

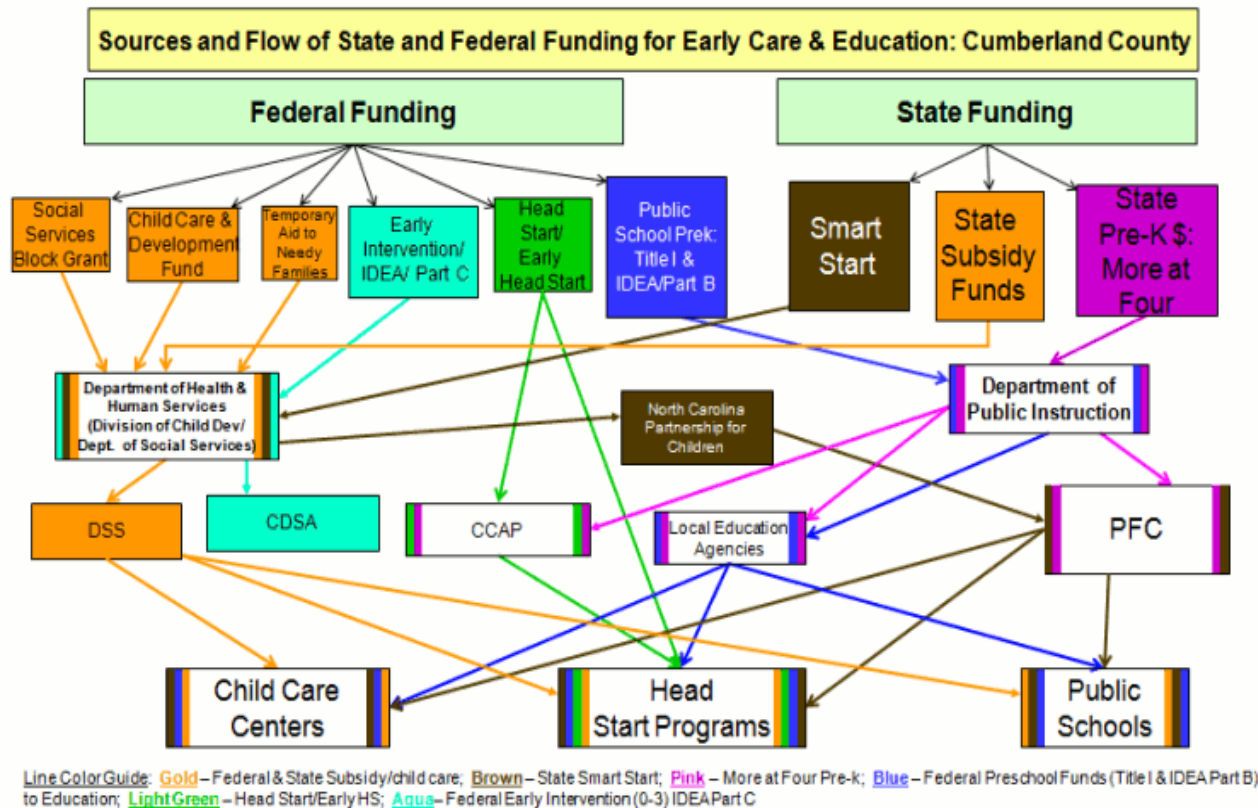


Smart Start Analysis

Reconciling North Carolina's
Humanitarian and Fiscal Needs

By: Andrew Henson

A Microcosm of Early Childcare Funding Streams





- Smart Start is one of two distributors (along with Department of Social Services) of state funding through DHHS for programs pertaining to early childcare development and education.
- **Mission:** “Advance a high quality, comprehensive, accountable system of care and education for every child beginning with a healthy birth.”
- **Smart Start funding goes to children 0 – 5 years of age**



- Created in 1993 under Governor Jim Hunt
- Initially operated 12 partnerships in 18 counties, but expanded to 77 local partnerships, funding programs in all 100 counties
- Smart Start program administered by the North Carolina Partnership for Children (NCPC), a 501(c)3

Smart Start: Statutory Obligations

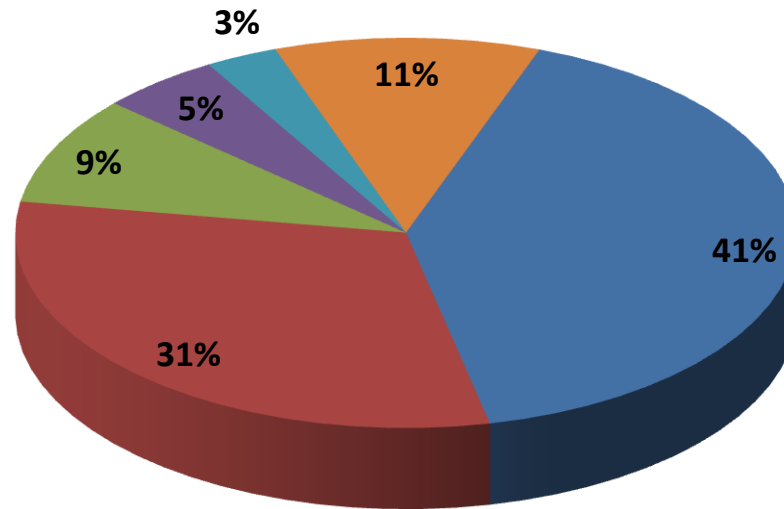
- **G.S. 143B-168.15** – Use of State Funds
 - Mandatory 30% for childcare subsidies; may increase this up to 50% when, based upon a significant local waiting list for subsidized childcare, the NCPC determines a higher percentage is needed.
 - Mandatory 70% of funding is to be used for Local Partnerships' Direct services
- Average administrative costs for local partnerships cannot exceed 8 percent of total statewide allocations to local partnerships.

