

**Subsidized Child Care Assistance Program Policy Manual**  
Chapter 1. Subsidized Child Care Assistance

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### I. CHAPTER OVERVIEW

Using a combination of state and federal funds, North Carolina provides subsidized child care assistance to eligible families. This chapter provides a general profile of child care assistance and the Subsidized Child Care Assistance (SCCA) Program.

### II. WHY SUBSIDIZED CHILD CARE ASSISTANCE IS IMPORTANT

In North Carolina, two-thirds of **families** with children under age six are in the workforce. The need for affordable child care is an economic necessity for this state. In addition, nearly 20% of North Carolina's children under age five (5) live in poverty. Many of these families are coping with multiple risk factors that reduce the chances of long-term healthy development of children, **this** can have long lasting negative consequences on a child's ability to learn. Studies that followed children from their preschool years to adulthood have found that receiving a high-quality early childhood education significantly improved the scholastic success and educational attainments of children of low-income families. The provision of subsidized child care assistance means that families with poverty level incomes can afford child care assistance which offers a quality early childhood education and therefore, will increase the chances for children to be healthy and succeed socially and academically.

Welfare reform also increased the likelihood that more children will need child care at an early age. For many working families, the provision of subsidized child care assistance provides the additional financial support they need and therefore serves as a welfare prevention service. Additional support regarding the importance of subsidized child care assistance is provided by research that has shown working recipients were more likely to be successful in their job training programs or in their jobs when their children were in child care arrangements that were safe, high quality and dependable.

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In addition, the provision of SCCA is critical for many families who are experiencing a crisis or need the intervention offered through child protective services. Recipients who are coping with an illness or a problem that interferes with their ability to be an effective parent/responsible adult often need the support offered for their children in a child care arrangement. The provision of SCCA in these instances offers stability and educational opportunities for the children and serves as a means of keeping families together in times of crisis.

Refer to the [Division of Child Development and Early Education's \(DCDEE\)](#) website for more information regarding the SCCA Program.

### **III. GOALS OF THE SUBSIDIZED CHILD CARE ASSISTANCE PROGRAM**

- Enable recipients to maintain or seek employment to support their family and achieve economic independence.
- Provide child care to children receiving protective services.
- Enable recipients to participate in job training or educational programs that will lead to their employment.
- Provide child care to children in need of early intervention to enhance their development.
- Facilitate the reunification of families, aid families in crisis, and prevent foster care.

### **IV. DEFINITION OF CHILD CARE**

SCCA provides for the protection, care, and developmental experiences for children ages birth through 17, for a portion of a day but less than twenty-four hours. Care may be provided in the child's own home, in the home of a caregiver, or in a child care facility. Each type of care arrangement must be licensed or meet all applicable DCDEE requirements for the type of arrangement.

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The department of social services (DSS) or local purchasing agency (LPA) which administers the SCCA Program should provide information to **applicants/recipients** and the community about what constitutes a good child care experience for a child as well as assist eligible **applicants/recipients** with the cost of child care assistance according to state policies. SCCA should include the provision of facilities and the essentials of daily living, a daily program of care, educational and recreational activities, remedial care, and services appropriate to the age and developmental level of the child, and health supervision.

Although child care licenses in North Carolina typically only extend through age 12, children 13 through age 17 may receive subsidized child care assistance in facilities or homes under certain circumstances. For further information, refer to Chapter 4: Application, Eligibility Determination and Documentation. (The DSS/LPA should view the approval notice and contact the child care provider to verify that the child care facility is authorized to provide care for children over the age of 12 before approving the subsidy payment).

### V. WHO MAY RECEIVE SUBSIDIZED CHILD CARE ASSISTANCE

**SCCA can be provided to applicants/recipients that have primary responsibility for the care and support of a child or children.** In some cases, a worker designated by the county director of social services can apply for services for the child (refer to Chapters 4: Application, Eligibility Determination and Documentation & 5: Establishing Need and a Plan of Care for more information). Applicants/Recipients usually apply for child care assistance at the county department of social services. In some counties, another agency is designated as the LPA such as a child care resource and referral agency. **Applicants/Recipients must have a need for care** and must be income eligible to receive SCCA with exceptions as described in Chapter 5: Establishing Need and a Plan of Care.

