GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

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SENATE BILL 412

Short Title:	Childcare Subsidy Rate Increase & West Pilot.	(Public)
Sponsors:	Senator Hise (Primary Sponsor).	
Referred to:	Rules and Operations of the Senate	

March 25, 2025

A BILL TO BE ENTITLED

AN ACT TO INCREASE CHILD CARE SUBSIDY RATES AND TO ESTABLISH A PILOT PROGRAM TO BUILD CHILD CARE CAPACITY IN AREAS IMPACTED BY HURRICANE HELENE.

The General Assembly of North Carolina enacts:

SECTION 1.(a) Beginning July 1, 2025, the Department of Health and Human Services, Division of Child Development and Early Education, shall increase the child care subsidy market rates to the seventy-fifth percentile as recommended by the 2023 Child Care Market Rate Study for children in child care centers and homes with a rating of one to five stars.

SECTION 1.(b) There is appropriated from the General Fund to the Department of Health and Human Services, Division of Child Development and Early Education (Division), the sum of one hundred twenty-three million five hundred thousand dollars ($123,500,000) in recurring funds for each year of the 2025-2027 fiscal biennium to implement the market rate increases set forth in subsection (a) of this section. When the Division implements the market rate increases under this section, the Division shall (i) add ten percent (10%) to be incorporated into each adjusted rate for a rural county and (ii) add ten percent (10%) to be incorporated into each adjusted rate for infants and toddlers (birth to 3 years of age). For purposes of this section, "rural county" means a county with an average population density of 250 people per square mile or less, as classified by the North Carolina Rural Center.

SECTION 2.(a) There is appropriated from the General Fund to the councils of governments in the regions designated in subsection (b) of this section the sum of eight million dollars ($8,000,000) in nonrecurring funds for the 2025-2026 fiscal year to establish a two-year pilot program coordinated by those councils of governments to build child care capacity in areas impacted by Hurricane Helene. The councils of governments may only use the monies in their member counties in the affected area, as defined in Section 1A.4 of S.L. 2024-57, that qualify for Federal Emergency Management Agency Individual Assistance and Public Assistance Categories A through G. Each designated council of governments shall issue a request for application (RFA) for a vendor to contract with the respective council of governments to administer the pilot program, and each vendor selected shall have experience providing support and assistance to early child care providers. To receive funds, the vendor shall partner with the councils of governments in the respective designated regions to (i) increase the supply of child care programs by recruiting and coaching prospective child care providers through the initial business planning and implementation process and (ii) ensure sustainability by executing a two-year mentorship program for the new child care programs created pursuant to this section.

SECTION 2.(b) Funds provided under this section shall be allocated based on population of children under 5 years of age in the councils of governments' regions as follows:

(1) One million five hundred forty thousand dollars ($1,540,000) to the Foothills Regional Commission.

(2) One million nine hundred thousand dollars ($1,900,000) to the Land of Sky Regional Council.

(3) One million three hundred ninety thousand dollars ($1,390,000) to the High Country Council of Governments.

(4) One million three hundred thirty thousand dollars ($1,330,000) to the Southwestern Commission Council of Governments.

(5) One million eight hundred forty thousand dollars ($1,840,000) to the Western Piedmont Council of Governments.

SECTION 2.(c) The councils of governments participating in the pilot program may use (i) a portion of these funds for additional solutions provided by the vendor within the early childhood education space to meet localized needs and in support of recovery, rehabilitation, and ongoing needs of their member communities and (ii) up to two percent (2%) of the funds allocated to the respective council of governments under this act for administrative costs.

SECTION 2.(d) The councils of governments participating in the pilot program shall submit an initial progress report by January 1, 2026, and additional progress reports every six months thereafter for the duration of the pilot program to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. The reports shall include, at a minimum, the following:

(1) The number of child care programs created through the pilot program, by county within each councils of governments region participating in the pilot program.

(2) The number of child care programs created that are child care centers and the number that are family child care homes.

(3) The number of new child care slots created by the pilot program.

(4) The costs associated with creating the child care programs, including any administrative costs.

SECTION 3. This act becomes effective July 1, 2025.