NCPC Budget

FY10-11 Budget: \$180.08M

Smart Start Historical Expenditure: FY 2009-10

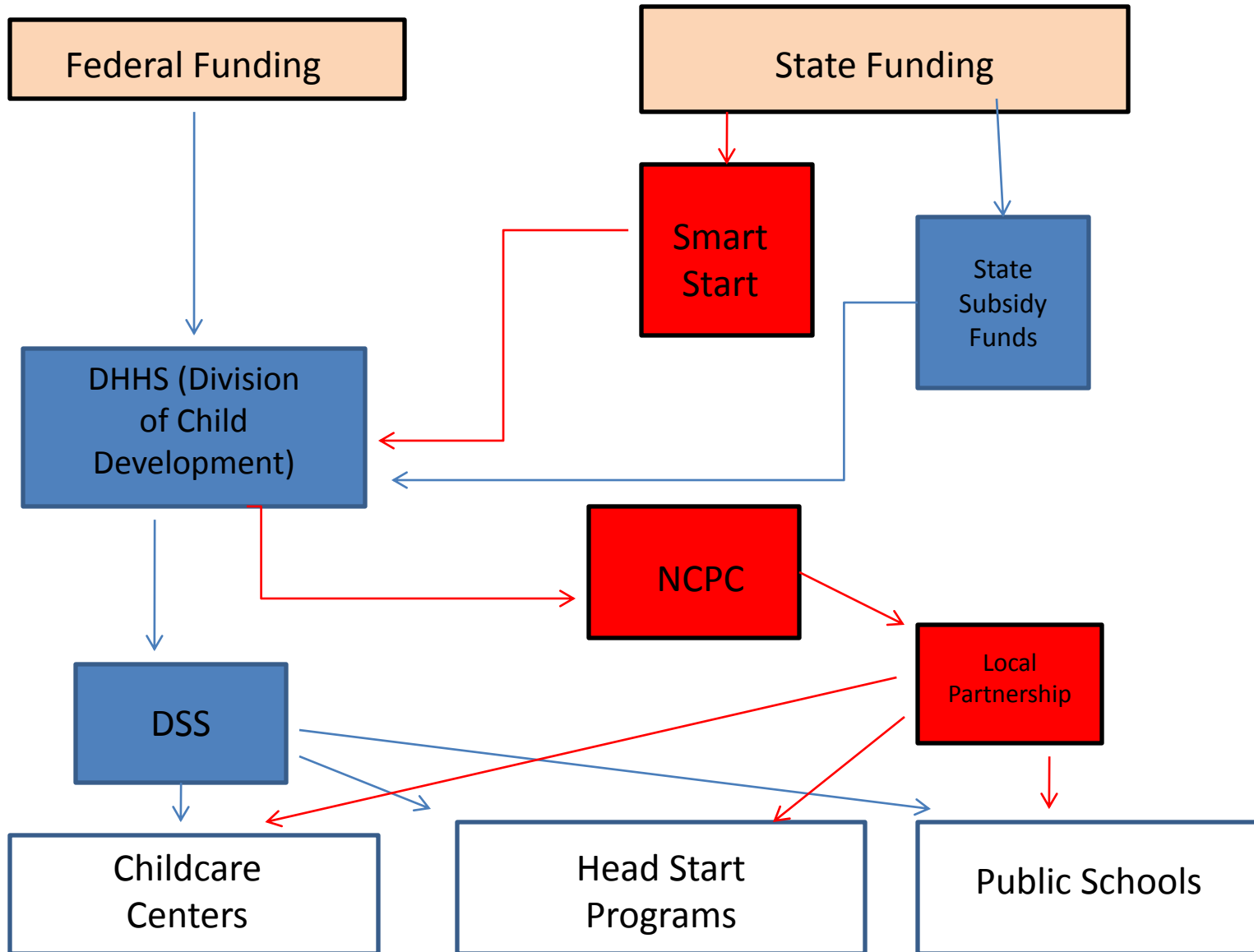
- Subsidy Services
- Family Support
- Program Support
- Other Child Care Related Activities
- Health Services
- Administration



Data provided by Fiscal Research Division.

DCD Administration

- The Division of Child Development (DCD) reports that total administrative costs for DCD reach 5.3 percent of the total budget of subsidy services of \$394.2M for FY10-11.



