

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

H.B. 1066
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HOUSE PRINCIPAL CLERK

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HOUSE BILL DRH40662-LUfa-119C

Short Title: Child Care Stabilization & Affordability Act.

(Public)

Sponsors: Representative Helfrich.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO PERMIT OPPORTUNITY SCHOLARSHIP FUNDS TO BE AWARDED FOR PREKINDERGARTEN; TO MAKE PERMANENT THE TRI-SHARE CHILD CARE PILOT PROGRAM; TO REENACT THE CHILD CARE TAX CREDIT; TO EXPAND THE EARLY CHILDHOOD EDUCATION WORKFORCE; TO STREAMLINE ADMINISTRATIVE REQUIREMENTS FOR CHILD CARE PROVIDERS; TO UTILIZE PUBLIC FACILITIES FOR CHILD CARE; TO CLARIFY REGULATORY GUIDANCE FOR RELIGIOUS CHILD CARE PROGRAMS; TO STABILIZE CHILD CARE FUNDING AND BENEFITS IN NORTH CAROLINA; AND TO ENHANCE CHILD CARE WORKFORCE COMPENSATION AND BENEFITS.

Whereas, affordable and accessible child care is essential to workforce participation, small business stability, and economic growth across the State; and

Whereas, North Carolina faces significant shortages in licensed child care capacity due to workforce constraints, regulatory bottlenecks, and rising operating costs; and

Whereas, early childhood educators are often paid wages insufficient to sustain the workforce needed to meet statewide demand; and

Whereas, expanding training pathways, including apprenticeships and community college programs, can strengthen the child care workforce pipeline; and

Whereas, the lack of coordinated administrative systems requires child care providers to interact with multiple agencies and funding streams; and

Whereas, the General Assembly has a compelling interest in expanding safe, high-quality child care while ensuring regulatory clarity, workforce development, and economic participation; Now, therefore,

The General Assembly of North Carolina enacts:

PART I. REVISE ELIGIBILITY REQUIREMENTS AND REDUCE FUNDS FOR THE OPPORTUNITY SCHOLARSHIP PROGRAM

SECTION 1.1.(a) G.S. 115C-562.1(3a) reads as rewritten:

"(3a) Eligible student. – A student residing in North Carolina who has not yet received a high school diploma and who meets all of the following requirements:

- a. Is eligible to attend a North Carolina public school pursuant to Article 25 of this Chapter. A child who is the age of 4 on or before April 16 is eligible to attend the following school year if the principal, or equivalent, of the school in which the child seeks to enroll finds that the student meets the requirements established by the Authority



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pursuant to G.S. 115C-562.2(d) and those findings are submitted to the Authority.

- b. Has not been enrolled in a postsecondary institution as a full-time student taking at least 12 hours of academic credit.
- c. Has not been placed in a nonpublic school or facility by a public agency at public expense.
- d. Resides in a household with an income level not in excess of two hundred percent (200%) of the amount required for the student to qualify for the federal free or reduced-price lunch program."

SECTION 1.1.(b) G.S. 115C-562.2 reads as rewritten:

"§ 115C-562.2. Scholarship grants.

(a) The Authority shall make available no later than February 1 annually applications to eligible students for the award of scholarship grants to attend any nonpublic school on a full- or part-time basis. Information about scholarship grants and the application process shall be made available on the Authority's website. Beginning March 15, the Authority shall begin awarding scholarship grants to students who have applied by March 1 in the following order:

- (1) Eligible students who received a scholarship grant for the school year prior to the school year for which the students are applying.
- (2) Eligible students qualifying for a scholarship grant in the amount provided under subdivision (1) of subsection (b2) of this section.
- (3) Eligible students qualifying for a scholarship grant in the amount provided under subdivision (2) of subsection (b2) of this section.
- ~~(4) Eligible students qualifying for a scholarship grant in the amount provided under subdivision (3) of subsection (b2) of this section.~~
- ~~(5) All other students.~~

...

