

Fiscal Communiqué - #09-01 – Encumbrances, Budgets & Payments – Fiscal Year (FY) 2009-10

Title: Encumbrances, Budgets & Payments – FY 2009-10

Date: May 20, 2009

Category: Informational

Action required: Take appropriate steps as needed

Response Required: No

Citation/Reference: CCIS Grant, Payment Provisions (Rider 1), Sections 2.B. and 2.D.

Purpose:

The purpose of this communiqué is to provide information and direction regarding several critical issues for the quickly approaching 2009-10 FY. The 2009-10 FY topics include Low Income (LI) encumbrances and how they are impacted by waiting list (WL) authorizations in May and June 2009, deadline for establishing Family Support Services (FSS) budgets and CCIS/FSS payments.

Discussion:

1. Encumbrances for FY 2009-10 – Impact of May/June 2009 WL Authorizations

The cost of care calculated to care for a child during the last several months of a FY is much less than the cost for an entire 12 months. Given this fact, we want to draw your attention to the various impacts of authorizing enrollments from the WL in May and June 2009.

- The most immediate and obvious impact of May/June WL authorizations is the utilization of current FY available funds. The cost of care for one or two months is relatively low – which can equate to many more WL authorizations than at other times throughout the FY.
- Another immediate impact is to the amount of funds encumbered for the upcoming FY. Those enrollments that are relatively “inexpensive” for the current FY are much more costly for the full 12 months of the new FY.

CCISs must be aware of the complete impact of their May/June WL authorizations. Between now and the running of the Fiscal Year Rollover (FYRO) batch the weekend of June 6, 2009, the net impact to the new FY is not “visible” within PELICAN Child Care Works (CCW). However, as soon as FYRO occurs, you can easily review the encumbrances for the 2009-10 FY. You will also be able to see the immediate impact of all WL authorizations to the new FY encumbrance amount/available funds.

We recognize that it can be beneficial to be over encumbered at the beginning of a new FY. However, we suggest that you be fully aware of the current attrition trends and average cost of care for your CCIS when determining the level of over encumbrance that can be managed down throughout the coming FY.

The following example is provided to more fully illustrate the impact of May/June WL authorizations on the new FY encumbrance amount. (Disclaimer: Rates can vary widely from provider to provider and county to county. This example uses current Maximum Child Care Allowances from Philadelphia County.)

- A. One enrollment authorized from the WL on 5/18/2009
 - o Cost of Care, FY 2008-09 = \$992.00

- Cost of Care, FY 2009-10 = \$3,800 to \$9,700
- B. One enrollment authorized from the WL on 6/29/2009
 - Cost of Care, FY 2008-09 = \$62.00
 - Cost of Care, FY 2009-10 = \$3,800 to \$9,700

The projected cost of care for FY 2009-10 is for 260 days of full-time care, accounts for a care level change (young toddler to older toddler), projects the range of costs for a Relative/Neighbor and a Center provider (WITHOUT a Keystone STARS incentive add-on) and does not include co-pay.

Using the example provided above, using \$5,000 of available LI funds at the end of June could translate to 70 or 90 WL authorizations – which could produce an additional cost of care for the new FY \$250,000 to \$900,000.

Please be aware of the full impact of WL authorizations between now and July 1, 2009 and determine WL authorizations accordingly. We cannot necessarily guarantee funding will be available in the event that one or more CCIS agencies are significantly over encumbered at the conclusion of the FY.

2. CCIS Payments & Commonwealth Budget

To date, a Commonwealth Budget has not yet been approved for FY 2009-10. Therefore, OCDEL is reminding you to begin preparations for accessing a line of credit in the event of a delayed payment to the CCIS agencies in the new FY. (Reference CCIS Grant, Payment Provisions (Rider 1), Section 2.D.)

Depending upon the timing of a Commonwealth Budget approval, it is possible that CCIS payments for July 2009 will be delayed. Therefore, you are strongly urged to prepare for the worst and be ready to access a line of credit in July 2009 if absolutely necessary. The CCIS should use its best business judgment in determining the amount of credit that should be made available.

3. Family Support Services Budgets

As you know, OCDEL staff relies on data from the PELICAN CCW system for fiscal planning and tracking purposes. In order for the new FSS budgets to be available for the appropriate staff, all FSS budgets MUST be entered into PELICAN CCW as of 5:00 pm on Friday, July 31, 2009.

FSS budgets are to match either the original FSS budget as submitted and approved for your 2009-10 grant renewal – or the most current approved budget revision(s) (in the event that you submit revisions prior to July 31, 2009).

4. Family Support Services Payments

The CCIS Grant, Payment Provisions (Rider 1), Section 2.B. allows OCDEL to increase monthly FSS payments when justified. Therefore, in an attempt to minimize the need for a line of credit early in the FY, CCIS monthly base FSS payments for July, August and September 2009 will be slightly increased to an amount slightly more than 1/12th of the total allocation. As a result of the increased base amount for three months, the base amount will be slightly less for the remaining 9 months of the fiscal year.

The change to the base FSS payment amount will not impact the FSS reconciliation process which will continue to occur.

To determine what your base FSS payments will be (using current FY 2009-10 FSS allocations), use the following calculation:

1. divide current FSS allocation by 10 = base FSS payment for July, August & September 2009
2. multiply the result of step 1 by 3
3. subtract the result of step 2 from the FSS allocation
4. divide the result of step 3 by 9 = base FSS payment for remaining months (unless FSS allocation amount changes)

EXAMPLE:

FSS Allocation = \$10,000

1. $\$10,000 / 10 = \$1,000$ (base FSS payment for July, August & September)
2. $\$1,000 * 3 = \$3,000$
3. $\$10,000 - \$3,000 = \$7,000$
4. $\$7,000 / 9 = \777.78 (base FSS payment for October through June)

Next Steps:

1. Share this communiqué with staff who are responsible for authorizing enrollments from the WL, monitoring/evaluating CCIS payments, obtaining a line of credit and establishing FSS budgets.
2. This communiqué becomes obsolete effective 6/30/2010.
3. Direct questions to your Subsidy Coordinator.