

THE NORTH CAROLINA PARTNERSHIP FOR CHILDREN, INC.

SMART START LEGISLATION As of the 2018 Legislative Session

For budget information resulting from the 2018 legislative session, go to
<https://www.ncleg.net/Sessions/2017/Bills/Senate/PDF/S99v6.pdf>

Codified Language

(“Codified” means this language appears in the North Carolina General Statutes and does not change at the end of each legislative session. Passages that are in **boldface and underlined** represent changes made to this language during the **2018** legislative session by **Session Law 2018-5**. Language that has expired or been deleted is **not** included in this document. The appropriation bill this session is **Senate Bill 99**).

EARLY CHILDHOOD INITIATIVES

§ 143B-168.10. Early childhood initiatives; findings.

The General Assembly finds, upon consultation with the Governor, that every child can benefit from, and should have access to, high-quality early childhood education and development services. The economic future and well-being of the State depend upon it. To ensure that all children have access to high-quality early childhood education and development services, the General Assembly further finds that:

- (1) Parents have the primary duty to raise, educate, and transmit values to young preschool children;
- (2) The State can assist parents in their role as the primary caregivers and educators of young preschool children; and
- (3) There is a need to explore innovative approaches and strategies for aiding parents and families in the education and development of young preschool children. [1993, c.321, s. 254(a); 1998-212, s. 12.37B(a).]

§ 143B-168.10C. Adjustments to NC Prekindergarten Program Funds.

When developing the base budget, as defined by G.S. 143C-1-1, the Director of the Budget shall include increased funding for the NC Prekindergarten (NC Pre-K) program by an additional nine million three hundred fifty thousand dollars (\$9,350,000) for the 2019-2020 fiscal year and by an additional eighteen million seven hundred thousand dollars (\$18,700,000) for the 2020-2021 fiscal year. An appropriation under this section is a statutory appropriation as defined in G.S. 143C-1-1(d)(28).

§ 143B-168.11. Early childhood initiatives; purpose; definitions.

(a) The purpose of this Part is to establish a framework whereby the General Assembly, upon consultation with the Governor, may support through financial and other means, the North Carolina Partnership for Children, Inc. and comparable local partnerships, which have as their missions the development of a comprehensive, long-range strategic plan for early childhood development and the provision, through public and private means, of high-quality early childhood education and development services for children and families. It is the intent of the General Assembly that communities be given the maximum flexibility and discretion practicable in developing their plans while remaining subject to the approval of the North Carolina Partnership and accountable to the North Carolina Partnership and to the General Assembly for their plans and for the programmatic and fiscal integrity of the programs and services provided to implement them.

(b) The following definitions apply in this Part:

(1) Board of Directors. -- The Board of Directors of the North Carolina Partnership for Children, Inc.

(2) Department. -- The Department of Health and Human Services.

(2a) Early Childhood. -- Birth through five years of age.

(3) Local Partnership. A county or regional private, nonprofit 501(c)(3) organization established to coordinate a local demonstration project to provide ongoing analyses of their local needs that must be met to ensure that the developmental needs of children are met in order to prepare them to begin school healthy and ready to succeed, and, in consultation with the North Carolina Partnership and subject to the approval of the North Carolina Partnership, to provide programs and services to meet these needs under this Part, while remaining accountable for the programmatic and fiscal integrity of their programs and services to the North Carolina Partnership.

(4) North Carolina Partnership. -- The North Carolina Partnership for Children, Inc.

(5) Secretary. -- The Secretary of Health and Human Services. (1993, c. 321, s. 254 (a); 1993 (reg.sess., 1994), c. 766, s.1; 1997-443, s. 11A.118 (a); 1998-212, s. 12.37B (a).)

§ 143B-168.12. North Carolina Partnership for Children, Inc.; conditions.

(a) In order to receive State funds, the following conditions shall be met:

(1) The North Carolina Partnership shall have a Board of Directors consisting of the following 26 members:

- a. The Secretary of Health and Human Services, ex officio, or the Secretary's designee.
- b. Repealed by Session Laws 1997, c. 443, s.11A.105.
- c. The Superintendent of Public Instruction, ex officio, or the Superintendent's designee.
- d. The President of the Community Colleges System, ex officio, or the President's designee.
- e. Three members of the public, including one child care provider, one other who is a parent, and one other who is a board chair of a local partnership serving on the North Carolina Partnership local partnership advisory committee, appointed by the General Assembly upon recommendation of the President Pro Tempore of the Senate.
- f. Three members of the public, including one who is a parent, one other who is representative of the faith community, and one other who is a board chair or designee of the board chair of a local partnership serving on the North Carolina Partnership local partnership advisory committee, appointed by the General Assembly upon recommendation of the Speaker of the House of Representatives (SB 119 – 2015).
- g. Twelve members, appointed by the Governor. Three of these 12 members shall be members of the Party other than the Governor's party, appointed by the Governor. Seven of these 12 members shall be appointed as follows: one who is a child care provider, one other who is a pediatrician one other who is a health care provider, one other who is a parent, one other who is a member of the business community, one other who is a member representing a philanthropic agency, and one

- other who is an early childhood educator.
- h.** Repealed by Session Laws 1998-212, s.12.37B(a).
- h1.** The Chair of the North Carolina Partnership Board shall be appointed by the Governor.
- i.** Repealed by Session Laws 1998-212, s. 12.37B(a).
- j.** One member of the public appointed by the General Assembly upon recommendation of the Majority Leader of the Senate.
- k.** One member of the public appointed by the General Assembly upon recommendation of the Majority Leader of the House of Representatives.
- l.** One member of the public appointed by the General Assembly upon recommendation of the Minority Leader of the Senate.
- m.** One member of the public appointed by the General Assembly upon recommendation of the Minority Leader of the House of Representatives.
- n.** The Director of the NC Pre-K Program, or the Director's designee.

All members appointed to succeed the initial members and members appointed thereafter shall be appointed for three-year terms. Members may succeed themselves.

All appointed board members shall avoid conflicts of interests and the appearance of impropriety. Should instances arise when a conflict may be perceived, any individual who may benefit directly or indirectly from the North Carolina Partnership's disbursement of funds shall abstain from participating in any decision or deliberations by the North Carolina Partnership regarding the disbursement of funds.

All ex officio members are voting members. Each ex officio member may be represented by a designee. These designees shall be voting members. No members of the General Assembly shall serve as members.

The North Carolina Partnership may establish a nominating committee and, in making their recommendations of members to be appointed by the General Assembly or by the Governor, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Majority Leader of the Senate, the Majority Leader of the House of Representatives, the Minority Leader of the Senate, the Minority Leader of the House of Representatives, and the Governor shall consult with and consider the recommendations of this nominating committee.

The North Carolina Partnership may establish a policy on members' attendance, which policy shall include provisions for reporting absences of at least three meetings immediately to the appropriate appointing authority.

Members who miss more than three consecutive meetings without excuse or members who vacate their membership shall be replaced by the appropriate appointing authority, and the replacing member shall serve either until the General Assembly and the Governor can appoint a successor or until the replaced member's term expires, whichever is earlier.

The North Carolina Partnership shall establish a policy on membership of the local boards. No member of the General Assembly shall serve as a member of a local board. Within these requirements for local board membership, the North Carolina Partnership shall allow local partnerships that are regional to have flexibility in the composition of their boards so that all counties in the region have adequate representation. *(Note: These changes made with Session Law 2003-397§10.38.(l))*

All appointed local board members shall avoid conflicts of interests and the appearance of impropriety. Should instances arise when a conflict may be perceived, any individual who may benefit directly or indirectly from the partnership's disbursement of funds shall abstain from participating in any decision or deliberations by the partnership regarding the disbursement of funds.

(2) The North Carolina Partnership and the local partnerships shall agree to adopt procedures for its operations that are comparable to those of Article 33C of Chapter 143 of the General Statutes, the Open Meetings Law, and Chapter 132 of the General Statutes, the Public Records Law, and provide for enforcement by the Department. The

procedures may provide for the confidentiality of personnel files comparable to Article 7 of Chapter 126 of the General Statutes.

(3) The North Carolina Partnership shall oversee the development and implementation of the local demonstration projects as they are selected and shall approve the ongoing plans, programs, and services developed and implemented by the local partnerships and hold the local partnerships accountable for the financial and programmatic integrity of the programs and services. The North Carolina Partnership may contract at the State level to obtain services or resources when the North Carolina Partnership determines it would be more efficient to do so.

In the event that the North Carolina Partnership determines that a local partnership is not fulfilling its mandate to provide programs and services designed to meet the developmental needs of children in order to prepare them to begin school healthy and ready to succeed and is not being accountable for the programmatic and fiscal integrity of its programs and services, the North Carolina Partnership may suspend all funds to the partnership until the partnership demonstrates that these defects are corrected. Further, at its discretion, the North Carolina Partnership may assume the managerial responsibilities for the partnership's programs and services until the North Carolina Partnership determines that it is appropriate to return the programs and services to the local partnership.

