

Licensed Child Care Licensure Workgroup

Session Law 2025-36, Section 19



Report to

**Joint Legislative Oversight Committees on
Health and Human Services
and**

**Joint Legislative Oversight Committee on
General Government
and**

Fiscal Research Division

By

NC Department of Health and Human Services

July 1, 2026

Reporting Requirement

Pursuant to Session Law 2025-36, Section 19.3, the Division of Child Development and Early Education (DCDEE) is required to submit a report to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on General Government, and the Fiscal Research Division no later than July 1, 2026 on the findings and recommendations of the Licensed Child Care Licensure Workgroup established to examine streamlining regulatory requirements related to the physical structures of licensed child care facilities:

LICENSED CHILD CARE LICENSURE WORKGROUP

SECTION 19.1. The Division of Child Development and Early Education (Division) shall establish the Licensed Child Care Licensure Workgroup to examine streamlining regulatory requirements related to the physical structures of licensed child care facilities. The workgroup shall consist of at least one representative from each of the following:

- (1) The Division of Child Development and Early Education.
- (2) The Office of the State Fire Marshal.
- (3) The Department of Insurance.
- (4) The North Carolina Building Code Council.
- (5) The Division of Public Health.
- (6) The League of Municipalities.
- (7) The North Carolina Association of County Commissioners.
- (8) N.C. Licensed Child Care Association.
- (9) The North Carolina Child Care Commission.
- (10) Other representatives deemed necessary by the Division.

The Division shall appoint two individuals to serve as co-chairs of the workgroup.

Each entity above shall choose the individual or individuals to serve on the workgroup in a number to be determined by the Division.

SECTION 19.2. The workgroup shall develop findings and recommendations related to at least the following:

- (1) Streamlining the regulatory requirements related to the physical structures of licensed child care facilities, including building codes, fire codes, and sanitation codes.
- (2) Resolving conflicts between various code requirements for licensed child care facilities.

SECTION 19.3. The Division of Child Development and Early Education shall report the findings and recommendations of the workgroup to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on General Government, and the Fiscal Research Division no later than one year after this act becomes law.

Pursuant to Session Law 2025-36 Section 19.3, the Department of Health and Human Services, Division of Child Development and Early Education (DCDEE) has provided the required

information below.

Licensed Child Care Licensure Workgroup Establishment, Membership, and Convening

The Division of Child Development and Early Education established the Licensed Child Care Licensure Workgroup as outlined in Session Law 2025-36, Section 19.3, with the following membership:

NC DCDEE	Justin Clark, Regulatory Specialist
NC Office of the State Fire Marshal	Rob Roegner, Chief Deputy Fire Marshal*
NC Department of Insurance	Corey Mercer, Deputy Commissioner
NC Building Code Council	David Rittlinger, Division Chief: Codes & Interpretations
NC Division of Public Health	Rob Pearsall, Environmental Health Regional Specialist, Team Leader
NC League of Municipalities	Paul Padgett, Inspections Department in Garner, NC*
NC Association of County Commissioners	Andrew Blackburn, Government Relations Manager revised December 2025 to Tiffany Gladney, Government Relations Manager
NC Licensed Child Care Association	Brian Grovenstein, Lightbridge Academy
NC Child Care Commission	Lea Gombar, Child Care Commissioner
<i>*Co-Chairs as designated by DCDEE</i>	

DCDEE staff with the Division Director’s Office and Regulatory Sections also provided administrative support and resources for the workgroup’s planning, research, and coordination.

Workgroup Process and Development of Recommendations

The findings and recommendations presented in this report were developed by the Licensed Child Care Workgroup through a collaborative interagency process and reflect the collective perspectives of work group members representing state agencies, local governments, and child care stakeholders. While DCDEE provided administrative support and submitted this report in fulfillment of the legislative reporting requirement, the findings and recommendations were developed by the workgroup as a whole and reviewed by the designated co-chairs from the NC Office of the State Fire Marshal and the NC League of Municipalities. The findings and recommendations do not necessarily reflect the position of any single participating agency or organization.

