

GENERAL ASSEMBLY OF NORTH CAROLINA
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SENATE BILL DRS45572-LUfa-113D

Short Title: Child Care Act.

(Public)

Sponsors: Senators Mohammed and Murdock (Primary Sponsors).

Referred to:

A BILL TO BE ENTITLED

AN ACT TO REENACT THE CHILD CARE TAX CREDIT, TO EXPAND THE NORTH CAROLINA PREKINDERGARTEN (NC PRE-K) PROGRAM AND INCREASE CARE SUBSIDY BY APPROPRIATING FUNDS FOR THOSE PURPOSES, TO PROVIDE SCHOOL LUNCH IN PUBLIC SCHOOL UNITS AT NO COST TO STUDENTS, TO APPROPRIATE FUNDS FOR PUBLIC CHILD CARE PROVIDED BY COMMUNITY COLLEGES, AND TO REQUIRE A REPORT ON THE FEASIBILITY AND ADVISABILITY OF A HIGH SCHOOL CHILD CARE APPRENTICESHIP PROGRAM.

The General Assembly of North Carolina enacts:

PART I. CHILD CARE TAX CREDIT

SECTION 1.1. G.S. 105-151.11 is reenacted as it existed immediately before its expiration, is recodified as G.S. 105-153.11, and reads as rewritten:

"§ 105-153.11. Credit for child care and certain employment-related expenses.

(a) Credit. – A person who is allowed a credit against federal income tax for a percentage of employment-related expenses under section 21 of the Code shall be allowed as a credit against the tax imposed by this Part an amount equal to the applicable percentage of the employment-related expenses as defined in section 21(b)(2) of the Code. In order to claim the credit allowed by this section, the taxpayer must provide with the tax return the information required by the Secretary.

(a1) Applicable Percentage. – For employment-related expenses that are incurred only with respect to one or more dependents who are ~~seven-18 years old or older~~ up to 25 years old and are not physically or mentally incapable of caring for themselves, the applicable percentage is the appropriate percentage in the column labeled "Percentage A" in the table below, based on the taxpayer's adjusted gross income determined under the Code. For employment-related expenses that are incurred only with respect to one or more dependents who are 12 years old up to 18 years old and are not physically or mentally incapable of caring for themselves, the applicable percentage is the appropriate percentage in the column labeled "Percentage B" in the table below, based on the taxpayer's adjusted gross income determined under the Code. For employment-related expenses that are incurred only with respect to one or more dependents who are 6 years old up to 12 years old and are not physically or mentally incapable of caring for themselves, the applicable percentage is the appropriate percentage in the column labeled "Percentage C" in the table below, based on the taxpayer's adjusted gross income determined under the Code. For employment-related expenses with respect to any other qualifying individual, the applicable percentage is the appropriate percentage in the column labeled



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"Percentage B" ~~D~~ in the table below, based on the taxpayer's adjusted gross income determined under the Code.

Filing Status	Adjusted Gross Income	Percentage A	Percentage B	Percentage C	Percentage D
Head of Household	Up to \$20,000	9% <u>7%</u>	13% <u>9%</u>	<u>11%</u>	<u>13%</u>
	Over \$20,000 up to \$32,000	8% <u>6.3%</u>	11.5% <u>8%</u>	<u>9.8%</u>	<u>11.5%</u>
	Over \$32,000	7% <u>5.5%</u>	10% <u>7%</u>	<u>8.5%</u>	<u>10%</u>
Surviving Spouse or Joint Return	Up to \$25,000	9% <u>7%</u>	13% <u>9%</u>	<u>11%</u>	<u>13%</u>
	Over \$25,000 up to \$40,000	8% <u>6.3%</u>	11.5% <u>8%</u>	<u>9.8%</u>	<u>11.5%</u>
	Over \$40,000	7% <u>5.5%</u>	10% <u>7%</u>	<u>8.5%</u>	<u>10%</u>
Single	Up to \$15,000	9% <u>7%</u>	13% <u>9%</u>	<u>11%</u>	<u>13%</u>
	Over \$15,000 up to \$24,000	8% <u>6.3%</u>	11.5% <u>8%</u>	<u>9.8%</u>	<u>11.5%</u>
	Over \$24,000	7% <u>5.5%</u>	10% <u>7%</u>	<u>8.5%</u>	<u>10%</u>
Married Filing Separately	Up to \$12,500	9% <u>7%</u>	13% <u>9%</u>	<u>11%</u>	<u>13%</u>
	Over \$12,500 up to \$20,000	8% <u>6.3%</u>	11.5% <u>8%</u>	<u>9.8%</u>	<u>11.5%</u>
	Over \$20,000	7% <u>5.5%</u>	10% <u>7%</u>	<u>8.5%</u>	<u>10%</u>

(b) Employment Related Expenses. – The amount of employment-related expenses for which a credit may be claimed may not exceed three thousand dollars (\$3,000) if the taxpayer's household includes one qualifying individual, as defined in section 21(b)(1) of the Code, and may not exceed six thousand dollars (\$6,000) if the taxpayer's household includes more than one qualifying individual. The amount of employment-related expenses for which a credit may be claimed is reduced by the amount of employer-provided dependent care assistance excluded from gross income.

