



## North Carolina Department of Health and Human Services

Pat McCrory  
Governor

Richard O. Brajer  
Secretary

Tamara Barnes, Interim Director  
Child Development and Early Education

October 5, 2015

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 2015-2016

The purpose of this memorandum is to provide information about subsidized child care funding for your agency for the State Fiscal Year (SFY) 2015-16. The attached chart reflects your initial Non-Smart Start allocation for direct services and services support.

The initial Funding Authorizations for SFY 2015-16 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.

### Non-Smart Start Funding Availability for SFY 15-16

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 \$351.6 million was available for allocation, approximately \$6.9 million more than was available to allocate last year. The increase is due to \$3 million appropriated by the General Assembly for some market rate increases, and to some one-time unspent federal funds from SFY 14-15 that carried forward for this year.

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 2015 session that impact the subsidized child care program.

#### **Definition of Family Income Unit**

Section 12.B.2.(b) of S.L. 2015-241 directs DCDEE to revise child care subsidy policy to exclude from the definition of "income unit" a non-parent relative caretaker, and the caretaker's spouse and child, if applicable, when the parent of the child receiving subsidized child care does not live in the home with the child. Implementation of this change is described in Administrative Letter # 04-15.

#### **Pro-rating Family Co-payments**

Section 12.B.2.(c) of S.L. 2015-241 provides for family co-payments for part-time care be 75% of the full-time co-payment. Implementation of this provision is described in Administrative Letter #05-15.

[www.ncdhhs.gov](http://www.ncdhhs.gov) • [www.ncchildcare.nc.gov](http://www.ncchildcare.nc.gov)

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### **Market Rate Increases**

Section 12.B.2.A. of S.L. 2015-241 adjusts subsidized child care market rates to the rates recommended by the 2015 Child Care Market Rate Study for age groups of birth through two years, in facilities with 3-5 stars, in tier one and tier two counties, as established by the NC Department of Commerce. A list of counties by 2015 tier designation may be found at <https://www.nccommerce.com/research-publications/incentive-reports/county-tier-designations>. The increased market rates will be effective January 1, 2016.

### **Legislation Impacting the Subsidized Child Care Allocations**

These changes were made to the child care allocation formula in Section 12.B.3 of S.L. 2015-241.

- The "hold harmless" provision that provided that a county's allocation must be at least 90% of its SFY 2001-02 initial subsidized child care allocation was removed.
- Beginning SFY 2015-16, a county's initial allocation must be at least the county's expenditure from the previous year. Counties are eligible for additional funds if their spending coefficient was at least 95% in the previous year, unless there were extraordinary circumstances, such as a State or Federal disaster declaration in the affected county. Tier one and two counties where market rates will be adjusted are also eligible for additional funds.

There were no changes to the data source that DCDEE was directed to use in SFY 14-15 to begin updating on a graduated basis, certain data elements within the allocation formula. DCDEE is directed to continue implementing one-third of the change to a county's allocation based on the newer Census data utilized last year.

In summary, counties received a "base" amount of at least the amount they expended from their Non Smart Start allocations in SFY 14-15. This amount was approximately \$340 million. Since there was \$351.6 million available to be allocated this year, there was about \$11 million additional funds that could be added to counties' base amount of Non Smart Start funds. Of the \$11 million additional funds to be allocated, \$3 million was set aside to be allocated for market rate increases. The remaining \$8 million was allocated following the funding formula. Counties whose Non Smart Start spending coefficient was at least 95% in SFY 14-15 (final Non Smart Start expenditures divided by initial Non Smart Start allocations) received a prorated share of the \$8 million run through the formula. Then the \$3 million for market rate adjustments was run through the formula for only tier one and two counties, who received a prorated share of this amount.

Final allocations were the sum of the base amount (SFY 14-15 final expenditures), any funds allocated from the \$8 million available for counties whose spending coefficients were at least 95% in SFY 14-15, and funds for market rate increases in tier one and two counties.

### **Managing Expenditures within SFY 2015-16 Allocations**

The revisions to the allocation formula resulted in changes from SFY 14-15 initial allocations and the SFY 15-16 allocation estimates released early in 2015. When first quarter expenditures are compared to the SFY 15-16 initial allocations, several counties have spending coefficients greater than 110%, and some have much lower spending coefficients than anticipated. As allowed by special provision, DCDEE will be conducting reversions and reallocations throughout SFY 15-16 in order to maintain services for care as much as possible. We anticipate an initial reversion/reallocation taking place the end of October 2015 to address counties that have the most immediate need for assistance in sustaining current services to children. In addition, we anticipate a IV-E draw soon 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.

