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HOUSE PRINCIPAL CLERK

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HOUSE BILL DRH10197-LU-84A

Short Title: Child Care Regulatory Reforms.

(Public)

Sponsors: Representative Arp.

Referred to:

A BILL TO BE ENTITLED
AN ACT TO DECOUPLE THE CHILD CARE RATED LICENSE SYSTEM AND
SUBSIDIZED CHILD CARE SUBSIDY REIMBURSEMENT RATES AND TO MAKE
OTHER CHILD CARE REGULATORY REFORMS.

The General Assembly of North Carolina enacts:

PART I. DECOUPLE RATED LICENSE AND SUBSIDIZED CHILD CARE

SECTION 1.(a) The General Assembly recognizes the need to balance maintaining critical health, safety, and welfare standards for child care, as well as a well-established rating system used for informational purposes, with the need to move toward maximizing State funds for child care and increasing the supply of child care from State-funded sources. The General Assembly further recognizes the importance of continuing the child care stabilization grants funding while weighing the need to decrease the cost of child care through deregulatory actions and at the same time maintain child care subsidy reimbursement rates. The purpose of this provision, in part, is to encourage the business community to partner with the State in achieving this goal.

SECTION 1.(b) To that end, by May 1, 2026, the Department of Health and Human Services, Division of Child Development and Early Education (Division), shall develop a plan to separate the quality rating improvement system (QRIS) from the requirements and payments for participation in the State subsidized child care program using the market rate study submitted in 2026. The next market rate study shall be completed and made available to the public by May 1, 2026. Under the plan, licensed child care centers and homes may continue to receive star-ratings on a voluntary basis. However, the star-rating shall not impact the rate at which licensed child care centers or homes are reimbursed for subsidized child care.

SECTION 1.(c) The Division of Child Development and Early Education shall ensure that the next market rate study also includes recommended rates that are not segmented by star-rating. The Division shall not implement new reimbursement rates unless authorized to do so by the General Assembly.

SECTION 1.(d) Section 9D.3 of S.L. 2023-134 reads as rewritten:

"CHILD CARE SUBSIDY RATES

...

"SECTION 9D.3.(c) Payments for the purchase of child care services for low-income children shall be in accordance with the following requirements:

- (1) ~~Religious sponsored child care facilities operating pursuant to G.S. 110-106 and licensed child care centers and homes that meet the minimum licensing standards that are participating in the subsidized child care program shall be~~



paid the one-star county market rate or the rate they charge privately paying parents unless prohibited by subsection (f) of this section. Licensed child care centers and homes, including religious sponsored child care facilities operating pursuant to G.S. 110-106, that meet the minimum licensing standards as set forth in G.S. 110-91, that are participating in the subsidized child care program shall be paid the applicable market rate or the rate they charge privately paying parents.

(2) ~~Licensed child care centers and homes with two or more stars shall receive the market rate for that rated license level for that age group unless prohibited by subsection (g) of this section.~~

(3) No payments shall be made for transportation services charged by child care facilities.

(4) Payments for subsidized child care services for postsecondary education shall be limited to a maximum of 20 months of enrollment. This shall not be determined before a family's annual recertification period.

(5) The Department of Health and Human Services shall implement necessary rule changes to restructure services, including, but not limited to, targeting benefits to employment.

...

"SECTION 9D.3.(e) A market rate shall be calculated for child care centers and homes at each rated license level for each county and for each age group or age category of enrollees and shall be representative of fees charged to parents for each age group of enrollees within the county. The Division of Child Development and Early Education shall also calculate a statewide rate and regional market rate for each rated license level for each age category.

~~**"SECTION 9D.3.(f)** The Division of Child Development and Early Education shall continue implementing policies that improve the quality of child care for subsidized children, including a policy in which child care subsidies are paid, to the extent possible, for child care in the higher quality centers and homes only. The Division shall define higher quality, and subsidy funds shall not be paid for one- or two-star-rated facilities. For those counties with an inadequate number of four- and five-star-rated facilities, the Division shall continue a transition period that allows the facilities to continue to receive subsidy funds while the facilities work on the increased star ratings. The Division may allow exemptions in counties where there is an inadequate number of four- and five-star-rated facilities for non-star-rated programs, such as religious programs.~~

"SECTION 9D.3.(g) Facilities licensed pursuant to Article 7 of Chapter 110 of the General Statutes and facilities operated pursuant to G.S. 110-106 may participate in the program that provides for the purchase of care in child care facilities for minor children of needy families. ~~Except as authorized by subsection (f) of this section, no~~ No separate licensing requirements shall be used to select facilities to participate. In addition, child care facilities shall be required to meet any additional applicable requirements of federal law or regulations. Child care arrangements exempt from State regulation pursuant to Article 7 of Chapter 110 of the General Statutes shall meet the requirements established by other State law and by the Social Services Commission.