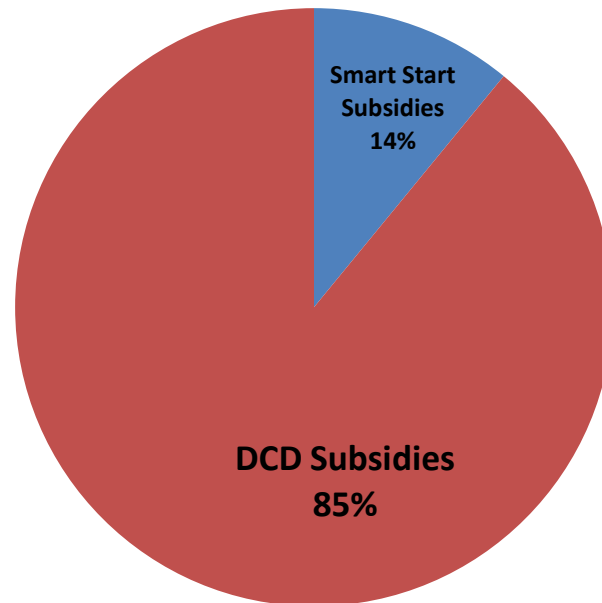
Childcare Subsidies



Childcare Subsidies in North Carolina

**NC Childcare Subsidies
FY 2009-10**

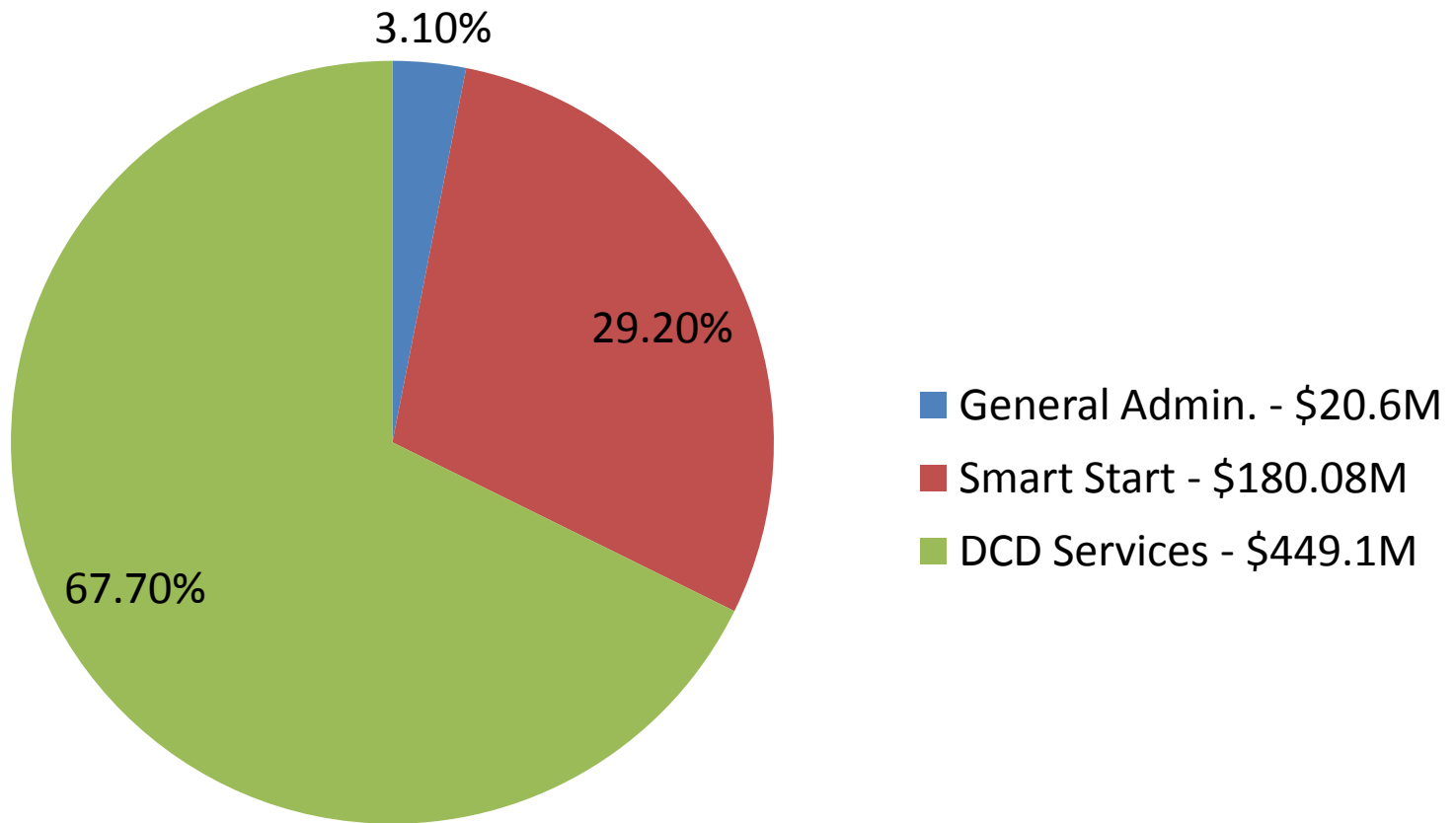
Smart Start composes a very small fraction of childcare subsidies in the state.



