

A report of the
Department of Social Services
Commonwealth of Virginia

**ANNUAL REPORT ON
OBTAINING THE MAXIMUM
AVAILABLE FEDERAL
FUNDING FOR
CHILD CARE SERVICES**

to the Governor and the
General Assembly of Virginia

December 2008



COMMONWEALTH OF VIRGINIA
DEPARTMENT OF SOCIAL SERVICES
Office of the Commissioner

Anthony Conyers, Jr.
COMMISSIONER

December 15, 2008

MEMORANDUM

TO: The Honorable Timothy M. Kaine
Governor of Virginia

The Honorable Lacey E. Putney, Chairman
House Appropriations Committee

The Honorable Phillip A. Hamilton, Chairman
House Health, Welfare and Institutions

The Honorable Charles J. Colgan, Chairman
Senate Finance Committee

The Honorable Linda T. Puller
Senate Rehabilitation and Social Services

FROM: Anthony Conyers, Jr.

SUBJECT: Annual Report on Obtaining the Maximum Available Federal Funding for Child Care Services

I am pleased to submit the Department of Social Services' annual report describing strategies used to obtain the maximum amount of federal funds for child care services for recipients of Temporary Assistance for Needy Families (TANF) and other low-income families prepared pursuant to § 63.2-620 of the Code of Virginia. If you have questions or need additional information concerning this report, please contact me.

AC/lrm

Preface

Section 63.2-620 of the Code of Virginia (Code) directs the Department of Social Services (DSS) to provide an annual report, by December 15 of each year, on strategies implemented to obtain the maximum amount of federal funds available for child care services for TANF recipients and families whose incomes are at or below 185% of the federal poverty level:

The Department shall identify strategies for Virginia to obtain the maximum amount of federal funds available for child care services for TANF recipients and families whose incomes are at or below 185 percent of the federal poverty level. The Department shall provide an annual report on these strategies to the chairmen of the House Committees on Appropriations and Health, Welfare and Institutions and Senate Committees on Finance and Rehabilitation and Social Services by December 15.

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Executive Summary

DSS has obtained the maximum amount of federal funds available for child care services since Federal Fiscal Year (FFY) 03.

Strategies employed by the DSS to maximize federal funds include: transferring funds from other programs, fully utilizing state Pre-K expenditures, seeking re-allocated federal funds not used by other states, and monitoring to ensure compliance with all requirements. In addition, strategies that blend state and local resources to meet federal matching requirements have been implemented.

Virginia's child care program helps low-income families pay for child care so they can maintain employment or attend approved education/training activities. It may also assist with the cost of care for children in need of protective services. The program provides services to improve child care for citizens of the Commonwealth.

Annual Report on Obtaining the Maximum Available Federal Funding for Child Care Services

Background Information on Child Care Services Funding

DSS has obtained the maximum amount of federal funds available for child care services since Federal Fiscal Year (FFY) 03.

Strategies employed by the DSS to maximize federal funds include: transferring funds from other programs, fully utilizing state Pre-K expenditures, seeking re-allocated federal funds not used by other states, and monitoring to ensure compliance with all requirements. In addition, strategies that blend state and local resources to meet federal matching requirements have been implemented.

DSS receives child care funds from two federal funding sources, the Child Care and Development Fund (CCDF) and the Temporary Assistance for Needy Families (TANF) block grant. Funding from CCDF is awarded in three categories: mandatory, matching and discretionary. As a supplement, a percentage of the TANF block grant, based on need and availability of funds, may be transferred to CCDF to help support families requiring child care. The Office of Early Childhood Development within DSS administers Virginia's CCDF Program through 120 local departments of social services (LDSS).

Given the limited amount of funding the program receives it faces major challenges to (1) deliver child care services to children of families who work, attend approved educational activities, or are in need of protective services; (2) fund local eligibility determinations and wrap-around services to the rapidly increasing Head Start population; and (3) improve the overall quality of child care offered to families.

CCDF Funding Streams

Mandatory Funds

Mandatory funds are 100% federal funds authorized by § 418(a) (1) of the federal Social Security Act. Mandatory funds are used to match general fund dollars that Virginia must spend in order to meet the required Maintenance of Effort (MOE) by the fourth quarter of each FFY. Since FFY 99, the amount of mandatory funds awarded to Virginia has remained level at \$21,328,766.

