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Beverly Eaves Perdue, Governor

Lanier M. Cansler, Secretary

October 10, 2011

The Honorable Beverly Eaves Perdue
Governor
State of North Carolina
116 West Jones Street
Raleigh, NC 27603-1300

Dear Governor Perdue:

Executive Order No. 100 requires the Department of Health and Human Services – Division of Child Development and Early Education to develop a plan for implementing the NC Pre-Kindergarten program. In accordance with Executive Order No. 100 the Department is pleased to submit the attached plan.

Please contact me should you have concerns regarding the *NC Pre-K Compliance Plan.*

Sincerely,

Lanier M. Cansler

LMC:

cc: Maria Spaulding
Sharnese Ransome
Jim Slate
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NC Pre-K Compliance Plan in Accordance with Governor Perdue's Executive Order 100

As Submitted By

The Division of Child Development and Early Education
Department of Health and Human Services

October 10, 2011

Background Information

The North Carolina More at Four Pre-kindergarten Program was implemented as a state-funded initiative for at-risk four-year-olds, designed to help them be more successful when they enter elementary school. The purpose of More at Four was to provide a high quality, classroom-based educational program during the year prior to kindergarten entry. More at Four has been providing a full school year pre-k program since 2002-2003, and has served over 163,000 children during the first ten program years (2002-2011). Operating under the authority of the State Board of Education, More at Four proved to be highly successful in improving the school readiness of children served. An evaluation of the performance of More at Four children on third grade reading and math tests compared to non-More at Four children found that More at Four children who were economically-disadvantaged in the third grade achieved statistically significant higher third grade math and reading scores, than economically-disadvantaged children who did not attend More at Four. The economic achievement gap was closed by up to 40% for these children (Peisner-Feinberg, E. & Schaff, J., 2010).

In June 2011 the administration of North Carolina's More at Four Pre-Kindergarten program was transferred from the Department of Public Instruction - Office of Early Learning to the Department of Health and Human Services - Division of Child Development and Early Education (DCDEE). This transfer was part of the General Assembly's budget bill, HB200 that was ratified on June 15, 2011. Also included in the budget bill were specific provisions related to the Pre-K program which required that the high standards of the Pre-K program be maintained, a parent co-pay added for most eligible families, and a $32 million cut to the program.

Subsequently, an injunction was requested on behalf of five school districts based on concerns related to the co-pay provisions and perceived barriers to families from the changes that were mandated in the budget. A ruling issued on July 18th, 2011 by Superior Court Judge Howard Manning specified that at risk children could not be denied a sound basic education and any barriers to that access had to be removed. On August 10th, 2011 Governor Beverly Perdue issued Executive Order 100 pertaining to the provision of pre-kindergarten services to North Carolina's at-risk four year old children. The Executive Order focused on the State's commitment to serve at-risk children as required by the judicial order. It also provided guidance related to collaboration between the Department of Health and Human Services and the Department of Public Instruction (DPI) designed to ensure continued high quality services for children and families, alignment with the standards for the primary years of public school and smooth transitions for children as they move from Pre-K to the public school.

Over the past few months representatives of DCDEE and DPI have met on numerous occasions to plan to implement the directives of the General Assembly, the judicial order and the Governor's Executive Order. The plan for compliance with Executive Order 100 is outlined below.

Plan for Compliance with Executive Order 100

Section One of the Executive Order required that the same standards of the More at Four program be maintained under the transfer from DPI to DHHS.

Response: North Carolina's Pre-K program (NC Pre-K) began providing services to children, under the new management structure, in August 2011. The integrity of the program has been maintained as evidenced by the following provisions that have remained the same as in prior years when the program was administered by DPI:

- 91 local county/region contractor administrators are responsible for determining eligibility for families and for contracting with local sites. Five public school systems that were previously the contract administrator in 5 counties chose to not continue as the contract administrator during the 2011-2012 school year. The breakdown for contractor organizations is –
  - Public School Sites - 41
  - Local Smart Start Partnerships - 45
  - Head Start Agencies - 4
  - Other Community Action Agency – 1

- A diverse delivery system continues to be provided. NC Pre-K sites continue to operate in public schools, Head Start, Title I and private child care programs across the state. DCDEE has been working closely with DPI to resolve questions and continue the practice of blending Pre-K funding with Head Start, Exceptional Children (IDIEA, 619) and Title I funds to support NC Pre-K classrooms.

- The same high program standards have been maintained. For example -
  - Teacher Education - The Office of Early Learning (OEL) had planned to require all teachers to have a BA/BS as of the 2011-2012 school year. The Division of Child Development and Early Education (DCDEE) maintained that expectation except in certain situations where a waiver was requested due to the inability of the site to locate a highly qualified applicant. This is similar to the exception policy in the past. Exception requests have been limited.
  - Teacher to Student ratios of 1:9 with a maximum group of size of 18 are being provided.
  - Curriculum, developmental screenings and assessments continue to be required.
  - The online county, site, classroom and child database were successfully transitioned to DCDEE, and reflect the changes required by the budget bill as well as the judicial order.
  - Education Consultants have worked within DCDEE to continue to provide technical assistance to NC Pre-K contractors in order to ensure a smooth transition of services.