- Smart Start Subsidies - \$80M
- DCD Subsidies - \$470M

Includes extra \$60M in stimulus funds for DCD under CCDF Block Grant.

Division of Child Development (DCD) Budget FY 2009-10



What are Childcare Subsidies?

- A childcare subsidy is a reimbursement delivered to childcare service providers to pay for childcare services for eligible families

Smart Start – Full Funding Need Formula

- Based on the cost of serving 0-4 year children, plus 25% of 5 year old families who spend more than 10% of their income for childcare
- **Goal:** Smart Start to provide for 25% of the Full Funding Need; Currently meeting 31.5% of that goal.

Subsidies Under DCD

- Subsidy rates for DCD are set at the 75th percentile of the market rate for childcare, based on survey data
- Maximum gross annual income for initial eligibility is 75% of the State Median Income (SMI), adjusted for family size.

Family Fees

- Fees for families who are required to share in the cost of care shall be established based on a percent of gross family income and adjusted for family size:
 - 1-3 children families pay 10%
 - 4-5 children families pay 9%
 - 6 or more children families pay 8%

Smart Start Subsidies

- The Local Partnerships typically contract with the local DSS to distribute childcare subsidies
 - Sometimes the local partnership will contract with an alternative entity to distribute subsidies instead of the local DSS – creating a **‘dual system’**

Dual Subsidy Systems

- **Confusion** – In some counties, Smart Start operates its own subsidy system(s) in addition to the subsidy being administered by the local DSS, which is reported to cause confusion among participants and providers.

