



DEPARTMENT OF HEALTH AND HUMAN SERVICES  
DIVISION OF CHILD DEVELOPMENT AND EARLY EDUCATION

ROY COOPER  
GOVERNOR

MANDY COHEN, MD, MPH  
SECRETARY

ANNA CARTER  
DIRECTOR

August 15, 2017

**Dear County Directors of Social Services and Local Purchasing Agencies**

**Attention: Child Care Coordinators, Supervisors, and Managers**

**Subject: Allocation of Child Care Subsidy Funds for State Fiscal Year 2017-2018 REVISED**

The purpose of this memorandum is to provide information about subsidized child care funding for your agency for the State Fiscal Year (SFY) 2017-2018. The attached chart reflects your initial Non-Smart Start allocation for direct services and services support.

The initial Funding Authorizations for SFY 2017-2018 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 Assistance Program.

**Non-Smart Start Funding Availability for SFY 2017-2018**

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. A total of \$369.8 million was available for allocation. The General Assembly increased funds for the subsidized child care program by \$13 million, for the purposes of increasing market rates.

IV-E funds for subsidized child care for eligible foster care children were not included in these allocations. IV-E funds will be allocated to counties' allocations throughout the year based on actual expenditures.

**Legislation Impacting the Subsidized Child Care Policy and Market Rates**

There were some changes made in legislation during the 2017 session in Session Law 2017-57 that impact the subsidized child care assistance program.

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## 1. Market Rate Increases

### **CHILD CARE SUBSIDY MARKET RATE INCREASES/CERTAIN AGE GROUPS AND COUNTIES**

**Section 11B.4.(a)** Beginning October 1, 2017, the Department of Health and Human Services, Division of Child Development and Early Education (Division), shall increase the child care subsidy market rates to the rates recommended by the 2015 Child Care Market Rate Study for school-aged children in three-, four-, and five-star-rated child care centers and homes in tier one and tier two counties.

**SECTION 11B.4.(b)** Beginning October 1, 2017, the Division shall increase the child care subsidy market rates to the rates recommended by the 2015 Child Care Market Rate Study for children birth through two years of age in three-, four-, and five-star-rated child care centers and homes in tier three counties.

The legislation references the NC Department of Commerce's 2015 County Tier Designations for these increases. A list of counties by 2015 tier designation may be found at [https://www.nccommerce.com/research-publications/incentive-reports/2015-county-tier-designations?udt\\_10737\\_param\\_orderby=Tier\\_x0020\\_Designation&udt\\_10737\\_param\\_direction=ascending](https://www.nccommerce.com/research-publications/incentive-reports/2015-county-tier-designations?udt_10737_param_orderby=Tier_x0020_Designation&udt_10737_param_direction=ascending)

## 2. Subsidized Child Care Allocation Formula

There were changes this year to the special provision in Session Law 2017-57 regarding the subsidized allocation formula. Counties received the amount they expended in SFY 16-17 as a base amount, which totaled \$354.9 million. As authorized by the new special provision below, DCDEE withheld \$2 million for preventing service terminations and for any repayment of federal funds throughout the year. After funds were set aside to be allocated for market rate increases to Tier 1, Tier 2, and Tier 3 counties, there was \$1.8 million that was distributed through the formula to counties with spending levels of at least 92%. Then the funds for market rate increases were distributed through the formula to Tier 1, Tier 2, and Tier 3 counties.

**SECTION 11B.5.(a)(2)** The Division may withhold up to two percent (2%) of available funds from the allocation formula for (i) preventing termination of services throughout the fiscal year and (ii) repayment of any federal funds identified by counties as overpayments, including overpayments due to fraud. The Division shall allocate to counties any funds withheld before the end of the fiscal year when the Division determines the funds are not needed for the purposes described in this subdivision. The Division shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division, which report shall include each of the following:

- a. The amount of funds used for preventing termination of services and the repayment of any federal funds.
- b. The date the remaining funds were distributed to counties.
- c. As a result of funds withheld under this subdivision and after funds have been distributed, any counties that did not receive at least the amount the counties received the previous year and the amount by which funds were decreased.

The Division shall submit a report in each year of the 2017-2019 fiscal biennium 30 days after the funds withheld pursuant to this subdivision are distributed but no later than April 1 of each respective year.

