THE NORTH CAROLINA PARTNERSHIP FOR CHILDREN, INC.

SMART START LEGISLATION
As of the 2014 Legislative Session

For budget information resulting from the 2014 legislative session, go to http://www.ncleg.net/Sessions/2013/Bills/Senate/PDF/S744v9.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 2014 legislative session by Session Law 2014-100. Language that has expired or been deleted is not included in this document. The appropriation bill this session is Senate Bill 744.)

**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-168.11. 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.


(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).)


(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 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;

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;


h1. The Chair of the North Carolina Partnership Board shall be appointed by the Governor;


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; and

m. One member of the public appointed by the General Assembly upon recommendation of the Minority Leader of the House of Representatives; and

n. The Director of the More at Four Pre-Kindergarten Program, or the Director’s designee.

(S.L. 2004-124)

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(j); 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:


(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 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.” [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(a); 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).]

(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.]
Uncodified Language

(Language appearing in this section is applicable only through June 30, 2015. On that date it automatically sunsets and is no longer applicable unless the General Assembly renews it for subsequent years.) Any new language coming out of the 2013 legislative session is underlined and in bold type.

Senate Bill 744 The Appropriations Act of 2014
Session Law 2014-100

EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES
ENHANCEMENTS/SALARY SCHEDULE/MATCH REQUIREMENT ADJUSTMENTS

SECTION 12B.9.(a) Policies. – The North Carolina Partnership for Children, Inc., and its Board shall establish policies that focus the North Carolina Partnership for Children, Inc.’s mission on 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 12B.9.(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 develop 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 shall be required to participate in the contract management system and shall be 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 12B.9.(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 12B.9.(d) Match Requirements. – It is the intent of the General Assembly to continue to increase the percentage of the match of cash and in-kind contributions required of the North Carolina Partnership for Children, Inc., and the local partnerships. 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 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 eleven percent (11%), and in-kind donated resources shall be equal to no more than three percent (3%) for a total match requirement of fourteen percent (14%) for the 2013-2014 fiscal year; and contributions of cash shall be equal to at least eleven percent (11%), and in-kind donated resources shall be equal to no more than four percent (4%) for a total match requirement of fifteen percent (15%) for the 2014-2015 fiscal year. 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 Employment Security Commission 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 fourteen percent (14%) match by June 30 of the 2013-2014 fiscal year and a fifteen percent (15%) match by June 30 of the 2014-2015 fiscal year 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 to the Joint Legislative Commission on Governmental Operations 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 12B.9.(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 to be 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 12B.9(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 12B.9(g) Performance-Based Evaluation. – The Department of Health and Human Services shall continue to implement the performance-based evaluation system.

SECTION 12B.9(h) Expenditure Restrictions. – 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 State fiscal years 2013-2014 and 2014-2015 shall be administered and distributed in the following manner:

(1) Capital expenditures are prohibited for fiscal years 2013-2014 and 2014-2015. 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 fiscal years 2013-2014 and 2014-2015.

For fiscal years 2013-2014 and 2014-2015, 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 12B.2(a) Section 12B.9 of S.L. 2013-360 is amended by adding the following new subsection to read:

"SECTION 12B.9(i) The North Carolina Partnership for Children, Inc., (Partnership) shall implement a plan to increase local capacity to raise private funds to support early childhood activities. The plan shall include the following:

(1) Providing training and technical assistance on fund-raising for local partnerships and boards.

(2) Building the capacity and composition of local boards to enhance fund development and long-term sustainability.

(3) Partnering with State and local businesses and organizations to create fund-raising events.

(4) Identifying grant opportunities at the State and local level."

SECTION 12B.2(b) G.S. 143B-168.15(g) reads as rewritten:

"(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."
An act to appoint persons to various public offices upon the recommendation of the President Pro Tempore of the Senate; and Whereas, the President Pro Tempore of the Senate has made recommendations; Now, therefore, The General Assembly of North Carolina enacts:


SECTION 2.27. Effective January 1, 2015, Dr. Paul W. Popish of Orange County, Dorothea Wyant of Cleveland County, and Reverend Stanley Lewis of Halifax County are appointed to the Board of Directors of the North Carolina Partnership for Children, Inc., for terms expiring on December 31, 2017.

