

Raising Up Carolina

Making Childcare Work Again for North Carolina Families

Carolina FORWARD

Executive Summary

North Carolina's early child care system is in a perilous situation. Policies that shape the workforce, the locations and spaces where care is delivered, and the way the system is financed are not aligned. Until the state strengthens capacity across all three dimensions, access will remain constrained, and the system will continue to fall short of meeting the needs of far too many children and their families, and our state's economy.

This report outlines a capacity-first strategy for North Carolina to pursue to address the child care crisis. That strategy rests on a simple but transformative vision: every family should be able to find care that meets its needs in the communities they call home; child care should be recognized as essential economic and workforce infrastructure; children should have access to high-quality early learning that supports their development and long-term outcomes; child care educators should earn a thriving wage for essential work; and financing systems should reflect the realities of both rural communities and urban child care deserts. Realizing this vision requires treating child care as early learning to make it a reliable, accessible public system and a shared investment in North Carolina's long-term prosperity.

The Stakes

The urgency is clear. Since 2019, North Carolina has lost more than 760 licensed child care programs, a decline of roughly 13%, and state officials project that the number of programs will continue to fall in 2027. At the same time, the child care subsidy waitlist has grown dramatically, from 2,164 children in July 2024 to more than 15,500 children in December 2025. Families in rural counties face long distances between providers, limited home-based options, and systems shaped by thin operating margins and closures.

Families in rural counties face long distances between providers, limited home-based options, and systems shaped by thin operating margins and closures. In urban communities, child care deserts persist even in densely populated areas, where high rents and workforce shortages close classrooms despite strong demand.

This moment is also politically decisive. As the report notes, the April 2026 Leandro decision shifts responsibility for fulfilling the state's constitutional obligation to provide every child with the opportunity for a sound basic education more squarely into the legislative arena. While Leandro focused on K-12 education, the implications for the full education continuum are profound. The legislature's willingness to regard child care as foundational to school readiness, child development, and long-term educational opportunity will shape whether North Carolina strengthens or continues to erode the infrastructure it has spent decades building.

The Path Forward

To meet this moment, this report proposes three integrated pillars.

Pillar I calls for reimagining public and community spaces for child care.

North Carolina needs a broader mixed-delivery system that includes center-based programs, licensed home-based providers, family, friend, and neighbor (FFN) care, small community sites, micro-facilities, and shared services networks. Home-based and informal care already play a major role in the state's child care landscape, especially for infants and toddlers, families working nontraditional hours, and communities seeking culturally and linguistically responsive care. Yet these settings remain under-supported, even though they are among the most scalable options for expanding access. This report recommends growing the supply of licensed family child care homes, modernizing zoning and regulatory frameworks, creating pathways for micro-facilities and neighborhood-scale sites, and building stronger shared-services infrastructure for small providers.

Pillar II focuses on building and sustaining the early childhood workforce.

The child care system cannot expand unless classrooms can be staffed, and they cannot be staffed unless educators are paid and supported in ways that make the work sustainable. This report shows that compensation for the early childhood workforce remains significantly below market standards, while turnover has reached unsustainable levels. It recommends reforming compensation structures, expanding Child Care WAGE$, and investing in workforce-entry pathways such as Apprenticeships and Child Care Academies. These are capacity-building strategies essential to expanding access for children and families.

Pillar III calls for sustainable financing to stabilize and expand capacity.

At the center of the child care crisis is a structural mismatch between the cost of providing quality care, the wages required to sustain a professional workforce, and the amount families can realistically afford to pay. In North Carolina, the average annual cost of center-based infant care exceeds $12,000 per year, rivaling or exceeding in-state tuition at many public universities. Center-based infant care consumes 11% of median income for a married-couple family and 37.5% for a single-parent family, far above the 7% affordability benchmark. Yet even at these prices, providers cannot cover their costs or offer competitive wages. This report recommends moving toward cost-informed subsidy reimbursement, establishing a statewide subsidy reimbursement floor, activating philanthropy as catalytic capital, and treating child care financing as economic infrastructure.

The Choice Before Us

North Carolina is at a crossroads. It can continue to manage decline within a system that leaves too many children and families behind, or it can invest in the capacity that makes growth possible and recapture its place as a national exemplar of childcare provision and innovation. The future of North Carolina's workforce, economy, and communities is already here. It is growing in the state's homes and early learning environments today.

A Vision for North Carolina's Childcare System

North Carolina's early child care system is in a perilous situation. Policies that shape the workforce, the locations and spaces where care is delivered, and the way the system is financed are not aligned. Until the state strengthens capacity across all three dimensions, access will remain constrained, and the system will continue to fall short of meeting the needs of far too many of the state's children and families.