**SECTION 11B.5.(c)** When implementing the formula under subsection (a) of this section, the Division shall include the market rate increase in the formula process rather than calculating the increases outside of the formula process. Additionally, the Department shall do the following:

- (1) Implement the final one-third change in a county's allocation beginning fiscal year 2018-2019. A county's initial allocation shall be the county's expenditure in the previous fiscal year or a prorated share of the county's previous fiscal year expenditures if sufficient funds are not available. With the exception of

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market rate increases consistent with any increases approved by the General Assembly, a county whose spending coefficient is less than ninety-two percent (92%) in the previous fiscal year shall receive its prior year's expenditure as its allocation and shall not receive an increase in its allocation in the following year. A county whose spending coefficient is at least ninety-two percent (92%) in the previous fiscal year shall receive, at a minimum, the amount it expended in the previous fiscal year and may receive additional funding, if available. The Division may waive this requirement and allow an increase if the spending coefficient is below ninety-two percent (92%) due to extraordinary circumstances, such as a State or federal disaster declaration in the affected county. By October 1 of each year, the Division shall report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division the counties that received a waiver pursuant to this subdivision and the reasons for the waiver.

- (2) Effective immediately following the next new decennial census data release, implement (i) one-third of the change in a county's allocation in the year following the data release, (ii) an additional one-third of the change in a county's allocation beginning two years after the initial change under this subdivision, and (iii) the final one-third change in a county's allocation beginning the following two years thereafter.

### **Managing Expenditures within SFY 2017-18 Allocations**

These initial allocations are likely different from the SFY 2017-2018 allocation estimates released early in 2017, since spending levels and the final budget amount were not known at that time. First quarter spending tends to be higher in the service months before school-age children return to school. As allowed by special provision, DCDEE will be conducting reversions and reallocations throughout SFY 2017-2018 in order to maintain services for care as much as possible. We anticipate IV-E draws throughout the year that will provide additional funds to some counties, and we realize that all counties may not have received their full Smart Start allocation for subsidized child care.

Following the allocation formula, all counties received at least the amount of Non-Smart Start funds they spent in SFY 16-17, plus additional funds for market rate increases. However, the amount of funds remaining for additional slots was much less than what was allocated for market rate increases (\$1.8 M vs. \$13 M statewide). Before removing children from the waiting list, counties should review how expenditures will likely increase for their current caseload when the market rates increase in October.

Note that a 20% local match for any local purchasing agency that receives reallocated funds above \$25,000 continues to be required for SFY 2017-2018.. Historically, we have been able to assist counties in identifying match to qualify for reallocation and will continue to do so as may be necessary.

### **Allocated Funds**

The direct services and services support funds provided in your allocation cover the service months from June 1, 2017 through May 31, 2018. Subsidy services provided to children in June 2017 are paid in July and charged to your SFY 2017-2018 allocation. The last month of expenditures that can be claimed against your SFY 2017-2018 allocation is for the May 2018 service month.

There were changes to the legislation regarding funds to be set aside for serving vulnerable populations. Previously, counties were required to set aside funds for serving children with special needs based on an amount from SFY 1995-96. This year, the requirement was broadened to include other vulnerable populations and the set aside amount updated to 4% of counties' allocations, per the language below. The set aside amounts are shown in the attached allocation chart and will be updated in NC FAST along with counties' SFY 17-18 allocations.

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From S.L. 2017-57, **Section 11B.5.(a)(3)**:

The Division shall set aside four percent (4%) of child care subsidy allocations for vulnerable populations, which include a child identified as having special needs and a child whose application for assistance indicates that the child and the child's family is experiencing homelessness or is in a temporary living situation. A child identified by this subdivision shall be given priority for receiving services until such time as set-aside allocations for vulnerable populations are exhausted.

Services Support funding was maintained at 4% of the 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 increase their direct services allocation. The DSS Director must submit a written request to Elizabeth Everette, Senior Subsidy 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 Elizabeth Everette by September 30, 2017.

Special Provision Language related to an optional allowance for fraud detection and investigation initiatives continues. 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 Jose Merza, Subsidy Business Officer at [Jose.Merza@dhhs.nc.gov](mailto:Jose.Merza@dhhs.nc.gov), of the amount identified for these activities in writing by September 30, 2017.