SECTION 3.1. Effective January 1, 2015, Dr. Rebecca Ayers of Wake County, upon the recommendation of the Majority Leader of the House of Representatives, is appointed to the Board of Directors of the North Carolina Partnership for Children, Inc., for a term expiring on December 31, 2017.

SECTION 3.2. Effective January 1, 2015, Sue Russell of Orange County, upon the recommendation of the Minority Leader of the House of Representatives, is appointed to the Board of Directors of the North Carolina Partnership for Children, Inc., for a term expiring on December 31, 2017.
Smart Start Related Special Provisions

Changes Underlined and in Boldface appearing below are from Senate Bill 744 from the 2014 Legislative Session (Session Law 2014-100).

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Contracts and Administrative Reductions  ($16,000,000) Recurring 2014-2015

Reduces funds for contracts and administrative expenses across the Department of Health and Human Services. The Department is given flexibility to achieve the reduction through the elimination or reduction of contract expenses, vacant or filled positions and other state level administrative expenses. The Department may also budget recurring overrealized receipts. In achieving the reduction, the Department shall not reduce or eliminate programs or services that provide direct services.

DIVISION OF CHILD DEVELOPMENT

Regulatory Positions Shifted from State to Federal Funding  ($900,000) Recurring 2013-2014  ($900,000) Recurring 2014-2015

Transfers $604,541 in salaries and $204,962 in benefits for 14 positions as well as $90,497 in operating costs to receipt support by utilizing the Child Care Development Fund block grant. The Child Care Regulatory fund has $1.5 million remaining in state appropriations. The following positions are affected:

60038736 Child Day Care Specialist
60038746 Child Day Care Specialist
60038747 Child Day Care Specialist
60038610 Child Day Care Specialist
60038743 Child Day Care Specialist
60038742 Child Day Care Specialist
60038735 Child Day Care Specialist
60038741 Child Day Care Specialist
60038745 Child Day Care Specialist
60038734 Child Day Care Specialist
60038739 Child Day Care Specialist
60038749 Child Day Care Specialist
60038730 Child Day Care Specialist
60038835 Program Assistant V

Seat Management Funding Elimination  ($38,125) Recurring 2013-2014  ($38,125) Recurring 2014-2015

Eliminates funding for seat management, the outsourcing of management of workstation capabilities for employees, including hardware and software.


Reduces funds based on transfers from the Division of Child Development and Early Education to the Division of Medical Assistance. In FY 2011-12 approximately $870,000 was transferred from lapsed salary, contracts and administrative services to the Division of Medical Assistance to cover the Medicaid shortfall.
Pre-K Slots

Provides $12,400,000 additional funding from lottery receipts to add 2,500 slots for Pre-K. These additional slots bring the total available Pre-K slots to 27,500.

TANF Funds for PreK

Replaces General Fund appropriation for the PreK program with Temporary NR Assistance for Needy Families block grant funds and Temporary Assistance for Needy Families Emergency Contingency Funds on a nonrecurring basis.

Administrative Savings due to Efficiencies and Cost Allocation

Reduces General Fund appropriation budgeting overrealized receipts, and replacing General Fund appropriation with Child Care and Development Fund for Child Care Regulation. Additionally the Division's administrative costs have been reduced due to the move to the Dorothea Dix campus, including the elimination of one position. #60038615 - Administrative Asst. II - $37,659

Child Care Subsidy Block Grant Swap Out

Replaces General Fund appropriation for the Child Care Subsidy program with Child Care Development Fund and Temporary Assistance For Needy Families Emergency Contingency block grant funds on a nonrecurring basis. Both block grants have increased availability for FY 2014-15. Combined with other Child Care Subsidy items, General Fund appropriation is reduced by 34% to $27.1 million due to the replacement of State funds with federal funding. Total funding for Child Care Subsidy is unchanged.

Child Care Subsidy Eligibility Changes

Changes eligibility for Child Care Subsidy from 75% of State Median Income to 200% of Federal Poverty Level (FPL) for children age 0-5 and children with special needs. Children who are age 6-12 are eligible at 133% of FPL. This change is effective October 1, 2014. Children currently receiving assistance will have their income eligibility determined according to the new income standards at their next redetermination after October 1, 2014. Combined with other Child Care Subsidy items, General Fund appropriation is reduced by 34% to $27.1 million due to the replacement of state funds with federal funding. Savings from this item are reinvested in market rates and the waiting list. Total funding for Child Care Subsidy is unchanged.

