

III. ALLOCATION OF SUBSIDIZED CHILD CARE FUNDS

Each county Department of Social Services (DSS) receives an annual allocation of child care funding. The amount of funding may vary from year to year due to the amount of federal and state funds that are available. A portion of the allocation is designated for services support. See [Section VIII](#) below for information concerning services support funds

State and federal funds are combined at the state level so the county DSS receives a single annual allocation of funding. DSS staff are notified by DCD each year regarding the amount of funding they will receive for the next state fiscal year (SFY), which runs from July 1 through June 30 for service months June through May. Counties initially receive a projected allocation amount for the next SFY in their annual budget package. This package is distributed by the Division of Social Services in February to county DSS directors and includes information regarding the availability of funding for all programs administered by the local department of social services.

DCD later issues a funding authorization to each county to verify the amount of funding allocated to the county for the year by the Division. The county may find that the allocation figure on the funding authorization is different from the projected amount issued in February. The projected allocation amounts are revised according to actual funding approved by the General Assembly each year and funding authorizations are issued upon receipt of the state's annual certified budget. The county allocation may also be adjusted again when the budget for the federal fiscal year (which runs from October 1 through September 30) is approved and federal grant awards are received. The Division also issues funding authorizations to LPAs for Smart Start funds designated by the local Smart Start partnership for subsidy services and services support.

NOTE: Periodically, the Division receives one-time, nonrecurring state funding. The funding is only guaranteed in the year that it is dispersed and may be used to prevent termination of services or to remove families from the waiting list. In addition, counties may use the funding to serve eligible families for a limited time period. Refer to [Chapter 4: Application, Eligibility Determination and Documentation](#); [Chapter 9: Parental Choice and Voucher Procedures](#); and the Child Care Voucher and Instructions ([DCD-0446](#)) for information regarding one-time funding and limited time for child care services.

IV. ALLOCATION PROCESS FOR CHILD CARE FUNDS

When allocating state and federal child care funding (excluding Smart Start), the Division of Child Development follows the allocation formula as outlined in state legislation. The first step involves estimating each county's need for subsidy funds based on the number of children under age 11 with a parent or both parents working and whose family's income does not exceed 75% of state median income. Based on the information gathered during the first step, each county's total need for funding is determined. This amount is adjusted by subtracting the amount of funding equal to 30% of the Smart Start allocation for that county

which must be spent on subsidy services. The second step in the allocation formula is to distribute available subsidy funds based upon projected need figures. Since the need is greater than the amount of subsidy funding, each county receives a pro-rata share of the funding. The third step of the formula involves adjusting final formula allocations to accommodate a hold harmless factor. The hold harmless factor requires that a county's allocation shall be no less than 90% of their 2001-2002 initial Non-Smart Start Allocation.

V. SPECIAL NEEDS SET-ASIDE

In addition to giving priority to low-income working families, CCDF regulations require that states give priority to children with special needs who need child care services. DCD calculates the minimum amount from each county's subsidy allocation that is designated as a set-aside for the care of children with special needs. This figure is a part of the annual DSS Budget Package issued in February. Counties may choose to set aside an amount that is greater than the minimum required by DCD. Refer to [Chapter 22: Local Policy Options](#) for information regarding local policies. In effect, agencies will establish a separate waiting list and a separate budget for children with special needs. Additional information regarding services for children with special needs is provided in [Chapter 6: Serving Children with Special Needs](#) and [Chapter 21: Payment Rates](#).

VI. REVERSIONS/REALLOCATIONS OF CHILD CARE FUNDS

In order to ensure that the state's allocation of state and federal funding for child care services is maximized and as many families are served as possible, funds from under spending counties are reallocated during the year. This procedure allows for redistributing money to counties who have demonstrated a need for additional funding. The guidelines for the process will be issued by the Division each year. The expenditures of both DCD and Smart Start funds are considered in the reversion/reallocation process of the DCD funds. However, NCPC develops its own procedures for the reversion/reallocation of Smart Start funds. Funds received in the reversion/reallocation process are one-time, nonrecurring funds which are guaranteed only to the end of the state fiscal year in which they are dispersed. Funds received late in the state fiscal year may be used to issue vouchers that do not extend beyond the year in which they are allocated.

At the end of the year, DCD makes a final allocation to the counties to match actual expenditures for the state fiscal year, **if funds are available**. For instance, counties that spent less than the allocation amount will have allocations reduced to the actual expenditure amount. On the other hand, overspending counties' allocations will increase according to available state and federal funds for the state fiscal year. **If state and federal funds are not available to cover the overspending, the excess expenditures become the responsibility of the LPA and if a county spends its total allocation before the end of the fiscal year, funds from the next fiscal year can not be used to cover the deficit.**