



Department of
Job and Family Services

Ted Strickland, Governor
Douglas E. Lumpkin, Director

To: County Family Services Agencies

From: Michael Colbert, Deputy Director
Chief Financial Officer, ODJFS Office of Fiscal and Monitoring Services

Subject: Detail regarding TANF and Child Care Administration Cap
Rule Changes

ODJFS is emergency filing a rule package that consists of changes to the Temporary Assistance for Needy Families (TANF) and Child Care allocation rules to ensure immediate compliance with certain federal requirements. These rules will be effective with the beginning of the federal fiscal year, October 1, 2009. The new and amended rules will create separate allocations exclusively for drawing and reporting expenditures on administrative costs.

While the overall allocation amounts received at the beginning of the state fiscal year for TANF Regular, Child Care, Child Care 2, and Quality will not change, the way in which counties will draw and report expenditures will change. This memorandum outlines details of the changes and their anticipated impact in a “Question and Answer” format.

What are the federal regulations being implemented in the rule changes?

Federal regulations for TANF and Child Care place caps on the amount of statewide expenditures that can be charged for administrative costs. For TANF, 45 CFR 263.13 states that the cap is 15 percent for administrative activities. For Child Care, 45 CFR 98.52 states that the cap is 5 percent. The rule changes will create a separate allocation for administrative expenditures for both TANF and Child Care, to help the state ensure that it maintains compliance with these caps.

What would be the impact of noncompliance with the federal regulations?

A finding of noncompliance by the federal government may be considered a misuse of federal funding, and subject to strict sanctions.

- For TANF, the federal government would reduce the block grant by the amount misused and, additionally, if the misuse is deemed intentional, they will further reduce the block grant award by 5 percent (see 45 CFR 263.10).

- For Child Care, the award would be subject to several sanctions, including, but not limited to, disallowance of the improperly expended funds, reduction in the award up to 4 percent or disqualification from the receipt of further Child Care funding under the grant (see 45 CFR 98.92).

Loss of federal funding would jeopardize the health and welfare of TANF recipients. It also would jeopardize our ability to offer child care services to the state's most vulnerable families.

Why is it necessary to implement further measures now?

Although the federal regulations have been in place for some time, several recent changes have led to the necessity of rule changes to help the department ensure compliance.

- For TANF, two major factors contributed to the necessity for rule changes. First, there is now limited availability of open federal grants to which the state can charge administrative expenditures due to the systematic spenddown of older grants over the last two biennia. The second factor relates to the flexibility given to counties in H.B. 1 to temporarily suspend their Prevention, Retention and Contingency (PRC) programs. By suspending these programs, the amount of administrative expenditures by counties may rise; since the state has reached the TANF threshold on the FFY09 grant, this puts the state at imminent risk of going over the cap if the rule changes are not implemented.
- For Child Care, the statewide administrative cap has been about \$12 million per year, and for the last several years the county family services agencies have submitted administrative expenditures exceeding \$11 million (which do not include state administrative expenditures). As stated above, the state must make sure that we do not exceed this cap because doing so would directly impact the health and safety of eligible TANF and Child Care recipients.

What is the impact of the rule changes on County Family Services Agencies?

For TANF, the agencies will get a "TANF Regular" allocation for allowable non-administrative costs, and a "TANF Administration" allocation for allowable administration costs.

Similarly, for Child Care, the agencies will have a "County Child Care Non-administrative" allocation and a "County Child Care Administrative" allocation. Additionally, since the Child Care 2 allocation was funded exclusively with TANF administrative funding, the Child Care 2 rule will be rescinded, and that funding will be available in the TANF administrative allocation. Although the Child Care Quality component will now be filed as a separate administrative rule, there will be no changes in the Child Care Quality Allocation amount or requirements.

Anticipated Next Steps

Concurrent with these rule changes, ODJFS will be providing technical assistance to county agencies to ensure their compliance with federal regulations. The department also will offer suggestions for maximizing allowable uses of federal funding. The Office of Fiscal and Monitoring Services, Bureau of County Finance and Technical Assistance (BCFTA), will be issuing a BCFTA Update soon, with further operational details.

Thank you for your continued assistance in ensuring federal compliance and in maintaining federal funding levels as you administer these necessary programs to Ohioans.

cc: Douglas Lumpkin, ODJFS Director
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