

OFFICE OF CHILDREN'S SERVICES

ADMINISTERING THE CHILDREN'S SERVICES ACT



IMPACT OF TIERED MATCH RATES FOR CSA

Annual Report to the Governor and General Assembly, December 1, 2025

In accordance with the Appropriation Act, Chapter 725, Item 268 (C)(3)(c)

The Children's Services Act (CSA, §2.2-2648 et seq) was enacted in 1993 to create a collaborative system of services and funding for at-risk youth and families.

The CSA establishes local multidisciplinary teams responsible to work with families to plan services according to each child's unique strengths and needs and to administer the community's CSA activities.

The Office of Children's Services (OCS) is the administrative entity responsible for ensuring effective and efficient implementation of the CSA across the Commonwealth.

Guiding principles for OCS include:

- Child and family directed care,
- Equitable access to quality services,
- Responsible and effective use of public funds,
- Support for effective, evidence-based practices, and
- Collaborative partnerships across state, local, public, and private stakeholders.



Office of Children's Services
Empowering communities to serve youth

Item 268.C. 3.a. Notwithstanding the provisions of C.2. of this Item, beginning July 1, 2008, the local match rate for community-based services for each locality shall be reduced by 50%.

b. Localities shall review their caseloads for those individuals who can be served appropriately by community-based services and transition those cases to the community for services. Beginning July 1, 2009, the local match rate for non-Medicaid residential services for each locality shall be 25% above the fiscal year 2007 base. Beginning July 1, 2011, the local match rate for Medicaid residential services for each locality shall be 25% above the fiscal year 2007 base.

c. By December 1 of each year, the State Executive Council (SEC) shall provide an update to the Governor and the Chairmen of the House Appropriations and Senate Finance and Appropriations Committees on the outcomes of this initiative.

As established in Section 2.2-5211.C. of the *Code of Virginia* and the Appropriation Act, funding services to children and families through the Children's Services Act (CSA) is a shared responsibility of state and local government. Effective July 1, 2008, the Appropriation Act implemented a three-tiered, "incentive-based" local match rate model to encourage reduced residential care utilization, increase the proportion of children served in their homes and communities, and support investments in community-based services. This policy-driven match rate model promotes the delivery of services consistent with the statutory purposes of the CSA (see § 2.2-5200.A., *Code of Virginia*) to:

- preserve families;
- design and provide services that are responsive to the unique and diverse strengths and needs of troubled youth and families; and
- provide appropriate services in the least restrictive environment while protecting children's welfare and maintaining the public's safety.

Before 2008, CSA utilized a single "base" match rate unique to each locality. These local base match rates were established in the early years of the CSA (1993-1998), using a formula that reflected the amount contributed by the locality in previous years and the locality's "ability to pay." Under the three-tiered (incentive) model, the local match rate for residential services is 25% above its base match rate, and community-based services are 50% below their base match rate. Designated services (foster care and special education) remain at the base match rate. Local base match rates range from 16.98% to 53.09%, with 32.99% as the average local base match rate.

Effective (Actual) Match Rates (Statewide Average)

