COMMONWEALTH *of* VIRGINIA

DEPARTMENT OF SOCIAL SERVICES

Office of the Commissioner

Martin D. Brown
COMMISSIONER

December 15, 2012

MEMORANDUM

TO: Honorable Robert F. McDonnell
Governor of Virginia

Honorable Lacey E. Putney, Chairman
House Appropriations Committee

Honorable Robert D. Orrock, Sr., Chairman
House Health, Welfare and Institutions

Honorable Walter A. Stosch, Chairman
Senate Finance Committee

Honorable Frank W. Wagner
Senate Rehabilitation and Social Services

FROM: Martin D. Brown

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.

MDB/rp

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A report of the
Department of Social Services
Commonwealth of Virginia

OBTAINING THE MAXIMUM AVAILABLE FEDERAL FUNDING FOR CHILD CARE SERVICES

December 2012

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

The Department of Social Services (DSS) has obtained the maximum amount of federal funds available for child care services since Federal Fiscal Year (FFY) 03. This trend has continued through FFY 12.

Virginia's child care program helps low-income families pay for child care so they can maintain employment or attend approved education/training activities. The program also invests in quality activities to improve child care services 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), P.L. No. 111-5. Effective strategies to maximize federal funds are continually assessed and employed to ensure appropriate and consistent maximization of federal funds.

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

Background

The Department of Social Services (DSS) is responsible for administration of the federal Child Care and Development Fund (CCDF) block grant, which provides funding for child care subsidies and invests in the quality of child care across Virginia. The purpose of CCDF is to increase the availability, affordability and quality of child care services. DSS provides funding to local departments of social services to determine eligibility and subsidize child care services for Temporary Assistance for Needy Families (TANF) children whose parents work or attend approved educational activities and for children of other low-income families who work, are in need of protective services or participate in Head Start programs. A portion of the CCDF grant is also targeted to invest in and improve the overall quality of child care.

In Federal Fiscal Year (FFY) 12, DSS received child care funds from two federal funding sources, CCDF and the TANF block grant. 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.

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. 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. Discretionary funds are 100% federal funds formerly known as the Child Care Development Block Grant (CCDBG).

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 three areas:

[1] For FFY 2012, 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.

infants and toddlers; school age children/resource and referral; and quality expansion. These funds are also referred to as "Targeted Funds." 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 discretionary funds (100% federal funds) and spent in accordance with CCDF regulations.

American Recovery and Reinvestment Act (ARRA) Funding

In FFY 09, the DSS received an award of $37.8 million from the American Recovery and Reinvestment Act (ARRA). 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. In SFY 11, the balance was appropriated. In SFY 12, funds awarded under ARRA were fully liquidated.

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 since FFY 08 was the result of the CCDF/TANF reauthorization and receipt of additional federally re-allotted funds requested by DSS. When compared to FFY 08, Discretionary funds increased by 11% in FFY 12. The table also outlines the amount of TANF funds transferred to CCDF between FFY 08 and FFY 12, and the ARRA funds awarded in FFY 09.

VIRGINIA'S FEDERAL FUNDING SOURCES FFY 08 – FFY 12					
Funding Category	FFY 08	FFY 09	FFY 10	FFY 11	FFY 12
CCDF Mandatory	21,328,766	21,328,766	21,328,766	21,328,766	21,328,766
CCDF Matching	41,129,239	41,738,446	42,309,262	42,392,769	42,013,365
CDDF Discretionary	38,812,647	40,086,857	39,943,974	41,971,386	43,445,456
TANF Transfer	17,300,000	13,056,465	6,983,957	14,304,666	21,217,845
ARRA	0	37,891,740			
Total Federal Funds	**118,570,652**	**154,102,274**	**110,565,959**	**119,997,587**	**128,005,432**

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. This practice continued in FFY 12. 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.

Utilization of Pre-Kindergarten (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 12, 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. In FFY 11, Pre-K expenditures in the amount of $3,179,458 were used to help meet the federal matching requirement. In FFY 12, DSS leveraged $9,242,940 in Pre-K expenditures in order to meet federal requirements to draw-down the balance of the federal matching award.

Utilization of ARRA Funds

Of the $37.9 million of one-time federal ARRA funds awarded, $30,006,047 was expended by the end of SFY 11. In SFY 12, the balance of the ARRA award was liquidated. ARRA funds were used to: (1) serve families through subsidies; (2) help manage increased caseloads and provide services to families that were on waiting lists for child care; (3) help address locality fiscal constraints by implementing a reduction of the local match requirements for a portion of child care services; (4) automate the child care subsidy program; and (5) implement and expand the statewide Quality and Rating Improvement System (QRIS).

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. 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-allotted federal funds not used by other states when feasible. 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. This practice continued in FFY 12. Effective strategies to maximize federal funds are continually assessed and employed to ensure appropriate and consistent maximization of federal funds.