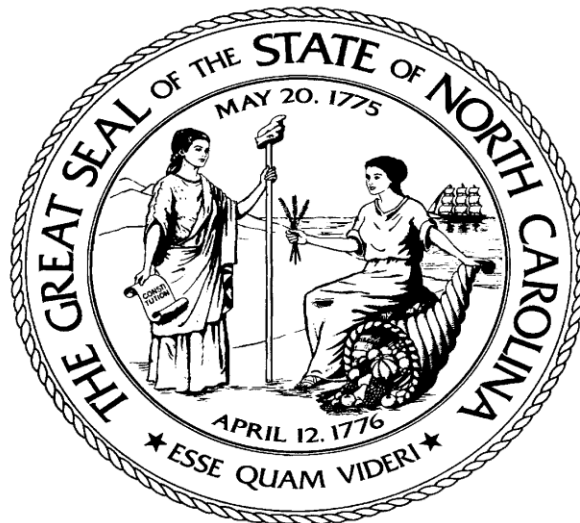


**Report on Final Adjustments to Child Care and Development Fund  
Block Grant**

**Session Law 2015-241, Section 12B.6.(c)**



**Legislative Report to the  
Joint Legislative Oversight Committee on Health and Human Services  
and  
The Fiscal Research Division**

**by**

**North Carolina Department of Health and Human Services**

**September 30, 2016**

Pursuant to Section 12B.6.(c) of Session Law 2015-241, as shown below, the Division of Child Development and Early Education (DCDEE) shall submit a report on the final adjustments to the allocations of the four percent (4%) administrative costs to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division no later than January 1, 2016, for the 2015-16 fiscal year and no later than September 30 of each year thereafter. The purpose of this report is to satisfy this reporting requirement for the realignment of Child Care and Development Fund (CCDF) Block Grant dollars. Specifically, DCDEE has identified a need to realign CCDF funds from direct subsidized child care services to nondirect subsidy services support, based on the final allocation of subsidized child care funds for the current state fiscal year.

#### **ADMINISTRATIVE ALLOWANCE FOR COUNTY DEPARTMENTS OF SOCIAL SERVICES/USE OF SUBSIDY FUNDS FOR FRAUD DETECTION**

**SECTION 12B.6.(a)** The Department of Health and Human Services, Division of Child Development and Early Education, shall fund the allowance that county departments of social services may use for administrative costs at four percent (4%) of the county's total child care subsidy funds allocated in the Child Care and Development Fund Block Grant plan or eighty thousand dollars (\$80,000), whichever is greater.

**SECTION 12B.6.(b)** Each county department of social services may use up to two percent (2%) of child care subsidy funds allocated to the county for fraud detection and investigation initiatives.

**SECTION 12B.6.(c)** The Division of Child Development and Early Education may adjust the allocations in the Child Care and Development Fund Block Grant under Section 12I.1 of this act according to (i) the final allocations for local departments of social services under subsection (a) of this section and (ii) the funds allocated for fraud detection and investigation initiatives under subsection (b) of this section. **The Division shall submit a report on the final adjustments to the allocations of the four percent (4%) administrative costs to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division no later than January 1, 2016, for the 2015-2016 fiscal year and no later than September 30 of each year thereafter.**

Each year counties receive CCDF funds for eligibility determination, or non-direct subsidy services support, as part of their subsidy allocation. These amounts are calculated based upon a legislatively prescribed allocation formula that is detailed in the 2015 Appropriations Act (S.L. 2015-241, Section 12B.3). For purposes of providing an estimated amount for services support resulting from this formula, overall availability for subsidy funding is estimated prior to final passage of the budget. Once a final budget is passed, the allocation for services support is re-run based upon final availability of subsidized child care

funding as adopted in the budget bill. The legislatively approved CCDF Block Grant amount for SFY 16-17 was \$16,178,301.

The approved budget resulted in an increase of funds for subsidized child care from what had been estimated when the initial block grant plan was prepared. Based upon the subsidy allocation formula, this resulted in the maximum amount of CCDF that counties may use for services support to change to \$16,625,495. However, it is possible that this amount may be less, as some counties may choose to use some of those funds for direct services. The total increase to administrative expenses and decrease to subsidized child care services is \$430,586. However, the total amount of CCDF funds allocated to counties for subsidized child care has not changed.

DCDEE proposes to realign the CCDF subsidized child care services allocation as outlined below.

CCDF Budget Item	As Enacted S.L. 2016-94	Funds After Realignment
CCDF Subsidized Child Care Services	\$ 157,563,457	\$ 157,132,871
CCDF Subsidized Child Care Services Support	\$ 16,178,301	\$ 16,608,887
	<u>\$ 173,741,758</u>	<u>\$ 173,741,758</u>

In addition, to date in SFY 16-17, one county has notified DCDEE that they wish to allocate a portion of their overall funding away from direct services and set aside those funds for fraud detection and investigation initiatives (Cabarrus - \$35,000).

For reference, the following are expenditures from the 2% set aside for fraud detection and investigation activities in SFY 15-16, by county.

Cabarrus	\$ 40,000
Henderson	\$ 17,865
Onslow	\$ 177,739
Wake	\$ 20,000
Wilson	<u>\$ 75,108</u>
Total	\$ 330,712