



Early Learning Coalition of the Nature Coast

Serving Citrus – Dixie – Gilchrist – Levy – Sumter Counties

Provider Alert #76

Date: December 16, 2009
Subject: Direct Services Deficit

Over the last several months the Administrative Committee has been studying the enrollment and spending patterns related to provider payments. In July 2009, the Committee noted a deficit which was projected based on enrollment, provider rates, and spending patterns. The Committee chose to freeze enrollment at that time and depend on natural attrition to reconcile the deficit.

Although the deficit has been reduced over the last month, it does not appear that natural attrition and freezing enrollment will reconcile the deficit prior to the end of the fiscal year. As a result, the Committee adopted the following Direct Services Deficit Plan:

Background Information:

The Administrative Committee noted a potential deficit in direct services at the beginning of the fiscal year. The projected deficit (currently \$842,000) is a result of many factors, some of which include the following:

1. A \$1.13 provider rate increase that was approved on May 18, 2009. The increase was approved based on enrollment at that time, a projected surplus for FY2008-2009, and a projected increase in revenue for FY2009-2010 as a result of stimulus funds. Following the approval, a decrease in School Readiness funds was realized, as well as an increase in enrollment that ranged from 244 additional enrollments to 501 additional enrollments on a monthly basis.
2. A reduction in parent fees was approved on May 6, 2009. The Coalition anticipated a \$123,000 increase in expenses as a result of the reduction.

Direct Services Deficit Plan Considerations:

Historically, the Coalition has developed strategies to reduce direct service deficits as a whole. All strategies have been applied to all counties equally. For example, if the Coalition projects a \$100,000 deficit and develops a plan to reduce the deficit by decreasing provider rates by \$0.10 a day, all rates, regardless of each county's position, are reduced.

The following Direct Services Deficit Plan has been developed taking into consideration each county's position.

1. In an effort to apply strategies to each county, based on county's position, specifically the rates paid to providers and the county's deficit, strategies have been developed with the intent of applying the strategies appropriately to each county. For example, the Coalition currently projects an overall deficit of \$842,000; however, approximately 39% of the deficit is attributed to Sumter County as a result of the higher provider rates paid. As a result the strategies presented for consideration apply more stringent action in Sumter County, followed by Levy County, representing approximately 32% of the deficit, followed by Citrus County, representing approximately 29% of the deficit.
2. Considering the position above, the strategies take into consideration the projected surplus in Dixie and Gilchrist Counties. As a best business/financial practice, the strategies allocate the projected surpluses to

counties with projected deficit based on a percentage. The percentage was developed utilizing the County revenue. (Utilizing the County revenue as opposed to the County deficit allows the Coalition to apply the position stated in #2)

3. The strategies also take into consideration the implementation of "non-essential or required programs". Specifically, the strategies call for the immediate suspension of all quality initiative programs (in all counties) and allocate the remaining budgets to the direct service deficit.
4. The strategies have been developed under the assumption that the Coalition will not receive additional funding from the state or federal government; however, the Coalition will apply to the Agency for Workforce Innovation for a re-obligation in School Readiness funding. In the event the Coalition receives the funding, all strategies approved for implementation would be discontinued.
5. The strategies have been developed with an effective date of January 1, 2010. Any variation to the effective date will cause a significant revision to each strategy. For example, the current strategies are based on the remaining 129 days in the fiscal year. If the Coalition establishes an effective date of February 1, 2010 the strategies must be revised to consider the 21 days lost (January) to implement the plan.

Direct Services Deficit Plan:

1. Continue an enrollment freeze in all counties
2. Immediately suspend all quality initiative programs and reallocate funding to the direct services budget. Overall impact: increased direct services funding (\$83,765)
3. Allocate the Dixie and Gilchrist County surplus (\$547,146) to deficit counties based on the following percentages:
 - a. Citrus 45.68%
 - b. Levy 25.93%
 - c. Sumter 28.40%
4. Allocate the Dixie and Gilchrist County quality initiative surplus funding to deficit counties based on the same percentages listed in #3.
5. Increase parent fees by \$2.00 per day, applying the 50% discount for sibling children
6. Apply a \$0.50 provider rate reduction in Levy County
7. Apply a \$2.61 provider rate reduction in Sumter County
8. It is projected that applying all of the above strategies, as well as allocating \$69,000 of the Coalition's unallocated funds to direct services, will reduce the current deficit to \$262,316. The remaining deficit may be depleted through natural attrition.
9. Evaluate the progress of the plan on no less than a monthly basis.

As a result of the adopted plan the following will occur:

1. The Coalition will develop a standard letter for parents notifying them that their parent fees will be increased by \$2.00 a day per child. Families with multiple children will be assessed an additional \$1.00 fee a day for the second and remaining children in the home. The Coalition will copy the letters and submit them to

providers for distribution to parents. The Coalition hopes that this practice will encourage providers to discuss the parent fee increase with each parent and encourage them to prepare for the increase.

2. The Coalition will complete a School Readiness Notice of Parent Fee change for each child enrolled in the School Readiness Program and submit a copy of the notice to each parent and provider.
3. The Coalition will contact all Levy County and Sumter County providers to complete a contract amendment to address the rate reduction requirement.
4. Coalition staff will submit a re-obligation request to the Agency for Workforce Innovation in January 2010 for the purpose of requesting additional funding to address the deficit situation.
5. Coalition staff will evaluate the progress of the deficit plan on a monthly basis and provide a report to the Administrative Committee.
6. The Coalition will notify teachers currently participating in quality initiative programs, on file with the Coalition, and notify them of the suspension of quality initiative programs. Teachers will be informed that the programs will be reinstated in the event the Coalition receives additional funding from the Agency for Workforce Innovation.
7. Coalition staff will freeze all non-essential spending in an effort to create a surplus in the Coalition's operating budget for the purpose of reconciling the direct services deficit.

In addition, the Administrative Committee recommended the suspension of the Advisory Council meetings until further notice. The purpose of the suspension is to reduce expenses related to the Advisory Councils (travel, office supplies, etc.) until the quality initiative programs are reinstated or the suspension is lifted by the Board.

Please note that these decisions were difficult for the Administrative Committee; however, understanding their fiduciary responsibility, coupled with their desire to continue to serve as many children as possible, they made the decisions in an effort to ensure provider payments throughout the fiscal year.

If you have any questions or concerns related to this alert please contact me at sbosanko@elc-naturecoast.org.

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