Workgroup Findings and Recommendations

The Licensed Child Care Licensure Workgroup collectively developed findings and recommendations concerning both legislatively mandated workgroup goals:

- Streamlining the regulatory requirements related to the physical structures of licensed child care facilities, including building codes, fire codes, and sanitation codes
- Resolving conflicts between various code requirements for licensed child care facilities

Substantial risks to individuals, groups, constituents, and the state as a whole—which are already impacted by a worsening child care crisis— are likely to be exacerbated if measures are not implemented to streamline the regulatory requirements and resolve conflicting code requirements related to the physical structures of licensed child care facilities (see Appendix A for breakdown of unmet need for Subsidized Child Care Assistance (SCCA) by County and Appendix B for data sources and additional references):

- a. On average, there is only one licensed child care slot available for every five families who need one (access is particularly limited in rural areas and for infants and toddlers) and 35% of parents who experienced disruptions to their employment in 2024 reported leaving the workforce due to issues with child care.
- b. Only approximately 12% of eligible children receive SCCA due to available funding and NC currently has approximately 5865 children on the waiting list as of May 2026.
- c. According to the U.S. Department of Health and Human Services (HHS), child care is affordable if it costs no more than 7% of a family’s income. In North Carolina, this means 4 out of 5 families are unable to afford the cost of infant care.
- d. North Carolina’s economy loses an estimated \$5.65B loss each year as a direct financial impact of the lack of child care. The state also misses \$1.36B annually in tax revenue due to turnover and absence costs stemming from lack of childcare, and a \$4.29B loss due to child care related employee turnover and absenteeism (SEE “NC Department of Commerce Hidden Cost of Child Care Gaps in North Carolina’s Economy” Report for breakdown of economic impact by county).

The workgroup’s findings and recommendations—listed below in order of priority—often relate to both above areas as there is significant overlap in relevant content and requirements. **The workgroup also notes that the ability to move forward with addressing some findings and recommendations will be contingent upon action by the NC Building Code Council, which is not currently seated and last met in December 2024.**

Workgroup Findings and Recommendations:

(1) **Finding:** Common definitions and thresholds in applicable rules and codes for physical structures used as child care facilities across agencies, including a consistent definition for “child care”, are essential to streamlining requirements as definitions have implications for code interpretation.

Recommendation: Align applicable definitions, including for “child care”, across building codes,

rules, administrative codes and statutes to address inconsistencies in interpretation and application for buildings to be used as child care facilities.

Next Step(s): Require NC Building Code Council to establish a special committee to identify inconsistencies and recommend changes needed for alignment.

Recommended Lead Agencies: NC Building Code Council, Office of the State Fire Marshal, Division of Child Development and Early Education, Division of Public Health, Child Care Commission

Collaborating Agencies: NC Association of County Commissioners, Department of Insurance, League of Municipalities

(2) **Finding:** A new state-level review process for child care franchises with nine or more existing child care locations was established within the NC Division of Public Health’s Environmental Health Section due to changes in Sanitation Rules in 2023. The state-level review supplants local reviews, eliminating duplication and conflicts. Individual owners of a child care franchise with nine or more locations are also eligible for this state-level review as they are part of a larger corporation’s umbrella. State-level franchise review is allowed only for new buildings; existing buildings that are being modified are not eligible. A similar plan review process to the commercial plan review could be explored for applicable codes through the NC Office of the State Fire Marshal but would require additional funding and positions to ensure the state-level review process did not become a barrier in slowing down the process.

Recommendation: Explore establishing and implementing—with additional state funding from a portion of permit fees to support additional positions—a state-level commercial plan review process through the NC Office of the State Fire Marshal for child care facilities modeled after the process established within the NC Division of Public Health Environmental Health Section and additionally the NC Office of the State Fire Marshal will include review of plans for existing facilities and not limiting process eligibility to franchise locations.

Next Step(s): Expand existing commercial plan review staff within the NC Office of the State Fire Marshal and establish specific rulemaking authority in legislation for the Office of the State Fire Marshal to establish this state-level review process in North Carolina Administrative Code & Policies, Section 104.1.

Recommended Lead Agencies: NC Office of the State Fire Marshal, Division of Public Health

Collaborating Agencies: NC Division of Child Development and Early Education, Licensed Child Care Association

(3) **Finding:** Conflicting codes within and among North Carolina Administrative Code, Building Code Council rules and requirements, and Unified Development Ordinances (UDOs) present significant challenges for existing and potential child care operators in meeting all applicable requirements related to licensed child care facility structures.

