



North Carolina Department of Health and Human Services

**DIVISION OF CHILD DEVELOPMENT**

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Beverly Eaves Perdue, Governor

Lanier M. Cansler, Secretary

Deborah J. Cassidy, Director

**MEMORANDUM**

**TO:** Directors of County Department of Social Services  
Directors of Local Purchasing Agencies

**FROM:** Deborah Cassidy 

**DATE:** February 9, 2010

**RE:** Mandated Reductions of Child Care Funds for State Fiscal Year 2009-2010

The purpose of this memo is to provide information about the current state mandated reduction of Subsidized Child Care funding for this State Fiscal Year (SFY) 2009-2010.

The Office of State Budget and Management's requirement of an upfront 5% withholding in agencies' SFY 09-10 budgets, as well as further reductions and planning for the subsidy Electronic Benefit Transfer system this year resulted in a total of \$20.4 M for child care subsidy that must be obtained from the state-wide allocation. The Division of Child Development (DCD) received permission from the Department of Health and Human Services (DHHS) to pull back this funding from under spending counties in mid-year to allow counties the opportunity to expand services to sustainable levels. DCD is working to identify this amount from current under spending counties' allocations as we look back over the first 7 months for spending patterns.

The following process was used to identify funds from under spending counties to reduce funds from allocations to meet the requirement for the state mandated reduction amounts. Spending coefficients were projected based on maintaining the highest non-summer month's expenditures, and included the annual amount of one-time funds available to counties. Three categories of under spending counties were determined to pull these funds.

**Category One**

Counties identified as spending less than 96% of their combined allocation with no waiting list. These counties' allocations are reduced to allow for a projected spending coefficient of 96%, leaving the county with a cushion of 4% above projected spending to continue serving mandated priority populations.

**Category Two**

Counties identified as spending less than 95% of their combined allocation with a waiting list of 200 or less. These counties' allocations are reduced to allow for a projected spending coefficient of 95%, leaving the county with a cushion of 5% above projected spending to continue serving mandated priority populations.

### **Category Three**

Counties identified as spending less than 94% of their combined allocation with a waiting list greater than 200. These counties' allocations are reduced to allow for a projected spending coefficient of 94%, leaving the county with a cushion of 6% above projected spending to continue serving mandated priority populations.

Counties that fall into one of the three categories will be contacted by their Subsidy Consultant in the next few days to discuss these mandated reductions and the amount identified to be reduced from their county allocation.

### **Preparation for SFY 10-11**

This SFY 09-10 continues to be a difficult year to manage the spending of subsidy funds due to the economic crisis that plagues our national and state economy. However, North Carolina has been fortunate to have an additional \$56 M in American Recovery and Reinvestment Act (ARRA) funds available in SFY 09-10 for subsidized child care. Counties are encouraged to monitor their spending closely and begin preparation to adjust spending with the realization that SFY 10-11 will have even more hurdles in managing spending. As far as we know, the ARRA funds will no longer be available after the current SFY. Since we have geared up to spend these funds currently we must anticipate and be prepared to minimize the "cliff effect" for next SFY when fewer families are able to be served due to less funds available to allocate state wide.

The use of time limited vouchers for the one time ARRA enabled funds will provide some awareness for families that may not have funds available for ongoing child care services. However, unless additional funds are identified for allocation next SFY many families will be hurting and not able to access or sustain needed services.

The Division will work to identify additional funds from under spending counties for the remainder of this SFY. These additional one-time funds may be carried forward to provide some limited cushion for maintaining services to families next year. Counties are cautioned to only bring families off the waiting list for services at this point in the year as can be sustained in the coming SFY. This means working with your services consultants to plan for a sustainable service level that can be maintained through attrition next year, if no additional funds are received. Taking this proactive approach will provide some relief in the upcoming months of SFY 10-11.

If you have questions as to your funding level being reduced, or planning for sustainable service levels next year, you are asked to contact the Subsidy Consultant assigned to your county.

DJC/RB

Cc: Child Care Coordinators  
Local Smart Start Partnerships  
North Carolina Partnership for Children, Inc.