



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


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Robert W. Kindsvatter
Director

Memorandum

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

FROM: Robert W. Kindsvatter 

DATE: August 13, 2014

RE: Allocation of Child Care Subsidy Funds for State Fiscal Year 2014-2015

The purpose of this memorandum is to provide information about subsidized child care funding for your agency for State Fiscal Year (SFY) 2014-15. The attached chart reflects your initial Non-Smart Start allocation for direct services and services support.

The initial Funding Authorizations for SFY 2014-15 will also be available on the Division's web site at: <http://ncchildcare.nc.gov>. To access this information, 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.

Non-Smart Start Funding Availability for SFY 14-15

Non-Smart Start allocations are a blend of state and federal funds. Federal allocations for the program include funds from the Child Care and Development Fund (CCDF) and Temporary Assistance for Needy Families (TANF) grants. Although the overall mix of funding sources approved in the SFY 14-15 budget for the Subsidized Child Care Program was changed, total statewide funding for the Subsidized Child Care Program is equal to SFY 13-14 funding.

Legislation Impacting the Subsidized Child Care Allocation Formula

There were a several changes made in legislation during the 2014 short session that impact the subsidized child care program and specifically how funds have been allocated. We have sent guidance in a separate memo, detailing these program changes and our plans for the implementation and training regarding these new requirements. In this memorandum, we wanted to specifically detail how these changes have impacted subsidized child care allocations for SFY 14-15.

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Changes to Income Eligibility

Per Section 12B.3.(a), of Session Law 2014-100 the income eligibility for children served is changed from 75% of State Median Income for children ages 0-12 to:

- 200% of the federal poverty level for children ages 0-5 and for children with special needs and
- 133% for children ages 6-12.

Section 12.B.3.(b).(1) of the same law specifies that the projected cost to serve children under these revised eligibility guidelines will serve as the basis for projecting the costs for children to be served. Therefore, the allocation formula includes projections of the numbers of children in these age and income categories by county.

Changes to Source Data

Per Section 12.B.4.(c)(1) of Session Law 2014-100, the Department of Health and Human Services is directed to update, on a graduated basis, data within the subsidy allocation formula to utilize current census data. Prior to this change, certain data elements within the funding formula were sourced from the 2000 Census. These items have been updated to include use of the most current census data. Allocations for SFY 14-15 and SFY 15-16 will reflect 1/3 of the adjustment resulting from this change in source data. Additional changes will be implemented over the next two biennia, with an additional one-third implemented in SFY 2016-17 and the final third implemented in SFY 2018-19. This phased-in approach will allow counties a longer timeframe to adjust to increases or decreases to their allocations due to the use of this new data.

Additional Changes

Per Section 12B.(c).(1)(a) of Session Law 2014-100, counties that did not have a waiting list during the 2013-14 will not be eligible for an increase due to changes in the census data inputs within the funding formula. Additionally, per Section 12B.4.(c).(1).(b), counties whose have a spending coefficient of less than 95% will not be eligible for allocation increases due to these changes in SFY 15-16.

Market Rates

Per Section 12B.5. of Session Law 2014-100, effective January 1, 2015, the Department will implement an adjustment to child care market rates based upon the 2013 Child Care Market Rate Study for all 3-5 star child care centers and family child care homes. This change will implement twenty-five percent (25%) of the recommended rate adjustments as defined in the 2013 Child Care Market Rate Study. Legislation also specifies that funding for market rate increases are to be allocated through the funding formula and not allocated separately.

Impact of Changes and Managing Expenditures within the Allocation Amount

Each of the above changes, along with annual updates to data within the formula, impacted resulting allocations to counties. For the vast majority of counties, these adjustments resulted in changes to final allocations of less than 7% (increase or decrease as compared to SFY 13-14 initial allocations). However, there are a limited number of outliers with larger increases and decreases to allocated funds. For these counties we recognize that additional time may be necessary to adjust to revised funding levels. For this reason and as also allowed in Special Provision, DCDEE will be conducting reversions and reallocations throughout SFY 14-15 in order to maintain services for children in care wherever possible. In support of this effort, the Division anticipates an initial reversion\reallocation taking place in late September 2014 to address counties that may have the most immediate need for assistance maintaining services for children in care while adjusting service populations over time. Specifically, we are requesting that counties delay service terminations for children currently in care until after the September reversion and reallocation process is completed. If you have immediate concerns with regard to maintaining service levels during this period, please contact Kim Miller at 919-527-6594 or at kim.miller@dhhs.nc.gov. We will continue to monitor spending throughout SFY 14-15 to conduct additional reallocations as necessary throughout this transition period.

Note that a 20% local match for any local purchasing agency that receives reallocated funds above \$25,000 continues to be required for SFY 2014-15. Historically, we have been able to assist counties in identifying match to qualify for reallocation and the Division will continue to work with counties as necessary to meet this need.

Allocated Funds

The direct services and services support funds provided in your allocation cover the service months from June 1, 2014 through May 31, 2015. The last month of expenditures that can be claimed against your allocation is for the May 2015 service month. Subsidy services provided to children in June 2015 are paid in July and charged to your SFY 2015-16 allocation.

IV-E funds for subsidized child care for eligible foster care children are not included in these allocations. IV-E funds will be added to counties' allocations at the end of each quarter based upon actual expenditures. This will ensure that the correct expenditures for eligible foster children are claimed for federal reimbursement. The IV-E reimbursement for the first quarter of SFY 2014-15 will include the months from February 2014 – May 2014.

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.

Services Support funding was also maintained at 4% of each county's total allocation or \$80,000, whichever is greater. The attached chart lists the maximum amount of services support funding for your agency. However, counties may elect to designate less for services support and retain additional funds in their direct services allocations. The DSS Director must submit a written request to Kim Miller, Acting Subsidy Section Chief, if they choose to use a lesser amount, designating the amount to be used for the services support. This request is due to Kim Miller by August 22, 2014.

Special Provision Language related to an optional allowance for fraud detection and investigation initiatives will also pertain to SFY 14-15. 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 notify John Winstead, Subsidy Budget Officer at 919-527-6541 or via email at john.winstead@dhhs.nc.gov, of the amount identified for these activities in writing by August 29, 2014.

Smart Start

Smart Start funds are also separate from these allocations. These funds will be allocated based upon determinations made by local Partnerships and added to funding authorizations throughout the SFY as has been done in prior years. Note that 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 SCCRS. To assist counties in tracking these expenditures for local partnerships, county specific reports are available from Data Warehouse that identifies Smart Start expenditures that are eligible for TANF MOE and CCDF Match in the Smart Start Reporting System (SSRS).

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, Acting Subsidy Section Chief, at 919-527-6594 or via email at kim.miller@dhhs.nc.gov.

RK/KM

Attachment

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