Occupancy classification is foundational to and drives other code requirements and needs careful

review to avoid conflicting standards. Changes to previous use of an existing building to a child care facility, especially from a retail business space to child care, involve significant challenges in addressing all requirements for Certificate of Occupancy (CO). Some changes will also impact accessibility issues, which are governed by the Federal Americans with Disabilities Act.

Compiling and analyzing Unified Development Ordinances (UDOs) and zoning barriers across local jurisdictions would help to identify inconsistencies and potential conflicts. Socializing the findings and recommendations of this report and developing a framework to address potential barriers within UDOs among and across local jurisdictions will be critical to effectively addressing regulatory limitations impacting licensed child care facility physical structures.

Conflicting code requirements for child care physical structures among local (counties/ cities/ towns) and state codes present navigation challenges for child care operators. Local ordinances cannot supersede state and federal requirements but can be more stringent. Ordinances impacting Family Child Care Homes (FCCHs) can be especially challenging as Homeowners' Association covenants and home occupation and special use permits often apply.

While many streamlining changes to applicable codes for buildings used as child care facilities could be addressed outside of the legislative process through rulemaking North Carolina Administrative Code (NCAC) amendments, and permanent rulemaking by the North Carolina Building Code Council, addressing conflicts with local requirements would require legislative statutory amendments. Building codes for licensed out of school school-age child care and licensed family child care homes were recently addressed in Session Law 2025-36; however, while statute and existing child care rule now allows ratios of up to 10 children per teacher for licensed family child care homes for children over the age of 24 months, building code has not been updated from allowable ratios of up to 8 children per teacher for this group of children.

Recommendations:

- Explore opportunities within building occupancy classifications to streamline and more clearly define requirements, including for differing requirements for types of changes to existing buildings (such as “change of use”, “change of tenant”, and “change of ownership”), and upgrades required to meet Americans with Disabilities Act requirements. Engage.
- Explore potential contract with University of North Carolina School of Government to complete UDOs and zoning analysis across local jurisdictions, to support socialization of findings and recommendations, including with local planning directors and departments, and to keep this information updated on an ongoing basis. Implement through legislation a reporting requirement and mechanism for local jurisdictions to provide necessary information and utilize state funding from a portion of permit fees to support data analysis. Additional legislative recommendations resulting from analysis may be identified to inform development and implementation of a framework to address potential barriers within UDOs among and across local jurisdictions impacting licensed child care facility physical structures.
- As statutory law supersedes code requirements, Session Law 2025-36—as it pertains to allowable ratios for licensed family child care homes—needs to extend to direct the NC Building Code Council to update applicable codes. The interagency workgroup included in recommendation (7) below should serve as a coordinating entity for this work addressing

conflicting requirements in building codes, UDOs, and other administrative code to ensure alignment is achieved and sustained.

Next Step(s): Require NC Building Code Council special committee recommended in (1) above to identify conflicts in applicable codes for licensed child care physical structures and recommend changes needed for alignment.

Recommended Lead Agencies: NC Building Code Council, Office of the State Fire Marshal, League of Municipalities, Department of Insurance, Division of Public Health

Collaborating Agencies: NC Division of Child Development and Early Education, Child Care Commission, Association of County Commissioners, Licensed Child Care Association

(4) **Finding:** Additional consumer education for potential child care operators emphasizing critical need to first contact local jurisdiction building inspection and zoning departments prior to purchasing a building or signing a lease for a building intended for use as a child care facility would be valuable. Consumer education focused specifically on requirements impacting FCCHs as well as enhanced planning and zoning guidance for all types of child care facilities is needed. Use of technology, including informational videos and checklists from agencies to be shared as part of the DCDEE's pre-licensing workshops for potential child care operators, and further centralizing available resources should be explored and implemented.

