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SENATE BILL DRS35225-MCa-84

Short Title: Lasting Economic and Academic Prosperity Act. (Public)

Sponsors: Senators Chitlik, Lowe, and Grafstein (Primary Sponsors).

Referred to:

A BILL TO BE ENTITLED

AN ACT TO ENACT THE LASTING ECONOMIC AND ACADEMIC PROSPERITY (LEAP)
ACT.

The General Assembly of North Carolina enacts:

SECTION 1. Article 3 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"§ 143-168.17. Lasting Economic and Academic Prosperity (LEAP) Endowment Program.

(a) Title; Purpose. – This section shall be known and may be cited as the Lasting Economic and Academic Prosperity (LEAP) Act. The purpose of this section is to establish a framework whereby the State may provide funds to be used by the Department of Health and Human Services, Division of Child Development and Early Education, to (i) benefit North Carolina children, (ii) establish and support endeavors to further early childhood development and other interventions that can reasonably be anticipated to result in better educational and life-quality outcomes, (iii) better target philanthropic funding to needed childhood initiatives, and (iv) establish a stable and predictable form of State-match funding to incentivize total philanthropic giving and bridge the gap between current and needed funding for educational and developmental endeavors for the children of the State.

(b) Definitions. – The following definitions apply in this section:

- (1) DCDEE. – The Division of Child Development and Early Education within the Department of Health and Human Services.
- (2) Endowment. – Funds appropriated to DCDEE by the State for the endowment of the Program.
- (3) Excluded amount. – Funds raised by DCDEE through fundraising efforts that are separately accounted, and reserved solely, for the Program, including returns or earnings of any kind resulting directly or indirectly from investment of such funds. The term does not include State funds appropriated or allocated to DCDEE or funds raised by DCDEE for other purposes.
- (4) Investment income. – Returns and earnings of any kind resulting directly or indirectly from investment of the endowment by an independent investment manager as allowed by this section.
- (5) Program. – The Lasting Economic and Academic Prosperity Endowment Program established in this section.
- (6) Programmatic funds. – Investment income and excluded amounts not invested with the endowment.



1 (c) Program. – The Program is established in the Department of Health and Human
2 Services. DCDEE shall develop detailed guidelines to administer, and accomplish the purposes
3 of, the Program. DCDEE, in administering the Program, shall be subject to all of the following:

4 (1) DCDEE shall use the funds as follows:

5 a. Endowment. – The endowment shall be used solely to produce
6 investment income by an independent investment manager, as
7 provided in this section.

8 b. Investment income. – Investment income shall be used to supplement
9 or stabilize funding for any early childhood or child care initiatives
10 administered by DCDEE to maintain and maximize the reach and
11 continuous receipt and impact of those initiatives.

12 c. Excluded amounts. – Excluded amounts may be invested with the
13 endowment or used for the purposes allowed for investment income.

14 (2) DCDEE shall report on (i) investment income earned and (ii) expenditures of
15 programmatic funds to the Joint Legislative Oversight Committee on Health
16 and Human Services and the Fiscal Research Division on or before September
17 15 of each fiscal year and more frequently as requested.

18 (3) DCDEE shall contract with an independent investment manager to manage
19 and invest the endowment for the purpose of generating investment income.
20 The contract shall establish the annual compensation for the investment
21 manager, including any management fee, which shall reflect asset-based
22 pricing using a tiered structure, with an overall blended rate not to exceed 15
23 basis points. Amounts paid pursuant to this subdivision are overhead and
24 administrative costs of DCDEE. The contract shall require that the investment
25 manager disclose to DCDEE any interest that it or an owner, stockholder,
26 partner, officer, director, member, employee, or agent of the investment
27 manager has in a recipient of investment income from DCDEE to the extent
28 the investment manager is aware of such recipients. The activities and
29 investments of the investment manager are not subject to the reporting
30 requirements of this section.

31 (4) DCDEE shall maintain separate accounting records for and separate accounts
32 for programmatic funds and shall not commingle programmatic funds with
33 other funds. DCDEE shall maintain records and accounts according to
34 generally accepted accounting principles."

35 **SECTION 2.** Article 4 of Chapter 143C of the General Statutes is amended by adding
36 a new section to read:

37 **"§ 143C-4-2.1. LEAP Reserve.**

38 (a) Creation. – The LEAP Reserve is established as a reserve in the General Fund and is
39 a component of the unappropriated General Fund balance.

40 (b) LEAP Reserve Requirement. – Each Current Operations Appropriations Act enacted
41 by the General Assembly shall include a transfer to the LEAP Reserve in an amount equal to the
42 excluded amount, as defined in G.S. 143B-168.17, raised for the LEAP Endowment Program
43 established in that section during the previous fiscal year. Each fiscal year, the Office of the State
44 Controller shall transfer to the LEAP Reserve the amount included for transfer pursuant to this
45 subsection. Funds transferred to the LEAP Reserve pursuant to this subsection are hereby
46 appropriated to the Department of Health and Human Services, Division of Child Development
47 and Early Education, in the year transferred for purposes consistent with the LEAP Endowment
48 Program.

49 (c) Transfers of Funds to LEAP Reserve. – Each fiscal year, the Office of State Controller
50 shall transfer to the LEAP Reserve the amount included for transfer pursuant to subsection (b) of
51 this section.

1 (d) Additional Transfer of Funds by General Assembly Permissible. – Nothing in this
2 section shall be construed to prohibit the General Assembly from directing the transfer of
3 additional funds into the LEAP Reserve."

4 **SECTION 3.** There is appropriated from the General Fund to the Department of
5 Health and Human Services the recurring sum of four hundred fifty thousand dollars (\$450,000)
6 for the 2025-2026 fiscal year and the recurring sum of four hundred seventy-two thousand five
7 hundred dollars (\$472,500) for the 2026-2027 fiscal year to be allocated to the Division of Child
8 Development and Early Education to be used for fundraising efforts for the LEAP Endowment
9 Program established in G.S. 143-168.17. It is the intent of the General Assembly to appropriate
10 future amounts for the purposes described in this section for a minimum of eight additional years,
11 with each year having a five percent (5%) increase over the previous year's appropriation.

12 **SECTION 4.** Section 2 of this act becomes effective July 1, 2025. The remainder of
13 this act is effective when it becomes law.