



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

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February 9, 2010

DEAR COUNTY DIRECTORS OF SOCIAL SERVICES

ATTENTION: TANF Subsidized Employment Project Managers

SUBJECT: Subsidized Employment through the TANF Emergency Contingency Fund

The Division has received federal funding approval to establish subsidized employment programs for TANF eligible participants. These funds are part of the TANF Emergency Contingency Fund (Emergency Fund) through the American Recovery and Reinvestment Act (ARRA). Subsidized employment may be through private or public sector employment for which the employer receives a subsidy from TANF or other public funds to offset some or all of the wages and costs of employing an individual. This could be in any setting including local or county offices or in State or Tribal government.

The Emergency Fund allows North Carolina to receive 80% of the amount of increase in Federal TANF expenditures and qualified State expenditures (Maintenance-of-Effort, or MOE) in a quarter over these expenditures in the corresponding base-year quarter.

Twenty-three counties submitted proposals and have been authorized to implement subsidized employment programs in their counties. Counties are responsible for determining a potential subsidized employee's eligibility for TANF if they are not currently receiving Work First assistance. For tracking and auditing purposes, the same process will be used for 200% services. To determine eligibility for services:

1. Complete the Eligibility Worksheet [DSS-8225](#). File the worksheet in the case record. The applicant's signature on this form represents his/her statement for those elements for which the caseworker may accept an applicant's statement.
2. Determine whether the family's income is at or below 200% of the federal poverty. Use the family's total gross monthly income.
3. Determine that at least one child in the family meets the age, citizenship/immigrant, kinship, and living with rules for Work First.
4. The application for Work First Services is Form DSS-5027. Complete sections A, B, C, G, and H.
5. Open a case in SIS for each family.

Once the TANF Emergency Funds have been authorized to counties, it is crucial that spending of these funds be reported appropriately. North Carolina is one of 16 states nationwide that has been

identified for auditing of the spending of the ARRA funds. The Division has a number of State reporting requirements as well as Federal reporting requirements. It is going to be essential that counties meet the requirements in order to retain the ARRA funds. The Division will review how the funds are spent and provide feedback and support to county DSS agencies, as needed.

As the Division has prepared for the receipt of these funds, questions have come up regarding the TANF Subsidized Employment program through the Emergency Fund. Hopefully the following questions and answers will be helpful as counties implement these programs.

Question: How does the Federal funding agency determine the amount a state may receive from the Emergency Fund?

Answer: To qualify for Emergency Funds a state must show an increase in expenditures in the quarter they are requesting funds over the expenditures for the corresponding quarter in the Emergency Funds base year (FY 2007 or FY 2008) in one of the following categories:

1. Basic assistance;
2. Non-recurrent short-term benefits;
3. Subsidized employment.

If a state qualifies based on one or more of the above criteria, the state may receive 80% of the amount by which Federal TANF expenditures and qualified State expenditures (MOE) in the quarter it is requesting Emergency Funds increased over the same expenditures in the corresponding base-year quarter.

For example, if North Carolina spent \$1,000 on Subsidized Employment in the 1st quarter of Federal Fiscal Year (FY) 2008 and then increased spending on Subsidized Employment to \$5,000 in the 1st quarter of FY 2010, there would be an increase of \$4,000. North Carolina could then qualify for 80% of this increase, or \$3,200, for that quarter.

Question: If the TANF Emergency Fund provides 80% reimbursement of the state's increased expenditures, why do people say the state has to provide a 20% match of funds?

Answer: By statute, the Emergency Fund reimburses eligible states 80% of increased expenditures. However, because the federal government is allowing states to request funding in advance of actual expenditures, projecting what the increase will be each quarter, can be thought of as a required funding match.

For example, if North Carolina has \$1,000 to spend on Subsidized Employment through existing funds, it can submit an application for Emergency Funds stating it will increase spending on Subsidized Employment by \$5,000. It can then receive 80% of the \$5,000, which is \$4,000. When the State spends its original \$1,000 plus the \$4,000 from the Emergency Fund, it will have fully spent the \$5,000 it projected in the application.

Question: What can count toward the increased spending to qualify a state for Emergency Funds?

Answer: Spending from the main TANF block grant, TANF supplemental grants, TANF Contingency Funds (not Emergency Funds), and state spending reported as MOE can all count toward the increased spending.

In addition, some third-party contributions may count toward MOE, therefore increasing state expenditures. This may include cash donations from non-Federal third-parties (such as non-profit organizations) and the value of third party in-kind contributions if they meet the following criterion:

1. The expenditure is verifiable and meets all the applicable federal requirements;
2. There is an agreement between the State and the third-party allowing the State to count the expenditure toward its MOE requirement;
3. The State counts a cash donation only when it is actually spent;
4. The third-party expenditures are for TANF eligible families and meet a TANF purpose.