County departments of social services or other local contracting agencies shall not use a provider's failure to comply with requirements in addition to those specified in this subsection as a condition for reducing the provider's subsidized child care rate.

...."

SECTION 1.(e) G.S. 110-90(4) is amended by adding a new sub-subdivision to read:

"f. A rated license shall have no impact on the rate at which a child care facility is reimbursed for subsidized child care."

SECTION 1.(f) Nothing in this section shall be construed as impacting the star-rating requirements for the NC Prekindergarten (NC Pre-K) program.

1 **SECTION 1.(g)** The North Carolina Child Care Commission shall adopt, amend, or
2 repeal any rules regarding separating the star-rating system from requirements and payments for
3 reimbursement for subsidized child care.

4 **SECTION 1.(h)** The Division of Child Development and Early Education (Division)
5 shall submit a progress report on developing the plan required by this section by April 1, 2026,
6 to the chairs of the House and Senate Appropriations Committees, the chairs of the House and
7 Senate Appropriations Committees on Health and Human Services, the Joint Legislative
8 Oversight Committee on Health and Human Services, and the Fiscal Research Division. The
9 Division shall submit a final report within two months from the date the new rates are
10 implemented pursuant to this section.

11
12 **PART II. REGULATORY CHANGES**

13 **SECTION 2.** G.S. 110-86(5a) reads as rewritten:

14 "(5a) Lead teacher. – An individual who is responsible for planning and
15 implementing the daily program of activities for ~~a group~~ no more than two
16 groups of children in a child care facility."

17 **SECTION 3.** G.S. 110-90(4) reads as rewritten:

18 "(4) To issue a rated license to any child care facility which meets the standards
19 established by this Article as follows:

- 20 a. For any child care facility currently holding a license of two to five
21 stars or any new license issued to a child care facility with a rating of
22 two to five stars, the rating shall be based on (i) program standards and
23 (ii) education levels of staff. When evaluating program standards, the
24 Department shall consider the facility's staff/child ratios, space
25 requirements, continuous quality improvement standards, family and
26 community engagement practices, environmental rating scale
27 evaluations, curriculum, child observation and assessment, staff
28 coaching or mentoring, or accreditation by a national or regional
29 accrediting agency with early childhood standards. When evaluating
30 education levels of staff, the Department shall consider any early
31 childhood and child development coursework, early childhood
32 education certificates, Child Development Associate credentials,
33 associate or bachelor's degrees, continuous quality improvement
34 standards for staff, continuing education units, early childhood
35 education competency evaluations, work experience in child care,
36 including staff granted the North Carolina Early Childhood Credential
37 based on experience pursuant to G.S. 110-91, coaching or mentoring
38 completed, and education standards within an accreditation award.

39 "

40 **SECTION 4.** G.S. 110-91(6) reads as rewritten:

41 "(6) Space and Equipment Requirements. – There shall be no less than 25 square
42 feet of indoor space for each child for which a child care center is licensed,
43 exclusive of closets, passageways, kitchens, and bathrooms, and this floor
44 space shall provide during rest periods 200 cubic feet of airspace per child for
45 which the center is licensed. There shall be adequate outdoor play area for
46 each child under rules adopted by the Commission which shall be related to
47 the size of center and the availability and location of outside land area. In no
48 event shall the minimum required exceed 75 square feet per child. The outdoor
49 area shall be protected to assure the safety of the children receiving child care
50 by an adequate fence or other protection. A center operated in a public school
51 shall be deemed to have adequate fencing protection. A center operating

exclusively during the evening and early morning hours, between 6:00 P.M. and 6:00 A.M., need not meet the outdoor play area requirements mandated by this subdivision.

Each child care facility shall provide indoor area equipment and furnishings that are child size, sturdy, safe, and in good repair. Each child care facility that provides outdoor area equipment and furnishings shall provide outdoor area equipment and furnishings that are child size, sturdy, free of hazards that pose a threat of serious injury to children while engaged in normal play activities, and in good repair. The Commission shall adopt standards to establish minimum requirements for equipment appropriate for the size of child care facility. Space shall be available for proper storage of beds, cribs, mats, cots, sleeping garments, and linens as well as designated space for each child's personal belongings.