North Carolina must pursue a capacity-first strategy to address the prevalent peril in the state's child care system. Alignment among workforce stability, flexible delivery models, and sustainable financing is of critical importance. This report outlines a clear and actionable vision for North Carolina that is both straightforward and transformative, ensuring that:

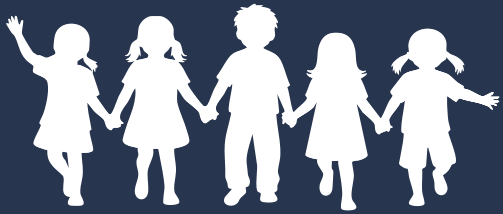
- Every family can find care that meets its needs in the communities they call home.
- Child care is recognized as essential economic and workforce infrastructure.
- Children have access to high-quality early learning to optimize their development and long-term outcomes.
- Every child care educator earns a thriving wage for essential work.
- Financing systems reflect the realities of both rural communities and urban child care deserts.

Realizing this vision requires more than policy change. It requires a commitment to ensuring that early learning exists as a reliable, accessible system in every community where children are born. It requires lifting the burden of child care from the shoulders of families and into the domain of public systems, where it can be treated as essential infrastructure and as a shared investment in North Carolina's long-term prosperity.

Three pillars outline an actionable and integrated plan of practice for consideration:

1. Reimagining public and community spaces for child care.
2. Building and sustaining the early childhood workforce.
3. Sustainable financing to stabilize and expand capacity.

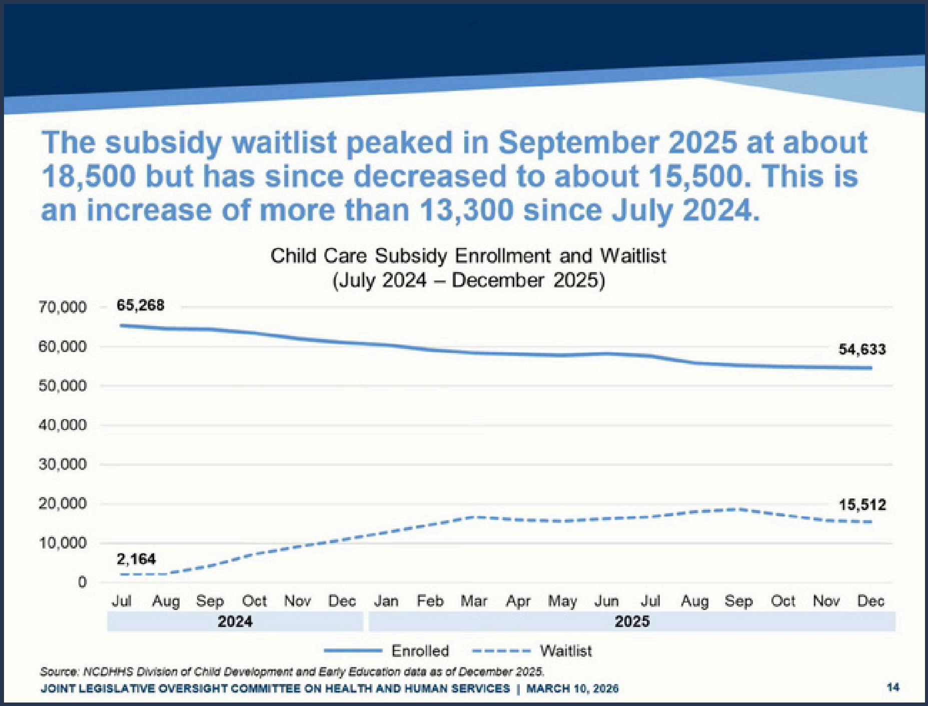
Background



North Carolina has long been recognized as a national leader in building early childhood systems. Over many decades, state leaders, educators, advocates, and communities have worked together to create one of the country's most innovative early childhood development infrastructures. From Carolina's Abecedarian Project in the 1970s to Governor Jim Hunt's launch of Smart Start in 1993, North Carolina has been in the vanguard of research and innovation, modeling new standards of policy and practice. That leadership was made possible through meaningful public investment. As Smart Start expanded to serve every county in the state, its annual state budget grew to $240 million at its peak.[1] Today, Smart Start's state appropriation totals $157 million for FY 2024–2025[2], a level that remains well below its earlier funding even as North Carolina's population and needs have grown.

Economists have translated these early childhood models into economic terms, estimating double-digit annual returns on comprehensive birth-to-five programs through gains in human capital, skills, health, and capacities that drive long-term economic growth and shared prosperity.

Nobel Laureate James Heckman's work on early childhood development has helped demonstrate that investments in the earliest years yield some of the highest returns for children, communities, and the economy.[3]



But in recent years, the tides have turned in North Carolina, evident in the public sphere and in every community across the state. Today, families in the state are facing a profoundly inadequate landscape for the care and nurturing of their young children.

