



North Carolina Department of Health and Human Services

Pat McCrory
Governor

Aldona Z. Wos, M.D.
Ambassador (Ret.)
Secretary DHHS

Adam Sholar
Legislative Counsel
Director of Government Affairs

January 31, 2014

SENT VIA ELECTRONIC MAIL

The Honorable Ralph Hise, Chair
Joint Legislative Oversight Committee on Health and
Human Services
NC Senate
Room 1026, Legislative Building
Raleigh, NC 27601-2808

The Honorable Mark Hollo, Chair
Joint Legislative Oversight Committee on Health and
Human Services
NC House of Representatives
Room 639, Legislative Office Building
Raleigh, NC 27603-5925

The Honorable Justin Burr, Chair
Joint Legislative Oversight Committee on Health and
Human Services
NC House of Representatives
Room 307A, Legislative Office Building
Raleigh, NC 27603-5925

Dear Senator Hise and Representatives Hollo and Burr:

Section 12B.1(f) of Session Law 2013-360 requires that the Division of Child Development and Early Education (DCDEE) provide a report on the NC Pre-K classroom funding pilot to the Joint Legislative Oversight Committee on Health and Human Service and to the Fiscal Research Division, including: the number of students served; the amount of funds paid for each classroom; the amount of funds paid per student; the attendance information on students in the pilot program as compared to those students in a classroom having a traditional funding structure; information on the number of students and students' families using the Subsidized Early Education for Kids (SEEK) system; and a cost comparison of the classroom pilots to the average cost per student through the per student funding methodology.

Enclosed is the required report. DCDEE has received positive feedback from the seven contractors who are participating in the pilot. In general, a guaranteed monthly payment rate was attractive to subcontracting sites and allowed contractors to negotiate the classroom rate. It should be noted that average cost per child and average monthly attendance data are only based on two months of payment and attendance data. As a result, DCDEE intends to provide an additional report following completion of the school year.

Please direct all questions concerning this report to Rob Kindsvatter, Director of DCDEE, at 919-662-4543 or Rob.Kindsvatter@dhhs.nc.gov.

www.ncdhhs.gov

Tel 919-855-4800 • Fax 919-715-4645

Location: Adams Building/Dix Campus • 101 Blair Drive • Raleigh, NC 27603

Mailing Address: 2001 Mail Service Center • Raleigh, NC 27699-2001

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Sincerely,



Adam Sholar

cc: Joseph Cooper, Jr.
Jim Slate
Rod Davis
Sherry Bradsher
Rob Kindsvatter
Theresa Matula

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Patricia Porter
Sarah Riser
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SENT VIA ELECTRONIC MAIL

Mr. Mark Trogdon, Director
Fiscal Research Division
North Carolina General Assembly
Room 619, Legislative Office Building
Raleigh, NC 27603-5925

Dear Director Trogdon:

Section 12B.1(f) of Session Law 2013-360 requires that the Division of Child Development and Early Education (DCDEE) provide a report on the NC Pre-K classroom funding pilot to the Joint Legislative Oversight Committee on Health and Human Service and to the Fiscal Research Division, including: the number of students served; the amount of funds paid for each classroom; the amount of funds paid per student; the attendance information on students in the pilot program as compared to those students in a classroom having a traditional funding structure; information on the number of students and students' families using the Subsidized Early Education for Kids (SEEK) system; and a cost comparison of the classroom pilots to the average cost per student through the per student funding methodology.

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**Report to the Joint Legislative Oversight Committee on Health and Human Services and Fiscal
Research Division: Status of NC Pre-K Classroom Funding Pilot**

I. Background

Session Law 2013-360, Section 12B.1. (f) provides:

SECTION 12B.1.(f) Pilot Program. – The Division of Child Development and Early Education shall create a pilot program that provides funding for NC Pre-K classrooms on a per classroom basis. The pilot program shall include three different NC Pre-K contractual regions that are geographically diverse. The local NC Pre-K administrator shall contract with the provider for operation of a classroom established pursuant to the pilot program. The Division shall provide a report on the status of the pilot program to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division no later than January 31, 2014. The report shall include the following:

- (1) The number of students served.
- (2) The amount of funds paid for each classroom.
- (3) The amount of funds paid per student.
- (4) The attendance information on students in the pilot program as compared to those students in a classroom having a traditional funding structure.
- (5) Information on the number of students and students' families using the Subsidized Early Education for Kids (SEEK) system.
- (6) A cost comparison of the classroom pilots to the average cost per student through the per student funding methodology.

