



Child Development  
and Early Education  
HEALTH AND HUMAN SERVICES

Pat McCrory  
Governor

Richard O. Brajer  
Secretary

Pamela L. Shue  
Director

August 19, 2016

**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 2016-2017**

The purpose of this memorandum is to provide information about subsidized child care funding for your agency for the State Fiscal Year (SFY) 2016-2017. The attached chart reflects your initial Non-Smart Start allocation for direct services and services support.

The initial Funding Authorizations for SFY 2016-2017 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 2016-2017**

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 \$360 million was available for allocation, approximately \$8.4 million more than was available to allocate last year. This is due to additional funds for market rate increases, an additional \$1.3 M appropriated to serve more children, and to some one-time unspent federal funds from SFY 2015-2016 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 2016 session in Session Law 2016-94 that impact the subsidized child care assistance program.

1. The Division of Child Development and Early Education is directed to study how subsidized child care rates are set, as described below.

**STUDY CHILD CARE SUBSIDY RATE SETTING**

SECTION 12B.2. The Department of Health and Human Services, Division of Child Development and Early Education, shall study how rates are set for child care subsidy. In conducting the study, the Division shall, at a minimum, review market rate studies and other methodologies for establishing rates, including any cost estimation models, along with the pros and cons of each method reviewed. The Division shall report to the House



Appropriations Committee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division by March 1, 2017, on any recommendations, including the suggested methodology to be used for setting rates, as well as time frames for implementing the methodology.

## 2. Market Rate Increases

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

Section 12.B.3 revises the special provision from S.L. 2015-241 as follows: Beginning October 1, 2016, the Division shall increase the child care subsidy market rates to the rates recommended by the 2015 Child Care Market Rate Study from age three through five years in three-, four-, and five-star-rated child care centers and homes in tier one and tier two counties. A list of counties by 2015 tier designation may be found at:

<https://www.nccommerce.com/research-publications/incentive-reports/2015-county-tier-designations>.

## 3. Subsidized Child Care Allocation Formula

There were no changes this year to the special provision in Session Law 2015-241 regarding the subsidized allocation formula. Counties received the amount they expended in SFY 15-16 as a base amount, which totaled \$337.6 million. After funds were set aside to be allocated for market rate increases to Tier 1 and Tier 2 counties, there was \$13 million that was distributed through the formula to counties with spending levels of at least 95%. Then the funds for market rate increases were distributed through the formula to Tier 1 and Tier 2 counties.

As noted in Section 12B.3.(c) (1) in last year's provision, the additional one-third of the change from using new Census data was applied to counties' allocations in the formula process.

(1) For fiscal year 2015-2016, (i) continue implementing one-third of the change in a county's allocation based on the new Census data; (ii) implement an additional one-third of the change in a county's allocation beginning fiscal year 2016-2017; and (iii) the final one-third change in a county's allocation beginning fiscal year 2018-2019.

### **Managing Expenditures within SFY 2016-2017 Allocations**

These initial allocations are likely different from the SFY 2016-2017 allocation estimates released early in 2016, 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 2016-2017 in order to maintain services for care as much as possible. We anticipate an initial reversion/reallocation taking place the end of October 2016 to address counties that may need 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 do not implement any service terminations for children currently in care until after attrition from the summer service months occurs and after the late October reversion/reallocation process is completed. If you have immediate concerns regarding maintaining service levels during this period, 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). You may also contact your Local Business Liaison to discuss concerns about service levels. We will monitor spending throughout SFY 2016-2017 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 2015-2016. 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, 2016 through May 31, 2017. 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 2016-2017 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 1995-1996 for serving children with special needs. Please see the attached Set-Aside for Children with Special Needs for county specific information. 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 September 30, 2016.

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 23, 2016.

### **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 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 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).



### **Transition to NC FAST**

During the implementation of NC FAST, initial allocations for direct services will be entered in the funds management screens by NC FAST. 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 2016-2017 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, further information will be provided about entering this information 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 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. LPA Fund Managers will need to prioritize their use of funds in NC FAST during their county's go-live timeslot. This will need to be completed before any cases can be converted into NC FAST for that county.