Since 2019, North Carolina has lost more than 760 licensed child care programs, a decline of roughly 13%. State officials project that the total number of programs is expected to continue to decline through 2027, representing an overall decline of approximately 15–16%, the lowest level in modern state records.[4]

At the same time, demand for assistance continues to rise. The child care subsidy waitlist increased from 2,164 children in July 2024 to more than 15,500 children in December 2025, reflecting a rapidly widening gap between families' needs and available resources in public funding[5].

Today, in rural counties, families often face long distances between providers, limited home-based options, and fragile systems shaped by thin operating margins and program closures. In urban areas, child care deserts persist even within densely populated neighborhoods, where high rents and workforce shortages close classrooms despite strong demand.

When the influx of federal funds during the pandemic came to an end, the state faced a fiscal cliff, compounded by diminished political will and increased operational costs to address profound childcare needs.

In many ways the impact and implications of the changing tides were reflected in the recent April 2026 North Carolina Supreme Court's decision in Leandro v. State of North Carolina6. This ruling shifts the constitutional responsibility to provide every child with a sound basic education from the judiciary to the General Assembly. While the case itself focused on K-12 education, the ruling has important implications for the broader education continuum, including the earliest years of care and development when the key foundations for school readiness are laid.

Sources from the Economic Institute Forum to the Administration for Children & Families and the NIH assert that quality child care and early education experiences are essential for a sound basic education. How the North Carolina legislature regards its responsibility for policies and investments along the entire education continuum – from child care centers to NC Pre-K and Smart Start, through to K-12 – will have a telling, and even profound, impact on the prospects for learning and thriving for all of the state's children.

The convergence of these conditions makes this moment both perilous and decisive.

North Carolina has already built the foundation of a strong early childhood system. The question now is whether the state will choose to sustain and expand that foundation, or allow it to continue to erode under growing strain.

With the responsibility for action now firmly in the hands of state policymakers, there is a clear and urgent opportunity for legislative leadership to reaffirm North Carolina's commitment to its youngest children and their families. Doing so will require not only preserving existing programs, but strengthening and expanding them as part of a broader, integrated early childhood system.

Treating child care as essential public infrastructure means ensuring that every family can find care that meets their needs in the communities they call home, not as a function of geography or income, but as a shared foundation for equitable opportunity and long-term prosperity.

North Carolina has demonstrated what strong early childhood leadership can accomplish. This moment calls for that leadership once again to secure, scale, and sustain a system that meets the needs of every child and every community across the state.

The Path Forward

PILLAR I: Reimagining Public and Community Spaces for Child Care

OVERVIEW

In no small measure, child care capacity in North Carolina is determined by where care can physically exist. In many communities, particularly rural counties and urban neighborhoods with high real estate costs, traditional large center-based models are difficult to establish or sustain. Land availability, zoning constraints, startup costs, and operating margins all limit the feasibility of expanding supply through conventional approaches.

Expanding access to child care therefore requires a broader view of where and how care can be delivered. A resilient system must include a mixed-delivery model that combines center-based programs with home-based providers, small community sites, and shared services networks that support smaller-scale operations.

Across North Carolina, families depend on a diverse ecosystem of care that extends beyond licensed child care centers. Family child care homes, along with family, friend, and neighbor (FFN) care, play a critical and often underrecognized role in meeting the daily needs of children and their families. Particularly for infants and toddlers, families working nontraditional hours, and communities seeking culturally and linguistically responsive care options.

Recent legislative activity in North Carolina reflects growing recognition of this need. But while these efforts represent an important shift toward expanding the types of settings where care can be delivered, particularly in rural and underserved communities, they do not fully address the structural constraints and infrastructure burdens that limit provider expansion.

Recognizing and investing in diverse care settings is essential to expanding early learning capacity across North Carolina.

Proposed Recommendations

1 Building the Capacity for More Home-Based Care Providers.

Child care homes are central to North Carolina's child care landscape. Research from Duke University's Child and Family Policy Center finds that home-based care is the most common care arrangement for young children in the state, with a majority of children under five cared for by family members, neighbors, or licensed home-based providers.[7]

Informal and home-based care is not a marginal part of the system; it is a central foundation.

64%

of children under age six are cared for in Family, Friends, and Neighbors (FFN) settings.[8]

This aligns with broader trends showing that home-based care is the most common arrangement for infants and toddlers, who are least likely to be served in center-based settings due to cost and capacity constraints.

Both family preferences and structural realities contribute to the prevalence of home-based care. For families with infants, nontraditional work schedules, and/or transportation barriers, home-based providers offer flexible, culturally responsive care that may not be available at larger centers.

Nevertheless, Family, Friends and Neighbors (FFN) care remains largely disconnected from the systems designed to support quality, stability, and sustainability. Complex licensing requirements, while essential for health and safety, often create barriers that prevent large portions of this provider network from taking advantage of subsidy systems and quality improvement resources.

At the same time, licensed family child care homes represent one of the most scalable strategies for expanding supply. These programs operate in residential settings, typically serving small groups of children while offering flexible hours aligned with family needs. They are particularly critical in rural communities, where population density may not support larger centers.

