

Fiscal Analysis Recommendations & Cost

Below is a summary of recommendations and cost. These recommendations build on the research in the Phase 1 Report and follow the direction of the ECAP Advisory Committee. All recommendations have been reviewed by Chatham County Partnership for Children and administrative costs have been included for applicable recommendations. A prioritized list of recommendations is located at the end of this document.

Early Childcare: Birth to 47 Months

1. Workforce: Recommendations

- Work with CCCC and CCS to develop a pipeline of early childcare workers and leverage Chatham Promise (not part of fiscal analysis).
- Using NC Early Childhood Compensation Collaborative Model Salary Scale, test pilot program with limited number of centers; eligibility should include subsidy acceptance. The Advisory Committee decided to select 20 classrooms at centers with a rating of 3 stars or higher and to include an annual payment of \$1,000 per classroom for benefits. The option presented below includes social security and Medicare payroll taxes.

Direct cost of most underpaid centers	\$ 254,772
Annual Allowance for Benefits	\$ 20,000
Total Direct Cost	\$ 274,772
10% administrative fee	\$ 27,477
New position to oversee program (includes \$2,000 one time)	\$ 69,501
Total Cost	\$ 371,751

2. Cost to Families: Recommendations

- Eliminate the subsidy waiting list by locally funding slots.

Funding required to eliminate wait list	
Current Monthly Average Subsidy Paid	732
Yearly Amount/Child	\$ 8,784
Average Wait List since 2015	98
Projected Administrative Costs	0
Cost to Eliminate Wait List for 200% FPL	\$ 863,028

- Increase the subsidy income threshold to 300% FPL.

Funding to increase threshold to 300% FPL	
Number families in 2022	2,846
Projected number of kids using 200%FPL utilization rate	181
Direct Cost for 300% FPL (including wait list)	\$ 1,590,917
DSS Administrative Costs (includes \$2,800 one-time costs)	\$ 69,482
Finance Administrative Costs	\$ 29,596
Total	\$ 1,689,995

If the rate of utilization of subsidy is higher for families between 200% and 300% FPL, a sensitivity analysis is shown below. Note that the percentages means that the rate of utilization is higher by that amount. For example, if the families at the higher income threshold used subsidy at 25% higher rate, the cost would be \$2.1 million. Note that Mecklenburg County, which increased its income threshold to 300%, did not see a greater use of subsidy by these families.

Sensitivity Analysis for Higher Utilization by Families b/w 200 and 300%FPL	
25%	\$ 2,087,725
50%	\$ 2,485,454
75%	\$ 2,883,183
100%	\$ 3,280,913

- Explore expanding Early Head Start to family childcares (not part of fiscal analysis)

3. Cost to Providers: Recommendations

- Develop an Early Childhood Education Fund and grant process to support providers:
 - Solicit private donations to the fund from local employers that are not currently receiving economic development incentives, such as Auraco and FedEx
 - Redirect 2% of economic development incentives to the fund

Annual Funding Request	600,000
Less Cost of Compensation Pilot	274,772
Net Cost Year 1	325,228
10% Administrative Costs	32,523
New position to oversee program (includes \$2,000 one time)	69,501
Year 1 Total Cost	427,251

4. Lack of Buildings: Recommendations

- Pursue federal funding available to expand Early Head Start into family childcares (not part of fiscal analysis)
- Work with Chatham County to build an early childcare center and pre-K at Parkers Ridge in Moncure as a model for future centers; the center would be leased to a private provider through CCPC to operate. The costs shown below assume the facility would be built jointly with the community center at Parker’s Ridge in 2027. The childcare center would provide space for 110 children ages 0 to 47 months and 40 pre-K students.

Construction	3,984,750
Outdoor playground	90,000
Generator	
Contingency	400,000
Architect	400,000
FF&E	400,000
Other owner costs	50,000
Total	5,324,750
Escalated cost (12%/year)	7,880,630

- Leasing analysis:
 - Lease building to CCPC to sublease to childcare provider selected through RFP process
 - Charge below-market rate for rent (\$10/sf)
 - Rental income of approximately \$100,000 per year
 - Allow CCPC to retain 10% of market rate (\$25,000 @ \$25/sf) for management
- Incentivize private companies to offer onsite daycare through the county’s economic development incentives policy (not part of fiscal analysis).
- Provide technical assistance for private centers wanting to expand (included with position in #3 above).
- Target EDC’s Small Business Loan program for new and expanding childcare centers (not part of fiscal analysis).

Pre-K

1. “Maximize” existing NC Pre-K programs before significantly expanding by building classroom space.
2. Funding Strategies: Recommendations
 - Calculate the deficit for each provider type of NC Pre-K and provide a supplement to cover full costs for existing pre-K students. Funding is desired for “maximization level.” At the direction of the Advisory Committee, the inflation rate since 2012 was used to bring rates to current/recommended levels.