Recommendation: Enhance and expand consumer education provided through basic information packets and pre-licensing workshops provided by DCDEE for potential child care operators to include: additional planning and zoning guidance (including videos and training modules, Americans with Disabilities Act requirements, local contact information, and updated and additional checklists), information concerning newly available state-level review for franchise owners through Environmental Health Section at Division of Public Health, and specific focused guidance concerning local requirements for child care facilities operating as FCCHs. Utilize DCDEE's pre-licensing webpage to further centralize resources available across agencies for child care operators. Develop and disseminate an "owner's manual" guide for child care operators for fire protection systems as part of this consumer education and centralizing resources.

Next Step(s): Establish coordinated process for and complete reviews and enhancements to consumer education provided for potential child care operators.

Recommended Lead Agencies: NC Division of Child Development and Early Education, Office of the State Fire Marshal, Division of Public Health, League of Municipalities

Collaborating Agencies: NC Licensed Child Care Association, Building Code Council, Department of Insurance

(5) **Finding:** Licensed child care building and fire inspection forms require review and revision to ensure forms accurately reflect all code requirements and reduce liability concerns. Training modules with specific child care facility content for inspector onboarding and continuing education as well as regional meetings with local planners and inspectors would support accuracy and consistency.

Recommendation: Review and revise licensed child care building and fire inspection forms to ensure alignment with all code requirements and reduce liability concerns. Develop and disseminate training modules with specific child care facility content for cross-agency inspector onboarding and continuing education and host ongoing regional meetings with local planners and inspectors.

Next Step(s): Complete inspection form review and revisions and implement through funding for Code Officials Qualification Board to develop cross-agency education programs for inspectors. Develop plan for periodic review and updates to forms and training as needed to align with changing code.

Recommended Lead Agencies: NC Building Code Council, Office of the State Fire Marshal, Code Officials Qualification Board, Division of Child Development and Early Education

Collaborating Agencies: NC Association of County Commissioners League of Municipalities, Department of Insurance, Division of Public Health

(6) Finding: An ongoing interagency workgroup focused on continuing to streamline and address regulatory requirements related to the physical structures of licensed child care facilities, resolving conflicts between various code requirements for licensed child care facilities, and updating and disseminating consumer education materials is a critical need for interagency coordination and sustainability and efficiency in implementing and maintaining any recommended changes.

Recommendation: Establish an ongoing interagency workgroup focused on continuing to streamline and address regulatory requirements related to the physical structures of licensed child care facilities, resolving conflicts between various code requirements for licensed child care facilities, and updating and disseminating consumer education materials. The workgroup should explore additional recommendations for statutory language amendments beyond those included in other recommendations in this report to support further streamlining of state and local jurisdiction code requirements related to the physical structures of licensed child care facilities.

Next Step(s): Direct establishment, membership, and authority of ongoing interagency workgroup focused on continuing to streamline and address regulatory requirements for licensed child care facilities physical structures and to serve as coordinating entity for addressing conflicts across and among applicable requirements.

Recommended Lead Agencies: NC Office of the State Fire Marshal, League of Municipalities, Division of Public Health, Division of Child Development and Early Education

Collaborating Agencies: NC Association of County Commissioners, Building Code Council, Child Care Commission, Licensed Child Care Association, Department of Insurance

Additional Findings and Recommendations Identified by the Workgroup

During its review, the workgroup identified additional barriers impacting child care supply and sustainability that fall outside the specific legislative charge in S.L. 2025-36. The workgroup agreed these issues were important to highlight given their potential impact on child care access and

availability across the state.

(7) Finding: Financial investment required for physical structures of licensed child care facilities to meet existing requirements to open new facilities far exceed amounts sustainable for business operations. This situation is applicable for urban and rural areas across North Carolina with an average cost of \$35,700 to \$40,400 per child care opening. (see Appendix D Prototype Child Care Center – NC Capacity Model for information concerning capital investment required to create child care capacity).

Recommendation: While outside the scope of this workgroup’s legislative mandate, the often prohibitive level of existing capital investments required to create additional child care capacity across North Carolina also warrant consideration for potential legislative action to effectively address barriers impacting access to affordable child care. Incentives in the form of state tax credits, similar to the [Internal Revenue Code \(IRC\) Section 45F Credit](#) which provides up to a \$600,000 non-refundable credit for businesses that provide child care services for employees, may be effective tools to offset financial constraints to child care supply building.