(4) The North Carolina Partnership shall develop and implement a comprehensive standard fiscal accountability plan to ensure the fiscal integrity and accountability of State funds appropriated to it and to the local partnerships. The standard fiscal accountability plan shall, at a minimum, include a uniform, standardized system of accounting, internal controls, payroll, fidelity bonding, chart of accounts, and contract management and monitoring. The North Carolina Partnership may contract with outside firms to develop and implement the standard fiscal accountability plan. All local partnerships shall be required to participate in the standard fiscal accountability plan developed and adopted by the North Carolina Partnership pursuant to this subdivision.

~~(5) The North Carolina Partnership shall develop a regional accounting and contract management system which incorporates features of the required standard fiscal accountability plan described in subdivision (4) of subsection (a) of this section. All local partnerships shall participate in the regional accounting and contract management system. (Repealed by Session Law 2011-145 10.7.(b))~~

(6) The North Carolina Partnership shall develop a formula for allocating direct services funds appropriated for this purpose to local partnerships.

(7) The North Carolina Partnership may adjust its allocations by up to ten percent (10%) on the basis of local partnerships' performance assessments. In determining whether to adjust its allocations to local partnerships, the North Carolina Partnership shall consider whether the local partnerships are meeting the outcome goals and objectives of the North Carolina Partnership and the goals and objectives set forth by the local partnerships in their approved annual program plans.

The North Carolina Partnership may use additional factors to determine whether to adjust the local partnerships' allocations. These additional factors shall be developed with input from the local partnerships and shall be communicated to the local partnerships when the additional factors are selected. These additional factors may include board involvement, family and community outreach, collaboration among public and private service agencies, and family involvement.

On the basis of performance assessments, local partnerships annually shall be rated 'superior', 'satisfactory', or 'needs improvement'.

The North Carolina Partnership may contract with outside firms to conduct the performance assessments of local partnerships.

(8) The North Carolina Partnership shall establish a local partnership advisory committee comprised of

15 members. Eight of the members shall be chosen from past board chairs or duly elected officers currently serving on local partnerships' board of directors at the time of appointment and shall serve three-year terms. Seven of the members shall be staff of local partnerships. Members shall be chosen by the Chair of the North Carolina Partnership from a pool of candidates nominated by their respective boards of directors. The local partnership advisory committee shall serve in an advisory capacity to the North Carolina Partnership and shall establish a schedule of regular meetings. Members shall be chosen from local partnerships on a rotating basis. The advisory committee shall annually elect a chair from among its members. *(Note: These changes made at Session Law 2003-397 10.38.(m))*

(9) This section was repealed by Session law 2001-424. Section 21.75. (h) effective July 1, 2001.

(b) The North Carolina Partnership shall be subject to audit and review by the State Auditor under Article 5A of Chapter 147 of the General Statutes. The State Auditor shall conduct annual financial and compliance audits of the North Carolina Partnership.

(c) The North Carolina Partnership shall require each local partnership to place in each of its contracts a statement that the contract is subject to monitoring by the local partnership and North Carolina Partnership, that contractors and subcontractors shall be fidelity bonded, unless the contractors or subcontractors receive less than one hundred thousand dollars (\$100,000) or unless the contract is for child care subsidy services, that contractors and subcontractors are subject to audit oversight by the State Auditor, and that contractors and subcontractors shall be subject to the requirements of G.S. 143C-6-22. Organizations subject to G.S. 159-34 shall be exempt from this requirement.

(d) The North Carolina Partnership for Children, Inc. shall make a report no later than December 1 of each year to the General Assembly that shall include the following:

- (1) A description of the program and significant services and initiatives.
- (2) A history of Smart Start funding and the previous fiscal year's expenditures.
- (3) The number of children served by type of service.
- (4) The type and quantity of services provided.
- (5) The results of the previous year's evaluations of the Initiatives or related programs and services.
- (6) A description of significant policy and program changes.
- (7) Any recommendations for legislative action.

(e) The North Carolina Partnership shall develop guidelines for local partnerships to follow in selecting capital projects to fund. The guidelines shall include assessing the community needs in relation to the quantity of child care centers, assessing the cost of purchasing or constructing new facilities as opposed to renovating existing facilities, and prioritizing capital needs such as construction, renovations, and playground equipment and other amenities. [1993, c.321, s. 254 (a); 1993 (Reg. Sess., 1994), c. 766, S. 1; 1995, c. 324, s. 27A.1; 1996, 2nd Ex. Sess., c. 18, s. 24.29(b); 1997-443, ss. 11.55 (1), 11A.105; 1998-212, s. 12.37B (a), (b); 1999-84, s. 24; 1999-237, a. 11.48(a); 2000-67, s. 11.28 (a); 2000-67, s. 11.28(a); 2001-424, ss. 21.75(h), 21.75(i); 2002-126, s. 10.55(d).]

(f) The North Carolina Partnership for Children Inc, shall establish uniform guidelines and a reporting format for local partnerships to document the qualifying expenses occurring at the contractor level. Local partnerships shall monitor qualifying expenses to ensure they have occurred and meet the requirements prescribed in this subsection. *[Note: This paragraph was previously included in session law. It was put into General Statute by session law 2003-397 section 10.38.(n).]*

§ 143B-168.13. Implementation of program; duties of Department and Secretary.

The Department shall:

(1) Repealed by Session Laws 1998-212, s.12.37B (a), effective October 30, 1998.

(1a) Develop and conduct a statewide needs and resource assessment every third year, beginning in the 1997-98 fiscal year. This needs assessment shall be conducted in cooperation with the North

Carolina Partnership and with the local partnerships. This needs assessment shall include a statewide assessment of capital needs. The Department may contract with an independent firm to conduct the needs assessment. The needs assessment shall be conducted in a way which enables the Department and the North Carolina Partnership to review, and revise as necessary, the total program cost estimate and methodology. The data and findings of this needs assessment shall form the basis for annual program plans developed by local partnerships and approved by the North Carolina Partnership. A report of the findings of the needs assessment shall be presented to the General Assembly prior to April 1, 1999, and every three years after that date.

(2) Recodified as (a) (1a) by Session Laws 1998-212, s. 12.37B (a).

(2a) Develop and maintain an automated, publicly accessible database of all regulated child care programs.

(3) Repealed by Session Laws 1997, c. 443, s. 11.55(m).

(4) Adopt, in cooperation with the North Carolina Partnership, any rules necessary to implement this Part, including rules to ensure that State leave policy is not applied to the North Carolina Partnership and the local partnerships. In order to allow local partnerships to focus on the development of long-range plans in their initial year of funding, the Department may adopt rules that limit the categories of direct services for young children and their families for which funds are made available during the initial year.

(5) Repealed by Session Laws 1996, Second Extra Session, c. 18, s. 24.29(c).

(6) "Annually update its funding formula, in collaboration with the North Carolina Partnership for Children Inc., using the most recent data available. These amounts shall serve as the basis for determining 'full funding' amounts for each local partnership."

(b) Repealed by Session Laws 1998-212, s. 12.37B(a), effective October 30, 1998. [1993 (Reg. Sess., 1994), c. 766, s.1; 1996, 2nd Ex. Sess., c. 18, s. 24.29(c); 1997-443, s. 11.55(m); 1998-212, s. 12.37B(a), (b); 2000-67, s. 11.28(b).]

"§ 143B-168.14. Local partnerships; conditions.

(a) In order to receive State funds, the following conditions shall be met:

(1) Each local partnership shall develop a comprehensive, collaborative, long-range plan of services to children and families in the service-delivery area. No existing local, private, nonprofit 501(c)(3) organization, other than one established on or after July 1, 1993, and that meets the guidelines for local partnerships as established under this Part, shall be eligible to apply to serve as the local partnership for the purpose of this Part. The Board of the North Carolina Partnership may authorize exceptions to this eligibility requirement.

(2) Each local partnership shall agree to adopt procedures for its operations that are comparable to those of Article 33C of Chapter 143 of the General Statutes, the Open Meetings Law, and Chapter 132 of the General Statutes, the Public Records Law, and provide for enforcement by the Department. The procedures may provide for the confidentiality of personnel files comparable to Article 7 of Chapter 126 of the General Statutes.

(3) Each local partnership shall adopt procedures to ensure that all personnel who provide services to young children and their families under this Part know and understand their responsibility to report suspected child abuse, neglect, or dependency, as defined in G.S. 7A-517.

(4) Each local partnership shall participate in the uniform, standard fiscal accountability plan developed and adopted by the North Carolina Partnership.

