

*City of Alexandria, Virginia***MEMORANDUM**

DATE: DECEMBER 7, 2001

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER 

SUBJECT: A LOCAL SUPPLEMENT TO THE STATE'S MAXIMUM REIMBURSEMENT RATES FOR ALEXANDRIA FAMILY CHILD CARE PROVIDERS IN FY 2002

ISSUE: Consideration of a supplement to the Virginia Department of Social Services Maximum Reimbursement Rates (MRR) for Alexandria Family Child Care providers in FY 2002.

RECOMMENDATION: That City Council consider whether it wishes to increase family child care provider rates to be equal to Arlington County's approved rates, and above the State reimbursement rates for Alexandria, at a cost of \$64,400 through the remainder of FY 2002.

In the event that Council wishes to approve the increase at this time, (1) authorize the transfer of \$64,400 from the Contingent Reserves account in the FY 2002 budget to the Department of Human Services; and (2) set the City's family child care rates to be equal to the rates listed in Attachment I, column 1, effective January 2002, until such time as the State approves new rates in excess of these amounts, or Council approves an increase in the rates.

DISCUSSION: City Council designated \$150,000 in Contingent Reserves in the Approved FY 2002 Budget to potentially create a subsidy to the State's MRR for Alexandria family child care providers. The issue of inadequate State rates was brought to City Council members' attention during the budget process by Unity family child care providers. Whether City Council would initiate a local subsidy was to be contingent upon the State's denial of the City's appeal of the initial rates established by the State for Alexandria, as well as subsequent City Council action. The City's appeal of the initial rates requested that the State's family child care provider survey, upon which the rates are based, be reviewed for accuracy and that the rates be raised to at least the same rates approved by the State for neighboring Arlington County.

The State denied the City's appeal in July 2001 based on a review of the data from their own survey of Alexandria family child care providers which indicated that the State's results were correct. DHS staff then requested a copy of the survey data on which the State based its decision.

Upon careful review of the State survey names and addresses that were provided, Department of Human Services (DHS) staff discovered that more than 50% of the providers on the State's list lived outside the City of Alexandria. In fact, most lived in the Fairfax County zip codes shared with Alexandria. On September 12, 2001, DHS staff submitted a second request to the State for reconsideration and submitted its own survey of rates charged by Alexandria providers for the same time period as the State's survey was conducted. The State reviewed Alexandria's data, and, on October 23, 2001, approved a new set of rates for the City. The new schedule (see Attachment I, column 3) increased the rates for toddlers and before and after school care by a range of \$2 per week to \$10 per week, but did not increase the rates for infants, pre-schoolers, and summer school-aged child care. This rate decision by the State is final for this fiscal year.

Some of the rates finally approved by the State for Alexandria are still below the State rates approved for Arlington County. In order to make Alexandria's rates equal to Arlington's, a local subsidy of approximately \$9,400 per month (\$112,800 per year) would be required based on the current caseload. Should City Council decide to initiate a rate supplement up to the Arlington rates, the annualized cost for the six months remaining in FY 2002 would be approximately \$64,400 in City funds. State and federal funds cannot be used to supplement child care rates. Costs in future years would depend on whether the State survey accurately reflects Alexandria's rates and whether the State fully funds those rates. If the Alexandria rates remained the same, the annualized cost for FY 2003 would be \$112,800.

The City continues to have questions about the State's rate survey methodology and the outcomes that the survey produces. In particular, the cause of the sometimes substantial rate differentials between Arlington and Alexandria is not at all clear. State staff even admits that they do not have an explanation for some of the wide differences in rates between the two jurisdictions. The State has now created a task force to study new market rates statewide including the survey methodology used to set rates. The study is planned for completion in time to set rates for FY 2003. City staff does not think that this timetable is realistic, in that it will take a longer time to complete this complex study. City staff plans on attending the meetings of this State task force and participating in discussions of that task force.

The decision for City Council at this time is whether or not to supplement family child care rates with City funds at a cost of \$64,400 for FY 2002. This annualizes to \$112,800 starting in FY 2003. When the FY 2002 budget was adopted and the Contingent Reserve designation established, the City's economic and revenue picture was far more positive than it is now. City Council may wish to start supplementing the State family child care rates if Council considers this supplementation a high priority. I would note, however, that with the FY 2003 budget anticipated to be a very tight one, any new spending initiative undertaken now will likely mean that another program or service will not be funded with local monies, or that a reduction in state aid will not be able to be offset with local funds. I also would note that a decision to supplement family child care rates may very well result in similar "state supplementation" requests from other private providers of services.

In the event that City Council does decide to start supplementing family child care rates by \$112,800 per year, the in column 1 of Attachment I will become the new City's rates until such time that the State increases its rates above these City rates, or, as part of the annual budget process, a specific budget decision is made to set the City's rates at a different level. This will ensure that the City's subsidy does not grow without a specific budget decision to increase rates.

FISCAL IMPACT: Approximately \$64,400 in FY 2002 from Contingent Reserves and \$112,800 in FY 2003 and beyond, based on the average monthly caseload to date in FY 2002 of 547 children.

ATTACHMENTS:

I. Comparison Chart - Family Child Care Provider Rates

STAFF:

Carol M. Farrell, Director of Early Childhood Development
Jack Powers, Director of Community Programs
Meg O'Regan, Director of Human Services
Carol Moore, Acting Deputy Director, OMB
Gene Swearingen, Director of Management and Budget
Mark Jinks, Assistant City Manager
Lori Godwin, Assistant City Manager

COST PER WEEK IN FY 2002 OF INCREASING ALEXANDRIA'S FAMILY CHILD CARE PROVIDER RATES					
	1	2	3	4	5
Age Group	Arlington Rates	Alexandria Rates Before Appeal	Alexandria Rates After Appeal	\$ Increase Needed to Reach Arlington Rates	Annualized Cost of Increase
Infant	\$145	\$140	\$140	5	\$15,720
Toddler	148	137	139	9	\$17,964
Preschool	140	134	134	6	\$38,460
Sch Age/Full day	144	130	128¹	14	\$35,040
Before School	25	65	73	-----	-----
After School	75	60	70	5	\$2,784
Before/After Sch	100	90	98	2	\$2,832
Total					\$112,800

¹ DHS has requested that Alexandria be held harmless in regard to the school age child care full day rate. In the relatively short history of the market rate survey, it has been the practice of VaDSS to hold agencies harmless against a decrease in rates. Staff is awaiting a response to this request from the State.