

NC DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF CHILD DEVELOPMENT AND EARLY EDUCATION

NORTH CAROLINA CHILD CARE COMMISSION

**First Quarter Meeting
Monday, September 25, 2017**

Dix Grill
1101 Cafeteria Drive
Employee Center
Raleigh, NC 27603

Commission Members Present

Zac Everhart, Vice Chairperson
Melissa Burroughs
Susan Butler-Staub
Dr. Sharon Foster
Melanie Gayle
Dr. Elizabeth Gilleland
Mitchell Gold

Brooke King
Dr. J. Lanier DeGrella
Kimberly J. McClure
Rev. Charles F. McDowell, III
Rhonda Rivers
William (Billy) Walton, III
Nina Whitley-Artis

Commission Members with an Excused Absence

Dr. Glenda Weinert, Chairperson
Donette Thomas

Amelie Schoel

Division of Child Development & Early Education Staff Present

Anna Carter, Director
Heather Laffler, Administration/Policy
Dedra Alston, Administration/Policy
Rachel Kaplan, Administration/Policy
Branda Watford, Administration/Policy
Tammy Barnes, Regulatory Services
Andrea Lewis, Regulatory Services
Lorie Pugh, Regulatory Services

Melissa Stevenson, Regulatory Services
Alison Keisler, Regulatory Services
Kimberly Mallady, Regulatory Services
Lauren Davis, Subsidy
Elizabeth Everette, Subsidy
Heather Marler, Workforce
Jenine Gatewood, NC Pre-K
Cindy Wheeler, NC Pre-K

Attorney General's Office Staff

Bethany Burgon, Commission Attorney
Mercedes Restucha-Klem, DCDEE Attorney

Alexi Gruber, DCDEE Attorney

Welcome—Vice Chairperson Zac Everhart, serving in place of Chairperson Weinert, called the meeting to order at 9:01 a.m. and reviewed housekeeping items.

Vice Chairperson Everhart recognized newly appointed Commission members and asked them to introduce themselves. Vice Chairperson Everhart then read into the record the Evaluation of Statement of Economic Interest letters received from the State Board of Elections and Ethics Enforcement for the following members:

- Melissa Burroughs—no conflict of interest, or the potential for a conflict of interest found. Ms. Burroughs fills the role of a Parent on the Commission.
- Susan Butler-Staub—no conflict of interest found, but potential for conflict of interest. The potential conflict identified does not prohibit service on the Commission. Ms. Butler-Staub fills the role of a Parent on the Commission.
- Dr. J. Lanier DeGrella—no conflict of interest, or the potential for a conflict of interest found. Dr. DeGrella fills the role of a Public Member on the Commission.
- Rhonda Rivers—no conflict of interest found, but potential for conflict of interest. The potential conflict identified does not prohibit service on the Commission. Ms. Rivers fills the role of a for-profit facility operator on the Commission.
- Dr. Sharon Foster—no conflict of interest or potential for a conflict of interest found. Dr. Foster fills the role of a Pediatrician on the Commission.
- Mitchell Gold—no conflict of interest found, but potential for a conflict of interest. The potential conflict identified does not prohibit service on this Commission. Mr. Gold fills the role of a non-profit facility operator on the Commission.
- Nina Whitley-Artis—no conflict of interest, but potential for a conflict of interest found. The potential conflict identified does not prohibit service on the Commission. Ms. Whitley-Artis fills the role of a for-profit family child care home facility operator on the Commission.
- Kimberly J. McClure—Ms. McClure’s conflict of interest determination will be read into the record upon receipt.

Vice Chairperson Everhart reviewed the meeting agenda and discussed the materials for today’s meeting.

Approval of June 26 Fourth Quarter and June 27 Special Rules Meeting Minutes

Commission Action: Vice Chairperson Everhart asked for approval of the **June 26, 2017 Fourth Quarter Meeting Minutes. Ms. Melanie Gayle motioned for approval and Dr. Elizabeth Gilleland seconded the motion, which carried unanimously.**

Commission Action: Vice Chairperson Everhart asked for approval of the **June 27, 2017 Special Rules Meeting minutes. Rev. Charles McDowell motioned for approval and Mr. Billy Walton seconded the motion, which carried unanimously.**

Swearing-in of new Commission Members:

Ms. Dedra Alston conducted the Swearing-in of new Commission members.

