

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025**

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SENATE BILL 112

Short Title: School Financial Flexibility Pilot Program. (Public)

Sponsors: Senator Sawyer (Primary Sponsor).

Referred to: Rules and Operations of the Senate

February 18, 2025

A BILL TO BE ENTITLED
AN ACT TO CREATE A PILOT PROGRAM TO ALLOW MORE FINANCIAL AND HIRING
FLEXIBILITY FOR CERTAIN SCHOOL DISTRICTS.

The General Assembly of North Carolina enacts:

SECTION 1.(a) Authorize Financial and Hiring Flexibility Plan; Purpose. – Prior to the 2026-2027 school year, an eligible district (District) may submit a Financial and Hiring Flexibility Plan (FHFP) to the State Board of Education (State Board) to permit the local board of education (local board) to decide certain matters related to the operation of the schools under the local board's control within the District, including the use of State funds, as provided in this act. The purpose of operating a District under an FHFP shall be for the local board to design and create a comprehensive, innovative, strategic vision allowing additional flexibility to the District to provide a high-quality education to all students.

SECTION 1.(b) For purposes of this act, "eligible district" means a local school administrative unit that meets both of the following criteria:

- (1) The local school administrative unit has the authority to levy and lay special taxes for the payment of bonds issued by the governing body of the unit.
- (2) The local school administrative unit had an allotted average daily membership of at least 5,000 for the 2023-2024 school year.

SECTION 2.(a) Submission of an FHFP. – A local board desiring to operate under an FHFP shall submit an FHFP that meets the requirements of this section to the State Board by January 15, 2026, to begin operation of the plan with the 2026-2027 school year. The local board shall include at least the following components in its FHFP:

- (1) A resolution adopted by the local board to implement the FHFP in the District.
- (2) A detailed description of how the flexibility allowed under the FHFP will aid the District in meeting each of the following goals by the conclusion of the 2030-2031 school year:
 - a. Ensure that one hundred percent (100%) of all students have completed a career development plan by the beginning of their senior year of high school.
 - b. Increase teacher retention to a ninety percent (90%) retention rate.
 - c. Improve the average growth index of District schools to 0.50 or greater.
 - d. Increase the growth rate of any subgroups of students below the average growth rate in the 2024-2025 school year to above the average overall growth rate for the State.



- 1 e. Quantify all other measures of success of the FHFP in achieving the
2 goals established in the FHFP.

3 **SECTION 2.(b)** State Board Approval. – The State Board shall approve an FHFP
4 that meets the requirements of this section by March 15, 2026, to begin implementation July 1,
5 2026.

6 **SECTION 2.(c)** State Board of Education Review; Termination of Plan. – The State
7 Board shall conduct a review of the operation and student performance of a District operating
8 under an approved FHFP following the end of the 2030-2031 school year, and at least every three
9 years thereafter, to ensure that the District is meeting the expected academic goals set forth in the
10 FHFP and complying with all financial and observance requirements in this act. The State Board
11 shall terminate an FHFP after a review for any of the following grounds:

- 12 (1) Failure to meet the academic strategic goals for student performance
13 contained in the plan.
14 (2) Identification of the majority of schools in the District as low-performing
15 schools in the two school years immediately preceding the review.
16 (3) Failure to meet generally accepted standards of fiscal management or
17 violation of State or federal law.

18 **SECTION 2.(d)** Early Termination. – If the State Board determines that a District
19 operating under an approved FHFP has failed to meet generally accepted standards of fiscal
20 management or violated State or federal law at any time, the State Board shall terminate the
21 FHFP. In addition, if the Superintendent of Public Instruction (Superintendent) finds that
22 satisfactory progress is not being made toward the strategic goals identified in an FHFP after
23 reviewing the reports required to be submitted under Section 8 of this act, the Superintendent
24 shall recommend to the State Board that the FHFP be terminated. The State Board may terminate
25 an FHFP if such a recommendation is made by the Superintendent. If an FHFP is terminated, the
26 District shall continue to operate under the FHFP until the end of the school year in which the
27 termination determination is made.

28 **SECTION 2.(e)** Transition. – If an FHFP is terminated, notwithstanding
29 G.S. 115C-105.26, the State Board may grant the District a waiver to the licensure requirements
30 of G.S. 115C-295 annually, for up to three years, to facilitate the transition to employment of
31 fully licensed teachers.

