality early childhood experiences.”

- Ensure the health and safety of children in child care settings
- Provide child care financial assistance
- Improve quality and availability of child care
- Parent Outreach

Division of Child Development

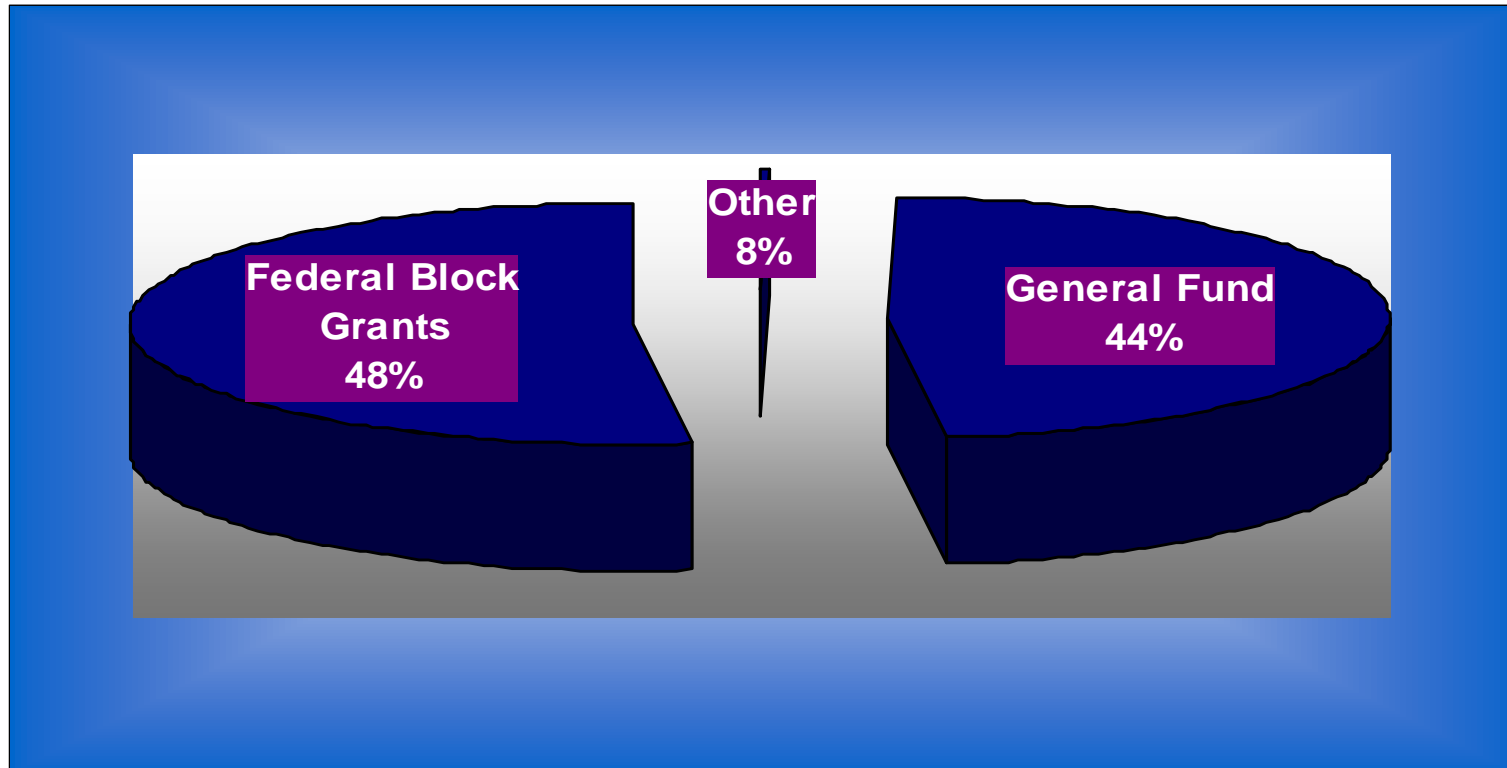
Budget Requirements

	2007-2008 Actual Budget	2008-2009 Authorized Budget	2009-2010 Proposed Budget	2010-2011 Proposed Budget
Total Requirements	\$622,093,008	\$639,480,478	\$698,071,866	\$639,421,929
Receipts	(\$316,214,556)	(\$334,119,211)	(\$418,517,979)	(\$338,523,046)
Appropriation	\$305,878,452	\$305,361,267	\$279,553,887	\$300,898,883
Positions	295.75	299.75	298.75	298.75

Division of Child Development

Where do funds come from?