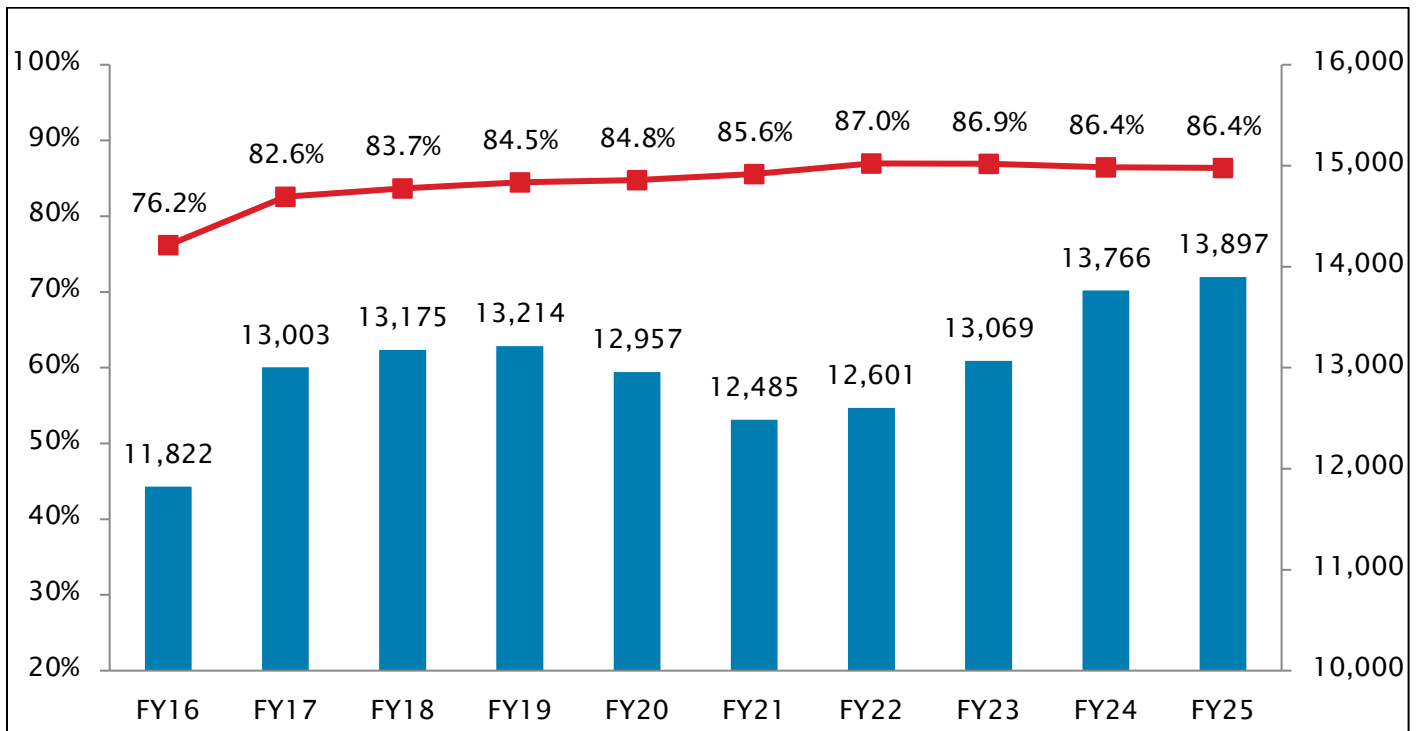
	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Effective Local Match Rate	34.8%	34.4%	34.3%	34.0%	34.0%	33.7%	33.5%	33.3%	33.6%	33.4%
Effective State Match Rate	65.2%	65.6%	65.7%	66.0%	66.0%	66.3%	66.5%	66.7%	66.4%	66.6%

The effective match rate reflects the impact of the mix of services at the various tiered match rates on the overall match rate for all funded services.

The table above indicates that the three-tiered match rate model, compared to the single-tiered (base) rate model, results in a slightly higher state share of the overall CSA expenditures. Depending on the overall level and “mix” of services, the impact on the general fund state pool may vary.

Number and Percent of Youth Served Only in Community-Based Settings

Impact of the Three-Tiered (Incentive) Match Rate Model (FY2016 – FY2025)



Discussion

The intent of the three-tiered match rate model was two-fold. The first was to employ fiscal incentives to discourage the placement of children into restrictive, residential (congregate care) treatment settings when it was possible to safely utilize alternative, non-residential services that would adequately address the needs of the child, family, and community. The chart, *"Number and Percent of Youth Served Only in Community-Based Settings,"* illustrates that this goal has been increasingly achieved and has remained stable over the past five years. Over the ten years shown, there has been a significant increase in the children served through the Children's Services Act who did not experience any congregate care placements during the reporting year (from 76.2% to 86.4%). Residential placements are typically among the more costly services funded through the CSA (second to private day special education placements). The associated goal of the three-tiered match rate system was to control CSA expenditures, which, at the time (FY2008), had reached their highest historical point. In the years following the implementation of the tiered match rate model, overall CSA expenditures fell significantly. Attributing this decrease solely to the match rate model is not definitive, as it coincided with a significant economic recession. In FY2015, this trend reversed, with overall CSA annual expenditures rising.

While the effective (actual) state (vs. local) match rate is higher than the base rate, the state-to-local match rate ratio (the effective match rate) has been virtually unchanged for several years. The effective local match has not declined further due to the significant rise in costs (and overall share of total CSA expenditures) associated with private special education day and therapeutic foster care placements. Such placements are not subject to incentives or disincentives through the three-tiered match rate model, resulting in less "variability" in the state versus local match rates. Using fiscal incentives to impact special education placements is not permissible under the federal Individuals with Disabilities Education Act (IDEA).

Within its limits, the three-tiered match rate model has achieved its goal of increasing the utilization of community-based versus congregate care services. Over the ten years of data covered in this report, the increase in expenditures, applied through the three-tiered match rate model, resulted in an increase in the state share from an additional \$4.8 million in FY2016 to an additional \$10.9 million in FY2025, compared to if the single base match rate were used for all services. This is due to the significantly reduced (50 percent below the base match rate) local match for community-based services, which have been increasing in cost over the past several years.