



NC DEPARTMENT OF
**HEALTH AND
HUMAN SERVICES**
Division of Child Development and Early
Education

JOSH STEIN • Governor
DEVPUTTA SANGVAI • Secretary
CANDACE WITHERSPOON • Director

April 03, 2025

Dear County Directors of Social Services and Local Purchasing Agencies

Letter Number: SCCA DCDL 2025 - #05

Attention: Directors of County Departments of Social Services
Directors of Other Local Purchasing Agencies
Child Care Coordinators
Other DSS Personnel who work with the Subsidized Child Care Assistance Program

Subject: Smart Start and Non-Smart Start Spending and Waiting List

Dear County Director,

The purpose of this letter is to provide guidance on Smart Start and Non-Smart Start spending. As we continue monitoring Smart Start allocations, it is essential that all counties work closely with their local partnerships and DCDEE Technical Assistance (TA) Consultants to ensure effective fund management. Recently, we received an additional \$43 million in state funding, increasing allocations for all counties for Non-Smart Start and Special Needs programs.

We recognize that despite proactive measures such as waitlists and restricted applications, some counties are still experiencing overspending due to factors beyond their control, including the lack of attrition resulting from recertification extensions through March. Given these challenges, we understand the need for written assurance that counties will not be penalized for overages incurred under these circumstances. DCDEE continues to evaluate potential statewide revisions to address budgetary shortfalls.

Guidance on Smart Start Allocations

Smart Start funds must be spent within \$100 of their total allocation, as DCDEE does not have the same flexibility with reversions and reallocations as it does with Non-Smart Start funds. Given this limitation, each county must develop a tailored spending plan and review its obligations to ensure sufficient funds are available.

Overspending Mitigation Strategies

For counties currently overspending, it is critical to take immediate steps to control expenditures. Recommended strategies include:

- **Reviewing Fund Ranking:** Adjust the county's fund ranking to optimize Smart Start spending within budget limits.
- **Transferring Obligations:** Move children from Smart Start funding to other eligible funding sources where possible.
- **Monitoring Auto Transfers of Fund Obligations:** If a county alters a child's fund obligation from the original source, NC FAST automatically transfers the obligation back when case changes are made. Workers should review

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monthly reports to identify any auto-transfers, verify fund sources, and manually transfer fund obligations as needed.

- **Managing the Waiting List:** Counties experiencing overspending must not process applications from the waiting list.
- **Monitoring Spending Coefficient:** Counties with a combined spending coefficient below 97% may continue to accept applications and serve children but must ensure their coefficient does not exceed 97%.
 - If an application was signed and received before the implementation of the county's waitlist, the county may honor the application date and approve a voucher if the applicant is eligible.
 - If cases in approved status request services after the waiting list is in effect, counties should evaluate potential program attrition to ensure funding is available for new vouchers.

Guidance on Non-Smart Start Allocations

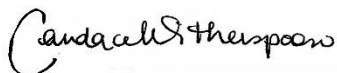
Counties should continue utilizing their Non-Smart Start allocation to serve children, as the statewide spending coefficient remains below optimal levels of 97% after February 2025 services, with a preliminary 97.91% for March. Counties with a combined spending coefficient below 97% **AND** a positive budgeted balance may continue to take applications and serve children, but they should closely monitor spending to avoid exceeding 97%. Counties with a combined spending coefficient above 97% must implement a waiting list if they have not already done so. Non-Smart Start funds for 2025 should not be over-obligated.

Refer to the screenshot below which provides a visual from NC FAST of where to locate your county's budgeted balance. The budgeted balance must be a positive number. If this number is negative, the county must not pull from the waiting list.

To prevent overspending, DCDEE will conduct reversions and reallocations for Non-Smart Start funds later in the fiscal year to support counties exceeding a 100% spending coefficient. Additionally, the previous special provision requiring counties to spend at least 92% of their allocation to qualify for additional funds has been removed. This means counties that underspend by the end of the fiscal year will not face penalties or future allocation reductions.

Thank you for your continued diligence in managing Smart Start and Non-Smart Start funds and for your commitment to supporting early education in North Carolina. If you have any questions regarding this guidance or inquiries related to the Subsidized Child Care Assistance Program, please request a consultation with your Subsidy Technical Assistance Consultant.

Sincerely,



Candace Witherspoon

CW/DL



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Non-Smart Start FY 2025			
Fund	Non-Smart Start	Fiscal Year	FY 2025
Total Budgeted	\$11,344,664.79	Total Obligated	\$9,875,246.00
Budgeted Balance	\$1,469,418.79	Total Payments	\$7,367,596.00
Actual Balance	\$3,977,068.79	Status	Active

Fund Fiscal Year



[Home](#) [Obligation Summary](#)

Line Items

Type	Total Budgeted	Total Obligated	Total Payments
▶ Non-Smart Start Allocation	11,344,664.79	\$9,875,246.00	\$7,367,596.00

Comments

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