



North Carolina Department of Health and Human Services  
Division of Child Development and Early Education


Pat McCrory  
Governor

Aldona Z. Wos, M.D.  
Ambassador (Ret.)  
Secretary DHHS

Robert W. Kindsvatter  
Director

**Memorandum**

**TO:** Directors of County Department of Social Services  
Directors of Local Purchasing Agencies

**FROM:** Robert W. Kindsvatter 

**DATE:** September 4, 2013

**RE:** Allocation of Child Care Subsidy Funds for State Fiscal Year 2013-2014

The purpose of this memorandum is to provide information about subsidized child care funding for your agency for the State Fiscal Year (SFY) 2013-14. The attached chart reflects your initial Non-Smart Start allocation for direct services and services support.

The initial Funding Authorizations for SFY 2013-14 will be available on the Division’s web site at: <http://ncchildcare.nc.gov>. Select “County Staff” and then “Funding Authorizations” to view both this memorandum and the funding authorization chart.

Please review the following information and distribute copies to management and fiscal staff in your agency who are involved in the administration of the Subsidized Child Care Program.

**Determination of Non-Smart Start Allocation Amount**

Non-Smart Start allocations are a blend of federal and state funds. Federal funds consist of Child Care and Development Fund (CCDF) and Temporary Assistance for Needy Families (TANF) grants. For SFY 2013-14 no Social Services Block Grant (SSBG) funds were allotted to the Division for child care subsidy.

A total of \$345,064,965 was distributed through the allocation formula. IV-E funds for subsidized child care for eligible foster care children are not included in these allocations. IV-E funds will be allocated to counties’ allocations each quarter based on actual expenditures. This will ensure that the correct expenditures for eligible foster children are claimed for federal reimbursement.

**Services Support**

The formula allocation amount for each county was used to calculate the \$15,882,428 for total services support funds in SFY 2013-14. The attached chart lists the amount of services support funding for your agency.

The amount shown for services support is the maximum amount of the county’s total child care subsidy funds that may be used for services support. However, counties may elect to designate less for services support and increase their direct services allocation. The DSS Director must submit a written request to Kim Miller, Subsidy Section Program Manager, if they choose to use a lesser amount, designating the amount to be used for the purchase of services. This request is due to Kim by September 9, 2013.

www.ncdhhs.gov • www.ncchildcare.net  
Tel 919-662-4499 • Fax 919-661-4845

Location: 319 Chapanoke Road • Raleigh, NC 27603  
Mailing Address: 2201 Mail Service Center • Raleigh, NC 27699-2201  
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Legislation allows for subsidy funds to be reallocated between counties to help meet the needs of low-income families. Accordingly, as was done in previous years, DCDEE implemented a reversion/reallocation before finalizing the initial allocations. Counties' recent spending patterns were used to project their spending in the upcoming year and a small amount of funds were identified for reallocation. DCDEE intends to review spending in November to determine if additional reallocations may be necessary.

### **Legislative Update**

Legislation permits the Division to continue a transition period in SFY 2013-14 for facilities participating in the Subsidized Child Care Program to work toward increasing their star rated license to three to five stars.

There have been no changes to the allocation formula. Data from the 2000 Census were utilized for the percentage of families at or below 75% of the state median income with all parents working. However, 2013 population projections were used for the number of children under age 11 in the formula.

As directed by legislation, no funds were held in reserve in the calculation of individual county allocations.

Services Support funding was maintained at 4% of the formula allocation or \$80,000, whichever is greater. A 20% local match for any local purchasing agency that receives reallocated funds above \$25,000 continues to be required for SFY 2013-14.

Special Provision Language created an optional allowance for fraud detection and investigation initiatives. The maximum amount that may be used for this purpose is 2% of the direct services funds allocated to the agency. This is in addition to the 4% or \$80,000 set aside for Services Support. Counties wishing to utilize funds for fraud detection and investigation initiatives must complete and return the attached spreadsheet, "Response for 2% Fraud Detection" to John Winstead, Subsidy Budget Officer at [john.winstead@dhhs.nc.gov](mailto:john.winstead@dhhs.nc.gov), by September 16, 2013. Of the maximum amount shown in the green highlighted column, counties that wish to use any of the 2% for this purpose should enter the amount they will use in the yellow highlighted column. It is important to note that any funds identified within the 2% allowed for this purpose will reduce counties' funds for direct services.

### **Smart Start**

Smart Start continues to provide subsidies to families eligible for TANF and CCDF. The Division counts these expenditures for TANF Maintenance of Effort (MOE) or CCDF Match if the parent meets current income eligibility and is coded as needing care due to employment, seeking employment, post-secondary education or job training, or high school/GED. If Smart Start funds are administered by your agency through the Subsidized Child Care Reimbursement System (SCCRS), any expenditures eligible for TANF MOE or CCDF are automatically identified by the SCCR. To assist counties in tracking these expenditures for local partnerships, county specific reports are available from Data Warehouse that identify Smart Start expenditures that are eligible for TANF MOE and CCDF Match in the Smart Start Reporting System (SSRS).

### **Special Needs Set-Aside**

A portion of each county's allocation is designated as a set-aside for serving children with special needs. The amount of the set-aside for each county is based on the set-aside in SFY 95-96 for serving children with special needs. Expenditures for subsidy services for children coded to the 400 series need codes in the Subsidized Child Care Reimbursement System (SCCRS) will count towards the special needs set-aside, regardless of where the child receives care or if a higher rate is paid. The set-aside represents a minimum amount of funds counties are required to spend; however, it is the Division's expectation that the funds will be expended to serve this specific group of children.

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**Managing Expenditures within the Allocation Amount**

The direct services and services support funds provided in your allocation cover the service months from June 1, 2013 through May 31, 2014. The last month of expenditures that can be claimed against your allocation is for the May 2014 service month. Subsidy services provided to children in June 2014 are paid in July and charged to your SFY 2014-15 allocation.

Counties must develop strategies and spending priorities to stay within a sustainable spending level within their subsidy allocation.

Subsidized child care services are vital to the successful employment and educational endeavors of parents and to the safety and well-being of their children. If you have questions about the information in this letter, please contact Kim Miller, Subsidy Program Manager, at 919-662-4561 or via email at [kim.miller@dhhs.nc.gov](mailto:kim.miller@dhhs.nc.gov).

RK/KM

Attachment

cc: Child Care Coordinators  
North Carolina Partnership for Children, Inc.