



Bulletin

NUMBER

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DATE

Dec. 11, 2014

OF INTEREST TO

County Directors

Tribal Directors

Child Care Assistance
Program Administrative and
Client Access Contacts

County Fiscal Supervisors

ACTION/DUE DATE

Please read information
and prepare for
implementation

EXPIRATION DATE

Dec. 11, 2016

Child Care Assistance Program Basic Sliding Fee First Quarter Reallocation

TOPIC

Child Care Assistance Program may reallocate Basic Sliding Fee funds after the first quarter of the calendar year.

PURPOSE

Provide information about Basic Sliding Fee Quarterly Reallocation.

CONTACT

Contact your Child Care Assistance Program technical liaison or submit your question through PolicyQuest.

SIGNED

ERIN SULLIVAN SUTTON
Assistant Commissioner
Children and Family Services

TERMINOLOGY NOTICE

The terminology used to describe people we serve has changed over time. The Minnesota Department of Human Services (DHS) supports the use of "People First" language.

I. Summary

The Department of Human Services (the department) may reallocate Basic Sliding Fee funds after the first quarter of the calendar year. The department may reduce the Basic Sliding Fee allocations of some counties that are projected to significantly underspend their calendar year allocations. The department may increase the Basic Sliding Fee allocations of counties that are projected to overspend their calendar year allocations.

II. Background

At the request of the Minnesota Association of County Social Service Administrators (MACSSA), the Department of Human Services convened a workgroup in 2011 to discuss management of Basic Sliding Fee funds. The workgroup has been meeting periodically since 2011. The workgroup has discussed a number of strategies to increase the number of families served with Basic Sliding Fee funds.

The workgroup has recommended that the department should consider using its existing authority to reallocate funds after the first quarter of the calendar year. The authority to reallocate funds on a quarterly basis is in Minnesota Statutes, section 119B.03, subdivision 5.

III. First Quarter Reallocation Process

The department may reallocate Basic Sliding Fee funds after the first quarter of the calendar year. Funds would not be reallocated after the second or third quarters, because the limited time left in the calendar year would make it difficult for counties to use any additional funds and to manage a revised allocation. To reallocate funds after the first quarter, the following steps would be taken:

1. Determine projected earnings¹ for each county after the first quarter. This is done by multiplying the total of each county's earnings in January, February and March by four.
 - a. Determine which counties are projected to spend over 100 percent based on the projected earnings.
 - b. Determine which counties are projected to spend less than 70 percent of their allocation based on the projected earnings.

¹ Earnings are equal to the county's direct services expenditures minus the county's required match.

2. Determine the total projected overspending for all counties.
3. For the counties projected to spend less than 70 percent of their allocation, determine which counties also spent less than 70 percent of their direct services allocation in the previous calendar year.
4. For each county meeting both criteria in #3²:
 - a. Determine total projected underspending for the current year.
 - b. Calculate 50 percent of the county's projected underspending in current year. This is the maximum that would be reallocated from the county³.
 - c. Add together the amounts calculated for each county in #4b. This is the maximum statewide amount available to be reallocated.
5. If projected overspending is more than the statewide amount available to be reallocated, the total amount available (#4c) will be reallocated to counties that are projected to overspend. An equal percentage of each county's projected overspending will be reallocated to each overspending county.
6. If projected overspending is less than the statewide amount available to be reallocated (#4c), the amount needed to cover all projected overspending will be used. An equal percentage of each county's projected underspending (not to exceed 50 percent), will be reallocated from the underspending counties.
7. Counties will be notified of their revised allocation by early June.

See Appendix A for two examples of how this process would work.

IV. End of Year Process

The revised allocations determined above will be used for the process completed at the end of the year. The process completed at the end of the year is not changing. Once the calendar year is completed the following process occurs:

² Counties that have had their allocations reduced for reasons other than those tied to the allocation formula would not have their allocation reduced again during the quarterly reallocation process (this includes but is not limited to transfers from county allocations to tribal allocations).

³ The amount transferred will include both direct services and the corresponding administrative portions of the allocation.

1. Counties that earned at least 90 percent, but less than 100 percent of their direct services Basic Sliding Fee allocation have the remainder of their allocation carried forward and added to the next calendar year's allocation for their county.
2. The department calculates the total amount of underspending by counties that earned less than 90 percent of their direct services allocation.
3. The department calculates the total amount of overspending by counties that spent more than 100 percent of their direct services allocation.
4. If underspending from counties that spent less than 90 percent of their direct services allocations is more than the amount of overspending, all overspending is covered. In most years there has been enough underspending to cover all overspending.
5. If underspending from counties that spent less than 90 percent of their direct services allocations is less than the amount of overspending, each overspending county has an equal percentage of their overspending covered. Overspending counties would be responsible for the portion of their overspending that is not covered. In most years there has been enough underspending to cover all overspending.

V. Options for County Action

A. Counties without a waiting list:

For counties without a waiting list, no action is needed. Counties that are projected to overspend after the first quarter may receive additional funds.

