This Bill Analysis reflects the contents of the bill as it was presented in committee.

HOUSE BILL 378: Various Ed Law//Tax Acct/NIL Changes.

2025-2026 General Assembly

Committee:	Senate Education/Higher Education	**Date:**	June 11, 2025
Introduced by:	Reps. Pickett, Cotham, Liu, Hawkins	**Prepared by:**	Drupti Chauhan Committee Counsel
Analysis of:	PCS to Second Edition H378-CSRQf-17		

OVERVIEW: House Bill 378 would require community colleges to provide parents with education records of certain minor students and require those students to acknowledge parental access to their records.

The Proposed Committee Substitute (PCS) for HB 378 would add the provisions from the following additional bills: SB 449 (Fiscal Responsibility and K-12 Tech Planning); SB 223 (Expand Academic Transition Pathways for Sophomore High School Students); Part I of HB 69 (Military and Veterans Educational Promise Act); HB 268 (2025 UNC Self-Liquidating Capital Projects); SB 101 (Protect Certain Tax-Advantaged Accounts); and SB 229 (Authorize NIL Agency Contracts).

PART I. TECHNOLOGY COST CONSIDERATIONS AND REPORTS ON BREAK/FIX RATES

CURRENT LAW: G.S. 115C-102.9 requires the State Board of Education to establish and maintain an electronic dashboard to publicly display information related to digital learning, including in-school digital device access, out-of-school digital device access, and out-of-school internet connectivity.

ANALYSIS: Sections 1.1-1.3 would require the State Board of Education, the State Board of Community Colleges, and the Board of Governors of UNC to adopt rules requiring all public school units, community colleges, and UNC constituent institutions to evaluate the following when acquiring technology, computer hardware, and software:

- The long-term cost of ownership, including costs of repairing the technology, computer hardware, and software.
- Any flexibility for innovation during the life of the technology, computer hardware, or software.
- Any anticipated resale value of similar technology, computer hardware, or software as a percentage of the initial cost of purchase.

Each public school unit would be required to report on the break/fix rate of school technology devices by August 15 annually. School technology devices are any electronic or computerized equipment provided for educational purposes. The break/fix rate is defined as the percentage of school technology devices that have been reported as malfunctioning or requiring repair prior to the life cycle period not covered by insurance.

The State Board of Education would be required to report annually by November 15 to the Joint Legislative Education Oversight Committee on the break/fix rate of school technology devices across all public school units using the reports submitted by the units and recommend ways to reduce break/fix rates.

EFFECTIVE DATE: These sections would be effective when they become law and apply beginning with the 2025-2026 academic year. The first reports required would be due in 2026.

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Director

H378-SMRQ-57 CSRQF-17 -V-9

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PART II. LEON'S LAW

CURRENT LAW: The Federal Educational Rights and Privacy Act (FERPA) requires that educational institutions receiving federal funding provide parents with the right to review the education records of their minor children enrolled in primary and secondary educational institutions. 20 U.S.C. §1232g(a)(1)(A). FERPA provides that when a student reaches the age of 18 or enrolls in an institution of postsecondary education, rights pertaining to review of education records only apply to the student. §1232g(d). Privacy and review rights under FERPA are subject to several exceptions. Under §1232g(b)(1)(H), educational institutions may, but are not required to, share education records with the parents of a dependent child, even after the student reaches the age of 18 or enrolls in an institution of postsecondary education.

ANALYSIS: Section 2 would require the State Board of Community Colleges to direct each community college to adopt a policy that does the following:

- To the extent allowable under FERPA, the community college must provide education records of minor students to that student's parents if three criteria are met:
    1. The student is below the age of 18.
    2. The student is a dependent, for tax purposes, of the parent.
    3. The parent has not opted out of receiving the education records.
- The community college must require students whose education records are subject to parental review to complete a form prior to registration in any course at the community college acknowledging that the parents of the student have access to their education records.

Additionally, the section provides that "parent" is defined as the parent, guardian, or an individual acting as a parent in the absence of a parent or guardian of the student for the purposes of the proposed section.

EFFECTIVE DATE: Section 2 would become effective when it becomes law and would apply beginning with the 2025-2026 academic year.

PART III. EXPAND ACADEMIC TRANSITION PATHWAYS FOR SOPHOMORE HIGH SCHOOL STUDENTS

CURRENT LAW: The Career and College Promise Program allows local community colleges to offer high school courses through (i) Cooperative Innovative High Schools in collaboration with local school administrative units, (ii) college transfer pathways in collaboration with public school units and nonpublic schools, and (iii) career and technical education (CTE) pathways in collaboration with public school units and nonpublic schools.