Question: Are individuals receiving Subsidized Employment through the Emergency Fund subject to the TANF participation rate requirement?

Answer: Under the Emergency Fund, Subsidized Employment is not considered “assistance” and does not trigger the TANF participation rate or five-year limit on federally funded benefits requirements.

Question: When a TANF eligible person enters Subsidized Employment through the Emergency Fund, is that income treated any differently than unsubsidized earned income when determining eligibility for ongoing WFFA?

Answer: No, this income is not treated any differently than any other earned income.

Question: Can Emergency Funds be used to provide up-front outreach to the community, such as a Job Fair?

Answer: Once Emergency Fund grants are awarded to states, they become Federal TANF funds. For this reason, states may use the funds in virtually the same ways as it may use its annual Federal TANF block grant funds. With this in mind, any up-front activities (such as Job Fairs and public outreach) that are allowable expenditures through regular TANF are allowable with the Emergency Fund. Just keep in mind that counties must be able to verify the use of all funds as they tie into one of the purposes of TANF and will be monitored for compliance.

Question: Can money from the Emergency Fund be transferred to regular TANF or another federal block grant?

Answer: No, Emergency Funds may not be transferred to another federal block grant, such as the Social Services Block Grant (SSBG) or the Child Care and Development Block Grant (CCDBG).

Question: Can administrative costs be reimbursed under the Emergency Fund?

Answer: Yes, associated administrative costs can be included as part of the expenditures under the three countable categories. However, agencies cannot simply re-categorize program administrative staffing costs as subsidized employment. The Emergency Fund is not intended to cover the existing costs of TANF program administration.

If a new administrative position is created, such as a Job Coach/Job Developer, to assist in the implementation and oversight of the Subsidized Employment program, this may be included as administrative costs.

Question: Can an employer create a subsidized position when an individual is on layoff from the same or equivalent position?

Answer: No, this is not an allowable subsidized position.

Question: Can an employer terminate an existing employee in order to create a subsidized position?

Answer: No, an employer may not create a subsidized job slot when they have terminated an individual from employment or caused an involuntary reduction force in order to fill the vacancy with a subsidized worker.

Question: Can the employer’s costs for supervision and training count as a third-party contribution for purposes of TANF MOE and the Emergency Fund spending requirements?

Answer: Yes, the employer’s costs for supervising and training a subsidized employee can count as a State expenditure for MOE and the Emergency Fund. To count the value of employer supervision and training as MOE, the expenditures must meet a TANF purpose and an agreement must be in place between the funding agency (county DSS) and the third-party employer permitting the State to count this as MOE.

To compute the value of the employer's costs for supervising and training a subsidized employee, the county may assume these costs equal up to 25% of the employee's subsidized wage cost.

For example, if an employee earns \$4,000 in subsidized wages during the quarter, the county may count 25% of these wages, or \$1,000, as MOE for employer supervision and training. Please remember that a written agreement **must** be in place between the county DSS and the third-party employer allowing this to count this as MOE.

Question: What are the tracking requirements for these funds?

Answer: The TANF Emergency Funds come from a separate appropriation. They must be tracked separately from the regular TANF program. Separate DSS-1571 reporting instructions will be issued by the Controller's Office and monitored by the Division.

Question: Can an agency use the Emergency Funds to purchase equipment?

Answer: An Agency may use the funds to purchase equipment as long as the equipment is for a new administrative position that is assigned and coded 100% to TANF. Follow the direct charge guidelines in the Fiscal Manual for these purchases.

Due to direct charge and audit tracking, these funds may **not** be used to purchase equipment for individuals in subsidized positions. However, counties may use these funds to purchase job readiness supplies, such as scrubs/uniforms, steel-toed boots, or other needed items as appropriate.

Question: When can an agency begin using the funds?

Answer: County agencies can use the funds for January 2010 expenses billed in February 2010.

Question: Can any of the unspent Emergency Funds in the current quarter carry over for use in the next quarter?

Answer: Yes, funds may be carried over from one quarter to the next. However, since the state must account for the projected amount of expenditures in order to receive additional funding in the subsequent quarter, counties are encouraged to fully utilize their quarterly allocation, if possible. Lack of expenditures will decrease the actual amount of increased expenditures resulting in less funding in the next quarter.

For example, if North Carolina projected an increase of \$5,000 in subsidized employment in the current quarter but showed only an increase of \$1,000, our funding for the next quarter will be adjusted to match the actual increase, which was less than projected.

Question: When working with a 3rd party employer, does DSS need to have a contract?

Answer: In addition to the agreement to count employer in-kind contribution toward State MOE, counties will also need to establish a Contract with each third-party employer. Remember, as county contracts are developed, adhere to contract requirements as outlined in the online DSS Budget Information Section at <http://www.dhhs.state.nc.us/dss/budget/county.htm>. Please contact your Local Business Liaison (LBL) regarding contract questions.