Next Step(s): Joint Legislative Oversight Committee on Health and Human Services to consider proposing legislation to provide state tax credits as incentives for businesses that provide child care services for employees

(8) Finding: As noted in the North Carolina Department of Insurance Child Care and Community-based Child Welfare Providers Liability Insurance Workgroup Legislative Report also prepared in response to Session Law 2025-36, licensed child care providers are increasingly unable to obtain affordable and comprehensive liability insurance due to rising costs and decreasing availability. (see Appendix C for full legislative report submitted December 30, 2025).

Recommendation: Implement recommendations from North Carolina Department of Insurance Child Care and Community-based Child Welfare Providers Liability Insurance Workgroup Legislative Report submitted December 30, 2025, including appropriation of funding for a feasibility study to evaluate the creation of a publicly supported insurance pool or captive insurance model with the aim of establishing and scaling a pilot program.

Next Step(s): Appropriate funding and designate authority for recommended feasibility study to evaluate the creation of a publicly supported insurance pool or captive insurance model with the aim of establishing and scaling a pilot program.

Recommended Lead Agency: NC Department of Insurance

Collaborating Agencies: NC Division of Child Development and Early Education, Licensed Child Care Association

Appendix A
Unmet Subsidized Child Care Assistance Need in North Carolina by County
Report Month May 2026

County	Number of Children on Wait List	County	Number of Children on Wait List
Alexander	21	Iredell	201
Alleghany	2	Johnston	159
Anson	82	Lincoln	109
Beaufort	123	Macon	3
Bladen	43	Martin	37
Brunswick	14	Mecklenburg	1303
Burke	6	Montgomery	28
Cabarrus	1	Northampton	3
Camden	13	Pasquotank	61
Caswell	20	Pender	28
Catawba	4	Perquimans	27
Chowan	14	Person	121
Clay	1	Pitt	401
Cleveland	79	Richmond	102
Columbus	34	Robeson	318
Craven	16	Rutherford	1
Cumberland	5	Sampson	191
Davidson	182	Stanly	54
Davie	3	Union	557
Franklin	19	Vance	305
Gaston	14	Warren	32
Gates	4	Washington	33
Graham	9	Watauga	9
Greene	4	Wayne	274
Guilford	617	Wilson	57
Harnett	120	Yadkin	1
Total			5865

Appendix B

Data Sources and Additional References

[NC Child Care Resource & Referral-Well World Solutions Survey](https://cms.childcarerrnc.org/wp-content/uploads/NC-Stabilization-Funds-Provider-Challenges-Survey-Findings-3.27-PM-03262024-1.pdf)

(<https://cms.childcarerrnc.org/wp-content/uploads/NC-Stabilization-Funds-Provider-Challenges-Survey-Findings-3.27-PM-03262024-1.pdf>)

[NC Chamber Untapped Potential Report](https://ncchamber.com/wp-content/uploads/Untapped_NORTHCAROLINA_053124_DIGITAL.pdf)

(https://ncchamber.com/wp-content/uploads/Untapped_NORTHCAROLINA_053124_DIGITAL.pdf)

[Economic Policy Institute Child Care Costs in the United States](https://www.epi.org/child-care-costs-in-the-united-states/#/NC)

(<https://www.epi.org/child-care-costs-in-the-united-states/#/NC>)

[NC Department of Commerce Hidden Cost of Child Care Gaps in North Carolina's Economy](https://www.commerce.nc.gov/news/the-lead-feed/hidden-cost-child-care-gaps-north-carolinas-economy)

(<https://www.commerce.nc.gov/news/the-lead-feed/hidden-cost-child-care-gaps-north-carolinas-economy>)

[NC Task Force on Child Care and Early Education Year-End Report](https://www.commerce.nc.gov/report-nc-task-force-child-care-early-education-december-2025/open)

(<https://www.commerce.nc.gov/report-nc-task-force-child-care-early-education-december-2025/open>)

Appendix C
North Carolina Department of Insurance Child Care and Community-based Child Welfare
Providers Liability Insurance Workgroup Legislative Report

[NC Department of Insurance 2025 Child Care Workgroup Report](https://www.ncdoi.gov/2025-child-care-workgroup-report/open)
(<https://www.ncdoi.gov/2025-child-care-workgroup-report/open>)

