


City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 25, 2001

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER 

SUBJECT: BUDGET MEMO # 38 : FAMILY CHILD CARE PROVIDER RATE ISSUES
(COUNCILWOMAN WOODSON'S AND COUNCILMAN EUILLE'S REQUEST)

This memorandum is in response to Councilwoman Woodson's and Councilman Euille's request for information on family child care rate issues, specifically: (1) the 5-year history of the rates paid, any changes to the rates that may be forthcoming, and the rates of neighboring jurisdictions; (2) the typical earnings of an in-home child care provider; (3) whether or not a local subsidy would be an option, and if so what would be a reasonable subsidy level and how much would that cost the City; (4) how many child care providers the City has; (5) the status of medical benefits and what a typical child care provider would have to earn in this area to be able to buy health insurance; and (6) potential issues with Child Care Centers.

(1) State Established Rates: The Virginia Department of Social Services establishes the Child Day Care Program "maximum reimbursable rates" (formally known as market rates) for each locality through a market rate survey. These rates are very important not only to the provider but to the City as they represent the basis for State and federal reimbursement. The survey gathers the different rates charged by private child care providers and uses the 75th percentile of the range of rates in each group to come up with the "maximum reimbursable rates." These are the maximum rates that the State will reimburse the City in each age group. Any payment above the maximum reimbursable rates would have to come from local dollars. The chart below shows both current and new rates by age group. The current rates have been in effect since 1997. The new rates (shown in the "FY 2002" columns) will take effect on July 1, 2001. The percent comparisons with Arlington and Fairfax County are the "new" rates of those jurisdictions compared to the "new" rates in Alexandria.

Maximum Reimbursable Rates (per week, based on a 10-hour day or 50 hour workweek)
 Established by VA Department of Social Services

Age Group	Current	FY 2002	% change	FY2002 Arlington	% change	FY 2002 Fairfax	% change
Infant							
Alexandria	\$130 ¹	\$140	7.7	\$145	3.6	\$153	9.3
Toddler							
Alexandria	\$128	\$137	7.0	\$148	8.0	\$148	8.0
Preschool							
Alexandria	\$128	\$134	4.7	\$140	4.5	\$145	8.2
School Age							
Alexandria	\$125	\$130	4.0	\$144	10.8	\$133	2.3
Before School							
Alexandria	\$65	\$65	N/A	\$25	(61.5)	\$55	(15.4)
After School							
Alexandria	\$60	\$60	N/A	\$75	25.0	\$73	21.7
Before & After							
Alexandria	\$80	\$90	12.5	\$100	11.0	\$89	(1.1)

The new rates over all age groups represent an average 5.9 percent increase for Alexandria. It should be noted that the City Department of Human Services plans to appeal the rates established for infant, toddler, preschool and full-day school age child care in Alexandria because the Department does not believe that the actual rates charged by the private providers in the City are lower than the rates charged by private providers in Arlington. If the appeal is successful, the State and federal funds would cover an increase in the rate. The reason rates in Arlington and Fairfax are higher may relate to the fact that the private providers in Arlington and Fairfax are serving (on average) a higher income population and, therefore, are able to charge more than what private providers are able to charge in Alexandria.

¹The \$130 per child rate, divided by 30 (minimum) to 50 (maximum) hours per week, equals \$4.33 to \$2.60 per child per hour.

(2) Provider Earnings: The typical earnings of a child care provider (who is considered a private contractor and not an employee of the City) depends on the number of children in care, the hours of care, and the days of care provided. The maximum reimbursable rate is based on a 10 hour day. A full day is defined as between 6 and 10 hours per day. Less than 6 hours is considered "half-day." The maximum number of children a provider can be approved to care for in Alexandria without a special use permit and State license is 5. (This includes the providers own children under the age of 14 in the home.) The average provider is approved for 4 children, but on the average cares for 3 children. Using the new rates that will go into effect on July 1, 2001, if the average provider cared for the maximum number of preschool age children they were approved for (4), the provider would earn \$26.80 per day per child, or a total of \$107.20 per day for 4 children. The weekly payment to a provider for 4 children in care full-time for five days a week would be \$536. This equates to \$27,872 annually. For the average provider who cares for 3 children, this equals to \$20,904 annually.

