



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

5 Star Rated License • Prekindergarten • Subsidized Early Education for Kids

Beverly Eaves Perdue, Governor

Lanier M. Cansler, Secretary

Deborah J. Cassidy, Director

**Memorandum**

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

**FROM:** Deborah J. Cassidy, Ph.D. *DJC*

**DATE:** August 23, 2011

**RE:** Allocation of Child Care Subsidy Funds for State Fiscal Year 2011-2012

The purpose of this memo is to provide information about subsidy funding for your agency for the State Fiscal Year (SFY) 2011-2012. We have enclosed a chart that reflects your initial Non-Smart Start allocation amount and services support allocation, and your initial Smart Start direct services and services support allocations.

On August 5, 2011, counties were able to access their initial Funding Authorization for the state fiscal year on the Division's web site at

[http://ncchildcare.dhhs.state.nc.us/PDF\\_forms/Initial\\_Funding\\_Authorization\\_SFY\\_2011\\_2012.pdf](http://ncchildcare.dhhs.state.nc.us/PDF_forms/Initial_Funding_Authorization_SFY_2011_2012.pdf).

Please review the following information and distribute copies to management and fiscal staff in your county which 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. The total Child Care and Development Fund (CCDF) funding for subsidized child care in SFY 2011-2012 is \$170,476,546, including \$15,898,602 for services support. Other funding sources included in the allocations include a transfer of Temporary Assistance to Needy Families (TANF) funds of \$79.4 million to CCDF, TANF direct funds of \$67.4 million, and State appropriations of \$44.3 million. No Social Services Block Grant (SSBG) funds were appropriated to DCDEE for SFY-2011-2012.

Approximately \$5 million was held back from allocations for possible market rate adjustments for 4 and 5 star facilities, as authorized by Section 10.7 (j) of the Budget Bill. An additional \$1 million was set aside for emergencies, as has been done in previous years. A total of \$347,284,869 was run through the allocation formula. After adjusting for 06-07 and 07-08 market rates, and services support dollars, \$343,813,688 was allocated for direct services. This is a decrease of about \$19.7 million from the previous fiscal year. Due to this decrease as well as changes in county demographics and average cost data in the allocation formula most counties' final allocations are less than their estimate provided in the January 2011 Estimated Budget Package.

IV-E dollars for subsidized child care for eligible foster care children were not included in these allocations. IV-E funds will be allocated to counties' allocations each quarter based on actual claims. The total projected available amount of IV-E funds for the 2011-2012 fiscal year is \$3,255,840. As foster children are correctly coded for payment, IV-E funds will be added to individual county allocations. This will ensure that the correct expenditures for eligible foster children are claimed for federal reimbursement.

### **Legislative Update**

The General Assembly reduced funding for the Subsidized Child Care Program for SFY 2011-2012. The State appropriation for subsidized child care was reduced by \$19.2 million due to anticipated savings resulting from the elimination of payments for transportation and registration, and the reduction of subsidy payments to support post-secondary education from 24 months to 20 months. Other savings are based on discontinuing payments to supplement the More at Four portion of the day and reducing services support allocations to a maximum of 4% of counties' allocations. A one-time replacement of \$6.3 million in TANF funds for state appropriations is also included in the \$19.2 million reduction to appropriations.

Special Provision language still requires a 20% local match for any local purchasing agency that receives reallocated funds above \$25,000 in SFY 2011-2012.

The General Assembly approved a reduction in Smart Start funding of \$37.6 million for SFY 2011-2012 which reflects a 20% reduction to the North Carolina Partnership for Children. Special Provision language still requires local partnerships to expend at least \$52 million on subsidy activities that can be counted toward TANF Maintenance of Effort (MOE) and the Child Care Development Fund and Block Grant match requirements for SFY 2011-2012.

The NC Partnership for Children has issued specific instructions to local Smart Start partnerships on how they are to meet this requirement, so please work closely with local partnerships on any Smart Start funds allocated locally to your agency for the subsidized child care program. Expenditures can be counted for TANF 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, DCDEE is working to provide reports from the SCCR so that Smart Start expenditures that are eligible for TANF MOE and CCDF Match can be identified by purchasing county.

The General Assembly transferred the administration of the More at Four pre-kindergarten program to DCDEE. The program is now known as the North Carolina Pre-Kindergarten (NC Pre-K) program. Following a judicial ruling, an Executive Order was issued by Governor Perdue to ensure access for all at risk four-year-olds. More information can be found on DCDEE's website at <http://ncchildcare.dhhs.state.nc.us/general/whatsnew.asp>. Transition plans are being developed to implement this Executive Order.

### **Managing Expenditures within the Allocation Amount**

The direct services and services support funds provided in your allocation cover the service months from June 1, 2011 through May 31, 2012. The last month of expenditures that can be claimed against your allocation is for the May 2012 service month. Subsidy services provided to children in June 2012 are paid in July and charged to your SFY 2012-2013 allocation.

During pilot and Phase I of SEEK, DCDEE will continue to issue the monthly expenditure report for Non-Smart Start and Smart Start expenditures to assist you in your fiscal planning. Once we transition to payments through SEEK, other types of monthly reports will be provided. Counties should develop strategies and spending priorities to stay within a sustainable spending level of their subsidy allocation.

**Services Support**

The allocation amount for services support decreased by about \$3.6 million. The total amount allocated to services support for SFY 2011-2012 is \$15.9 million. The formula allocation amount for your county was used to calculate the amount of services support that your agency could receive in subsidy funding. The enclosed chart lists the amount of services support for your agency.

The maximum services support amount per county is reduced to 4% of the county's allocation amount or \$80,000, whichever is greater. This 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 Ron Byrd, Subsidy Section Chief, if they choose to use a lesser amount, designating the amount to be used for the purchase of services.

**Special Needs Set-Aside**

A portion of your allocation is designated as a set-aside 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 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 you are required to spend; however, it is the Division's expectation that the funds will be expended to serve this specific group of children.

Due to the current budget crisis, the General Assembly made some very difficult decisions regarding funding for the Subsidized Child Care Program. Subsidy services are vital to the successful employment and educational endeavors of parents and to the safety and well-being of their children. Division staff will continue to work with child care staff through technical assistance, training and the implementation of SEEK to insure the provision of child care subsidy services and other resources for families and children. If you have questions about the information in this letter, please contact your Subsidy Services Consultant.

DJC/CM

Enclosure

cc: Child Care Coordinators  
Local Smart Start Partnerships  
North Carolina Partnership for Children, Inc.