Vice Chairperson Everhart read the conflicts of interest statement and asked whether there were any conflicts noted for today’s agenda. None were noted. Vice Chairperson Everhart discussed the concept of the Conflicts of Interest statement and possible conflicts of interests for the Commission members. Chair Everhart called for roll call and Ms. Dedra Alston performed roll call. Vice

Chairperson Everhart listed the Commission members who were absent from this meeting who requested and received excused absences.

Ms. Alston asked Commission members to return their release of information waivers for the Commission member listing and asked them also to review the contact information included for each of them on the list of members, which was in their packets. Members should inform Ms. Alston of any changes needed.

Director Anna Carter introduced herself to the new Commission members and welcomed them to the Commission. At this point Ms. Carter and other DCDEE staff provided an orientation to the responsibilities of the Commission and the Division to all present Commission members.

Orientation for New Commission Members

DCDEE Mission: The social and economic future of North Carolina depends upon the success of our children. To that end, DCDEE implements quality standards, increases access for families, and collaborates to promote enhanced service delivery of care and education for young children across the state.

Budget and System Overview:

Assistant Director Janice Fain provided an overview of DCDEE's budget and funding sources and structure and enrollment and population of children in North Carolina.

Early Care and Education Facts in NC

- # 0-5 Children: 731,005
- # 6-10 Children: 912,355
- # Children in Regulated Child Care: 246,694
- # Children Receiving Subsidized Care: 69,147
- # Children Enrolled in NC Pre-K: 27,019
- # Child Care Centers: 4,574
- # Family Child Care Homes: 1,792

DCDEE Authorized Budget SFY 16-17 by Program - \$724M

- Subsidized Child Care: \$362.9 M (49%)
- Smart Start: \$150.6 (21%)
- NC Pre-K: \$154.5M (21%)
- Activities to Support Quality: \$34.5M (5%)
- Regulation of Child Care: \$16.8M (2%)
- DCDEE Other: \$4.5M (1%)

DCDEE Authorized Budget SFY 16-7 by Fund Source - \$724M

- Federal Receipts - \$375.4M (51.8%)
 - TANF: \$163.6M
 - CCDF: \$207.9M
 - Other (SSBG, Medicaid, IV-E): \$3.7M
- State Appropriations - \$268.4M (37.1%)
- Non-Federal Receipts - \$80.3M (11.1%)

- Lottery Receipts: \$78.2M
- Licensing and other fees: \$2M

Related to money and budgeting, Ms. Fain also noted that Commission members may be paid \$15 a day for their participation on the Commission, or they can choose to not receive that reimbursement. If members do choose to receive the reimbursement, this is counted as taxable income. Dr. Foster asked whether, if a Commission member chooses to defer the \$15 payment, he/she may determine where the money be donated. Ms. Fain stated that this designation is not allowed.

Regulatory Services Section Overview:

Assistant Director Tammy Barnes and Senior Managers Andrea Lewis and Lorie Pugh provided an overview of the DCDEE Regulatory Services Section, child care licensure and the roles and responsibility of Regulatory Services staff.

NCGS 110-85: The legislative intent and purpose of this law (GS 110 - the Child Care Law) is to ensure that the State protect children enrolled in child care facilities by requiring a physically safe and healthy environment where the developmental needs of children are met and where children are cared for by qualified persons of good moral character.

NCGS 110-86: What is Child Care in North Carolina? Child Care is defined as a program or arrangement where on more than 2 unrelated children are in care, for more than 4 hours during a 24-hour period, who do not reside where the care is provided.

Per **NCGS 110-106** religious-sponsored facilities are identified as programs are that are operated by a church, synagogue or school of religious charter. These programs are not required to hold a license and may use corporal punishment and be excluded from some other requirements for licensed programs (staff education and curriculum).

Mr. Gold expressed concern to Ms. Barnes about religious-sponsored programs being exempt from licensure. Dr. Gilleland stated that she has been concerned about this exemption from requirements also, and particularly the allowance for the use of corporal punishment. She understands that the Commission cannot change this exemption, because it is in Statute; however, she is in favor of the Commission working towards influencing a change in the Statute through the General Assembly.