Providers	2023/2024 Rates	2012/2013 Rates	2024/2025 Rates	Difference	2022/2023 Enrollment (Adding Sonflower)	Cost Assuming Current Enrollment	2022/2023 Slots	Cost at "Maximization"
Head Start	\$420	\$300	\$396	(\$24)	48		54	
Public School	\$515	\$473	\$624	\$109	129	141,074	162	177,163
Private	\$719	\$600	\$792	\$73	24	17,520	27	19,710
Total Direct					201	158,594	243	196,873
Administrative Costs for CCPC @ 10%						15,859		19,687
Total Cost						174,454		216,561

- Increase income threshold to 100% of Chatham’s median income—the consultant recommends using 400% FPL as a proxy, since no data is available on the number of families at median income levels; require sliding scale or flat fee for those above Chatham’s median income—the consultant recommends not implementing sliding scale fee based on feedback from CCS that \$750 monthly amount for private pay needs to remain.
- Several scenarios were modeled. Based on feedback from CCS, the preferred option is a combination of public and private centers. The 50% CCS/50% private option results in costs of:
 - \$810,158 annually in operating expenses (plus inflation)
 - \$1.5 million in one-time capital expense stated in today’s dollars
- “Universal” Pre-K, assuming 70% of total children served. The 50% CCS/50% private option results in costs of:
 - \$3.1 million annually in operating expenses (plus inflation)
 - \$5.8 million in one-time capital expense stated in today’s dollars

If pre-K is expanded to 100% of median Chatham income first, those costs can be deducted from this amount. In other words, the cost of “universal” pre-K includes the cost of expansion. If those costs are subtracted, the net cost results:

- \$2.3 million annually in operating expenses (plus inflation)
- \$4.3 million in one-time capital expense stated in today’s dollars

3. Workforce Options: Recommendations

- Recommendation: Tie per month subsidy to paying teachers and instructional assistants as recommended by NCECCC; do not require a specific level of benefits: Cost is included in compensation study above.

4. Lack of Buildings: Recommendations

- Build Moncure childcare center (to include pre-K): Cost is included above.

5. Barriers for families: Recommendations

- Lack of afterschool care: Include funding for afterschool care for families meeting income threshold (current/maximization is 75% of state median income)
- At current income threshold, based on YMCA rate (private center rates vary):

	Cost
Total Direct at Maximization/YMCA Rate	\$ 555,593
Administrative Costs	\$ 55,559
Total Maximization Cost	\$ 611,153

At 100% Chatham median income (400% FPL used as proxy), cost is an additional \$226,192

At “universal” pre-K level (70% of students participate), cost is an additional \$869,316 (includes administrative costs).

Overall Cost Summary:

These costs are summarized by ECAP Advisory Committee Priority.

AC Priority	AC Rank	Recommendations	Capital*	Annual Direct Cost	Annual Administration	Annual Total Excluding Capital	
High	1	Early Childhood Education Fund, including Y1 Compensation Pilot		600,000	199,002	799,002	
High	2	Parkers Ridge (shown in 2027 dollars)	7,880,630			-	
High	3	Subsidize Pre-K Reimbursement Rates + afterschool care at "maximization"		752,466	75,247	827,713	
High	4	Increase Income Threshold to 300% FPL		1,590,917	99,078	1,689,995	
Medium	5	Expand Pre-K to 100% Chatham median income (using 50/50 Scenario) (capital is in today's dollars) + afterschool	1,510,104	942,136	94,214	1,036,350	
Low	6	Eliminate Subsidy Waiting List		863,028	-	863,028	
Long Term	7	Universal pre-K + afterschool care (capital is shown in today's dollars) (cost is net of expansion shown above)	4,293,633	2,961,806	63,844	3,025,650	
		Total		7,710,354	531,384	8,241,737	
		* No total is given for capital, pre-K expansion cost depending on year it happens and should include escalation					

Other recommendations:

1. Modify the county's economic development incentives policy (not part of the fiscal analysis):
 - Weight on-site childcare and financial assistance with childcare as a major factor in the policy
 - Weight company's participation in a flexible spending account a minor factor in the policy
 - If Tri-Share is implemented statewide in North Carolina, weight participation as a major factor in the policy
2. Designate Chatham County Partnership for Children as the entity to manage solutions (outside county's purview, such as administering DSS subsidy) and include costs in model (which is done with each applicable option above).
3. Track data and when recommendations have been implemented and proven successful, consider additional strategies (many examples of data collection are given in the research).