HOUSE BILL 149:
School Financial Flexibility Pilot Program.

2025-2026 General Assembly

Committee:	House Education - K-12. If favorable, re-refer to Rules, Calendar, and Operations of the House	**Date:**	April 1, 2025
Introduced by:	Rep. Carver	**Prepared by:**	Drupti Chauhan Committee Counsel
Analysis of:	First Edition		

***OVERVIEW:* House Bill 149 would create a pilot program to allow financial and hiring flexibility for certain local school administrative units (LEAs).**

[As introduced, this bill was identical to S112, as introduced by Sen. Sawyer, which is currently in Senate Rules and Operations of the Senate.]

CURRENT LAW: LEAs generally receive funding through guaranteed positions and dollar allotments, which are distributed in three general categories: base allotments (e.g., classroom teachers), allotments based on student characteristics (e.g., funding for students with disabilities), and allotments based on district characteristics (e.g., low wealth county supplemental funding). Typically, G.S. 115C-105.25 restricts the flexibility of LEAs to transfer funds between the different allotment categories. Under G.S. 115C-295, all teachers employed in the public schools must either hold or be qualified to hold a license as per the rules adopted by the State Board of Education (SBE) or as prescribed by statute.

BILL ANALYSIS: House Bill 149 would allow an eligible LEA to submit a Financial and Hiring Flexibility Plan (FHFP) to the SBE to allow the LEA flexibility with State funds.

Eligibility – An "eligible" LEA would be an LEA that meets both of the following:

- The LEA has the authority to levy special taxes for the payment of bonds issues by the LEA.
- The LEA had an allotted average daily membership of at least 5,000 students for the 2023-2024 school year.

Submission of FHPF – By January 15, 2026, in order to begin operation of the FHFP with the 2026-2027 school year, an eligible LEA must submit an FHFP to the SBE that has the following information:

- A resolution adopted by the local board of education of the eligible LEA to implement the FHFP.
- Detailed description of how the flexibility under the FHFP wil allow the eligible LEA to meet the following goals by the end of the 2030-2031 school year:
    - Ensuring that 100% of its students completed a career development plan by the beginning of the senior year of high school.
    - Increasing teacher retention to a 90% rate.
    - Improving the average growth index of the LEA's schools to .50 or greater.

- Increasing the growth rate of student subgroups that are below the average growth rate in the 2024-2025 school year to above the average overall growth rate for the State.
- Quantifying other measures of success of the FHFP in achieving the goals of the FHFP.

Review by SBE – The SBE must conduct a review of the operation and student performance of an LEA operating under an approved FHFP at the end of the 2030-2031 school year and at least every 3 years thereafter to ensure that the LEA is meeting expected academic goals and complying with all requirements. The SBE must terminate an FHFP after a review for any of the following: (i) failure to meet the academic strategic goals for student performance; (ii) identification of the majority of schools in the LEA as low-performing schools in the two years immediately preceding the review; and failure to meet standards of fiscal management or violation of State or federal law.

The SBE must terminate the FHFP at any time if it finds that the LEA with the FHFP has failed to meet accepted fiscal management standards or violated State or federal law. If the Superintendent of Public Instruction (Superintendent) finds that it is not making satisfactory progress towards its strategic goals after reviewing the required reports, the Superintendent must recommend to the SBE that the FHFP be terminated. The SBE may terminate if such a recommendation is made and then the LEA may continue to operate under the FHFP until the end of that school year.

Transition – If an FHFP is terminated, the SBE may grant the LEA annual waivers to the teacher licensure requirements for up to three years to facilitate back to fully licensed teachers.

Teacher Flexibility – The FHFP would exempt the LEA with the FHFP from the licensure requirements of G.S. 115C-295 beginning July 1, 2026 as long as it is operating under the FHFP for up to 50% of the teachers in each school in the LEA. All teachers who are teaching in the core subject area of mathematics, science, social studies, and language arts must be college graduates. Teachers who are hired but are not licensed must complete preservice training offered through an educator preparation program or by a local school administrative unit in all of the following areas before providing instruction: (i) identification of students with disabilities; (2) positive management of student behavior; (3) effective communication for handling disruptive or dangerous behavior; and (4) Safe and appropriate use of seclusion and restraint.

Calendar Flexibility – All schools in the LEA with the FHFP would be exempt from the statutory school calendar start and stop dates.

State Funds – With the 2026-2027 fiscal year, the Department of Public Instruction (DPI) must calculate the amount of State funds to be allocated to the LEA operating under an FHFP on the same basis as other local school administrative units and distribute the funds to the LEA. DPI must use statewide average salary figures for the purpose of calculating the dollar equivalent of guaranteed positions as necessary. Funds would be subject to any use restrictions imposed by federal law, conditions of federal or state grants, or as required by any rules adopted by the SBE to ensure compliance with federal regulations. Use of the State funds would not be restricted except as provided by this bill.

Disbursement of State Funds – The SBE may withhold funds to be distributed to the LEA operating under an FHFP if any report required to be filed to the State is more than 30 days overdue.

Retirement Contribution Withholding – If an LEA operating under the FHFP fails to make required contributions to the Teachers and State Employees Retirement System, the SBE must withhold the delinquent contribution amount from the LEA and make the payment to the Retirement System.

Reports – An LEA operating under a FHFP must report to the Superintendent by July 15, 2027, and annually thereafter as follows:

- The number of licensed and unlicensed teachers and the use of long-term substitutes in filling vacancies for classroom teachers as well as recruiting data on the numbers of licensed and unlicensed teachers hired during the school year and overall retention in each school year.
- Specific actions taken to close academic achievement gaps between student groups on State tests.
- Breakdown of how State funds are spent.
- Available data on outcomes of the stated goals of the FHFP and other reporting requirements deemed necessary by the Superintendent.

By November 15, 2027, and annually thereafter in each year that an LEA operates under an FHFP, the Superintendent must report to the Joint Legislative Education Oversight Committee on the progress of the LEA with the following information:

- Summary of the data provided by the LEAs with FHFPs to the Superintendent.
- The effectiveness of the FHFP on hiring and retaining teachers in the LEAs determined by annual turnover rates and teacher vacancies compared to other local school administrative units not operating under an FHFP.
- An assessment of the financial flexibilities used by the LEAs operating under an FHFP and recommended changes or modifications.
- Available data on outcomes identified as goals in the FHFP.
- Any other information deemed relevant by the Superintendent.

EFFECTIVE DATE: The bill would become effective when it becomes law.