Other License Exempt (exempt from State license) Child Care Situations:

- Arrangements operated in the child's home
- Recreational programs
- Specialized activities
- Public school programs (not including NC Pre-K programs)
- Non-public school programs
- Drop-in and short-term care programs
- Military and tribally governed programs

Star Rated License Minimum requirements - a program must maintain at least a 75% compliance rating with regards to health and safety standards, to be eligible for a one-star license.

License Education and Program Standards:

- Education Standards (7 points possible): Based upon staff completion of formal coursework leading to an Associate’s Degree for Lead Teachers and Bachelor’s Degree for Directors
- Program Standards (7 points possible): Based upon assessment of ratios and group size, facility square footage and policies, Environment Rating Scale assessments
- Program Standards-Centers: 1 point = no extra features offered, extra points earned by adding more staff per child (lowering ratios), adding more space per child, having good scores on environment rating scales, adding more activities for children
- Quality Point Options: Facilities can earn a quality point for meeting additional educational/training or programmatic options such as use of approved curriculum, completion of business coursework, reducing ratios, limiting enrollment of infants.

Environment Rating Scales measure how well caregivers respond to and provide care for children, whether good health and safety practices are being followed, if a wide variety and quality of play and learning activities are offered.

The types of Environment Rating Scales used are:

- ECERS-R—Early Childhood Environment Rating Scale (Revised)
- ITERS-R—Infant/Toddler Environment Rating Scales (Revised)
- FCCERS—Family Child Care Environment Rating Scales
- SACERS-U—School-Age Care Environment Rating Scale (Updated)

Licensing Branch Field Operations staff conduct required unannounced annual monitoring visits to all licensed facilities (currently 6,952 facilities). The Licensing Branch Policy and Planning Unit develops policies, procedures and monitoring tools for Field Operations staff, as well as, resource materials for child care providers. The Compliance Branch Intake Unit receives contacts regarding allegations of violations of child care requirements and child maltreatment in facilities and concerns regarding potentially illegal operations. The Compliance Branch Investigations Unit investigates allegations of violations of child care requirements and child maltreatment and potential illegal operations.

The Regulatory Services Compliance Branch Licensing Enforcement Unit processes Administrative Actions regarding non-compliance and child maltreatment investigations. Staff in this unit also maintains a Child Maltreatment Registry of individuals who have been involved in child maltreatment in child care. Ms. Rivers asked Ms. Lewis about whether the list of those on the Child Maltreatment Registry is or will be posted on the DCDEE website? Ms. Lewis stated that anyone from the public may submit a form located on the Division website and find out if someone specific is on the registry; the list is not posted, but it is public information whether someone is on the registry.

The Regulatory Services Criminal Background Check Unit receives and processes requests for and completes checks for individuals seeking employment in child care facilities, as well as other roles (foster care, adoption, long term care and some DHHS employees). Staff members, owners and operators of child care facilities and members of a household in Family Child Care Homes or Centers in a Residence who are over 15 years old are all required to have a qualified CBC letter.

Subsidy Services Section Overview:

Ms. Elizabeth Everette provided an overview of the DCDEE Child Care Subsidy Services Section and its staff roles and responsibilities. Ms. Everette also noted that the Social Services Commission is the rule-making body for the Subsidized Child Care rules, not the Child Care Commission. Ms. Everette noted that she is Senior Subsidy Policy Manager and Kim Miller is the Senior Subsidy Compliance Manager.

Child Care Subsidy Assistance is a program designed to allow increased access to quality child care for low income working families and families enrolled in education and/or training programs. The program also serves families and children involved in child welfare, child protective services and developmental needs situations. Dr. Foster asked if all states have a subsidized child care program and Ms. Everette stated that yes all states do, however programs may be organized or operated differently, within certain federal funding parameters.

Quality and Education Programs Section Overview:

Senior Manager-Cindy Wheeler provided information regarding the Quality and Education Programs Section of DCDEE. This section is responsible for management of the NC Pre-K program, which provides high-quality developmentally appropriate educational experiences to eligible at-risk four-year-old children. NC Pre-K is administered by public and private agencies; via a local Pre-K Committee governance structure. NC Pre-K has been nationally recognized as one of 5 states meeting all 10 National Institute for Early Education (NIEER) benchmarks.

