

WHO FUNDS EARLY LEARNING?

Funding streams for early childhood are a combination of federal and state dollars. This section provides an overview of current funding streams by federal and state sources. Blending and braiding of funding streams is also discussed.

FEDERAL AND STATE FUNDING STREAMS

WHAT YOU'LL LEARN

- ▶ Federal funds available for early learning in North Carolina
- ▶ North Carolina's investments in early learning
- ▶ How funding streams are maximized through blending and braiding



While early childhood initiatives are funded with federal, state and local dollars, federal dollars represent the largest share in NC. Over the past decade, funding for many programs has decreased or remained flat amid increasing demand. Given this trend, it is important to understand funding sources and how best to maximize them.

FEDERAL FUNDING STREAMS

Funding for early child development and learning initiatives is available to states through various federally-funded programs.

Federal dollars typically flow to the state in one of two ways:

1. A designated state agency charged with administering an early childhood program receives the federal funds (e.g., child care subsidy) or
2. Federal dollars go directly to providers of early childhood services at the local level (e.g., Head Start).

FEDERAL FUNDING SOURCES FOR EARLY CHILDHOOD Table 2-1

FEDERAL PROGRAM	OVERVIEW	ADMINISTRATOR	FLOW OF FEDERAL FUNDS
Child Care and Development Block Grant (CCDBG), also referred to as the Child Care Development Fund (CCDF)	It is the primary source of federal funding for child care subsidies for low-income working families. It also provides funds to improve child care quality.	US Department of Health and Human Services, Office of Child Care	<ul style="list-style-type: none"> ▶ Federal funds go to the NC Department of Health and Human Services, which then pays according to NC law-regulated child care centers and child care homes in local communities. ▶ In FY 2014, an average of 65,600 children were served each month.
Head Start/Early Head Start	Head Start is a federally funded preschool program that provides comprehensive services to support the social, emotional, physical and cognitive development of three and four-year-old children. Early Head Start serves infants and toddlers.	US Department of Health and Human Services, Office of Head Start	<ul style="list-style-type: none"> ▶ Federal funds go directly to local Head Start grantees. ▶ For FY 2015, Head Start served 23,088 North Carolina children. For FY 2015, Early Head Start served 5,147 children.⁷
Temporary Assistance for Needy Families (TANF)	TANF is designed to help low-income families achieve self-sufficiency. States receive block grants to design and operate programs that focus on parental employment and child and family well-being.	US Department of Health and Human Services, Office of Family Assistance	<ul style="list-style-type: none"> ▶ North Carolina's TANF program is called Work First. ▶ Federal funds go to the NC Department of Health and Human Services, Division of Social Services. ▶ TANF is operated at the local level by county Departments of Social Services.
The Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	WIC supports the health of low-income pregnant, post-partum and breast-feeding women; and infants and children up to age five who are at nutritional risk. It provides nutritious foods to supplement diets, information on healthy eating and referrals to health care.	US Department of Agriculture, Food and Nutrition Service	<ul style="list-style-type: none"> ▶ Federal funds go to the NC Department of Health and Human Services, Division of Social Services. ▶ WIC is operated at the local level by county Departments of Social Services.
IDEA Section 619 Preschool Funding (Special Education Preschool)	IDEA Section 619 awards formula grants to states, the District of Columbia and Puerto Rico to make available special education and related services for children with disabilities aged three through five.	US Department of Education, Office of Special Education Programs	<ul style="list-style-type: none"> ▶ Federal funds go to the NC Department of Public Instruction, Office of Early Learning. ▶ NC is required to distribute most of its grant to local educational agencies, which operate local programs.

FEDERAL FUNDING SOURCES FOR EARLY CHILDHOOD Table 2-1, continued

FEDERAL PROGRAM	OVERVIEW	ADMINISTRATOR	FLOW OF FEDERAL FUNDS
IDEA Part C—Grants for Infants and Toddlers (Special Education Early Intervention Services)	IDEA Part C awards formula grants to assist states and territories in implementing statewide systems of coordinated, comprehensive, multidisciplinary, interagency early intervention programs and making early intervention services available to children with disabilities, age birth through two.	Department of Education, Office of Special Education Programs	<ul style="list-style-type: none"> ▶ Federal funds go to the NC Department of Health and Human Services, Women's and Children Health section and are administered by the state's Children's Developmental Services Agency.
Supplemental Nutrition Assistance Program (SNAP)	SNAP offers nutrition assistance to eligible, low-income individuals and families and provides economic benefits to communities.	US Department of Agriculture, Food and Nutrition Service	<ul style="list-style-type: none"> ▶ Federal funds go to the NC Department of Health and Human Services, Division of Social Services. ▶ SNAP is operated at the local level by human services agencies.
Maternal Infant, and Early Childhood Home Visiting Program (MIECHV)	MIECHV supports pregnant women and families and helps at-risk parents of children from birth to kindergarten entry access to resources and develops the skills needed to raise physically, socially and emotionally healthy children.	US Department of Health and Human Services, Health Resources and Services Administration, Maternal and Child Health Bureau	<ul style="list-style-type: none"> ▶ Federal funds go to NC Department of Health and Human Services, Women's and Children Health section. Through a Request for Proposals, communities are selected to implement home-visiting programs. ▶ MIECHV is operated at the local level through initiatives such as Nurse Family Partnership and Parents as Teachers.
Race to the Top—Early Learning Challenge Grants (RTT-ELC)	RTT-ELC grants were awarded to states on a competitive basis between 2011 and 2013 for development of a statewide infrastructure of integrated early learning supports and services for children, from birth through age five.	US Department of Education, Office of Early Learning and the Department of Health and Human Services, Administration for Children and Families, Office of Early Childhood Development	<ul style="list-style-type: none"> ▶ NC was awarded a five-year grant of \$69.9 million. ▶ The lead state agency is the NC Early Childhood Advisory Council within the Office of the Governor. ▶ The NC Department of Health and Human Services, Division of Child Development and Early Education is the fiscal agent.
Promise Neighborhoods	Promise Neighborhood grants are awarded competitively to provide funds to non-profit, community-based organizations to support development of comprehensive neighborhood programs, modeled after the Harlem Children's Zone, designed to combat the effects of poverty and improve education and life outcomes for children, birth through college.	U.S Department of Education, Office of Innovation and Improvement	n/a
Preschool Development Grants	Preschool Development Grants are competitively awarded to support states to build or enhance preschool program infrastructure to enable the delivery of high quality preschool services to children.	US Department of Health and Human Services, Administration for Children and Families in coordination with the Department of Education, Office of Early Learning	n/a

