Minnesota Department of Human Services

Bulletin

NUMBER

#15-68-24

DATE

December 17, 2015

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

December 17, 2015

Child Care Assistance Program Basic Sliding Fee First Quarter Reallocation – Update

TOPIC

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

PURPOSE

Provide updated information about Basic Sliding Fee Quarterly Reallocation.

CONTACT

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

SIGNED

JAMES C. KOPPEL
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 county and tribal agencies that are projected to significantly underspend their calendar year allocations. The department may increase the Basic Sliding Fee allocations of county and tribal agencies 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 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.

The department reallocated funds after the first quarter of calendar year 2015 using the process described in Bulletin #14-68-23. After the first quarter of calendar year 2015, projected overspending was more than the statewide amount available to be reallocated. Each agency that was projected to overspend was reallocated additional funding of 16.7 percent of the agency's first quarter projected overspending.

This bulletin includes the process described in Bulletin #14-68-23 and an update to the process. The update is included in section III (First Quarter Reallocation Process), step 4b.

This bulletin also includes a new section VI, titled "Future Allocations", explaining how the guaranteed floor for the next year's allocation is determined. This is not a change from the process used in 2015, but Bulletin #14-68-23 did not include this information.

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 agencies 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 earnings[1] for each agency after the first quarter. This is done by multiplying the total of each agency's earnings in January, February and March by four.

    a. Determine which agencies are projected to spend over 100 percent based on the projected earnings.

    b. Determine which agencies are projected to spend less than 70 percent of their allocation based on the projected earnings.

2. Determine the total projected overspending for all agencies.

3. For the agencies projected to spend less than 70 percent of their allocation, determine which agencies also spent less than 70 percent of their direct services allocation in the previous calendar year.

4. For each agency meeting both criteria in #3[2]:

    a. Determine total projected underspending for the current year.

    b. Calculate 50 percent of the agency's projected underspending in current year. This is the maximum that would be reallocated from the agency[3]. If the maximum reallocation would result in a revised allocation that is lower than an agency's Basic Sliding Fee spending in the previous calendar year, the reallocation is limited. The revised allocation will not be less than the agency's previous calendar year's spending.

    c. Add together the amounts calculated for each agency 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 agencies that are projected to overspend. An equal percentage of each agency's projected overspending will be reallocated to each overspending agency.

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

[1] Earnings are equal to the county's direct services expenditures minus the agency's required match.
[2] Agencies 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.

used. An equal percentage of each agency's projected underspending (not to exceed 50 percent), will be reallocated from the underspending agencies.

7. Agencies 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:

1. Agencies 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 agency.

2. The department calculates the total amount of underspending by agencies that earned less than 90 percent of their direct services allocation.

3. The department calculates the total amount of overspending by agencies that spent more than 100 percent of their direct services allocation.

4. If underspending from agencies 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 agencies that spent less than 90 percent of their direct services allocations is less than the amount of overspending, each overspending agency has an equal percentage of their overspending covered. Overspending agencies 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 and Tribal Agency Action

A. Agencies without a waiting list:

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

B. Agencies with a waiting list:

Only agencies 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 agency must decide whether or not to serve more families from their waiting list as a result of this.

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

- To increase spending in the first quarter, the agency may need to start moving families off of the waiting list before the end of the current calendar year.
- It is not guaranteed that agencies 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, agencies will be responsible for the portion of their overspending that is not covered (See step #5 of the "End of Year Process" above).

VI. Future Allocations

The revised allocations determined through the first quarter reallocation process are used to calculate the guaranteed floor for the next calendar year's allocation. The guaranteed floor is in Minnesota Statutes 119B.03, subdivision 8 and provides that each agency receive an allocation of at least 90 percent of the previous year's allocation, if funds allow.

VII. 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 agencies.

Example One

		Current year projections based on first quarter earnings					
Agency	Previous year actual percent spent	Current year projected percent spent	Current year allocation	Current year projected earnings	Current year projected under-spending	50% of Current year projected under-spending	Current year 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

*Agency M is excluded from having funds reallocated because they are projected to spend more than 70 percent in the current calendar year.
**Agency Z is excluded from having funds reallocated because they spent more than 70 percent in the previous calendar year.

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

- Agency A will receive $100,000
- Agency B will receive $50,000

To determine the amount of reduction in Agency X and Agency 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 the current calendar year projected underspending is redistributed from each agency's allocation.

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

Example Two

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

		Current year projections based on first quarter earnings					
Agency	Previous year actual percent spent	Current year projected percent spent	Current year allocation	Current year projected earnings	Current year projected under-spending	50% of Current year projected under-spending	Current year 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

*Agency M is excluded from having funds reallocated because they are projected to spend more than 70 percent in the current calendar year.
** Agency Z is excluded from having funds reallocated because they spent more than 70 percent in the previous calendar year.

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).

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

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

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