(b2) Scholarship grants shall be awarded to eligible students as follows:

- (1) For students residing in households with an income level not in excess of the amount required for the student to qualify for the federal free or reduced-price lunch program, per year per eligible student, an amount of up to one hundred percent (100%) of the average State per pupil allocation for average daily membership in the prior fiscal year.
- (2) For students residing in households with an income level between the amount required for the student to qualify for the federal free or reduced-price lunch program and not in excess of two hundred percent (200%) of that amount, per year per eligible student, an amount of up to ninety percent (90%) of the average State per pupil allocation for average daily membership in the prior fiscal year.
- ~~(3) For students residing in households with an income level of between two hundred percent (200%) of the amount required for the student to qualify for the federal free or reduced-price lunch program and not in excess of four hundred fifty percent (450%) of that amount, per year per eligible student, an amount of up to sixty percent (60%) of the average State per pupil allocation for average daily membership in the prior fiscal year.~~
- ~~(4) For all students, per year per eligible student, an amount of up to forty five percent (45%) of the average State per pupil allocation for average daily membership in the prior fiscal year, unless the student qualifies for a higher amount under this subsection.~~

...."

SECTION 1.1.(c) G.S. 115C-562.8 reads as rewritten:

"§ 115C-562.8. The Opportunity Scholarship Grant Fund Reserve.

1 ...

2 (b) ~~The General Assembly finds that, due to the critical need in this State to provide~~
3 ~~opportunity for school choice for North Carolina students, it is imperative that the State provide~~
4 ~~an increase of funds for 15 years to the Opportunity Scholarship Grant Fund Reserve. Therefore,~~
5 ~~there~~ There is appropriated from the General Fund to the Reserve the following amounts for each
6 fiscal year to be used for the purposes set forth in this section:

Fiscal Year	Appropriation
...	
2027-2028	\$700,000,000 \$460,000,000
2028-2029	\$725,000,000 \$485,000,000
2029-2030	\$750,000,000 \$510,000,000
2030-2031	\$775,000,000 \$535,000,000
2031-2032	\$800,000,000 \$560,000,000

14 For the 2032-2033 fiscal year and each fiscal year thereafter, there is appropriated from the
15 General Fund to the Reserve the sum of ~~eight hundred twenty five million dollars (\$825,000,000)~~
16 five hundred eighty-five million dollars (\$585,000,000) to be used for the purposes set forth in
17 this section. When developing the base budget, as defined by G.S. 143C-1-1, for each fiscal year
18 specified in this subsection, the Director of the Budget shall include the appropriated amount
19 specified in this subsection for that fiscal year.

20 "

21 **SECTION 1.1.(d)** Notwithstanding any other provision of law to the contrary, funds
22 appropriated to the Opportunity Scholarship Grant Fund Reserve for the award of opportunity
23 scholarship grants pursuant to Part 2A of Article 39 of Chapter 115C of the General Statutes are
24 reduced as follows:

- (1) By the sum of one hundred fifty million dollars (\$150,000,000) in nonrecurring funds appropriated in the 2025-2026 fiscal year for the award of scholarship grants in the 2026-2027 fiscal year.
- (2) By the sum of two hundred forty million dollars (\$240,000,000) in recurring funds appropriated in the 2026-2027 fiscal year for the award of scholarship grants in the 2027-2028 fiscal year.

31 **SECTION 1.1.(e)** This section becomes effective July 1, 2026, and applies to
32 applications for the award of scholarship funds beginning in the 2027-2028 school year.

