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 2009

COMMONWEALTH OF VIRGINIA
DEPARTMENT OF SOCIAL SERVICES
Office of the Commissioner

Anthony Conyers, Jr.
COMMISSIONER

December 15, 2009

MEMORANDUM

TO: The Honorable Timothy M. Kaine
Governor of Virginia

The Honorable Lacey E. Putney, Chairman
House Appropriations Committee

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

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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 Temporary Assistance for Needy Families (TANF) recipients and families whose incomes are at or below 185% of the federal poverty level:

> § 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.

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Executive Summary

Since Federal Fiscal Year (FFY) 03, DSS has obtained the maximum amount of federal funds available for child care services. This trend has continued through FFY 09.

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.

Strategies employed by DSS to maximize federal funds include: transferring funds from other programs, fully utilizing state Pre-Kindergarten (Pre-K) expenditures, and seeking re-allocated federal funds not used by other states. Strategies that blend state and local resources to meet federal matching requirements have been implemented. In addition to the annual federal Child Care and Development Fund (CCDF) award and transfers from the TANF block grant to CCDF, Virginia's child care program was awarded funds in FFY 09 from the American Recovery and Reinvestment Act (ARRA), Pub. L. No. 111-5.

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

Funding for Child Care Services

Each year, DSS' child care program is tasked with meeting the challenges of: (1) delivering child care services to children of TANF families who work, attend approved educational activities, or are in need of protective services; (2) delivering child care services to children of other low-income families who work; (3) funding local eligibility determinations and wrap-around services to an increasing Head Start population; and (3) improving the overall quality of child care offered to families.

In FFY 09, DSS received child care funds from multiple federal funding sources, including CCDF, the TANF block grant, and ARRA. Funding from CCDF is awarded in three categories: mandatory, matching and discretionary. Based on need and availability of funds, federal regulations allow a percentage of the TANF block grant to be transferred to CCDF to help support families requiring child care. In FFY 09, a source of new funding, through ARRA, was made available to the child care program.

CCDF Funding: Mandatory, Matching and Discretionary

The federal CCDF grant is divided into three categories of funding: mandatory, matching and discretionary. Mandatory funds are 100% federal funds authorized by § 418(a) (1) of the Social Security Act (Act), 42 USC § 301 et seq. Virginia receives an annual mandatory grant of $21,328,766. 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.

Matching funds are authorized pursuant to § 418(a) (2) of the Act. Funds are allocated based on the current Federal Medical Assistance Percentage (FMAP)[1] rate and are available to states that obligate their mandatory funds within the FFY in which they are received. State, local or donated funds can be used to satisfy the match requirement. 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. At least 70% of the mandatory and matching funds must be spent on families receiving TANF, transitioning from TANF, or low income families at risk of becoming TANF recipients.

Discretionary funds are 100% federal funds, the purpose of which is to enhance the overall quality and availability of child care. States must spend no less than four percent on activities that meet the definition of quality as indicated in the CCDF regulations.[2] As part of the allocation, the federal government has earmarked a specific amount of funds to be used in the following areas: infants and toddlers; school age children; research and referral; and quality

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[1] For FFY 2009 the FMAP rate was 50%.

[2] The four percent quality requirement is based on the aggregated total of the mandatory, matching (both federal and state shares) and the discretionary awards including earmarks.

expansion. Discretionary funds must be obligated by September 30th of the year following the year in which the funds are received and liquidated within one year after the obligation period ends.

TANF Funding

In addition to the CCDF grant, a state may transfer up to 30% of its FFY TANF block grant to CCDF. 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.

ARRA Funding

In FFY 09, the child care program received an award of $37.8 million in ARRA Funds. This one-time award is a federal discretionary award that has no requirement for state or local matching funds. DSS requested that 50% of available child care ARRA funds be appropriated in State Fiscal Year (SFY) 10 and the balance in SFY 11.

Total Available Funding

The table below illustrates Virginia's federal CCDF funding over the past five FFYs. Mandatory funds have remained the same. A moderate increase in the matching funds beginning in FFY 06 was the result of the CCDF/TANF reauthorization and receipt of additional federally reallocated funds requested by DSS. Discretionary funds increased nearly 2% in FFY 09. The table also outlines the amount of TANF funds transferred to CCDF between FFY 05 and FFY 09, and the ARRA funds received in FFY 09.

VIRGINIA'S FEDERAL FUNDING SOURCES FFY 05 – FFY 09

Funding Category	FFY 05	FFY 06	FFY 07	FFY 08	FFY 09
CCDF Mandatory	21,328,766	21,328,766	21,328,766	21,328,766	21,328,766
CCDF Matching	36,137,995	41,312,418	41,748,302	41,129,239	41,738,446
CDDF Discretionary	40,273,777	39,822,891	39,306,222	38,812,647	40,086,857
TANF Transfer	3,000,000	3,000,000	5,300,000	17,300,000	13,056,465
ARRA	0	0	0	0	37,891,740
TOTAL Funding	**100,740,538**	**105,464,075**	**107,683,290**	**118,570,652**	**154,102,274**

Maximizing the Use of Federal and State Funds for Child Care

Matching Fund Strategies

DSS routinely implements strategies that effectively combine state and local matching opportunities. Since FFY 03, DSS has drawn all available federal funds. Capturing local expenditures and claiming local match for some services are examples of strategies that work well for DSS, local departments of social services, and families.

For the third 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, FFY 08, and FFY 09, Virginia received supplemental matching awards of $75,811, $5,795, and $189,557 respectively. In all three years, the re-allocated funds were matched and used to subsidize child care services. As of this report date, DSS has already requested any available federal re-allocated matching funds for FFY 10.

Utilization of Pre-K Expenditures

Pursuant to § 98.53 (h)(3) of the federal CCDF regulations, DSS uses state Pre-K expenditures to help satisfy both the state’s Maintenance of Effort (MOE) requirement and a portion of the non-federal share of the CCDF matching award. Currently, DSS receives a report from the Department of Education (DOE) that identifies DOE state-only Pre-K expenditures that are eligible to be claimed as the non-federal share for matching federal funding. Consistent with prior years, for FFY 09, DSS reported $4, 265,752 in Pre-K expenditures as MOE for CCDF. This amount represents 20% of the CCDF mandatory award category of $21,328,766.

Utilization of ARRA Funds

Of the $37.8 million of one-time federal ARRA funds awarded, approximately 47% have been targeted to serve families. ARRA funds have been allocated to local departments of social services to help manage increased caseloads and provide services to families that are on waiting lists for child care. ARRA funds have also been used to help address locality fiscal constraints by implementing a reduction of the local match requirements for a portion of child care services.

Conclusion

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.

Strategies employed by DSS to maximize federal funds include: transferring funds from other programs, fully utilizing state Pre-K expenditures, and seeking re-allocated federal funds not used by other states. Strategies that blend state and local resources to meet federal matching requirements have been implemented. In addition to the annual federal CCDF award and transfers from the TANF block grant to CCDF, Virginia's child care program was awarded funds in FFY 09 from ARRA.

DSS has obtained the maximum amount of federal funds available for child care services since FFY 03. Effective strategies to maximize federal funds are assessed and employed to ensure appropriate and consistent maximization of federal funds.

Appendix A

Study Mandate

§ 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.