<u>CTE Pathway – High School Juniors and Seniors</u>

For qualified junior and senior high school students, these pathways lead to a CTE certificate, diploma, or State or industry-recognized credential. To be eligible, students must demonstrate college readiness by meeting one of the following: (i) having at least a 2.8 unweighted high school GPA, (ii) demonstrating readiness on approved assessments in English, reading, and mathematics, or (ii) having the recommendation of the high school principal and the college's Chief Academic Officer or Chief Student Development Administrator.

<u>CTE Pathway – High School Freshmen and Sophomores</u>

For qualified freshman and sophomore high school students, these pathways lead to a CTE certificate or diploma in one of the following:

- Industrial and engineering technologies.
- Agriculture and natural resources.
- Transportation technology.
- Construction.
- Business technologies.

To be eligible, students must have the recommendation of the high school principal and the college's Chief Academic Officer or Chief Student Development Administrator and have completed the following: (i) pass Math I with a C or better, (ii) score at least a 3 on the end of course exam (EOC) for Math I and (iii) score at least a 3 on the 8th grade English Language Arts end of grade exam (EOG); OR otherwise demonstrate college readiness in English, reading, and mathematics on diagnostic assessment tests that have been approved by the State Board of Community Colleges.

ANALYSIS: Section 3 would remove the restriction to specific CTE pathways for sophomore high school students.

EFFECTIVE DATE: Section 3 would be effective when it becomes law and would apply beginning with the 2025-2026 school year.

PART IV. NONDISCRIMINATORY ADMISSIONS EVALUATIONS AND MILITARY DEFERMENT

CURRENT LAW: There are no Statewide statutes governing the evaluations of applications from individuals serving in the military or intending to serve in the military or enrollment deferments for military service.

ANALYSIS: Section 4 would create a new Part 8A in Chapter 116 (Higher Education) of the General Statutes governing military admissions and deferment.

Nondiscriminatory Evaluations of Applicants: This section would mandate that constituent institutions of The University of North Carolina cannot deny admissions to any applicant solely on the basis of the applicant's indication that the applicant is serving in the uniformed service or that the applicant intends to serve in the uniformed service.

Deferment: This section would also require the Board of Governors of The University of North Carolina to adopt a policy requiring constituent institutions to provide for enrollment deferment for members of the uniformed service and spouses of members of the uniformed services if the deferment is requested at least 30 days prior to enrollment in a constituent institution.

Members and spouses of members of the reserve Armed Forces must be granted deferments of at least 2 years after the entry into the reserve Armed Forces. All other members and spouses of members of the uniformed services must be granted deferments of at least 5 years after entry into the uniformed services.

BACKGROUND:

Application Evaluation: Policy 700.7.1 of The University of North Carolina's Policy Manual is the Policy on Military Student Success. It states that "The University of North Carolina System is committed to the success of military-affiliated students". This includes "students who are U.S. military service members (including National Guard and Reserve members), veterans, spouses of service members or veterans or dependent family members of service members or veterans". Furthermore, the policy states that "The University of North Carolina System and its constituent institutions are committed to equality of

opportunity. Each constituent institution shall administer nondiscriminatory admissions policies by fairly evaluating the records of applicants.".

Deferment: Section G of Regulation 700.7.1 of The University of North Carolina's Policy Manual directs constituent institutions to "allow admitted military-affiliated students to defer admissions if they are called to duty before the start of a term.". The regulation further states that "constituent institutions should consider, in cases of a national emergency or crisis, allowing a deferral of enrollment for students who enlist in the United States Armed Forces prior to enrolling.". Constituent institutions must have a process by which the advance notice of the call to duty can be given as well as the intent to return. They must also publish the details of the process on the constituent institution's catalogue and website and include provisions on providing refunds for any deposits paid.

EFFECTIVE DATE: Section 4 would become effective when it becomes law and would apply beginning with the 2025-2026 academic year.

PART V. UNC SELF-LIQUIDATING CAPITAL PROJECTS

CURRENT LAW: Under Article 8 of the State Budget Act, no State agency can expend funds for the construction or renovation of a capital improvement project unless authorized to do so by the General Assembly. The Board of Governors can approve expenditures for projects that are to be funded entirely with non-General Fund money. However, under Article 3 of Chapter 116D, the General Assembly must approve the issuance of special obligation bonds for projects of UNC.