(b) Each local partnership shall be subject to audit and review by the North Carolina Partnership. The North Carolina Partnership shall contract for annual financial and compliance audits of local partnerships that are rated "needs improvement" in performance assessments authorized in G.S. 143B-168.12(a)(7). Local partnerships that are rated "superior" or "satisfactory" in performance assessments authorized in G.S. 143B-168.12(a)(7) shall undergo biennial financial and compliance audits as contracted for by the North Carolina Partnership. The North Carolina Partnership shall provide the State Auditor with a copy of each audit conducted pursuant to this subsection.

"§ 143B-168.15. Use of State funds.

(a) State funds allocated to local projects for services to children and families shall be used to meet assessed needs, expand coverage, and improve the quality of these services. The local plan shall address the assessed needs of all children to the extent feasible. It is the intent of the General Assembly that the needs of both young children below poverty who remain in the home, as well as the needs of young children below poverty who require services beyond those offered in child care settings, be addressed. Therefore, as local partnerships address the assessed needs of all children, they should devote an appropriate amount of their State allocations, considering these needs and other available resources, to meet the needs of children below poverty and their families.

(b) Depending on local, regional, or statewide needs, funds may be used to support activities and services that shall be made available and accessible to providers, children, and families on a voluntary basis. Of the funds allocated to local partnerships for direct services, seventy percent (70%) of the funds spent in each year shall be used in child care-related activities and early childhood education programs that improve access to child care and early childhood education services, develop new child care and early childhood education services, and improve the quality of child care and early childhood education services in all settings.

(c) Long-term plans for local projects that do not receive their full allocation in the first year, other than those selected in 1993, should consider how to meet the assessed needs of low-income children and families within their neighborhoods or communities. These plans also should reflect a process to meet these needs as additional allocations and other resources are received.

(d) State funds designated for start-up and related activities may be used for capital expenses or to support activities and services for children, families, and providers. State funds designated to support direct services for children, families, and providers shall not be used for major capital expenses unless the North Carolina Partnership approves this use of State funds based upon a finding that a local partnership has demonstrated that (i) this use is a clear priority need for the local plan, (ii) it is necessary to enable the local partnership to provide services and activities to underserved children and families, and (iii) the local partnership will not otherwise be able to meet this priority need by using State or federal funds available to that local partnership. The funds approved for capital projects in any two consecutive fiscal years may not exceed ten percent (10%) of the total funds for direct services allocated to a local partnership in those two consecutive fiscal years.

(e) State funds allocated to local partnerships shall not supplant current expenditures by counties on behalf of young children and their families, and maintenance of current efforts on behalf of these children and families shall be sustained. State funds shall not be applied without the Secretary's approval where State or federal funding sources, such as Head Start, are available or could be made available to that county.

(f) This section was repealed by Session Law 2001-424. Section 21.75. (g).

(g) Not less than thirty percent (30%) of the funds spent in each year of each local partnership's direct services allocation shall be used to expand child care subsidies. To the extent practicable, these funds shall be used to enhance the affordability, availability, and quality of child care services as described in this section. The North Carolina Partnership may increase this percentage requirement up to a maximum of fifty percent (50%) when, based upon a significant local waiting list for subsidized child care the North Carolina Partnership determines a higher percentage is justified. Local partnerships shall spend an amount for child care subsidies that provides at least fifty-two million dollars (\$52,000,000) for the Temporary Assistance to Needy Families (TANF) maintenance of effort requirement and the Child Care Development Fund and Block Grant match requirement. [1993 (Reg.

Sess.,1994), c. 766, s. 1; 1995, c. 509, s. 97; 1996, 2nd Ex. Sess., c. 18, s. 24.29(e); 1997-443, s. 11.55(n); 1997-506, s. 60; 1998-212, s. 12.37B(a), (b); 1999-237, s. 11.48(o); 2000-67, ss.11.28(c), 11.28(d); 2001-424, s. 21.75 (g); 2014-100 s. 12B.2.(b).]

(h) State funds allocated to local partnerships that are unexpended at the end of a fiscal year shall remain available to the North Carolina Partnership for Children, Inc., to reallocate to local partnerships.

§ 143B-168.16. Home-centered services; consent.

No home-centered services including home visits or in-home parenting training shall be allowed under this Part unless the written, informed consent of the participating parents authorizing the home-centered services is first obtained by the local partnership, educational institution, local school administrative unit, private school, not-for-profit organization, governmental agency, or other entity that is conducting the parenting program. The participating parents may revoke at any time their consent for the home-centered services.

The consent form shall contain a clear description of the program including (i) the activities and information to be provided by the program during the home visits, (ii) the number of expected home visits, (iii) any responsibilities of the parents, (iv) the fact, if applicable, that a record will be made and maintained on the home visits, (v) the fact that the parents may revoke at any time the consent, and (vi) any other information as may be necessary to convey to the parents a clear understanding of the program.

Parents at all times shall have access to any record maintained on home-centered services provided to their family and may place in that record a written response to any information with which they disagree that is in the record. [1993 (Reg. Sess., 1994), c. 766, s. 1.]

Part 10C. Child Care Subsidy.

§ 143B-168.25. Child care funds matching requirements.

No local matching funds may be required by the Department of Health and Human Services as a condition of any locality's receiving its initial allocation of child care funds unless federal law requires a match. If the Department reallocates additional funds above twenty-five thousand dollars (\$25,000) to local purchasing agencies beyond their initial allocation, local purchasing agencies must provide a twenty percent (20%) local match to receive the reallocated funds. Matching requirements shall not apply when funds are allocated because of an emergency as defined in G.S. 166A-19.3(6). (2017-57, s. 11B.6.)

§ 143B-168.26. Child care revolving loan.

Notwithstanding any law to the contrary, funds budgeted for the Child Care Revolving Loan Fund may be transferred to and invested by the financial institution contracted to operate the Fund. The principal and any income to the Fund may be used to make loans, reduce loan interest to borrowers, serve as collateral for borrowers, pay the contractor's cost of operating the Fund, or pay the Department's cost of administering the program. (2017-57, s. 11B.6.)

§ 143B-168.27. Administrative allowance for county departments of social services; use of subsidy funds for fraud detection.

(a) The Department of Health and Human Services, Division of Child Development and Early Education (Division), shall fund the allowance that county departments of social services may use for administrative costs at four percent (4%) of the county's total child care subsidy funds allocated in the Child Care and Development Fund Block Grant plan or eighty thousand dollars (\$80,000), whichever is greater.

(b) Each county department of social services may use up to two percent (2%) of child care subsidy funds allocated to the county for fraud detection and investigation initiatives.

(c) The Division may adjust the allocations in the Child Care and Development Fund Block Grant according to (i) the final allocations for local departments of social services under subsection (a) of this section and (ii) the funds allocated for fraud detection and investigation initiatives under subsection (b) of this section. The Division shall submit a report on the final adjustments to the allocations of the four percent (4%) administrative costs to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division no later than September 30 of each year. (2017-57, s. 11B.6.)

Uncodified Language

(Language appearing in this section is applicable only through June 30, 2019. On that date it automatically sunsets and is no longer applicable unless the General Assembly renews it for subsequent years.) **New language from the 2018 legislative session is underlined and in bold type and is from SL 2018-5. All other language remains from SL 2017-57.**

Senate Bill 257 The Appropriations Act of 2017 Session Law 2017-57 and Senate Bill 99 The Appropriations Act of 2018 Session Law 2018-5

SMART START INITIATIVES

SECTION 11B.8.(a) Policies. – The North Carolina Partnership for Children, Inc., and its Board shall ensure policies focus on the North Carolina Partnership for Children, Inc.'s mission of improving child care quality in North Carolina for children from birth to five years of age. North Carolina Partnership for Children, Inc.-funded activities shall include assisting child care facilities with (i) improving quality, including helping one-, two-, and three-star-rated facilities increase their star ratings, and (ii) implementing prekindergarten programs. State funding for local partnerships shall also be used for evidence-based or evidence-informed programs for children from birth to five years of age that do the following:

- (1) Increase children's literacy.
- (2) Increase the parents' ability to raise healthy, successful children.
- (3) Improve children's health.
- (4) Assist four- and five-star-rated facilities in improving and maintaining quality.

SECTION 11B.8.(b) Administration. – Administrative costs shall be equivalent to, on an average statewide basis for all local partnerships, not more than eight percent (8%) of the total statewide allocation to all local partnerships. For purposes of this subsection, administrative costs shall include costs associated with partnership oversight, business and financial management, general accounting, human resources, budgeting, purchasing, contracting, and information systems management. The North Carolina Partnership for Children, Inc., shall continue using a single statewide contract management system that incorporates features of the required standard fiscal accountability plan described in G.S. 143B-168.12(a)(4). All local partnerships are required to participate in the contract management system and, directed by the North Carolina Partnership for Children, Inc., to collaborate, to the fullest extent possible, with other local partnerships to increase efficiency and effectiveness.