32 **SECTION 3.(a)** Teachers. – Notwithstanding G.S. 115C-295, beginning July 1,
33 2026, for as long as a District is operating under an FHFP, up to fifty percent (50%) of the
34 teachers in each school in the District may be employed as teachers despite not holding teacher
35 licenses if they meet the requirements set out in subsection (b) of this section. All teachers who
36 are teaching in the core subject areas of mathematics, science, social studies, and language arts
37 shall be college graduates.

38 **SECTION 3.(b)** Requirements for Unlicensed Teachers. – All teachers hired by a
39 local board operating under an FHFP who are not licensed as a teacher by the State shall complete
40 preservice training, which may be offered through an educator preparation program or by a local
41 school administrative unit, in all of the following areas prior to beginning instruction:

- 42 (1) The identification and education of children with disabilities.
43 (2) Positive management of student behavior.
44 (3) Effective communication for defusing and de-escalating disruptive or
45 dangerous behavior.
46 (4) Safe and appropriate use of seclusion and restraint.

47 **SECTION 4.** School Operation. – All schools in a District operating under an FHFP
48 shall be deemed to have been continuously operating under a modified calendar since the
49 2003-2004 school year for purposes of G.S. 115C-84.2(d).

50 **SECTION 5.** Available State Funds. – Beginning with the 2026-2027 fiscal year,
51 the Department of Public Instruction shall calculate the amount of State funds to be allocated to

1 a District operating under an FHFP on the same basis as other local school administrative units
2 and shall distribute those funds to the unit. The Department shall use statewide average salary
3 figures for the purpose of calculating the dollar equivalent of guaranteed positions as necessary.
4 The funds allocated to a District shall be subject to any restrictions as to use imposed by federal
5 law, the conditions of federal or State grants, or as provided through any rules that the State
6 Board adopts to ensure compliance with federal regulations. Notwithstanding G.S. 115C-105.25,
7 use of these funds shall otherwise be unrestricted except as provided in this act.

8 **SECTION 6.** Provision for Disbursement of State Money. – The deposit of money
9 in the State treasury to the credit of a District operating under an approved FHFP shall be made
10 as necessary for the operation of the District. The State Board may withhold money to be
11 distributed to a District if any report required to be filed with State school authorities is more
12 than 30 days overdue. Money in the State Public School Fund and State bond moneys shall be
13 released only on warrants drawn on the State Treasurer, signed by a local official as required by
14 the State Board.

15 **SECTION 7.** Withholding for Retirement Contributions. – Upon notification by the
16 Board of Trustees of the Teachers' and State Employees' Retirement System to the State
17 Treasurer and the Office of State Budget and Management as to any default of a District operating
18 under an approved FHFP, the State Board shall withhold from any State appropriation due to the
19 District an amount equal to the sum of all delinquent contributions and payments due to the
20 Retirement Systems Division and shall transmit that amount to the Retirement Systems Division.

21 **SECTION 8.** Reporting to Superintendent. – A District operating under an approved
22 FHFP shall report to the Superintendent no later than July 15, 2027, and each year thereafter as
23 follows:

- 24 (1) An annual report on the number of licensed and unlicensed teachers and use
25 of long-term substitutes in filling vacancies for classroom teachers. This report
26 shall also provide recruiting data on the number of licensed and unlicensed
27 teachers hired during the school year and overall employee retention in each
28 school year. In addition, the report shall also provide comparisons with the
29 data from the previous school year on the information required by this
30 subdivision at the local school administrative unit level.
- 31 (2) Specific actions taken to close academic gaps between student groups on State
32 assessments.
- 33 (3) A breakdown of how State funds are being spent in the District.
- 34 (4) Any available data on outcomes identified as goals in the FHFP.
- 35 (5) Any other reporting requirements deemed necessary by the Superintendent of
36 Public Instruction.

37 **SECTION 9.** Report to the General Assembly. – No later than November 15, 2027,
38 and each year thereafter that a District operates under an FHFP, the Superintendent shall report
39 to the Joint Legislative Education Oversight Committee on the progress of the FHFP on at least
40 the following topics:

- 41 (1) A summary of the data provided by Districts operating under an FHFP to the
42 Superintendent in the annual report.
- 43 (2) The effectiveness of the FHFP on hiring and retaining teachers in Districts,
44 determined by annual turnover rates and teacher vacancies, compared with
45 other local school administrative units not operating under an FHFP.
- 46 (3) An assessment of the financial flexibilities utilized by local boards operating
47 under an FHFP and any recommended changes or modifications.
- 48 (4) Any available data on outcomes identified as goals in any FHFP.
- 49 (5) Any other information the Superintendent deems relevant to the pilot program
50 authorized by this act.

51 **SECTION 10.** This act is effective when it becomes law.