There are two types of self-liquidating bonds that can be issued by the Board of Governors:

- Article 21 of Chapter 116 of the General Statutes authorizes the Board of Governors to issue revenue bonds for educational buildings, dormitories, recreational facilities, dining facilities, student centers, health care buildings, and parking decks. The projects can be for the educational institutions, the University of North Carolina Health Care System, the University of North Carolina System Office, and The University of North Carolina Hospitals at Chapel Hill. The revenue bonds are payable from rentals, charges, fees, and other revenues generated by the facility. The bonds are not payable from tax revenues.
- Article 3 of Chapter 116D of the General Statutes authorizes the Board of Governors to issue special obligation bonds payable from any sources of income or receipts of the Board of Governors or a constituent or affiliated institution, excluding tuition payments and appropriations from the General Fund. Examples of sources of income or receipts are rents, charges, fees, earnings on investments of endowment funds, or overhead receipts. The bond proceeds can be used for construction, improvement, and acquisition of any capital facilities located at UNC constituent and affiliated institutions. The project must be approved by both the board of trustees of the recipient institution and the General Assembly. The General Assembly must also approve the maximum aggregate principal amount for the project. The bonds are not payable from tax revenues.

ANALYSIS: Section 5 would authorize two campuses of UNC to finance and acquire or construct the following capital improvement projects that have been reviewed and approved by the Board of Governors:

Campus	Project	Amount	Source of Funds
University of North Carolina at Chapel Hill	Electrical Distribution System/Substations & Switchgear Upgrade	$14,581,920	• Utility Receipts

University of North Carolina at Chapel Hill	Fetzer Hall Addition/Campus Recreation	$90,000,000	• Student Recreation Debt Service Fee
University of North Carolina at Wilmington	Parking Deck III	$12,000,000	• Parking and Transportation Receipts
University of North Carolina at Wilmington	Student Housing Village – Phase III (Student Housing Village Building 5)	$71,002,458	• Housing Receipts

The proposed indebtedness authorized under this act is not a debt of the State.

The Director of the Budget, at the request of the Board of Governors, can authorize a change in the means of finance and increase or decrease the cost of the project. The Board of Governors (subject to the approval of the Director of the Budget) can issue special obligation bonds of the Board of Governors for the purpose of paying all or any part of the costs of acquiring, constructing, or providing for the projects. The maximum principal amount of the bonds to be issues cannot exceed the specified amounts in the bill plus an additional 5% of the amount to pay issuance expenses, fund reserve funds, pay capitalized interest, and pay other related additional costs plus any increase in the specified project costs authorized by the Director of the Budget.

EFFECTIVE DATE: Section 5 would be effective when it becomes law.

PART VI. PROTECT CERTAIN TAX-ADVANTAGED ACCOUNTS

CURRENT LAW:

North Carolina Education Savings and Investment Plan Accounts

Section 529 of the Internal Revenue Code establishes qualified tuition programs, which include programs established and maintained by a state, agency, or instrumentality thereof, allowing individuals to contribute to an account established for the purpose of meeting the qualified higher education expenses of the designated beneficiary of the account. Qualified higher education expenses include tuition for an elementary or secondary public, private, or religious school. Contributions are not deductible, but earnings on a 529 Plan are exempt from federal taxation when used for qualified higher education expenses.

G.S. 116-209.25 establishes the framework for North Carolina's 529 Plans (NC 529 Plans), consistent with section 529 of the Internal Revenue Code. NC 529 Plans are administered by the State Education Assistance Authority (SEAA) in order to enable parents and other interested parties to save funds to meet the costs of education expenses of eligible students. NC 529 Plan funds are held in accounts within the State's Parental Savings Trust Fund.

For individuals who are residents of North Carolina, G.S. 1C-1601(a)(10) exempts funds in a college savings plan, which could include an NC 529 Plan or a 529 Plan created by another entity, from the enforcement of claims of creditors (up to $25,000). The exemption does not apply to certain enumerated claims under G.S. 1C-1601(e) or to funds placed in a college savings plan within the preceding 12 months unless contributions were made in the ordinary course of the debtor's financial affairs and were consistent with the debtor's past pattern of contributions. Additionally, the exemption only applies to the extent that the funds are for a child of the debtor and will actually be used for the child's college or university expenses.