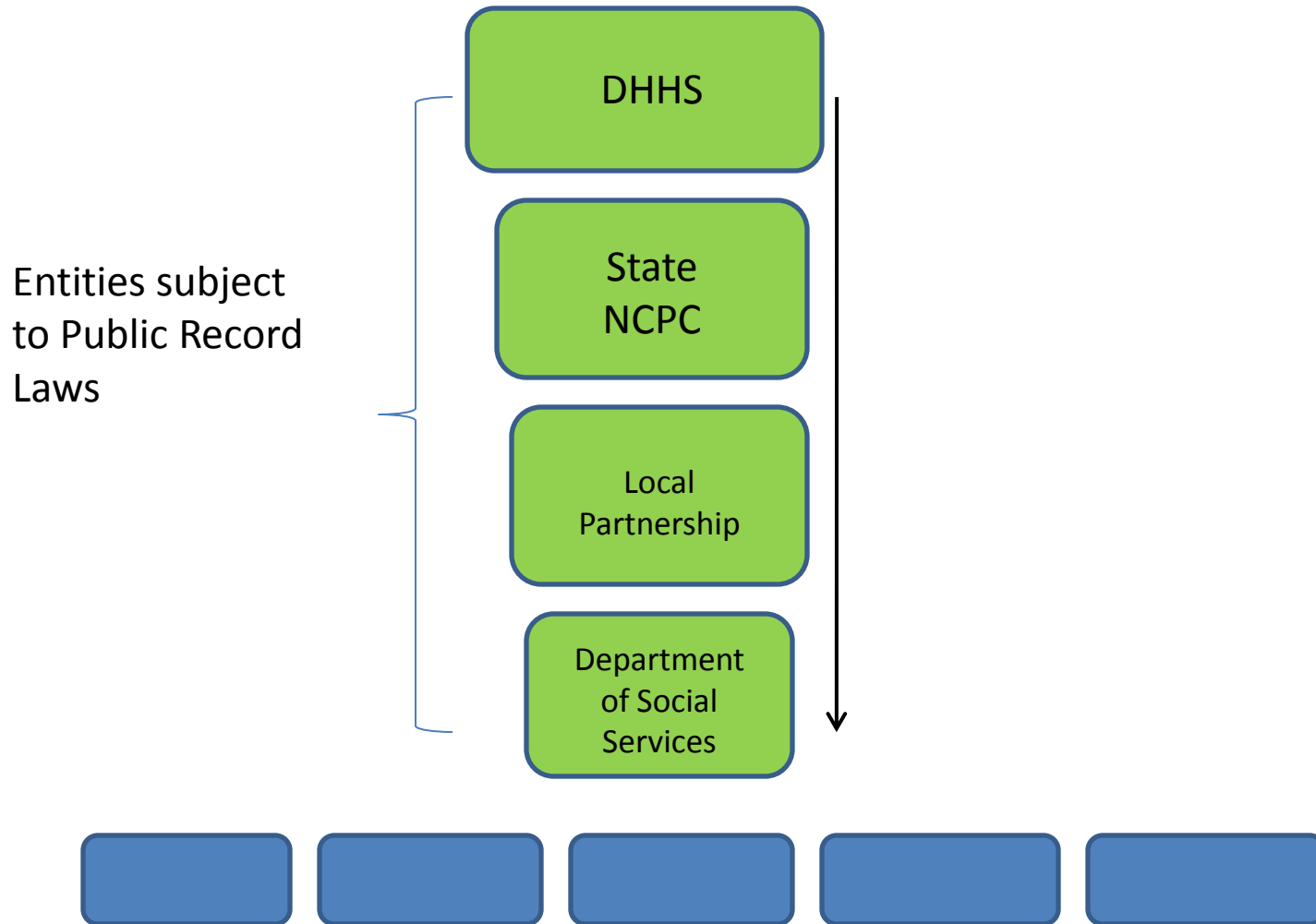
Dual System Confusion – NCACDSS

- **Parents have a problem understanding the differences in the programs.**
 - For example: Parent has 2 children, ages 7 and 2. If the parent goes to Smart Start, if eligible, they can enroll their 2 year old. Parent still needs care for her 7 year old. Parent comes into DSS and receives subsidy for her 7 year old. So now, parent has 2 parent fees (one with Smart Start and one with DSS).
- **Providers have a hard time keeping up with the differences in the two programs.**
 - Paperwork is different for each program and it makes it hard on the providers to keep them straight, especially if the parent has 2 children and is receiving help from both programs. NCACDSS reported several complaints from child care providers about how confusing it is.

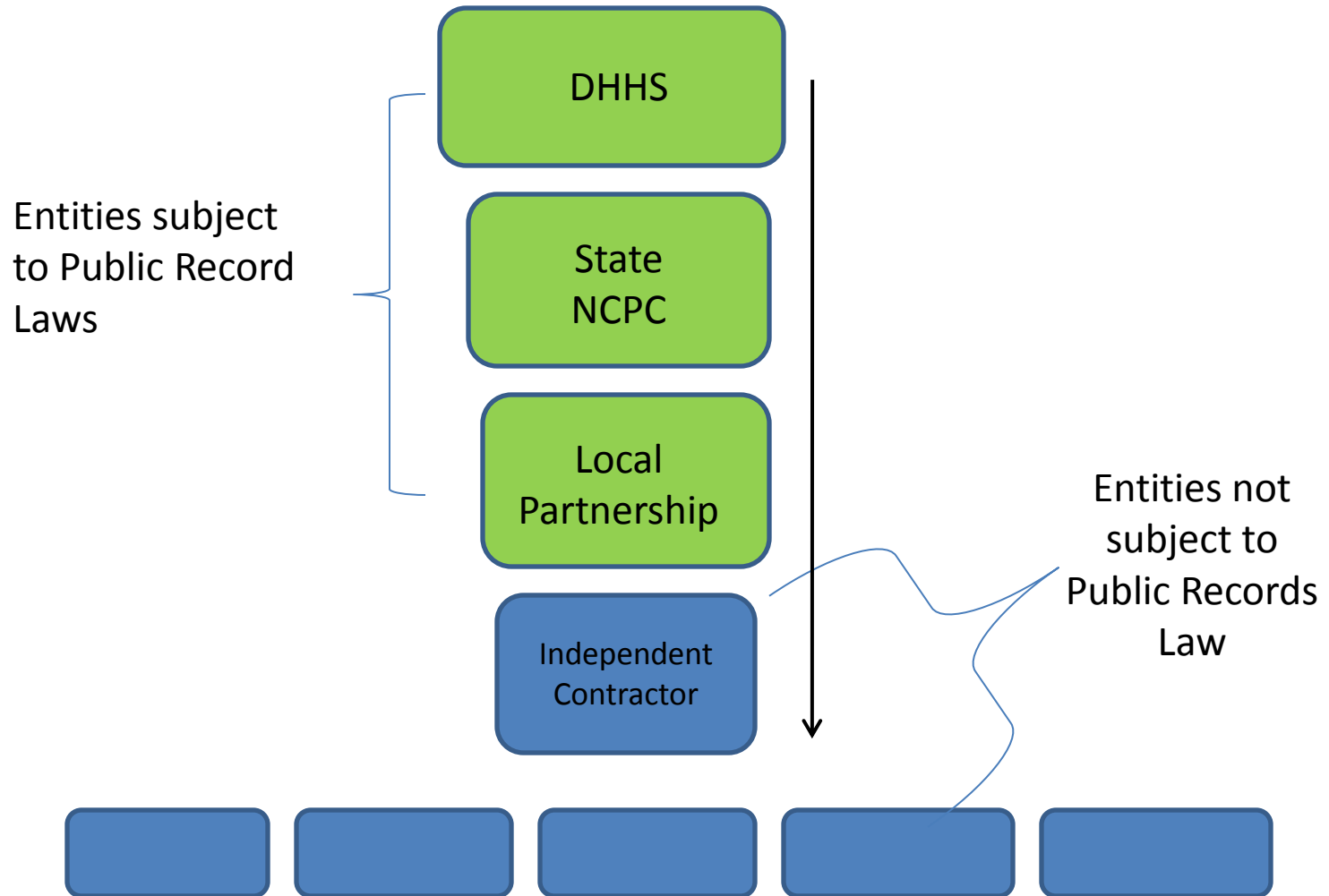
Dual System Concerns

- Public oversight is a concern when Smart Start contracts with other non-state entities to distribute subsidies:
 - Administrators are not subject to Article 33C of Chapter 143 of the General Statutes, the Open Meetings Law, and Chapter 132 of the General Statutes, Public Records Law.

