



**STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT**

PAT MCCRORY
GOVERNOR

ART POPE
STATE BUDGET DIRECTOR

October 14, 2013

The Honorable Phil Berger, President Pro Tempore
NC Senate
16 West Jones Street, Room 2008
Raleigh, NC 27601-2808

The Honorable Thom Tillis, Speaker
NC House of Representatives
16 West Jones Street, Room 2304
Raleigh, NC 27601-1096

Co-Chairs, Joint Legislative Commission on Governmental Operations

Dear President Pro-Tempore Berger and Speaker Tillis:

Pursuant to Session Law 2013-360, Section 12J.1.(e), the Office of State Budget and Management (OSBM) respectfully submits this letter outlining three changes to the Temporary Assistance for Needy Family Emergency Contingency and Temporary Assistance for Needy Family (TANF) block grants within the Department of Health and Human Services (DHHS).

First, the TANF Emergency Contingency funds for Subsidized Child Care were certified under the Division of Social Services (DSS) per Section 12J.1.(a) of Session Law 2013-360; however, these funds need to be budgeted in the Division of Child Development and Early Education (DCDEE), which is responsible for the subsidized child care program. Therefore, OSBM plans to transfer these funds from DSS to DCDEE. There is no change in the amount or intent of these funds. Consistent with Session Law 2013-360, \$6,549,469 in TANF Emergency Contingency will be used for subsidized child care.

Second, TANF Emergency Contingency funds needed to be expended by September 30th or these funds would have been forfeited at the end of federal fiscal year 2013. In order to expend these funds, OSBM authorized a net zero realignment between TANF Emergency Contingency and TANF. (The use of TANF Emergency Contingency in lieu of TANF maintained the overall total amounts across the block grants.) This action maximized use of available federal funds and ensured these funds could be used by DHHS.

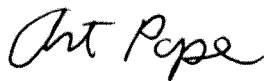
For background on this issue, Session Law 2013-184, Section 13.(b)(6) directed \$6,500,000 of TANF Contingency Funds and \$1,960,100 of regular TANF funds (\$8,460,100 in total) to be used by the Division of Medical Assistance in the event that these funds were needed to address the state fiscal year 2012-13 Medicaid shortfall; however, other sources were used prior to the use of these block grant funds and the TANF Emergency Contingency and TANF funds were not needed. Subsequently, Session Law 2013-360, Money Report Item 15, replaced general fund

appropriation for subsidized child care with TANF block grant funding on a non-recurring basis in the amount of \$8,460,100. In order to meet this obligation, DHHS must budget \$6,500,000 in available TANF Contingency funding unused by Medicaid, as noted above.

Third, OSBM is consulting to use additional block grant availability in state fiscal year 2013-14. There is a remaining balance of \$3,050,012 of unappropriated TANF Emergency Contingency funds, which OSBM proposes using for subsidized child care activities. Increasing the block grant fund would free up a like amount of state funds, which would be held in an OSBM-controlled reserve to address state fiscal year 2013-14 shortfalls in the DHHS budget, if needed.

If further information is needed, please contact Pam Kilpatrick, Assistant State Budget Officer for Health and Human Services, by telephone at (919) 807-4722 or by email at pam.kilpatrick@osbm.nc.gov.

Sincerely,



Art Pope

cc: Senator Ralph Hise, Chair, Senate Appropriations Committee on Health and Human Services
Senator Louis Pate, Chair, Senate Appropriations Committee on Health and Human Services
Representative Marilyn Avila, Chair, House of Representatives Appropriations Subcommittee on Health and Human Services
Representative William Brisson, Chair, House of Representatives Appropriations Subcommittee on Health and Human Services
Representative Mark Hollo, Chair, House of Representatives Appropriations Subcommittee on Health and Human Services
Mark Trogdon, Director, Fiscal Research Division