This Section is also responsible for the Workforce Online Reporting and Knowledge System (WORKS), which is a single portal of entry for child care employee workforce education and professional development information. WORKS collects, reports and tracks early childhood/child care workforce education to meet star-rated requirements for an estimated 75,000 active professionals.

Related to NC Pre-K income eligibility, Mr. Gold asked what is 75% of state median income (SMI) Ms. Wheeler reported that it is \$35,700 for a family of 2. Mr. Billy Walton asked for a definition of an NC Pre-K site vs. a classroom? Ms. Wheeler stated that a site is a program, which may have multiple classrooms. Mr. Walton also asked about where NC Pre-K waiting list numbers come from? Ms. Wheeler answered that these numbers are self-reported by contracting agencies and counties. Director Carter noted that her Director's report, upcoming later in this meeting, following the orientation, will address some of the current issues about gathering information regarding waiting lists for the NC Pre-K program.

Role and Responsibilities of the Child Care Commission:

Alexi Gruber, Department of Justice attorney for the Division, and Ms. Dedra Alston provided information to the Commission members on their responsibilities and roles in their appointed capacity. The Child Care Commission adopts rules for the licensing and regulation of child care facilities in NC and approves NC Pre-K standards & curriculum in accordance with Child Care Law – NC General Statute (N.C.G.S.) 110, which is created and amended under the authority of the NC General Assembly. Child Care Commission rule-making includes adopting, amending and discussing basic licensing requirements; rated license requirements; and administrative actions. Child Care Rules are contained in the NC Administrative Code (NCAC) at 10A NCAC 09. The enforcement of the rules created by the Commission is the responsibility of the Division of Child Development and Early Education.

Rev. McDowell asked Ms. Alston to explain and further clarify the concept that Commission members are not allowed to discuss Commission business at lunch for all present Commission members. Ms. Alston confirmed that the designated lunch time is not a time for discussing Commission business or information related to child care among Commission members because that time and space is not operated in accordance with NC's Open Meetings laws and is not open to public awareness and participation.

Dr. Foster asked whether child care facility playground rules are still addressed by the Commission? Ms. Burgon stated that these rules are still within the Commission's responsibility and that they have been discussed and updated by the Commission during its recent rules review and re-adoption of rules process. Dr. Gilleland asked about appropriately updating the new Commission members about the Rules Review process as they start addressing the Rules? Ms. Alston stated that this will be addressed in the rule-making updates after lunch.

Following completion of the Commission orientation Rev. McDowell asked to make an announcement that the Scotland County Smart Start is advertising for an Executive Director.

Lunch break at 12:00 p.m., meeting reconvened at 1:08 p.m.

Vice Chairperson Everhart reported to the Commission that there currently are 10 curricula that need to be reviewed before the next Commission meeting on December 11th. He asked for volunteers who are interested in serving on the curriculum review subcommittee along with himself and Chairperson Weinert. Dr. Lanier DeGrella and Ms. Rhonda Rivers volunteered to assist in reviewing and suggesting curriculums for approval.

Director's Report-Anna Carter, DCDEE Director

DHHS Priorities include creating action plans for addressing:

- Opioid Epidemic
- Medicaid Transformation
- Early Childhood Education

DHHS/DCDEE Staffing Update – The Division is currently seeking or in the process of advertising job vacancy postings for Deputy Director and for an Early Childhood Senior Policy

Analyst at the Department/DHHS level. The Division is also looking forward to the return of Subsidy Staff from NC FAST to provide technical assistance to counties and child care providers who participate in the Subsidy program. In addition, the Division is and will be advertising to fill several positions that were newly established through the State budget.

Legislative Update—Most recently adopted State Budget required five legislative reports from DCDEE.

- Two reports on Subsidy Allocations for Fraud Prevention and Subsidy Allocation Waivers (no waivers were issued) have been submitted to the Department and will be submitted to the General Assembly by September 30.
- Division is also working with DPI and other partner agencies on a Pre-K to Kindergarten Transition Report (Report 2 of 2) and a State Early Childhood Vision Report (Report 2 of 2) which are both due January 2018.
- An additional report is due April 2018 providing information on final Child Care Subsidy Allocations and Administrative Services funding.
- The Division is also beginning work and has created a project plan, per a budget Special Provision requirement, to require parents applying for Child Care Subsidy Assistance to cooperate with Child Support Enforcement.

