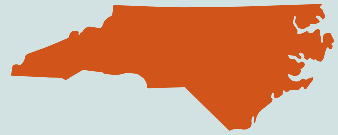
CHILD CARE SUBSIDY REIMBURSEMENT RATE FLOOR



North Carolina's Child Care System is in Crisis. The Funding Structure is a Root Cause.

What Is the Reimbursement Rate Floor?

A statewide reimbursement rate floor is a targeted solution for stabilizing child care.

North Carolina's Child Care Subsidy Program helps working and student parents afford licensed child care by sending a state reimbursement to licensed child care programs that serve families with vouchers. Today, those reimbursement amounts vary widely by county and are not based on the cost of delivering high-quality care.

A statewide reimbursement rate floor would:
Set a minimum per-child reimbursement rate, based on age group and program quality, across all 100 counties, making budgeting more predictable and easing administrative burdens for both providers and county agencies.

WHAT LEGISLATORS SHOULD KNOW

- From January to October 2025 alone, **280 child care programs closed statewide**, with closures outpacing openings throughout the year.
- **Three independent analyses** (NC Task Force on Child Care and Early Education Year End Report 2025, NC Child's Building Blocks and Bottom Lines, and the NC Alternative Market Rate Study) all converge on the recommendation to adopt a statewide rate floor.
- **The floor is a first step** toward modernizing NC's reimbursement based on the true cost of providing quality care.
- Neighboring states **Virginia and South Carolina** have already been approved for modern, cost-based reimbursement models.
- **Guarantee a "hold harmless" protection**: every provider would receive either their current rate or the statewide floor—whichever is higher. No county loses ground.

IN PLAIN TERMS: A statewide reimbursement rate floor guarantees a baseline of funding so no community—especially in rural counties—is left behind.

WHY IT MATTERS

1 Stabilizes Child Care Programs Across the State

Current reimbursement rates cover **only about half the actual cost of care**, leaving providers operating at a loss and forcing staff cuts, tuition increases, or closures. A rate floor moves rates closer to real costs, giving programs immediate financial stability so they can keep classrooms open and staffed.

2 Reduces Rural–Urban Inequities

Reimbursement rates in rural counties are often **hundreds of dollars per month** lower than in urban areas, despite similar operational costs. A floor narrows these gaps and lifts rural programs toward parity without reducing rates anywhere else.

3 Protects Child Care Supply

Rising costs and inadequate reimbursement were repeatedly cited as driving factors for statewide closures. A rate floor is one of the NC Task Force on Child Care & Early Education's top recommendations to prevent further losses.

4 Supports the Workforce Behind Every Other Workforce

Child care workers can't be paid competitively when the programs that employ them are chronically underfunded. A rate floor helps programs offer better wages and retain qualified staff—which directly supports parents' ability to participate in the workforce and employers' ability to hire.

5 Strengthens Economic Development

Business leaders and the NC Task Force on Child Care & Early Education are clear that child care is **core economic infrastructure**—no less essential than roads or broadband. Stabilizing the child care system through a rate floor protects employers' access to a reliable workforce across every sector of the economy.