34 **CHILD CARE SUBSIDY FUNDS FROM REDUCTIONS IN OPPORTUNITY**
35 **SCHOLARSHIP FUNDS**

36 **SECTION 1.2.** There is appropriated from the General Fund to the Department of
37 Health and Human Services, Division of Child Development and Early Education, the sum of
38 one hundred fifty million dollars (\$150,000,000) in nonrecurring funds for the 2026-2027 fiscal
39 year and the sum of two hundred forty million dollars (\$240,000,000) in recurring funds
40 beginning in the 2026-2027 fiscal year, as a result of the reductions made under Section 1.1 of
41 this Part, to be used to assist in reducing the waitlist for subsidized child care in this State.

43 **PART II. TRI-SHARE CHILD CARE PROGRAM PERMANENCY/FUNDS**

44 **SECTION 2.1.(a)** Part 10B of Article 3 of Chapter 143B of the General Statutes is
45 amended by adding a new section to read:

46 **"§ 143B-168.17. Tri-Share Child Care Program.**

47 (a) There is established the Tri-Share Child Care Program (Program), a program that
48 creates a public/private partnership to share the cost of child care equally between employers,
49 eligible employees, and the State to:

- (1) Make high-quality child care affordable and accessible for working families.
- (2) Help employers retain and attract employees.

1 (3) Help stabilize child care businesses across the State.

2 (b) The North Carolina Partnership, in collaboration with the Department, shall facilitate
3 the Program. Up to three local partnerships shall serve as regional facilitator hubs to implement
4 and administer the Program and act as regional intermediaries between employers, families, child
5 care providers, and the State. Local partnerships serving as regional facilitator hubs shall be
6 selected from geographically diverse areas across the State, with one selected from a tier one
7 county. For purposes of this subsection, a tier one county shall have the same designation as that
8 established by the most current version of the North Carolina Department of Commerce's County
9 Tier Designations.

10 (c) The North Carolina Partnership shall be accountable for the programmatic and fiscal
11 integrity of the Program and services and shall implement standardized procedures to ensure the
12 Program is operated consistently among all regional facilitator hubs to include, at a minimum,
13 each of the following:

14 (1) Design of the Program.

15 (2) Establishment of the Program infrastructure.

16 (3) Recruitment of participating child care providers and employers.

17 (d) The North Carolina Partnership may contract with a third-party administrator to assist
18 with centralized enrollment, payment processing, and other financial transactions associated with
19 the Program. The North Carolina Partnership shall conduct financial and compliance monitoring
20 of the regional facilitator hubs and the third-party administrator, if applicable.

21 (e) The North Carolina Partnership and local partnerships serving as regional facilitator
22 hubs shall determine Program eligibility based on standardized criteria. For purposes of this
23 Program, an employee is eligible to participate in the Program if the employee (i) is employed
24 by a participating employer, (ii) has a household income between one hundred eighty-five percent
25 (185%) and three hundred percent (300%) of the federal poverty level, and (iii) is not otherwise
26 eligible for subsidized child care in this State. An eligible employee may reside outside of the
27 designated region for the respective facilitator hub. Other criteria the North Carolina Partnership
28 and regional facilitator hubs shall implement for the Program include, at a minimum, each of the
29 following:

30 (1) Ensuring payment for the cost of child care is divided equally between an
31 employer, an eligible employee, and the State.

32 (2) Soliciting participating employers.

33 (3) Ensuring participating employers agree to (i) identify and recruit eligible
34 employees, (ii) provide the employer portion of each participating employee's
35 child care costs, and (iii) maintain communication with the regional facilitator
36 hub regarding each eligible employee's continued employment and eligibility.

37 (4) Verifying that child care providers seeking to participate in the Program are
38 licensed in this State.

39 (5) Upon determining an employee's eligibility, ensuring payment by the
40 employee of the employee's portion of the cost of child care.

41 (6) Coordinating payments between employers and licensed child care providers.

42 (f) For purposes of this section, child care includes part-time and full-time care, before
43 and after school care, and summer day camps.

44 (g) The North Carolina Partnership shall collaborate with the Department of Commerce
45 to prioritize businesses in sectors experiencing persistent labor shortages.

