

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

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HOUSE BILL 304  
Second Edition Engrossed 4/5/99  
Committee Substitute Favorable 4/12/99  
Fourth Edition Engrossed 4/15/99

Short Title: Child Care Subsidy Fraud/AB.

(Public)

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Sponsors:

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Referred to:

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March 4, 1999

1 A BILL TO BE ENTITLED  
2 AN ACT TO PROVIDE CRIMINAL PENALTIES FOR FRAUDULENT  
3 MISREPRESENTATION INVOLVING CHILD CARE SUBSIDIES AND TO  
4 PROVIDE COUNTIES A FINANCIAL INCENTIVE TO INVESTIGATE AND  
5 PURSUE FRAUD IN CHILD CARE PAYMENTS.

6 The General Assembly of North Carolina enacts:

7 Section 1. Chapter 110 of the General Statutes is amended by adding a new  
8 section to read:

9 "**§ 110-107. Fraudulent misrepresentation.**

10 (a) A person, whether a provider or recipient of child care subsidies or someone  
11 claiming to be a provider or recipient of child care subsidies, commits the offense of  
12 fraudulent misrepresentation when both of the following occur:

13 (1) With the intent to deceive, that person makes a false statement or  
14 representation regarding a material fact, or fails to disclose a material  
15 fact.

1           (2) As a result of the false statement or representation or the omission, that  
2           person obtains, attempts to obtain, or continues to receive a child care  
3           subsidy for himself or herself or for another person.

4           (b) If the child care subsidy is not more than one thousand dollars (\$1,000), the  
5 person is guilty of a Class 1 misdemeanor. If the child care subsidy is more than one  
6 thousand dollars (\$1,000), the person is guilty of a Class I felony.

7           (c) As used in this section:

8           (1) 'Child care subsidy' means the use of public funds to pay for day care  
9           services for children.

10          (2) 'Person' means an individual, association, consortium, corporation, body  
11 politic, partnership, or other group, entity, or organization."

12          Section 2. Chapter 110 of the General Statutes is amended by adding a new  
13 section to read:

14 **"§ 110-108. Financial incentives for counties to investigate and pursue alleged child**  
15 **care fraud.**

16          The Department of Health and Human Services shall allow each local purchasing  
17 agency to retain as an incentive bonus the actual amount of child care fraud and  
18 overpayment claims collected by the local purchasing agency. Incentive bonuses under  
19 this section shall be used by the agency for the purchase of subsidized child care or to  
20 enhance and improve program integrity. The agency shall use at least seventy-five  
21 percent (75%) of the incentive bonus funds under this section for the purchase of  
22 subsidized child care. The agency shall not use more than twenty-five percent (25%) of  
23 the incentive bonus funds under this section for program integrity. On or before October  
24 1 each year, each agency shall report to the Department of Health and Human Services on  
25 the use of the incentive bonuses under this section during the previous fiscal year. This  
26 section does not apply to overpayments due to administrative errors of local purchasing  
27 agency staff."

28          Section 3. Section 1 of this act becomes effective December 1, 1999, and  
29 applies to offenses committed on or after that date. The remainder of this act becomes  
30 effective July 1, 1999.