

**EXECUTIVE SUMMARY**

**Title:** More at Four Funding Rates

**Type of Executive Summary:**

- Action
- Action on First Reading
- Discussion
- Information

**Policy Implications:**

- Constitution \_\_\_\_\_
- General Statute # \_\_\_\_\_
- SBE Policy # \_\_\_\_\_
- SBE Policy Amendment
- SBE Policy (New)
- APA # \_\_\_\_\_
- APA Amendment
- APA (New)
- Other SL 2008-107 Section 7.17(b)

**Presenter(s):** Mr. Philip Price (Associate Superintendent, Financial and Business Services) and Mr. John Pruette (Executive Director, Office of School Readiness)

**Description:**

The Office of School Readiness is required to develop a plan to tier the More at Four slots that are in child care facilities, based on child care subsidy rates. The plan is to be reported to the General Assembly by January 2009. To meet this requirement, the Office of School Readiness is submitting several plan options to the State Board of Education for input and approval.

**Resources:**

State

**Input Process:**

Internal committee with input garnered from local More at Four contractors.

**Stakeholders:**

More at Four programs, families and children to be served.

**Timeline For Action:**

This item was presented to the State Board for Discussion at the December 2008 meeting and is being presented for Action at the January 2009 meeting.

**Recommendations:**

The State Board is asked to approve one of the proposed plan options for submission to the General Assembly.

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Audiovisual equipment requested for the presentation:

- Data Projector/Video (Videotape/DVD and/or Computer Data, Internet, Presentations-PowerPoint preferred)  
Specify: \_\_\_\_\_
- Audio Requirements (computer or other, except for PA system which is provided)  
Specify: \_\_\_\_\_
- Document Camera (for transparencies or paper documents – white paper preferred)  
\_\_\_\_\_

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 Motion By: \_\_\_\_\_ Seconded By: \_\_\_\_\_  
 Vote: Yes \_\_\_\_\_ No \_\_\_\_\_ Abstain \_\_\_\_\_  
 Approved \_\_\_\_\_ Disapproved \_\_\_\_\_ Postponed \_\_\_\_\_ Revised \_\_\_\_\_  
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\*Person responsible for SBE agenda materials and SBE policy updates: Jamie Woodlief; 981-5530.

**SL 2008-107 SECTION 7.17.(b)** The Office of School Readiness shall develop a plan to tier the local More at Four slots that are in child care facilities, based on child care subsidy market rates. The Office of School Readiness shall report the plan to the House of Representatives Appropriations Subcommittee on Education, the Senate Appropriations Committee on Education, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the Education Oversight Committee, and the Fiscal Research Division by January 1, 2009.

### **Background**

The More at Four Pre-kindergarten Program (MAF), currently in its eighth year of operation, will provide high-quality pre-kindergarten services to over 32,000 of North Carolina's four-year-old children in the 2008-09 program year. The program is built upon a diverse system of delivery including public schools, Head Start, and private child care. MAF slots placed in private child care account for 33% of child placements in the current year. The intent of SL2008-107 SECTION 7.17.(b) is to provide adequate funding to private child care to ensure sustainability of their participation in the MAF program.

### **Benefits of ensuring participation of the private sector in the state-funded pre-kindergarten program**

There are numerous benefits associated with participation of private sites in the More at Four Program including, but not limited to:

- increased options for working parents (full day/full year services to include wrap-around care)
- increased capacity for the provision of services (reducing capital costs for the public school sector)
- spillover beneficial effects beyond the children and hours funded by More at Four that reach the entire center impacting readiness for young children
- Increased collaboration among schools, child care providers, and other early care and education programs not only on pre-kindergarten but the full array of supports and services needed by children and their families.

Options for the Board to consider:

- I. Move all county rates (public and private) to a sufficient, sustainable level. This will allow programs to reach and maintain quality at the necessary and required high level. This option supports the position that all slots, regardless of placement should be adequately funded.
- II. In response to SL 2008-107 Section 7.17.(b), the funding methodology utilized for the 2008-09 program year was adjusted to reflect the interest of the General Assembly. County MAF slot rates are supplemented based on the percentage of children being served in the private sector. The supplement is weighted based on child care subsidy market rates and applied to all slots within a county. Rates are then differentiated at the local level.