Strengthening North Carolina's early childhood infrastructure requires recognizing informal and licensed home-based care as an integral part of the ecosystem, not as a stopgap, but as a strategic asset.

Recognizing this, North Carolina launched the In-Home Family Child Care Pilot Program (Session Law 2023-134), a 2023-2025 initiative providing approximately $525,000 annually to support new providers9. Through the Division of Child Development and Early Education (DCDEE) and the Southwestern Child Development Commission (SWCDC) - a NC Child Care Resource & Referral Council (CCR&R) Management Agency, the program offers:

- Licensing navigation support.
- Startup funding for equipment and materials.
- Business coaching and mentorship.
- Administrative and financial guidance.

Early results illustrate both promise and scale limitations. As of 2024, the program supported nine newly licensed providers, with an additional 10 providers in the pipeline across multiple counties.

2 Modernizing Zoning and Regulatory Frameworks

North Carolina zoning restrictions often impede the opportunity for child care providers to operate in the communities where families live. Child care licensing is administered at the state level through the Division of Child Development and Early Education (DCDEE), but local zoning regulations often determine where programs can operate. In many jurisdictions, family child care homes and small centers must obtain special permits, comply with restrictive geographic location requirements between and among programs, and/or meet parking and occupancy standards that are not aligned with the scale of their operations. In addition, homeowner association (HOA) rules and rental agreements may prohibit child care altogether.

Other states have begun to address these barriers directly. For example, Montana enacted bipartisan legislation classifying family child care homes as permitted residential uses across all zoning districts, preventing local governments from requiring conditional use permits or prohibiting these programs outright.[10]

North Carolina could pursue similar reforms, including:

- Classifying licensed family child care homes as permitted uses in residential zones statewide.
- Limiting HOA and landlord restrictions that prohibit licensed home-based providers.
- Allowing child care programs in schools, libraries, and community spaces through streamlined approvals.
- Right-sizing regulatory requirements for small, neighborhood-based programs.

Zoning reforms would allow communities to expand child care capacity using spaces and providers already embedded within neighborhoods, reducing reliance on costly new construction.

3 Establishing Micro-Facilities and Small-Scale Community Sites

Micro-facilities, or microcenters, offer a promising strategy for expanding child care capacity in communities where traditional centers are not feasible.

These small, licensed programs typically serve 3 to 30 children and operate in nontraditional settings.

Micro-facility location options:

- schools
- libraries
- faith-based buildings
- workplaces
- other community spaces.

By leveraging existing infrastructure and right-sizing staffing models, micro-facilities reduce startup costs and allow providers to open programs in areas where demand exists, but large-scale development is not viable.

The U.S. Chamber of Commerce Foundation has identified microcenters as a “middle ground” between family child care homes and large centers, offering a scalable approach to expanding access while maintaining quality standards.[11]

Several states have begun piloting this model. Indiana's Micro-Facility Pilot Program, launched through the Office of Early Childhood and Out-of-School Learning, expanded from three initial pilot sites to six locations by 2025,[12] reflecting growing interest in the model as a tool for increasing supply in underserved communities.

North Carolina already has elements of a micro-facility framework. The state licenses family child care homes and permits some centers in residential settings. However, providers operating in community-based locations must often meet the same building and regulatory requirements as large centers, creating barriers for small-scale models.

To enable micro-facilities as a viable supply strategy, North Carolina could:

- Establish a dedicated licensing category for small, non-residential programs.
- Align building and fire codes with the scale of micro-facilities.
- Streamline zoning approvals in residential and mixed-use areas.

These changes would right-size regulatory frameworks, making it possible to expand child care capacity in the spaces communities already have.

4 Building Shared Services Infrastructure for Small Providers

Many child care providers operate as small businesses with limited administrative capacity. Providers must manage payroll, billing, enrollment, licensing compliance, purchasing, and staffing, often while directly caring for children. These demands create significant strain and contribute to financial instability.

By pooling resources, shared services networks reduce overhead costs and allow providers to focus on delivering care.

North Carolina has already begun building the foundation for shared services. Early Years provides free coaching and technical assistance to both centers and family child care homes.

Shared services networks provide centralized administrative and business support across groups of providers[13]. These networks typically offer:

- Billing and enrollment systems.
- Payroll and financial management.
- Licensing and compliance support.
- Purchasing cooperatives.
- Business coaching.

Child Care Resource and Referral (CCR&R) agencies across the state also offer providers training, technical assistance, and professional development support. In addition, initiatives such as MDC’s home-based child care work and HAVEN model demonstrate how peer learning, leadership development, and trusted intermediary support can strengthen providers rooted in their own communities.