Child Care Subsidy Co-Payments Set at 10% of Income

Changes eligibility for Child Care Subsidy from 75% of State Median Income to 200% of Federal Poverty Level (FPL) for children age 0-5 and children with special needs. Children who are age 6-12 are eligible at 133% of FPL. This change is effective October 1, 2014. Children currently receiving assistance will have their income eligibility determined according to the new income standards at their next redetermination after October 1, 2014. Combined with other Child Care Subsidy items, General Fund appropriation is reduced by 34% to $27.1 million due to the replacement of state funds with federal funding. Savings from this item are reinvested in market rates and the waiting list. Total funding for Child Care Subsidy is unchanged.

Child Care Subsidy Co-Payment No Longer Prorated for Part-time Care
Eliminates the proration of co-payments for part-time care effective October 1, 2014. This reduction does not result in any loss of child care slots. The increased co-payment will reduce the amount paid to child care providers by the Child Care Subsidy program. Providers collect the co-payment from the parents. There were 26,000 children whose families paid a reduced co-payment due to part-time care out of 110,000 children whose families paid a co-payment in FY 2012-13. Combined with other Child Care Subsidy items, General Fund appropriation is reduced by 34% to $27.1 million due to the replacement of state funds with federal funding. Savings from this item are reinvested in market rates and the waiting list. Total funding for Child Care Subsidy is unchanged.

Child Care Waiting List
$4,611,750 Recurring 2014-2015

Eliminates the proration of co-payments for part-time care effective October 1, 2014. This reduction does not result in any loss of child care slots. The increased co-payment will reduce the amount paid to child care providers by the Child Care Subsidy program. Providers collect the co-payment from the parents. There were 26,000 children whose families paid a reduced co-payment due to part-time care out of 110,000 children whose families paid a co-payment in FY 2012-13. Combined with other Child Care Subsidy items, General Fund appropriation is reduced by 34% to $27.1 million due to the replacement of state funds with federal funding. Savings from this item are reinvested in market rates and the waiting list. Total funding for Child Care Subsidy is unchanged.

Child Care Market Rates
$6,814,029 Recurring 2014-2015

Eliminates the proration of co-payments for part-time care effective October 1, 2014. This reduction does not result in any loss of child care slots. The increased co-payment will reduce the amount paid to child care providers by the Child Care Subsidy program. Providers collect the co-payment from the parents. There were 26,000 children whose families paid a reduced co-payment due to part-time care out of 110,000 children whose families paid a co-payment in FY 2012-13. Combined with other Child Care Subsidy items, General Fund appropriation is reduced by 34% to $27.1 million due to the replacement of state funds with federal funding. Savings from this item are reinvested in market rates and the waiting list. Total funding for Child Care Subsidy is unchanged.

PreK
$5,040,000 Nonrecurring 2014-2015

Provides funding to address the additional average per slot cost increase due to teacher raises and provides funding for additional slots.

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

NC PRE-K

SECTION 12B.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 prekindergarten 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 12B.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 12B.1.(c) Programmatic Standards. – All entities operating prekindergarten 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 12B.1.(d) NC Pre-K Committees. – The Division of Child Development and Early Education shall establish a standard decision-making process to be used by local NC Pre-K committees in awarding prekindergarten classroom slots and student selection.

SECTION 12B.1.(e) SEEK. – All prekindergarten classrooms shall be required to participate in the Subsidized Early Education for Kids (SEEK) accounting system to streamline the payment function for these classrooms with a goal of eliminating duplicative systems and streamlining the accounting and payment processes among the subsidy reimbursement systems. Prekindergarten funds transferred may be used to add these programs to SEEK.