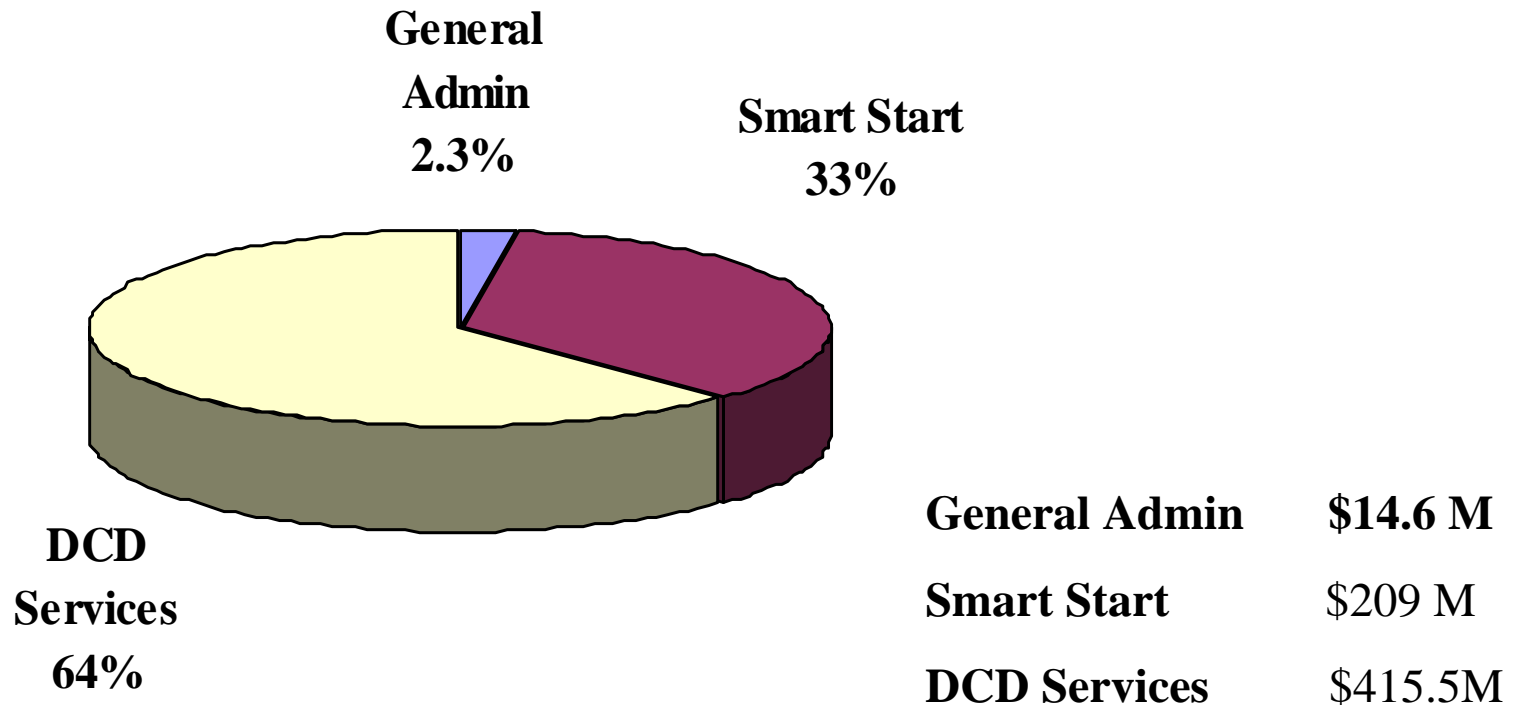
FY 2008-09



Division of Child Development

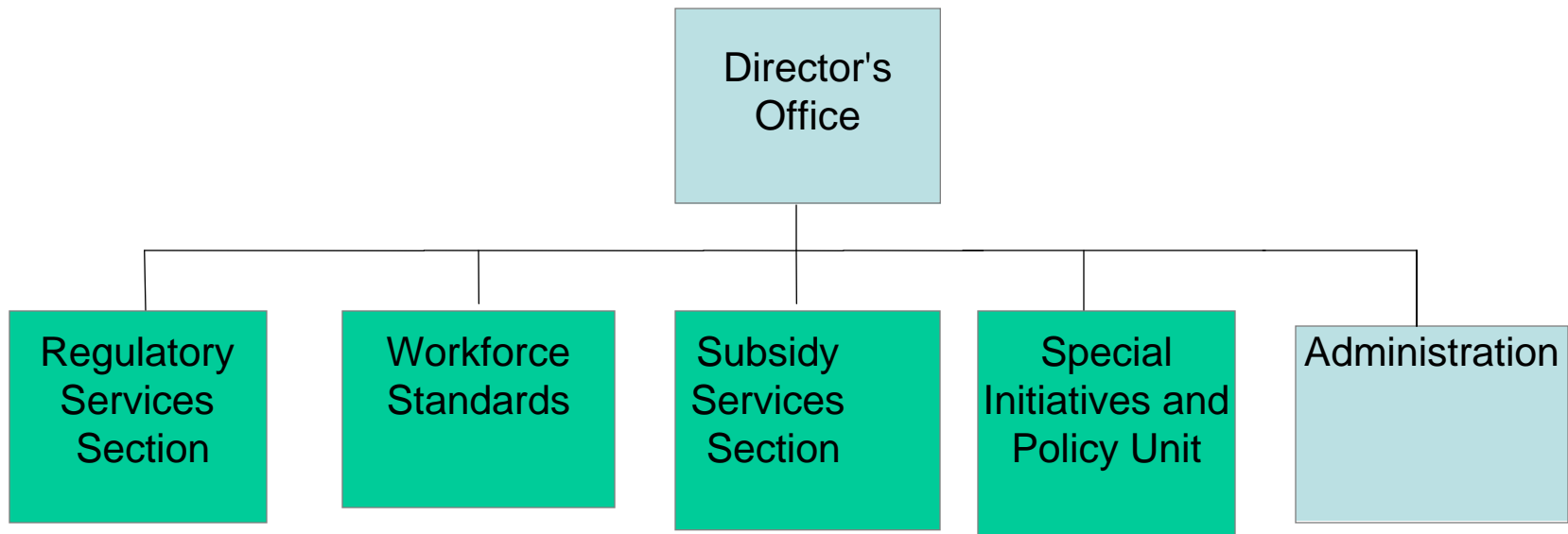
How are funds spent?

FY 2008-09



Division of Child Development

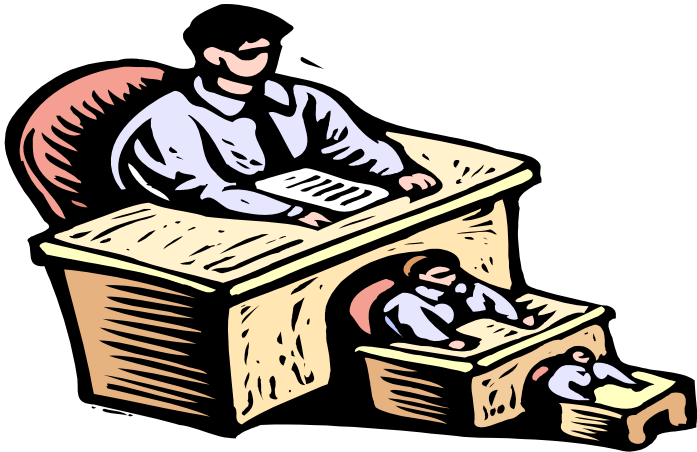
Organizational Chart



Division of Child Development

Programs and Services

- Licensure/Regulation
- Child Care Subsidy Administration



Division of Child Development

- Child Care Commission
 - 15 Members Appointed by the Governor and General Assembly
 - Adopt rules related to the licensure of child care facilities and enhancing standards
 - Restructuring of the star rated licensure program

Division of Child Development

Licensure and Regulations

Regulation is required when 3 or more (unrelated) children are in care for more than 4 hours per day at least one day a week.

GS 110-91

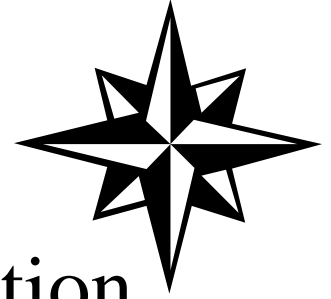
Arrangements not considered child care include:

- Summer Day Camps
- Drop-in or short-term care
- Public and Private Schools
- Bible Schools
- Residential Child Care Facilities
- Mothers Morning Out Programs



Division of Child Development

Star Rated System



- Licensing system that provides information about regulated child care facilities
- The System is designed to measure quality in areas of program standards and staff education
- The system is 1-5 stars based on these standards, 5 is the highest.

Division of Child Development

Regulatory Services Section

- Staff conduct site visits to regulated and unregulated child care centers and homes
 - Pre-licensing visits to new facilities
 - Annual compliance visits (unannounced)
 - Complaint visits
 - Follow-up visits for administrative actions, etc.
 - Administrative Actions include closing a facility immediately if danger exists, downgrading a license to probationary status and requiring a corrective action plan, not allowing enrollment growth.
 - Civil penalties may be assessed based on willful or negligent noncompliance of the operator (\$250-\$1,000)

Division of Child Development

Regulatory Services Section

Abuse and Neglect Investigations

- Investigate allegations of abuse and neglect in Centers and Family Child Care Homes
- Work with local Departments of Social Services
- Work with providers on Corrective Action Plans and take actions against licenses

Division of Child Development

Licensure and Regulations

- 8,230 regulated facilities
 - 4,478 Centers
 - 3,752 Homes
- Religious Organizations
 - May operate under requirements of GS 110-106 and send letter of intent to division to exempt from licensure

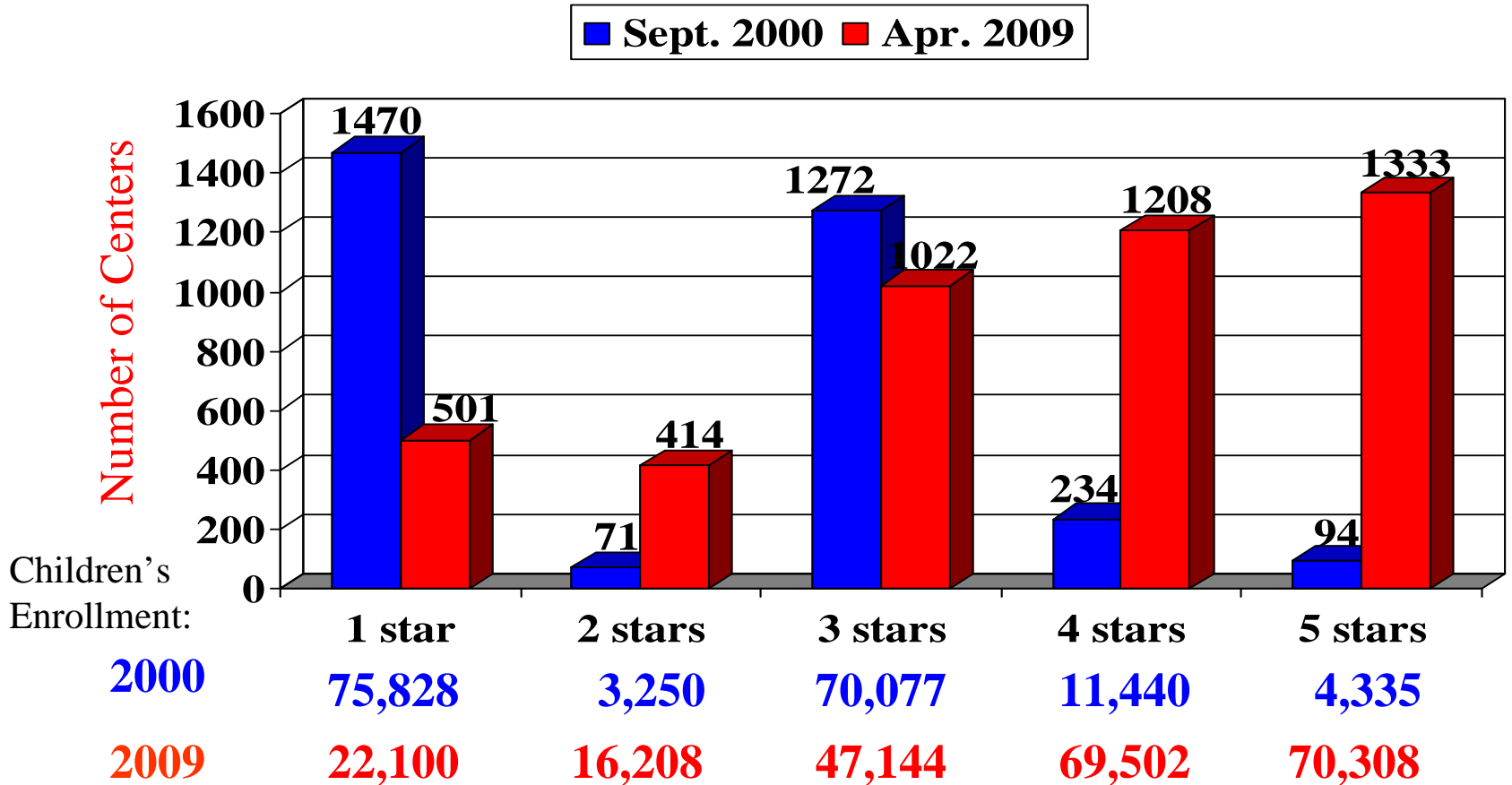
Division of Child Development

Licensure and Regulations – Child Care Facilities

	Homes	Centers
One Star	1,161	501
Two Stars	778	414
Three Stars	651	1,022
Four Stars	675	1,208
Five Stars	487	1,333

92% of children are served in child care centers;
246,000 children in regulated child care.

