Annual Report on Child Care Subsidy Allocation Formula

SL 2015-241, Section 12B.3.(c)

Report to

Joint Legislative Oversight Committee on

Health and Human Services

and

The Fiscal Research Division

by

North Carolina Department of Health and Human Services

October 1, 2016

Reporting Requirements

Session Law 2015-241, Section 12B.3.(c) requires the Division of Child Development and Early Education to submit an annual report on the counties that receive a waiver pursuant to this subdivision and the reasons for the waiver. This requirement is highlighted below.

CHILD CARE ALLOCATION FORMULA

SECTION 12B.3.(a) The Department of Health and Human Services shall allocate child care subsidy voucher funds to pay the costs of necessary child care for minor children of needy families. The mandatory thirty-percent (30%) North Carolina Partnership for Children, Inc., subsidy allocation under G.S. 143B-168.15(g) shall constitute the base amount for each county's child care subsidy allocation. The Department of Health and Human Services shall use the following method when allocating federal and State child care funds, not including the aggregate mandatory thirty-percent (30%) North Carolina Partnership for Children, Inc., subsidy allocation:

(1) Funds shall be allocated to a county based upon the projected cost of serving children under age 11 in families with all parents working who earn less than the applicable federal poverty level percentage set forth in Section 12B.2 of this act.

(2) The Department of Health and Human Services shall allocate to counties all State funds appropriated for child care subsidy and shall not withhold funds during the 2015-2016 and 2016-2017 fiscal years.

SECTION 12B.3.(b) The Department of Health and Human Services may reallocate unused child care subsidy voucher funds in order to meet the child care needs of low-income families. Any reallocation of funds shall be based upon the expenditures of all child care subsidy voucher funding, including North Carolina Partnership for Children, Inc., funds within a county.

SECTION 12B.3.(c) When implementing the formula under subsection (a) of this section, the Department of Health and Human Services, Division of Child Development and Early Education, shall include the market rate increase in the formula process, rather than calculating the increases outside of the formula process. Additionally, the Department shall do the following:

(1) For fiscal year 2015-2016, (i) continue implementing one-third of the change in a county's allocation based on the new Census data; (ii) implement an additional one-third of the change in a county's allocation beginning fiscal year 2016-2017; and (iii) the final one-third change in a county's allocation beginning fiscal year 2018-2019. However, beginning fiscal year 2015-2016, a county's initial allocation shall be the county's expenditure in the previous fiscal year. With the exception of market rate increases consistent with any increases approved by the General Assembly, a county whose spending coefficient is less than ninety-five percent (95%) in the previous fiscal year shall receive its prior year's expenditure as its allocation and shall not receive an increase in its allocation in the following year. A county whose spending coefficient is at least ninety-five percent (95%) in the previous fiscal year shall receive, at a minimum, the amount it expended in the previous fiscal year and may receive additional funding, if available. The Division may waive this requirement and allow an increase if the spending coefficient is below ninety-five percent (95%) due to extraordinary circumstances, such as a State or federal disaster declaration in the affected county. By October 1 of each year, the Division shall report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division the counties that received a waiver pursuant to this subdivision and the reasons for the waiver.

(2) Effective immediately following the next new Census data release, implement (i) one-third of the change in a county's allocation in the year following the data release; (ii) an additional one-third of the change in a county's allocation beginning two years after the initial change under this subdivision; and (iii) the final one-third change in a county's allocation beginning the following two years thereafter.

Following enactment of the 2016 Appropriations Act (HB 1030/SL 2016-94), the Division of Child Development and Early Education (DCDEE) proceeded to allocate available funds for subsidized child care services to counties per the requirements of this provision. A total of $360 million was allocated for State Fiscal Year 2016-17, and details on how funds were allocated may be found in the following memo to counties now posted on DCDEE's website:
http://ncchildcare.nc.gov/PDF_forms/child_care%20_subsidy_allocation_SFY2017_letter.pdf

There were no requests from counties to waive the requirement in SECTION 12B.3.(c)(1) regarding having a spending coefficient of at least 95% in the previous year in order to receive additional funds due to extraordinary circumstances. Therefore, DCDEE did not waive this requirement for any county and, therefore, there is no related information to report.