Criminal Background Check Provider Portal Update - DCDEE is creating an online portal for providers to submit information for and request review of their criminal background. The goal for this project is to have the electronic portal operational by Fall of 2017. The system is currently being tested for any unexpected concerns and DCDEE is planning several upcoming – and ongoing – communications via email and US mail postcards to providers, to provide as much information as possible through those messages and through our field-based staff.

NC Pre-K Expansion - NC Pre-K contractors are completing enrollment and placement of their initial allocation of children in NC Pre-K classrooms. Providers were also polled about their need and availability to serve additional slots, and those allocations have been made.

- 55 counties requested expansion
- 29 counties stated they do not have a waiting list
- 16 counties stated that they did not have additional capacity to serve children.

Contractors will continue to enroll children, as they are able, through their expanded service allocation and DCDEE will continue to evaluate need and capacity statewide.

Mr. Walton expressed from a previous comment/conversation with Ms. Carter the need to continue to evaluate how local wait lists for NC Pre-K enrollment are created and maintained. He also expressed the need to further assess the prioritization of children who receive NC Pre-K services. Dr. Foster mentioned that there are large numbers of children enrolled in other State and federal service programs such as Health Choice insurance. She asked if there is a way for the Division to reach out to those that apply to other programs at the State level to let them know about NC Pre-K? Ms. Carter responded that this type of collaboration is something that the Department and Division are both interested in increasing.

Market Rate Increases - Per the 2017 State Budget, child care subsidy market rates will increase October 1 to the rates recommended by the 2015 Child Care Market Rate Study for *school-aged children* in three-, four- and five-star-rated child care centers and homes *in tier one and tier two economic development* listing counties and children *birth through two years of age* in three-, four-, and five-star-rated child care centers and homes in *tier three economic development* listing counties.

Market Rate Survey – The 2017-18 Child Care Market Rate Survey is scheduled for pre-testing this week (week of September 25). Official test letters will begin being mailed to providers October 2. This time there are 2 components of the survey: 1) typical request for fees for services, including questions to see how previous increases been implemented and 2) asking providers to help tell us what it costs them to provide services. Providers are encouraged to complete the survey online, but can request to complete the survey via telephone or on paper with assistance.

Subsidy-NC FAST Update – Ms. Carter discussed the Division and Department’s decision to delay the final incorporation of county child care subsidy reimbursement systems until November to allow time for fixes to existing identified problems in the NC FAST system to be implemented. Director Carter acknowledged that there have been issues with the roll-out of the system and provider reimbursement, and the Division and Department will wait to see how October roll-out goes before making final determinations for the next release and incorporation of counties. Mr. Walton asked what some of the changes that are being implemented are? Ms. Carter provided examples that there will be grouped payments and underpayment issues will be addressed.

Director Carter asked Commission members to consider participating in a workgroup that is being assembled concerning issues surrounding child care staff professional development. More information will be provided regarding this at a later date. She also recognized Division staff for doing a tremendous job in completing – or nearly completing- the rules review process.

Public Comment began at 1:30 p.m. –

Kim Draughn—LuLu’s Child Enrichment Center

Ms. Draughn expressed extreme concern with the implementation and performance of the NC FAST system. She stated that for her program it has been a nightmare, and also noted that three years and millions of dollars had previously been expended to implement SEEK, which has since been discarded. Ms. Draughn also expressed her concern with the current criminal background checks process; the lengthy process is leading providers to lose teachers. Ms. Draughn addressed the issue of teacher compensation stating that teachers are not being paid enough to live and that on their current typical wages, teachers are eligible for and relying upon public assistance.

Michele Rivest—NC Early Education Coalition

Ms. Rivest provided background regarding the organization she represents for new and current Commission members. The NC Early Education Coalition is a statewide association that has been in existence since 1990. The group’s goal is to advance high quality early childhood care and education. They employ a full-time lobbyist in the General Assembly and they are proud of the great accomplishments the group and partners achieved this year, including \$68 million in new funding for early education and the establishment of the B-3 Interagency Council.

