

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

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HOUSE BILL 412
PROPOSED COMMITTEE SUBSTITUTE H412-PCS10384-CI-11

Short Title: Child Care Regulatory Reforms.

(Public)

Sponsors:

Referred to:

March 18, 2025

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 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 proposed 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 required by Section 1(c) of this act and make recommendations on implementation of the plan while meeting the federal Child Care and Development Fund requirements. The Division shall submit the proposed plan to the chairs of the House and Senate Appropriations Committees, the chairs of the House and Senate Appropriations Committees on Health and Human Services, the Joint Legislative Oversight Committee on Health and Human Services, and the Fiscal Research Division by May 1, 2026. The current plan will stay in full force and effect until such time as the General Assembly first approves and adopts the proposed plan and any amendments to that plan and then the federal government approves the proposed plan and any amendments.

SECTION 1.(c) The Division shall complete a new market rate study by May 1, 2026. This market rate study shall be made available to the public by May 1, 2026. The Division shall ensure that the market rate study includes potential rates that are not segmented by star-rating and new market rates for the QRIS system. The Division shall not implement new reimbursement rates unless approved by the federal Administration of Children and Families and authorized to do so by the General Assembly.

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



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PART II. REGULATORY CHANGES

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

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

SECTION 5.(a) G.S. 110-91 reads as rewritten:

"§ 110-91. Mandatory standards for a license.

All child care facilities shall comply with all State laws and federal laws and local ordinances that pertain to child health, safety, and welfare. Except as otherwise provided in this Article, the standards in this section shall be complied with by all child care facilities. ~~However, none~~ 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 space and equipment, 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. None of the standards in this section apply to the school-age children of the operator of a child care facility but do apply to the preschool-age children of the operator. Children 13 years of age or older may receive child care on a voluntary basis provided all applicable required standards are met. The standards in this section, along with any other applicable State laws and federal laws or local ordinances, shall be the required standards for the issuance of a license by the Secretary under the policies and procedures of the Commission except that the Commission may, in its discretion, adopt less stringent standards for the licensing of facilities which provide care on a temporary, part-time, drop-in, seasonal, after-school or other than a full-time basis.

...

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

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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. Each lead teacher shall support no more than two groups.

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

Age	Ratio Staff/Children	Group Size
0 to 12 months	1/5	4 <u>15</u>
12 to 24 months	1/6	12 <u>18</u>
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. A child care center director can assign a floater to relieve one teacher at a time for 0- to 24-month old age groups provided the floater meets the federal requirements to care for infants or holds an Early Education credential or higher educational level.

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SECTION 7.(a) 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 7.(b) Recognizing the need to maintain critical health, safety, and welfare standards for child care and that the main determinants of quality in child care are positive adult-child interactions and an environment free of toxic stress and adverse childhood experiences, the Child Care Commission shall develop standards for infant and toddler care provider staff in licensed child care facilities caring for infants and toddlers from birth to 24 months old which provides infant and toddler care provider staff the option to either (i) meet all of the federal health and safety requirements tied to the Child Care and Development Block Grant (CCDBG) funding, including CPR and SIDS training and age-appropriate health and safety training requirements set by the North Carolina Child Care Commission, or (ii) hold an Early Childhood credential.

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 one year 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.

SECTION 13. The Child Care Commission shall adopt or amend any rules to ensure uniformity and consistency in application of the provisions of this act.

PART III. EFFECTIVE DATE

SECTION 14. This act is effective when it becomes law.