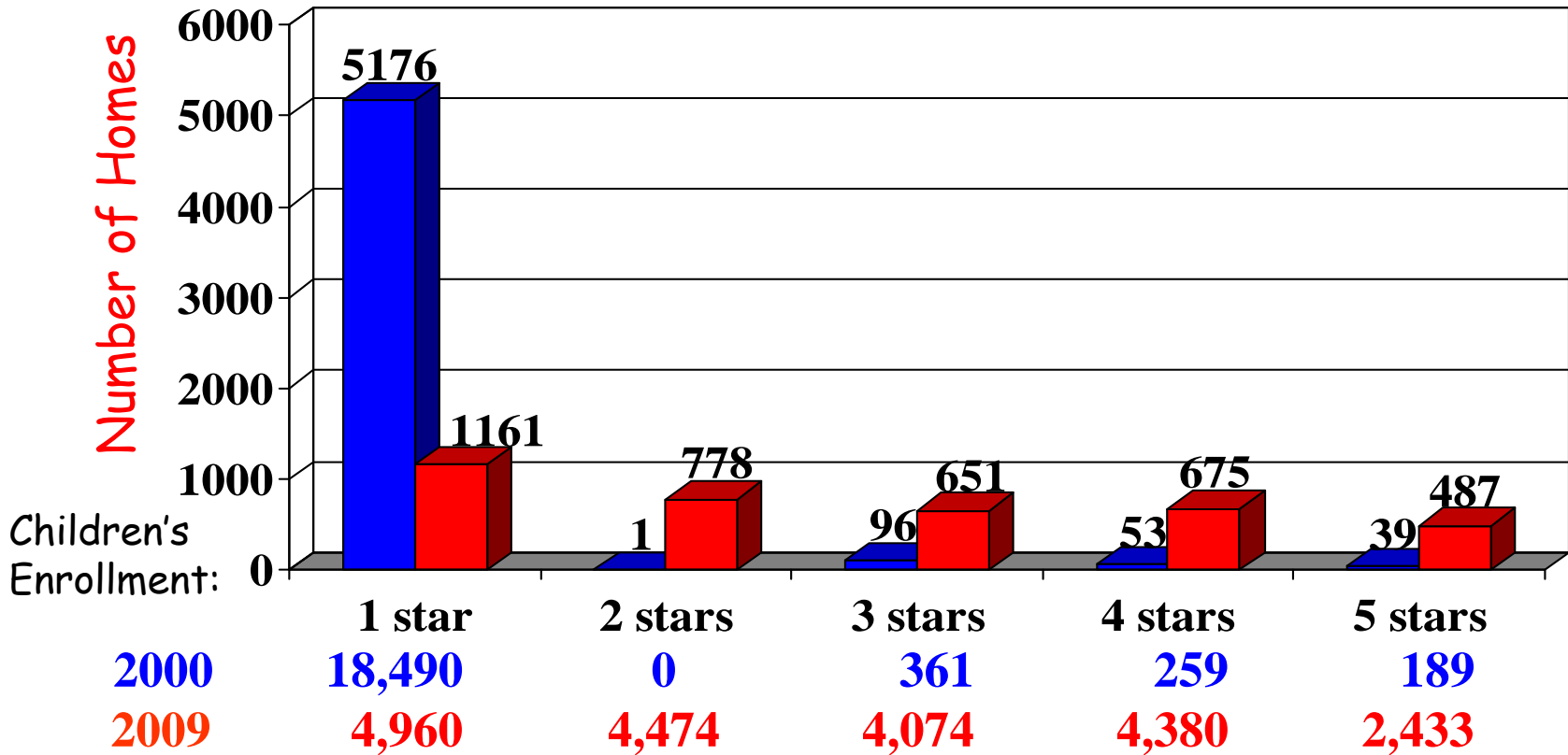
Child Care Centers with Star Rated Licenses and Enrollment (Sept. 2000 – Apr. 2009)



Of the children in centers, 83% are enrolled in centers with ratings of 3-5 stars.

Family Child Care Homes with Star Rated Licenses and Enrollment (Sept. 2000 – Apr. 2009)

■ Sept. 2000 ■ Apr. 2009



Of the children in homes, 72% are enrolled in homes with ratings of 3-5 stars.

Division of Child Development

Licensure Fees

- Implemented FY 2003-04
- Annual Fee
- Does not apply to homes
- Based on capacity of center
 - 12 or fewer children \$35
 - 13-50 children \$125
 - 51-100 children \$250
 - 101 or more children \$400
- Generates approximately \$755,000 annually



Division of Child Development

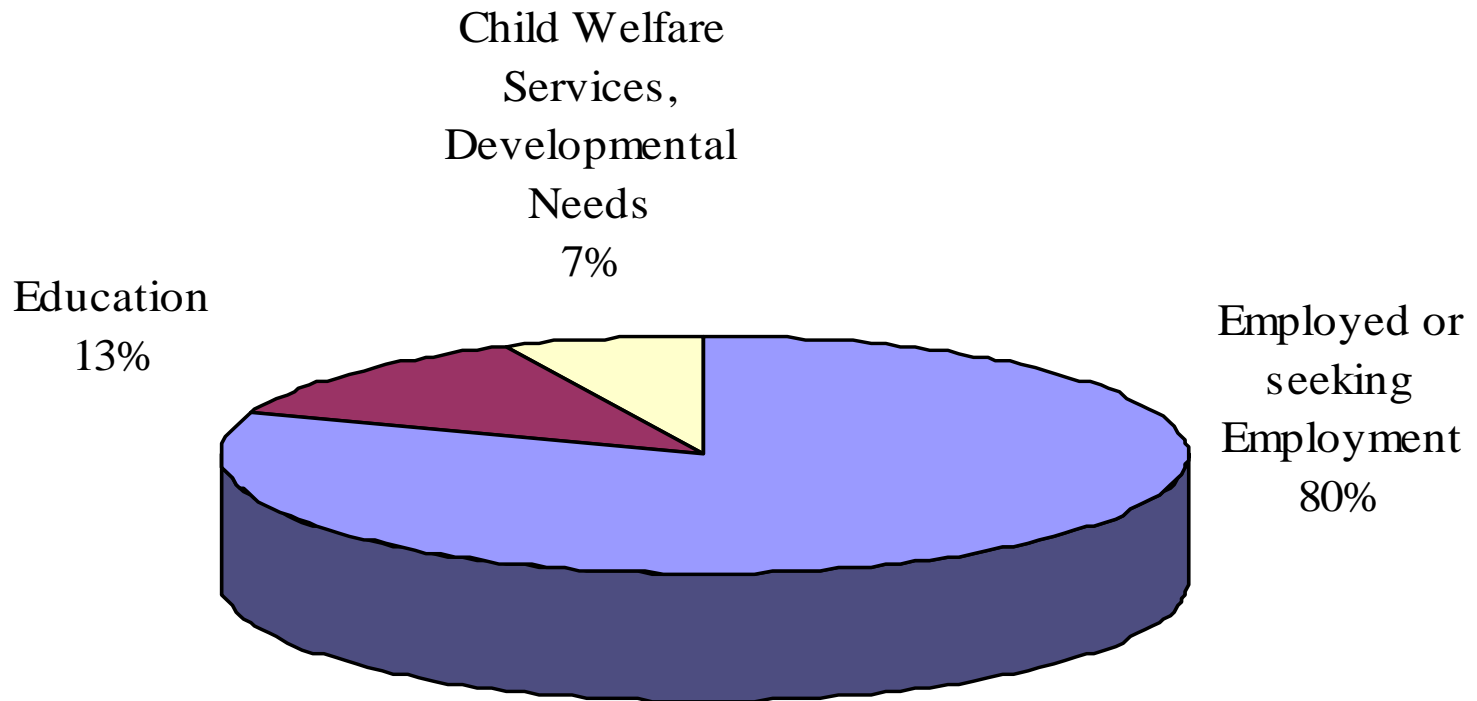
Child Care Subsidy

- Supports Working Families who qualify
 - Children up to 12 years old and 17 for developmentally disabled children
- Supports Child Welfare Services
- Supports Educational & Job Related Training
- Supports Children With Special Needs

Division of Child Development

Child Care Subsidy

May update this.



Division of Child Development

Child Care Subsidy

- Allocation formula of state and federal funds to counties:
 - Smart Start allocation constitutes the base amount for each county's allocation
 - Based on the projected cost of serving children under age 11 in families with all parents working earning less than 75% of SMI
 - Reallocation is allowed

Division of Child Development

Child Care Subsidy

State-supervised, locally administered voucher system

Families choose child care arrangements

Eligibility 75% of state median income (SMI)

Number in Family	1	2	3	4	5
Monthly Earnings	\$1,996	\$2,610	\$3,225	\$3,839	\$4,453
Annual Income (75% SMI)	\$23,953	\$31,323	\$38,694	\$46,065	\$53,434
State Median Annual Income	\$31,938	\$41,765	\$51,593	\$61,420	\$71,246

Settings include licensed centers and homes, religious-sponsored programs and informal arrangements such as care by a relative or in the child's home. Providers must meet minimum health and safety standards.

