

STATE OF NORTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES

JOSH STEIN
GOVERNOR

DEVDUTTA SANGVAI
SECRETARY

September 30, 2025

SENT VIA ELECTRONIC MAIL

The Honorable Jim Burgin, Chair
Joint Legislative Oversight Committee on
Health and Human Services
North Carolina General Assembly
Room 620, Legislative Office Building
Raleigh, NC 27603

The Honorable Donny Lambeth, Chair
Joint Legislative Oversight Committee on
Health and Human Services
North Carolina General Assembly
Room 303, Legislative Office Building
Raleigh, NC 27603

The Honorable Larry Potts, Chair
Joint Legislative Oversight Committee on
Health and Human Services
North Carolina General Assembly
Room 307B1, Legislative Office Building
Raleigh, NC 27603

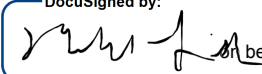
The Honorable Carla Cunningham, Chair
Joint Legislative Oversight Committee on
Health and Human Services
North Carolina General Assembly
Room 403, Legislative Office Building
Raleigh, NC 27603

Dear Chairmen:

North Carolina General Statute §143B-168.27, requires the Department of Health and Human Services, Division of Child Development and Early Education (DCDEE) to submit an annual 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. The purpose of this report is to satisfy this reporting requirement for the realignment of Child Care and Development Fund (CCDF) Block Grant dollars. Pursuant to the provisions of law, the Department is pleased to submit the attached report.

Should you have any questions regarding this report, please contact Karen Wade, Director of Policy, at Karen.Wade@dhhs.nc.gov.

Sincerely,

DocuSigned by:

behalf of Devdutta Sangvai
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Devdutta Sangvai
Secretary



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DEPARTMENT OF HEALTH AND HUMAN SERVICES

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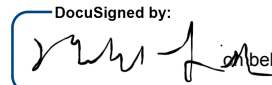
Mr. Brian Matteson, Director
Fiscal Research Division
Suite 619, Legislative Office Building
Raleigh, NC 27603-5925

Dear Director Matteson:

North Carolina General Statute §143B-168.27, requires the Department of Health and Human Services, Division of Child Development and Early Education (DCDEE) to submit an annual 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. The purpose of this report is to satisfy this reporting requirement for the realignment of Child Care and Development Fund (CCDF) Block Grant dollars. Pursuant to the provisions of law, the Department is pleased to submit the attached report.

Should you have any questions regarding this report, please contact Karen Wade, Director of Policy, at Karen.Wade@dhhs.nc.gov.

Sincerely,

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behalf of Devdutta Sangvai
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Devdutta Sangvai
Secretary

**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



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, 2025

Background

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. 2023-134, SECTION 9D.4.).

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.

The amount allocated for services support and approved in the CCDF legislative block grant plan for SFY 2024-2025 was \$18,780,355. Based on the subsidy allocation formula, DCDEE calculated that the maximum amount of CCDF that counties could use for service support was \$24,247,622.

The actual expenditures for support services and direct services were, however, lower than the allocated amounts. Due to the availability of American Rescue Plan Act (ARPA) funds, child care funding increased during SFY 2024-2025, which increased non-direct subsidy services support.

DCDEE SFY 2024-2025 Final CCDF Subsidized Child Care Allocation

| CCDF Budget Item | As Enacted by SL 2023-134 | Funds After Realignment |
|---|----------------------------------|--------------------------------|
| CCDF Subsidized Child Care Direct Services | \$282,567,140.00 | \$277,099,873.00 |
| CCDF Subsidized Child Care Services Support | \$18,780,355.00 | \$24,247,622.00 |
| TOTAL | \$301,347,495.00 | \$301,347,495.00 |

Only 1 out of 100 counties has notified DCDEE that it wishes to allocate part of its overall funding away from direct services and set aside those funds for fraud detection and investigation initiatives.

For reference, the following are expenditures from the 2% set aside for fraud detection and investigation activities in SFY 2024-2025, by county:

| | |
|---------------------|--------------------|
| Wilson | \$33,902.72 |
| State Totals | \$33,902.72 |