Lack of Oversight – Dual Subsidy



Lack of Oversight – Dual Subsidy

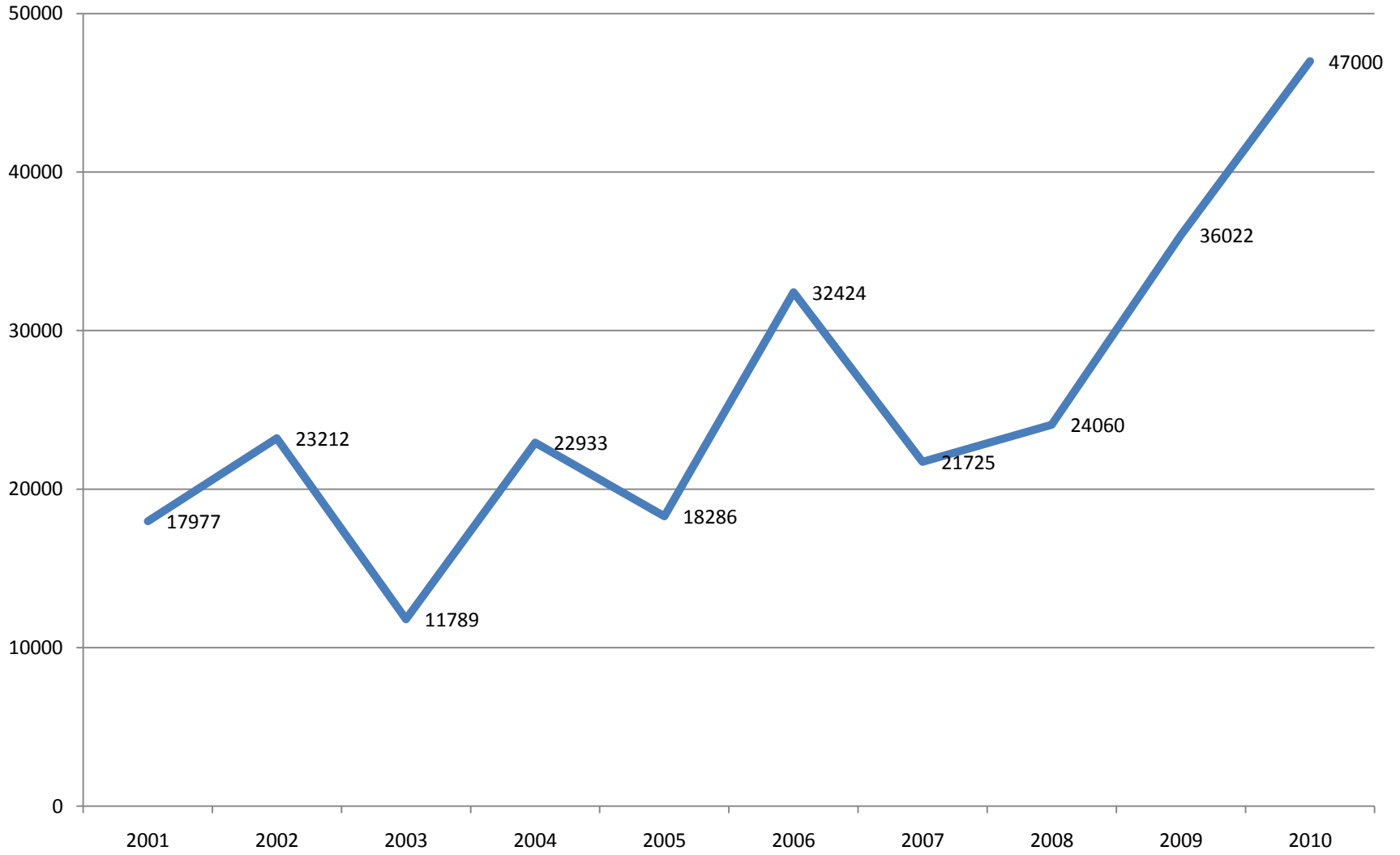


Childcare Subsidy Problem

- DCD reports it can only provide subsidy services to 27 percent of children eligible to receive childcare subsidies.

Division of Child Development

Child Care Subsidy Waiting List



Prioritize Subsidy Waitlist

- “The vast majority of County DSS Directors support the idea that addressing the child care subsidy waiting list should be our top early childhood priority because you are talking about helping working parents maintain employment.”
 - *Glenn Osborne, Wilson County Director of Social Services*

Non-subsidy Funding



NCPC Non-subsidy Programs

- NCPC provides funding for a variety of non-subsidy programs, many of which provide a less important service to North Carolinians than childcare subsidies.

NCACDSS Recommendation

- “Our association recommended that the Smart Start services currently being provided by local partnerships be carefully evaluated in terms of long term sustainable results and that all noncore services be considered for elimination and funds be redirected back to subsidy to support working families.”

– *Glenn Osborne, North Carolina Association of County Directors of Social Services*

NCACDSS Recommendation

- “We question if the noncore services are justifiable in these very difficult economic times.”

