

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 25, 2011

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: BUDGET MEMO# 27 : EXPLANATION OF FEE SYSTEM PROGRAM AND RECOMMENDATIONS FOR THE USE OF SUPPLEMENTAL FUNDS TO ADDRESS PRESCHOOL NEEDS

This memorandum provides information about the Child Day Care Fee System (Fee System) and staff recommendations for the use of \$450,000 identified in the City Manager's Proposed Budget as an unfunded priority to address preschool needs.

The Virginia Department of Social Services (VDSS) Fee System program provides child care assistance to eligible families with incomes at or below 250% of the poverty level. This program is comprised of two funding streams:

1. Allocation of federal funding requiring no State or local match, and
2. Allocation of federal funding requiring a 40% state match and 10% local match.

The City is on target to expend all VDSS program funds in the current fiscal year and in addition, maintains a waitlist. Eligible families must be in need of child care because they are involved in an approved activity, such as work, training or educational activities through the baccalaureate level. In FY 2010, an average of 535 children per month were served through the Fee System.

The General Assembly created the Virginia Preschool Initiative (VPI) in 1994 to provide quality preschool programs with comprehensive services to at-risk four-year-olds not served by Head Start. VPI requires that families receive comprehensive wrap-around services, including family support, health screenings, parent education and social skills groups. Alexandria qualifies for \$3,000 in state VPI dollars for every child served in a qualified program. VPI dollars are first used to pay for required services of \$1,000 per child; the remainder may be used to pay for \$2,000 tuition in private programs. In FY2010, 246 children were served through the VPI program.

The City Manager's Proposed Budget identified \$450,000 as an unfunded priority to address preschool needs.¹ The fee system wait list stood at 453 children as of February 28. Of the 453 children, 62 are four-year-olds in need of pre-kindergarten services. Applying the \$450,000 to the Fee System process would not enable the City to leverage any additional state dollars, and would result in only up to 64 children being served (based on current fee system formulas).

As an alternative, staff is proposing the City General Funds be used to draw down VPI dollars for scholarships targeting eligible four-year-olds on the fee system waitlist. By drawing down VPI dollars, the City can increase the number of four-year-olds provided preschool services through private centers. Families with children of all ages will continue to be served from the Fee System waiting list as their names rise to the top of the list and funds become available when families exit the program. High priority families such as the homeless and teen parents will also continue to be served with little or no waiting time.

The average total cost for preschool services during an academic year in a private center is \$8,980 per child, of which \$3,000 is VPI funds and \$5,980 is contributed by the City. The average cost of a full year in a private center is \$10,880 per child of which the City contributes \$7,880 after accounting for the VPI match of \$3,000. Since the children would be served through private providers in Alexandria there will be no impact on school room capacity within the Alexandria City Public School. Additionally, existing staff can manage this eligibility determination eliminating the need for an additional position to be added to the budget. All currently budgeted funds would remain available to serve the current level of fee system families and children.

The estimates of the number of children that could be served are based on a combination of local funding and VPI funding. The following table offers a variety of options for scalable use of the funds:

	Children Served		VPI Drawdown	
	Academic Year	Full Year ²	Academic Year ¹	Full Year ²
Per Child	\$5,980 ³	\$7,880 ³	\$3,000 ⁴	\$3,000 ⁴
Scalable General Funds				
\$450,000	75	57	\$225,000	\$171,000
\$350,000	59	44	\$177,000	\$132,000
\$250,000	42	32	\$126,000	\$96,000
\$150,000	25	19	\$75,000	\$57,000

1 Academic year defined by 42 weeks.

2 Full year defined by 52 weeks.

3 Net GF impact to City per Child

4 VPI drawdown of \$3,000 per child of which \$1,000 per child is used to offset required comprehensive services

¹ It should be noted that page 15-33 of the FY 2012 Proposed Budget mistakenly noted that 64 families would be served if \$450,000 was provided to fund preschool services. The budget text should have stated 64 children would have been served.

The School Board's FY2012 approved budget includes \$455,910 to continue the four pre-kindergarten classes established during FY2011. With these funds, the schools will provide classes for 64 children, and anticipate drawing down \$153,025 in VPI dollars. The City and the School System maintain a close collaboration with the goal of maximizing the availability of quality preschool experiences for four-year-olds.