Three changes of note are as follows:

1. Local contractors' administrative costs have been limited to a maximum of 4% of the total allocation, or at least $20,000, for an individual county/region. The State

Board of Education had previously specified an administrative cap for LEAs and local partnerships operating as the contract administrator at 8% (state-wide average). Administrative expenses are now required to be reported by defined categories, and are limited to be used to support expenses such as staff salaries, benefits, staff travel, training, computers, equipment and/or supplies and other administrative costs at the contract administrator level. These changes will result in increased service dollars for children.

2. Staffing to administer the program at the state level was reduced. DPI employed 24 staff who were involved in the operation and oversight of the More at Four program. The budget bill allowed for 8 staff to be transferred to DHHS, and these staff were to provide for monitoring as well as contracting responsibilities.

3. DCDEE child care consultants will begin monitoring the NC Pre-K classrooms during their regular annual visits. These visits will occur between November and May of the 2011-2012 school year. The results of these visits will be shared with the local contract administrators and any needed follow up will be developed in collaboration with the local contractor and the site.

During this transition DCDEE has worked closely with staff from the Early Childhood Advisory Council (ECAC) and determined that it is essential for the Pre-K program to maintain its unique identity. While recognizing that the quality in NC Pre-K programs will have a positive effect on other classrooms that a site may provide, by maintaining a separate identity its distinct characteristics can be highlighted and used as a goal for other programs to meet, as well as be available for research and evaluation to ensure continued positive outcomes for children.

Section Two of the Executive Order required collaboration between DCDEE, DPI, the State Board of Education and the ECAC.

Response: The importance of the collaboration among all of these entities is acknowledged by each. It is only through this collaboration that a smooth transition from NC Pre-K to Kindergarten can be assured, along with ensuring the alignment of the pre-k program with the K-3 system. This commitment to collaboration will be evidenced in the Memorandum of Understanding that is currently being developed that will outline the responsibilities of each agency.

Section Three of the Executive Order required a plan for how all eligible at-risk four year old children would be served in NC Pre-K.

Response: In order to serve all eligible at-risk children DCDEE must do the following:

a) Identify and remove barriers to participation - The family co-pay has been identified as the most significant barrier for access to Pre-K services. Based on the recent judicial order, DCDEE has notified contract administrators that no family of an at-risk child will be required to pay a co-pay.

b) Ongoing identification of at-risk children – All 91 contractors were contacted after the judicial order was received and were asked how many children they had on their waiting list for Pre-K services. At that time a total of approximately 13,500 children were reported to be on a waiting list. This waiting list was not inclusive of all at-risk children in a county because some contract administrators had historically either not kept a waiting list, or stopped adding new names to a waiting list after they had reached a certain number. During the phone calls to follow-up on the data collection effort, contract administrators were told to either start a waiting list, continue to maintain and update the list they had, or to re-open the one that they had previously started. This would ensure that eligible children could continue to be identified.

c) Search for unserved children - Contractors traditionally use a variety of methods to find unserved at-risk children. These methods include the following:

1. Recruitment sessions at community centers
2. Searching of all available waiting lists including subsidy, Head Start, and public school early intervention programs
3. Providing information to families who meet at-risk definition who were recently served through the Child Care Resource and Referral system
4. Reaching out to the faith community to distribute information, particularly those institutions serving low income and minority communities
5. Recruiting materials provided to pediatricians' offices, community health centers, public and faith-based social services agencies
6. Posting of fliers in laundromats, libraries, community colleges, and grocery stores
7. Sharing of information on educational television channels
8. Publishing of ads in local newspapers
9. Delivering of fliers to low income housing areas

Once at-risk children have been identified, a key component of service provision for all children is the ability to assure capacity for adequate high quality classrooms across the state in diverse delivery settings. To assess this level of capacity for each county, contract administrators were contacted and asked to provide data about how many children they could serve in programs beginning in January 2012, as well as at the beginning of the 2012-2013 school year. Based on the responses that were received, contractors estimated that at the beginning of calendar year 2012 (January 2012), 6,300 children could be served in classrooms that meet the high quality and academic standards. Contractors estimated that an additional 20,000 children could be served during the 2012-2013 school year if sufficient funding were provided. Contractors also reported information about service delivery barriers and local funding that could be accessed in order to fulfill the need for additional Pre-K services. DCDEE has released a revised

form that contractors have used in the past to formally request additional slots and to indicate their capacity for placing the slots.