STATE FUNDING FOR EARLY CHILDHOOD

State funding for early childhood initiatives is provided largely through two programs—NC Pre-K and Smart Start. NC Pre-K is funded by revenue generated from the state’s lottery games and annual General Fund appropriations. Smart Start is funded through annual General Fund appropriations. In addition to these two state-funded programs, North Carolina has made smaller state appropriations for programs such as Maternal and Infant Health and Child Care Subsidies.

STATE FUNDING SOURCES FOR EARLY CHILDHOOD Table 2-2

STATE PROGRAM	OVERVIEW	ADMINISTRATOR	FLOW OF STATE FUNDING
NC Pre-Kindergarten Program	The NC Pre-K Program is designed to provide high quality educational experiences to enhance school readiness for eligible four-year-old children. Program requirements are designed to ensure a high quality prekindergarten classroom experience for children in each local NC Pre-K Program.	NC Department of Health and Human Services, Division of Child Development and Early Education	<ul style="list-style-type: none"> ▶ NC Department of Health and Human Services, Division of Child Development and Early Education
Smart Start - The NC Partnership for Children, Inc.	Smart Start consists of a network of nonprofit local partnerships led by The North Carolina Partnership for Children, Inc. Smart Start is a public/private partnership and has local partnerships serving all 100 North Carolina counties.	The North Carolina Partnership for Children, Inc.	<ul style="list-style-type: none"> ▶ The North Carolina Partnership for Children, Inc., allocates funding to Smart Start local partnerships. ▶ Smart Start local partnerships are independent, nonprofit organizations.
NC Infant-Toddler Program (ITP)	ITP provides supports and services for families and their children, age birth to three, who have special needs.	NC Department of Health and Human Services, Early Intervention Branch	<ul style="list-style-type: none"> ▶ Local Children’s Development Services Agency (CDSA) refers children to recommend services provided by ITP. CDSA has 17 offices across North Carolina.
Child Care Subsidy	Provides funds for low-income working families to afford child care.	NC Department of Health and Human Services, Division of Child Development and Early Education	<ul style="list-style-type: none"> ▶ NC Department of Health and Human Services, Division of Child Development and Early Education to local Departments of Social Services.

MAXIMIZING FUNDING STREAMS

To maximize the available dollars, early childhood administrators blend and braid funding. These strategies also are used to meet match requirements to draw down additional dollars.

► **Blending** is when “funds from two or more separate funding sources are wrapped together within one unified set of program services to children.”⁸ For example, in North Carolina, some local Smart Start funds are blended with federal or private funds to support Nurse Family Partnerships.

► **Braiding** is when “funds from two or more funding sources are coordinated to support the total cost of services to individual children, but revenues are allocated and expenditures tracked by categorical funding source.”⁹ Braiding requires a higher level of accounting precision with cost allocation methods employed and the ability to track revenues and expenses by individual funding source. For example,

in North Carolina, Early Head Start and Child Care Partnerships are an example of braiding funds (often with subsidy funds).

Some federal programs require that the state also invest funds.

► **Maintenance of Effort (MOE)** provisions require that the state does not reduce its investment in a program from year-to-year. MOE funds for federal programs require grantees to demonstrate that the state will maintain the level of non-federal funding for a program in effect prior to the federal grant award. For example, TANF maintenance of effort has included around \$38 million in annual state appropriations for subsidized child care.

► **Matching funds** are required by some programs in order to draw down federal funds, which is not related to past funding levels like MOE.



EARNED INCOME TAX CREDIT

The Earned Income Tax Credit (EITC) is a federal refundable tax credit for low- and moderate-income working people. It encourages and rewards work as well as offsets federal payroll and income taxes. For tax year 2015, more than 931,000 North Carolinians claimed the federal EITC, worth a total of \$2.3 billion.¹⁰

The federal EITC lifted approximately 298,000 North Carolinians—half of whom were children—above the federal poverty line between 2010 and 2012.¹¹ In 2007, state lawmakers established a state EITC to build upon the federal tax credit and provide a modest boost to the wages of low- and moderate-income North Carolina workers. In 2013, state lawmakers eliminated the state EITC, making North Carolina the first and only state with an EITC to eliminate the tax credit.¹² For tax year 2013, more than 927,000 North Carolinians claimed the state EITC, benefiting more than 1.2 million children.¹³