**Smart Start**

Smart Start funds are 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. DCDEE continues to rely on Smart Start expenditures to count for CCDF and TANF Maintenance of Effort (MOE) or CCDF Match. The Division counts these expenditures for MOE or Match if the parent meets current income eligibility and needs 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 NC FAST or the Subsidized Child Care Reimbursement System (SCCRS), any expenditures eligible for CCDF/TANF MOE or CCDF Match are automatically identified. 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 CCDF/TANF MOE and CCDF Match in the Smart Start Reporting System (SSRS).

**Transition to NC FAST**

During the implementation of NC FAST, initial allocations for direct services will be entered in the funds management screens by the DCDEE Fund Manager. As counties expend funds from fund sources 25 (Non-Smart Start) and 15 (Smart Start) through the Subsidized Child Care Reimbursement System, the DCDEE Fund Manager will create a debit adjustment to the allocations in the amount of the expenditures each month. When the county goes live with payment from NC FAST, the allocation balances will accurately reflect the available funds for the remainder of SFY 2017-2018 for each fund.

For those counties that use local funds such as TANF Federal (71), TANF MOE (72), and TANF (73) - Child Only (200%), and other locally provided funds, the LPA Fund Manager should enter these funds into NC FAST.

As cases are activated in NC FAST, funds will be obligated according to priorities established by the LPA Fund Manager. Funds are obligated for the entire certification period of each child's services. Because the certification period may cross fiscal years, NC FAST will need funds and thresholds created for the current year and one future

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year at any time. This will be needed for both state-level and county-only funds. The values set for a future fiscal year will reflect the current year's allocation and will only be estimates. These values will be updated once the actual allocations are confirmed for the future year.

**Fund Managers**

NC FAST automatically determines the funds to use for child care cases based on a set of rules and fund configurations. If the characteristics of a case only qualify a case to use a specific fund (i.e., this case can only use Non-Smart Start monies), then obligations will automatically be placed against that fund. If the characteristics of the case would allow one of several funds to be used (i.e., this case qualifies for either Smart Start or Non-Smart Start monies), then the fund selected is based on the priority that the LPA Fund Manager assigns for their allocation and their current fund balance. This can be unique by LPA and can be altered throughout the year as the LPA Fund Manager deems appropriate to manage their allocation of monies by fund.

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 Elizabeth Everette, Senior Subsidy Manager, at 919-527-6598 or via email at [Elizabeth.Everette@dhhs.nc.gov](mailto:Elizabeth.Everette@dhhs.nc.gov).