SECTION 11B.8.(c) Salaries. – The salary schedule developed and implemented by the North Carolina Partnership for Children, Inc., shall set the maximum amount of State funds that may be used for the salary of the Executive Director of the North Carolina Partnership for Children, Inc., and the directors of the local partnerships. The North Carolina Partnership for Children, Inc., shall base the schedule on the following criteria:

- (1) The population of the area serviced by a local partnership.
- (2) The amount of State funds administered.
- (3) The amount of total funds administered.
- (4) The professional experience of the individual to be compensated.
- (5) Any other relevant factors pertaining to salary, as determined by the North Carolina Partnership for Children, Inc.

The salary schedule shall be used only to determine the maximum amount of State funds that may be used for compensation. Nothing in this subsection shall be construed to prohibit a local partnership from using non-State funds to supplement an individual's salary in excess of the amount set by the salary schedule established under this subsection.

SECTION 11B.8.(d) Match Requirements. – The North Carolina Partnership for Children, Inc., and all local partnerships shall, in the aggregate, be required to match one hundred percent (100%) of the total amount budgeted for the program in each fiscal year of the 2017-2019 biennium. Of the funds the North Carolina Partnership for Children, Inc., and the local partnerships are required to match, contributions of cash shall be equal to at least thirteen percent (13%) and in-kind donated resources shall be equal to no more than six percent (6%) for a total match requirement of nineteen percent (19%) for each year of the 2017-2019 fiscal biennium. The North Carolina Partnership for Children, Inc., may carry forward any amount in excess of the required match for a fiscal year in order to meet the match requirement of the succeeding fiscal year. Only in-kind contributions that are quantifiable shall be applied to the in-kind match requirement. Volunteer services may be treated as an in-kind contribution for the purpose of the match requirement of this subsection. Volunteer services that qualify as professional services shall be valued at the fair market value of those services. All other volunteer service hours shall be valued at the statewide average wage rate as calculated from data compiled by the Division of Employment Security of the Department of Commerce in the Employment and Wages in North Carolina Annual Report for the most recent period for which data are available. Expenses, including both those paid by cash and in-kind contributions, incurred by other participating non-State entities contracting with the North Carolina Partnership for Children, Inc., or the local partnerships also may be considered resources available to meet the required private match. In order to qualify to meet the required private match, the expenses shall:

- (1) Be verifiable from the contractor's records.
- (2) If in-kind, other than volunteer services, be quantifiable in accordance with generally accepted accounting principles for nonprofit organizations.
- (3) Not include expenses funded by State funds.
- (4) Be supplemental to and not supplant preexisting resources for related program activities.
- (5) Be incurred as a direct result of the Early Childhood Initiatives Program and be necessary and reasonable for the proper and efficient accomplishment of the Program's objectives.
- (6) Be otherwise allowable under federal or State law.
- (7) Be required and described in the contractual agreements approved by the North Carolina Partnership for Children, Inc., or the local partnership.
- (8) Be reported to the North Carolina Partnership for Children, Inc., or the local partnership by the contractor in the same manner as reimbursable expenses.

Failure to obtain a nineteen-percent (19%) match by June 30 of each year of the 2017-2019 fiscal biennium shall result in a dollar-for-dollar reduction in the appropriation for the Program for a subsequent fiscal year. The North Carolina Partnership for Children, Inc., shall be responsible for compiling information on the private cash and in-kind contributions into a report that is submitted **by October 1 of each year** to the Joint Legislative Oversight Committee on Health and Human Services in a format that allows verification by the Department of Revenue. The same match requirements shall apply to any expansion funds appropriated by the General Assembly.

SECTION 11B.8.(e) Bidding. – The North Carolina Partnership for Children, Inc., and all local partnerships shall use competitive bidding practices in contracting for goods and services on contract amounts as follows:

- (1) For amounts of five thousand dollars (\$5,000) or less, the procedures specified by a written policy as developed by the Board of Directors of the North Carolina Partnership for Children, Inc.
- (2) For amounts greater than five thousand dollars (\$5,000), but less than fifteen thousand dollars (\$15,000), three written quotes.
- (3) For amounts of fifteen thousand dollars (\$15,000) or more, but less than forty thousand dollars (\$40,000), a request for proposal process.
- (4) For amounts of forty thousand dollars (\$40,000) or more, a request for proposal process and advertising in a major newspaper.

SECTION 11B.8.(f) Allocations. – The North Carolina Partnership for Children, Inc., shall not reduce the allocation for counties with less than 35,000 in population below the 2012-2013 funding level.

SECTION 11B.8.(g) Performance-Based Evaluation. – The Department of Health and Human Services shall continue to implement the performance-based evaluation system.

SECTION 11B.8.(h) Expenditure Restrictions. – **The Except as provided in subsection (i) of this section, the** Department of Health and Human Services and the North Carolina Partnership for Children, Inc., shall ensure that the allocation of funds for Early Childhood Education and Development Initiatives for the 2017-2019 fiscal biennium shall be administered and distributed in the following manner:

- (1) Capital expenditures are prohibited for the 2017-2019 fiscal biennium. For the purposes of this section, "capital expenditures" means expenditures for capital improvements as defined in G.S. 143C-1-1(d)(5).
- (2) Expenditures of State funds for advertising and promotional activities are prohibited for the 2017-2019 fiscal biennium. For the 2017-2019 fiscal biennium, local partnerships shall not spend any State funds on marketing campaigns, advertising, or any associated materials. Local partnerships may spend any private funds the local partnerships receive on those activities.

SECTION 11B.8.(i) Notwithstanding subsection (h) of this section, the North Carolina Partnership for Children, Inc., and local partnerships may use up to one percent (1%) of State funds for fund-raising activities. Beginning October 1, 2019, the North Carolina Partnership for Children, Inc., shall submit a report, in conjunction with the report required under subsection (d) of this section, to the Joint Legislative Oversight Committee on Health and Human Services on the use of State funds for fund-raising. The report shall include the following:

- (1) The amount of funds expended on fund-raising.**
- (2) Any return on fund-raising investments.**
- (3) Any other information deemed relevant.**

CLARIFY LANGUAGE/DOLLY PARTON'S IMAGINATION LIBRARY EARLY LITERACY INITIATIVE

SECTION 11B.5 Section 11B.9(b) of S.L. 2017-57 reads as rewritten:

SECTION 11B.9.(a) Funds allocated to the North Carolina Partnership for Children, Inc., from the Department of Health and Human Services, shall be used to increase access to Dolly Parton's Imagination Library, an early literacy program that mails age-appropriate books on a monthly basis to children registered for the program, with the intent that, upon full implementation, access to the program shall be statewide.

SECTION 11B.9.(b) The North Carolina Partnership for Children, Inc., may use up to ~~two percent (2%)~~ **one percent (1%)** of the funds for ~~statewide~~ **program management and up to one percent (1%) of the funds for program** evaluation. Funds appropriated under this section shall not be subject to administrative costs requirements under Section 11B.8(b) of this act, nor shall these funds be subject to the child care services funding requirements under G.S. 143B-168.15(b), child care subsidy expansion requirements under G.S. 143B-168.15(g), or the match requirements under Section 11B.8(d) of this act.

SECTION 11B.9.(c) The North Carolina Partnership for Children, Inc., shall report on the success of the early literacy initiative, including any recommendations, to the Joint Legislative Oversight Committee on Health and Human Services by March 1, 2018. The report shall include participation rates for Dolly Parton's Imagination Library.

NC PRE-K AUDITS

SECTION 11B.1.(f) Audits. – The administration of the NC Pre-K program by local partnerships shall be subject to the financial and compliance audits authorized under G.S. 143B-168.14(b).

Smart Start Related Special Provisions

Changes **Underlined** and in **Boldface** appearing below are from **Senate Bill 99** from the 2018 Legislative Session (SL 2018-5). All other provisions are from Senate Bill 257 (Session Law 2017-57)

DEPARTMENT OF HEALTH AND HUMAN SERVICES

CREATION OF A B-3 INTERAGENCY COUNCIL. THE COUNCIL WILL BE JOINTLY LED BY THE DEPARTMENT OF HEALTH AND HUMAN SERVICES AND THE DEPARTMENT OF PUBLIC INSTRUCTION.

ESTABLISH B-3 INTERAGENCY COUNCIL

SECTION 7.231.(a) Chapter 115C of the General Statutes is amended by adding a new Article to read:

"Article 6D.

"B-3 Interagency Council.

"§ 115C-64.25. Establishment and membership of B-3 Interagency Council.

