

**Impact Analysis – Yadkin County Child Care Expansion Team Rule Petition
(Petition originally submitted 12/2/22 and amended and resubmitted on 2/1/23)**

March 2023

Agency: DHHS/Division of Child Development & Early Education
Contact: Alison Keisler and Julie Peck (919) 814-6300/Dedra Alston (919) 814-6307

RULE CITATION: 10A NCAC 09 .2611 SCOPE*
10A NCAC 09 .2612 DEFINITIONS*
10A NCAC 09 .2613 SPECIAL PROVISIONS FOR LICENSURE*
10A NCAC 09 .2614 OUTDOOR SPACE*
10A NCAC 09 .2615 STAFF/CHILD RATIOS*
10A NCAC 09 .2616 PROVIDER QUALIFICATIONS*

*SECTION TITLES AND RULE NUMBERS ARE SUBJECT TO CHANGE

Statutory Authority: G.S. 110-85; 110-86; 110-88; 110-91
State Gov. Impact: Minimal
Local Gov. Impact: Yes
Substantial Economic Impact: No
Private Sector Impact: Yes

Executive Summary:

This set of rules is being submitted in response to a petition received from Yadkin County Expansion Team to allow the licensing of an alternative child care facility model. Although the petition was focused on providing solutions to child care barriers within Yadkin County specifically, once adopted, the model will be an option available to any interested party throughout North Carolina. The proposed rules will add an option that allows for independently licensed child care providers to operate within one building. As compared to the traditional single-owner child care center model, the “Flex Plex” model will provide efficiencies and cost savings in terms of staffing, overhead, and facility upkeep. Increased efficiencies and cost savings should result in lower barriers for new child care providers and more opportunities for employment of child care staff. Lower barriers to entry should translate into increased availability of licensed, high-quality child care providers which will, in turn, give working parents more choices for child care. Having access to child care will allow parents to work, reducing absenteeism for businesses and increasing productivity. This, in turn, will help bolster the local economy.

The proposed rules will not require that anyone use the Flex Plex model. Rather, the rules will add an option for prospective child care center owners. The estimates included in this analysis are specific to Yadkin County, but they can be generalized and scaled to other counties in North Carolina.

Necessity:

Within the field of child care, there is a critical labor shortage and high turnover rates due, in large part, to low wages for child care personnel. In addition, it is becoming increasingly difficult for child care center owners to cover operational costs due to factors such as inflation and supply-chain issues. As such, tuitions have increased, further burdening families already struggling to cover child care costs. These factors

combine to make owning and operating a child care center less profitable. This has resulted in a steep decline in the number of child care centers and family child care homes operating in North Carolina, with steeper declines observed in rural counties. In Yadkin County, for example, there has been a significant reduction in child care centers and family child care homes over the past 12 years.

In 2010, there were 9 private child care centers and 11 family child care homes in Yadkin County. As of 2022, there were 4 private child care centers and 2 family child care homes.

While the number of child care centers licensed in North Carolina has decreased, the need for child care has not. According to the 2021-2022 Yadkin County Infant-Toddler Child Care Landscape Study¹ conducted by the Child Care Services Association, as of October 2022, there were 1,132 children aged two and under within Yadkin County. Of these 1,132 children, 636 of them had both parents working. According to the same study, there were only 64 children aged two and under enrolled in licensed child care facilities within Yadkin County. Since 2017, there has been a 39% decrease in enrolled child care slots. According to the Shallow Ford Foundation Study², there are too few centers/slots for full-day care, with up to two-year waiting lists at every center. Rural communities are typically feeling the impact more than urban communities. As illustration, in Yadkin County, there are 19 children for every licensed slot, compared to 5.7 children per slot in Forsyth County.

The proposed rules would help to address this child care shortage by allowing the Flex Plex model to be used in North Carolina.

Proposed Rules

10A NCAC 09 .2611 - Scope

Defines the scope of the proposed rules as applying only to Flex Plex model facilities.

10A NCAC 09 .2612 - Definitions

Defines the term “Flex Plex Model” as “one building with multiple licensed units, each with a separate owner and entrance and each having its own physical and mailing address.”

10A NCAC 09 .2613 – Special Provisions for Licensure

The proposed rule is similar to existing child care rule .0302(e) except that it allows issuance of individual licenses to multiple units housed within the same building.

10A NCAC 09 .2614 – Outdoor Space

The proposed rule applies the requirements of existing child care rules 10A NCAC 09 .0605, .1402, and .2809, which have to do with the outdoor learning environment and the minimum and enhanced space requirements. In addition, the proposed rule specifies that outdoor space may be shared by the licensed units provided the required staff/child ratios and group sizes in proposed Rule .2614 are maintained.