Sincerely,



Anna Carter  
LD/AC  
Attachment

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



## Summary of SFY 17-18 Non-Smart Start Subsidized Child Care Allocations

	SFY 17-18 Total Allocation	Maximum Allowed for Services Support (4% or \$80,000)	Direct Services Funding	4% Direct Services Set-Aside for Vulnerable Populations
Alamance	\$ 5,753,476	\$ 230,139	\$ 5,523,337	\$ 220,933
Alexander	\$ 956,457	\$ 80,000	\$ 876,457	\$ 35,058
Alleghany	\$ 393,316	\$ 80,000	\$ 313,316	\$ 12,533
Anson	\$ 1,186,803	\$ 80,000	\$ 1,106,803	\$ 44,272
Ashe	\$ 1,015,603	\$ 80,000	\$ 935,603	\$ 37,424
Avery	\$ 489,220	\$ 80,000	\$ 409,220	\$ 16,369
Beaufort	\$ 2,921,603	\$ 116,864	\$ 2,804,739	\$ 112,190
Bertie	\$ 700,534	\$ 80,000	\$ 620,534	\$ 24,821
Bladen	\$ 1,043,022	\$ 80,000	\$ 963,022	\$ 38,521
Brunswick	\$ 3,865,652	\$ 154,626	\$ 3,711,026	\$ 148,441
Buncombe	\$ 8,953,230	\$ 358,129	\$ 8,595,101	\$ 343,804
Burke	\$ 2,430,623	\$ 97,225	\$ 2,333,398	\$ 93,336
Cabarrus	\$ 4,560,378	\$ 182,415	\$ 4,377,963	\$ 175,119
Caldwell	\$ 2,745,601	\$ 109,824	\$ 2,635,777	\$ 105,431
Camden	\$ 213,711	\$ 80,000	\$ 133,711	\$ 5,348
Carteret	\$ 1,778,800	\$ 80,000	\$ 1,698,800	\$ 67,952
Caswell	\$ 507,775	\$ 80,000	\$ 427,775	\$ 17,111
Catawba	\$ 5,937,923	\$ 237,517	\$ 5,700,406	\$ 228,016
Chatham	\$ 1,782,146	\$ 80,000	\$ 1,702,146	\$ 68,086
Cherokee	\$ 1,296,354	\$ 80,000	\$ 1,216,354	\$ 48,654
Chowan	\$ 562,162	\$ 80,000	\$ 482,162	\$ 19,286
Clay	\$ 544,226	\$ 80,000	\$ 464,226	\$ 18,569
Cleveland	\$ 1,909,528	\$ 80,000	\$ 1,829,528	\$ 73,181
Columbus	\$ 1,799,617	\$ 80,000	\$ 1,719,617	\$ 68,785
Craven	\$ 4,168,997	\$ 166,760	\$ 4,002,237	\$ 160,089
Cumberland	\$ 15,331,873	\$ 613,275	\$ 14,718,598	\$ 588,744
Currituck	\$ 768,883	\$ 80,000	\$ 688,883	\$ 27,555
Dare	\$ 644,780	\$ 80,000	\$ 564,780	\$ 22,591
Davidson	\$ 5,842,496	\$ 233,700	\$ 5,608,796	\$ 224,352
Davie	\$ 993,805	\$ 80,000	\$ 913,805	\$ 36,552
Duplin	\$ 2,366,133	\$ 94,645	\$ 2,271,488	\$ 90,860
Durham	\$ 19,377,429	\$ 775,097	\$ 18,602,332	\$ 744,093
Edgecombe	\$ 2,497,705	\$ 99,908	\$ 2,397,797	\$ 95,912
Forsyth	\$ 14,907,778	\$ 596,311	\$ 14,311,467	\$ 572,459
Franklin	\$ 2,583,750	\$ 103,350	\$ 2,480,400	\$ 99,216
Gaston	\$ 6,330,210	\$ 253,208	\$ 6,077,002	\$ 243,080
Gates	\$ 307,476	\$ 80,000	\$ 227,476	\$ 9,099
Graham	\$ 414,180	\$ 80,000	\$ 334,180	\$ 13,367
Granville	\$ 1,318,627	\$ 80,000	\$ 1,238,627	\$ 49,545
Greene	\$ 528,345	\$ 80,000	\$ 448,345	\$ 17,934
Guilford	\$ 22,667,247	\$ 906,690	\$ 21,760,558	\$ 870,422
Halifax	\$ 1,899,519	\$ 80,000	\$ 1,819,519	\$ 72,781
Harnett	\$ 4,511,994	\$ 180,480	\$ 4,331,514	\$ 173,261
Haywood	\$ 3,519,436	\$ 140,777	\$ 3,378,658	\$ 135,146
Henderson	\$ 2,983,729	\$ 119,349	\$ 2,864,380	\$ 114,575
Hertford	\$ 857,863	\$ 80,000	\$ 777,863	\$ 31,115
Hoke	\$ 2,176,394	\$ 87,056	\$ 2,089,339	\$ 83,574
Hyde	\$ 140,175	\$ 80,000	\$ 60,175	\$ 2,407
Iredell	\$ 3,977,186	\$ 159,087	\$ 3,818,098	\$ 152,724
Jackson	\$ 2,160,805	\$ 86,432	\$ 2,074,373	\$ 82,975
Johnston	\$ 7,106,859	\$ 284,274	\$ 6,822,585	\$ 272,903
Jones	\$ 646,716	\$ 80,000	\$ 566,716	\$ 22,669
Lee	\$ 2,369,382	\$ 94,775	\$ 2,274,607	\$ 90,984