(c) Limitations. – A nonresident or part-year resident who claims the credit allowed by this section shall reduce the amount of the credit by multiplying it by the fraction calculated under ~~G.S. 105-134.5(b) or (c)~~, G.S. 105-153.4(b) or (c), as appropriate. No credit shall be allowed under this section for amounts deducted in calculating North Carolina taxable income. The credit allowed by this section may not exceed the amount of tax imposed by this Part for the taxable year reduced by the sum of all credits allowable, except for payments of tax made by or on behalf of the taxpayer."

PART II. EXPAND NC PRE-K PROGRAM

SECTION 2.1. 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 one hundred eighty million dollars (\$180,000,000) in recurring funds for the 2022-2023 fiscal year for the North Carolina Prekindergarten (NC Pre-K) program to expand the number of slots by 32,000 and cover all eligible children 4 years of age.

PART III. INCREASE SUBSIDIZED CHILD CARE FUNDING

SECTION 3.1. 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-five million dollars (\$45,000,000) in recurring funds for the 2022-2023 fiscal year to increase funding for subsidized child care.

PART IV. PROVIDE LUNCH TO STUDENTS IN PUBLIC SCHOOL UNITS AT NO COST TO STUDENTS

SECTION 4.1. G.S. 115C-263 reads as rewritten:

"§ 115C-263. Required provision of services.

As a part of the function of the public school system, local boards of education shall provide ~~to the extent practicable school food-nutrition~~ services in the schools under their jurisdiction. Lunch shall be available through the nutrition services to all students at no cost to the student. All school ~~food-nutrition~~ services made available under this authority shall be provided in accordance with standards and regulations recommended by the Superintendent of Public Instruction and approved by the State Board of Education."

SECTION 4.2. G.S. 115C-264 reads as rewritten:

"§ 115C-264. Operation.

(a) In the operation of their public school nutrition programs ~~the public schools, pursuant to G.S. 115C-263, public school units~~ shall participate in the National School Lunch Program established by the federal government. The program shall be under the jurisdiction of the ~~Division of School Support, Child Nutrition Services of the Department of Public Instruction~~ School Nutrition Division of the Department of Public Instruction and in accordance with federal guidelines as established by the Food and Nutrition Service of the United States Department of Agriculture.

(a1) The Department of Public Instruction shall allocate sufficient funds to public school units to provide lunch to every student who elects to receive lunch at no cost to the student. These funds shall supplement and not supplant any federal funds provided for the same services. No later than March 15, 2023, and every year thereafter that funds are made available pursuant to this section, the Department of Public Instruction shall report to the Joint Legislative Education Oversight Committee, at a minimum, the number of students electing to receive lunch at no cost, the number of no-cost lunches served, and the cost of implementing the no-cost lunch program.

...

(c) All school ~~food-nutrition~~ services shall be operated on a nonprofit basis, and any earnings therefrom over and above the cost of operation as defined herein shall be used to reduce the cost of food, to serve better food, or to provide free ~~or reduced-price lunches to indigent children and lunches and~~ for no other purpose. The term "cost of operation" means the actual cost incurred in the purchase and preparation of food, the salaries of all personnel directly ~~engaged-employed~~ in providing food services, and the cost of nonfood supplies as outlined under standards adopted by the State Board of Education. "Personnel" means ~~child-school~~ nutrition supervisors or directors, bookkeepers directly engaged in ~~food-nutrition~~ service record keeping and those persons directly involved in preparing and serving food. ~~Child-School~~ nutrition personnel shall be paid from the funds of ~~food-nutrition~~ services only for services rendered ~~in-on~~ behalf of the ~~child-school~~ nutrition program. Any cost incurred in the provisions and maintenance

1 of school ~~food~~-nutrition services over and beyond the cost of operation shall be included in the
2 budget request filed annually by local boards of education with boards of county commissioners.
3 Public schools are not required to comply with G.S. 115C-522(a) in the purchase of supplies and
4 food for such school ~~food~~-nutrition services."

5 **SECTION 4.3.** G.S. 115C-75.9(l) reads as rewritten:

6 "(l) School Nutrition Program. – The innovative school shall participate in the National
7 School Lunch Program, ~~as provided in G.S. 115C-264.~~ and shall make lunch available to all
8 students at no cost to the students. All school nutrition services shall be provided in accordance
9 with G.S. 115C-263 and G.S. 115C-264."

10 **SECTION 4.4.** G.S. 115C-218.75 is amended by adding a new subsection to read:

11 "(k) A charter school shall make lunch available to all students at no cost to the students.
12 All school nutrition services shall be provided in accordance with G.S. 115C-263 and
13 G.S. 115C-264."