10A NCAC 09 .2615 – Staff/Child Ratios

The staff/child ratios and group sizes in the proposed rule are identical to the staff/child ratios and group sizes currently in 10A NCAC 09 .0713. Under the existing rules, the current staff/child ratios applicable to a center this size also have corresponding rules that limit the times children can be grouped together

¹2021-2022 Yadkin County Infant-Toddler Child Care Landscape Study available at: <https://nearlyeducationcoalition.org/wp-content/uploads/2022/05/Yadkin.pdf>

² Shallow Ford Foundation Study available at: https://uploads-ssl.webflow.com/6065d80ada2f10689a4f841f/6182bdd842dec72af824a6d7_ChildcareReport-Oct2021-Print.pdf

and the ages of children that can be grouped together. This poses a barrier to the Flex Plex model. For this type of model to be successful, children must be able to be served in a multi-age setting. As such, the proposed rule .2615 differs from existing rule .0713 in that it eliminates these time and age grouping limits.

10A NCAC 09 .2616 – Provider Qualifications

The proposed rule .2616 references requirements in existing child care rules and statutes, with an exception for the administrative hours required by rule .0714(a). The proposed rule allows for one person to serve as both the administrator and lead teacher in each unit rather than having both an administrator and a lead teacher, as is required by existing rules for nonresidential centers. This aspect of the proposed Flex Plex model is more similar to a residential center, in which one person performs the duties of both the administrator and the lead teacher.

Impact Analysis:

State and Local Government

Most of the requirements in the proposed rules are the same as in existing rules, and their implementation will not require any procedural changes nor additional workload or staffing above existing requirements. The time spent by inspectors during the visits is equivalent to time spent in classroom-type settings that currently operate in larger child care centers. As such, there should be no opportunity cost associated with inspections of Flex Plex model facilities as compared to larger facilities under the existing rules. The only difference is the units would be individually owned and each of the owners would receive individual visit summaries. While this will have a small added cost associated with paper and printing, there is no anticipated cost associated with state or county staff time.

The availability of the Flex Plex model as an option for child care also has the potential to bolster local economies by removing barriers of entry for new business owners. In the near term, this benefit is most likely to be realized in Yadkin County since the planning for a Flex Plex facility is already underway in that county. But this model will be available in all NC counties, so it is possible that other counties could see similar benefits in the future.

Prospective Child Care Center Unit Owners

The rules will allow, but not require, use of the Flex Plex model. If an individual does opt to own and operate a unit within a Flex Plex facility, they would not incur any additional costs above what is already required by existing child care rules for nonresidential centers. The more likely outcome would be they would see net cost savings as compared to operating their own child care center under existing rules. These savings would come primarily from being able to share parts of the facility, such as outdoor space. The owner of the building itself would be responsible for costs related to repairs and maintenance, utilities, grounds management, cleaning, and insurance. Of course, some of these costs will be recouped by building owners in the form of rent charged to unit owners.

An analysis by Business of Child Care that was commissioned for Yadkin County estimated that the adoption of the Flex Plex rules will include the following outcomes:

- Approximately 48 additional children (at one time) will have access to licensed child care;
- The weekly average tuition will be about \$175;
- The rent per unit will be about \$17,748 per year; and
- The owner of each unit will earn net income of about \$43,000 per year.

The above estimates are specific to Yadkin County as of Fall 2021. Tuition and rents are likely to be similar in other rural counties and higher in more urban counties. As compared to a single-unit child care center owner operating under the current rules, the business costs for rent and tuition are likely to be significantly less (per unit owner), as the unit owners will share in costs associated with the building. Additionally, depending on the ages served, the enrollment may be higher. Therefore, the net income for a unit owner is likely to be higher under the proposed Flex Plex rules than under the current rules. According to the 2021-2022 North Carolina Child Care Market Rate study³ the tuition noted above under the proposed Flex Plex model is comparable to the statewide average 3-star monthly tuition of \$809.00 (for three- to five-year-olds, as of 2021). There is no data specific to owners in the Working in Early Care and Education in North Carolina 2019 Workforce study⁴, but the net income that is comparable as noted above is \$39,520 per year for child care center administrators.

Prospective Flex Plex Building Owners

The rules will allow, but not require, use of the Flex Plex model. If an individual does opt to operate a Flex Plex facility, they would not incur any additional costs above what is already required by existing child care rules. The more likely outcome would be they would see cost savings as compared to operating a similarly sized child care center under existing rules.

In the case of Yadkin County, the county has secured a grant to construct a Flex Plex building and equip the unit with the necessary supplies. For future facilities that choose to operate within the Flex Plex model, there would be startup costs, but those would not be the result of the proposed rules.

Families

These rules will create a pathway for new child care options. In the near term, people who live or work in Yadkin County are most likely to benefit from these proposed rules. But these same benefits would be realized should similar child care centers open in other counties in the future. Families will benefit by having more options for child care in that there will be more slots available and the tuition costs are likely to be more affordable. Because of the flexibility of the Flex Plex model, these centers will be more likely to offer care for more age groups. Having access to child care will allow parents to work, reducing absenteeism for businesses and increasing productivity. This, in turn, will help bolster the local economy.