B. Counties with a waiting list:

Only counties that are projected to overspend, based on first quarter earnings, are eligible for reallocated funds. The goal of first quarter reallocation is to maximize Basic Sliding Fee funds so that more families on the waiting list can be served. Each county must decide whether or not to serve more families from their waiting list as a result of this.

For counties that try to increase spending in the first quarter by serving additional families:

- To increase spending in the first quarter, the county may need to start moving families off of the waiting list before the end of the current calendar year.
- It is not guaranteed that counties that overspend will be reallocated the full amount needed to cover all overspending (see step #5 of the "Quarterly Reallocation Process" above).

- At the end of the year if there is not enough underspending to cover all overspending, counties will be responsible for the portion of their overspending that is not covered (See step #5 of the “End of Year Process” above).

VI. Legal References

Minnesota Statutes, section 119B.03, subdivision 5

Federal Child Care and Development Fund, 45 C.F.R. Parts 98 and 99

Americans with Disabilities Act (ADA) Advisory

This information is available in accessible formats for people with disabilities by calling (651) 431-3809 (voice) or by using your preferred relay service. For other information on disability rights and protections, contact the agency’s ADA coordinator.

Appendix A

First Quarter Reallocation Process Examples

Below are two examples of the First Quarter Reallocation Process described in Section III. For purposes of simplicity, these examples include a limited number of counties.

Example One

County	CY2014 actual percent spent	2015 projections based on first quarter earnings					
		CY2015 projected percent spent	CY2015 allocation	CY2015 projected earnings	CY2015 projected under-spending	50% of CY2015 projected under-spending	CY2015 projected over-spending
A	95%	110%	\$1,000,000	\$1,100,000	N/A	N/A	\$100,000
B	68%	125%	\$200,000	\$250,000	N/A	N/A	\$50,000
M	95%	95%	\$1,000,000	\$950,000	\$50,000	N/A*	N/A
X	55%	50%	\$500,000	\$250,000	\$250,000	\$125,000	N/A
Y	40%	40%	\$100,000	\$40,000	\$60,000	\$30,000	N/A
Z	80%	60%	\$100,000	\$60,000	\$40,000	N/A**	N/A
Totals						\$155,000	\$150,000

*County M is excluded from having funds reallocated because they are projected to spend more than 70 percent in calendar year 2015.

**County Z is excluded from having funds reallocated because they spent more than 70 percent in calendar year 2014.

In example one, projected overspending (\$150,000) is less than the amount available to be reallocated (\$155,000).

- County A will receive \$100,000
- County B will receive \$50,000

To determine the amount of reduction in County X and County Y allocations:

\$150,000 of the \$155,000 available to be reallocated is needed to cover overspending.

\$150,000 is 96.8 percent of \$155,000. Therefore 96.8 percent of the 50 percent of CY2015 projected underspending is redistributed from each county's allocation.

- County X:
 - \$125,000 multiplied by 96.8 percent = \$121,000
 - Allocation is reduced by approximately \$121,000
- County Y:
 - \$30,000 multiplied by 96.8 percent = \$29,040
 - Allocation is reduced by approximately \$29,040

Example Two

In example one County A is projected to spend \$1,100,000. In example two County A is projected to spend \$1,300,000. This is the only difference between the numbers used in the two examples.

County	CY2014 actual percent spent	2015 projections based on first quarter earnings					
		CY2015 projected percent spent	CY2015 allocation	CY2015 projected earnings	CY2015 projected under-spending	50% of CY2015 projected under-spending	CY2015 projected over-spending
A	95%	130%	\$1,000,000	\$1,300,000	N/A	N/A	\$300,000
B	68%	125%	\$200,000	\$250,000	N/A	N/A	\$50,000
M	95%	95%	\$1,000,000	\$950,000	\$50,000	N/A*	N/A
X	55%	50%	\$500,000	\$250,000	\$250,000	\$125,000	N/A
Y	40%	40%	\$100,000	\$40,000	\$60,000	\$30,000	N/A
Z	80%	60%	\$100,000	\$60,000	\$40,000	N/A**	N/A
Totals						\$155,000	\$350,000

*County M is excluded from having funds reallocated because they are projected to spend more than 70 percent in calendar year 2015.

** County Z is excluded from having funds reallocated because they spent more than 70 percent in calendar year 2014.

In example two, projected overspending (\$350,000) is more than the amount available to be reallocated (\$155,000). Therefore the maximum amount of funds available for reallocation will be redistributed (\$155,000).

- County X will have their allocation reduced by \$125,000
- County Y will have their allocation reduced by \$30,000

To determine the amount of the allocation increase in County A and County B allocations: \$155,000 is 44.3 percent of \$350,000. Therefore each county will be reallocated an amount equal to 44.3 percent of their projected overspending.

- County A:
 - \$300,000 multiplied by 44.3 percent = \$132,900
 - Allocation is increased by approximately \$132,900
- County B:
 - \$50,000 multiplied by 44.3 percent = approximately \$22,150
 - Allocation is increased by approximately \$22,150