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### VI. HISTORY OF NORTH CAROLINA CHILD CARE AND THE SUBSIDIZED CHILD CARE ASSISTANCE PROGRAM

Federal support for child care came into being in the 1930's when President Franklin Roosevelt authorized emergency nursery schools to provide work for adults on relief and to serve children of families with low incomes. In 1935, Title V of the Social Security Act authorized grants-in-aid to public welfare agencies for child services which included child care and research in child care. In 1936, the Works Progress Administration for child care authorized money to provide jobs for women during the Depression. The Farm Security Administration built child care centers for the children of migratory farm workers. In 1943, the Lanham Act provided money for child care for the children of mothers employed in the war effort. When the federal funding was no longer available, many of the child care centers that were opened during the war were closed.

In 1962, Title IV-B of the Social Security Act provided child welfare services that included child care. In 1964, Project Head Start under the Economic Opportunity Act recognized the inequalities of opportunities among preschool children and organized programs which were like nursery schools but would compensate for opportunities that poor children did not have.

North Carolina has maintained a program to subsidize the cost of child care services for eligible **recipients** since 1964. First administered by the Department of Public Welfare, the program used Title IV-B and IV-A funds primarily for child care for children in Aid to Families with Dependent Children (AFDC) households needing child welfare services. In 1968, the Subsidized Child Care Program was expanded through the federally legislated Work Incentive program which provided funds to pay for child care for current recipients of AFDC who were employed or in training and participating in the Work Incentive program.

At the same time, child care was provided for eligible families who were former recipients of AFDC or who were potential recipients of

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AFDC. Federal Interagency Day Care Requirements were enacted and payment for services was limited to facilities which met these very strict requirements. Providers voluntarily chose to do this under the guidance of the Department of Public Welfare, which later became the Division of Social Services (DSS).

In July of 1971, North Carolina enacted a mandatory licensing law for child care facilities. The new legislation replaced the voluntary licensing program administered by the Department of Public Welfare. The law, which became effective on January 1, 1972, was an attempt to systematically license all child care facilities in the state under minimum standards for health and safety as well as provide the framework through which child care programs could upgrade their services for children and parents. The licensing program was administered by the Department of Administration, Office of Child Day Care Licensing.

When Title XX of the Social Security Act was implemented in 1975, subsidized child care became available to low-income families who needed this service regardless of their eligibility for other sources of public assistance. **At the time two-**parent families were eligible based on their income.

In 1979, the General Assembly made the first appropriation of state funds to provide child care services for low-income families (although state money had previously been used to provide matching funds as required by federal regulations). In that same year, the administration of the Subsidized Child Care Program was moved from the Division of Social Services to the Division of Plans and Operations, Child Day Care Section. In 1982, this office was renamed the Office of Day Care Services and reported directly to the Secretary of the Department of Human Resources. The Office of Day Care Services had the responsibility for administering the child care subsidy program, then known as the Purchase of Care program.

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In 1985, the General Assembly enacted legislation which significantly raised the requirements for licensure. In addition, the Office of Day Care Services, which administered the Subsidized Child Care Program, and the Office of Day Care Licensing, which administered the Day Care Regulatory Program, were consolidated into the Child Day Care Section in the Division of Facility Services in the Department of Human Resources.

In the same legislative session, separate regulations for participating in the Purchase of Care program were eliminated. Most facilities meeting the North Carolina Licensing Law requirements could be approved for subsidized child care which greatly expanded the availability of options for parents to the private sector. The law also created the new Child Day Care Commission and empowered it to develop the rules and procedures to implement the law's provisions.