46 (h) Funds provided for the Program pursuant to this section shall be divided evenly in
47 each fiscal year among the regional facilitator hubs administering the Program. These funds shall
48 not revert but shall remain available for costs associated with the Program. A regional facilitator
49 hub may use up to nine percent (9%) of its allocation for administrative costs.

50 (i) The North Carolina Partnership shall include in its annual report required by
51 G.S. 143B-168.12(d), at a minimum, each of the following regarding the Program:

- (1) The number of children served, by age and county.
- (2) The list of employers participating in the Program.
- (3) Total Program costs, including any administrative costs."

SECTION 2.1.(b) G.S. 143B-168.12(d) is amended by adding a new subdivision to read:

"(6a) A description of the information required to be reported for the Tri-Share Child Care Program under G.S. 143B-168.17."

SECTION 2.1.(c) Employees deemed eligible to participate in the Tri-Share Child Care pilot program pursuant to Section 9D.9 of S.L. 2023-134, as amended by Section 15 of S.L. 2024-34, shall remain eligible to participate in the Tri-Share Child Care Program under G.S. 143B-168.17, as enacted under subsection (a) of this section, upon enactment of this section.

SECTION 2.1.(d) There is appropriated from the General Fund to the Department of Health and Human Services, Division of Child Development and Early Education, to be allocated to the North Carolina Partnership for Children, Inc. (NCPC), the sum of nine million dollars (\$9,000,000) in recurring funds for the 2026-2027 fiscal year to provide the State portion of funding for continuation of the Tri-Share Child Care Program established in Section 9D.9 of S.L. 2023-134, as amended by Section 15 of S.L. 2024-34. Funds provided under this section shall be divided evenly in each fiscal year among the regional facilitator hubs, as described in G.S. 143B-168.17, enacted in subsection (a) of this section.

PART III. REENACT CHILD CARE TAX CREDIT

SECTION 3.1.(a) G.S. 105-153.10 is reenacted as it existed immediately before its expiration and reads as rewritten:

"§ 105-153.10. Credit for children.

(a) Credit. – ~~A taxpayer who is allowed a federal child tax credit under section 24 of the Code for the taxable year is allowed a credit against the tax imposed by this Part for each dependent child for whom the taxpayer is allowed the federal credit. A taxpayer is allowed a credit against the tax imposed by this Part for each qualifying child of the taxpayer. A "qualifying child" is defined by section 152(c) of the Code.~~ The amount of credit allowed under this section for the taxable year is equal to the amount listed in the table below based on the taxpayer's adjusted gross income, as calculated under the Code:

Filing Status	AGI	Credit Amount
Married, filing jointly	Up to \$40,000	\$125.00 <u>\$250.00</u>
	Over \$40,000	
	Up to \$100,000	\$100.00 <u>\$125.00</u>
	Over \$100,000	0
Head of Household	Up to \$32,000	\$125.00 <u>\$250.00</u>
	Over \$32,000	
	Up to \$80,000	\$100.00 <u>\$125.00</u>
	Over \$80,000	0
Single	Up to \$20,000	\$125.00 <u>\$250.00</u>
	Over \$20,000	
	Up to \$50,000	\$100.00 <u>\$125.00</u>
	Over \$50,000	0
Married, filing separately	Up to \$20,000	\$125.00 <u>\$250.00</u>
	Over \$20,000	
	Up to \$50,000	\$100.00 <u>\$125.00</u>
	Over \$50,000	0.

1
2 (b) Limitations. – A nonresident or part-year resident who claims the credit allowed by
3 this section shall reduce the amount of the credit by multiplying it by the fraction calculated under
4 G.S. 105-134.5(b) or (c), as appropriate. ~~The credit allowed under this section may not exceed the~~
5 ~~amount of tax imposed by this Part for the taxable year reduced by the sum of all credits allowed,~~
6 ~~except payments of tax made by or on behalf of the taxpayer.~~ G.S. 105-153.4. Married individuals
7 qualifying for a credit under this section who file separate returns may not collectively claim
8 more than the maximum credit allowed under a joint return.

