COMMONWEALTH *of* VIRGINIA
DEPARTMENT OF SOCIAL SERVICES
Office of the Commissioner

Margaret Ross Schultze
COMMISSIONER

December 15, 2014

MEMORANDUM

TO: The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable S. Chris Jones, Chairman
House Appropriations Committee

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

The Honorable Walter A. Stosch, Chairman
Senate Finance Committee

The Honorable Frank W. Wagner, Chairman
Senate Rehabilitation and Social Services

FROM: Margaret Ross Schultze

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 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.

MRS:kc

Enclosure

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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 2014

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.

Table of Contents

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 14.

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 and fully utilizing state Pre-Kindergarten (Pre-K) expenditures. Strategies that blend state and local resources to meet federal matching requirements have been implemented.

DSS has obtained the maximum amount of federal funds available for child care services since FFY 03. 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.

Each Federal Fiscal Year (FFY) begins October 1 and runs through the following September 30. In FFY 14, 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

[1] For FFY 14, the FMAP rate was 50%.

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: 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 the Social Services Block Grant and other programs. TANF funds transferred to CCDF are reported as discretionary funds (100% federal funds) and are spent in accordance with CCDF regulations. The table below illustrates the amount of TANF Funds transferred to the CCDF Program for the past 5 years.

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 10 was the result of the CCDF/TANF reauthorization and receipt of additional federally re-allotted funds requested by DSS. When compared to FFY 10, Discretionary funds increased by 13% in FFY 14. The table also outlines the amount of TANF funds transferred to CCDF between FFY 10 and FFY 14.

VIRGINIA'S FEDERAL FUNDING SOURCES FFY 10 – FFY 14

Funding Category	FFY 10	FFY 11	FFY 12	FFY 13	FFY 14
CCDF Mandatory	21,328,766	21,328,766	21,328,766	21,328,766	21,328,766
CCDF Matching	42,309,262	42,392,769	42,013,365	42,196,588	42,414,226
CDDF Discretionary	39,943,974	41,971,386	43,445,456	41,543,680	44,974,774
TANF Transfer	6,983,957	14,304,666	8,541,646	22,143,421	17,805,152
Total Federal Funds	**110,565,959**	**119,997,587**	**115,329,233**	**127,212,455**	**126,522,918**

[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.

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 14. Capturing local expenditures and claiming local match for some services are strategies that work well for DSS, local departments of social services, and families. Examples of effective strategies include Quality Initiative (QI) grants awarded to local departments of social services. DSS provides funding to local departments each year to develop, enhance, and strengthen the quality of care delivered to children across the Commonwealth. Allocations range from approximately $3,000 to $100,000. Interested local departments apply for QI funding each year, and those that choose to access these funds are required to coordinate, collaborate, and partner with child care vendors, stakeholders and early care and education partners in their respective communities. A 15.5% local match is required. Local administrative expenditures for determining child care eligibility, via a federally approved cost allocation methodology, are blended with state expenditures to further meet federal matching requirements. In FFY 14, $10.8M of local staff and operations expenditures were claimed to help meet federal matching requirements.

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 14, 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. In FFY 13, the amount of Pre-K expenditures claimed by DSS increased to $12,658,976 in order to meet federal requirements to draw-down the balance of the federal matching award. In FFY 14, the amount of Pre-K expenditures claimed by DSS slightly increased to $12,724,368 in order to meet federal requirements to draw-down the balance of the federal matching award.

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.

DSS has obtained the maximum amount of federal funds available for child care services since FFY 03. This practice continued in FFY 14. Effective strategies to maximize federal funds are continually assessed and employed to ensure appropriate and consistent maximization of federal funds. Strategies employed by DSS to maximize federal funds include: transferring funds from other programs and fully utilizing state Pre-K expenditures. Strategies that blend state and local resources to meet federal matching requirements have also been implemented, including the use of a local match for Quality Initiative grants and the claiming of local staff and operations expenditures.

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.