

**Minutes of the NCACDSS Child Care Committee Meeting  
Wednesday June 13, 2007 (10:00 am-11:30 am)  
Co-Chairs Jack Jones and Jerry Rhodes**

**Attendees:**

Annie	Brame	DCD	Beverly	Mercer	Pasquotank Co. DSS
Aliesa	Bowman	Iredell Co DSS	Kim	Miller	DCD
Nancy	Brandt	Rowan Co DSS	Tracey	Mooring	Wilson Co DSS
Tina	Broadway	Orange Co DSS	Celeste	Pleasant	DCD
Ron	Byrd	DCD	Kathy	Pope	Guilford Co DSS
Claudia	Catlin	Catawba Co	Geneva	Ray	Johnston Co DSS
Christine	Clinton	Harnett Co DSS	Kate	Savage	DCD
Gloria	Cook	Wake Co DSS	Wanda	Smith	Durham Co DSS
Cathy	Dillard	Vance Co DSS	Mary	Smith	Guilford Co DSS
Janice	Fain	DCD	Beverly	Spaulding	Bladen Co DSS
Joyce	Gardner	Beaufort Co DSS	Mary	Staak	DCD
Nancy	Guy	DCD	Patti	Stowe	CCRI (Mecklenburg Co)
Betty	Hamby	Craven Co DSS	Della	Sweat	Cumberland Co DSS
Denise	Hill	Guilford Co DSS	Cindy	Tharrington	Franklin Co DSS
Vickie	Jackson	Wayne Co DSS	Heather	Thomas	Randolph Co DSS
Jack	Jones	Lenoir Co DSS	Sylvia	Thomasson	DCD
Helen	Kaleel	Sampson Co DSS	Babee	Thompson	Onslow Co DSS
Sylvia	King	Beaufort Co DSS	Darnella	Warthen	Durham Co DSS
Jani	Kozlowski	NCPC-Smart Start	Regina	Watkins	DCD
Fay	Lewis	DCD	Al	Wentzy	Northampton Co DSS
Trevon	Lucas	DCD	Liz	White	Forsyth Co DSS
Connie	McAdams	CCN-Chatham	John	Winstead	DCD
Kellie	McCarthy	DCD	Sherry	Young	DCD

The meeting was called to order by co-chair Jack Jones.

**Agenda**

Requests were made to add the following agenda items. It was requested that under agenda item #10, the Committee discuss the proposal of requiring applicants for child care subsidy services to cooperate with Child Support Enforcement. In addition, a request was made to provide clarification about the required 15% county funding match in order to request a reallocation. This topic was added to agenda item #12.

A motion to approve the agenda with the additions was made, seconded, and approved.

A motion to approve the minutes of April 14, 2007 as written was made, seconded, and approved with no discussion.

### **Expenditure Reports:**

John Winstead, Subsidy Budget Officer, stated that the overall combined Non Smart Start and Smart Start funds statewide spending coefficient was 94%. He noted this was an increase from the previous month. He reported the number of children served had increased while the number of the children on the waiting list had decreased. He noted that many counties were doing a good job maintaining their spending within their current allocation. John indicated the Division is monitoring the May 2007 service month close out of each county and will delay closeout if needed to allow time for recoding of children to spend out Smart Start funds. He projected Smart Start funds will zero out. Military and Katrina funds may have some minor adjustments.

Jack Jones asked for a projection of carry forward federal funds. Nancy and John both stated it was too soon to tell because many counties were increasing spending due to serving parents from their waiting list. Nancy also noted that the Division was very concerned because for the service month of April 2007, 101,000 children served and that is expected to increase with May 2007 spending. The current budget will not support average expenditures of 101,000 children per month.

A question was asked about the status of funding for military families for next year. Nancy stated that there may be changes in military funding. She reported the following. Currently, a total of 15 counties utilize the military funds. Of the 15 counties, nine currently have a spending coefficient of 95% or less and only five of the nine have a waiting list. She stated this information will be considered when deciding if the funds will be provided during the next fiscal year. The question was asked if legislators would make the final decision about the military funding. Nancy explained that the current provision of military funds was not required by legislation but had been discussed with certain legislators last year. She explained that the final decision will be made once a recommendation is made by DCD to the Department's Budget Office.

A question was asked if any federal funds carried forward will be allocated through the formula. Nancy stated the decision had not been made whether to run all funds through the formula. Based on current legislation, the Division has the flexibility to allocate some funds outside of the formula to counties that need additional dollars or for market rate adjustments.

### **Division Report**

Nancy Guy provided the following updates as a part of the Division Report.

*General Policy:* By law, the income levels (75% of State median income) are to be updated every two years. The income limits will be adjusted effective August 1, 2007. Revised tables for the Subsidy Manual will be distributed later this month so that the information is available for cases that have review dates in August.