Ms. Rivest also commented on another issue, that the Early Childhood infrastructure has been neglected—e.g., even with additional funds, there is not enough capacity to serve children; even with increased market-rates, providers cannot always take advantage of implementing them. Lastly, Ms. Rivest discussed her organization’s concern with low compensation for the early childhood workforce and that increased teacher educational standards have not been accompanied by advancing compensation.

Vic Coffenberry-Pitt County NC Pre-K

Mr. Coffenberry began by addressing the NC Pre-K Expansion process. He expressed that the issue of determining an accurate waiting list is complicated. To fill slots, one needs eligible children in the locations where there are vacancies, and a primary complicating issue is transportation. Mr. Coffenberry also addressed problems Pitt County has with the current structure of payment per slot versus payment by classroom. The costs for running a classroom are the same regardless of whether all slots are filled or the children are present, and he asked that a flat classroom payment structure be revisited. Mr. Coffenberry requested that when examining NC Pre-K costs that accompanying K-12 costs also be considered. Mr. Coffenberry ended by thanking Division staff for the ability to scan documents and sign using electronic signatures rather than requiring mailing of paper documents.

Angela Beacham—Little Town Learning Center

Ms. Beacham asked that the Commission consider eliminating the recent requirement that year-round developmental day services be provided in that type of program. Developmental Day service funding is only provided for the 10-month school year; therefore, she is requesting that, for the months outside of the 10-month school year that service requirements return to those of regular child care. Ms. Beacham also indicated that teacher pay, which is already compromised, is further compromised when programs are forced to maintain a 1:6 staff/child ratio (Developmental Day requirements) in the months for which they are not receiving that funding.

Vernon Mason Jr.—Private Provider, Wilson and Johnston County

Mr. Mason stated his feeling that Administrative Action penalties are too extreme and unrealistic. He provided examples of small time gaps in criminal records checks resulting in punitive Administrative Actions. Mr. Mason also stated that Administrative Actions should be reserved for programs who knowingly employ staff without criminal record checks completed, not for a gap due to delays getting criminal records checks back on senior, well-respected teachers. Mr. Mason asserted that these policies are from the land of theory instead of practice. Mr. Mason ended by stating that NC FAST has been time consuming, and he has had to hire two new people to deal with monitoring and entering attendance records. Mr. Mason requested that the roll-out of NC FAST should be delayed until all existing participating programs have been paid their full cost due up to the point of final roll-out.

Public Comment Letters -

CiCi Weston - The Christine W. Avery Learning Center

Ms. Weston expressed concern about the NC FAST system implemented in North Carolina. She has consistently experienced not being paid in full, children missing from rosters and inconsistent times when payments are made.

Pathway Preschool Center

Pathway Preschool Center presented a petition on behalf of administrators and staff members that they do not feel the new proposed rule changes relating to ongoing training requirements are fair and just to all centers. Specifically, the signers are concerned with the requirement that each staff member must obtain 18 hours of on-going training annually, regardless of degree, college classes or working hours per week.

Rule-making Updates

Update on Rules Reviewed by the Rules Review Commission - Definitions, Child Care Centers, Family Child Care Homes, and Special Programs.

Ms. Alston reported that all of the rules that were reviewed by the Rules Review Commission were approved. These rules will be effective for providers on October 1, 2017. Ms. Alston noted that the Commission has now addressed 138 rules out of a total of 172.

Ms. Gayle asked for an update on the timeline for addressing the remaining rules. Ms. Alston reviewed the timeline. Ms. Burroughs asked for clarification that there is only one 60-day public comment period throughout the process? Ms. Alston stated that is correct – for each approved group of rules - unless there is a substantial change proposed for a rule, as a result of public comment, that has been through notice and public hearing. A significant amendment would necessitate republishing the rule and accepting public comment on the rule -or group of rules- for another 60 days. Mr. Walton asked about the rule-making petition process? Ms. Gruber stated that 10A NCAC 09 .2001 speaks to the Petitions for Rule-Making process.

Ms. Fain provided an overview of the draft fiscal note for the Rated License and Minimum Standard Rules.

