



North Carolina Department of Health and Human Services

DIVISION OF CHILD DEVELOPMENT

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Michael F. Easley, Governor • Carmen Hooker Odom, Secretary • Robert W. Kindsvatter, Director

DIVISION OF CHILD DEVELOPMENT ADMINISTRATIVE LETTER NO. 1-06

TO: Directors of County Departments of Social Services
Child Care Coordinators
Directors of Other Child Care Purchasing Agencies

FROM: Robert W. Kindsvatter *Robert Kindsvatter*

ISSUED: July 24, 2006

SUBJECT: Subsidy Funding for Military Families

EFFECTIVE DATE: August 1, 2006

The purpose of this letter is to provide information about funding and reimbursement for subsidy services provided to certain active duty military families and to introduce new codes to identify all active duty military families in the Subsidized Child Care Reimbursement System. Entering the new category codes into the Reimbursement System will allow counties to receive payment for certain active duty military families and the Division to track these expenditures throughout the year.

Many active duty military families are not included in the Census data that the Division uses during the allocation process to determine each county's need for child care funds because their total family income before exclusions exceeds 75% of the state median income. Therefore, the children in these families have not been included in the number of children who are potentially eligible for subsidy services.

Some of these active duty military families are eligible for the Subsidized Child Care Program because only the amount of their taxable income is counted in the gross monthly income when determining eligibility. Since these families have not been included in the allocation formula, the counties where they are located have not received an adequate *pro rata* share of available child care funding. The Division therefore has designated a portion of the funds available for subsidy services to provide services for certain military families who were not included in the allocation process and who meet the criteria defined below.

Funding

Counties will no longer use their regular allocation to provide subsidy services to support employment for the children of active duty military families whose income before exclusions exceeds the subsidy income guidelines. A separate funding authorization will be issued monthly as reimbursement for children coded with the 070 code which is explained below. The funding amount will be determined by the county's expenditures for serving children from these active duty military families. It will be added to the county's Non-Smart Start allocation every month and will be reflected in that spending coefficient.

For the purposes of this policy, all applicable parties must be employed. If both parents are in the household, both parents must be working. If a child is living with a relative or other responsible



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adult due to the absence of the parent(s) serving in the military, that relative or other adult must be employed. Other eligible active duty military families, including those whose income before exclusions exceeds the subsidy income guidelines but who do not meet the employment requirement, are served through the county's regular allocation and use the 071 code as indicated below. The county's local policies regarding priority for services will apply.

Eligibility Information

For the purposes of establishing eligibility for the Subsidized Child Care Program, only the taxable amount of military pay is counted. The Basic Allowance for Housing (BAH), the Basic Allowance for Subsistence (BAS), and moving and travel allowances are not taxable. In addition, the following amounts are excluded from gross family income for a member of the United States Armed Forces who serves in a combat zone, serves in direct support of military operations in a combat zone, or is hospitalized as a result of serving in a combat zone:

- Active duty pay earned while serving in a combat zone
- Imminent danger/hostile fire pay
- Reenlistment bonus
- Pay for accrued leave earned while serving in a combat zone
- Student loan repayments earned by service in a combat zone
- Awards received while serving in a combat zone
- Pay received for other duties while serving in a combat zone

The following areas are considered combat zones at the present time: Afghanistan area; Kosovo area; and the Persian Gulf area, including Iraq, Kuwait, Saudi Arabia, Oman, Bahrain, Qatar and the United Arab Emirates.

Category Codes

The following category codes are to be used in the Reimbursement System to identify children from eligible active duty military families:

- Category Code 070 - Children from active duty military families whose income before exclusions exceeds the subsidy income guidelines and who need services to support employment as described above. This code is used *only* with the employment code and fund source 25.
- Category Code 071 –All other children from active duty military families. This code is used with all need codes and fund sources.

Military Families Currently Being Served

Any active duty military families whom you can readily identify as currently receiving services may be coded using the new category codes beginning with the service month of August 2006 or the new code may be assigned at the time of redetermination of eligibility. Documentation must be included in the file to support the use of code 070.

Your Subsidy Services Consultant will review the military cases throughout the year to ensure that families whose services are covered by this policy meet the eligibility requirements. If you have questions, please contact the Subsidy Services Consultant assigned to your county.

RK/BC

cc: DCD Subsidy Services Consultants
DCD Program Compliance Consultants