SECTION 12B.1.(f) Pilot Program. – The Division of Child Development and Early Education shall create a pilot program that provides funding for NC Pre-K classrooms on a per classroom basis. The pilot program shall include three different NC Pre-K contractual regions that are geographically diverse. The local NC Pre-K administrator shall contract with the provider for operation of a classroom established pursuant to the pilot program. The Division shall provide a report on the status of the pilot program to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division no later than January 31, 2014. The report shall include the following:

(1) The number of students served.
(2) The amount of funds paid for each classroom.
(3) The amount of funds paid per student.
(4) The attendance information on students in the pilot program as compared to those students in a classroom having a traditional funding structure.
(5) Information on the number of students and students' families using the Subsidized Early Education for Kids (SEEK) system.
(6) A cost comparison of the classroom pilots to the average cost per student through the per student funding methodology.

SECTION 12B.1.(g) 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 Commission on Governmental Operations, 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.
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.

The expected NC Pre-K expenditures for the programs and the source of the local contributions.

The results of an annual evaluation of the NC Pre-K program.

SECTION 12B.1.(h) Child Care Commission. – G.S. 143B-168.4(b) reads as rewritten:

"(b) Members shall be appointed as follows:

(1) Of the Governor's initial appointees, four shall be appointed for terms expiring June 30, 1986, 2015, and three shall be appointed for terms expiring June 30, 1987-2016;

(2) Of the General Assembly's initial appointees appointed upon recommendation of the President of the Senate, two shall be appointed for terms expiring June 30, 1986, 2015, and two shall be appointed for terms expiring June 30, 1987-2016;

(3) Of the General Assembly's initial appointees appointed upon recommendation of the Speaker of the House of Representatives, two shall be appointed for terms expiring June 30, 1986, 2015, and two shall be appointed for terms expiring June 30, 1987-2016.

Appointments by the General Assembly shall be made in accordance with G.S. 120-121. After the initial appointees' terms have expired, all members shall be appointed to serve two-year terms. Any appointment to fill a vacancy on the Commission created by the resignation, dismissal, death, or disability of a member shall be for the balance of the unexpired term."

SECTION 12B.1.(i) The terms of all members currently serving on the Child Care Commission shall expire on the effective date of this act. A new Commission of 17 members shall be appointed in the manner provided by G.S. 143B-168.4(a) and (b), as amended in subsection (h) of this section. Members appointed pursuant to subsection (h) of this section shall be appointed no later than October 1, 2013.

CHILD CARE SUBSIDY RATES

SECTION 12B.3.(a) The maximum gross annual income for initial eligibility, adjusted biennially, for subsidized child care services shall be seventy-five percent (75%) of the State median income, adjusted for family size, determined based on a percentage of the federal poverty level as follows:

<table>
<thead>
<tr>
<th>AGE</th>
<th>INCOME PERCENTAGE LEVEL</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-5</td>
<td>200%</td>
</tr>
<tr>
<td>6-12</td>
<td>133%</td>
</tr>
</tbody>
</table>

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 12B.3.(a1) A child receiving child care subsidy based on seventy-five percent (75%) of the State median income shall continue to receive subsidy based on seventy-five percent (75%) of the State median income until the child's next eligibility redetermination by the Department, and at that redetermination, the child's income eligibility shall be based on the eligibility criteria set forth in subsection (a) of this section.

"SECTION 12B.3.(b) Fees Beginning October 1, 2014, fees for families who are required to share in the cost of care shall be established based on a ten percent (10%) of gross family income and adjusted for family size. Fees shall be determined as follows: income. Co-payments shall not be prorated for part-time care.

<table>
<thead>
<tr>
<th>PERCENT OF GROSS</th>
</tr>
</thead>
<tbody>
<tr>
<td>FAMILY SIZE</td>
</tr>
<tr>
<td>1-3</td>
</tr>
</tbody>
</table>
"SECTION 12B.3.(b1) No later than January 1, 2015, the Department of Health and Human Services, Division of Child Development and Early Education, shall revise its child care subsidy policy to include in the policy’s definition of "income unit" the following:

1. A stepparent and the stepparent’s child, if applicable.
2. A nonparent relative caretaker, and the caretaker’s spouse and child, if applicable, when the parent of the child receiving child care subsidy does not live in the home with the child.

SECTION 12B.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 (f) 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 12B.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 12B.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 12B.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 three- 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 three- to five-star-rated facilities for non-star-rated programs, such as religious programs.

SECTION 12B.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 12B.3.(h) Payment for subsidized child care services provided with Work First-Temporary Assistance for Needy Families Block Grant funds shall comply with all regulations and policies issued by the Division of Child Development for the subsidized child care program.