## **Option I      More at Four Pre-kindergarten Program Sustainability**

### Rationale

Since inception, the More at Four Pre-kindergarten Program has experienced tremendous growth while maintaining an adherence to program standards and producing significant and sustained developmental outcomes for children served. Because of North Carolina's commitment to quality, it has gained national recognition as a model for state-funded pre-kindergarten. In sum, its story has been one of extraordinary success.

Yet, as the program matures, MAF is at a critical juncture in its bid for long-term sustainability. Therefore, this option seeks to define a level of funding necessary to ensure the continued provision of pre-kindergarten services for the state's at-risk four-year old population. It is built upon the premise that the state should provide funds necessary to maintain a diverse delivery system as well as high quality for all programs participating.

In short, adequate funding will:

- Ensure participation of the private sector (increase diversity of delivery system) while not placing a financial burden on the larger early care and education system
- Relieve funding pressures at the local level and allow for the release of "other resources" supporting MAF (Title I, Smart Start, etc.)
- Ensure the maintenance of program quality
- Ensure program sustainability

### Per Pupil Rates: State Funding Levels for North Carolina's Public School Children

Based on FY 2006-07 for K-3 Students

- Funding for a student from a Low Income Family, not performing on grade level, including Disadvantaged Student Supplemental Funding (this scenario most closely approximates the condition of a MAF child) = \$5865
- Additionally, 18.5% of MAF children served are identified as Limited English Proficient (LEP). The state provides an additional \$638.80 per LEP child served in K-3. It seems justified that 18.5% of that amount be added to the MAF slot rate resulting in an additional \$118 per child.
- Similarly, children with identified disabilities in K-3 receive an additional \$3157 from the state. 5.3% of MAF children are so identified. Applying that percentage to the additional rate would result in an additional \$167 per child.
- The sum of all support would result in a per child funding rate of **\$6150** for the MAF program.
- The mid-range estimate of providing HQ pre-kindergarten per child based on various cost study analyses = \$8500
- \$6150 represents 72% of the \$8500 estimated cost cited above.
- That percentage reflects the state's portion of Per Pupil Expenditures for Grades K-12 which was 70% in 2006-07.
- The current MAF rate average is at **\$5000** per slot or 59% of the estimated cost of providing high-quality pre-kindergarten services.

Proposed funding structure

As the More at Four Program has grown and matured over the past eight years, it has become increasingly evident that funding support for public and non-public participants should be provided at differential rates. Non-public entities are best able to offer a high-quality pre-kindergarten program when the core funding level is sufficient to cover the full range of costs for the program. While adequate funding is essential for schools as well, it is a particular concern for private centers that lack the institutional capacities of schools. Therefore, the offered funding structures reflect both a public and private rate.

**1. Rate increase with expansion funding**

Public rate = state funding share described in Per Pupil Rates: Real costs

Private rate = 90% of mid-range estimate of per pupil cost for high-quality program (\$8500)

# slots currently funded	Proposed rate	Operational funds needed (slots x rate)	Amount increase
32,122	Public rate = \$6150 Private rate = \$7650	(32,122 x .67) = 21,522 slots x \$6150 = \$132,360,300 (32,122 x .33) = 10,600 slots x \$7650 = \$81,090,000 total = \$213,450,300	+ \$52,840,300

**2. Rate increase with expansion funding**

Both public and private rate = state funding share described in Per Pupil Rates: Real costs

# slots currently funded	Proposed rate	Operational funds needed (slots x rate)	Amount increase
32,122	Public rate = \$6150 Private rate = \$6150	(32,122 x .67) 21,522 slots = \$132,360,300 (32,122 x .33) 10,600 slots = \$65,190,000 total = \$197,550,300	+ \$36,940,300

**3. Rate increase with expansion funding**

Public rate remains static

Private rate = state funding share described in Per Pupil Rates: Real costs

# slots currently funded	Proposed rate	Operational funds needed (slots x rate)	Amount increase
32,122	Public rate = \$ 5000 Private rate = \$6150	(32,122 x .67) 21,522 slots = \$107,610,000 (32,122 x .33) 10,600 slots = \$65,190,000 total = \$172,800,000	+ \$12,190,000