Matching Funds

Matching funds are authorized pursuant to § 418(a) (2) of the federal Social Security Act. Funds are allocated based on the current Federal Medical Assistance Percentage (FMAP) rate and are available to states that obligate their mandatory funds within the FFY in which they are received. For FFY 08, the FMAP rate was 505. State, local, or donated funds can be used to

satisfy the match requirements. Matching funds must be obligated by September 30th of the year in which funds are received and liquidated by the last day of the following fiscal year. Virginia's matching award for FFY 08 was \$41,129,329.

CCDF regulations require that not less than 70% of the mandatory and matching funds be used to meet the child care needs of families who are: (1) receiving TANF, (2) attempting through work activities to transition off TANF, and (3) at-risk of becoming dependent on TANF.

Discretionary Funds

Discretionary funds are 100% federal funds, formerly known as the Child Care and Development Block Grant (CCDBG), authorized in § 658(B) of the federal Child Care and Development Block Grant Act. A substantial portion of these funds must be used for child care subsidies. Funds awarded in this category are also used to enhance the overall quality and availability of child care. States must spend no less than 4% of the aggregated total of the discretionary, mandatory, and matching annual awards on activities that meet the definition of quality as indicated in the CCDF regulations.

Discretionary funds must be obligated by September 30th of the year following the year in which the funds are awarded and must be liquidated within one year after the obligation period ends. Of the \$38,812,647 discretionary award for FY 08, the federal government targeted \$5,425,461 to be used for the following areas: (1) infants and toddlers; (2) school-age children and resource and referral activities; and (3) quality expansion.

TANF Transfer

A state may transfer up to 30% of its TANF block grant for a federal fiscal year to CCDF and the Social Services Block Grant (SSBG) programs. DSS transfers a percentage of the TANF block grant to CCDF annually after deducting transfers to SSBG and other programs. TANF funds transferred to CCDF are reported as part of the discretionary funds (100% federal) and are spent in accordance with CCDF federal regulations. In FFY 08, DSS transferred \$17.3 million from TANF to CCDF.

Available Funding

Table 1 below illustrates federal CCDF funding for the past five years. Mandatory funding has been and remains level. The moderate increase in matching funds since 2006 is the result of additional funds awarded to states as part of CCDF/TANF reauthorization in 2005. Discretionary funds decreased 5% since FFY 04. Overall, CCDF funding increased a modest 3% over the past 5 years, but the 100% federal discretionary funds are continually decreasing.

Table 1					
VIRGINIA'S FEDERAL CCDF FUNDING					
FFY 2004 – FFY 2008					
Funding Category	FFY 2004	FFY 2005	FFY 2006	FFY 2007	FFY 2008
Mandatory	21,328,766	21,328,766	21,328,766	21,328,766	21,328,766
Matching	36,137,995	36,137,995	41,312,418	41,748,302	41,129,239
*Discretionary	40,721,683	40,273,777	39,822,891	39,306,222	38,812,647
TOTAL	98,188,444	97,740,538	102,464,075	102,383,290	101,270,652

* Includes amounts awarded as targeted funds for Infant & Toddler, School-Age Children and Resource & Referral, and Quality Expansion.

Table 2 outlines the amount of TANF block grant funds transferred to CCDF between FFY 04 and FFY 08. Collaboration and resource sharing are becoming more natural occurrences between the CCDF and TANF programs, particularly when both federal and state funding is limited. TANF families need child care in order to participate in work and educational activities, while the child care program needs funding from TANF in order to provide child care to TANF and other low-income families. Given the budget reductions facing state agencies, it is possible that the TANF transfer to CCDF could exceed \$20 million in FFY 09.

Table 2	
AMOUNT OF TANF FUNDS TRANSFERRED TO CCDF	
FFY 2004 – FFY 2008	
FFY	AMOUNT TRANSFERRED
2004	16,816,255
2005	3,000,000
2006	3,000,000
2007	5,300,000
2008	17,300,000

Eligible Recipients of Child Care Subsidies

Virginia classifies child care subsidies into four categories: (1) TANF, (2) Transitional, (3) Head Start Wrap-Around, and (4) Fee Child Care.