SECTION 12B.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 12B.3.(j) 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.

STUDY CHILD CARE SUBSIDY FOR 11- AND 12-YEAR OLDS

SECTION 12B.3.(a) The Department of Health and Human Services, Division of Child Development and Early Education, shall study child care subsidy for 11- and 12-year olds. The Division shall study (i) available options for 11- and 12-year olds for before and after school care, (ii) available resources other than child care subsidy to pay for before and after school care, and (iii) the average cost of care for 11- and 12-year olds.

SECTION 12B.3.(b) The Division shall report its findings and recommendations to the Joint Legislative Committee on Health and Human Services and the Fiscal Research Division no later than November 30, 2014. The report shall include separate findings and recommendations for 11- and 12-year olds.

CHILD CARE ALLOCATION FORMULA

REVISE CHILD CARE ALLOCATION FORMULA

SECTION 12B.4. Section 12B.4 of S.L. 2013-360 reads as rewritten:

"CHILD CARE ALLOCATION FORMULA

"SECTION 12B.4.(a) The Department of Health and Human Services 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 seventy-five percent (75%) of the State median income, the applicable federal poverty level percentage set forth in Section 12B.3(a) of this act, as amended.

2. No county's allocation shall be less than ninety percent (90%) of its State fiscal year 2001-2002 initial child care subsidy allocation.

3. For fiscal years 2013-2014 and 2014-2015, the Division of Child Development and Early Education shall base the formula identified in subdivision (1) of this subsection on the same data source used for the 2012-2013 fiscal year.

4. The Department of Health and Human Services shall allocate to counties all State funds appropriated for child care subsidy and shall not withhold funds during the 2013-2014 and 2014-2015 fiscal years.

"SECTION 12B.4.(b) The Department of Health and Human Services 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.

"SECTION 12B.4.(c) When implementing the formula under subsection (a) of this section, the Department of Health and Human Services, Division of Child Development and Early Education, 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. Beginning fiscal year 2014-2015, implement (i) one-third of the change in a county's allocation based on the new Census data; (ii) an additional one-third of the change in a county's allocation beginning fiscal year 2016-2017; and (iii) the final one-third change in a county's allocation beginning fiscal year 2018-2019. However, the following applies regarding increases to a county's allocation:
   a. For the 2014-2015 fiscal year allocations, a county that did not have a child care subsidy waiting list during the 2013-2014 fiscal year shall not receive an increase in its allocation due to the new allocation formula directed in this subdivision.
   b. Beginning fiscal year 2015-2016, a county whose spending coefficient is below ninety-five percent (95%) in the previous fiscal year shall not receive an increase in its allocation in the following fiscal year. The Division may waive this requirement and allow an increase if the spending coefficient is below ninety-five percent (95%) due to extraordinary circumstances, such as a State or federal disaster declaration in the affected county. By October 1st 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 sub-subdivision and the reasons for the waiver.

2. Effective immediately following the next new 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."

"CHILD CARE MARKET RATE ADJUSTMENTS"
SECTION 12B.5. Effective January 1, 2015, the Department shall implement an adjustment to child care market rates based upon the 2013 Child Care Market Rate Study. Three- to five-star rated child care centers and three- to five-star rated child care homes shall receive twenty-five percent (25%) of the recommended rate adjustments as defined in the 2013 Child Care Market Rate Study.

CHILD CARE FUNDS MATCHING REQUIREMENTS

SECTION 12B.5. 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 appropriated by this act 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 a disaster as defined in G.S. 166A-19.3(6).

CHILD CARE REVOLVING LOAN

SECTION 12B.6. 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.

ADMINISTRATIVE ALLOWANCE FOR COUNTY DEPARTMENTS OF SOCIAL SERVICES/USE OF SUBSIDY FUNDS FOR FRAUD DETECTION

SECTION 12B.7.(a) The Department of Health and Human Services, Division of Child Development and Early Education, 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 Development Fund Block Grant plan or eighty thousand dollars ($80,000), whichever is greater.

SECTION 12B.7.(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.