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,



Pamela L. Shue, Ed. D

PS/DL  
Attachment

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

 Nothing Compares<sup>SM</sup>

# Summary of SFY 16-17 Non-Smart Start Subsidized Child Care Allocations

	SFY 16-17 Total Allocation	Maximum Allowed for Services Support (4% or \$80,000)	Direct Services Funding
Alamance	\$ 5,812,973	\$ 232,519	\$ 5,580,454
Alexander	\$ 975,906	\$ 80,000	\$ 895,906
Alleghany	\$ 366,482	\$ 80,000	\$ 286,482
Anson	\$ 935,782	\$ 80,000	\$ 855,782
Ashe	\$ 836,975	\$ 80,000	\$ 756,975
Avery	\$ 442,258	\$ 80,000	\$ 362,258
Beaufort	\$ 2,497,425	\$ 99,897	\$ 2,397,528
Bertie	\$ 820,133	\$ 80,000	\$ 740,133
Bladen	\$ 1,434,161	\$ 80,000	\$ 1,354,161
Brunswick	\$ 3,693,806	\$ 147,752	\$ 3,546,054
Buncombe	\$ 8,483,630	\$ 339,345	\$ 8,144,285
Burke	\$ 1,841,842	\$ 80,000	\$ 1,761,842
Cabarrus	\$ 4,569,384	\$ 182,775	\$ 4,386,609
Caldwell	\$ 2,430,058	\$ 97,202	\$ 2,332,856
Camden	\$ 219,370	\$ 80,000	\$ 139,370
Carteret	\$ 1,960,670	\$ 80,000	\$ 1,880,670
Caswell	\$ 563,515	\$ 80,000	\$ 483,515
Catawba	\$ 5,041,893	\$ 201,676	\$ 4,840,217
Chatham	\$ 1,827,868	\$ 80,000	\$ 1,747,868
Cherokee	\$ 1,209,351	\$ 80,000	\$ 1,129,351
Chowan	\$ 708,061	\$ 80,000	\$ 628,061
Clay	\$ 405,958	\$ 80,000	\$ 325,958
Cleveland	\$ 2,307,559	\$ 92,302	\$ 2,215,257
Columbus	\$ 2,135,078	\$ 85,403	\$ 2,049,675
Craven	\$ 4,901,405	\$ 196,056	\$ 4,705,349
Cumberland	\$ 16,130,689	\$ 645,228	\$ 15,485,461
Currituck	\$ 630,308	\$ 80,000	\$ 550,308
Dare	\$ 1,006,652	\$ 80,000	\$ 926,652
Davidson	\$ 5,887,281	\$ 235,491	\$ 5,651,790
Davie	\$ 1,034,417	\$ 80,000	\$ 954,417
Duplin	\$ 2,557,349	\$ 102,294	\$ 2,455,055
Durham	\$ 16,757,742	\$ 670,310	\$ 16,087,432
Edgecombe	\$ 2,476,716	\$ 99,069	\$ 2,377,647
Forsyth	\$ 14,191,687	\$ 567,667	\$ 13,624,020
Franklin	\$ 2,668,328	\$ 106,733	\$ 2,561,595
Gaston	\$ 7,445,871	\$ 297,835	\$ 7,148,036
Gates	\$ 318,146	\$ 80,000	\$ 238,146
Graham	\$ 493,435	\$ 80,000	\$ 413,435
Granville	\$ 1,362,300	\$ 80,000	\$ 1,282,300
Greene	\$ 602,889	\$ 80,000	\$ 522,889
Guilford	\$ 20,028,198	\$ 801,128	\$ 19,227,070
Halifax	\$ 1,762,324	\$ 80,000	\$ 1,682,324
Harnett	\$ 4,948,802	\$ 197,952	\$ 4,750,850
Haywood	\$ 3,341,292	\$ 133,652	\$ 3,207,640
Henderson	\$ 2,762,723	\$ 110,509	\$ 2,652,214
Hertford	\$ 982,854	\$ 80,000	\$ 902,854
Hoke	\$ 2,214,388	\$ 88,576	\$ 2,125,812
Hyde	\$ 157,515	\$ 80,000	\$ 77,515
Iredell	\$ 3,843,377	\$ 153,735	\$ 3,689,642
Jackson	\$ 1,963,258	\$ 80,000	\$ 1,883,258
Johnston	\$ 6,053,794	\$ 242,152	\$ 5,811,642
Jones	\$ 641,729	\$ 80,000	\$ 561,729
Lee	\$ 2,395,205	\$ 95,808	\$ 2,299,397

