



COMMONWEALTH of VIRGINIA
DEPARTMENT OF SOCIAL SERVICES
Office of the Commissioner

S. Duke Storen
Commissioner

December 15, 2020

MEMORANDUM

TO: The Honorable Ralph S. Northam
Governor of Virginia

Members, Virginia General Assembly

FROM: S. Duke Storen *S. Duke Storen*

SUBJECT: Annual Report on the Maximizing Federal Funding for Child Care

The attached report is submitted pursuant to § 63.2-620 of the Code of Virginia. Please contact me if you have questions. Thank you.

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 20, 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 20, the FMAP rate was 56.2%.

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. 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. 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 discretionary funds is the result of the CCDF reauthorization and receipt of additional federally re-allotted funds. FFY 20 discretionary funds increased by 14% over the FFY 19 amount; FFY 20 discretionary funds were 114% higher than they were in FFY 16. The table below also outlines the amount of TANF funds transferred to CCDF between FFY 16 and FFY 20.

VIRGINIA’S FEDERAL FUNDING SOURCES					
FFY 16 – FFY 20					
Funding Category	FFY 16	FFY 17	FFY 18	FFY 19	FFY 20
CCDF Mandatory	21,328,766	21,328,766	21,328,766	21,328,766	21,328,766
CCDF Matching	42,479,023	42,442,564	42,442,564	42,033,374	42,211,327
CDDF Discretionary	53,213,504	55,372,339	97,680,658	99,236,797	113,285,225
TANF Transfer	16,840,686	10,936,848	15,357,212	16,607,349	16,607,349
Total Federal Funds	133,861,979	130,080,517	176,809,200	179,206,286	193,342,667

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 20, \$12,927,614.05 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 20, 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.

Pre-K expenditures used to meet the federal requirements to draw-down the balance of the federal matching award are detailed in the table below. Funds have been decreasing since FFY 16. The reason for the decrease in FFY 20 was the decrease in the state share matching funds.

Pre-K Expenditures				
FFY 16	FFY 17	FFY 18	FFY 19	FFY 20
\$ 12,743,706	\$ 12,732,769	\$12,703,088	\$12,610,012	\$10,247,977

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 20. 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 as MOE and Match. The Department has also blended state and local resources to meet federal matching requirements, including claiming of local staff and operations expenditures.