

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 16, 2006
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: JAMES K. HARTMANN, CITY MANAGER
SUBJECT: BUDGET MEMO # 13: POTENTIAL LOSS OF \$1.0 MILLION IN THE DEPARTMENT OF HUMAN SERVICES REGARDING NON-RECEIPT OF FEDERAL FINANCIAL PARTICIPATION FUNDS

This memorandum is presented to give Council background information of the potential shortfall of over \$1.0 million in the Department of Human Services due to non-receipt of federal financial participation funds. It should be noted that \$1.0 million has been set-aside in the FY 2007 budget as a designation in fund balance to reflect the possibility that significant funds may be necessary to maintain programs at current levels in the Department of Human Services if assumed grant funds do not materialize.

In April 1999, the Alexandria Department of Human Services (DHS) began a revenue maximization project with the Virginia Department of Social Services (VDSS) to maximize federal financial participation revenues for previously unclaimed administrative costs that have historically been paid for from City General Fund monies. Federal funds received as a result of these claims must be used to enhance or expand human service programs or develop new initiatives to better meet human service needs in the City. Funding of just over \$1.0 million has been received each year since FY 2000, when the first claims were paid.

One of the components of this project, called "Reasonable and Necessary," allows the City to claim costs incurred by the City that are determined to be reasonable and necessary for the administration and delivery of social service programs. Programs providing social services to families, adults and the aging that are not claimed as a match or reimbursement for any other federal program are eligible.

Since FY 2000, City Council has approved the spending of revenue maximization funds received from our Reasonable and Necessary claims for the following new initiatives:

- 1) Two Social Work Supervisors to provide additional services in the Child Welfare and Child Care areas of DHS to address additional requirements added by State and federal guidelines, as well as increasingly complex cases in the Office of Early Childhood Development;

- 2) A Fiscal Officer II position to administer all components of the Department's revenue maximization efforts;
- 3) Two Social Work Supervisors, one Clinical Psychologist, and one Administrative Assistant to implement new policies in Child Welfare as a result of the Child Welfare League of America's recommendations;
- 4) Funds to support a staff position for the Drug Court Program in the Juvenile and Domestic Relations Court, which combines intensive case manager and judicial supervision for minors with substance abuse problems;
- 5) Funds to support the marketing of JobLink programs to make all families and businesses in the City aware of all job training, education and job placement services available to them (one-time initiative, requested in FY 2002);
- 6) Funds for an outreach program (run by a private provider obtained through an RFP process) to assist residents of the City who are not currently U.S. Citizens obtain immigration services, social services and legal referrals;
- 7) Four over-hire Social Worker II positions to handle the increased caseloads in new reports of child abuse and neglect and in ongoing child protection cases;
- 8) A Community Liaison Coordinator position to coordinate the Department's efforts in fostering community partnerships, providing public information and to act as lead staff coordinating ongoing program initiatives;
- 9) Funding for contract psychological services to provide assistance to the staff psychologist in evaluations to determine effective interventions and in providing expert court testimony on difficult cases;
- 10) And funds to support the City Attorney's Office for cases involving Child Welfare issues.

The majority of these initiatives assist vulnerable children at risk of abuse and neglect and were developed in response to needed improvements identified in the Child Welfare League of America's report of Alexandria's child welfare system (September, 2001).

In FY 2004, all revenue maximization claims submitted to VDSS were put on a hold basis due to federal disallowance for costs associated with Title IV-E Pre-placement Prevention program claims. Alexandria's claims were not directly part of the IV-E claim but were placed in the same status pending the outcome of the negotiation with the federal Health and Human Services Administration for Children and Families (ACF) Region III. VDSS incurred three separate disallowances State-wide in the total amount of \$41.5 million. The law firm of Covington and

Burling was hired to serve as legal counsel to assist VDSS in resolving federal disallowance issues through on-going negotiations with HHS Region III. Currently, VDSS will not process any claims until this issue is resolved. The only exception has been claims which are to "roll off" due to the two year federal deadline have been processed on a quarter by quarter basis. However, in a communication from the VDSS Division of Finance received February 10, the Department of Human Services was notified that it is uncertain if VDSS will be able to recover any federal financial participation funds for the "roll off" claims that have been in pending status since December, 2004. VDSS assures the City and all other affected localities that they will continue to work toward identifying effective means that comply with federal requirements to receive all federal financial participation funds that Virginia is entitled to receive.

To date, we have received a total of \$228,729 for the two quarters of FY2004 that were processed due to the "roll off" criteria. Expenditures to maintain the costs of the above initiatives total over \$1 million annually.

The FY 2007 Proposed Budget funds these initiatives at a cost of \$1,196,551 and assumes that Title IV-E funds would be available. The FY 2007 Proposed Budget as a back up plan includes \$1.0 million as a designation of fund balance for potential revenue shortfalls to reflect the possibility that significant funds may be necessary to maintain programs of current levels if the assumed grant funds do not materialize.