Division of Child Development

Child Care Subsidy

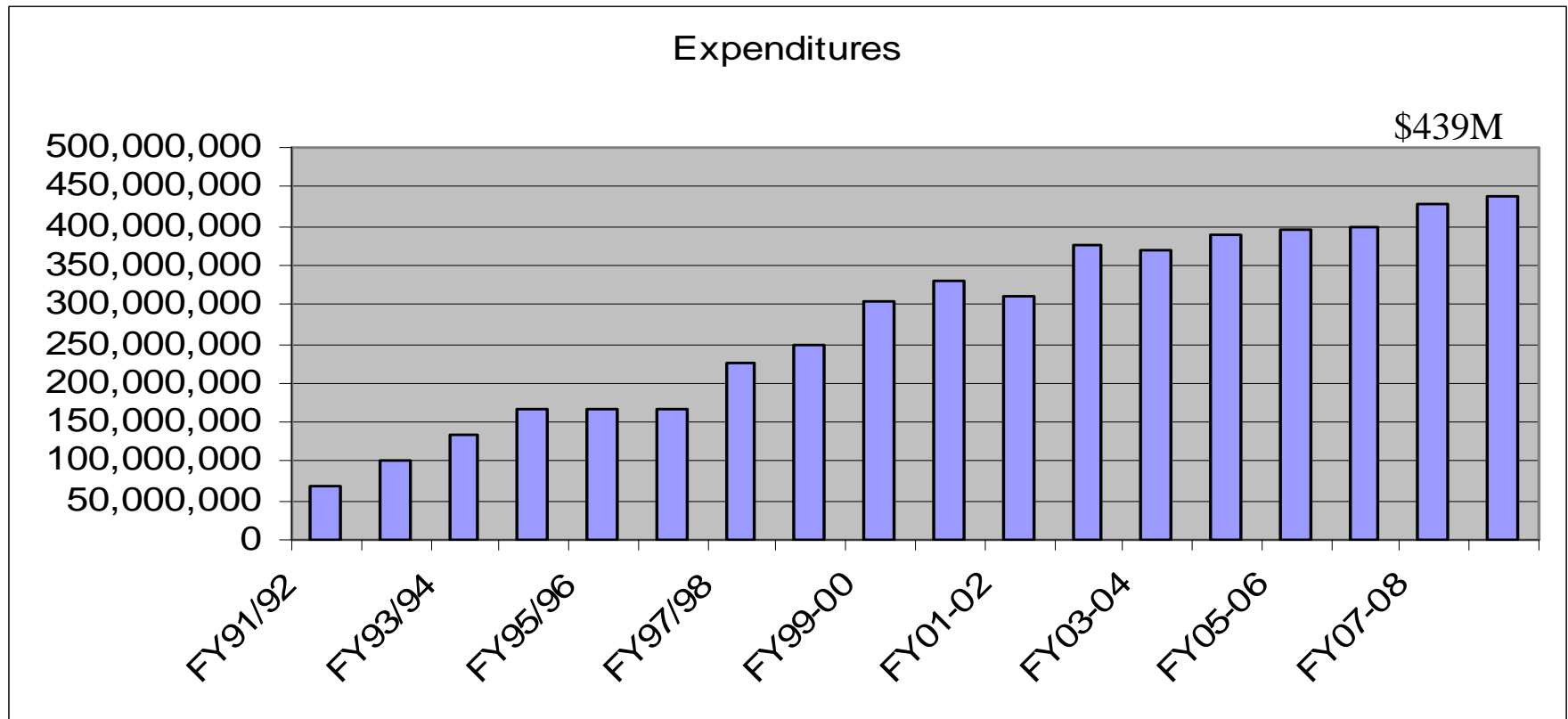
Parent Fees

Family Size	Maximum Annual Income for Eligibility for Subsidy Services	Fee for Subsidy Services
2	\$31,323	10% = \$261.02/month
3	\$38,694	10% = \$322.45/month
4	\$46,065	9% = \$345.49/month
6	\$60,581	8% = \$403.87/month

Families pay a fee: 1-3 family members pay 10% of gross income for child care, 4-5 pay 9% and families of 6 or more pay 8%