# Summary of SFY 16-17 Non-Smart Start Subsidized Child Care Allocations

	SFY 16-17 Total Allocation	Maximum Allowed for Services Support (4% or \$80,000)	Direct Services Funding
Lenoir	\$ 2,455,873	\$ 98,235	\$ 2,357,638
Lincoln	\$ 1,750,570	\$ 80,000	\$ 1,670,570
Macon	\$ 1,517,914	\$ 80,000	\$ 1,437,914
Madison	\$ 488,124	\$ 80,000	\$ 408,124
Martin	\$ 1,041,167	\$ 80,000	\$ 961,167
McDowell	\$ 1,506,028	\$ 80,000	\$ 1,426,028
Mecklenburg	\$ 42,384,977	\$ 1,695,399	\$ 40,689,578
Mitchell	\$ 577,649	\$ 80,000	\$ 497,649
Montgomery	\$ 850,456	\$ 80,000	\$ 770,456
Moore	\$ 2,450,444	\$ 98,018	\$ 2,352,426
Nash	\$ 2,638,636	\$ 105,545	\$ 2,533,091
New Hanover	\$ 6,788,302	\$ 271,532	\$ 6,516,770
Northampton	\$ 801,557	\$ 80,000	\$ 721,557
Onslow	\$ 9,742,978	\$ 389,719	\$ 9,353,259
Orange	\$ 4,749,098	\$ 189,964	\$ 4,559,134
Pamlico	\$ 592,936	\$ 80,000	\$ 512,936
Pasquotank	\$ 1,961,163	\$ 80,000	\$ 1,881,163
Pender	\$ 1,449,949	\$ 80,000	\$ 1,369,949
Perquimans	\$ 450,050	\$ 80,000	\$ 370,050
Person	\$ 1,287,942	\$ 80,000	\$ 1,207,942
Pitt	\$ 8,408,178	\$ 336,327	\$ 8,071,851
Polk	\$ 557,923	\$ 80,000	\$ 477,923
Randolph	\$ 4,547,418	\$ 181,897	\$ 4,365,521
Richmond	\$ 1,531,895	\$ 80,000	\$ 1,451,895
Robeson	\$ 6,335,225	\$ 253,409	\$ 6,081,816
Rockingham	\$ 2,713,817	\$ 108,553	\$ 2,605,264
Rowan	\$ 4,123,765	\$ 164,951	\$ 3,958,814
Rutherford	\$ 2,382,538	\$ 95,302	\$ 2,287,236
Sampson	\$ 2,314,899	\$ 92,596	\$ 2,222,303
Scotland	\$ 1,619,522	\$ 80,000	\$ 1,539,522
Stanly	\$ 1,663,800	\$ 80,000	\$ 1,583,800
Stokes	\$ 1,154,186	\$ 80,000	\$ 1,074,186
Surry	\$ 2,028,100	\$ 81,124	\$ 1,946,976
Swain	\$ 775,147	\$ 80,000	\$ 695,147
Transylvania	\$ 1,044,266	\$ 80,000	\$ 964,266
Tyrrell	\$ 186,049	\$ 80,000	\$ 106,049
Union	\$ 4,513,646	\$ 180,546	\$ 4,333,100
Vance	\$ 2,338,376	\$ 93,535	\$ 2,244,841
Wake	\$ 31,755,449	\$ 1,270,218	\$ 30,485,231
Warren	\$ 647,046	\$ 80,000	\$ 567,046
Washington	\$ 671,936	\$ 80,000	\$ 591,936
Watauga	\$ 767,840	\$ 80,000	\$ 687,840
Wayne	\$ 4,738,347	\$ 189,534	\$ 4,548,813
Wilkes	\$ 1,673,546	\$ 80,000	\$ 1,593,546
Wilson	\$ 4,235,433	\$ 169,417	\$ 4,066,016
Yadkin	\$ 509,256	\$ 80,000	\$ 429,256
Yancey	\$ 302,932	\$ 80,000	\$ 222,932
<b>North Carolina</b>	<b>\$ 360,107,160</b>	<b>\$ 16,608,887</b>	<b>\$ 343,498,273</b>