State policy permits providers to be paid for up to 10 total absences in any one month, up to a total of 20 total absences per year. If absences exceed these limits, local discretion can be used to authorize additional absences. Clients who contract with the Department of Human Services (DHS) for child day care must be employed or engaged in an activity leading to employment (school, training, job readiness, etc.). For clients who have a job and are in school or training, up to 14 hours of child care per day may be approved for up to six months at a time. Alexandria also has a local policy to pay the child care providers for all City holidays and up to two weeks of annual or personal leave. Based on a recent survey conducted by the Compensation and Benefits Committee of the Early Childhood Commission and DHS, family child care providers reported their average income as \$16,594. The top income reported by the survey was \$50,000 (because of extended hours).

(3) Local Option to Supplement Rates: There is no State or federal regulation that would prohibit a locality from supplementing the State rates. Neither Arlington nor Fairfax County provides a supplement to the current rates. If the City were to apply a supplement to the maximum reimbursable rate to bring the City's rates in line with Arlington County, using the previous example given, the average provider caring for the maximum number of preschool age children would earn \$28.00 per day per child, or a total of \$112.00 per day for 4 children. The weekly payment would be \$560, which equates to \$29,120 annually. The difference between \$27,872 (Alexandria rates in effect July 1) and \$29,120 (Arlington County rates in effect July 1) is \$1,248 per year. As stated in item number (4) below, almost all providers care for preschool age children.

This would mean that implementing a locally funded supplemental, in order to bring Alexandria providers' payments in line with those made to Arlington providers without a local supplement, would cost the City an estimated \$150,000 to \$200,000 per year **for preschool age only**. Under State law, any differential rates paid to the providers above the State set rules must be paid with local dollars. Staff do not recommend a local supplement be implemented until we exhaust the opportunity to have the State increase the reimbursement rates applicable in the City to the levels applicable in Arlington.

In any event, to give City Council the specific amount of local dollars needed to fund a supplement to bring Alexandria's rates in line with Arlington County's would require extensive analysis as computer programs and reports would need to be modified to capture the number of children by age

group cared for in at-home settings. All reporting currently combines center-based and at-home care. Staff recommend that if Council is interested, it could set aside a specific amount of funds in contingent which DHS and OMB could use to craft a supplement program should the City's rates not be increased by the State.

Moreover, if this supplement to raise Alexandria's rates to those of Arlington County is considered by Council, DHS staff recommend that it not be applied across the board to all providers, but instead, to providers who have demonstrated quality child care through National Association for the Education of Young Children (NAEYC) accreditation, or through achieving the Child Development Associate (CDA) credential. Demonstrated quality could also include obtaining an early childhood certificate from a local community college or an Associate of Arts degree in Early Childhood Education.

The accreditation and the CDA program are both self study processes in which DHS is heavily involved by matching providers with mentors and paying for materials and accreditation application fees. DHS staff feel confident that if funds are available for some type of financial reward (varying rates for having accreditation or CDA, bonuses for taking classes towards accreditation, obtaining accreditation or CDA certificate, the Associates degree or the early childhood certificate) the provider community will be willing and able to help DHS set up a system for equitable distribution.

(4) Number of Providers: The total number of approved family child care homes in the City is 163. Almost all providers care for preschool age children. Some do not provide care for infants and/or school age children; however, overall, most providers care for all ages.

(5) Status of Health Insurance: The amount of money a child care provider would have to make in order to be able to buy health insurance and the types of benefit coverage available is currently being studied by the Compensation and Benefits Committee of the Alexandria Early Childhood Commission, by members of the Alexandria Family Child Care Association, and by the child care provider group from the Tenants' and Workers' Support Committee. The Family Child Care Association is developing a group policy that would offer medical coverage to providers at a greatly reduced rate. The Center Child Care Directors Association is exploring the possibility of joining with the Family Child Care Association to make a larger group in the hopes of attracting more affordable health insurance.

(6) Child Care Centers: When considering the issue of supplements for family child care providers, City Council should be aware that many child care centers charge fees in some age groups that exceed "maximum reimbursable rates." This means that these centers in effect "subsidize" the care of children placed by DHS by accepting a lower rate than that paid by private pay families. Center Directors report that they are finding it increasingly difficult to attract qualified staff because they are unable to pay competitive salaries in the current job market. Center-based child care programs, therefore, would be very interested in the possibility of a supplement for centers that have demonstrated quality through accreditation. However, the 4.0 to 12.5 percent rate increases scheduled to go into effect on July 1 will help child care centers address their competitive salary issue.

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