– *Glenn Osborne, North Carolina Association of County Directors of Social Services*

Smart Start Non-subsidy Funding

- *Health Services - FY2008-09*
 - *\$6.8 million*
 - 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 Non-subsidy Funding

- *Family Support Services - FY2008-09*
 - *\$19.4 million*
 - Literacy Projects
 - Kindergarten Transition
 - In-home visits
 - Raising a Reader Pilot
 - Teens N Tots
 - Parents as Teachers

Non-subsidy Funding Example #1

- **Grow a Teacher – Durham County Partnership for Children**
- FY09-10 Budget: \$87,510
 - **Outputs:**
 - 132 teachers received professional development and counseling
 - 66 teaching staff enrolled in for-credit courses
 - 33 childcare centers
 - 9 professional development seminars
 - **Description:** Grow A Teacher provides professional development counseling services to child care professional including financial aid information, help preparing a professional development plan, and assistance in applying to colleges and universities. Recent high school graduates are mentored to apply to and enroll in semester credit-hours toward a degree in early education.
 - **Outcomes:**
 - 0% of scholarship recipients completed at least 12 semester credit hours towards their degree in early childhood with a grade of C or better. Goal was 100%.
 - 57% of lead teachers enrolled in school earned at least 6 credit hours in ECE related or pre-requisites with a “C” or better. Goal was 80%.
 - 57% of lead and assistant teachers that received professional development counseling and have written a professional development plan enrolled in ECE related courses or prerequisites. Goal was 80%.

Non-subsidy Funding Example #2

- **Durham Inclusion Support Services – Durham County Partnership for Children**
- FY09-10 Budget: \$55,176
 - **Outputs:**
 - 21 children
 - 20 families
 - 105 teachers participated in on-demand training
 - 44 teachers attended workshop training series
 - 17 child care facilities
 - **Description:** Durham Inclusion Support Services (DISS) provides consultation, technical assistance, and training to child care providers and families who care for a child for whom there is a developmental, behavioral, or social-emotional concern.
 - **Outcomes:**
 - 40% of provider who received on demand training reported an increase in knowledge and skill in teaching children with developmental, behavioral or social emotional needs as a result of training, as evidenced on pre and post training surveys.
 - 51% of all providers who attended a training series increased their knowledge and skill in teaching children with developmental, behavioral or social emotional needs as a result of training, as evidenced by pre and post training surveys.

Other Non-subsidy Examples:

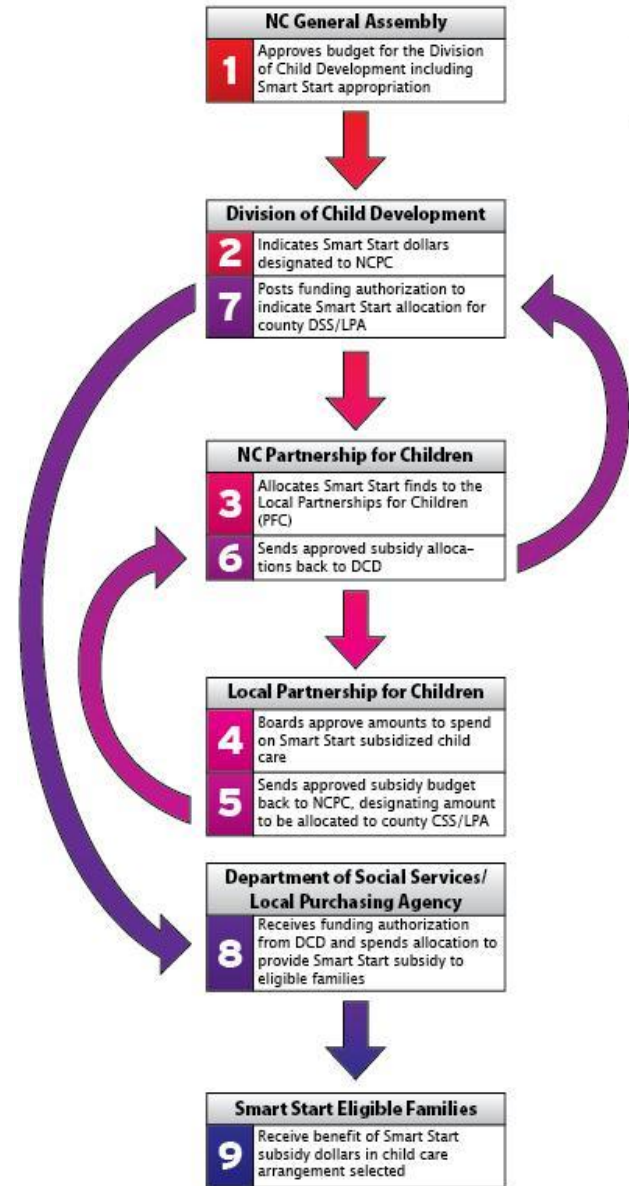
- Mecklenburg Co. NCPC's Director's Leadership Academy: FY09-10 - \$154,977
 - “Provides training, technical assistance and peer mentors to child care administrators, and those interested in becoming administrators, to assist them in strengthening their leadership, business, and administrative skills.”
- Mecklenburg Co. NCPC's Raising a Reader: FY09-10 Budget - \$72,099
 - “Promotes daily book sharing between parents and children by providing rotating bags of 4 high quality books to children in high-quality childcare centers.”
 - Parents provided with a movie to describe how to read a book to your children
 - Administrators must receive RAR training and become a member of the national chapter of RAR