TANF Child Care

TANF Child Care is a mandated service available to TANF families who need child care while working or participating in an approved Virginia Initiative for Employment not Welfare (VIEW) activity. No family co-payment is required.

Transitional Child Care

Transitional Child Care is a mandated service available to income-eligible families for up to 12 months after a recipient stops receiving TANF if child care is needed to maintain

employment. Eligibility determination is the same as for Fee Child Care families. Once the 12 months of Transitional Child Care have expired, the family can receive Fee Child Care, provided funding is available. If funding is no longer available at the end of the 12 month period, families may experience a break in services and be placed on a waiting list until funds become available. A co-payment of 10% of the family's gross monthly income is required.

Head Start Wrap-Around Child Care

Head Start Wrap-Around Child Care is a mandated service available to families who need full day/full year child care services for Head Start enrolled children and their siblings. Item 334(I) of the 2008 Appropriation Act prohibits the transfer of non-general funds appropriated for Head Start for any other use until eligible Head Start families have been served. A co-payment of 10% of the family's gross monthly income is required.

Fee Child Care

Fee Child Care is a non-mandated service offered to low-income families who are at risk of becoming eligible for TANF. Child Care services to families can be offered as long as funding is available. The family is required to pay 10% of their gross monthly income as a co-payment.

Maximizing the Use of Federal and State Child Care Funding

Matching Fund Strategies

When this annual report was first required, DSS experienced difficulty meeting the mandatory and matching requirements. By orchestrating strategies that effectively combine state and local matching opportunities, DSS has successfully met the 70% matching requirement since FFY 03 and has drawn all available federal matching funds since that time. Claiming local expenditures and requiring local match for some services is a strategy that has worked well for DSS, LDSS, and families.

For the second consecutive year, DSS requested and received federal re-allocated matching funds. Re-allocated funds are returned to the federal government from one or more states and then made available to states that request supplemental funds during the year. The amount of re-allocated funds varies from year to year, and is dependent upon the amount returned by other states and the number of states that requested additional funding. In FFY 07 and FFY 08, Virginia received supplemental matching awards of \$75,811 and \$5,795 respectively. In both years, the re-allocated funds were used to subsidize child care services. As of this report date, DSS has already requested any available federal re-allocated matching funds for FFY 09.

Utilization of Pre-Kindergarten (Pre-K) Expenditures

Pursuant to § 98.53 (h)(3) of the federal Child Care and Development Fund regulations, DSS uses state Pre-K expenditures to help satisfy both the state's Maintenance of Effort (MOE)

requirement and to represent the non-federal share of the CCDF Matching award. Currently, DSS receives a report from the Department of Education (DOE) that identifies DOE's state-only public Pre-K expenditures that are eligible and have never been claimed as the non-federal share for the purpose of obtaining other federal funding. For FFY 08, the state reported \$4, 265,752 (20% of the federal mandatory award of \$21,328,766) in Pre-K expenditures as MOE for CCDF.

General Fund Appropriation

The total General Fund appropriation for direct services for State Fiscal Year (SFY) 08 was \$44,407,745. Of that amount, \$29,742,896 was appropriated for mandated TANF/VIEW and Transitional child care services and \$14,664,849 to cover expenditures related to non-mandated Fee child care. The General Fund appropriation alone is not sufficient to draw and expend all available federal dollars. By blending these funds with non-general funds like the CCDF award, re-allocated funds, TANF transfers, local matching dollars, and state Pre-K expenditures, DSS has succeeded in maximizing the use of all federal CCDF dollars within federal time frames.

Appendix A

§ 63.2-620. Child care services for TANF and low-income families. The Department shall identify strategies for Virginia to obtain the maximum amount of federal funds available for child care services for TANF recipients and families whose incomes are at or below 185 percent of the federal poverty level. The Department shall provide an annual report on these strategies to the chairmen of the House Committees on Appropriations and Health, Welfare and Institutions and Senate Committees on Finance and Rehabilitation and Social Services by December 15.