*Review of Local Policies:* The Division has been reviewing all local policies. Nancy Guy noted that staff have observed a wide variety of policies. As needed, counties were contacted to request clarification of local policies. She reported that some counties received notices that certain policies were not consistent with the local policy options allowed in the Subsidized Child Care Manual and needed to be changed or deleted. Each county will receive correspondence to advise them of the any changes needed in order to be approved by the Division. Nancy also stated that during the 07-08 SFY, the Division will focus on providing additional internal training for DCD staff to create consistency in the review of local policies. The Division also plans to develop a template for counties to use for local policies and to offer training on this topic for counties later in the year.

Subsidy Business Plans: Nancy stated that the Subsidy Business Plan questions were being updated. She explained many of the questions are being taken out, simply because they may no longer apply. The new Subsidy Business Plan template will be distributed in July 2007.

Legislative Update: A summary of 2007 proposed legislation that impacts child care was distributed. Nancy noted the difference in the Senate and House Budgets with regard to adding additional funds to the Subsidized Child Care Program. Nancy reported that the Conference Committee was meeting that day (6-13-07) and child care was being discussed in reference to funding to address the waiting list and market rates.

Market Rates: Some of the preliminary data from the 2007 market rate study has been shared with legislators as requested. This was in response to the House Budget proposal to increase market rates in the next fiscal year. Committee members asked about the assignment of counties to certain regions and how those assignments were made. Nancy explained that the regions were created based on rate data reported by providers, that is, counties are grouped with other counties that have similar rates. Nancy also added that additional analysis is underway on the market rate data that includes the information reported for children receiving subsidy services, not just private paying children. In addition, the market rate contractor is doing some follow-up with certain providers to better understand why some of the school age rates reported in the survey decreased. The question was asked if market rates will be adjusted. Nancy stated there must be additional money approved by the General Assembly in order for the rates to be adjusted.

DCD Focus for 07-08 State Fiscal Year: In addition to the training on local policies, Nancy stated that Subsidy Services Consultants will work in collaboration with DSS agencies and other local groups to identify unmet needs of the agencies and attempt to identify local resources to address these needs. She reported attending the Work First Conference in June during which she participated in a work shop about Smart Start services. She stated many of the Work First professionals attending the work shop were unaware of the services offered by local Smart Start partnerships that could assist the families they work with. In addition, the Subsidy Services Consultants will be working with their assigned counties to better understand the process for establishing waiting lists and addressing the waiting list when funds become available.

### **Corrections Reporting Codes**

Kim Miller, Program Compliance Supervisor, explained that seven new codes are being added to the Reimbursement System to allow DCD to track the nature of prior month corrections. The types of codes are:

1. Administrative
2. Monitoring
3. Audit
4. Fraud (Will include three different codes to distinguish provider/client/agency).

The Committee discussed the possibility of separating administrative and inadvertent fraud. Denise Hill also requested that advance notice for implementation of the codes be given to counties. She stated that many counties have automated systems that will require programming changes in order to implement the new codes. She also recognized that other counties have separate units that process payments and internal processes may need to be developed to determine which code to apply to the prior month corrections.

### **Subsidy Loan Fund Update:**

Kim Miller stated that thus far one county (Wake) has expressed interest in participating in the pilot of the Subsidy Loan Fund. She explained the loan fund of \$500,000 is set up for counties that are making prior month corrections due to fraud and that participation would allow the county to defer the return of funds for a period of time. Jack Jones stated that the Directors Association felt the \$500,000 would be better spent on increasing administrative funds provided to counties. Discussion continued as to ways DCD and the Directors Association could change the fraud repayment process. Nancy Guy explained the difference between policies governing programs that are entitlements versus those that are services which include child care funded with CCDF (Child Care Development Funds). Nancy explained that the CCDF regulations require the return of improper payments to the federal funding agency, regardless of whether they are recouped or not and that a change in this requirement would have to occur at the federal level. Committee members agreed knowing the funds are there if needed was helpful.

### **Waiting List Survey**

Regina Watkins gave an overview of a handout that included the results of the latest waiting list survey. She stated all 100 counties responded and many did not have a waiting list. Of the counties that had a waiting list, there was a 42% overall response. There was discussion on the continued need to conduct surveys. The discussion included the following points:

- Conducting the survey is very expensive (mailing costs and staff time);
- Continued contact with families on the waiting list is important; and
- Change questions and include income guidelines.