To meet the requirements of this provision, the Division of Child Development and Early Education (DCDEE) surveyed all 91 NC Pre-K Contractors to identify contractors who would be interested in participating in the pilot. DCDEE followed up with contractors who indicated their interest on the survey, as well as with additional contractors who had not initially expressed interest in the pilot to assure geographic diversity as required by the legislation. In addition to assuring geographical diversity, contractors were selected to assure that representation from both school based and private contractors were included in the pilot. Fifteen contractors were contacted through this process.

The following seven contractors agreed to participate:

Contractor	Area Served
Smart Start of Davidson County	Davidson County
Duplin County Schools	Duplin County
Down East Partnership for Children	Nash/Edgecombe Counties
Orange County Partnership for Young Children	Orange County
Pitt County Schools	Pitt County
Alliance for Children	Union County
Wilkes County Schools	Wilkes County

Those who agreed to participated in the pilot used expansion funding to implement this changed rate structure, negotiating to provide new slots based upon the classroom rate rather than a per child rate. This was done to avoid a re-negotiation of rates and slots, and was completed in the spring of 2013. Nonetheless,

the Down East Partnership for Children renegotiated the rates for all of its existing slots in Nash and Edgecombe counties as well. In order to assure that anticipated expansion slots were maintained in carrying out the pilot, contractors were advised to achieve minimum service levels as projected in their responses to a survey regarding their need for expansion funds.

Since the maximum number of children that may enroll in a Pre-K classroom is 18, most pilot participants chose to negotiate a classroom rate considering what a full classroom of 18 children would receive if the per child state rates were applied. In classrooms with less than 18 NC Pre-K children enrolled, a pro-rated monthly classroom rate was negotiated, based on the number of NC Pre-K children in the classroom. Contractors agreed to pay sites participating in the pilot the monthly classroom rate regardless of how many days NC Pre-K children attended. Sites were still responsible for reporting attendance data, but payment was not based on attendance for classrooms in the pilot.

II. Report Data

Following are the report data findings as required by items 1 through 6 in SECTION 12B.1.(f) of Session Law 2013-360.

Note that at the time of this report the only data that is available for reporting were from the service months of September and October 2013. All data below are based upon the aggregate of these (2) service months.

We expect that additional data may provide better insight on the pilot results and will submit a follow up report following the end of the school year to detail revised results for each of the following criteria based upon 10 months of data.

- (1) The number of students served:
 - There were 728 children enrolled in pilot classrooms, as of October 2013. This represents 2.7% of the total number of children in contract to receive NC Pre-K services (26,617) this year.
 - The children were served in 31 sites: 1 Head Start (3.2%), 16 private child care centers (51.6%), and 14 public school sites (45.2%). This compares to the statewide breakout of NC Pre-K site categories of Head Start (15%); private child care (32.5%), and public schools (52.5%).
- (2) The amount of funds paid for each classroom in September and October: See attachment.
- (3) The amount of funds paid per student: The combined average cost per child in pilot classrooms for September and October 2013 was \$533.06 per month. This was obtained by dividing the total amount reimbursed in pilot classrooms by the total number of children in pilot classrooms.
- (4) The attendance information on students in the pilot program as compared to those students in a classroom having a traditional funding structure: The average number of days children attended in classrooms in the seven pilot counties for both months is shown in the chart below. For the two months examined (September 2013 and October 2013), in counties with both pilot and non-

pilot classrooms, the average attendance was less in the pilot classrooms than in the non-pilot classrooms. However, the overall average days attended in non-pilot vs. pilot classrooms was 17.9 days vs. 17.3 days. This is due to Nash/Edgecombe having a large number of children in the pilot classrooms.