Additional Concerns

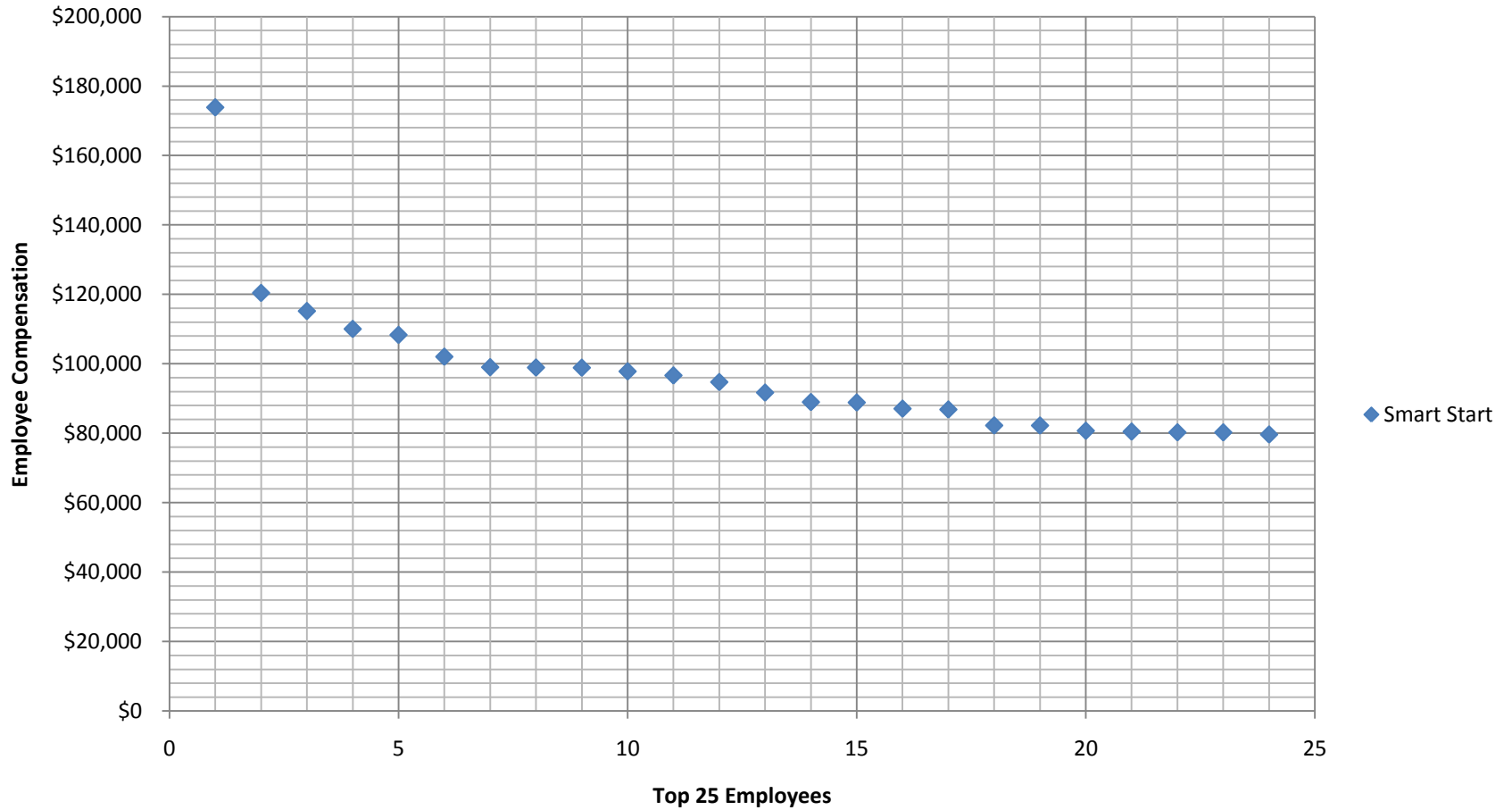


Red Tape & Bureaucracy

- Long chain of administrative procedure characterize the processes by which NCPC distributes funding
- In FY09-10, NCPC spent 11 percent of its budget on administration compared to DCD's 5.3 percent



Top 25 Paid Employees



Data provided by DHHS and local NCPC Partnerships.

Stakeholder Input

- “The vast majority of County DSS Directors support the idea that addressing the child care subsidy waiting list should be our top early childhood priority because you are talking about helping working parents maintain employment, foster children have the child care they need in order to remain in their communities and for abused/neglected children to receive child care in order to prevent future placement into foster care.”
 - Glenn Osborne, Wilson County Director of Social Services

2010 Task Force Recommendations

- The 2010 Task Force on the Consolidation of Early Childhood Education and Care made the following recommendation:
 - *“Early Childhood programs should be eventually administered under a single entity.”*

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