For these reasons, we are requesting that counties delay service terminations for children currently in care until after the late October reversion/reallocation process is completed. If you have immediate concerns regarding maintaining service levels during this period, please contact Michele Bessette at 252-249-0152 or via email at [michele.bessette@dhhs.nc.gov](mailto:michele.bessette@dhhs.nc.gov). We will monitor spending throughout SFY 15-16 to conduct additional reallocations as necessary.

Note that a 20% local match for any local purchasing agency that receives reallocated funds above \$25,000 continues to be required for SFY 2015-16. 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, 2015 through May 31, 2016. The last month of expenditures that can be claimed against your allocation is for the May 2016 service month. Subsidy services provided to children in June 2016 are paid in July and charged to your SFY 16-17 allocation.

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 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 Kim Miller, 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 Kim Miller by October 30, 2015.

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 Janice Fain at [janice.fain@dhhs.nc.gov](mailto:janice.fain@dhhs.nc.gov), of the amount identified for these activities in writing by October 30, 2015.

### 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 eligible for to count for 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 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 identify 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, Senior Subsidy Manager, at 919-527-6594 or via email at [kim.miller@dhhs.nc.gov](mailto:kim.miller@dhhs.nc.gov).

Sincerely,



Tamara Barnes, Interim Director

TB/JF  
Attachment

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

## SFY 15-16 Non-Smart Start Subsidized Child Care Allocations

	SFY 15-16 Total Allocation	Maximum Allowed for Services Support (4% or \$80,000)	Direct Services Funding
Alamance	\$ 5,185,119	\$ 207,405	\$ 4,977,714
Alexander	\$ 916,438	\$ 80,000	\$ 836,438
Alleghany	\$ 423,063	\$ 80,000	\$ 343,063
Anson	\$ 969,853	\$ 80,000	\$ 889,853
Ashe	\$ 906,824	\$ 80,000	\$ 826,824
Avery	\$ 425,326	\$ 80,000	\$ 345,326
Beaufort	\$ 2,376,661	\$ 95,066	\$ 2,281,595
Bertie	\$ 744,305	\$ 80,000	\$ 664,305
Bladen	\$ 1,093,231	\$ 80,000	\$ 1,013,231
Brunswick	\$ 5,027,290	\$ 201,092	\$ 4,826,198
Buncombe	\$ 8,483,630	\$ 339,345	\$ 8,144,285
Burke	\$ 2,253,631	\$ 90,145	\$ 2,163,486
Cabarrus	\$ 4,380,237	\$ 175,209	\$ 4,205,028
Caldwell	\$ 2,421,870	\$ 96,875	\$ 2,324,995
Camden	\$ 169,656	\$ 80,000	\$ 89,656
Carteret	\$ 1,692,616	\$ 80,000	\$ 1,612,616
Caswell	\$ 511,590	\$ 80,000	\$ 431,590
Catawba	\$ 5,942,797	\$ 237,712	\$ 5,705,085
Chatham	\$ 1,777,088	\$ 80,000	\$ 1,697,088
Cherokee	\$ 1,209,351	\$ 80,000	\$ 1,129,351
Chowan	\$ 689,267	\$ 80,000	\$ 609,267
Clay	\$ 380,355	\$ 80,000	\$ 300,355
Cleveland	\$ 2,437,816	\$ 97,513	\$ 2,340,303
Columbus	\$ 1,819,439	\$ 80,000	\$ 1,739,439
Craven	\$ 4,808,812	\$ 192,352	\$ 4,616,460
Cumberland	\$ 14,562,437	\$ 582,497	\$ 13,979,940
Currituck	\$ 596,773	\$ 80,000	\$ 516,773
Dare	\$ 897,277	\$ 80,000	\$ 817,277
Davidson	\$ 5,635,034	\$ 225,401	\$ 5,409,633
Davie	\$ 944,777	\$ 80,000	\$ 864,777
Duplin	\$ 2,879,189	\$ 115,168	\$ 2,764,021
Durham	\$ 16,733,960	\$ 669,358	\$ 16,064,602
Edgecombe	\$ 2,484,520	\$ 99,381	\$ 2,385,139
Forsyth	\$ 13,631,063	\$ 545,243	\$ 13,085,820
Franklin	\$ 2,601,669	\$ 104,067	\$ 2,497,602
Gaston	\$ 6,823,337	\$ 272,933	\$ 6,550,404
Gates	\$ 343,099	\$ 80,000	\$ 263,099
Graham	\$ 493,435	\$ 80,000	\$ 413,435
Granville	\$ 1,384,964	\$ 80,000	\$ 1,304,964
Greene	\$ 498,293	\$ 80,000	\$ 418,293
Guilford	\$ 19,565,289	\$ 782,612	\$ 18,782,677
Halifax	\$ 1,928,966	\$ 80,000	\$ 1,848,966
Harnett	\$ 3,707,607	\$ 148,304	\$ 3,559,303
Haywood	\$ 3,341,292	\$ 133,652	\$ 3,207,640
Henderson	\$ 3,003,757	\$ 120,150	\$ 2,883,607
Hertford	\$ 861,445	\$ 80,000	\$ 781,445
Hoke	\$ 2,661,771	\$ 106,471	\$ 2,555,300
Hyde	\$ 130,694	\$ 80,000	\$ 50,694
Iredell	\$ 3,336,778	\$ 133,471	\$ 3,203,307
Jackson	\$ 1,963,258	\$ 80,000	\$ 1,883,258
Johnston	\$ 7,005,970	\$ 280,239	\$ 6,725,731
Jones	\$ 583,272	\$ 80,000	\$ 503,272
Lee	\$ 2,242,896	\$ 89,716	\$ 2,153,180