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	SFY 17-18 Total Allocation	Maximum Allowed for Services Support (4% or \$80,000)	Direct Services Funding	4% Direct Services Set-Aside for Vulnerable Populations
Lenoir	\$ 1,993,147	\$ 80,000	\$ 1,913,147	\$ 76,526
Lincoln	\$ 2,034,240	\$ 81,370	\$ 1,952,870	\$ 78,115
Macon	\$ 1,449,228	\$ 80,000	\$ 1,369,228	\$ 54,769
Madison	\$ 550,785	\$ 80,000	\$ 470,785	\$ 18,831
Martin	\$ 956,305	\$ 80,000	\$ 876,305	\$ 35,052
McDowell	\$ 1,305,102	\$ 80,000	\$ 1,225,102	\$ 49,004
Mecklenburg	\$ 44,355,764	\$ 1,774,231	\$ 42,581,534	\$ 1,703,261
Mitchell	\$ 543,083	\$ 80,000	\$ 463,083	\$ 18,523
Montgomery	\$ 859,999	\$ 80,000	\$ 779,999	\$ 31,200
Moore	\$ 2,219,347	\$ 88,774	\$ 2,130,573	\$ 85,223
Nash	\$ 3,037,540	\$ 121,502	\$ 2,916,039	\$ 116,642
New Hanover	\$ 6,904,483	\$ 276,179	\$ 6,628,304	\$ 265,132
Northampton	\$ 781,444	\$ 80,000	\$ 701,444	\$ 28,058
Onslow	\$ 9,062,366	\$ 362,495	\$ 8,699,871	\$ 347,995
Orange	\$ 5,124,600	\$ 204,984	\$ 4,919,616	\$ 196,785
Pamlico	\$ 606,535	\$ 80,000	\$ 526,535	\$ 21,061
Pasquotank	\$ 1,879,458	\$ 80,000	\$ 1,799,458	\$ 71,978
Pender	\$ 1,497,729	\$ 80,000	\$ 1,417,729	\$ 56,709
Perquimans	\$ 423,062	\$ 80,000	\$ 343,062	\$ 13,722
Person	\$ 1,346,585	\$ 80,000	\$ 1,266,585	\$ 50,663
Pitt	\$ 8,936,210	\$ 357,448	\$ 8,578,761	\$ 343,150
Polk	\$ 531,605	\$ 80,000	\$ 451,605	\$ 18,064
Randolph	\$ 4,483,231	\$ 179,329	\$ 4,303,901	\$ 172,156
Richmond	\$ 1,703,257	\$ 80,000	\$ 1,623,257	\$ 64,930
Robeson	\$ 6,588,158	\$ 263,526	\$ 6,324,632	\$ 252,985
Rockingham	\$ 3,282,025	\$ 131,281	\$ 3,150,744	\$ 126,030
Rowan	\$ 4,442,185	\$ 177,687	\$ 4,264,497	\$ 170,580
Rutherford	\$ 2,290,677	\$ 91,627	\$ 2,199,050	\$ 87,962
Sampson	\$ 2,541,059	\$ 101,642	\$ 2,439,417	\$ 97,577
Scotland	\$ 1,622,044	\$ 80,000	\$ 1,542,044	\$ 61,682
Stanly	\$ 1,593,560	\$ 80,000	\$ 1,513,560	\$ 60,542
Stokes	\$ 939,599	\$ 80,000	\$ 859,599	\$ 34,384
Surry	\$ 2,001,678	\$ 80,067	\$ 1,921,611	\$ 76,864
Swain	\$ 831,200	\$ 80,000	\$ 751,200	\$ 30,048
Transylvania	\$ 996,749	\$ 80,000	\$ 916,749	\$ 36,670
Tyrrell	\$ 186,246	\$ 80,000	\$ 106,246	\$ 4,250
Union	\$ 5,014,088	\$ 200,564	\$ 4,813,525	\$ 192,541
Vance	\$ 1,777,250	\$ 80,000	\$ 1,697,250	\$ 67,890
Wake	\$ 33,584,342	\$ 1,343,374	\$ 32,240,968	\$ 1,289,639
Warren	\$ 707,904	\$ 80,000	\$ 627,904	\$ 25,116
Washington	\$ 563,152	\$ 80,000	\$ 483,152	\$ 19,326
Watauga	\$ 716,623	\$ 80,000	\$ 636,623	\$ 25,465
Wayne	\$ 4,284,940	\$ 171,398	\$ 4,113,542	\$ 164,542
Wilkes	\$ 1,480,566	\$ 80,000	\$ 1,400,566	\$ 56,023
Wilson	\$ 4,432,811	\$ 177,312	\$ 4,255,499	\$ 170,220
Yadkin	\$ 314,731	\$ 80,000	\$ 234,731	\$ 9,389
Yancey	\$ 265,513	\$ 80,000	\$ 185,513	\$ 7,421
<b>North Carolina</b>	<b>\$ 369,789,736</b>	<b>\$ 17,066,705</b>	<b>\$ 352,723,034</b>	<b>\$ 14,108,919</b>