		Average attendance days per child
Davidson	Non pilot classroom	19.0
	Pilot classroom	14.8
Duplin	Non pilot classroom	18.3
	Pilot classroom	15.7
Nash/Edgecombe	Non pilot classroom	N/A
	Pilot classroom	18.3
Orange	Non pilot classroom	11.7
	Pilot classroom	10.2
Union	Non pilot classroom	16.5
	Pilot classroom	9.6
Wilkes	Non pilot classroom	18.1
	Pilot classroom	17.9
Pitt	Non pilot classroom	19.3
	Pilot classroom	11.1
Overall	Non pilot classroom	17.9
	Pilot classroom	17.3

(5) Information on the number of students and students' families using the Subsidized Early Education for Kids (SEEK) system: There are no NC Pre-K children in the SEEK system yet.

(6) A cost comparison of the classroom pilots to the average cost per student through the per student funding methodology: The average cost/child in pilot vs. non-pilot classrooms for September and October 2013 are shown below. Since cost varies by type of site, this sample compares the cost/child data in private facilities and public schools in the non-pilot and pilot sites within participating counties. A greater proportion of private sites participated in the pilot, which impacted the average cost/child. Please note that the pilot included a new Head Start site that did allow for sufficient data to provide a similar cost comparison of facilities in non-pilot and pilot sites. This will be provided in the follow up report.

	% of Sample	Oct-13 Cost/Child	Nov-13 Cost/Child	Oct-Nov. 13 Avg. Cost/Child
Non-Pilot Sites				
Private Facilities	29.0%	\$ 607.23	\$ 607.50	\$ 607.37
Public Schools	71.0%	\$ 463.40	\$ 463.85	\$ 463.63
Combined	100.0%	\$ 504.51	\$ 505.02	\$ 504.77
Pilot Sites				
Private Facilities	42.0%	\$ 683.38	\$ 670.66	\$ 676.35
Public Schools	58.0%	\$ 423.87	\$ 417.58	\$ 420.65

Combined	100.0%	\$ 532.31	\$ 533.72	\$ 533.06
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III. Conclusion

DCDEE has received positive feedback from the seven contractors who are participating in the pilot. In general, a guaranteed monthly payment rate was attractive to subcontracting sites and allowed contractors to negotiate the classroom rate. It should be noted that the average cost/child and average monthly attendance are based on only two months of payment and attendance data, so it is difficult to provide a complete analysis of the classroom funding pilot at this time. DCDEE plans to follow up after June 2014 to review the full year's cost and attendance data in pilot and non-pilot counties.

