

Child Care DES/DCS/First Things First Program Summary

Program Overview

State-funded child care in Arizona is provided through 3 agencies: the Department of Economic Security (DES), the Department of Child Safety (DCS) and the Early Childhood Development and Health Board (ECDHB), otherwise known as “First Things First.” In FY 2017 the state will spend an estimated \$185.0 million on child care subsidies and other assistance.

Background

Administration

DES and ECDHB administer child care subsidies and other assistance in Arizona. DCS contracts with DES to operate its Child Care program. Instead of providing child care themselves, DES and ECDHB pay regulated professional child care providers to serve state-funded clients. DES also pays non-certified relative providers, such as family members, who provide child care for children in DES child care and meet certain requirements. The Department of Health Services ensures that certified child care providers meet certain standards.

Caseloads

In FY 2016, 34,276 children received some level of state-funded child care, as displayed in *Table 1*. Clients in Temporary Assistance for Needy Families (TANF), Transitional and DCS programs are statutorily entitled to child care services. The state, therefore, is required to provide subsidies to families in these categories. Families in the Low-Income Working and ECDHB categories are not entitled to services and receive child care only to the extent that funding is available.

| State Funded Child Care Caseloads | | | | |
|--|-----------------------|-----------------------|------------------------------|------------------------------------|
| Agency | <u>FY 2015</u> | <u>FY 2016</u> | <u>FY 2017 (Est.)</u> | <u>Average Monthly Cost</u> |
| DES | | | | |
| <i>TANF</i> | 2,233 | 1,138 | 1,940 | \$332 |
| <i>Transitional Child Care</i> | 4,855 | 4,918 | 4,850 | \$338 |
| <i>Low-Income Working</i> | 11,878 | 13,053 | 10,550 | \$339 |
| ECDHB | 7,728 | 5,264 | 6,325 | \$546 |
| DCS | <u>9,256</u> | <u>9,903</u> | <u>9,361</u> | \$405 |
| Total Served | 35,950 | 34,276 | 33,026 | |

The average FY 2016 monthly cost per child ranges from \$332 for TANF to \$546 for ECDHB scholarships. The average monthly cost is only the state share and does not include a families’ co-payment contribution, if any. A co-payment is required to defray the state’s cost of child care for the low-income working and transitional child care populations. The variance in the average monthly cost is based on a range of factors, including the average number of days served each month, age of the child, the type of child care provider utilized, and whether a co-payment is required. Each type of child care subsidy is described below:

- TANF - The TANF Cash Benefits program provides financial assistance to needy families at or below 36% of the 1992 Federal Poverty Level (FPL), or \$5,022 for a family of 4. Families that qualify for TANF Cash Benefits also receive state-funded child care with no co-payment requirement.
- Transitional Child Care - Families that are no longer receiving TANF Cash Benefits qualify for Transitional Child Care. Transitional Child Care is available to families with incomes at or below 165% of FPL for 24 months. Transitional Child Care recipients are required to make co-payments similar to the Low-Income Working category. Unlike the Low-Income Working category, there is no co-payment required for Transitional Child Care recipients beyond the third child in the family.

- Low-Income Working - Families at or below 165% of the FPL may apply for the Low-Income Working child care subsidy. Families in this category make a co-payment that is based on their FPL. The co-payment per day ranges from \$1 to \$10. Due to funding reductions, the low-income working population declined from a high of 27,394 children in FY 2008 to an estimated 10,550 in FY 2017. As part of the funding reductions in 2009, DES also instituted a Low-Income Working child care waiting list. As of May 2016, approximately 7,182 children are on the waiting list for a child care subsidy. This list does not, however, specify who is actively seeking child care as opposed to who is on the waiting list, but may no longer be eligible or in need of child care assistance. The waiting list begins with families who make 110% of the federal poverty level; all individuals under this level currently receive child care assistance immediately. The Low-Income Working child care lifetime limit for each child is 60 months.
- ECDHB - One of ECDHB's primary functions has been providing fully funded child care and preschool scholarships. Because preschool is often considered a form of child care, preschool scholarships are included in this analysis. To qualify for ECDHB child care, families must 1) have an income at or below 200% of FPL; 2) have children ages birth through age 5; 3) include parents who are employed; 4) accept a DES child care subsidy if it is available; and 5) not be receiving duplicate child care funding through other programs.
- DCS - This program provides child care subsidies for children in the state's child welfare system, both foster children in the state's custody and children who are residing in their own home and receiving DCS services. Children who qualify for the DCS subsidy are not subject to a co-payment.

Program Funding

Table 2 displays FY 2017 child care spending of \$185.0 million by agency. This funding includes a number of sources, including \$122.7 million from the federal Child Care and Development Fund Block Grant (CCDF), \$41.4 million from ECDHB, \$11.2 million from other Federal Funds, \$7.0 million from the General Fund, and \$2.7 million from the federal TANF Block Grant. Of the \$122.7 million CCDF appropriation, an estimated \$17.1 million is excess appropriation authority.

DES spends \$12.1 million on child care administration that is not included in the \$185.0 million total in Table 2. The DES total does include \$6.8 million of quality set-aside spending that is not used for subsidies.

| Table 2 | |
|-----------------------------------|--------------------------------|
| FY 2017 Child Care Funding | |
| <u>Agency</u> | <u>FY 2017 Estimate</u> |
| DES | \$ 98,396,600 |
| ECDHB | 41,413,542 |
| DCS | <u>45,159,400</u> |
| Total | \$184,969,542 |
| <u>Fund Sources</u> | |
| CCDF | \$122,678,800 |
| ECDHB | 41,413,542 |
| Federal Funds | 11,159,400 |
| General Fund | 7,000,000 |
| TANF Block Grant | <u>2,717,800</u> |
| Total | \$184,969,542 |

The high point in child care spending occurred in FY 2008 when the state spent \$201.6 million on a monthly average of 45,367 child care clients. In FY 2008, child care spending was concentrated in DES because it was responsible for child welfare functions now housed in DCS and ECDHB was still developing their programs.

Since FY 2011, ECDHB child care expenditures have been used to meet federal child care funding requirements. The maintenance-of-effort requirement for federal CCDF is state child care spending of about \$10 million annually. In addition, the state must put up approximately \$20 million in matching funds to draw down the entire CCDF allocation. ECDHB disbursements largely fulfill both of these federal conditions.