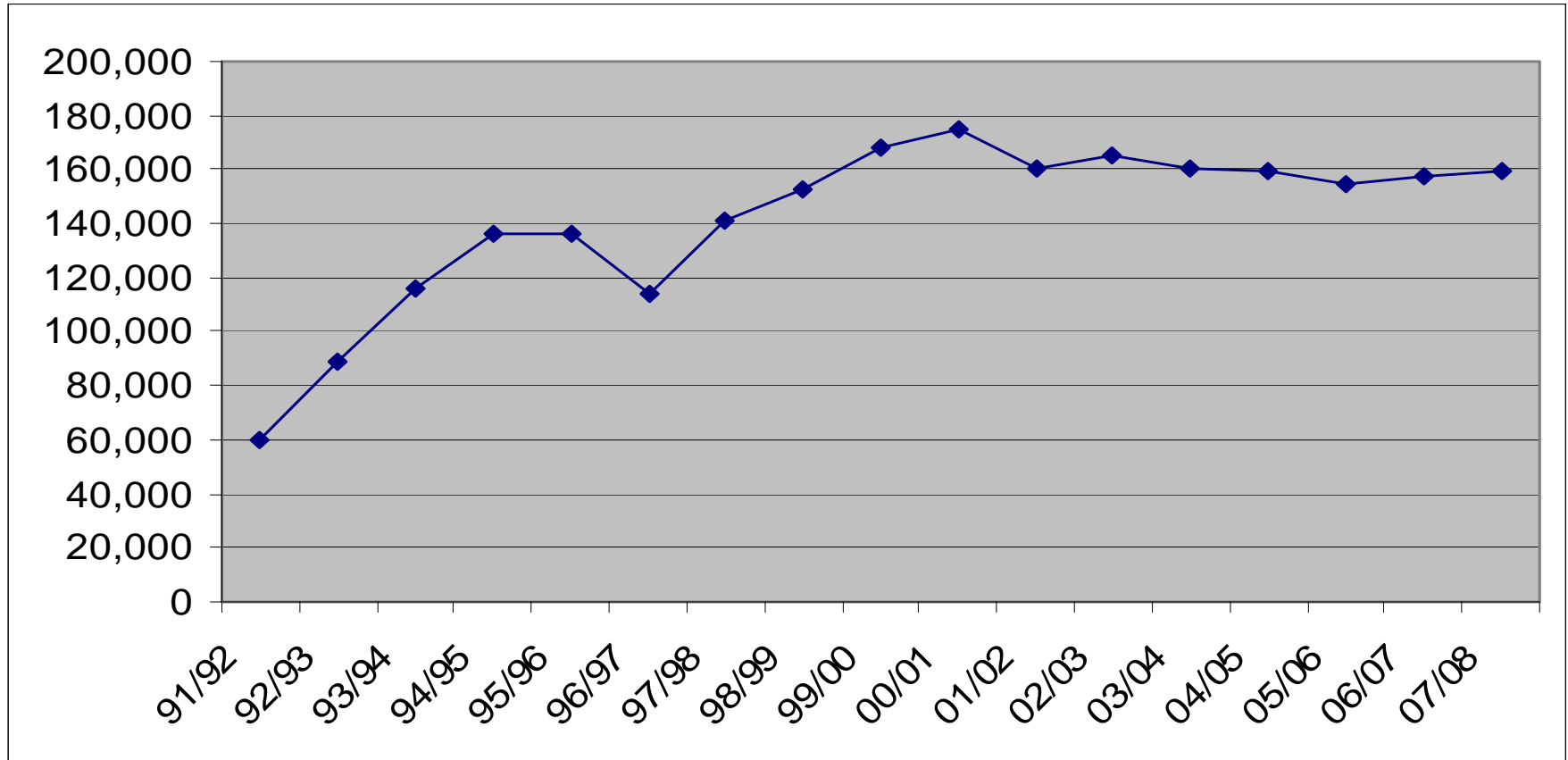
Division of Child Development

Trends in Child Care Subsidy



Division of Child Development

Trends in Child Care Subsidy – Children Served

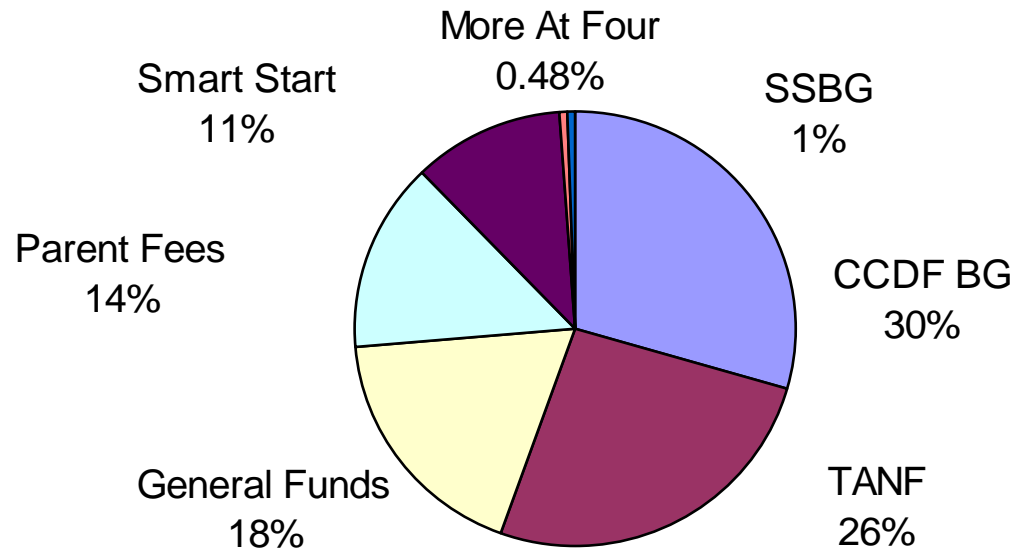


Child Care Subsidy

Funding FY2008-2009

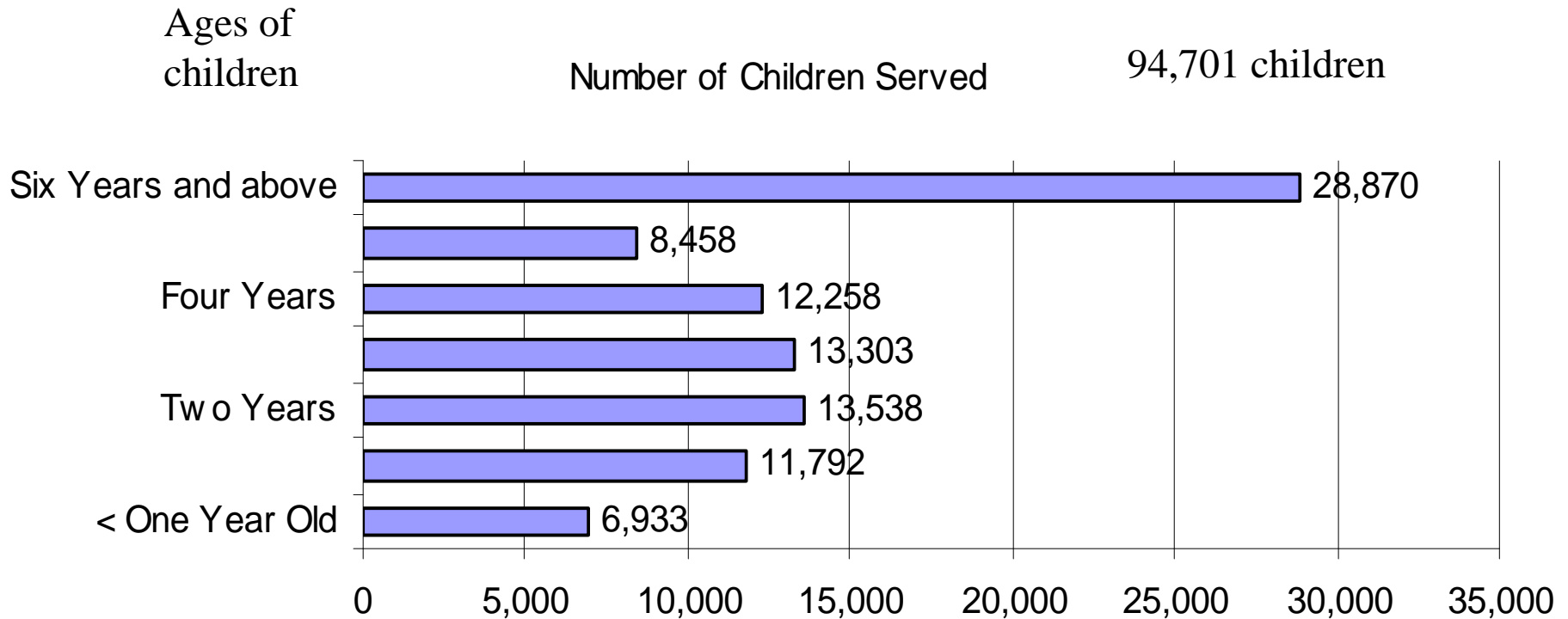
From All Sources

CCDF \$145.8M
 TANF \$129.8M
 State \$90.4M
 Smart Start \$55.3M
 More @ Four \$2.4M
 SSBG \$3.2M
 Parent Fees \$69.8M
Total \$497M



Division of Child Development

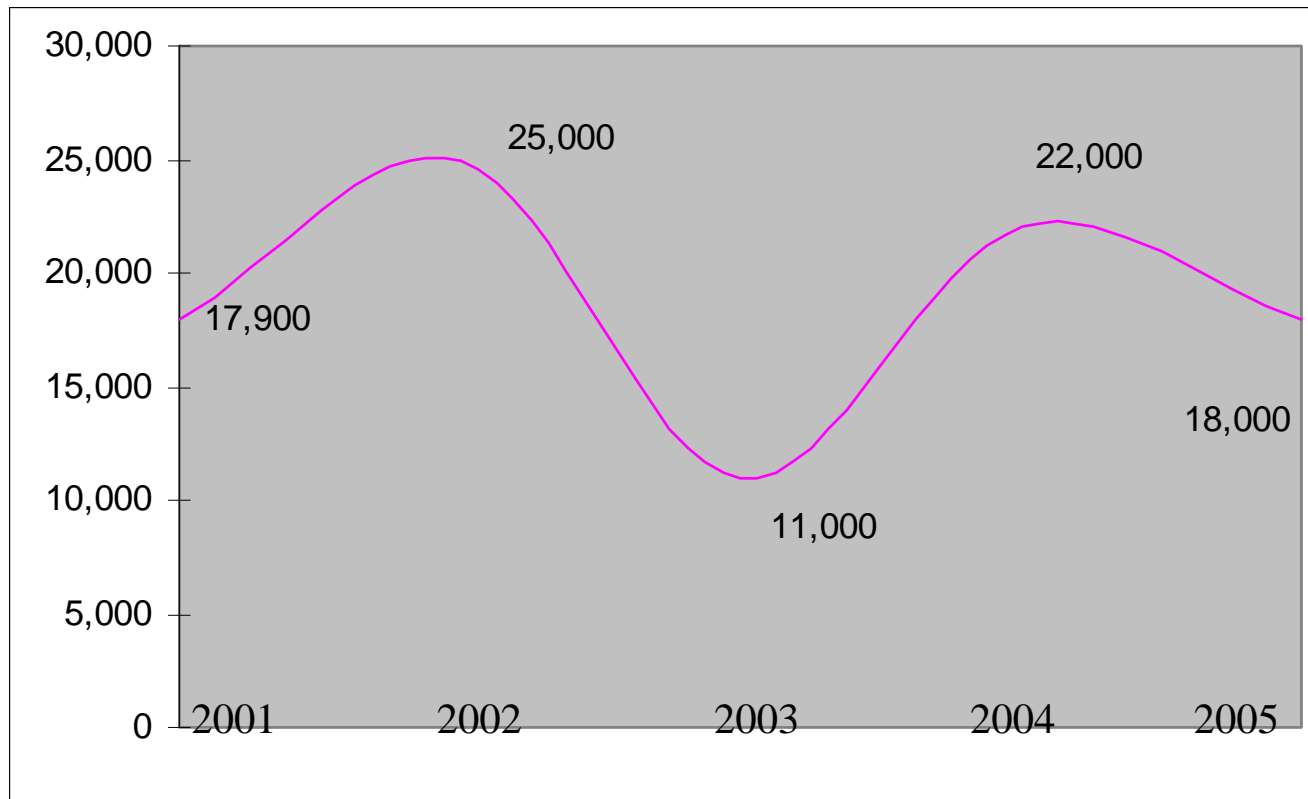
Child Care Subsidy



Based on information from DCD for average monthly total February 2009.

