



COMMONWEALTH of VIRGINIA
DEPARTMENT OF SOCIAL SERVICES
Office of the Commissioner

Danny TK Avula MD, MPH
Commissioner

March 26, 2024


TO: The Honorable Glenn Youngkin
Governor of Virginia

The Honorable Barry D. Knight
Chair, House Appropriations Committee

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

The Honorable Janet Howell
Chair, Senate Finance Committee

The Honorable Barbara Favola
Chair, Senate Rehabilitation and Social Services

FROM: Danny TK Avula MD, MPH 

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

This report is submitted in compliance § 63.2-620 which states:

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.

The Honorable Glenn Youngkin

March 26, 2024

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Please contact me should you have questions at (804) 726-7011.

DA/kc

Attachment

cc: The Honorable John Littel, Secretary of Health and Human Resources

**Virginia Department of Social Services
Annual Report on Obtaining the Maximum Available
Federal Funding for Child Care Services
December 2023**

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

On July 1, 2021, the Virginia Department of Education (VDOE) became responsible for the administration of the Child Care and Development Fund (CCDF) block grant as part of the statewide unified public-private system of early childhood care and education in the Commonwealth. VDSS remains responsible for managing the Child Care Subsidy Program (CCSP) funded by the CCDF block grant. The CCDF block grant provides funding for childcare subsidies and investments in the quality of child care across the state. The purpose of the CCDF is 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 CCSP. This program subsidizes child care services for TANF recipients who work or attend approved educational activities and for low-income families who work, need 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. The data included in this report was provided by VDOE, from their comprehensive annual report required in the Appropriation Act.

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 the 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 CCDF for the most recent five years.

Total Available Funding

Table 1, below, illustrates Virginia’s federal CCDF funding for the five most recent FFY. Mandatory funding has been consistent from FFY 2019 through FFY 2023. The increase in the discretionary funds from FFY 2019 is the result of the increased federal discretionary appropriations to support reauthorization provisions. Discretionary funds increased from \$115,514,786 in FFY 2022 to \$155,417,990 in FFY 2023, which was a 26 % increase. The last line in Table 1 outlines the amount of TANF funds transferred to CCDF between FFY 2019 and FFY 2023. This table does not include COVID relief dollars provided through CCDF.

Table 1: Virginia’s Federal CCDF Funding

VIRGINIA’S FEDERAL FUNDING SOURCES FFY 19 – FFY 23					
Funding Category	FFY 19	FFY 20	FFY 21	FFY 22	FFY 23
CCDF Mandatory	\$21,328,766	\$21,328,766	\$21,328,766	\$21,328,766	\$21,328,766
CCDF Matching	\$42,033,374	\$42,211,327	\$42,220,005	\$55,668,968	\$56,668,007
CCDF Discretionary	\$99,236,797	\$113,285,225	\$114,503,619	\$115,514,786	\$155,417,990
TANF Transfer	\$16,607,349	\$16,607,349	\$16,607,349	\$18,016,245	\$18,016,245
Total Federal Funds	\$179,206,286	\$193,432,667	\$194,659,739	\$210,528,765	\$251,431,008

¹ For FFY 2023, the FMAP rate was 56.2%.

Maximizing the Use of Federal and State Funds for Child Care

Virginia is currently drawing down all available funds for purposes of CCDF.

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 2023, \$21,897,152 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, the VDOE identifies 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 2023, VDOE 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 Table 2 below.

Table 2: Pre-K Expenditures

Pre-K Expenditures				
FFY 19	FFY 20	FFY 21	FFY 22	FFY 23
\$12,610,012	\$10,247,977	\$12,932,333	\$13,015,840	13,081,852

Conclusion

Virginia's child care program increases the availability and quality of child care services, assists parents in achieving independence from public assistance, improves the child care sector, and aids in the development of participating children. The Commonwealth has obtained the maximum amount of federal funds available for child care services since FFY 2003 and this practice continued in FFY 2023. Effective strategies to maximize federal funds are continually assessed and employed to ensure appropriate and consistent maximization of federal funds. Strategies employed by VDSS and VDOE to maximize federal funds include transferring funds from other programs and fully utilizing state Pre-K expenditures as MOE and matching funds. VDSS and VDOE have also blended state and local resources to meet federal matching requirements, including claiming local staff and operation expenditures.