The Division of Child Development of the Department of Health and Human Services shall establish and implement a policy that defines any building which is currently approved for school occupancy and which houses a public or private elementary or middle school to include the playgrounds and athletic fields as part of the school building when that building is used to serve school-age children in ~~after-school-out-of-school~~ child care programs. ~~Playgrounds—Except as provided in subdivision (6a) of this section,~~ playgrounds and athletic fields referenced in this section that do not meet licensure standards promulgated by the North Carolina Child Care Commission shall be noted on the program's licensure and rating information."

SECTION 5.(a) G.S. 110-91 is amended by adding a new subdivision to read:

"(6a) Certain Exemptions for School-Age Children in Out-of-School Child Care. — Notwithstanding any provision of law or rule to the contrary, any building and grounds which are currently approved for school occupancy and which house a public or private elementary or middle school shall be deemed to have met the sanitation, fire, and building code requirements for a licensed child care facility when the building and grounds are serving the same, or a subset of the same, school-age children in an out-of-school child care program."

SECTION 5.(b) The Child Care Commission shall adopt or amend any rules to ensure uniformity and consistency in application of the exemptions for school-age children in out-of-school child care programs as provided in this section.

SECTION 6. G.S. 110-91(7)a. reads as rewritten:

"a. The Commission shall adopt rules for child care centers regarding staff-child ratios, group sizes and multi-age groupings other than for infants and toddlers, provided that these rules shall be no less stringent than those currently required for staff-child ratios as enacted in Section 156(e) of Chapter 757 of the 1985 Session Laws. Only one lead teacher shall be required for every two groups.

1. Except as otherwise provided in this subdivision, the minimum staff-child ratios and group sizes for infants and toddlers in child care centers shall be no less stringent than as follows:

Age	Ratio Staff/Children	Group Size
0 to 12 months	1/5	4 15
12 to 24 months	1/6	4 18
2 to 3 years	1/10	20.

No child care center shall care for more than 25 children in one group. Child care centers providing care for 26 or more

children shall provide for two or more groups according to the ages of children and shall provide separate supervisory personnel and separate identifiable space for each group.

1a. If a child care center is operating under voluntary enhanced requirements, the maximum group size for toddlers aged 2 to 3 years may be increased from 18 to 20 children when the child care center maintains a 1/9 staff-child ratio.

1b. If a child care center is operating under the highest voluntary enhanced requirements, the child care center may use the following maximum group sizes for infants and toddlers when the child care center maintains staff-child ratios as provided herein:

<u>Age</u>	<u>Ratio Staff/Children</u>	<u>Group Size</u>
<u>0 to 12 months</u>	<u>1/4</u>	<u>12</u>
<u>12 to 24 months</u>	<u>1/5</u>	<u>15</u>
<u>2 to 3 years</u>	<u>1/8</u>	<u>20.</u>

1c. For groups of children 1 year of age or older, the staff/child ratio during nap time shall comply with the requirements of rules adopted by the Commission if (i) at least one person remains in the room, (ii) all children are visible to that person, and (iii) the total number of required staff are on the premises and within calling distance of the rooms occupied by children.

...."

SECTION 7. G.S. 110-91(8) reads as rewritten:

"(8) Qualifications for Staff. – Qualifications for child care staff are as follows:

a. All child care center administrators shall be at least 21 years of age. All child care center administrators shall have the North Carolina Early Childhood Administration Credential or its equivalent as determined by the Department. All child care administrators performing administrative duties as of the date this act becomes law and child care administrators who assume administrative duties at any time after this act becomes law and until September 1, 1998, shall obtain the required credential by September 1, 2000. Child care administrators who assume administrative duties after September 1, 1998, shall begin working toward the completion of the North Carolina Early Childhood Administration Credential or its equivalent within six months after assuming administrative duties and shall complete the credential or its equivalent within two years after beginning work to complete the credential. Each child care center shall be under the direction or supervision of a person meeting these requirements. All staff counted toward meeting the required staff-child ratio shall be at least 16 years of age, provided that persons younger than 18 years of age work under the direct supervision of a credentialed staff person who is at least 21 years of age.

b. All lead teachers in a child care center shall have at least a North Carolina Early Childhood Credential or its equivalent as determined by the Department. Lead teachers shall either (i) be enrolled in the North Carolina Early Childhood Credential coursework or its equivalent as determined by the Department within six months after becoming employed as a lead teacher or within six months after this act becomes law, whichever is later, and shall complete the credential

or its equivalent within 18 months after ~~enrollment~~ enrollment or (ii) have a minimum of five years of documented experience teaching in a licensed child care facility in this State which shall be deemed equivalent to the North Carolina Early Childhood Credential.