(a) There is established the B-3 Interagency Council. The Council is a joint council between the Department of Health and Human Services and the Department of Public Instruction and shall consist of 12 voting members and four nonvoting advisory members as follows:

- (1) The Superintendent of Public Instruction or the Superintendent's designee shall serve ex officio, with the same rights and privileges, including voting rights, as other members.
- (2) The Associate Superintendent of Early Education at the Department of Public Instruction shall serve ex officio, with the same rights and privileges, including voting rights, as other members.
- (3) The Secretary of Health and Human Services or the Secretary's designee shall serve ex officio, with the same rights and privileges, including voting rights, as other members.
- (4) The Deputy Secretary of Human Services at the Department of Health and Human Services shall serve ex officio, with the same rights and privileges, including voting rights, as other members.
- (5) Four public members appointed by the Speaker of House of Representatives who represent organizations that focus on early childhood education and development, one of whom shall be a representative of Smart Start.
- (6) Four public members appointed by the President Pro Tempore of the Senate who represent organizations that focus on early childhood education and development, one of whom shall be a representative of the North Carolina Partnership for Children.
- (7) Two members of the House of Representatives appointed by the Speaker of the House of Representatives to serve as nonvoting advisory members.
- (8) Two members of the Senate appointed by the President Pro Tempore of the Senate to serve as nonvoting advisory members.

The Deputy Secretary of Human Services and the Associate Superintendent of Early Education shall serve as cochair of the Council. Members of the Council shall receive per diem, subsistence, and travel allowance, as provided in G.S. 120-3.1, 138-5, or 138-6, as appropriate.

(b) Terms for all public members and advisory members except for the initial appointments shall be for four years. Two of the public members appointed by the Speaker of the House of Representatives pursuant to subdivision (5) of subsection (a) of this section and one of the advisory members appointed by the Speaker of the House of Representatives pursuant to subdivision (7) of subsection (a) of this section shall be appointed for an initial term of two years. Two of the public members appointed by the President Pro Tempore of the Senate pursuant to subdivision (6) of subsection (a) of this section and one of the advisory members appointed by the President Pro Tempore of the Senate pursuant to subdivision (8) of subsection (a) of this section shall be appointed for an initial term of two years. Terms for members shall begin on November 1. Members shall serve until their successors are appointed. Any vacancy in the membership of the Council shall be filled in the same manner as the original appointment.

(c) The Council shall have as its charge establishing a vision and accountability for a birth through grade three system of early education that addresses all of the following:

- (1) Standards and assessment.
- (2) Data-driven improvement and outcomes, including shared accountability measures such as the NC Pathways to Grade-Level Reading.
- (3) Teacher and administrator preparation and effectiveness.
- (4) Instruction and environment.
- (5) Transitions and continuity.
- (6) Family engagement.
- (7) Governance and funding.

"§ 115C-64.26. Powers and duties of B-3 Interagency Council.

The B-3 Interagency Council shall have the following powers and duties:

- (1) Facilitating the development and implementation of an interagency plan for a coordinated system of early care, education, and child development services with a focus on program outcomes in satisfying the developmental and educational needs of all children from birth to eight years of age that includes at least the following:
 - a. Any recommendations to the Secretary of Health and Human Services and the Superintendent of Public Instruction on necessary organizational changes needed within the Departments of Health and Human Services and Public Instruction to be more responsive to and supportive of the birth to grade three continuum of early learning and development in an effort to optimize learning gains realized in the prekindergarten years.
 - b. An early childhood information system that facilitates and encourages the sharing of data between and among early childhood service providers and State agencies.
 - c. An early childhood accountability plan that includes identification of appropriate population indicators and program and system performance measures of early success of children such as the NC Pathways to Grade-Level Reading.
- (2) Implementing a statewide longitudinal evaluation of the educational progress of children from prekindergarten programs through grade 12.
- (3) Collaborating with the Department of Public Instruction, the Department of Health and Human Services, the North Carolina Partnership for Children, and other relevant early childhood stakeholders, including members of the North Carolina Early Childhood Advisory Council, to achieve the goal of a coordinated system of early care, education, and child development services for children from birth to eight years of age.

"§ 115C-64.27. Reporting requirement.

The Deputy Secretary of Human Services and the Associate Superintendent of Early Education shall report on a quarterly basis to the Secretary of Health and Human Services and the Superintendent of Public Instruction on the progress and implementation of any of the duties and responsibilities of the Council as set forth in this Article.

"§ 115C-64.28. Establish position of Associate Superintendent of Early Education to serve as chief academic officer of early education.

(a) There is established within the Department of Public Instruction the position of Associate Superintendent of Early Education who shall serve as the chief academic officer of early education. The Associate Superintendent shall have professional, administrative, technical, and clerical personnel as may be necessary to assist in carrying out his or her duties. The Associate Superintendent shall co-lead the work of the B-3 Interagency Council and oversee the Department of Public Instruction's prekindergarten through third grade initiatives.

(b) The Associate Superintendent shall be appointed by the Superintendent of Public Instruction at a salary established by the Superintendent of Public Instruction within the funds appropriated for that purpose. The Associate Superintendent may be removed from the position by the Superintendent of Public Instruction in the event of the Associate Superintendent's incapacity to serve. The Associate Superintendent shall be exempt from the provisions of Chapter 126 of the General Statutes, except for Articles 6 and 7 of Chapter 126 of the General Statutes.

All other staff shall be appointed, supervised, and directed by the Associate Superintendent and shall be subject to the provisions of Chapter 126 of the General Statutes. Except for the Associate Superintendent, salaries and compensation of all staff personnel shall be fixed in the manner provided by law for fixing and regulating salaries and compensation by other State agencies."

SECTION 7.23I.(b) G.S. 126-5(c1) is amended by adding a new subdivision to read:

"(35) The Associate Superintendent of Early Education who serves as chief academic officer of early education."

SECTION 7.23I.(c) The B-3 Interagency Council, established under G.S. 115C-64.25, as enacted by this section, shall undertake a rigorous review of the recommendations developed by the Departments of Health and Human Services and Public Instruction, pursuant to Section 12B.5 of S.L. 2016-94, on (i) the development and implementation of a statewide vision for early childhood education and (ii) the development and implementation of a program for transitioning children from preschool to kindergarten. In its review, the B-3 Interagency Council shall report to the General Assembly and the Governor suggested modifications, if any, to those recommendations. The B-3 Interagency Council shall also, if deemed necessary, make suggestions on alternative organizational structures to achieve greater efficiency and effective delivery of early childhood services, including a consolidation and restructuring of State agency divisions and offices located within the Department of Public Instruction and the Department of Health and Human Services into a centralized agency or office. The Council shall consider at least the following in conducting the review and study:

- (1) The delivery of educational services to young children and their families to ensure optimal learning for each young child.
- (2) The collaboration and sharing of data elements necessary to perform quality assessments and longitudinal analysis across early childhood education and development services.
- (3) The coordination of a comprehensive statewide system of professional development for providers and staff of early care and education and child development programs and services.
- (4) Areas of duplication in regulating and monitoring of early care and education and child development programs and services.
- (5) The coordination and support of public and private partnerships to aid early childhood initiatives.

SECTION 7.23I.(d) By April 15, 2018, the B-3 Interagency Council shall submit a report to the Joint Legislative Education Oversight Committee, the Joint Legislative Oversight Committee on Health and Human Services, and the Joint Legislative Commission on Governmental Operations on the initial results of the review and study required under subsection (c) of this section. By February 15, 2019, the B-3 Interagency Council shall submit a report to the Joint Legislative Education Oversight Committee, the Joint Legislative Oversight Committee on Health and Human Services, and the Joint Legislative Commission on Governmental Operations on (i) the final results of the review and study, including its recommendations and any proposed legislation, and (ii) progress on the development and implementation of a plan for a coordinated system of early care, education, and child development services and any other activities prescribed under G.S. 115C-64.26, as enacted by this section.

SECTION 7.23I.(e) Notwithstanding G.S. 115C-64.28, as enacted by this section, the Superintendent of Public Instruction shall appoint an Associate Superintendent of Early Education within 60 days of the date this section becomes law.

SECTION 7.23I.(f) Notwithstanding G.S. 115C-64.27, as enacted by this section, the B-3 Interagency Council shall submit its initial quarterly report to the Superintendent of Public Instruction and the Secretary of the Department of Health and Human Services by May 15, 2018.

DIVISION OF CHILD DEVELOPMENT

Federal Funding for NC Pre-K

\$6,000,000 Nonrecurring 2017-2018
~~\$12,200,000~~ **\$62,200,000** Nonrecurring 2018-2019

Replaces net General Fund appropriations with \$50 million in federal Temporary Assistance for Needy Families (TANF) block grant funds.

