

Barriers to Expansion of NC Pre-K: Problems and Potential Solutions

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Recommendations to Support NC Pre-K Expansion and Quality

Rising marginal cost per child and declining sources of additional resources significantly impede effective expansion of NC Pre-K in a way that protects the high quality of the program. To combat these barriers, NIEER offers the following recommendations designed to move forward successfully with expansion and attain the goal of enrolling 75% of eligible children in NC Pre-K:

- **Develop targets, potentially “tiered,” for expansion based on census data estimates rather than “waiting lists”** to facilitate reaching the 75% eligible child enrollment goal. Particular attention could be paid to underserved child populations and areas within the state where NC Pre-K services are least available, including the lowest performing schools identified as Comprehensive Support and Improvement Schools under the Every Student Succeeds Act (ESSA).
- **Offer financial incentives for four- and five-star centers that do not currently participate to serve children through the NC Pre-K program**, allowing them to meet its higher quality standards. Permit such programs to supplement their child care subsidy dollars by braiding services or funding to meet NC Pre-K standards so that NC Pre-K funding can supplement but not supplant child care dollars. The average reimbursement rate for a five-star center is \$6,790 for 10 months, which is nearly \$2,000 less than the current average cost of NC Pre-K in private centers. This structure modification will require developing approaches to shared funding that maximize use of child care funds without imposing a requirement of parent copays for the NC Pre-K hours.
- **Increase the base reimbursement rate to recognize that costs have risen since the last rate setting in 2012**, and that, with expansion, costs will rise further while key sources of “matching” funds have been tapped out.
- **Offer grants for startup costs of expansion** that include outreach and recruitment, as well as the much larger expenses for new facilities, equipment, and other capital costs. Alabama and Wisconsin have successfully used startup grants to promote pre-K program expansion.
- **Develop county-specific supplements to increase per child funding rates that address specific barriers to expansion**, thus incentivizing providers to serve at least 75% of all eligible children. If the enrollment percentage is lower, the per child payment could be reduced.
- **Assist private centers in achieving teacher compensation parity between private centers and public schools in the same county.** The gap between private center and public school teacher salaries as a statewide average is about \$18,000, or \$1,000 per child. This could be accomplished by providing supplemental funds to private centers in this amount. Permitting blending of child care subsidy dollars and NC Pre-K funding might address the problem at lower average cost per child to NC Pre-K. The state might also explore ways of supporting cooperatives that would permit private centers to pool costs for insurance, employee benefits, and other expenses. Oklahoma offers yet another approach, in which all pre-K teachers are employees paid by the public schools and participate in the state benefits program, including those who work in private centers.

- **Increase the amount of funding that can be used by NC Pre-K contractors to cover administrative costs to 8%.** Based on the cost study, this is an increase from about \$212.50 to \$425 per child, on average.
- **Explore mechanisms to better utilize child care subsidy and NC Pre-K dollars to serve the same child** at the same public school or private center to allow more flexibility to serve eligible children.
- **Explore allocating NC Pre-K funding through the public school funding formula** in such a way that the program is jointly funded by state, local, and federal dollars for all NC Pre-K children, regardless of whether they are served in a public school, private center, or Head Start. This would expand access to nonstate dollars. School districts would be required to accommodate all eligible children seeking enrollment. Private centers could continue to participate through contracts with districts. States that use the school funding formula for pre-K in a mixed delivery system include Iowa, Maine, Maryland, Oklahoma, Texas, West Virginia, and Wisconsin.

How Other States Provide Added Incentives for Expansion

One way some states address the higher costs of expansion is to provide additional funding for startup of a new pre-K site. These funds tend to be in the form of one-time grants that cover capital costs and other upfront costs for startup or funding for quality enhancements needed to meet program requirements. These mechanisms could help NC Pre-K address its expansion problem. For example, Wisconsin each year offers up to \$3 million in startup grants for new pre-K classrooms. Alabama offers two kinds of supplemental startup grants. The first is “New Classroom Grants” or “Plus Grants”; these are one-year grants for startup costs, including materials, equipment, and furnishings. The second is “Pre-K Excellence Grants” to aid programs in meeting Alabama’s quality standards, for example, financing teacher education and development. These grants are awarded on a three-year cycle. Once expanded, funding would need to be maintained at adequate levels to ensure the quality of the programs and the ability to serve the eligible children enrolled.

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