The Child Day Care Section was charged with the responsibilities for administering the licensure of centers and registration of child care homes, for providing a program of public and provider education regarding child care, for managing the Purchase of Care Program, and for investigating reports of abuse or neglect in child care arrangements and taking appropriate action in such cases. The law also continued the policy of providing a special class of license (known as the AA license) to centers that voluntarily met higher standard established by the North Carolina Child Care Commission. Federal programs dramatically increased the size and scope of subsidized child care in North Carolina, beginning with the Title IV-A Family Support Act (FSA) implemented in 1990. FSA guaranteed child care for certain AFDC recipients to support their employment and/or education.

Working families that became ineligible for AFDC received Transitional Child Care for up to one year after termination of AFDC benefits. Title IV-At-Risk child care funds followed in 1991 to pay for child care assistance for parents who would be at risk of welfare dependency without such help to work. The Child Care and Development Block Grant (CCDBG) became available in 1991 to pay for child care services as well as state-approved initiatives to improve the quality and availability of child care.

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In 1993, the General Assembly removed the Child Day Care Section from the Division of Facility Services and created a new Division of Child Development in the Department of Human Resources. In addition to its original responsibilities, the Division provided funding for a variety of early childhood initiatives, including child care resource and referral services and Head Start Wrap-Around.

In 1993, the General Assembly also approved legislation which created Smart Start, an initiative to provide the preschool children of North Carolina and their families with access to affordable, high quality early childhood education and family support services. Smart Start funding is now available in all 100 counties. Counties are required to use at least 30% of their Smart Start direct services allocation for approved child care subsidy related activities.

In 1995, as North Carolina moved ahead with statewide welfare reform efforts, the focus of the AFDC Program was changed with the implementation of the Work First Family Assistance Program (WFFA). Work First focuses on employment and economic self-sufficiency and requires **applicants/recipients** to be employed or in job training within 12 weeks. The provision of child care services is critical to the success of the program and families becoming self-sufficient. In 1996 at the federal level, the AFDC program was repealed and replaced with [Temporary Assistance for Needy Families \(TANF\)](#). The federal legislation that created the TANF Program allowed states to transfer unspent TANF funds to the Child Care and Development Fund to provide additional support for families as they move from welfare to work.

In 1996, the Child Care and Development Fund was established when Title VI of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) consolidated the former Title IV-A At-Risk and Family Support Act child care funding with the Child Care and Development Block Grant. The Child Care and Development Fund (CCDF) is a capped block grant for child care services.

The CCDF funds are now combined with TANF funds and state funding to

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make up the child care subsidy allocations to counties. No county match is required. A portion of the allocation may be used for services support, i.e., staff for the child care program. In addition, counties must set aside part of their allocation for children with special needs and children experiencing homelessness.

In 1998, the Department of Human Resources became the Department of Health and Human Services (DHHS) due to a reorganization effort to bring health and human service agencies together into one Department. The Division of Child Development is one of the divisions in the Department. In March 2010, DHHS introduced a new initiative entitled DHHS Excels. The goal of Excels is to work across divisions and programs to manage resources more effectively and efficiently. This creates a seamless service delivery system that is customer focused, anticipatory, collaborative, transparent, and achievement focused.

To support this initiative, applicants determined income eligible to receive means-tested benefits through the Food and Nutrition Services (FNS) Program for which income eligibility is at or below 200% of federal poverty level are deemed income eligible for subsidized child care. The deeming of income eligibility for child care services through the FNS Program became effective July 1, 2010.