Cost-Allocate Staff

\$913,972 Recurring 2017-2018
 \$913,972 Recurring 2018-2019

Provides CCDF Block Grant funding of \$913,972 to establish 12 FTEs. The positions established are 1 position to oversee the division's infant-toddler projects; 4 positions for the Subsidized Child Care program; 2 lead workers and 1 staff auditor for program compliance and fraud prevention, and 1 policy/planning consultant to assist with implementing the new CCDF requirements. The remaining 7 positions are established in the Early Education branch to support the early childhood workforce in the areas of licensing, professional development, and educational assessment.

TANF Contingency Funds for Child Care Subsidy

(\$3,563,530) Recurring 2018-2019

Reduces TANF Contingency Block Grant federal receipts due to decreased availability. The revised TANF Contingency federal receipts for the Subsidized Child Care are \$25 million in FY 2018-19.

TANF Funds for Child Care Subsidy

(\$392,420) Nonrecurring 2017-2018
 (\$294,697) Nonrecurring 2018-2019

NC Pre-K**\$3,000,000 Recurring 2017-2018****\$6,100,000 Recurring 2018-2019**

Increased funding will serve an estimated additional 1,725 children in FY 2017-18 and 3,525 children in FY 2018-19. The revised net appropriation for NC Pre-K is \$69.6 million in FY 2017-18 and \$72.7 million in FY 2018-19. Total requirements for NC Pre-K \$154.5 million in FY 2017-2018 and \$163.8 million in FY 2018-2019.

Child Care Subsidy Market Rate Increase for Tier 1 & 2 Counties**\$3,675,000 Recurring FY 2018-2019**

Provides CCDF funding to increase the child care market rates for children ages 0-5, effective October 1, 2018, for Tier 1 & 2 counties to the 100th percentile of the 2015 Market Rate Study

Child Care Subsidy Market Rate Increase for Tier 3 Counties**\$9,750,000 Recurring FY 2018-2019**

Provides CCDF funding to increase the child care market rates, effective October 1, 2018, for children ages 3-5 in Tier 3 counties to the recommended rates from the 2015 Market Rate Study

Childcare Subsidy Waitlist Reduction**\$19,575,000 Recurring FY 2018-19**

Reduces the Child Care Subsidy waiting list by providing CCDF and TANF block grant funding to remove an estimated 3,700 children from the waiting list.

Provides additional TANF Block Grant funding to increase the Child Care Subsidy market rate effective October 1, 2017, for children age 0-2 in Tier 3 counties to the recommended rate in the 2015 Market Rate Study. Total requirements are \$363.2 million in FY 2017-18 and ~~\$367.2~~**\$396.2** million in FY 2018-19 for the Child Care Subsidy program. The revised net appropriation for Fund 1380, Subsidized Child Care for FY 2017-18 is \$52.6 million and \$56 million for FY 2018-19.

Smart Start DPIL Reading Initiative

\$3,500,000 Recurring 2017-2018

\$7,000,000 Recurring 2018-2019

Smart Start Reach Out and Read**\$250,000 Nonrecurring 2018-2019****Alliance for Children****\$25,000 Nonrecurring 2018-2019****Alamance Partnership for Children****\$50,000 Nonrecurring 2018-2019****Wilkes Community Partnership for Children****\$50,000 Nonrecurring 2018-2019****TANF**

Budgets additional TANF federal receipts. The revised TANF federal receipts for the division are \$152.3 million in FY 2018-19.

Child Care Development Fund (CCDF) Block Grant

Budgets additional CCDF federal receipts. The revised CCDF federal receipts from all changes in this report for the Division are \$315.8 million in FY 2018-19.

SUBPART XI-B. DIVISION OF CHILD DEVELOPMENT AND EARLY EDUCATION

EDUCATION LOTTERY FUNDS/CHANGES TO REVENUE ALLOCATIONS/NEEDS-BASED PUBLIC SCHOOL CAPITAL FUND

SECTION 5.3.(a) The appropriations made from the Education Lottery Fund for the 2017-2019 fiscal biennium are as follows:

	FY 2017-2018	FY 2018-2019
Noninstructional Support Personnel	\$383,888,897	\$385,914,455
Prekindergarten Program	78,252,110	78,252,110
Public School Building Capital Fund	100,000,000	100,000,000
Needs-Based Public School Capital Fund	30,000,000	75,000,000 117,320,354
Scholarships for Needy Students	30,450,000	30,450,000
UNC Need-Based Financial Aid	10,744,733	10,744,733
LEA Transportation	43,277,192	1,386,090 21,386,090
TOTAL APPROPRIATION	\$676,612,932	\$681,747,388 \$744,067,742

NC PRE-K

NC PRE-K PROGRAM/STANDARDS FOR FOUR- AND FIVE-STAR RATED FACILITIES

SECTION 11B.1.(a) Eligibility. – The Department of Health and Human Services, Division of Child Development and Early Education, shall continue implementing the prekindergarten program (NC Pre-K). The NC Pre-K program shall serve children who are four years of age on or before August 31 of the program year. In determining eligibility, the Division shall establish income eligibility requirements for the program not to exceed seventy-five percent (75%) of the State median income. Up to twenty percent (20%) of children enrolled may have family incomes in excess of seventy-five percent (75%) of median income if those children have other designated risk factors. Furthermore, any age-eligible child who is a child of either of the following shall be eligible for the program: (i) an active duty member of the Armed Forces of the United States, including the North Carolina National Guard, State military forces, or a reserve component of the Armed Forces who was ordered to active duty by the proper authority within the last 18 months or is expected to be ordered within the next 18 months, or (ii) a member of the Armed Forces of the United States, including the North Carolina National Guard, State military forces, or a reserve component of the Armed Forces who was injured or killed while serving on active duty. Eligibility determinations for NC Pre-K participants may continue through local education agencies and local North Carolina Partnership for Children, Inc., partnerships.

Other than developmental disabilities or other chronic health issues, the Division shall not consider the health of a child as a factor in determining eligibility for participation in the NC Pre-K program.

SECTION 11B.1.(b) Multiyear Contracts. – The Division of Child Development and Early Education shall require the NC Pre-K contractor to issue multiyear contracts for licensed private child care centers providing NC Pre-K classrooms.

SECTION 11B.1.(b1) Building Standards. – Notwithstanding G.S. 110-91(4), private child care facilities and public schools operating NC Pre-K classrooms shall meet the building standards for preschool students as provided in G.S. 115C-521.1.

SECTION 11B.1.(c) Programmatic Standards. – Except as provided in subsection (b1) of this section, entities operating NC Pre-K classrooms shall adhere to all of the policies prescribed by the Division of Child Development and Early Education regarding programmatic standards and classroom requirements.

SECTION 11B.1.(d) NC Pre-K Committees. – Local NC Pre-K committees shall use the standard decision-making process developed by the Division of Child Development and Early Education in awarding NC Pre-K classroom slots and student selection.

SECTION 11B.1.(e) Reporting. – The Division of Child Development and Early Education shall submit an annual report no later than March 15 of each year to the Joint Legislative Oversight Committee on Health and

Human Services, the Office of State Budget and Management, and the Fiscal Research Division. The report shall include the following:

- (1) The number of children participating in the NC Pre-K program by county.
- (2) The number of children participating in the NC Pre-K program who have never been served in other early education programs such as child care, public or private preschool, Head Start, Early Head Start, or early intervention programs.
- (3) The expected NC Pre-K expenditures for the programs and the source of the local contributions.
- (4) The results of an annual evaluation of the NC Pre-K program.

STATE AGENCY CONTINUED COLLABORATION ON EARLY CHILDHOOD EDUCATION/TRANSITION FROM PRESCHOOL TO KINDERGARTEN

SECTION 11B.2.(a) ~~The Department of Health and Human Services, in consultation with the Department of Public Instruction and any other agencies or organizations that administer, support, or study early education in this State, and within resources currently available, shall continue to collaborate on an ongoing basis in the development and implementation of a statewide vision for early childhood education. In collaborating in this effort, the agencies shall continue developing a comprehensive approach to early childhood education, birth through third grade, including creating cross agency accountability with a comprehensive set of data indicators, including consideration of the NC Pathways to Grade Level Reading, to monitor and measure success of the early childhood education systems.~~

SECTION 11B.2.(b) ~~The Department of Health and Human Services, the Department of Public Instruction, and any other agencies or organizations that administer, support, or study early education programs in this State shall submit a follow-up report of their findings and recommendations, including any legislative proposals, on the statewide vision for early childhood education pursuant to subsection (a) of this section to the Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Education Oversight Committee on or before January 1, 2018, and may make any subsequent reports, annually, on or before January 1, as needed to those same committees.~~

SECTION 11B.2.(c) ~~The Department of Health and Human Services, in consultation with the Department of Public Instruction, shall continue developing a standardized program to transition children from preschool to kindergarten. In developing this standardized transition program, the Department of Health and Human Services shall identify, at a minimum:~~