In order to comply with the judicial order the following steps are recommended:

PHASE ONE:

- Currently, in SFY 2011-2012, there are 24,757 Pre-K slots in contract. All are expected to be filled.
- In January 2012 an additional 6,300 children can begin to receive services. According to contractors, there is capacity at the local level to serve this number of children at the high program standards as required for NC Pre-K because of the number of sites that met these standards during the 2010-2011 school year, but did not receive slots this year because of the reduction in funding.
- Priority for services will be given to children who are on county waiting lists and who have not previously been served. Children who are at-risk and unserved have had little to no formal exposure to structured environments to facilitate their cognitive growth and are at a higher risk of academic failure.

Funding to serve these children will need to be sufficient to cover the full service delivery cost due to limited local funding available at this time. In order for programs to meet the high academic standards required by the NC Pre-K program it is critical to provide the funding needed to support the system. Historically, counties have received local contributions to blend with State funding to ensure that a sufficient level of per child funding is available. Local funding comes from a variety of sources including local Smart Start dollars, and blending with Head Start, Exceptional Children's and Title I dollars. Based on reductions to Smart Start that occurred during this most recent legislative session, as well as redirection of Title I funds within school systems, the local funding streams will not have the resources to contribute dollars for any new children added to the system.

An estimated average of $850.00 per month per child would be needed, as well as additional administrative/support costs, including start up costs for new classrooms to be created for the second half of the 2011-2012 school year, a five month time period, to serve 6,300 children. This average rate per month is based on data that have been collected from various sources. A cost study of the More at Four (MAF) program in 2006 found that, on average, class expenditures for a MAF class totaled about $7,700 per child. However, the study concluded that MAF programs significantly under-reported total expenditures. Consistent with this study, various cost analyses conducted on other pre-kindergarten programs nationally have estimated costs to range from $8,600 - $11,000. It must be noted that this range is most likely driven by the cost of teaching staff which can vary significantly from state to state. The impact of state pre-k is significant and related to reduced cost in grades K-12 (reduced retention, lower special education identification).

Sufficient funding is essential in order to ensure sustaining a high quality state-funded academic pre-kindergarten program ($8,500 per child per year).

This expansion will also require additional funding be set aside for state level supports. This would include additional dollars for the unit that supports B-K licensure, scholarship dollars available through TEACH for teachers to complete the required courses to achieve licensure, start up costs for new classrooms, and administrative costs for local contractors. In addition, staff at the state level would be needed to provide close oversight to ensure the program continues to maintain the required high quality standards. This would include a program manager, six education consultants, and two administrative support staff and would result in a total of 17 staff at the state level to support the NC Pre-K program as this expansion occurs (Eight staff currently budgeted and nine additional staff).

Costs to implement Phase One - $30,000,000.00	
Slot Costs - 850.00 X 6,300 children X 5 months =	$26,775,000
Admin costs at 4% (staff, TEACH, WAGES, data systems)-	$ 1,071,000
Start up costs at $500 per child, estimated need for half the slots -	$ 1,575,000
Teacher mentor/evaluator costs – 350 classrooms/teachers -	$ 579,000

PHASE TWO:
During the four subsequent school years, capacity would increase by an additional 9,000 children. These incremental increases will allow time for the local systems to bring the capacity up to the needed programmatic levels to meet the high academic standards. Based on historical experiences with expansion of the More at Four system, the optimal yearly increase should be no more than 9,000. An essential element for ensuring capacity at the local level is a reimbursement rate that supports the cost to provide the high quality services as required by the judicial order. Flexibility in the number of children added each year will be based on the capacity (teachers and sites) for expanding the program.

A second essential element for these increases will be the support services that are needed to facilitate the necessary educational levels of teachers through teacher licensure supports and educational scholarships. Because teachers are typically taking classes to receive their B-K license at the same time as they are working, it can be a lengthy process. Support services also include staffing at the state level, as additional positions will be needed to support expansion during this timeframe. Specific critical positions that will be needed will be in the teacher licensure area. As the number of classrooms increases there will be a capacity issue for finding teachers with a B-K license. There will be a need for assistance by mentors/evaluators in order for teachers to reach full licensure as required by the program standards. Over time, as teachers receive their full license the level of support needed at the state level will decrease.

This timeline would result in all at-risk children being served by the end of the 2015-2016 school year.

School Year	Slots	Total Served
2011-2012	24,757	24,757
January 2012	6,300	31,057
2012-2103	9,000	40,057
2013-2014	9,000	49,057
2014-2015	9,000	58,057
2015-2016	9,000	67,057

Section Four of the Executive Order required ensuring that staffing in the Pre-K program is aligned with the academic standards of the program and is coordinated with the K-3rd grade system.