9 (c) Credit Refundable. – If the credit allowed by this section exceeds the amount of tax
10 imposed by this Part for the taxable year reduced by the sum of all credits allowable, the Secretary
11 must refund the excess to the taxpayer. The refundable excess is governed by the provisions
12 governing a refund of an overpayment by the taxpayer of the tax imposed in this Part. In
13 computing the amount of tax against which multiple credits are allowed, nonrefundable credits
14 are subtracted before refundable credits."

15 SECTION 3.1.(b) This section is effective for taxable years beginning on or after
16 January 1, 2026.

17 18 PART IV. CHILD CARE WORKFORCE DEVELOPMENT

19 20 EARLY CHILDHOOD APPRENTICESHIPS

21 SECTION 4.1.(a) Part 3 of Article 1 of Chapter 115C of the General Statutes is
22 amended by adding a new section to read:

23 **"§ 115C-10.52. Early Childhood Apprenticeship Grant Program.**

24 (a) Program Established; Purpose. – There is established the North Carolina Community
25 College Early Childhood Apprenticeship Grant Program (Program) to be administered by the
26 State Board of Community Colleges. The purpose of the Program is to provide additional funds
27 to community colleges to establish or expand registered apprenticeships in early childhood
28 education recognized by ApprenticeshipNC. The State Board shall adopt rules for the
29 disbursement of the grants pursuant to this section.

30 (b) Program Participation. – Any community college in the State may participate in the
31 Program by providing notice of intent to participate to the State Board.

32 (c) Grant Fund Usage. – Grant funds awarded pursuant to this section shall only be used
33 for the following purposes:

34 (1) Establish or expand registered apprenticeships recognized by
35 ApprenticeshipNC in early childhood education.

36 (2) Provide tuition assistance, wage supplements, and employer support payments
37 for employers participating in registered apprenticeships recognized by
38 ApprenticeshipNC in early childhood education.

39 (3) Align apprenticeship coursework with credential requirements in Chapter 110
40 of the General Statutes.

41 (4) Prioritize apprenticeship placements in licensed child care facilities serving
42 subsidy-eligible children.

43 (d) Report. – By July 15 of each year, the Community Colleges System Office shall report
44 to the Joint Legislative Oversight Committee on Health and Human Services on the following:

45 (1) Enrollment changes in programs involving apprenticeships in early childhood
46 education compared to the prior year.

47 (2) Completion rates of apprentices compared to the prior year.

48 (3) To the extent information is available, workforce retention rates for
49 apprentices who complete their internship."

1 **SECTION 4.1.(b)** There is appropriated from the General Fund to the Community
2 Colleges System Office the sum of five million dollars (\$5,000,000) in recurring funds to
3 implement the provisions of this section.
4

5 **PART V. STREAMLINED ADMINISTRATIVE SYSTEM FOR CHILD CARE**
6 **PROVIDERS**

7
8 **UNIFIED CHILD CARE ADMINISTRATIVE PORTAL**

9 **SECTION 5.1.(a)** The Department of Health and Human Services, Division of Child
10 Development and Early Education (DCDEE), shall develop and implement a unified online
11 portal for child care providers. The portal shall allow child care providers to do each of the
12 following:

- 13 (1) Submit required applications, licensing documentation, and compliance
14 materials.
- 15 (2) Apply for State or federally funded programs related to child care.
- 16 (3) Access reporting requirements for child care subsidy programs and workforce
17 initiatives.
- 18 (4) Integrate administrative processes from the following agencies:
 - 19 a. DCDEE.
 - 20 b. Department of Public Instruction.
 - 21 c. North Carolina Partnership for Children, Inc.
 - 22 d. North Carolina Community Colleges System.
 - 23 e. Other relevant State or federally administered child care funding
24 programs.

