

**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

Fiscal Research Division

by

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

September 30, 2026

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 SFY 2025-2026, the State operated under continuing budget authority. Accordingly, the child care subsidy budget was based on the recurring budget authorized under S.L. 2023-134, including the child care subsidy allocation provisions in Section 9D.4, as subsequently adjusted through budget actions authorized by the Office of State Budget and Management (OSBM).

For purposes of developing the State budget, the amount available for subsidized child care and the resulting services support requirement are initially estimated. The final services support allocation is subsequently determined based on the child care subsidy funding available for the applicable State fiscal year and the legislatively prescribed subsidy allocation formula.

The amount allocated for services support and approved in the CCDF legislative block grant plan for SFY 2025-2026 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 \$24,825,131. However, the actual expenditures for support services and direct services were lower than the allocated amounts.

DCDEE SFY 2025-2026 Final CCDF Subsidized Child Care Allocation

CCDF Budget Item	SFY 2025-26 Authorized CCDF Budget	Funds After Realignment
CCDF Subsidized Child Care Direct Services	\$347,089,289.00	\$341,044,513.00
CCDF Subsidized Child Care Services Support	\$18,780,355.00	\$24,825,131.00
TOTAL	\$365,869,644.00	\$365,869,644.00

Only 2 out of 100 counties have notified DCDEE that they wish to allocate part of their 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 2025-2026, by county:

Onslow	\$144.02
Wilson	\$9,101.23
State Totals	\$9,245.25