Appendix D
**Prototype Child Care Center – NC Capacity Model: Capital Investment Required to Create
Childcare Capacity Briefing**

Prototype Childcare Center – NC Capacity Model
Capital Investment Required to Create Childcare Capacity

Example facility model used to illustrate the typical capital requirements and staffing structure for a
modern childcare center in North Carolina

Brian Grovenstein
Owner/Operator – Lightbridge Academy Apex & Holly Springs NC

Purpose of This Model

This model illustrates the capital investment required to build and open a modern childcare center in North Carolina. The estimates are based on a real development proposal for a 12,600 square foot childcare facility in Wake County.

The goal is to help policymakers understand:

- The cost required to create new childcare capacity
- How many children a typical center serves
- Why costs do not vary dramatically across the state

Typical Childcare Center Prototype

- Building Size: 12,600 sq ft
- Site Size: 2 acres
- Classrooms: 12 classrooms + multipurpose room
- Playground: 10,000 sq ft
- Licensed Capacity: 190–215 children
- Typical Staff: 40–45 employees

Modern childcare centers require purpose-built facilities with dedicated classrooms for each age group and strict licensing requirements for space, safety systems, and playground areas.

Example Development Budget (Wake County)

Category	Cost
Land (2 acres)	\$1,000,000
Sitework + Improvements	\$950,878
Building Construction	\$3,594,990
Soft Costs / Fees	~\$540,000
Contingency	\$227,293
Construction Interest	\$217,000
Total Development Cost	\$6,681,661

Furniture, Fixtures & Equipment (FFE)

In addition to the building itself, childcare centers require significant investment in furniture, classroom equipment, playground systems, security technology, and kitchen equipment before they can open.

Typical startup investment:

- Classroom furniture and learning materials
- Playground equipment and safety surfacing
- Security and access control systems
- Kitchen and food preparation equipment
- Office and administrative furniture

Typical total startup investment: approximately \$1,000,000.

Typical Classroom Configuration and Ratios

Age Group	Rooms	Children per Room	Teacher Ratio	Why Cost Differs
Infants (6 weeks -12 months)	2	8	1:4	Low ratios require more teachers per child
Toddlers (12 months – 24 months)	3	10	1:5	High staffing requirements
Early Preschool (2's)	2	18	1:9	Moderate staff intensity
Preschool (3's)	3	20	1:10	More children per teacher lowers cost
Pre-K (4-5's)	2	24	1:12	Most efficient classroom staffing
Multipurpose	1			Used for flexible programming
Total Capacity		190–215 children	31 teachers	Staffing ratios drive operating cost

Capital Cost Per Childcare Seat

- Total development cost: ~\$6.7M
- FFE / startup investment: ~\$1M
- Total capital required to open center: ~\$7.7M
- Cost per childcare seat:
 - 190 children → ~\$40,400 per seat
 - 215 children → ~\$35,700 per seat

This represents the capital investment required to create a single childcare slot in a modern licensed facility.

Estimated Cost Range Across North Carolina

While land prices vary between counties, most childcare development costs are driven by construction, building systems, safety requirements, and licensing standards that remain consistent statewide.

- Estimated capital cost per seat:
 - High-growth counties (Wake, Mecklenburg): \$35k–\$40k
 - Mid-size metros: \$32k–\$36k
 - Rural counties: \$28k–\$32k

Land price differences typically change total project costs by only about 10–20%.

Capital Needed to Expand Childcare Capacity

New Seats Needed	Estimated Capital Required
1,000 seats	\$35M – \$40M
5,000 seats	\$175M – \$200M
10,000 seats	\$350M – \$400M

What It Takes to Create One Childcare Classroom

A single classroom is the building block of adding childcare capacity.

- Typical classroom example (Preschool):
 - Classroom size: 700 sq ft
 - Capacity: 20 children
 - Teacher ratio: 1:10
 - Staff required: 2 teachers
- Estimated capital investment per classroom:
 - Building construction: \$200,000
 - Furniture & equipment: \$80,000
 - Share of site / common areas: \$120,000

Total investment per classroom: \$400,000

Approximate capital per seat in this classroom:

- \$20,000 per child