Response: As noted above, staffing at the state level has been a challenge with funding reductions. Staffing needs to maintain the integrity of the program were discussed in the response to Section Three.

Historically alignment between the More at Four program and the K-3 system has been strong. Ensuring that this alignment continues will now require close communication between two Departments—the Department of Public Instruction and DCDEE within the Department of Health and Human Services. Over the years DCDEE and DPI have worked closely together on a variety of initiatives and since July 1st have been in close communication regarding the transition of the Pre-K program. Among the issues that have been discussed are staffing, Exceptional Children's services, Head Start, data systems, review of documents such as proposed rules and program requirements, and contract management. This collaboration will be ongoing and further defined in a Memorandum of Understanding that is being developed between the two agencies.

Section Five of the Executive Order required plans for leveraging financial support for local classrooms.

Response: As noted above, funding sources at the county level have been leveraged since the beginning of the Pre-K program. The Pre-K program has also been able to maximize state dollars through contributions at the local level from Smart Start, and the blending of funds with the Title I, Exceptional Children's Services and Head Start programs. In 2010-11 a total of $84.4 million in local dollars were reported as other resources provided in addition to the $153 million More at Four funds allocated. Most of these resources were from Head Start (29%); Title I (24%); and Smart Start (13%) and Exceptional Children's Services (9%). In 2011-2012 expectations remained for counties to leverage all available dollars to serve as many children as possible. Maintaining a diverse delivery system is one mechanism to maximize local dollars as well as allow parental choices to meet their family and work needs. For example, public school systems are able to provide services to children who are eligible for Pre-K due to their ability to absorb a greater amount of the cost of providing the service. Another mechanism to access local funding is through Smart Start. Local Smart Start Partnerships contribute not only funding that is used to pay for slots, but also in-kind services in the technical assistance and consultation that is provided to Pre-K programs. The judicial decision

includes a quote from the Supreme Court's Leandro II ruling which states that "the State, using the combination of Smart Start and the More at Four Pre-Kindergarten Programs, have indeed selected pre-kindergarten combined with the early childhood benefits of Smart Start and its infrastructure with respect to pre-kindergarten programs, as the means to 'achieve constitutional compliance' for at risk prospective enrollees." (Leandro II, 640, 641, 644).

Section Six of the Executive Order required that the State Board of Education and DPI continue their presence in early education reform.

Response: Acknowledging the significant positive impact of high quality pre-k services on children as they enter kindergarten, and acknowledging that this impact continues at least through 3rd grade, the State Board and DPI are committed to continue working with DHHS and DCDEE to align and strengthen the system. This collaboration will be detailed in the Memorandum of Understanding between the specified entities.

Section Seven of the Executive Order required a Memorandum of Understanding between DHHS and DPI, as appropriate, to assure agency coordination and collaboration.

Response: Staff at DHHS and DPI have collaborated informally over the last three months. This collaboration is being formalized as the Memorandum of Understanding is being developed which will detail the ongoing coordination efforts.

Section Eight of the Executive Order required DHHS to work closely with public schools to ensure their continued involvement in the NC Pre-K program, including waiving licensure requirements if this created a barrier for serving families.

Response: DCDEE is committed to maintaining a diverse delivery system which includes public school sites. Approximately 50% of public school sites providing NC Pre-K are already licensed by DCDEE. Currently staff at the local level have begun conversations with the remaining school systems who are not licensed and have requested information related to licensure. Responding to these requests will continue, as well as initiating calls to local contacts to discuss the process and determine individual barriers that an individual school, or school system, may be facing. At the state level, DCDEE, along with DPI officials, will convene meetings with school superintendents who have expressed concerns related to meeting the licensing requirements. During these meetings issues will be identified as well as possible solutions. In addition, conversations related to waiving the licensure requirement will be discussed if it is determined that a significant fiscal impact would preclude the school from becoming licensed.

Section Nine of the Executive Order required DHHS to maintain child identifiers and expand across the system to link with DPI's data system.

Response: The data system that was in use when the program was located at DPI has been maintained and continues to be used for NC Pre-K. This system has the capacity for

providing child identifiers for children in the system. Through the application that the State is submitting for the Race to the Top and the P-20 Longitudinal Study, a unique child identifier is a key component, and would be expanded across multiple early childhood systems, including the Pre-K system.

Summary

The importance of the earliest years in a child's life has been validated through multiple research projects nationally, as well as evaluations completed in North Carolina. Children with high quality experiences during this time will be better prepared when they enter kindergarten, and will be in a position to have a more successful academic experience as they progress through school. North Carolina has shown a strong commitment over the last two decades to the youngest citizens of our state. Full implementation of the State's Pre-K program in order to serve our highest risk four year old children will demonstrate that ongoing commitment. The Division of Child Development and Early Education and the Department of Public Instruction will continue to work together to assure compliance and the strongest outcomes possible for four year old children.