### **Services Support Funding**

Nancy Guy referred to the comment of the Directors Association and her question from the April meeting about changing the amount of the Subsidy Services Support funding. Susan Osborne, President of the Directors Association, submitted a letter on behalf of the Association to the Division of Child Development, requesting that counties be allowed to use up to 8% of their current allocation for Services Support funds. Nancy Guy explained that federal CCDF funds are used for services support and that the percentage is described in the Block Grant Plan approved by the General Assembly. The Plan for SFY 07-08 has already been submitted to the General Assembly as a part of the budget process and it is too late in the cycle to change the percentage for the 07-08 year. However, the Division is open to discussion about changing the amount for the 08-09 SFY. Highlights of discussion that followed included:

- Concern about the amount of services support funds being utilized for overhead and whether limits can be placed on the amount of the percentage used.
- Counties are experiencing increased staff costs in determining eligibility, especially in developing best practices.
- In many counties, the DSS receives no administrative dollars from Smart Start.
- Counties with the limit of \$60,000 services support seem to have a very difficult time.

Nancy pointed out that changing the percentage from 4% to 8% would not help the counties that receive a maximum of \$60,000. A motion was made by Dr. Al Wentzy and seconded by Denise Hill to support the recommendation of allowing counties the option to utilize up to 8% of their allocation for services support funds. The motion was carried unanimously.

### **Committee Work Plan:**

Jack Jones stated that the Child Care Committee needed to discuss the issue of child support compliance requirement as a condition to receive Subsidized Child Care Assistance in order for a recommendation to be taken to the Executive Committee. Highlights of discussion were:

- Implementing would be a county function.
- Good cause reasons would be similar to Work First.
- Since the requirement would impact a parent's ability to receive services, it is the Division's opinion that the change would require a rule change by the Social Services Commission. This involves DCD preparing the rule change and fiscal note which must be approved by DHHS. If approved, the rule is filed with the Office of Administrative Hearings Review and is published for a period of public comment before being considered by the Commission. It was noted by Nancy that many child advocates are concerned about this possible rule change and would probably voice their concerns during the public comment period.
- The rule would ensure that only eligible families receive assistance and would help to address fraud that occurs when families are not being honest about absent parents.
- The rule would also help establish support orders for children, in turn, increasing household income.

A motion was made and seconded to support a rule change for the requirement of child support compliance as a condition to receive child care subsidy services. The motion was approved unanimously.

### **Child Day Care Program Enhancement Considerations:**

*1. Strongly pursue provider and parent fraud and be consistent throughout the state as to what and when to pursue.* Discussion points of this topic were:

- Concern about the current fraud policy and the requirement that counties have to make corrections in the Subsidy Reimbursement System which results in the county spending county funds and recouping the funds may take years. This is viewed as a disincentive to strongly pursue child care fraud.
- The fraud that is pursued and proven is many times under stated because of the up front repayment.
- The State has provided the loan fund relief, but many felt that the State needed to provide more relief to counties.

The committee agreed that a change to current overpayment policy at the Federal level would be a first step to implementing this enhancement.

*2. Consider processing and mailing provider payments at the state level once turnaround is received.*

A question was raised as to why this was considered by the work group. It was explained there were a couple of reasons for this proposal. Many county agencies have local finance policies that actually delay payments to providers up to a week. It would be easier and less costly to counties if counties input information into the Subsidy Reimbursement System and the State issued the checks to providers. It was suggested by a committee member that this could reduce multiple counties having a contract with the same provider.

It was also suggested by a Committee member that if the State made the child care payments then counties would no longer be the pass through agency and may not be required to spend county funds for fraud overpayments. Nancy Guy projected that it would cost millions of dollars to build a new system to issue checks and that is was cost prohibitive at this time; however, it could be a point of discussion for the future.

**Committee Focus for 2007-2008:** This discussion was tabled until the next meeting.

**Other Items:**

Clarification was requested about the 15% match requirement in order to receive a reallocation of subsidy funding. Nancy Guy explained that matching funds are only required in the following circumstances:

1. A county **requested** reallocated dollars AND
2. The requested total exceeds \$25,000 annually.

She also added the 15% requirement applies to the amount that exceeds \$25,000. She reminded everyone of the new reimbursement codes available for use in the Reimbursement System to track funds which can be used to claim local match.

Jack Jones reported that the Committee will not meet in July and the next meeting will be on August 8, 2007. He reminded everyone that DSS directors must sign up to be a committee member for the next fiscal year and if they want to be a voting member and are unable to attend, a designee must be requested. He also reported that Room 300 at the Division has been reserved for the meetings for the next year. The meeting dates for 2007-2008 are as follows:

August 8, 2007	January 9, 2008
September 12, 2007	March 12, 2008
November 7, 2007	April 9, 2008
December 12, 2007	June 11, 2008

**Note:** The Committee will not meet in July, October, February and May.

With no further comments the meeting was adjourned.

**Next meeting:** August 8, 2007, 10:00 a.m. until 11:30 a.m.

**Location:** Division of Child Development, Room 300

**Agenda item:** Committee focus for 07-08

Respectfully submitted,

Denise Hill

Guilford County Department of Social Services