14 **SECTION 4.5.** G.S. 115C-238.72(b) reads as rewritten:

15 "(b) Food Service. – The local school administrative unit identified by resolution shall
16 ~~provide, to the extent practicable, school food~~ provide school nutrition services to the regional
17 ~~school.~~ school, including making lunch available to all students at no cost to the students. All
18 school nutrition services shall be provided in accordance with G.S. 115C-263 and
19 G.S. 115C-264. For purposes of federal funding through the National School Lunch Program or
20 other federally supported ~~food~~-nutrition service programs, the local school administrative unit
21 identified by resolution shall be permitted to include eligible students enrolled in the regional
22 school. Other participating units shall not include students enrolled in the regional school for
23 purposes of federally supported ~~food~~-nutrition service programs."

24 **SECTION 4.6.** G.S. 115C-150.14 is amended by adding a new subsection to read:

25 "(a1) A school governed by this Article shall provide school nutrition services for enrolled
26 students by participating in federally assisted school nutrition programs and shall make lunch
27 available to all students at no cost to the students. All school nutrition services shall be provided
28 in accordance with G.S. 115C-263 and G.S. 115C-264."

29 **SECTION 4.7.** G.S. 116-239.8(b)(4)c. reads as rewritten:

30 "c. Food Services. – Students enrolled in a laboratory school shall be
31 provided school nutrition services by the laboratory school
32 participating in federally assisted school nutrition programs. The
33 laboratory school shall also make lunch available to all students at no
34 cost to the students. All school nutrition services shall be provided in
35 accordance with G.S. 115C-263 and G.S. 115C-264. Upon request,
36 the local school administrative unit in which the laboratory school is
37 located shall administer the National School Lunch Program for the
38 laboratory school in accordance with G.S. 115C-264.school."

39 **SECTION 4.8.** There is appropriated from the General Fund to the Department of
40 Public Instruction the sum of one hundred fifty-nine million three hundred thousand dollars
41 (\$159,300,000) in recurring funds for the 2022-2023 fiscal year to provide lunch to students in
42 public school units at no cost to the students in accordance with this Part.

43 44 **PART V. FUNDS FOR PUBLIC CHILD CARE PROVIDED BY COMMUNITY** 45 **COLLEGES**

46 **SECTION 5.1.(a)** Appropriation. – There is appropriated from the General Fund to
47 the Community Colleges System Office the sum of ten million dollars (\$10,000,000) in
48 nonrecurring funds for the 2022-2023 fiscal year to be allocated proportionally to each
49 community college with an active child care program that is available to the public to support
50 and maintain that program. The State Board of Community Colleges shall adopt a formula for
51 allocating these funds. Funds shall be allocated based on the number of children served by the

1 program, and the State Board shall prioritize the award of funds based on the financial needs of
2 the program. These funds shall not revert at the end of the 2022-2023 fiscal year but shall remain
3 available until expended.

4 **SECTION 5.1.(b)** Report. – Any community college that does not have a publicly
5 available child care program shall report to the State Board of Community Colleges on the
6 feasibility and advisability of implementing a publicly available child care program at that
7 community college, including recommendations for implementing such a child care program,
8 estimated costs, and barriers to implementation. The State Board shall aggregate that information
9 and report it to the Joint Legislative Oversight Committee no later than March 31, 2023.

10 11 **PART VI. REPORT ON HIGH SCHOOL CHILD CARE APPRENTICESHIP** 12 **PROGRAM**

13 **SECTION 6.1.(a)** No later than December 31, 2023, the Department of Public
14 Instruction, in consultation with each partner agency, shall report to the Joint Legislative
15 Education Oversight Committee on the feasibility and advisability of implementing a child care
16 apprenticeship program in public high schools. The report shall include at least the following
17 information:

- 18 (1) Estimated costs and a time line for implementing a statewide or regional child
19 care apprenticeship program.
- 20 (2) Expected student and community impacts of a child care apprenticeship
21 program, including impacts on student performance, attrition, well-being, and
22 any other factor the Department deems relevant to the report.

23 **SECTION 6.1.(b)** No later than February 29, 2024, the Joint Legislative Education
24 Oversight Committee shall hold a committee meeting and receive an in-person presentation from
25 the Department, in partnership with each partner agency, on the report provided pursuant to
26 subsection (a) of this section.

27 **SECTION 6.1.(c)** For purposes of this section, the term "partner agency" shall refer
28 to the Department of Health and Human Services, the Board of Governors of The University of
29 North Carolina, and the State Board of Community Colleges.

30 31 **PART VII. EFFECTIVE DATE**

32 **SECTION 7.1.** Part I of this act is effective for taxable years beginning on or after
33 January 1, 2022. The remainder of this act becomes effective July 1, 2022.