

**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

September 30, 2017

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 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 budget bill (S.L. 2017-57, SECTION 11B.5.) 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. For SFY 17-18, this was approved in the CCDF legislative block grant plan as \$16,436,361.

The final budget passed 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 \$17,066,705. 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 \$630,344. 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. 2017-24	Funds After Realignment
CCDF Subsidized Child Care Services	\$ 152,923,849	\$ 152,293,505
CCDF Subsidized Child Care Services Support	\$ 16,436,361	\$ 17,066,705
	<u>\$ 169,360,210</u>	<u>\$ 169,360,210</u>

In addition, to date in SFY 2017-18 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 - \$9,663).

For reference, the following are expenditures from the 2% set aside for fraud detection and investigation activities in SFY 2016-17, by county.

Cabarrus	\$ 40,000
Onslow	\$ 157,339
Wake	\$ 20,000
Washington	\$ 11,884
Wilson	<u>\$ 53,448</u>
State Total	\$ 282,670