- ~~(1) Methods to standardize student transition information such that it is quantifiable.~~
- ~~(2) Recommendations for sharing data contained in a student's transition plan between preschool teachers and either kindergarten teachers or the schools that receive the incoming kindergarten students.~~
- ~~(3) Recommendations for sharing data contained in a student's transition plan between preschool teachers and the parents or guardians of the child who is transitioning to kindergarten.~~
- ~~(4) Recommendations for preschool teacher training and continuing education to support their role in completing transition plans for preschool children.~~
- ~~(5) Recommendations for baseline information that should be compiled in transition plans for students transitioning to kindergarten.~~
- ~~(6) Procedures for the management of transition plan documents, including recommendations for the length of records retention, provisions for confidentiality, and proper disposal.~~
- ~~(7) Any other components the Department deems appropriate in the provision of information between preschools, students' families, and kindergartens.~~

SECTION 11B.2.(d) ~~The Department of Health and Human Services shall report on the development of the standardized transition program required pursuant to subsection (c) of this section, including any findings and recommendations and any legislative proposals, to the Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Education Oversight Committee on or before January 1, 2018.~~

SEPARATE STAR-RATED LICENSE/BIRTH THROUGH TWO YEARS OF AGE/REPORT

SECTION 11B.2.(a) The Department of Health and Human Services, Division of Child Development and Early Education (Division), shall develop a separate birth through two years of age, star-rated license for

child care facilities. In developing the separate, star-rated license, the Division shall, at a minimum, consider the following:

- (1) Staff qualifications.**
- (2) Staff turnover rates.**
- (3) Educational outcomes.**
- (4) Evaluation of certified religious-based child care centers for rate payments and the minimum requirements for certification.**

SECTION 11B.2.(b) The Division of Child Development and Early Education shall submit a report on its recommendations regarding the separate, star-rated license, as well as any recommendations for revising the current star-rating system, to the Joint Legislative Oversight Committee on Health and Human Services by November 1, 2018.

CHILD CARE SUBSIDY RATES

SECTION 11B.3.(a) The maximum gross annual income for initial eligibility, adjusted biennially, for subsidized child care services shall be determined based on a percentage of the federal poverty level as follows:

AGE	INCOME PERCENTAGE LEVEL
0–5	200%
6 – 12	133%

The eligibility for any child with special needs, including a child who is 13 years of age or older, shall be two hundred percent (200%) of the federal poverty level.

SECTION 11B.3.(b) Fees for families who are required to share in the cost of care are established based on ten percent (10%) of gross family income. When care is received at the blended rate, the co-payment shall be eighty-three percent (83%) of the full-time co-payment. Co-payments for part-time care shall be seventy-five percent (75%) of the full-time co-payment.

SECTION 11B.3.(c) Payments for the purchase of child care services for low-income children shall be in accordance with the following requirements:

- (1) Religious sponsored child care facilities operating pursuant to G.S. 110-106 and licensed child care centers and homes that meet the minimum licensing standards that are participating in the subsidized child care program shall be paid the one-star county market rate or the rate they charge privately paying parents, whichever is lower, unless prohibited by subsection (f) of this section.
- (2) Licensed child care centers and homes with two or more stars shall receive the market rate for that rated license level for that age group or the rate they charge privately paying parents, whichever is lower, unless prohibited by subsection (g) of this section.
- (3) Nonlicensed homes shall receive fifty percent (50%) of the county market rate or the rate they charge privately paying parents, whichever is lower.
- (4) No payments shall be made for transportation services or registration fees charged by child care facilities.
- (5) Payments for subsidized child care services for postsecondary education shall be limited to a maximum of 20 months of enrollment.
- (6) The Department of Health and Human Services shall implement necessary rule changes to restructure services, including, but not limited to, targeting benefits to employment.

SECTION 11B.3.(d) Provisions of payment rates for child care providers in counties that do not have at least 50 children in each age group for center-based and home-based care are as follows:

- (1) Except as applicable in subdivision (2) of this subsection, payment rates shall be set at the statewide or regional market rate for licensed child care centers and homes.
- (2) If it can be demonstrated that the application of the statewide or regional market rate to a county with fewer than 50 children in each age group is lower than the county market rate and would inhibit the ability of the county to purchase child care for low-income children, then the county market rate may be applied.

SECTION 11B.3.(e) A market rate shall be calculated for child care centers and homes at each rated license level for each county and for each age group or age category of enrollees and shall be representative of fees charged to parents for each age group of enrollees within the county. The Division of Child Development and Early Education shall also calculate a statewide rate and regional market rate for each rated license level for each age category.

SECTION 11B.3.(f) The Division of Child Development and Early Education shall continue implementing policies that improve the quality of child care for subsidized children, including a policy in which child care subsidies are paid, to the extent possible, for child care in the higher quality centers and homes only. The Division shall define higher quality, and subsidy funds shall not be paid for one- or two-star rated facilities. For those counties with an inadequate number of four- and five-star rated facilities, the Division shall continue a transition period that allows the facilities to continue to receive subsidy funds while the facilities work on the increased star ratings. The Division may allow exemptions in counties where there is an inadequate number of four- and five-star rated facilities for non-star rated programs, such as religious programs.

SECTION 11B.3.(g) Facilities licensed pursuant to Article 7 of Chapter 110 of the General Statutes and facilities operated pursuant to G.S. 110-106 may participate in the program that provides for the purchase of care in child care facilities for minor children of needy families. Except as authorized by subsection (f) of this section, no separate licensing requirements shall be used to select facilities to participate. In addition, child care facilities shall be required to meet any additional applicable requirements of federal law or regulations. Child care arrangements exempt from State regulation pursuant to Article 7 of Chapter 110 of the General Statutes shall meet the requirements established by other State law and by the Social Services Commission.

County departments of social services or other local contracting agencies shall not use a provider's failure to comply with requirements in addition to those specified in this subsection as a condition for reducing the provider's subsidized child care rate.

SECTION 11B.3.(h) Payment for subsidized child care services provided with Temporary Assistance for Needy Families Block Grant funds shall comply with all regulations and policies issued by the Division of Child Development and Early Education for the subsidized child care program.

SECTION 11B.3.(i) Noncitizen families who reside in this State legally shall be eligible for child care subsidies if all other conditions of eligibility are met. If all other conditions of eligibility are met, noncitizen families who reside in this State illegally shall be eligible for child care subsidies only if at least one of the following conditions is met:

- (1) The child for whom a child care subsidy is sought is receiving child protective services or foster care services.
- (2) The child for whom a child care subsidy is sought is developmentally delayed or at risk of being developmentally delayed.
- (3) The child for whom a child care subsidy is sought is a citizen of the United States.

SECTION 11B.3.(j) The Department of Health and Human Services, Division of Child Development and Early Education, shall require all county departments of social services to include on any forms used to determine eligibility for child care subsidy whether the family waiting for subsidy is receiving assistance through the NC Pre-K Program or Head Start.

SECTION 11B.3.(k) Department of Defense-certified child care facilities licensed pursuant to G.S. 110-106.2 may participate in the State-subsidized child care program that provides for the purchase of care in child care facilities for minor children in needy families, provided that funds allocated from the State-subsidized child care program to Department of Defense-certified child care facilities shall supplement and not supplant funds allocated in accordance with G.S. 143B-168.15(g). Payment rates and fees for military families who choose Department of Defense-certified child care facilities and who are eligible to receive subsidized child care shall be as set forth in this section.

CHILD CARE SUBSIDY MARKET RATE INCREASES/CERTAIN AGE GROUPS AND COUNTIES

SECTION 11B.4.(a) Beginning October 1, 2017, the Department of Health and Human Services, Division of Child Development and Early Education (Division), shall increase the child care subsidy market rates to the rates recommended by the 2015 Child Care Market Rate Study for school-aged children in three-, four-, and five-star-rated child care centers and homes in tier one and tier two counties.

SECTION 11B.4.(b) Beginning October 1, 2017, the Division shall increase the child care subsidy market rates to the rates recommended by the 2015 Child Care Market Rate Study for children birth through two years of age in three-, four-, and five-star-rated child care centers and homes in tier three counties.

SECTION 11B.4.(b1) Beginning October 1, 2018, the Division shall increase the child care subsidy market rates to the rates recommended by the 2015 Child Care Market Rate Study for children three through five years of age in three-, four-, and five-star-rated child care centers and homes in tier three counties.

SECTION 11B.4.(c) For purposes of subsections (a) through (b1) of this section, tier one, tier two, and tier three counties shall have the same designations as those established by the N.C. Department of Commerce's 2015 County Tier Designations.

SECTION 11B.4.(d) Beginning October 1, 2018, the Division shall increase the child care subsidy market rates to the one hundredth percentile as reported in the 2015 Child Care Market Rate Study for children birth through five years of age in three-, four-, and five-star-rated child care centers and homes in tier one and tier two counties. For purposes of this subsection, tier one and tier two counties shall have the same designations as those established by the N.C. Department of Commerce's 2018 County Tier Designations.

