

**Annual Report on Child Care Subsidy –
Administrative Allowance for County Departments of
Social Services and Use of Subsidy Funds for Fraud
Detection**

General Statute 143B-168.27



**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
October 19, 2018**

Pursuant to General Statute 143B-168.27, 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 September 30 of each year. **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 non-direct subsidy services support, based on the final allocation of subsidized child care funds for the current state fiscal year.**

"§ 143B-168.27. Administrative allowance for county departments of social services; use of subsidy funds for fraud detection.

a) The Department of Health and Human Services, Division of Child Development and Early Education (Division), 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.

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.

c) The Division may adjust the allocations in the Child Care and Development Fund Block Grant 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 September 30 of each year."**

Each year counties receive CCDF funds for child care subsidy services eligibility determination and other administrative activities, also known as 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 each biennium budget (S.L. 2017-57, SECTION 11B.5.).

For purposes of providing an estimated amount for services support resulting from this formula, for creation of the State budget, overall availability of subsidy funding is estimated prior to final passage of the budget. Once a final budget is passed, the allocation for services support is determined based upon final availability of subsidized child care funding as adopted in the budget bill.

For SFY 2018-19, the amount allocated for services support and approved in the CCDF legislative block grant plan was \$18,503,830. Based upon the subsidy allocation formula, this resulted in the maximum amount of CCDF that counties may use for services support to change to \$18,533,357. However, it is possible that the actual amount spent by counties for non-direct services support 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 was \$29,527. However, the total amount of CCDF funds allocated to counties for subsidized child care did not change.

DCDEE proposes to align the CCDF subsidized child care service allocation as outlined below:

CCDF Budget Item	As Enacted S.L. 2018-5	Funds After Realignment
CCDF Subsidized Child Care Direct Services	\$228,856,999	\$228,827,472
CCDF Subsidized Child Care Services Support	\$18,503,830	\$18,533,357
TOTAL	\$247,360,829	\$247,360,829

In addition, to date in SFY 2018-19 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 (Washington - \$3,000).

For reference, the following are expenditures from the 2% set aside for fraud detection and investigation activities in SFY 2017-18, by county are:

Cabarrus	\$ 243
Onslow	\$171,308
Washington	\$ 842
Wilson	\$ 83,128
State Totals	\$255,521