



NC DEPARTMENT OF  
**HEALTH AND  
HUMAN SERVICES**

**JOSH STEIN** • Governor  
**DEVDUTTA SANGVAI** • Secretary  
**YVONNE COPELAND** • Director, Division of Child and Family Well-Being

**Date:** February 2, 2026

**Dear County Directors of Social Services**

**Attention:** County Directors

**Subject:** FNS Administrative Reimbursement Rate Reduction – Clarification on Contracted Services

**Priority:** Information

Effective October 1, 2026, the federal reimbursement rate for administrative activities related to the Food and Nutrition Services (FNS) program will be reduced from 50% to 25%. This change is mandated by HR1, passed in July 2025.

NCDHHS has been made aware of vendors claiming that contracted services will not be affected by the administrative rate reduction. Specifically, vendors have provided materials to counties indicating that while staffing costs reported on the DSS-1571, Part I will be reimbursed at 25%, contract costs reported on Part II will continue to be reimbursed at 50%. This information is not accurate.

**Effective October 1, 2026, all FNS administrative costs will be reimbursed at 25%.** The Code of Federal Regulations does not make a distinction between costs incurred by employees and those incurred by a contractor doing the same work (see 7 CFR Part 277, Appendix A, Section A-10), nor does HR1 contain any language to this effect.

For guidance on reporting contracted staff, county DSS agencies should consult the DSS Fiscal Manual, Section III, A-24, or contact their Local Business Liaison.

If you have any questions regarding this matter, please contact your Local Business Liaison or the Division of Social Services, Business Operations.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian P. Hogan".

Brian P. Hogan  
Deputy Director of Nutrition  
Division of Child and Family Well-Being

**NC DEPARTMENT OF HEALTH AND HUMAN SERVICES • DIVISION OF CHILD AND FAMILY WELL-BEING**

LOCATION: 1915 Health Services Way, Raleigh, NC 27607

MAILING ADDRESS: 2416 Mail Service Center, Raleigh, NC 27699-2416

[www.ncdhhs.gov](http://www.ncdhhs.gov) • TEL: 919-707-5659 • FAX: 984-236-8205

AN EQUAL OPPORTUNITY / AFFIRMATIVE ACTION EMPLOYER