

TO: Commissioners, Council Members, Executives, Chief Clerks, Administrators
(Please copy and distribute)

FROM: Brinda Penyak, Deputy Director

SUBJECT: Cash Flow and Use of Federal Funds

DATE: August 20, 2009

URGENT NEWS

This memo is to advise you of some important news received from two state agencies this week, and to allow you to plan accordingly as the delay or disallowances discussed here will very likely impact your county for the immediate future, and potentially for some time to come.

FIRST, Office of Children, Youth and Families (OCYF) Deputy Secretary Richard Gold announced on August 19, 2009 that the federal Administration for Children and Families (ACF) has deferred, as not eligible, a significant portion of Pennsylvania's Title IV-E reimbursement for the period back to and including July 1, 2008. The affected expenditures were that portion of the per diems paid for congregate care of children and youth (Residential, Group Home, Supervised Independent Living). Despite considerable state-wide effort over the past several years, Dep. Sec. Gold said that ACF expressed no confidence in Pennsylvania's process for reviewing IV-E allowable costs -- a shared state/county responsibility.

While we do not yet have the details of the reasons for the deferment, the impact on counties will be immediate and severe. The now deferred reimbursements are for services already paid for by counties. The amount of deferred funds will vary from county to county based on how heavily a county used the affected services and could range from tens of thousands to millions of dollars, keeping in mind that \$10,000 in a small county may have as great a local impact as \$1,000,000 in a larger county. In light of the current budget impasse, many counties were counting on these federal reimbursements from last year to help them carry programs over until state money starts flowing again. If counties received any IV-E reimbursements for FY 2008-09 prior to this decision, deferred reimbursements will most likely be deducted from future payments until the situation is resolved. Please contact your Children and Youth Administrator to discuss what this will mean to your county.

OCYF is continuing its discussions with ACF. It is possible that a settlement may be reached in the coming weeks or months that would free up some or all of the deferred reimbursements, but we certainly cannot say at this time that this scenario is likely. The deferrals could just as likely become disallowances, meaning that neither the state nor counties would ever receive those reimbursements. Either way, county IV-E reimbursements will be lower than anticipated for the foreseeable future.

CCAP has requested an emergency meeting with Senators Specter and Casey to advise them of the situation, and to seek their assistance in either delaying or lessening the impact, given the current budget impasse situation in Pennsylvania.

SECOND, under the Department of Health, CCAP shared with counties last week some news that Governor Rendell approved the disbursement of federal block grant funds for Substance Abuse Prevention and Treatment Block Grants. While we are waiting for clarification on how much will be available and when, counties were advised to continue submitting invoices for processing. We have since learned that the funds for approved invoices are now being held up as a result of prioritization in the comptroller's office.

CCAP has requested an immediate meeting with Department of Health Secretary Everette James to seek his intervention in getting these dollars flowing to programs immediately.

We will continue to provide you with updates on these two issues, as well as other budget related matters as soon as they become available. Should our strategy in these efforts extend beyond what CCAP has currently initiated, you will be advised immediately with instructions on how best to become involved.

If you have questions about these funding lines and their impact on your county, please contact CCAP staff.