However, these efforts do not yet provide the centralized administrative infrastructure that defines fully developed shared services systems. In order to build on this approach, pairing startup support with stronger, more culturally responsive technical assistance and provider networks North Carolina should invest in:

- Peer-to-peer coaching and technical assistance designed specifically for FNN providers.
- Training delivered in home languages and culturally relevant formats.
- Local provider networks that connect family child care and FFN caregivers to materials, business supports, and child development resources.
- Stronger community-based intermediaries, including Smart Start partnerships and other local early childhood collaboratives, to serve as trusted connectors between providers and public systems.

Infrastructure in the state already exists to establish regional shared services hubs, potentially housed within:

- Smart Start local partnerships.
- Community colleges.
- Nonprofit early childhood organizations.

With the appropriate funding, these hubs could provide technology platforms, administrative support, and business services to networks of small providers, transforming fragmented supports into a coordinated system that strengthens provider sustainability.

The Path Forward

PILLAR II: Building and Sustaining the Early Childhood Workforce

OVERVIEW

The ability of North Carolina's child care system to serve all children depends directly on the stability and availability of the workforce. Classrooms cannot operate without qualified educators, and qualified educators cannot be recruited or retained without fair and sustainable compensation.

In North Carolina, compensation for the early childhood workforce remains significantly below market standards. According to the U.S. Bureau of Labor Statistics, the average wage for child care workers in the state was approximately $15.41 per hour in 2024, well below the median wage for workers statewide.[14] A 2025 WAGE$ report estimates that a living wage in North Carolina is approximately $22.54 per hour for a single adult and $37.37 per hour for a single parent with one child.[15]

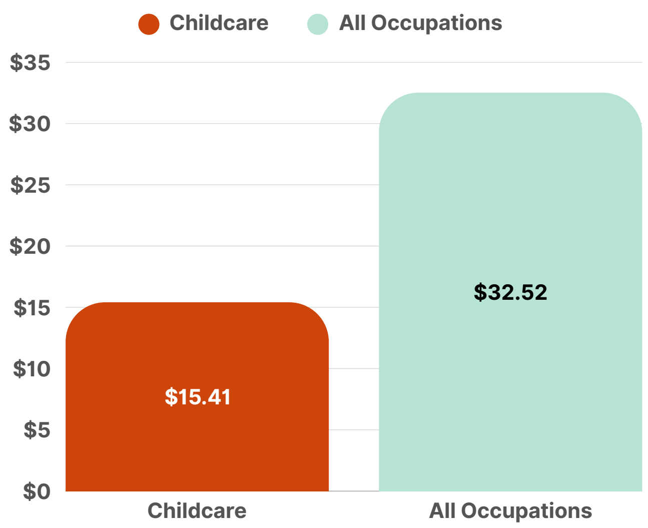
Unsurprisingly, the workforce experiences extremely high turnover. A 2024 statewide workforce survey found that 38% of child care teachers left their positions in 2023, up from approximately 21% in 2019.[16] This level of instability disrupts the consistent relationships that are foundational to early childhood development and forces providers to reduce enrollment when staffing levels fall below required ratios.

Workforce instability is therefore not only a labor issue but also a capacity constraint. Even where demand exists and facilities are available, classrooms remain closed if educators cannot be recruited or retained.

North Carolina has taken initial steps to strengthen the workforce through targeted investments in training and pipeline development. While these strategies are important, proposals to establish sustained wage supports or salary scales for educators have not yet been enacted. As a result, workforce investments remain fragmented, and the underlying challenge of low wages and high turnover continues to limit the number of children providers can serve.

Strengthening the early childhood workforce is, therefore, not simply a workforce policy goal; it is a prerequisite for expanding access to child care.

Average Hourly Wage in NC (2024)



Source: U.S. Bureau of Labor Statistics, FRED

Proposed Recommendations

1 Reforming Compensation Structures

North Carolina has not yet implemented a statewide salary scale for early childhood educators. Compensation reform remains one of the most significant and unresolved opportunities to improve workforce stability.

Early childhood educators perform highly skilled work that supports children's cognitive, social, and emotional development during the most critical years of brain growth. Yet wages remain comparable to entry-level positions in retail and food service, undermining recruitment and retention. Establishing compensation floors and wage ladders would create more stable and predictable career pathways. These systems typically link wages to education, credentials, and experience, allowing educators to advance within the profession over time.

The Governor's Task Force on Child Care and Early Education has recommended strengthening compensation systems and exploring benefits such as health insurance and retirement support.[17] As the state legislature takes on conclusive discussions about a budget, and in the context of the Leandro ruling's assignment to it regarding assurances of a sound basic education for every child, the opportunity to institute enduring policies to reform compensation structures will be essential to building a workforce that can sustain expanded child care capacity.

2 Expanding and Modernizing Child Care WAGE$

North Carolina's Child Care WAGE$ program provides salary supplements to educators based on education level and tenure. Given its demonstrated impact on retention and program stability, expanding WAGE$ to all 100 counties represents one of the most immediate and evidence-based strategies for strengthening the early childhood workforce.

