



North Carolina Department of Health and Human Services  
Division of Social Services

325 North Salisbury Street • Raleigh, North Carolina 27603  
Courier # 56-20-25 MSC 2409

Michael F. Easley, Governor  
Carmen Hooker Odom, Secretary

Pheon E. Beal, Director  
(919) 733-3055

January 25, 2006

**Dear County Director of Social Services**

**Attention: Children's Services Supervisors  
Children's Services Social Workers  
County Fiscal Officers**

**Effective Date: Immediately**

**Subject: Changes in IV-E Administrative Costs**

This notice contains information critical to the County DSS fiscal planning process. The Budget Reconciliation Act currently before Congress proposes to significantly reduce federal participation in the administrative costs associated with foster children placed in the home of unlicensed relatives. This change may result in a significant reduction in IV-E reimbursement to County Departments of Social Services. In addition, we anticipate that this change will be retroactive to October 1, 2005. We encourage each agency to closely monitor this process at the federal level in order to know when the bill is passed. It is highly likely that the bill will be passed and signed into law. The Division wants to ensure that County Departments of Social Services are fully aware of these serious fiscal concerns.

The Act proposes that children in the custody of a County DSS and placed with relatives who are unable or unwilling to be licensed as foster parents, will no longer be eligible for IV-E administrative cost reimbursement except for the time it takes on average to become licensed or for one year, whichever is less. Please remember that your agency must be actively engaged in the licensing process in order to claim IV-E administrative cost reimbursement during the time the home is being licensed. It is clear that you may not claim IV-E administrative costs for a IV-E eligible child unless that child is in a IV-E reimbursable placement. In addition, the Act limits eligibility for IV-E Administrative cost reimbursement to one month for children in an ineligible facility such as a hospital, who subsequently move to an eligible facility such as a licensed foster home.

These changes may result in increased costs to counties related to maintenance payments as a result of licensing those relatives who are currently unlicensed foster parents for their relative children. In addition, there may be a reduction in the IV-E administrative cost reimbursement to counties associated with those non-licensed relative foster parents who are unable or unwilling to become licensed. While the fiscal implications may be significant, counties are expected to continue to place children based on each child's specific needs. The Division is currently analyzing the fiscal impact regarding maintenance payments for relatives if they choose licensure and the loss of IV-E administrative funds if they do not become licensed. The Division is also reviewing all of the licensure laws, rules and policy to determine if there exists any potential allowances for relatives to be licensed.

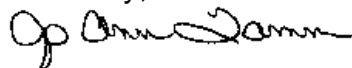
These proposed changes make it imperative for DSS agencies to begin to plan toward adjusting procedures to meet this challenge. While DSS agencies have been required to offer licensing to relative foster parents for some time, these changes necessitate a renewed effort at encouraging unlicensed relative foster parents to become licensed. State and Federal policy continues to require that placement with relatives be utilized whenever possible.

DSS agencies are encouraged to begin a discussion with unlicensed relative foster parents around these issues. Agencies should encourage these families to become licensed and should explain the reasons for doing so.

For the 38 counties participating in the IV-E Waiver Demonstration Project, this change in the federal regulations is expected to have an adverse impact on the cost neutrality of the demonstration project. The Division will closely monitor Waiver expenditures and notify participating counties if action is needed to maintain the overall cost neutrality of the project.

This information is being provided to County Departments of Social Services to assist them in the fiscal planning process. If you have questions, please feel free to contact Thomas Smith at (919) 733-9465 or at [thomas.smith@ncmail.net](mailto:thomas.smith@ncmail.net).

Sincerely,



Jo Ann Lamm, Chief  
Family Support and Child Welfare Services Section

cc: Pheon Beal  
Sherry Bradsher  
Children's Program Representatives  
Work First Representatives  
Family Support and Child Welfare Services Team Leaders  
Local Business Liaisons  
Sarah Barham  
Javier Rivera

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