

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2021**

H

1

HOUSE BILL 574

Short Title: Revise Child Care Subsidy Rates. (Public)

Sponsors: Representatives Willis, von Haefen, Szoka, and Clemmons (Primary Sponsors).
For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: Families, Children, and Aging Policy, if favorable, Appropriations, if favorable,
Rules, Calendar, and Operations of the House

April 19, 2021

A BILL TO BE ENTITLED

AN ACT TO STABILIZE CHILD CARE PROVIDERS BY INCREASING CHILD CARE
SUBSIDY RATES.

The General Assembly of North Carolina enacts:

SECTION 1.(a) Beginning October 1, 2021, the Department of Health and Human Services, Division of Child Development and Early Education, shall increase the child care subsidy market rates to the seventy-fifth percentile as recommended by the 2018 Child Care Market Rate Study for children birth through 5 years of age in three-, four-, and five-star-rated child care centers and homes.

SECTION 1.(b) There is appropriated from the General Fund to the Department of Health and Human Services, Division of Child Development and Early Education, the sum of thirteen million five hundred thousand dollars (\$13,500,000) in recurring funds for the 2021-2022 fiscal year and the sum of eighteen million dollars (\$18,000,000) in recurring funds for the 2022-2023 fiscal year to implement the market rate increases set forth in subsection (a) of this section.

SECTION 2.(a) Beginning October 1, 2021, to support providers during COVID-19 and support accessible high-quality care, provisions of payment rates for child care providers in counties that have a county rate below the State rate 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 seventy-fifth percentile statewide market rate as recommended by the 2018 Child Care Market Rate Study for children birth through 5 years of age for licensed child care centers and homes.
- (2) If it can be demonstrated that the application of the statewide 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 2.(b) There is appropriated from the General Fund to the Department of Health and Human Services, Division of Child Development and Early Education, the sum of forty million five hundred thousand dollars (\$40,500,000) in recurring funds for the 2021-2022 fiscal year and the sum of fifty-four million dollars (\$54,000,000) in recurring funds for the 2022-2023 fiscal year to implement the temporary market rate increases set forth in subsection (a) of this section.



1 **SECTION 2.(c)** This section becomes effective July 1, 2021, and expires when the
2 State adopts an increase in child care subsidy market rates or a change in the methodology used
3 to calculate child care subsidy market rates, whichever occurs first.

4 **SECTION 3.(a)** Section 11B.3(c) of S.L. 2017-57 reads as rewritten:

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

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

26 **SECTION 3.(b)** There is appropriated from the General Fund to the Department of
27 Health and Human Services, Division of Child Development and Early Education, the sum of
28 ten million dollars (\$10,000,000) in recurring funds for each year of the 2021-2023 fiscal
29 biennium to implement the revision set forth in subsection (a) of this section to remove the
30 20-month limitation for those pursuing postsecondary education.

31 **SECTION 4.** If a revision to the Child Care and Development Fund Block Grant
32 plan, as submitted, is needed to enact higher child care subsidy rates and allow rates higher than
33 private fee-paying rates, the Division of Child Development and Early Education shall seek
34 approval for the rate increases described in this act as it deems necessary.

35 **SECTION 5.** The Division of Child Development and Early Education (Division)
36 shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services
37 by December 1, 2022, that summarizes county level data from October 1, 2021, to October 1,
38 2022, and shall include each of the following:

- 39 (1) The number of providers serving children receiving subsidized care.
- 40 (2) The amount of child care subsidy funding disbursed in the first full year of
41 implementation of the statewide floor.
- 42 (3) The number of children served in subsidized care by age and star rating.
- 43 (4) The number of children served overall by age and star rating.
- 44 (5) The staffing levels for providers serving children receiving subsidized care.
- 45 (6) A progress report on movement to adopt an alternative rate methodology.

46 **SECTION 6.** Except as otherwise provided, this act becomes effective July 1, 2021.