25 **SECTION 5.1.(b)** DCDEE shall submit an implementation report to the Joint
26 Legislative Oversight Committee on Health and Human Services and the Joint Legislative
27 Oversight Committee on Information Technology within 18 months from the date this act
28 becomes effective.
29

30 **PART VI. FACILITIES FOR CHILD CARE**

31
32 **USE OF PUBLIC FACILITIES FOR CHILD CARE**

33 **SECTION 6.1.(a)** The Department of Public Instruction, in collaboration with the
34 Community Colleges System Office, shall develop a plan to use underutilized classrooms or
35 campus spaces for licensed child care facilities. The plan shall do all of the following:

- 36 (1) Identify suitable classrooms or campus spaces for use as licensed child care
37 facilities.
- 38 (2) Prioritize classrooms or campus spaces in counties with limited child care
39 capacity.
- 40 (3) Allow for partnerships with licensed providers or nonprofit operators of child
41 care.

42 **SECTION 6.1.(b)** The Department of Public Instruction shall submit a report
43 detailing the plan developed pursuant to subsection (a) of this section to the Joint Legislative
44 Education Oversight Committee, the Joint Legislative Oversight Committee on Health and
45 Human Services, and the Fiscal Research Division no later than December 15, 2027.

46 **SECTION 6.1.(c)** There is appropriated from the General Fund to the Department
47 of Public Instruction the sum of one hundred thousand dollars (\$100,000) in nonrecurring funds
48 for the 2026-2027 fiscal year to develop the plan required by this section.
49

50 **STATE EMPLOYEE CHILD CARE FACILITIES**

1 **SECTION 6.2.(a)** The Department of Administration (DOA) shall inventory
2 underutilized State-owned buildings suitable for conversion into child care facilities that will
3 serve State employees. DOA shall develop recommendations for each of the following:

- 4 (1) Piloting on-site child care facilities.
- 5 (2) Public-private partnerships with licensed providers.
- 6 (3) Leasing or licensing space for child care operations.

7 **SECTION 6.2.(b)** The Department of Administration shall submit a report of its
8 findings and any recommendations to the Joint Legislative Oversight Committee on General
9 Government within 18 months from the date this act becomes effective.

10 **SECTION 6.2.(c)** There is appropriated from the General Fund to the Department
11 of Administration the sum of one hundred thousand dollars (\$100,000) for the 2026-2027 fiscal
12 year to develop the recommendations required by this section.

13 14 **PART VII. REGULATORY CLARITY FOR RELIGIOUS-SPONSORED CHILD CARE**

15 16 **GUIDANCE FOR RELIGIOUS-SPONSORED CHILD CARE FACILITIES**

17 **SECTION 7.1.(a)** The Department of Health and Human Services, Division of Child
18 Development and Early Education, shall develop and publish a clear, regulatory guidance
19 document to assist religious-sponsored organizations seeking to provide child care that outlines
20 each of the following:

- 21 (1) Licensing pathways.
- 22 (2) Religious exemption eligibility.
- 23 (3) Health and safety requirements.
- 24 (4) Application procedures, including, but not limited to, steps in applying for
25 licensure and ways to participate in existing exemptions.

26 **SECTION 7.1.(b)** The Division of Child Development and Early Education shall
27 conduct outreach to faith-based organizations regarding these guidelines.

28 29 **PART VIII. CHILD CARE FUNDING STABILIZATION**

30 31 **UPDATES TO CHILD CARE SUBSIDY REIMBURSEMENT RATES**

32 **SECTION 8.1.(a)** Beginning July 1, 2026, the Department of Health and Human
33 Services, Division of Child Development and Early Education, shall increase the child care
34 subsidy market rates to the seventy-fifth percentile as recommended by the most recent Child
35 Care Market Rate Study for children in three-, four-, and five-star-rated child care centers and
36 homes.