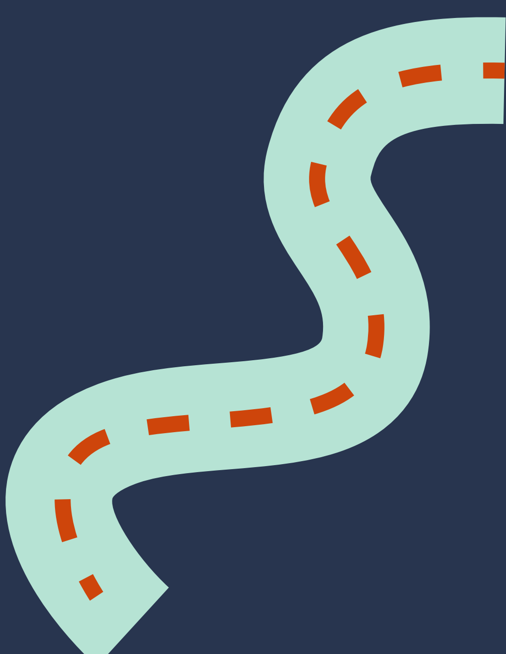
Currently available in 68 counties, WAGE$ has produced measurable improvements in workforce stability. Program data show:

- Participants experienced a 13% turnover rate, compared to 38% statewide.
- 97% report the supplement encourages them to remain with their current employer.
- 98% report reduced financial stress.
- 96% report improved job satisfaction.

These outcomes demonstrate that relatively modest, targeted compensation supports can significantly improve retention in a high-turnover market sector.

Estimates suggest that expanding WAGE$ statewide would require approximately $53 million over two years, followed by $36 million annually to sustain the program.[18] Relative to the scale of workforce shortages, this represents a high-impact, near-term investment.

3 Expanding Workforce Entry Pathways



While retention strategies are essential, North Carolina must also expand the pipeline for new educators entering the field.

Traditional credential pathways can be difficult to access for working adults, career changers, and individuals without the financial means to pursue college coursework. To broaden entry into the profession, two strategies show strong promise.

In October 2024, Early Years registered the state's first Early Childhood Educator Apprenticeship Program through ApprenticeshipNC and the North Carolina Community College System.[19]

This model allows participants to earn wages while completing training and coursework, reducing financial barriers to entry. Apprentices gain hands-on experience while progressing toward nationally recognized credentials. According to the 2025 Interim Report of the North Carolina Task Force on Child Care and Early Education, apprenticeship and pre-apprenticeship programs have already reached providers in approximately 70 counties, demonstrating strong early scalability. The state has built a stronger support structure around these pathways through Building Bright Futures, a statewide initiative that helps scale early childhood pre-apprenticeships and apprenticeships by providing technical assistance, mentorship, financial support, and work-based learning opportunities. Its continued expansion will require dedicated, ongoing investment from the state and its partners.

In 2025, the North Carolina Department of Health and Human Services launched Child Care Academies in partnership with 16 colleges and universities.[20] These short-term training programs are designed to rapidly prepare individuals for employment in licensed child care settings, helping providers fill immediate staffing gaps.

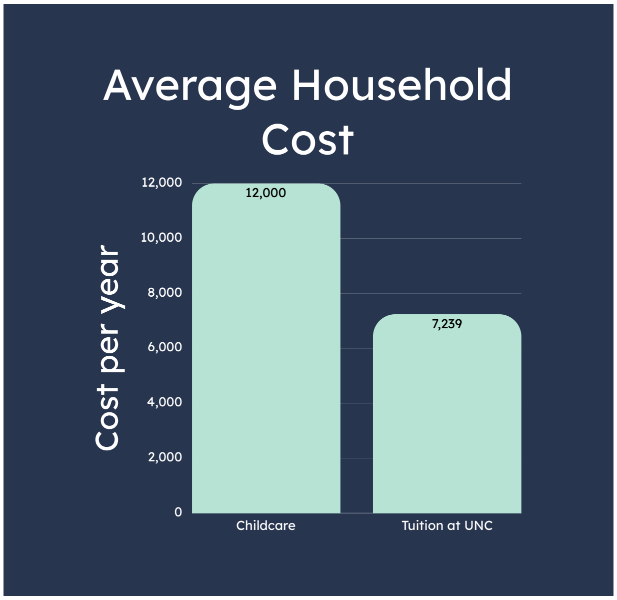
Community colleges play a central role across both strategies. By aligning short-term academies, apprenticeships, and longer-term credential pathways, North Carolina's community college system can serve as the backbone of a coordinated, statewide workforce pipeline.

The Path Forward

PILLAR III: Sustainable Financing to Stabilize and Expand Capacity

OVERVIEW

Expanding child care capacity requires financing systems that reflect the true costs of child care and learning. In North Carolina, the average annual cost of center-based infant care exceeds $12,000 per year, rivaling or exceeding in-state tuition at many public universities.[21] Center-based infant care consumes 11% of median income for a married-couple family and 37.5% for a single-parent family, far above the 7% affordability benchmark.[22] Yet even at these prices, most providers cannot generate enough revenue to cover costs, sustain stable operations, or offer competitive wages. Soaring expenses for centers reflect required and optimal staffing ratios, higher than any other education setting, contributing to costs for many families who are paying more than they can reasonably afford.