These are contained in:

Section .2800, .0512, .0513, .0514, .0515, .1101, and .1729

.2800-Voluntary Rated Licenses

.0512-Administrative Policies

.0513-Operation and Personnel Policies

.0514-Parent Participation

.0515-Night Care

.1101-New Staff Orientation Requirements

.1729-Additional Caregiver and Substitute Provider Qualifications

Mr. Walton pointed out that the information contained within the fiscal note estimating costs for all one-star centers to implement new policies may be overestimates, as we do not know if some already have these policies in place. Ms. Fain confirmed that his statement was correct. Dr. Foster asked about whether templates are provided for one-star providers to download and use to develop policies and Regulatory staff confirmed that this is the case.

After Ms. Fain indicated that two alternatives were not required in this fiscal note because the fiscal impact was not substantial, Ms. Gayle asked for a definition of a “substantial” impact. Ms. Fain explained that a fiscal impact is considered ‘substantial’ if the total impact is \$1 million

dollars (\$1,000,000) within a 12-month period. If a fiscal impact is substantial, agencies are required to provide at least two alternatives to the suggested rule as part of the fiscal note.

Commission Action: **Dr. Foster made a motion to vote to publish the Rated License and Minimum Standards rule fiscal note as presented. Dr. Gilleland seconded and the motion carried unanimously.**

Ms. Alston stated that the Public Hearing for the Rated License and Minimum Standards rules will likely take place in December.

Report on Provider Compliance Unit-Elizabeth Everette

Ms. Everette began by discussing the history of the Child Care Subsidy Assistance Compliance Unit. This unit was created after the final rules for the reauthorized Child Care Development Fund (CCDF) block grant were published and its new Section 98.68 added a requirement for lead agencies to develop rigorous processes to detect fraud.

Ms. Everette stated that DCDEE will soon release communications to providers and the public providing information about the new Provider Compliance Unit and its duties. Four compliance consultants have been hired and will visit providers across the state to examine attendance and parent fee records. Visited providers will be randomly selected with average caseloads of 100 providers annually per consultant, resulting in an estimated 400 visits per year for the entire unit. The Provider Compliance Unit will work closely with the State Auditor's Office. In addition to randomly selected programs, providers may also be flagged for evaluation if complaints are filed or the Auditor's Office raises concerns. Compliance visits will be unannounced and consultants will complete a checklist at the time of the visit and collect, at a minimum, the previous month's attendance records.

Mr. Walton asked for examples of what would be considered fraudulent cases. Ms. Everette provided an example of programs continuing to receive payment for services after children are no longer attending. Ms. Gruber added that what typically occurs are discrepancies between the two primary sources of records: daily attendance reports and what is submitted to DSS. Even worse than discrepancies in reports is a complete absence of any daily attendance records to support the submitted DSS records.

Ms. Gruber mentioned in advance that the Criminal Records Checks Rules (.2701-.2704), which are in the next packet of rules to be reviewed, can be reviewed quickly because there will only be minor changes proposed to these rules. CRC rules will need to be reviewed and amended again following relevant legislation to match State laws with federal requirements.

Dr. Gilleland asked Ms. Gruber to explain the overall process of voting to publish rules to new Commission members since they will be asked to vote to publish rules at the following day's meeting.

Ms. Alston provided information on rule-making terminology:

- "Adopt" indicates a new rule and new number. All text to be adopted is underlined.

- “Amend” indicates changing an existing rule. New text is shown as underlined and text to be deleted is shown by ~~overstriking~~ the word.
- “Repeal” indicates the removal of an entire rule from the NC Administrative Code (NCAC). If a rule is removed, then the previous rule number cannot be used again.

Ms. Gruber explained the color-coded system of revisions within the provided text for the new Commission members:

- Blue print indicates new language that has been reviewed by the Commission prior to this meeting.
- Red print indicates changes that are based on comments received from the Commission.
- Green print indicates recently proposed language by Division staff.

The meeting adjourned at 3:30 p.m.

The next meeting of the North Carolina Child Care Commission is scheduled for:
September 26, 2017, from 9:00 a.m. – 12:00 p.m. (Special Rules Meeting)

Future Meeting Dates:

December 11, 2017 (Second Quarter Meeting)

December 12, 2017 (Special Rules Meeting)