## **VII. CHILD CARE MARKET RATE STUDY**

Required by the federal Child Care and Development Block Grant (CCDBG), this study was conducted by the Center for Urban Affairs and Community Services at NC State University. Surveys were sent to 5,697 regulated child care centers and family child care homes in the state. The study collected information needed to establish recommendations for payment rates for subsidized child care in North Carolina through the SCCA Program. Market rate changes are based upon data from the Market Rate Study. The most recent market rates are effective October 1, 2023, as specified by the General Assembly in Session Law 2023-14, Senate Bill 20. A copy of the new market rate tables for each type of care and star level for

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each county can be found on the Divisions website. All NC Child Care Lead Agencies (Division of Child Development and Early Education) are required as part of receipt of the Child Care Development Block Grant (CCDGB) to conduct a statistically valid and reliable market rate survey (MRS) reflecting variations in the price to parents of child care services by geographic area, type of provider, and age of child. This report must be completed no earlier than two (2) years before the date of submission of that lead agency's three-year State Plan. As part of North Carolina's submission of its CCDF State Plan, the Child Care Market Rate Surveys are completed in conjunction with researchers from North Carolina State University. For the most current NC CCDF State Plan, visit the Division's website: [https://ncchildcare.ncdhhs.gov/Services/Child-Care-Development-Fund-CCDF#NC\\_CCDF\\_Plan](https://ncchildcare.ncdhhs.gov/Services/Child-Care-Development-Fund-CCDF#NC_CCDF_Plan) . For questions regarding this report or plan please contact [DCDEE\\_support@dhhs.nc.gov](mailto:DCDEE_support@dhhs.nc.gov).

### **VIII. NC Pre-K**

Effective July 1, 2011, DCDEE became the lead agency for North Carolina's Pre-Kindergarten program (NC Pre-K). NC Pre-K was formerly housed in the Department of Instruction as More at Four.

### **IX. REAUTHORIZATION OF THE CCDBG ACT OF 2014**

The Child Care and Development Block Grant (CCDBG) Act is the law (along with Section 418 of the Social Security Act) that authorizes the Child Care and Development Fund (CCDF). The reauthorization of the CCDBG Act of 2014 brought for the first time in 18 years, new state requirements for early care and education.

CCDF is the primary Federal funding source devoted to providing low-income families that are working or participating in education and training with help paying for child care and improving the quality of child care for all children. The CCDF program helps fund child care assistance for over 1.4 million children each month throughout the United States, U.S. Territories and Tribal communities.

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In addition, the investments in quality benefit millions more children by building the skills and qualifications of the teacher workforce, supporting child care programs to achieve higher standards, and providing consumer education to help parents select child care that meets their families' needs. Click link for more information regarding the [CCDBG Act of 2014](#).

The CCDF Reauthorization enhanced the statutory purposes of the CCDF program to better balance the dual purposes of promoting children's healthy development and school success and supporting parents who are working or in training or education. CCDF goals are to:

- allow each State maximum flexibility in developing child care programs and policies that best suit the needs of children and parents within that State.
- promote **applicant/recipient** choice to empower working parents to make their own decisions regarding the child care services that best suit their family's needs.
- encourage States to provide consumer education information to help **applicants/recipients** make informed choices about child care services and to promote involvement by **applicants/recipients** in the development of their children in child care settings.
- assist States in delivering high-quality, coordinated early childhood care and education services to maximize parents' options and support **applicants/recipients** trying to achieve independence from public assistance.
- assist States in improving the overall quality of child care services and programs by implementing the health, safety, licensing, training, and oversight standards established in this subchapter and in State law (including State regulations).
- improve child care and development of participating children; and
- increase the number and percentage of low-income children in high-quality child care settings.

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### **X. NORTH CAROLINA FAMILIES ACCESSING SERVICE THROUGH TECHNOLOGY**

In January 2016, North Carolina Families Accessing Services through Technology (NC FAST) was piloted as a program created to improve the way the NC Department of Health and Human Services (DHHS) and county departments of social services (D do business).

This project was designed to improve and streamline our application process, provide better case management capabilities across services, and ultimately incorporate a new process for collecting and assuring time and attendance within the Subsidized Child Care Assistance Program. NC FAST was fully implemented in November 2017.

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For additional information on policy discussed in this chapter please refer to:

### **SCCA Manual**

Chapter 4: Application, Eligibility Determination and Documentation

Chapter 5: Establishing Need and a Plan of Care