c. Only administrators and lead teachers in licensed child care centers are required to have a North Carolina Early Childhood Credential or its equivalent as determined by the Department. All other staff shall meet the standards established by the Commission for their positions that do not include a North Carolina Early Childhood Credential or its equivalent as determined by the Department.

d. For child care centers licensed to care for 200 or more children, the Department, in collaboration with the North Carolina Institute for Early Childhood Professional Development, shall establish categories to recognize the levels of education achieved by child care center administrators and teachers who perform administrative functions. The Department shall use these categories to establish appropriate staffing based on the size of the center and the individual staff responsibilities.

e. Effective January 1, 1998, an operator of a licensed family child care home shall be at least 21 years old and have a high school diploma or its equivalent. Operators of a family child care home licensed prior to January 1, 1998, shall be at least 18 years of age and literate. Literate is defined as understanding licensing requirements and having the ability to communicate with the family and relevant emergency personnel. Any operator of a licensed family child care home shall be the person on-site providing child care.

f. The Commission shall adopt standards to establish appropriate qualifications for all staff in child care centers. These standards shall reflect training, experience, education and credentialing and shall be appropriate for the size center and the level of individual staff responsibilities. It is the intent of this provision to guarantee that all children in child care are cared for by qualified people. Pursuant to G.S. 110-106, no requirements may interfere with the teachings or doctrine of any established religious organization. The staff qualification requirements of this subdivision do not apply to religious-sponsored child care facilities pursuant to G.S. 110-106."

SECTION 8. Section 8 of S.L. 2024-34 is amended by adding a new subsection to read:

"SECTION 8.(a1) In modifying the quality rating improvement system (QRIS), the Division of Child Development and Early Education shall ensure a North Carolina Early Childhood Credential based on five years of work experience in a licensed child care facility in this State is treated as equivalent to when that credential is earned through other pathways for purposes of awarding a star-rating."

SECTION 9. The Weikart Youth Program Quality Assessment ("Weikart Program") shall be added as an assessment tool for evaluating out-of-school child care programs and awarding of a star-rating. The Department of Health and Human Services, Division of Child Development and Early Education, shall complete the necessary crosswalk evaluation of the Weikart Program and have it available for applicants to use not later than six months after the date this act becomes law.

SECTION 10. Notwithstanding any other provision of law, rule, or regulation, the Department of Health and Human Services, Division of Child Development and Early Education

(Division), shall, for courses offered by a community college in the North Carolina Community Colleges System (NCCCS), assign credit for continuing education courses on the same basis as curriculum courses designated by NCCCS as equivalent to the continuing education courses for the purpose of providing any credential offered by the Division.

SECTION 11. The Department of Health and Human Services, Division of Child Development and Early Education, shall:

- (1) Not later than December 1, 2025, and in consultation with the North Carolina Community Colleges System, create a North Carolina School Age/Out-of-School Care Credential that aligns with a new curriculum course and continuing education course entitled "Introduction to School Age Care and Education."
- (2) Award the North Carolina Early Childhood Administration Credential or the North Carolina Family Child Care Credential to individuals who have successfully completed continuing education courses that are equivalent to child care curriculum courses, as determined by the Community Colleges System. The Community Colleges System shall ensure that the continuing education courses are comparable to the corresponding curriculum courses in course descriptions, competencies, and hour requirements and shall state the credential that is to be awarded for each continuing education course.

SECTION 12.(a) The Commissioner of the Department of Insurance shall establish a workgroup to examine the potential for developing group liability insurance plan opportunities for all child care providers. The workgroup shall consist of representatives from all of the following:

- (1) The Department of Insurance.
- (2) The insurance industry.
- (3) The child care industry, including foster family homes and out-of-school providers.
- (4) The Department of Health and Human Services, Division of Child Development and Early Education.
- (5) The American Tort Reform Association.

SECTION 12.(b) The workgroup shall develop findings and recommendations related to at least the following:

- (1) Potential methods for creating group liability insurance plan opportunities for all child care providers.
- (2) Reforms that could reduce group liability insurance plan premiums.
- (3) Tort reforms that could reduce the liability damages of child care providers.

SECTION 12.(c) By January 1, 2026, the Department of Insurance shall report the findings and recommendations of the workgroup to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on General Government, and the Fiscal Research Division.

PART III. EFFECTIVE DATE

SECTION 13. This act is effective when it becomes law.