



North Carolina Department of Health and Human Services  
**Division of Budget and Analysis**  
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Beverly Eaves Perdue, Governor  
Lanier Cansler, Secretary

James B. Slate, Jr., Director

January 12, 2010

The Honorable Marc Basnight, President Pro Tempore  
NC Senate  
16 W. Jones Street, Room 2007  
Raleigh, NC 27601-2808

The Honorable Joe Hackney, Speaker  
NC House of Representatives  
16 W. Jones Street, Room 2304  
Raleigh, NC 27601-1096

Co-Chairs, Joint Legislative Commission on Governmental Operations

Dear President Pro Tempore Basnight and Speaker Hackney:

Pursuant to Section 10.78(e) of Session Law 2009-451, all changes to the budgeted allocations to the Block Grants administered by the Department of Health and Human Services must be approved by the Office of State Budget and Management and reported to the Joint Legislative Commission on Governmental Operations. The purpose of this letter is to satisfy this reporting requirement for a transfer of Temporary Assistance for Needy Families (TANF) block grant and TANF Contingency funding from the Department of Health and Human Services (DHHS) to the Department of Public Instruction (DPI).

Given the economic volatility and the state's current cash position, the Governor has directed the Office of State Budget and Management (OSBM) to take necessary steps to ensure that the budget is balanced throughout FY 2009-10. As part of this effort, SFY 09-10 appropriated allotments have been reduced by an amount equal to five percent of each agency's certified budget. In order to effect this reduction, funding amounts to be reduced from each agency budget are to be identified and placed into a reserve. The one-time transfers detailed in this memorandum are being made in support of this meeting this effort.

In a memorandum to the Joint Legislative Commission on Governmental Operations dated October 30, 2009, DHHS detailed how additional TANF Contingency funds would be utilized to replace and free up base TANF funds budgeted within the Divisions of Social Services and Child Development. These TANF funds were subsequently transferred to the Department of Public Instruction in order to free up state appropriations. Based upon the

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additional TANF Contingency funds which are expected to be awarded to North Carolina, we will be making an additional round of transfers.

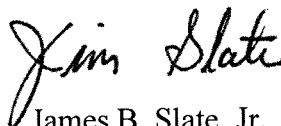
A total of \$4,409,009 in TANF funds budgeted within the Division of Child Development for subsidized child care services will be reduced from that program to be transferred to DPI. These funds will be budgeted with the More at Four program in order to free up an equal amount of state appropriations. State appropriations freed up in the More at Four program will be designated for the 5% reduction reserve. The reduction in funding to the subsidized child care program will partially offset a net increase of \$34.7M in funding received in this program for SFY 09-10\* and will reduce the potential additional number of children that could be served. Since total funding for More at Four will not be impacted by this transfer, it will not effect More at Four Services.

\* *Net increase in funding due to Child Care Development Recovery funding.*

A total of \$1,523,301 in FFY 08-09 TANF funds budgeted within the Division of Social Services for cash assistance will be reduced from that program to be transferred to DPI. These funds will be budgeted with the More at Four program in order to free up an equal amount of state appropriations which will used to help meet the 5% reduction reserve. It is anticipated that additional TANF contingency funds will be awarded to DHHS for FFY 09-10 which will be utilized to replace TANF funds transferred to DPI as part of this action. Assuming these funds are fully awarded as anticipated, there will be no change to the overall funding for cash assistance for SFY 09-10. Since total funding for More at Four will not be impacted by this transfer, it will not effect More at Four Services.

If further information is needed, please contact Rob Kindsvatter at 733-6396. Thank you.

Sincerely,



James B. Slate, Jr.  
Director

JBSjr:RK:gg

cc: Representative Beverly Earle, Chair, House of Representatives Appropriations  
Subcommittee on Health and Human Services  
Representative Bob England, Chair, House of Representatives Appropriations  
Subcommittee on Health and Human Services  
Representative Verla Insko, Chair, House of Representatives Appropriations  
Subcommittee on Health and Human Services  
Senator Doug Berger, Chair, Senate Appropriations Committee on Health and Human  
Services  
Senator William Purcell, Chair, Senate Appropriations Committee on Health and  
Human Services  
Charlie Perusse, State Budget Director, Office of State Budget and Management  
Marilyn Chism, Director, Fiscal Research Division