State leaders have increasingly acknowledged the scale of the gap. In March 2026, Candace Witherspoon, Director of DCDEE, testified before the General Assembly that even with subsidy reimbursements, providers are able to cover less than half of the true cost of providing care. North Carolina policymakers have issued several recent proposals aimed at addressing the gap between subsidy reimbursement rates and the true cost of care. While the proposals haven't advanced to date, their introduction reflects growing bipartisan recognition of the structural financing challenges facing the child care system. More recently, Governor Stein's April 2026 budget proposal included $80 million in recurring funding for the child care subsidy program, including $60 million in recurring state funds and $20 million in block grant funding, to bring outdated subsidy rates into federal compliance and establish a statewide subsidy reimbursement floor for all ages.[23]

Yet, as of this writing, the state remains without a finalized budget, delaying the enactment of any comprehensive financing reforms, leaving the underlying mismatch between cost, wages, and affordability largely unresolved. Without a financing framework that corrects these financial imbalances, inadequate and insufficient child care options will continue to persist.

Proposed Recommendations

1 Moving Toward Cost-Informed Subsidy Reimbursement

The most direct way to address structural financing imbalances is to align subsidy reimbursement rates with the actual cost of providing care.

Currently, North Carolina sets subsidy reimbursement rates based largely on a market rate survey, which measures what providers charge private-pay families. This approach ignores what it actually costs to operate a high-quality program and leaves in its wake enormous gaps. A market rate survey measures what the market will bear, not what high-quality care requires. Because child care prices are constrained by family affordability, market-based reimbursement rates systematically understate the true cost of staffing, compensation, facilities, and program quality.

Note that the gap is particularly wide for infant and toddler care because staffing ratios require more educators per child. When subsidy reimbursement rates fall below the cost of care, providers often reduce the number of infant and toddler slots at their centers or even go so far as to stop accepting subsidy-supported children altogether.

Source: NC Division of Child Development and Early Education

A cost-informed subsidy model would calculate reimbursement rates based on the full costs required to provide care, including educator wages and benefits, staffing ratios, facility costs and utilities, and administrative expenses.

2 Establishing a Subsidy Reimbursement Floor

To compound the structural financial imbalances, North Carolina's subsidy reimbursement rates are different from county-to-county, from center-to-center, and from family-to-family. Consequently, providers in rural counties - where tuition is lower - often receive lower subsidy payments, even though the core cost drivers of child care, particularly staffing, do not vary significantly across regions.
These disparities contribute to persistent child care shortages in rural communities. Approximately 44% of rural North Carolina residents live in child care deserts, where the number of licensed child care slots is far below the number of children who need care.[24]

A statewide subsidy floor would reduce geographic inequities, stabilize providers in economically distressed counties, and create a clearer baseline for financing child care across the state. In its December 2025 Year-End Report, the Governor's Task Force on Child Care and Early Education recommended the establishment of a statewide subsidy floor. Recent legislative proposals demonstrate a growing consensus around the need to raise subsidy reimbursement rates and address rural inequities. Senate Bill 412 and the Care Center Cost Support Act (S.B. 594) both proposed significant investments to raise reimbursement rates toward the 75th percentile and, in the case of S.B. 594, establish a statewide subsidy floor to reduce geographic inequities.[25] Until the state finalizes a budget, progress toward these reforms remains stalled.

3 Activating Philanthropy as Catalytic Capital

Public funding must remain the foundation of North Carolina's early childhood ecosystem. At the same time, philanthropy can play an important role to catalyze capital, support innovation, launch pilot programs, and build infrastructure that can later be sustained through public investment.

North Carolina is home to many foundations whose philanthropic investments help to improve the lives of the state's population. Health care conversion foundations created when non-profit hospitals are sold to for-profit entities have amplified the field of the legacy foundations in the state. Among the existing investments some leading foundations have made in the early childhood ecosystem are:

- The Duke Endowment partnered with Blue Meridian Partners to invest $32.5 million for the initial phase of "Ready for School, Ready for Life," a Guilford County-based collaborative devoted to coordinating care for

NC Philanthropic Foundations Investing in Early Childhood

THE DUKE ENDOWMENT

blue meridian partners

dogwood health trust

children from prenatal to age 8, with a particular focus on kindergarten readiness.

- The healthcare conversion foundation Dogwood Health Trust has invested more than $23 million to strengthen the workforce and expand access to childcare in Western North Carolina.

National examples also highlight the potential of philanthropic investments in early childhood infrastructure. Launched with funding from the David and Laura Merage Foundation, Early Learning Ventures in Colorado (ELV) provides a shared services platform that offers centralized business services, financial management tools, and administrative support to networks of child care providers.