SECTION 12B.7.(c) The Department of Health and Human Services, Division of Child Development and Early Education, shall submit a progress report on the use of child care subsidy funds under subsection (b) of this section to the Joint Legislative Committee on Health and Human Services and the Fiscal Research Division no later than May 1, 2014, and submit a follow-up report on the use of those funds no later than January 1, 2015.

STUDY USE OF UNIQUE STUDENT IDENTIFIER/CHILD CARE SUBSIDY

SECTION 12B.8.(a) In coordination with the Department of Public Instruction (DPI), the Department of Health and Human Services, Division of Child Development and Early Education (DCDEE), shall study assigning a unique student identifier to monitor, throughout their education, the performance levels of children receiving child care subsidies. The study shall be designed to provide data on the efficacy of child care facilities participating in the child care subsidy program or the North Carolina Partnership for Children, Inc. The study shall define the requirements for the following:

1. Establishing the unique identifier.
2. Collecting, maintaining, and analyzing data.
3. Recommending a solution that will allow for the cost-effective acquisition and maintenance of data from child care facilities.
(4) Recommending an interface with DPI applications that monitors and analyzes student performance.

(5) Estimating the cost for developing an interface and implementing the requirements identified in the study.

SECTION 12B.8.(b) DCDEE shall report the results of the study to the Joint Legislative Committee on Health and Human Services, the Joint Legislative Education Oversight Committee, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division no later than April 1, 2014.

GOVERNMENT EFFICIENCY AND REFORM (NC GEAR)

SECTION 6.5.(a) The Office of State Budget and Management shall contract for a Government Efficiency and Reform review and analysis of the executive branch of State government, which shall be known as NC GEAR. The purpose of the review and analysis is to evaluate the efficiency and effectiveness of State government and to identify specific strategies for making State government more efficient and effective. The review and analysis may examine entire departments, agencies, institutions, or similar programs in different departments. The review and analysis shall include an examination of the efficiency and effectiveness of major management policies, practices, and functions pertaining to the following areas:

(1) The statutory authority, funding sources, and functions of each department, agency, institution, or program.

(2) The organizational structure and staffing patterns in place to perform these functions and whether they are appropriate based on comparative data and other reasonable staffing criteria.

(3) The measurement of each reviewed program's outcomes, overall performance, and success in accomplishing its mandated or stated mission and subsequent goals, considering the resources provided to the program.

(4) State and local responsibilities for providing government services and funding for those services, and whether these responsibilities should be reallocated.

(5) Personnel systems operations and management.

(6) State purchasing operations and management.

(7) Information technology and telecommunications systems policy, organization, and management.

(8) The identification of opportunities to reduce fragmentation, duplication, and related or overlapping services or activities through restructuring of departmental organizations and streamlining programs.

SECTION 6.5.(b) All executive branch departments, agencies, boards, commissions, authorities, and institutions in the executive branch of State government, including receipt-supported agencies, and all non-State entities receiving State funds shall be subject to review and analysis. The chief administrative officer of each entity shall ensure full cooperation with the Office of State Budget and Management and provide timely responses to the Office of State Budget and Management's request for information under the provisions of G.S. 143C-2-1(b).

SECTION 6.5.(c) The Office of State Budget and Management will work collaboratively with the Office of State Auditor to develop the review, analysis, and findings needed to produce a final report and recommendations to the Governor and General Assembly.

SECTION 6.5.(d) The contracting provisions of Chapter 143 of the General Statutes and related State purchasing and budget regulations do not apply to NC GEAR; however, the Office of State Budget and Management shall report all external contracts for consultants or professional services within 30 days of their execution to the Joint Legislative Commission on Governmental Operations, the Fiscal
Research Division, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives.

SECTION 6.5.(e) The Office of State Budget and Management shall submit an interim report of the NC GEAR's analysis, findings, and recommendations to the Governor, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Fiscal Research Division, and the Program Evaluation Division by February 15, 2014, and a final report by February 15, 2015.

SECTION 6.5.(f) Funds appropriated for NC GEAR shall be used to contract with consultants and other experts and to pay for travel, postage, printing, planning, and other related costs as needed to accomplish the objectives specified for the project. Funds appropriated for the 2013-2015 fiscal biennium for NC GEAR shall not revert at the end of each fiscal year but shall remain available for expenditure for the project.