Fiscal Considerations:

Question: How do I report the subsidized employment for reimbursement when an employee/client works for a 3rd party?

Answer: These costs must be claimed on the DSS 1571, Part IV with the client SIS ID using the Part IV coding requirements issued by the Controller's Office.

For example, you have a subsidized employee/client working at Wal-Mart. As part of your contract with Wal-Mart, they will pay 20% of the employee's wages, while you will subsidize the other 80%. If Wal-Mart pays the client \$1,000, they should only invoice DSS for the 80% portion or \$800. DSS will then reimburse Wal-Mart the 80% share or \$800 and report this amount for reimbursement at 100% from TANF subsidized employment funds on the DSS 1571, Part IV.

Question: How do I report the subsidized employment for reimbursement when an employee/client works at DSS?

Answer: These costs must be claimed on the DSS 1571, Part IA using the Part I Function/Column/Part coding requirements issued by the Controller's Office. Since the employee/client is housed at DSS and supervised by DSS, the position is entitled to overhead distribution according to the Fiscal Manual.

For example, you have a subsidized employee/client assigned to work at DSS as a file room clerk. You pay the employee's salary and benefits like any other DSS employee. If you pay the employee \$1,000 for reimbursement purposes, you will claim the full \$1,000 on the DSS 1571, Part IA, to be reimbursed at 80% of the direct salary and benefits plus overhead. For example purposes, the total cost reported, including overhead distribution is \$2,000. The DSS will be reimbursed 80% or \$1,600 for Federal subsidized employment funds and 20% or \$400 will be the county share.

Question: How do I report a Work First employment social worker's administrative time for reimbursement when they make a referral and provide case management for TANF subsidized employment?

Answer: The DSS worker will use the newly established SIS Code with the assigned program code to document their time on the DSS4263 – Worker Daily Report of Services. DSS 1571 preparers will then report this to the appropriate Function/Column/Part coding requirements issued by the Controller's Office for administrative staff time costs.

Please contact your Local Business Liaison (LBL) regarding fiscal reporting questions.

In addition to the above information, counties may find the Question and Answers documents published by the [Office of Family Assistance](#) and [CLASP](#) helpful. The Division will also conduct an interactive conference call with the 23 counties implementing Subsidized Employment programs on **Friday, February 12, 2010 from 1:00pm-2:30pm** to provide guidance and assistance through the implementation process. The call-in number is **(919) 733-2438**.

Please be advised that, at this time, TANF Emergency Funds for Subsidized Employment are available until depleted, or until September 30, 2010. Therefore, it is essential that agencies submit payment requests as soon as possible and request funds as soon as they are needed. Failure to do so may result in non-reimbursement if all funds have been depleted. These funds will be allocated on a quarterly basis and spending rates will be monitored throughout each quarter. If necessary, a reallocation process will be established to ensure these funds are being fully utilized. For this reason, timely reporting is imperative to secure continued funding.

The Division will provide support to each of the 23 counties receiving funding to assist with the implementation of these projects. Also, counties receiving Emergency Funds will be monitored for compliance with state and federal regulations.

Instructions for reimbursement coding will be forthcoming from the DHHS Office of the Controller.

For your reference, below is a chart detailing the 23 counties receiving Emergency Funds for subsidized employment, the number of projected subsidized employment placements, and the county's allocation for these services:

County Name	Projected Participants Served	Allocation
Alamance	6	\$22,986.00
Alexander	25	\$171,270.00
Anson	10	\$40,086.00
Bladen	25	\$171,270.00
Buncombe	13	\$155,655.00
Catawba	10	\$90,000.00
Columbus	25	\$141,686.00
Cumberland	20	\$92,603.00
Edgecombe	100	\$478,456.00
Greene	40	\$226,210.00
Guilford	40	\$311,344.00
Johnston	18	\$82,001.00
Lincoln	18	\$131,890.00
McDowell	14	\$99,691.00
Mecklenburg	500	\$3,970,888.00
Nash	2	\$24,390.00
Orange	20	\$127,181.00
Richmond	15	\$88,600.00
Rutherford	35	\$157,090.00
Sampson	3	\$18,512.00
Wayne	3	\$19,511.00
Wilkes	1	\$5,990.00
Wilson	55	\$315,380.00
Total	998	\$6,942,690.00

Thank you for your continued commitment to assisting North Carolina families through these difficult economic times. If you have any questions, please contact Judy Lawrence, Family and Economic Services Program Consultant, at judy.lawrence@dhhs.nc.gov or (336) 227-2063. You may also contact me at dean.simpson@dhhs.nc.gov or (919) 334-1234.

Sincerely,



Dean Simpson, Chief
Economic Services Section

cc: Sherry Bradsher
Jack Rogers
Sarah Barham
Hank Bowers
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Myra Dixon
Local Business Liaisons
Work First Local Support Team Members