ABLE Accounts

Federal law recognizes qualified ABLE programs which are established by states, agencies, or instrumentalities thereof, allowing individuals to contribute to an account established for the purpose of meeting the qualified disability expenses of the designated beneficiary of the account. See 26 U.S.C. § 529A. Article 6F of Chapter 147 of the General Statutes establishes the parameters for ABLE accounts in North Carolina.

ANALYSIS: Section 6 would exempt the following from liens, attachment, garnishment, levy, seizure, any involuntary sale or assignment by operation or execution of law, or the enforcement of any other judgment or claim to pay any debt or liability of any account owner, beneficiary, or contributor to the account:

- Funds located in a 529 Plan or withdrawn from a 529 Plan and used for purposes permitted by section 529 of the Internal Revenue Code.
- Funds located in an ABLE account or withdrawn from the account and used for purposes permitted under section 529A of the Internal Revenue Code.

The protections provided under this section would not apply to the following:

- Any state claims, following the death of the ABLE account owner, to reimburse the state's Medicaid program for benefits received by the participant after the establishment of the ABLE account.
- Funds that were not used for a qualifying purpose.
- Funds deposited into a qualifying 529 Plan or ABLE account as a result of fraud, intentional wrongdoing, or other violation of law.

Lastly, this section would repeal G.S. 1C-1601(a)(10) (Funds in a college savings plan qualified under section 529 of the Internal Revenue Code), as it would no longer be needed due to the increased protections provided to 529 Plans in this section.

EFFECTIVE DATE: Section 6 would become effective September 1, 2025, and apply to actions filed on or after that date.

PART VII. AUTHORIZATION FOR NAME, IMAGE, AND LIKENESS AGENCY CONTRACTS

CURRENT LAW: The activities of athlete agents who represent student-athletes in negotiating professional sports services contracts or endorsement contracts are regulated by the Secretary of State under the Uniform Athlete Agents Act (UAAA), Article 9 of Chapter 78C of the General Statutes. Endorsement contracts are agreements where a student-athlete receives consideration for use of any value the student-athlete may have because of publicity, reputation, following, or fame obtained because of athletic ability or performance.

The UAAA requires athlete agents to register with the Secretary of State and meet certain requirements. The UAAA prohibits, with some exceptions, an individual from acting as an athlete agent without registration. It also requires agreements between the athlete agent and student-athlete, called agency contracts, to be in writing and include certain terms of the contract. These terms include a warning to the student-athlete that signing the contract will cause the student to lose eligibility in the sport, that the contract must be reported to the student's athletic director, and that the student has the option to cancel the contract within 14 days. The athlete agent is required to report the agency contract to the athletic director.

ANALYSIS: Section 7 would modify the UAAA to allow student-athletes to use registered agents for the purpose of representation in name, image and likeness contracts (NIL contracts).

NIL contracts would be defined as contracts between the student-athlete and another entity where the student-athlete receives consideration in exchange for use of the student-athlete's name, image, or likeness. A student-athlete would be authorized to enter a contract, called an NIL agency contract, with a registered athlete agent to negotiate the NIL contracts. Those contracts would contain a warning to student-athletes. The NIL agency contract could be cancelled by the student within 14 days.

These contracts would be distinguished from professional-sports-services-agency-contacts, where an athlete entering into an agreement to negotiate a professional sports contract would lead to the loss of amateur status.

This section would also prohibit athlete agents from entering into NIL agency contracts with student-athletes enrolled in an educational institution that employs or contracts with the agent currently or within the prior two years and would void any NIL agency contract made between the agent and a student-athlete who enrolls in the educational institution.

EFFECTIVE DATE: Section 7 would be effective when it becomes law and apply to NIL agency contracts entered on or after that date.

PART VIII. PUBLIC RECORDS EXEMPTION FOR CERTAIN NAME, IMAGE, AND LIKENESS CONTRACTS

CURRENT LAW: Chapter 132 of the General Statutes requires, with some exceptions, that records held by the State and local governments are public and that copies must be provided to individuals upon request. Exceptions are provided for confidential information, including records that may contain certain information about individuals.

ANALYSIS: Section 8 would create a new public records exception for constituent institutions of The University of North Carolina and community colleges (institutions of higher education) that would exempt any records related to a student-athlete's NIL contract.

EFFECTIVE DATE: Section 8 would be effective when it becomes law and would apply retroactively to all student NIL contract records possessed by an institution of higher education.

PART IX. EFFECTIVE DATE: Except as otherwise provided, the bill would be effective when it becomes law.

**Brian Gwyn and Samantha Yarborough, Counsel for the Senate Education Committee, substantially contributed to this summary.*