37 **SECTION 8.1.(b)** Beginning July 1, 2026, provisions of payment rates for child care
38 providers in counties that have a county rate below the State rate for center-based and
39 home-based care are as follows:

- 40 (1) Except as applicable in subdivision (2) of this subsection, payment rates shall
41 be set at the seventy-fifth percentile statewide market rate as recommended
42 by the most recent Child Care Market Rate Study for children birth through 5
43 years of age for licensed three-, four-, and five-star-rated child care centers
44 and homes.
- 45 (2) If it can be demonstrated that the application of the statewide rate to a county
46 with fewer than 50 children in each age group is lower than the county market
47 rate and would inhibit the ability of the county to purchase child care for
48 low-income children, then the county market rate may be applied.

49 **SECTION 8.1.(c)** There is appropriated from the General Fund to the Department
50 of Health and Human Services, Division of Child Development and Early Education, the sum of
51 two hundred five million dollars (\$205,000,000) in recurring funds for the 2026-2027 fiscal year

1 to implement the market rate increases and to establish a floor for child care subsidy rates as set
2 forth in subsections (a) and (b) of this section.

4 **AUTOMATIC SUBSIDIZED CHILD CARE RATE ADJUSTMENT**

5 **SECTION 8.2.** Part 10C of Article 3 of Chapter 143B of the General Statutes is
6 amended by adding a new section to read:

7 **"§ 143B-168.28. Automatic rate adjustment for subsidized child care.**

8 (a) Effective July 1, 2027, the Department shall adjust annually the child care subsidy
9 reimbursement rates based on one of the following, whichever is greater:

10 (1) The percentage change in the Consumer Price Index for All Urban Consumers
11 (CPI-U), South Region, or any subsequent similar publication, as published
12 by the United States Bureau of Labor Statistics, for the preceding 12-month
13 period.

14 (2) The percentage change reflected in the most recent North Carolina Child Care
15 Market Rate Study.

16 (b) If the Child Care Market Rate Study results in higher reimbursement rates than those
17 calculated under subdivision (a)(1) of this section, the Department shall implement the higher
18 rates.

19 (c) Updated reimbursement rates calculated pursuant to this section shall be implemented
20 administratively and shall not require further appropriation or legislative approval, subject to the
21 availability of funds.

22 (d) The Department shall publish updated reimbursement rate schedules by August 1 of
23 each year and report the adjustments to the Joint Legislative Oversight Committee on Health and
24 Human Services and the Fiscal Research Division of the General Assembly."

26 **PART IX. CHILD CARE WORKFORCE COMPENSATION AND BENEFITS**

28 **EXPANSION OF THE CHILD CARE WAGES PROGRAM**

29 **SECTION 9.1.** There is appropriated from the General Fund to the Department of
30 Health and Human Services, Division of Child Development and Early Education (Division), the
31 sum of twenty-two million seven hundred thousand dollars (\$22,700,000) in nonrecurring funds
32 for the 2026-2027 fiscal year and the sum of thirty-six million dollars (\$36,000,000) for the
33 2027-2028 fiscal year in recurring funds to expand the Child Care WAGES program, which
34 provides salary supplements for early childhood educators. When developing the base budget, as
35 defined by G.S. 143C-1-1, for the 2027-2028 fiscal year, the Director of the Budget shall include
36 the appropriated amount specified in this section for that fiscal year.

38 **CHILD CARE EMPLOYER HEALTH COVERAGE POOL**

39 **SECTION 9.2.(a)** Article 7 of Chapter 110 of the General Statutes is amended by
40 adding a new section to read:

41 **"§ 110-90.3. Child care employer health coverage pool.**

42 (a) Establishment. – The Department of State Treasurer, in consultation with the
43 Department and the Department of Insurance, shall establish and administer a State-run group
44 health coverage pool to make health benefit coverage available for purchase by eligible child
45 care employers on behalf of their employees. The pool shall be operated separately from the State
46 Health Plan for Teachers and State Employees; provided, however, that the State Treasurer may
47 use administrative, contracting, actuarial, enrollment, and other operational resources of the State
48 Health Plan to the extent practicable.