**4. Rate increase within existing funding**

Public rate = state funding share described in Per Pupil Rates: Real costs

Private rate = 90% of mid-range estimate of per pupil cost for high-quality program (\$8500)

Slots funded and resulting decrease	Proposed rate	(available funding / rate) = total slots possible
24,425 (-7,697)	Public rate = \$6150 Private rate = \$7650	(\$160,610,000 x .67) = \$107,608,700 / \$6150 = 17,497 slots funded (\$160,610,000 x .33) = \$53,001,300 / \$7650 = 6,928 slots funded Total slots funded = 24,425

**5. Rate increase within existing funding**

Both public and private rate = state funding share described in Per Pupil Rates: Real costs

Slots funded and resulting decrease	Proposed rate	(available funding / rate) = total slots possible
26,155 (-5,967)	Public rate = \$6150 Private rate = \$6150	$(\$160,610,000 \times .67) = \$107,608,700 / \$6150 = 17,497$ slots funded $(\$160,610,000 \times .33) = \$53,001,300 / \$6150 = 8,618$ slots funded Total slots funded = 26,155

**6. Rate increase within existing funding**

Public rate remains static

Private rate = state funding share described in Per Pupil Rates: Real costs

Slots funded and resulting decrease	Proposed rate	(available funding / rate) = total slots possible
30,140 (-1,982)	Public rate = \$5000 Private rate = \$6150	$(\$160,610,000 \times .67) = \$107,608,700 / \$5000 = 21,522$ slots funded $(\$160,610,000 \times .33) = \$53,001,300 / \$6150 = 8,618$ slots funded Total slots funded = 30,140

**Option II 2008-09 Funding Methodology: Private Child Care Slot Supplement Weighted to reflect Subsidy Market Rate Differential**

**2008-09 Slot Rate Methodology**

MAF county rates are determined by two factors; 1) relative wealth of a county, and 2) child care subsidy market rates:

- Wealth of a county – utilizing county low-wealth rankings, county rates were determined directing more funding to counties with a lower percentage of wealth.
- Child care subsidy market rates – utilizing a funding weight based on county child care market rates, county MAF rates were supplemented to support each MAF slot placed in the private sector. Supplements were applied to all slots within the county. Local differentiation decisions on rates were then made.

Those counties with lower wealth received a higher base rate and those with a higher child care subsidy market rate received a higher funding weight which resulted in a larger supplement to each slot placed in a private care facility. The overall impact was an increase in the MAF slot funding allocation for those counties with higher wealth status and higher child care market rates with significant child care participation in MAF. In effect, this methodology had a leveling effect on slots rates across the state.

**Example 1      Mecklenburg County**

Mecklenburg County has a MAF market rate weight = 1.39 which is reflective of its child care subsidy market rate relative to other counties. Applying that weight to the MAF base supplement of \$120, each private care slot in Mecklenburg generated another \$167 per slot. With 1,022 (60%) slots in private care, the Mecklenburg funding allocation was increased by \$170,674. Mecklenburg's MAF slot rate = \$5,020 per year.

**Example 2      Alleghany County**

Alleghany County has a MAF market rate weight = 1.099 which is reflective of its child care subsidy market rate relative to other counties. Applying that weight to the MAF base supplement of \$120, each private care slot in Alleghany could generate another \$132 per slot. With no slots (0%) in private care, the Alleghany funding allocation was not increased. Alleghany's MAF slot rate = \$4,920 per year.

**Example 3      Burke County**

Burke County has a MAF market rate weight = 1.00 which is reflective of its child care subsidy market rate relative to other counties. Applying that weight to the MAF base supplement of \$110, each private care slot in Burke generated another \$110 per slot. With 53 slots (12%) in private care, the Burke funding allocation was increased by \$5,830. Burke's MAF slot rate = \$4,980 per year.

**Example 4      Robeson County**

Robeson County has a MAF market rate weight = 1.24 which is reflective of its child care subsidy market rate relative to other counties. Applying that weight to the MAF base supplement of \$120, each private care slot in Robeson generated another \$149 per slot. With 175 slots (33%) in private care, the Robeson funding allocation was increased by \$26,073. Robeson's MAF slot rate = \$5,010 per year.