³ 2021-2022 North Carolina Child Care Market Rate Study available at:
https://ncchildcare.ncdhhs.gov/Portals/0/documents/pdf/C/Child_Care_Market_Rate_Study_2021_Final_Report_7-20-22.pdf?ver=E5J11C10n1TicqFmJPagVw%3d%3d

⁴ Working in Early Care and Education in North Carolina 2019 Workforce study available at:
https://www.childcareservices.org/wp-content/uploads/CCSA_2020_Statewide_WorkStudyRprt-FINAL-web.pdf

1 **Attachment of Rules**

2 **SECTION .2600 – FLEX PLEX MODEL FACILITIES**

3
4 **10A NCAC 09 .2611 is proposed for adoption as follows:**

5 **10A NCAC 09 .2611 Scope**

6 The rules in this Section apply to flex plex model facilities with multiple units, licensed individually, in one
7 building. All rules within this Chapter shall apply except as provided in this Section.

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9 *History Note: Authority G.S. 110-85; 110-86; 110-88; 110-91;*
10 *Eff. _____.*

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12 **10A NCAC 09 .2612 is proposed for adoption as follows:**

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14 **10A NCAC 09 .2612 Definition of Flex Plex Model**

15 One building with multiple licensed units, each with a separate owner and entrance and each having its own
16 physical and mailing address.

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18 *History Note: Authority G.S. 110-85; 110-86; 110-88; 110-91;*
19 *Eff. _____.*

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21 **10A NCAC 09 .2613 is proposed for adoption as follows:**

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23 **10A NCAC 09 .2613 Licensure**

24 The Division shall make one or more inspections to each unit within the building and issue individual
25 licenses if all applicable requirements of G.S. 110, Article 7, this Chapter, and this Section are met.

26
27 *History Note: Authority G.S. 110-85; 110-86; 110-88; 110-91;*
28 *Eff. _____.*

1 **10A NCAC 09 .2614 is proposed for adoption as follows:**

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3 **10A NCAC 09 .2614 Outdoor Space**

4 Subject to the requirements in 10A NCAC 09 .0605, .1402, and .2809, the licensed units within the flex
5 plex model may share outdoor space provided the staff/child ratios and group sizes in this Section are
6 maintained.

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8 *History Note: Authority G.S. 110-85; 110-86; 110-88; 110-91;*

9 *Eff. _____.*

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11 **10A NCAC 09 .2615 is proposed for adoption as follows:**

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13 **10A NCAC 09 .2615 Staff/Child Ratios**

14 The staff/child ratios and group sizes for children are as follows:

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<u>Age of Children</u>	<u>Ratio Staff/Children</u>	<u>Maximum Group Size</u>
<u>0 to 12 Months</u>	<u>1/5</u>	<u>10</u>
<u>12 to 24 Months</u>	<u>1/6</u>	<u>12</u>
<u>2 to 3 Years</u>	<u>1/10</u>	<u>20</u>
<u>3 to 5 Years</u>	<u>1/15</u>	<u>25</u>
<u>5 Years and Older</u>	<u>1/25</u>	<u>25</u>

16

17 (1) when combining age groups, the staff/child ratio for the youngest child in the group shall
18 be maintained for the entire group;

19 (2) when only one caregiver is required to meet the staff/child ratio and children under two
20 years of age are in care, that person shall not concurrently perform food preparation or
21 other duties which are not direct child care responsibilities;

22 (a) The unit shall post the name, address, and telephone number of an adult who has
23 agreed in writing to be available to provide emergency relief and who can
24 respond within a reasonable period of time; or

25 (b) There shall be a second adult on the premises who is available to provide
26 emergency relief. This second adult may be a person in another licensed unit
27 within the flex plex model or support staff within the building.

1 *History Note: Authority G.S. 110-85; 110-86; 110-88; 110-91;*
2 *Eff. _____.*

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4 **10A NCAC 09 .2616 is proposed for adoption as follows:**

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6 **10A NCAC 09 .2616 Provider Qualifications**

7 (a) The person who has the responsibility for administration of the program and planning and implementing
8 daily activities for the group of children in their care shall meet the requirements for an administrator and
9 lead teacher as outlined in G.S. § 110-91(8).

10 (b) When meeting enhanced standards, the person who has responsibility for administration of the program
11 and planning and implementing daily activities shall meet the lead teacher requirements outlined in 10A
12 NCAC 09 .2819.

13 (c) Additional staff within the licensed unit shall meet lead teacher or teacher requirements in Section .2800
14 of this Chapter as determined by their caregiving role.

15 (d) The person responsible for the administration of the program and program planning does not have to
16 meet administrative hours as required in 10A NCAC 09 .0714(a).

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18 *History Note: Authority G.S. 110-85; 110-86; 110-88; 110-91;*
19 *Eff. _____.*