## SFY 15-16 Non-Smart Start Subsidized Child Care Allocations

	SFY 15-16 Total Allocation	Maximum Allowed for Services Support (4% or \$80,000)	Direct Services Funding
Lenoir	\$ 2,200,455	\$ 88,018	\$ 2,112,437
Lincoln	\$ 1,907,582	\$ 80,000	\$ 1,827,582
Macon	\$ 1,293,155	\$ 80,000	\$ 1,213,155
Madison	\$ 551,033	\$ 80,000	\$ 471,033
Martin	\$ 869,567	\$ 80,000	\$ 789,567
McDowell	\$ 1,506,028	\$ 80,000	\$ 1,426,028
Mecklenburg	\$ 40,574,871	\$ 1,622,995	\$ 38,951,876
Mitchell	\$ 557,721	\$ 80,000	\$ 477,721
Montgomery	\$ 718,620	\$ 80,000	\$ 638,620
Moore	\$ 2,450,444	\$ 98,018	\$ 2,352,426
Nash	\$ 2,727,129	\$ 109,085	\$ 2,618,044
New Hanover	\$ 6,582,463	\$ 263,299	\$ 6,319,164
Northampton	\$ 817,373	\$ 80,000	\$ 737,373
Onslow	\$ 8,886,946	\$ 355,478	\$ 8,531,468
Orange	\$ 4,693,873	\$ 187,755	\$ 4,506,118
Pamlico	\$ 563,043	\$ 80,000	\$ 483,043
Pasquotank	\$ 1,833,100	\$ 80,000	\$ 1,753,100
Pender	\$ 1,595,279	\$ 80,000	\$ 1,515,279
Perquimans	\$ 421,425	\$ 80,000	\$ 341,425
Person	\$ 1,261,934	\$ 80,000	\$ 1,181,934
Pitt	\$ 7,845,357	\$ 313,814	\$ 7,531,543
Polk	\$ 537,373	\$ 80,000	\$ 457,373
Randolph	\$ 4,542,422	\$ 181,697	\$ 4,360,725
Richmond	\$ 1,850,554	\$ 80,000	\$ 1,770,554
Robeson	\$ 6,805,112	\$ 272,204	\$ 6,532,908
Rockingham	\$ 2,839,660	\$ 113,586	\$ 2,726,074
Rowan	\$ 4,399,685	\$ 175,987	\$ 4,223,698
Rutherford	\$ 2,487,328	\$ 99,493	\$ 2,387,835
Sampson	\$ 2,388,031	\$ 95,521	\$ 2,292,510
Scotland	\$ 1,659,624	\$ 80,000	\$ 1,579,624
Stanly	\$ 1,591,296	\$ 80,000	\$ 1,511,296
Stokes	\$ 918,171	\$ 80,000	\$ 838,171
Surry	\$ 2,015,093	\$ 80,604	\$ 1,934,489
Swain	\$ 710,269	\$ 80,000	\$ 630,269
Transylvania	\$ 1,044,266	\$ 80,000	\$ 964,266
Tyrrell	\$ 203,484	\$ 80,000	\$ 123,484
Union	\$ 5,170,417	\$ 206,817	\$ 4,963,600
Vance	\$ 1,970,977	\$ 80,000	\$ 1,890,977
Wake	\$ 30,146,066	\$ 1,205,843	\$ 28,940,223
Warren	\$ 766,128	\$ 80,000	\$ 686,128
Washington	\$ 577,117	\$ 80,000	\$ 497,117
Watauga	\$ 828,794	\$ 80,000	\$ 748,794
Wayne	\$ 4,345,333	\$ 173,813	\$ 4,171,520
Wilkes	\$ 1,466,044	\$ 80,000	\$ 1,386,044
Wilson	\$ 3,911,920	\$ 156,477	\$ 3,755,443
Yadkin	\$ 452,854	\$ 80,000	\$ 372,854
Yancey	\$ 302,932	\$ 80,000	\$ 222,932
North Carolina	\$ 351,677,435	\$ 16,341,881	\$ 335,335,554