Division of Child Development

Child Care Subsidy Waiting List



*20,000+
in 2009*

Division of Child Development

Subsidy Rates

- NC child care subsidy rates are set at the 75th percentile of market, based on survey data
- Last market rate increase was implemented in October 2007, and market rate adjustment was partial and ranged from 10-30% of the market rate analysis
- Each category has it's own rate based on location, the age of children, and quality of center

1 star	Infant/Toddler
1 star	2 year olds
1 star	3-5 year olds
1 star	School Age
2 stars	Infant/Toddler
2 stars	2 year olds
2 stars	3-5 year olds
2 stars	School Age

Division of Child Development

Quality Enhancement Activities

T.E.A.C.H. Early Childhood Program Provides scholarships; cost shares with child care provider, and individual teacher \$3M

TEACH Health Insurance Program \$3M

Contract for environmental rating scales for centers

Child Care WAGE\$ Program –Salary supplement program

Rewards higher levels of education

Encourages continuing education

Rewards permanency

Funded through Smart Start and \$1.6M in CCDF



Division of Child Development

Current Year Reductions

Budget Shortfall

- FY 2008-09
 - Lapsed Salaries (\$322,787)
 - TEACH Funds, increased in FY2008-09 budget but not awarded (\$100,000)
 - Smart Start Reduction (\$16,075,098)
 - Child Care Subsidy Reduction (\$14,686,301)

Division of Child Development

Budget Items Proposed

- Licensure Fees – Increase of 50% and implement a new fee for child care homes
- Stimulus Funds of \$67M
- One-time TANF child care subsidy funding to replace state funds

Smart Start

Vision:

“Every child reaches his or her potential and is prepared for success in a global community”

Mission:

“Advance a high quality, comprehensive, accountable system of care and education for every child beginning with a healthy birth”

Smart Start

Goals

- Improve quality of early care and education in all childhood settings (centers, homes, Head Start and public pre-K programs)
- Make high quality early care and education affordable through subsidies
- Support families so that they function in healthy ways, to improve their parenting skills and support ability to work
- Assess health needs of young children and improve access

Smart Start

Roles and Responsibilities

- Defined in General Statutes **G.S. 143B-168.11-143.168.15**
- **G.S. 120-123** (Prohibits Board Membership for General Assembly Members)
- **G.S. 143B – 168.11** States that NCPC, Inc. and local partnerships are responsible for “the development of a comprehensive, long-range strategic plan for early childhood development and the provision, through public and private means, of high-quality early childhood education and development of services for children and families”; Intent that “communities be given the maximum flexibility and discretion practicable in developing their plans”

Smart Start

Roles and Responsibilities

- **G.S. 143B-168.12**
- North Carolina Partnership for Children, Inc. 27 Member Board of Directors
- Approve plans, programs, and services developed and implemented by local partnerships.
- Fiscal Management and Contract Monitoring Program Performance
- Determine allocation of funds for Local Partnerships
- Report to the General Assembly annually (December 1)

Smart Start

Role and Responsibilities

- **G.S. 143B-168.15** – Use of State Funds
- Mandatory 30% for child care subsidies; may increase this up to 50% when, based upon a significant local waiting list for subsidized child care, the NCPC determines a higher percentage is needed.
- Mandatory 70% of funding is to be used for Local Partnerships' Direct Services
 - Improve access to child care related activities & early childhood education programs
 - Develop new child care & early childhood education services
 - Improve quality
- 10% Cap on Capital Projects (session law has prevented capital expenditures for many years) of the partnership's allocation for two years

Smart Start

Roles and Responsibilities

- Public/Private Partnership – Required to raise an amount equal to 10% of its public funding.
- FY2007-08 Smart Start raised \$31M (in cash and in-kind donations) \$350M since 1995 (Annual Report to the General Assembly 2009)
- Funding to all 100 counties
- 78 local partnerships
- National Technical Assistance Center



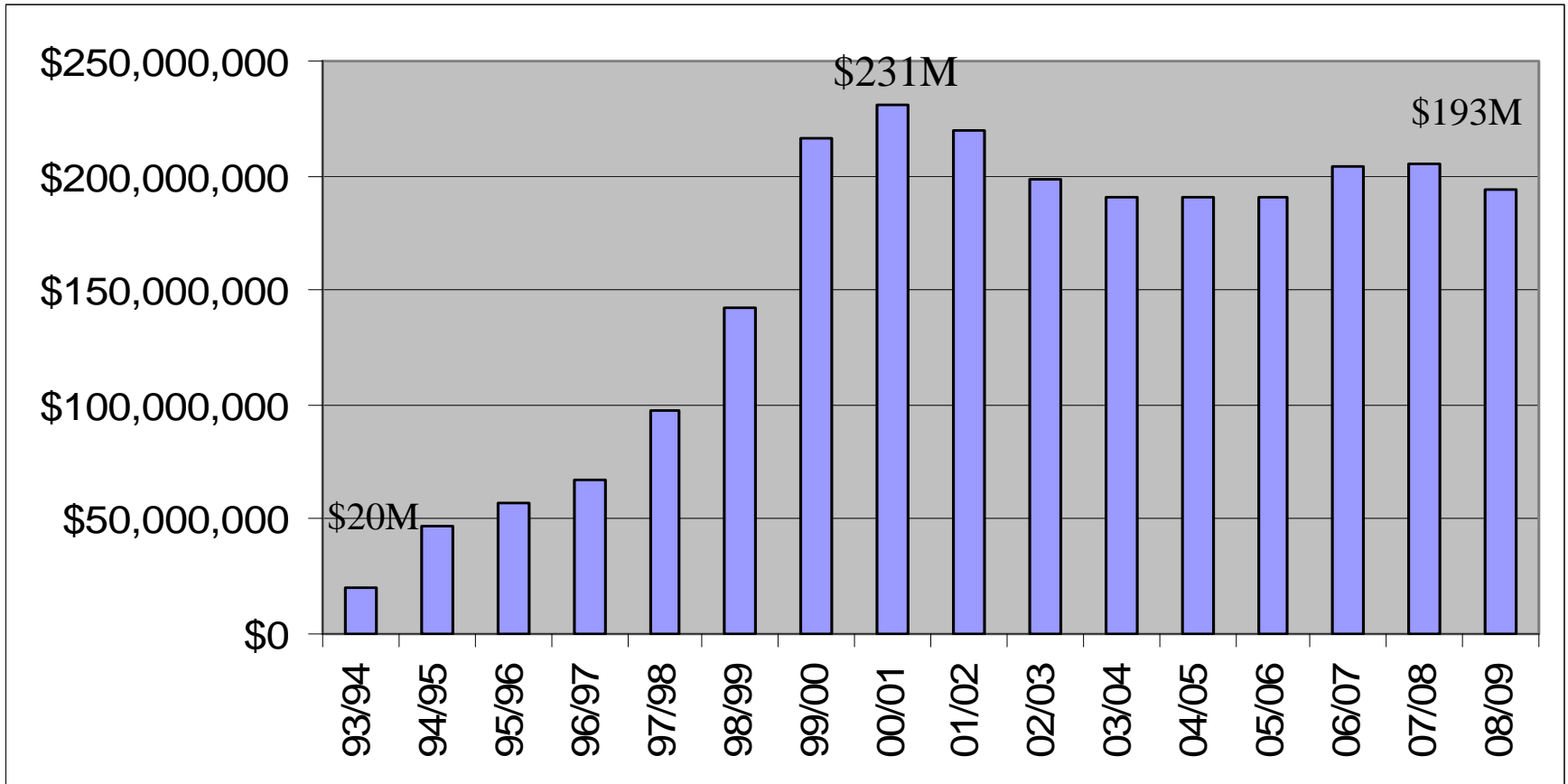
Smart Start

Budget Summary	Actual 2007-08	Authorized Budget 2008-09	Proposed Budget 2009-10	Proposed Budget 2010-11
Appropriations	\$204,963,927	\$193,622,737	\$200,819,364	\$209,697,835
Required Reversions		\$16,075,098		

**State Funds only, does not include other fundraising contributions

Smart Start

History of Funding Growth



Smart Start

Funding for Partnerships

- Full Funding Formula, based on need
- Counties “Need” amount varies and the % of funding as a percent of “Need” varies among counties from a low of 35% to a high of 77%
- Earlier counties tend to have a larger % of need met with funding.