NC Pre-K Classroom Funding Pilot Data, September/October 2013

County	Site Name/Classrooms	Sep-13			Oct-13		
		Enrollment	Actual Attendance	Actual Payment	Enrollment	Actual Attendance	Actual Payment
Davidson	Little Bo Peep	18	18	\$ 9,450.00	18	18	\$ 9,450.00
	Southwood Elementary	12	12	\$ 5,100.00	12	12	\$ 5,100.00
		11	11	\$ 5,100.00	12	12	\$ 5,100.00
	Tyro Learning Center	5	5	\$ 2,625.00	5	5	\$ 2,625.00
Davidson Total		46	46	\$ 22,275.00	47	47	\$ 22,275.00
Duplin	Lynda's Funtime Junction	6	6	\$ 3,648.00	6	6	\$ 3,648.00
	Sandcastles Child Care	18	18	\$ 11,250.00	19	18	\$ 11,250.00
Duplin Total		24	24	\$ 14,898.00	25	24	\$ 14,898.00
Nash/Edgecombe							
	Bailey Elementary	15	15	\$ 6,000.00	15	15	\$ 6,000.00
	Carver Elementary School	13	13	\$ 5,200.00	13	13	\$ 5,200.00
		13	13	\$ 5,200.00	13	13	\$ 5,200.00
	Cedar Grove Elementary	14	14	\$ 6,000.00	15	15	\$ 6,000.00
	Coker-Wimberly Elementary School	12	12	\$ 4,800.00	0		
		0			13	13	\$ 5,200.00
		11	11	\$ 4,400.00	0		
		0			12	12	\$ 4,800.00
	Coopers Elementary School	16	16	\$ 7,200.00	17	17	\$ 7,200.00
		0			6	6	\$ 2,400.00
	Fairview Early Childhood Center 2	14	14	\$ 6,000.00	14	14	\$ 6,000.00
		14	14	\$ 6,000.00	15	15	\$ 6,000.00
		3	3	\$ 1,600.00	3	3	\$ 1,600.00
		1	1	\$ 1,600.00	1	1	\$ 1,600.00
		8	8	\$ 3,200.00	8	8	\$ 3,200.00
		14	14	\$ 6,000.00	14	14	\$ 6,000.00
		14	14	\$ 6,000.00	14	14	\$ 6,000.00
		14	14	\$ 6,000.00	14	14	\$ 6,000.00
	G.W. Bulluck Elementary	11	11	\$ 4,400.00	0		
		0			12	12	\$ 4,800.00
		9	9	\$ 3,600.00	0		
		0			11	11	\$ 4,400.00
		11	11	\$ 4,400.00	0		
		0			12	11	\$ 4,800.00
	Learning Stones Child Care Center	18	18	\$ 10,800.00	16	16	\$ 10,800.00
		9	9	\$ 5,400.00	9	9	\$ 5,400.00
	Little Angels CCC 2-E	18	18	\$ 10,800.00	18	18	\$ 10,800.00
		18	18	\$ 10,800.00	18	18	\$ 10,800.00
		17	17	\$ 11,050.00	17	17	\$ 11,050.00
		0			8	8	\$ 5,400.00
	Middlesex Elementary School	17	17	\$ 7,200.00	17	17	\$ 7,200.00
		17	17	\$ 7,200.00	17	17	\$ 7,200.00
	Nashville Elementary	16	16	\$ 6,800.00	17	17	\$ 6,800.00
	Princeville Montessori School	14	14	\$ 5,600.00	14	14	\$ 5,600.00
	Stocks Elementary School	13	13	\$ 5,200.00	13	13	\$ 5,200.00
		12	12	\$ 4,800.00	12	12	\$ 4,800.00
		11	11	\$ 4,400.00	11	11	\$ 4,400.00
	Swift Creek Elementary	17	17	\$ 7,200.00	18	18	\$ 7,200.00
	Think & Grow Child Care #3	18	18	\$ 11,700.00	18	18	\$ 11,700.00
		18	18	\$ 11,700.00	18	18	\$ 11,700.00
		18	18	\$ 11,700.00	18	18	\$ 11,700.00
	Think and Grow Child Care #2	0			6	6	\$ 5,850.00
	Tiny Treasures Child Care Center - Edgecombe	18	18	\$ 11,700.00	18	18	\$ 11,700.00
	Stepping Stone Preschool	17	17	\$ 11,050.00	17	17	\$ 11,050.00
		0			9	9	\$ 5,400.00
Nash/Edgecombe Total		493	493	\$ 242,700.00	531	530	\$ 264,150.00
Orange	Carrboro Early School	15	15	\$ 14,250.00	15	15	\$ 14,250.00
	Community School for People Under 6	10	10	\$ 9,900.00	9	9	\$ 9,900.00
	Orange Chatham Early School	10	10	\$ 9,500.00	10	10	\$ 9,500.00
Orange Total		35	35	\$ 33,650.00	34	34	\$ 33,650.00
Pitt	Cornerstone Christian Child Care Center	0	0	\$ -	18	18	\$ 10,800.00
	Possessing the Keys to the Kingdom Day Care	0	0	\$ -	18	18	\$ 10,800.00
Pitt Total		0	0	\$ 0	36	36	\$ 21,600.00
Union	Weekday Children's Ministries	15	11	\$ 11,722.00	18	17	\$ 11,722.00
Wilkes	Moravian Falls Elementary	18	18	\$ 8,514.00	18	18	\$ 8,514.00
		631	627	\$ 333,759.00	709	706	\$ 376,809.00
		Avg cost/child \$ 532.31			Avg cost/child \$ 533.72		