CHILD CARE ALLOCATION FORMULA

SECTION 11B.5.(a) The Department of Health and Human Services, Division of Child Development and Early Education (Division), shall allocate child care subsidy voucher funds to pay the costs of necessary child care for minor children of needy families. The mandatory thirty percent (30%) North Carolina Partnership for Children, Inc., subsidy allocation under G.S. 143B-168.15(g) shall constitute the base amount for each county's child care subsidy allocation. The Department of Health and Human Services shall use the following method when allocating federal and State child care funds, not including the aggregate mandatory thirty percent (30%) North Carolina Partnership for Children, Inc., subsidy allocation:

- (1) Funds shall be allocated to a county based upon the projected cost of serving children under age 11 in families with all parents working who earn less than the applicable federal poverty level percentage set forth in Section 11B.3(a) of this act.
- (2) The Division may withhold up to two percent (2%) of available funds from the allocation formula for (i) preventing termination of services throughout the fiscal year and (ii) repayment of any federal funds identified by counties as overpayments, including overpayments due to fraud. The Division shall allocate to counties any funds withheld before the end of the fiscal year when the Division determines the funds are not needed for the purposes described in this subdivision. The Division shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division, which report shall include each of the following:
 - a. The amount of funds used for preventing termination of services and the repayment of any federal funds.
 - b. The date the remaining funds were distributed to counties.
 - c. As a result of funds withheld under this subdivision and after funds have been distributed, any counties that did not receive at least the amount the counties received the previous year and the amount by which funds were decreased.The Division shall submit a report in each year of the 2017-2019 fiscal biennium 30 days after the funds withheld pursuant to this subdivision are distributed but no later than April 1 of each respective year.
- (3) The Division shall set aside four percent (4%) of child care subsidy allocations for vulnerable populations, which include a child identified as having special needs and a child whose application for assistance indicates that the child and the child's family is experiencing homelessness or is in a temporary living situation. A child identified by this subdivision shall be given priority for receiving services until such time as set-aside allocations for vulnerable populations are exhausted.

SECTION 11B.5.(b) The Division may reallocate unused child care subsidy voucher funds in order to meet the child care needs of low-income families. Any reallocation of funds shall be based upon the expenditures of all child care subsidy voucher funding, including North Carolina Partnership for Children, Inc., funds within a county. Counties shall manage service levels within the funds allocated to the counties. A county with a spending coefficient over one hundred percent (100%) shall submit a plan to the Division for managing the county's allocation before receiving any reallocated funds.

SECTION 11B.5.(c) When implementing the formula under subsection (a) of this section, the Division shall include the market rate increase in the formula process rather than calculating the increases outside of the formula process. Additionally, the Department shall do the following:

- (1) Implement the final one-third change in a county's allocation beginning fiscal year 2018-2019. A county's initial allocation shall be the county's expenditure in the previous fiscal year or a prorated share of the county's previous fiscal year expenditures if sufficient funds are not available. With the exception of market rate increases consistent with any increases approved by the General Assembly, a county whose spending coefficient is less than ninety-two percent (92%) in the

previous fiscal year shall receive its prior year's expenditure as its allocation and shall not receive an increase in its allocation in the following year. A county whose spending coefficient is at least ninety-two percent (92%) in the previous fiscal year shall receive, at a minimum, the amount it expended in the previous fiscal year and may receive additional funding, if available. The Division may waive this requirement and allow an increase if the spending coefficient is below ninety-two percent (92%) due to extraordinary circumstances, such as a State or federal disaster declaration in the affected county. By October 1 of each year, the Division shall report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division the counties that received a waiver pursuant to this subdivision and the reasons for the waiver.

- (2) Effective immediately following the next new decennial census data release, implement (i) one-third of the change in a county's allocation in the year following the data release, (ii) an additional one-third of the change in a county's allocation beginning two years after the initial change under this subdivision, and (iii) the final one-third change in a county's allocation beginning the following two years thereafter.

CODIFY CERTAIN CHILD CARE SUBSIDY PROVISIONS

SECTION 11B.6. Article 3 of Chapter 143B of the General Statutes is amended by adding a new Part to read:

CHILD CARE SUBSIDY RECIPIENTS TO COOPERATE WITH CHILD SUPPORT SERVICES/DEMONSTRATION PROJECT

SECTION 11B.7.(a) Beginning January 1, 2018, or 30 days from the date the U.S. Department of Health and Human Services, Office of Child Care, approves the revised Child Care and Development Fund (CCDF) plan, or whichever occurs later, the Department of Health and Human Services, the Division of Child Development and Early Education (DCDEE) and the Division of Social Services (DSS), shall implement a one-year statewide demonstration project in accordance with S.L. 2015-51 requiring a custodial parent or other relative or person with primary custody of the child who is receiving child care subsidy payments to cooperate with the county child support services program as a condition of receiving child care subsidy payments. DCDEE and DSS shall conduct the demonstration project in at least three counties, but no more than six, that represent the three regions of the State in both rural and urban settings. DCDEE and DSS may solicit counties to volunteer for the demonstration project. In selecting counties to participate in the demonstration project, DCDEE and DSS shall (i) consider the various methods counties employ in receiving and processing child care subsidy applications and (ii) compare the data from the counties participating in the demonstration project to counties that are similarly sized and situated that do not participate in the demonstration project.

SECTION 11B.7.(b) The statewide demonstration project shall include, at a minimum, the components described in Section 1(a) of S.L. 2015-51, as well as any criteria DCDEE and DSS identified in its report as submitted to the Joint Legislative Oversight Committee on Health and Human Services dated February 1, 2016. Specifically, as identified in that report, DCDEE and DSS shall consider, at a minimum, each of the following factors in evaluating the demonstration project:

(1) The number and percentage of applicants for whom the requirement to participate in child support services was presented who actually submitted a child support application and applied for and received subsidized child care assistance.

(2) The number and percentage of families exempted from the requirement under subdivision (1) of this subsection through good-cause exceptions.

(3) The number and percentage of families that initially receive child support payments but become ineligible for subsidized child care assistance as a result of their increased income or family status.

(4) The number and percentage of families enrolled in the subsidized child care assistance program at the beginning of the demonstration project that exit the program due to imposed requirements for child support cooperation.

(5) The number and percentage of applicants who declined to apply or withdrew their application as a result of the requirement to cooperate with child support services.

(6) The number and percentage of child care subsidy recipients who begin receiving child support or, if receiving child support, the average increase in the recipients' child support received due to imposed requirements for child support cooperation.

SECTION 11B.7.(c) The Division of Child Development and Early Education and the Division of Social Services shall report on the results of the demonstration project to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division no later than March 1, 2019, or if the CCDF plan is approved after January 1, 2018, no later than three months from the date the one-year demonstration project is completed, whichever occurs later. The report shall include, at a minimum, each of the following:

- (1) The factors evaluated under subsection (a) of this section.
- (2) A detailed project plan and any costs associated with implementing the plan, specifically, any technology needs.
- (3) Any recommendations for or challenges with sustaining the plan long term.

Additional legislation from the 2017-18 biennial session

House Bill 1083 -Appointments Bill Session Law 2018-127

PART II. PRESIDENT PRO TEMPORE'S RECOMMENDATIONS

SECTION 2.37. Ronald Patrick Waters of Alamance County is appointed to the North Carolina Partnership for Children, Inc., Board of Directors for a term expiring on December 31, 2019, to fill the unexpired term of Marie Inscore.

House Bill 1111 -Appointments Bill Session Law 2018-139

SECTION 2.7. Nell Rose of Rockingham County is appointed to the North Carolina Partnership for Children, Inc., Board of Directors for a term expiring on December 31, 2019, to fill the unexpired term of Ronald Waters.

H90 (SL 2018-2)

PART VII. NC PRE-K STATUTORY APPROPRIATION

SECTION 7.

Chapter 143B of the General Statutes is amended by adding a new section to read: "§ 143B-168.10B. NC Prekindergarten Program Funds. The General Assembly finds that due to the continued growth and ongoing need in this State to provide early childhood services and education to North Carolina children from birth to five years, it is imperative that the State provide an increase in funds to the General Fund for two fiscal years for the NC Prekindergarten (NC Pre-K) program. To that end, there is appropriated from the General Fund to the Department of Health and Human Services, Division of Child Development and Early Education, the following amounts each fiscal year to provide funds for NC Pre-K slots for the NC Pre-K program: Fiscal Year Appropriation 2019-2020 \$82,001,394 2020-2021 and each subsequent fiscal year thereafter \$91,351,394 When developing the base budget, as defined by G.S. 143C-1-1, for each fiscal year specified in this section, the Director of the Budget shall include the appropriated amount specified in this section for that fiscal year.