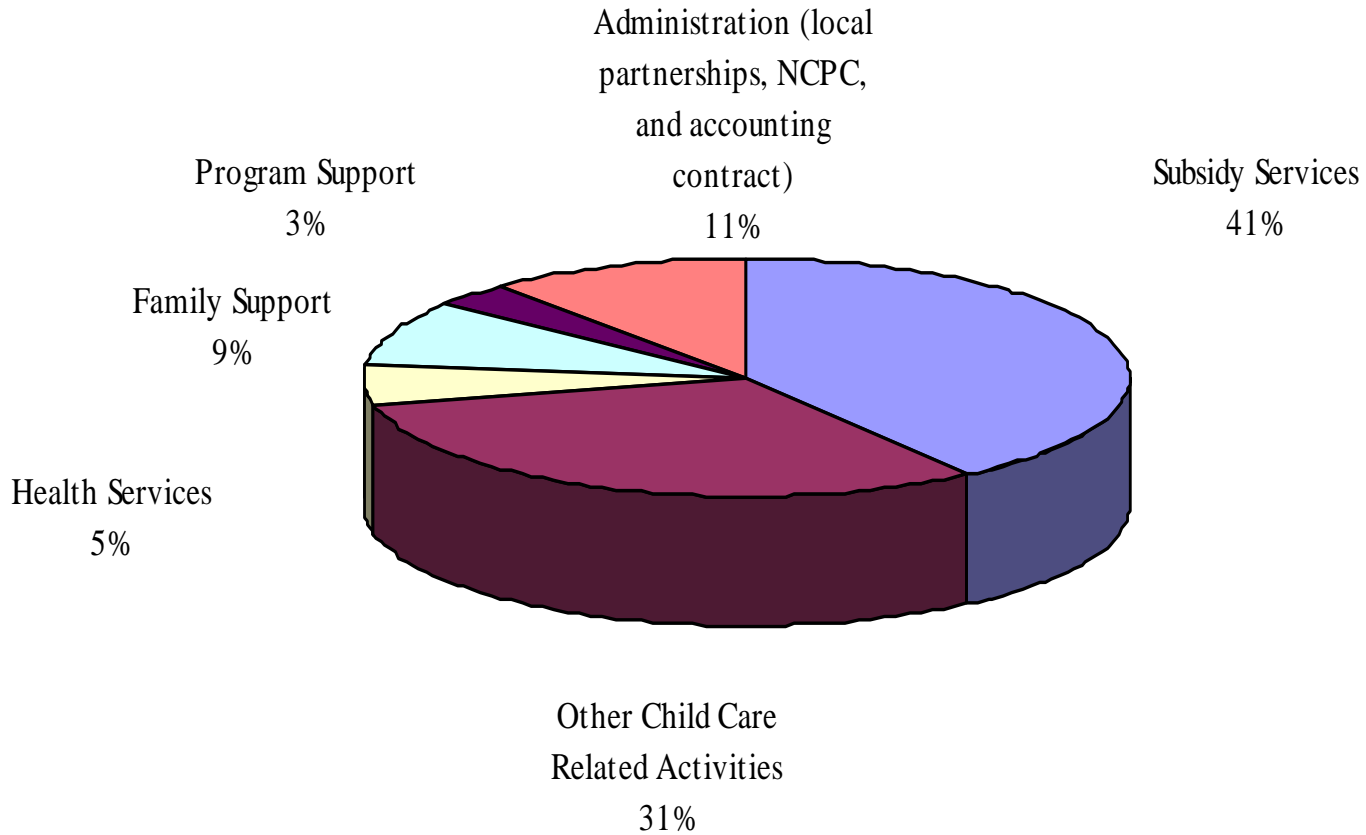
Smart Start

Full Funding Need Formula

- Based on cost of serving children 0-4 plus 25% of 5 year olds in families who spend more than 10% of their income for childcare
 - Basic Health Care
 - Family Support Costs
 - Child Care
- Goal is for Smart Start to provide 25% of the Full Funding Need; statewide approximately 43% of that goal is being met

Smart Start Budget

FY2007-08



Smart Start

Subsidy and Child Care Related Services

FY 2007-08 - \$146.7M

Subsidy \$80M

Quality Enhancement and Maintenance (technical assistance contracts or staff)

Inclusion support for special needs children (equipment, decrease classroom size, subsidy for classrooms of special needs children)

Increase availability (target of infant care in the past)

Headstart wrap-around funding

Support children and families (emergency subsidy for parents recently laid-off from job)

M@4 matching funds

Source - Smart Start Impact Report, Fiscal Year 2007-08

Smart Start
Health Services
FY2007-08
\$10M

Developmental Screenings

Oral Health screenings and services

Speech and hearing services (3-5 year olds)

Prenatal and newborn services

In Home Visits

Child Care health consultants

Reduce childhood obesity pilot



Smart Start

Family Support Services

FY2007-08

\$18.4M

Family Resource Centers programs

Literacy Projects

Kindergarten Transition

In-home visits

Raising a Reader Pilot



Smart Start

Program Support Services

FY2008-09

\$6.5M

Program Evaluation – Contract with people & firms to evaluate the work of service providers

Program Coordination – Work with service providers on quality improvement

Smart Start

Technical Assistance and Audits

Audits are conducted semi-annually

Required Board Training for local partnerships

Require Director to have a Bachelor's Degree & 3 years of nonprofit management

Financial Training

2-Day training for new Executive Directors (contracting, how to raise funds, dealing with media, etc.)

National Technical Assistance Center

Child Care Centers

Evaluation

- **Early Childhood Environmental Rating Scales**
 - Increased from 1993 – 2002
- **Participation in Smart Start funded activities was positively related to child care quality**
- **Children who attended higher quality centers scored significantly higher on measures of skills and abilities important to success in kindergarten than children from lower quality centers**
- “Children from poor families are more likely to have lower kindergarten readiness skills and thus be in greater need of positive early childhood experiences; however, all children benefit from improved programs.”
- Frank Porter Graham Child Development Institute, 2003 Smart Start and Preschool Child Care Quality in NC: Change Over time and relation to children’s Readiness

More at Four

High quality pre-kindergarten classroom education for at-risk 4 year olds

Community-based

Builds on existing early childhood education service delivery systems in communities (child care centers, public school programs, and Head Start programs)

Provides funding for about ½ the total cost of operating the program at the local level (2008 Legislative Report to General Assembly)



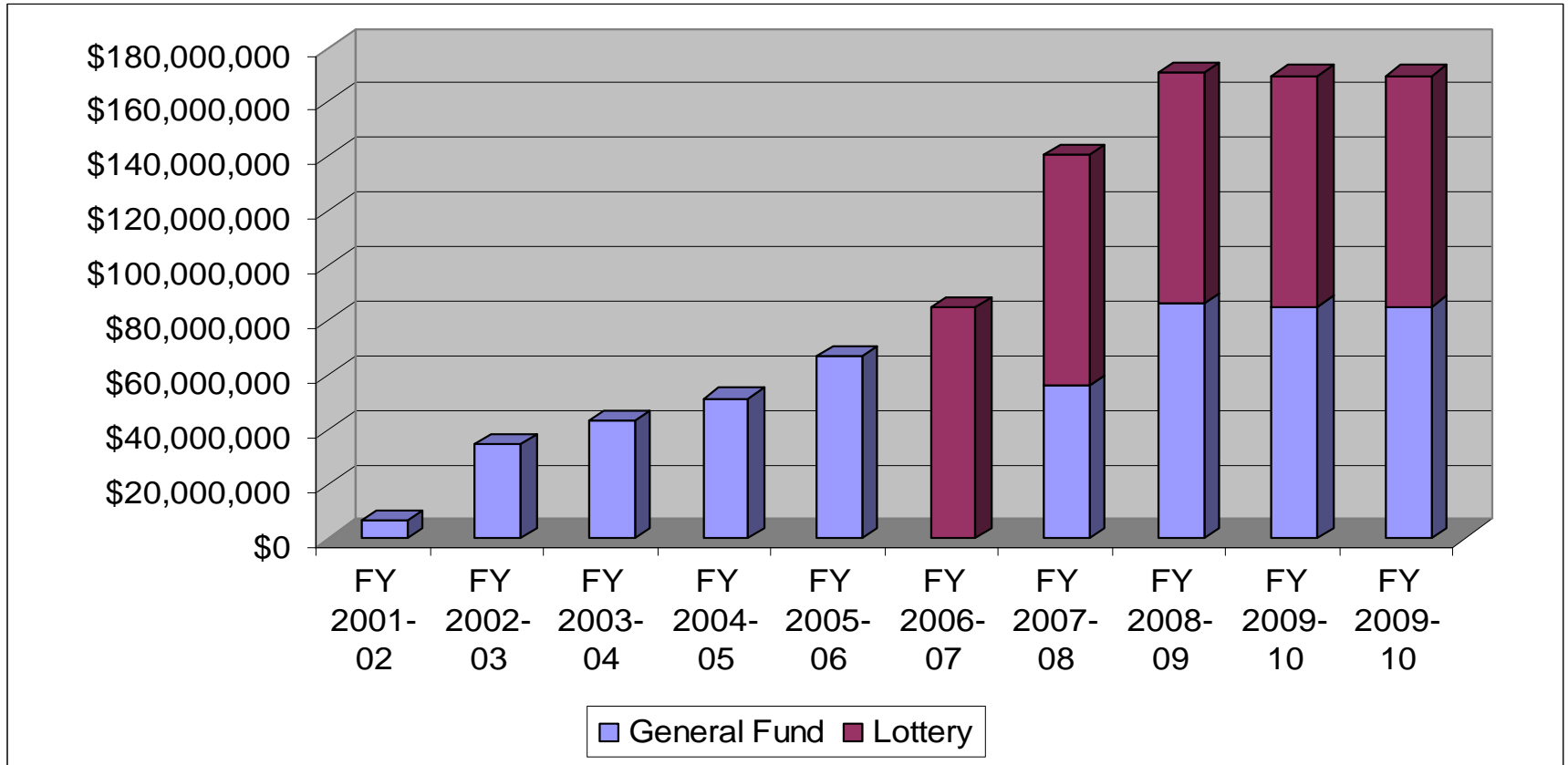
Family Income
Chronic Health Problem or Disability
Family Composition
Limited English Proficiency

More at Four

Budget Summary	FY2007-08	FY2008-09	Proposed 2009-10	Proposed 2010-11
Requirements	140,635,709	170,635,709	169,625,709	169,625,709
Lottery Funds	(84,635,709)	(84,635,709)	(84,635,709)	(84,635,709)
Appropriations	56,000,000	86,000,000	84,990,000	84,990,000
Slots	28,635	32,122	31,920	31,920

More At Four

Funding History



More at Four

2007-08 Budget

Category	Budget
Classroom Start-up Funds	\$6.5 M
Classroom Operational Funds	\$127 M
T.E.A.C.H. Scholarships	\$1.9 M
Professional Development	\$1.3 M
Evaluation & Database	\$916,665
Administrative Costs	\$2,9 M
Total	\$140.5 M

***For FY2008-09, there is \$16,676,455 being spent for administration and operational set-asides in the current year. Local administrators may use allocated funds for administration of the More At Four program.