49 (b) Eligible Employers. – An employer is eligible to participate in the pool if the
50 employer satisfies all of the following criteria:

- 1 (1) Holds a valid license issued by the Department to operate a child care facility
2 or child care program in this State.
- 3 (2) Elects to participate in the pool in accordance with rules, policies, or
4 procedures adopted by the State Treasurer.
- 5 (3) Agrees to satisfy the employer premium contribution requirements of this
6 section and any other participation requirements established by the State
7 Treasurer.

8 (c) Eligible Employees. – Employees of participating child care employers who satisfy
9 eligibility requirements established by the State Treasurer shall be eligible to enroll in coverage
10 offered through the pool established in this section. The State Treasurer may provide for
11 dependent coverage on terms established by the State Treasurer.

12 (d) Employer and Employee Premium Share. – A participating child care employer shall
13 pay not less than fifty percent (50%) of the premium for employee-only coverage elected through
14 the pool established under this section. An enrolled employee shall pay the remaining percentage
15 of the premium for employee-only coverage through payroll withholding or other method
16 approved by the State Treasurer.

17 (e) Premium Withholdings Rebate. – Subject to the availability of funds appropriated for
18 this purpose, the Department shall provide a premium withholdings rebate to each child care
19 employer participating in the pool under this section in an amount equal to the actual employee
20 premium withholdings remitted by the employer for employee-only coverage, not to exceed
21 twenty-five percent (25%) of the applicable premium. A rebate provided under this subsection
22 shall be used solely to offset the employee share of premium required by subsection (d) of this
23 section.

24 (f) Administration. – The State Treasurer may contract with one or more third-party
25 administrators, carriers, pharmacy benefit managers, or other vendors as necessary to operate the
26 pool established under this section and may determine benefit design, enrollment periods,
27 coverage effective dates, and other operational matters necessary to implement this section.

28 (g) Rulemaking and Standards. – The State Treasurer may adopt rules, policies,
29 procedures, and participation standards necessary to implement this section, including standards
30 governing employer entry into and withdrawal from the pool, minimum participation
31 requirements, verification of premium contributions, and coordination with federal requirements.

32 (h) Reporting. – No later than March 1, 2027, and annually thereafter for two years, the
33 State Treasurer, in consultation with the Department, shall report to the Joint Legislative
34 Oversight Committee on Health and Human Services and the Fiscal Research Division on
35 implementation of the pool established in accordance with this section, including employer
36 participation, employee enrollment, premium levels, rebate utilization, administrative costs, and
37 recommendations for statutory changes."

38 **SECTION 9.2.(b)** The Department of State Treasurer shall ensure that coverage is
39 available under the child care employer health coverage pool under G.S. 110-90.3, as enacted by
40 subsection (a) of this section, no later than January 1, 2027.

41 **SECTION 9.2.(c)** There is appropriated from the General Fund to the Department
42 of Health and Human Services the sum of thirty-five million dollars (\$35,000,000) in recurring
43 funds for the 2026-2027 fiscal year to provide the premium withholdings rebate authorized by
44 G.S. 110-90.3(e), as enacted by subsection (a) of this section.

45 **SECTION 9.2.(d)** There is appropriated from the General Fund to the Department
46 of State Treasurer the sum of two million dollars (\$2,000,000) in nonrecurring funds for the
47 2026-2027 fiscal year for administrative and start-up costs associated with establishing the child
48 care employer health coverage pool authorized by G.S. 110-90.3, as enacted by subsection (a) of
49 this section.

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51 **PART X. EFFECTIVE DATE**

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EFFECTIVE DATE

SECTION 10.1. Except as otherwise provided, this act becomes effective July 1, 2026.