COMMONWEALTH of VIRGINIA

DEPARTMENT OF SOCIAL SERVICES

Office of the Commissioner

S. Duke Storen
COMMISSIONER

December 15, 2018

MEMORANDUM

TO: The Honorable Ralph S. Northam
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 Thomas K. Norment, Jr., Co-Chairman
Senate Finance Committee

The Honorable Emmett W. Hanger, Jr., Co-Chairman
Senate Finance Committee

The Honorable Bryce E. Reeves, Chairman
Senate Rehabilitation and Social Services

FROM: S. Duke Storen S. Duke Storen

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.

SDS/kc
Attachment

Virginia Department of Social Services

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

Report Mandate
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 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.

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 general purposes of CCDF are to 1) increase the availability and quality of child care services; 2) assist parents trying to achieve independence from public assistance; and 3) improve child care and development of participating children. Local departments of social services determine eligibility for Virginia's Child Care Subsidy Program. The program subsidizes child care services for Temporary Assistance for Needy Families (TANF) recipients who work or attend approved educational activities and for 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 18, DSS received child care funds from two federal funding sources, CCDF and the TANF block grant. 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: 1) mandatory; 2) matching; and 3) discretionary. Mandatory funds are 100% federal funds authorized by the Social Security Act (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.

Matching funds are allocated based on the current Federal Medical Assistance Percentage (FMAP)[1] rate and are available to states that obligate 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

[1] For FFY 18, the FMAP rate was 50%.

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. In FFY 18, states were required to spend no less than eight percent on activities that meet the definition of quality as indicated in CCDF regulation.[2] As part of the allocation, the federal government earmarked through FFY 15 a specific amount of funds to be used in the three areas: infants and toddlers, school age children/resource and referral, and quality expansion. The school age children/resource and referral earmark was removed in FFY 16. 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 each year up to 30% of its TANF block grant to CCDF. States may also transfer up to 10% of the TANF grant to the Social Services Block Grant, but the combined total of the transfers may not exceed 30%. DSS transfers a percentage of the TANF block grant to CCDF annually after deducting transfers to the Social Services Block Grant. 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 five years.

Total Available Funding

The table below illustrates Virginia's federal CCDF funding over the past five FFYs. Mandatory funds have remained the same. The increase in the matching funds is the result of the CCDF/TANF reauthorization and receipt of additional federally re-allotted funds. When compared to FFY 14, discretionary funds increased by 117% in FFY 18. The table also outlines the amount of TANF funds transferred to CCDF between FFY 14 and FFY 18.

VIRGINIA'S FEDERAL FUNDING SOURCES FFY 14 – FFY 18					
Funding Category	FFY 14	FFY 15	FFY 16	FFY 17	FFY 18
CCDF Mandatory	21,328,766	21,328,766	21,328,766	21,328,766	21,328,766
CCDF Matching	42,414,226	42,904,059	42,479,023	42,442,564	42,442,564
CDDF Discretionary	44,974,774	46,310,135	53,213,504	55,372,339	97,680,658
TANF Transfer	17,805,152	16,037,729	16,840,686	10,936,848	15,357,212
Total Federal Funds	**126,522,918**	**126,580,689**	**133,861,979**	**130,080,517**	**176,809,200**

[2] The eight 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 Use of Federal and State Funds for Child Care

Matching Fund Strategies
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 18, $12.9M of local staff and operations expenditures were claimed to help meet federal matching requirements.

Utilization of Pre-Kindergarten (Pre-K) Expenditures
Pursuant to 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 18, DSS reported $4,265,752 in Pre-K expenditures as MOE for CCDF. This amount represents 20% of the state's MOE obligation of $21,328,762.

In FFY 14, Pre-K expenditures in the amount of $12,724,368 were used to help meet the federal matching requirement. In FFY 15, the amount of Pre-K expenditures claimed by DSS increased to $12,815,384 in order to meet federal requirements to draw-down the balance of the federal matching award. In FFY 16, FFY 17 and FFY 18, the amount of Pre-K expenditures claimed by DSS slightly decreased to $12,743,706, $12,732,769 and $12,703,769 respectively in order to meet federal requirements to draw-down the balance of the federal matching award.

Conclusion
Virginia's child care program increases the availability and quality of child care services, assists parents trying to achieve independence from public assistance, and improves child care and development of participating children.

DSS has obtained the maximum amount of federal funds available for child care services since FFY 03. This practice continued in FFY 18. 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. The Department has also blended state and local resources to meet federal matching requirements, including claiming of local staff and operations expenditures.