More at Four

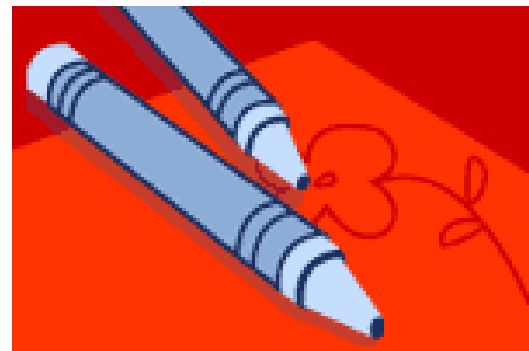
- The More At Four state funds provide about ½ the amount that it costs to operate the program
- Counties receive a per-child allocation based on the relative wealth of the county and child care market rates, and analysis of other factors
- Average \$5,000 per slot; increased from FY2007-08 of \$4,450

More at Four

Where do the other funds come from?

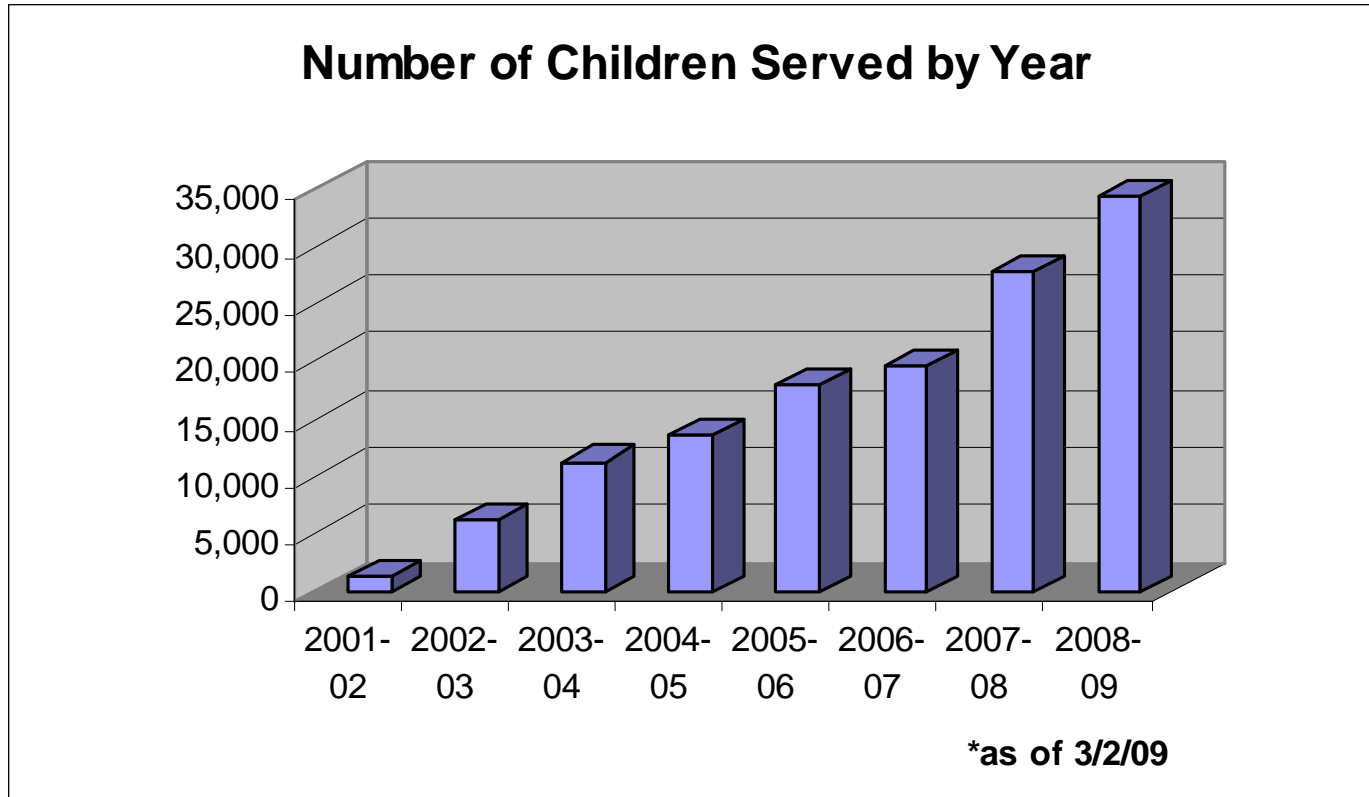
FY2007-08

- Smart Start \$14.9M
- Subsidy (DCD) \$2.8M
- Head Start \$10.3M
- Title I \$8.2M
- Local Appropriations \$8.4M
- Other \$7.4M
- Preschool Disabilities \$3.4M
- Total = \$55.4M



More at Four

Enrollment History



Provided by Office of School Readiness

More at Four

FY2007-08 Enrollment

- 56% of children have never been served in any preschool setting = 15,497
- 17% of children were unserved when enrolled in the More at Four program = 4,704
- 27% of children were previously served in a lower quality setting (not meeting More at Four standards) = 7,473
- Report to the joint Legislative Education Oversight Committee, February 1, 2008

More at Four

Allocation of Slots

- Allocation of slots
 - County's share of at-risk four-year-olds compared with the state totals
 - Free and reduced price lunch participation (DPI's free/reduced lunch percentages)
 - Minimum of 18 slots (one class room)

More At Four

Evaluation

2008

- Study involved over 400 children chosen from randomly selected programs
- Quality was higher in pre-k classrooms than kindergarten classrooms
- Child outcomes had progressed at a higher rate than would be expected in normal development growth (language, math, social skills)
- Children at greater risk entering the M@4 program made greater gains through kindergarten
- Evaluation of the North Carolina More At Four pre-Kindergarten Program Year 6 Report Children's Longitudinal Outcomes and Program Quality Over Time (2003-2007) Frank Porter Graham Child Development Institute

More at Four

Child Care Subsidy Eligibility

	Income	Parent Fees
Child Care Subsidy Program	75% State Median Income	10%, 9%, & 8%
More @ Four	75% State Median Income (20% may have incomes in excess of 75% SMI if they have other designated risk factors)	None

More at Four

Child Care Facilities Teacher Qualifications

<p>5 Star Centers</p>	<p><u>Lead Teachers</u> NCECC or equivalent & 50% must have an Associates Degree in ECE/CD or other degree with 12 semester hours in ECE (or working toward bachelor's degree)</p> <p><u>Teachers</u> 50% of teachers must have NCECC or equivalent and experience</p>
<p>More @ Four</p>	<p><u>Public School Setting</u> All teachers must have bachelor's degree and Birth-Kindergarten (B-K) or preschool add-on licensure (or working towards it).</p> <p><u>Private Setting</u> Provisional approval– teachers will hold a min. of an ECE/CD associate degree and be working toward B-K licensure. Time Limit Provisional – 4 years to have a fully certified teacher</p> <p>81% have bachelor's degree; 56% have that credential add-on</p>

More at Four

Child Care Facilities Curricula

	Curricula
5 Star Centers	Varies (Many 4 & 5 star centers use a curriculum or parts of several curricula) Bonus Points
More @ Four	Bright Beginnings, Creative Curriculum for Early Childhood, Early Educating Children, The Montessori Method, Explorations with young Children

More at Four

Child Care Requirements

Teacher/Student Ratios

	Ratio
Five Star Centers	1:13, max group 25
More @ Four	4 year olds - 1:9, max group 18

More at Four

Child Care Subsidy State Payment Comparisons

	Child Care Subsidy Program	More At Four
# of 4 year olds	12,258	32,122
Average Annual Payment per Slot	\$5,151 (12 months), plus parents pay a fee (approx. \$60/month)	\$5,000 (10 months) Approx. 60% of the cost; paid by other sources total \$8,398
Average Payment per Month	\$429	\$500
Number of Hours/month	220 (approx. 10 per day)	143 (6.5 per day)
Payment Per Hour	\$1.95	\$3.50

Based on subsidy reimbursement amount for 5 star centers.

More At Four

Considerations

- Are parent fees appropriate for families in the More at Four program?
- Are there benefits by combining programs?
 - Smart Start and More At Four
 - Division of Child Development and More At Four
- Evaluations