During the COVID-19 pandemic, Colorado lost 9.4% of licensed child care providers statewide, while providers participating in the ELV network experienced losses of only 2.8%. [26]

In North Carolina, philanthropic investments could support the expansion of pilot-proven innovations, including the apprenticeships and child care academy programs noted above. Plus, philanthropic investments could allow communities to test promising models before scaling them through public funding systems, accelerating the development of infrastructure by supporting:

- Startup grants for home-based providers and small centers.
- Expanded workforce innovation pilots such as academies and apprenticeships.
- Launch of shared services hubs that reduce administrative burdens for small providers.

Catalyzing existing and new philanthropic investments and aligning them with public policy and public funding opportunities can return North Carolina to a state known for sustainable innovation in childcare.

4 Financing Child Care as Economic Infrastructure

Sustainable financing for child care is not simply a budget issue. It is also an essential economic development strategy. This may be the single most important perspective to take into consideration in a holistic conversation about the significance of addressing the child care crisis in North Carolina.

Child care shortages impose significant economic costs on families, businesses, and state economies. The most recent 2026 national study estimated that insufficient child care costs the United States $172 billion annually in lost earnings, productivity, and tax revenue.[27]

In North Carolina alone, neglected child care challenges are estimated to cost the state economy $5.65 billion each year through workforce disruptions, reduced productivity, and lost tax revenue.[28]

These losses highlight the importance of treating child care as an essential driver of the state's economic prosperity. Just as investments in transportation, broadband, and energy systems support economic growth, investments in early learning systems support workforce participation and long-term human capital development.

Informing and catalyzing the very same cross sector stakeholders that brought North Carolina into the national vanguard of childcare innovators - the state leaders, educators, advocates, and communities who galvanized together to bring about consequential reforms at the end of the 20th century - is what is required at this critical juncture. Recognizing the economic impact that is required to propel the state through the 21st century may be the fuel that is required to address the child care crisis.

Conclusion

The Future of Childcare is the future for North Carolina

North Carolina has reached a defining moment. The state can continue to manage scarcity within a child care system that leaves too many families without access, or it can make the choice to reinvigorate the infrastructure that families, communities, and the economy require.

A child's access to care depends on whether families can find options that meet their needs in the communities they call home. It depends on whether classrooms are open, whether educators are stable, whether care is available during traditional and nontraditional hours, whether infant slots exist, and whether costs are manageable. When those conditions are not met, access breaks down, families lose stability, and the state loses productive capacity.

Early care and learning, beginning at birth, are foundational to children's development and to North Carolina's long-term prosperity. The developmental experiences that each and every child has from birth to age five shapes that child's cognitive, social-emotional, and language development and her educational attainment, health outcomes, and economic mobility over a lifetime. Accessible, affordable high quality care during the first five years - when 90% of all brain development takes place - is critical for a lifetime of flourishing. When environments are stable, relationships are consistent, and interactions are developmentally supportive, every child thrives.

This moment calls for the vision, will, and collective impact that North Carolina has to build the human capital and economic infrastructure necessary to return as a national early childhood leader.

Infrastructure must be geographically distributed to function.

Roads that end before they reach a town are not infrastructure. Broadband that bypasses rural counties does not create opportunity. Likewise, a child care system that exists in policy but not in communities where it is needed most does not support workforce participation, does not strengthen local economies, and does not build human capital.

Coordinated investments in building and retaining the child care work force are essential.

A stable, high-quality, and equitable early care and learning system must be understood and funded as essential public infrastructure. Building the developmental foundations of the next generation's workers and leaders; supporting families' ability to work; strengthening North Carolina's future economy: these are the critical factors on the line at this moment.

North Carolina has already demonstrated what is possible through decades of innovation and leadership. But leadership in this moment means building the next generation of early learning infrastructure with urgency, scale, and intentionality.

The choice before the state is clear. North Carolina can continue to manage decline within a system that leaves too many children and families behind, or it can invest in the capacity that makes growth possible.

The future of North Carolina's workforce, economy, and communities is already here. It is growing up in our homes and the state's early learning environments today.

About the Author

Meytal Barak is an early childhood systems leader and consultant based in Durham, North Carolina. She brings more than 25 years of experience across nonprofit, research, and public sector roles, focused on expanding equitable access to early care and learning.

Most recently, she served as Early Childhood Coordinator for Durham County, leading the county's Early Childhood Action Plan and Durham PreK initiative. She previously held executive leadership roles at Book Harvest, a national early literacy organization, where she designed and scaled early literacy programs across North Carolina.

Barak has contributed to published research and evaluation and continues to serve on multiple state and local early childhood advisory bodies. She holds a Master's Degree in Education with a focus on Early Education and Family Support from the University of North Carolina at Chapel Hill.

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The views expressed in this report are not necessarily those of these experts.

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