

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

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HOUSE BILL 877

Short Title: Childcare Pilot.

(Public)

Sponsors: Representatives Arp, Lambeth, Paré, and Rhyne (Primary Sponsors).

For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: Appropriations, if favorable, Rules, Calendar, and Operations of the House

April 10, 2025

A BILL TO BE ENTITLED
AN ACT TO ESTABLISH A PILOT PROGRAM INVOLVING A PUBLIC-PRIVATE
PARTNERSHIP TO PROVIDE REDUCED COST CHILDCARE BY LEVERAGING
STATE RESOURCES TO REDUCE COSTS ASSOCIATED WITH ESTABLISHING A
CHILDCARE FACILITY.

Whereas, the General Assembly recognizes that childcare availability is essential to enabling all those individuals who wish to participate in the workforce to do so; and

Whereas, the General Assembly also recognizes that the costs of childcare need to be lowered to enable more individuals to be able to afford to leave home and either go to work or return to work after having a child; and

Whereas, assuring quality childcare opportunities in every county within the State supports the potential for employers to make economic investments in all the State's 100 counties; and

Whereas, being able to take advantage of quality childcare facilities within their local communities at a below market rate cost will enable more parents to enter or reenter the workplace; and

Whereas, the General Assembly recognizes that one of the ways to reduce the costs of childcare to consumers is by lowering the one-time capital costs of the land, site infrastructure, and the building that will house the childcare operation; and

Whereas, the General Assembly further recognizes that another way to lower those capital costs is through the repurposing of an existing publicly owned building and its site infrastructure; and

Whereas, to promote the development of quality childcare facilities in all counties of the State, the General Assembly implements the following pilot public-private (P3) project as a demonstration of how publicly owned property and one-time public capital funding can be leveraged to result in a quality childcare facility; Now, therefore,
The General Assembly of North Carolina enacts:

SECTION 1.(a) The Legislative Services Office shall, by October 15, 2025, working collaboratively with the State Construction Office and the Department of Administration, develop a comprehensive process for implementing a demonstration pilot project to select a third-party childcare operator as the public-private partner (P3) for the project. The process shall include, at a minimum, (i) the development of a request for proposals to competitively select the P3 partner to be the operator of the childcare facility, (ii) the basic methodology of scoring the proposals received to select a P3 partner where that scoring criteria can be expanded to include additional considerations being proposed a respondent, and (iii) a base P3 contract to be used to



1 negotiate a final agreement with the selected P3 partner. The Legislative Services Office shall
2 issue the initial request for proposals no later than January 2, 2026.

3 The Legislative Services Office shall extend an invitation to participate, as a partner,
4 to a constituent institution of The University of North Carolina System that is located within the
5 same county as the demonstration project. If that constituent institution accepts, it may participate
6 by providing either a site for the facility or a portion of the funding, or some combination thereof.
7 Based upon the level of participation as mutually agreed by the consistent institution and the
8 Legislative Services Office, a commensurate share of the childcare spaces shall be made available
9 on a first priority basis for employees of that constituent institution.

10 **SECTION 1.(b)** The Legislative Services Office, in conjunction with the State
11 Construction Office, shall select a site from available State- or University-owned lands suitable
12 for the construction of a shell building and shall issue a request for information and a request for
13 proposal regarding the execution of a ground lease with a third party with evidence supporting
14 the ability to operate a childcare facility as described in subsection (c) of this section. The ground
15 lease shall not exceed five hundred dollars (\$500.00) per month, with a preferred initial term of
16 at least 10 years. Lease renewals of at least four years may be included in the agreement, provided
17 that the performance of the lessor is satisfactory to the Legislative Services Office. The third
18 party selected by the Legislative Services Office shall submit a site plan that will be adapted and
19 developed for the site and shell building. The third party selected to operate the childcare facility
20 will be responsible for the upfit of the building, building and site maintenance, utilities, and all
21 other operating costs. The State may also partner with a constituent institution of The University
22 of North Carolina in the selection of a University-owned site as described in subsection (a) of
23 this section.

24 **SECTION 1.(c)** The third party selected for the operation of the childcare facility
25 described in this section shall be able to meet at least all of the following criteria:

- 26 (1) Demonstrates the ability and commits to provide childcare rates that are
27 twenty-five percent (25%) or more below the current market rates for the area
28 where the facility is to be located using a modified pro forma that eliminates
29 the cost of land, the cost of site improvements, the cost of utility extensions
30 and connection, the cost of the shell building and the anticipated costs of
31 construction loan interest. The respondent with the greatest reduction below
32 the current market rate shall receive the highest score for this category.
- 33 (2) Capable of operating a facility licensed under Chapter 110 of the General
34 Statutes that will enroll at least 180 children.
- 35 (3) Agrees to pay a wage to all childcare providers employed by the facility equal
36 to at least one hundred eighty percent (180%) of the federal minimum wage,
37 as of January 1, 2025, for the first year services are provided under the lease
38 agreement, and an annual increase of at least two and one-half percent (2.5%)
39 for at least the first four years thereafter, without changing the rates charged
40 to consumers for a period of at least four years.
- 41 (4) Agrees to provide health insurance for all of the full-time employees. For the
42 purposes of this subdivision, the provision of health insurance means that the
43 employer pays at least fifty percent (50%) of the premiums for health care
44 coverage that equals or exceeds the minimum requirements for small group
45 health benefit plans under State or federal law.
- 46 (5) Agrees to provide priority placement for eighty percent (80%) of available
47 childcare capacity at the site to State employees, including employees of a
48 constituent institution of The University of North Carolina that partners with
49 the Legislative Services Office as described in this section.

50 **SECTION 2.** Notwithstanding G.S. 143C-5-2, there is appropriated from the
51 General Fund to the Legislative Services Office the sum of five million dollars (\$5,000,000) in

1 nonrecurring funds for the 2025-2026 fiscal year to be used for the childcare pilot program
2 described in Section 1 of this act. The funds appropriated in this section shall not revert until July
3 1, 2027.

4 **SECTION 3.** Section 2 of this act becomes effective July 1, 2025. The remainder of
5 this act is effective when it becomes law.