



COMMONWEALTH of VIRGINIA
DEPARTMENT OF SOCIAL SERVICES
Office of the Commissioner

S. Duke Storen
Commissioner

December 17, 2021

TO: The Honorable Ralph Northam
Governor of Virginia

The Honorable Luke E. Torian, Chairman
House Appropriations Committee

The Honorable Mark Sickles, Chairman
House Health, Welfare and Institutions

The Honorable Janet Howell, Chairman
Senate Finance Committee

The Honorable Barbara Favola, 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/db

Virginia Department of Social Services

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

December 2021

Report Mandate

Section § 63.2-620 of the Code of Virginia, directs the Virginia Department of Social Services (VDSS) to provide an annual report 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.

§ 63.2-620

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 on Health, Welfare and Institutions and the Senate Committees on Finance and Appropriations and on Rehabilitation and Social Services by December 15.

Background

In State Fiscal Year (SFY) 2021, VDSS was responsible for the administration of the federal Child Care and Development Fund (CCDF) block grant, which provides funding for child care subsidies and investments 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 (LDSS) determine eligibility for Virginia's Child Care Subsidy Program. This program subsidizes child care services for 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.

On July 1, 2021, the Virginia Department of Education became responsible for the administration of the CCDF block grant.

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 Federal Fiscal Year (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 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 that are used 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 up to 30% of its TANF block grant to CCDF each year. 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%. VDSS 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 most recent five years.

Total Available Funding

The table below illustrates Virginia’s federal CCDF funding for the five most recent FFY. Mandatory funding has been consistent from FFY 2017 through FFY 2021. The increase in the discretionary funds from FFY 2017 is the result of the increased federal discretionary appropriations to support reauthorization provisions. FFY 2021 discretionary funds increased by 1% over the FFY 2020 amount. The last line in the table outlines the amount of TANF funds transferred to CCDF between FFY 2017 and FFY 2021.

VIRGINIA’S FEDERAL FUNDING SOURCES					
FFY 17 – FFY 21					
Funding Category	FFY 17	FFY 18	FFY 19	FFY 20	FFY 21
CCDF Mandatory	21,328,766	21,328,766	21,328,766	21,328,766	21,328,766
CCDF Matching	42,442,564	42,442,564	42,033,374	42,211,327	42,220,005
CDDF Discretionary	55,372,339	97,680,658	99,236,797	113,285,225	114,503,619
TANF Transfer	10,936,848	15,357,212	16,607,349	16,607,349	16,607,349
Total Federal Funds	130,080,517	176,809,200	179,206,286	193,342,667	194,659,739

¹ For FFY 2021, the FMAP rate was 56.2%.

Maximizing the 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 2021, \$14,007,437 of local staff and operation expenditures were claimed to help meet federal matching requirements.

Utilization of Pre-Kindergarten (Pre-K) Expenditures

Pursuant to federal CCDF regulations, VDSS uses state Pre-K expenditures to help satisfy both the state's MOE requirement and a portion of the non-federal share of the CCDF matching award. Currently, VDSS 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 2021, VDSS reported \$12,932,333 in Pre-K expenditures as MOE for CCDF. This amount represents 60% of the state's MOE obligation of \$21,328,766.

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 increased in FFY 2021 because of an increase in our total allocation through the Coronavirus Response and Relief Supplemental Appropriations Act.

Pre-K Expenditures				
FFY 17	FFY 18	FFY 19	FFY 20	FFY 21
\$12,732,769	\$12,703,088	\$12,610,012	\$10,247,977	\$12,932,333

COVID-19 Impact

COVID-19 has created a significant disruption and uncertainty in the child care field. During the pandemic, a large number of child care programs temporarily closed while others operated at reduced capacity. Parents in the Child Care Subsidy Program did not fully utilize the program due to changes in their employment status and reduced capacity in child care centers.

Participation in the Child Care Subsidy Program decreased by 34% from March 2020 to March 2021. VDSS implemented a number of temporary COVID-19 measures to assist both child care providers and families during the COVID-19 pandemic using stimulus funding. These measures included direct cash grants, modifying the child care subsidy program eligibility criteria to allow additional families to participate, and covering parent co-payments.

Through multiple stimulus fund sources, Virginia provided a total of \$197,488,266 in direct cash grants to child care providers. An additional \$489,000,000 will be issued in FFY 2022 to further assist providers. These grants help child care providers remain open or reopen because of the pandemic. Only 8% of child care providers have been unable to reopen after the COVID-19 pandemic. This small percentage is due largely to these direct cash grants.

Stimulus Funding

Stimulus Funds available to Child Care in Virginia	
Funding Source	Amount for Child Care
Coronavirus Aid, Relief, and Economic Security Act (CARES)	\$70,799,409
Coronavirus Relief Fund (CRF)	\$74,941,000
Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act	\$203,692,270
American Rescue Plan Act	\$704,098,380

Virginia is on target to obligate all stimulus funds by their required deadlines.

Conclusion

Virginia's child care program increases the availability and quality of child care services, assists parents in achieving independence from public assistance, improves child care, and aids in the development of participating children.

VDSS has obtained the maximum amount of federal funds available for child care services since FFY 2003. This practice continued in FFY 2021. Effective strategies to maximize federal funds are continually assessed and employed to ensure appropriate and consistent maximization of federal funds. Strategies employed by VDSS to maximize federal funds include transferring funds from other programs and fully utilizing state Pre-K expenditures as MOE and matching funds. VDSS has also blended state and local resources to meet federal matching requirements, including claiming local staff and operation expenditures.

On July 1, 2021, VDOE assumed responsibility for the administration of CCDF. Therefore, any future reports will be submitted by VDOE.