



ARIZONA CHILD CARE ASSOCIATION

ACCA Funding for the DES Child Care Subsidy - May 5, 2011 For ACCA Members Only

ISSUE: The status of funding for the DES child care subsidy and the number of children to be served is unclear due to a State budget process that does not include details, agreements reached behind closed doors, and uncertainty about the availability of other sources of State matching funds. This uncertainty has understandably caused a tremendous amount of concern for parents and providers. ACCA provides the following information to give its members the best available information to date and hopefully to help reduce anxiety.

BUDGET BACKGROUND: Over the past two years, the legislature and Governor have reduced the total amount of state and federal TANF funds used for child care by \$75 million with the 5% rate reduction, increased co-pays, and the so called "waiting list" which drastically reduced the number of children served. This past year there was only \$10.7 million of State General Funds used for child care but the state was able to draw down all federal child care funds and the Governor originally proposed to continue funding at that level. But, the legislature removed all state General Funds and provided no information about whether there were plans to obtain all the federal matching funds. The Governor agreed.

IMPACT: It is clear that without any State matching funds the State would lose \$40 million of federal funds and 13,000 currently served children from low income working families would be removed from subsidy, leaving only CPS and welfare-related children. ACCA testified at the Senate and House Appropriations committees and asked whether there was a plan to match the federal funds and told them of the devastating impact of the loss of that many children. No responses were given and all members of the majority party voted for the budget. There is no evidence that the legislators who voted for this budget were aware that there were any options for matching funds. They were prepared to eliminate 13,000 children.

With what appeared to be the intent to eliminate current children and no plans to address the loss of children, there were no guarantees that all the federal funds could be obtained. ACCA was not willing to quietly accept the possibility of the worst case scenario and in effect "roll the dice" with children, parents, and providers. ACCA generated a tremendous amount of media attention to highlight the legislature's budget decision and provide encouragement for other options to be used to draw down federal funds.

OPTIONS: In fact, there are options for matching the funds that would prevent the removal of children from care. Other state expenditures in DHS or First Things First (FTF) can be used to claim federal funds without funds transferring to DES. FTF has already identified \$10 million that is now being used towards the federal match. Yet, by using the other options to match federal funds there will still be a net reduction of children served next year. ACCA's

preliminary estimate is that 12% fewer children will be served on the average next year than this year (see the summary of numbers below). DES has not provided an official estimate.

The uncertainty and lack of resolution at this point stems, in part, from the fact that FTF was prohibited by law from agreeing to backfill cuts before cuts were implemented. Now that the legislative session has concluded, FTF and the Executive may discuss the matching issue.

There are many reasons why I believe that an agreement will be reached with FTF: it is the right thing to do, FTF is already allowing its expenditures to be used as match, there is no need for adjustments by FTF it is merely a –paper certification and no funds are transferred, there are sufficient qualifying expenditures in FTF to allow the full draw down of federal funds, and finally, public opinion would strongly support such an agreement.

NO PLANS TO REMOVE CHILDREN: The DES Director hosted a budget briefing and it was stated that DES has no plans to remove any children from subsidy and that DES fully expects the match to be obtained. If there ever were to be cuts to currently funded children, DES would provide advance notice to ACCA and providers. No such actions or notifications are planned.

SUMMARY: We are more than hopeful and optimistic that an agreement will be reached to draw down the federal funds and that no current children who remain eligible will be removed from care. I can't imagine circumstances that would prevent the match from ultimately being obtained. Potentially eligible families should be encouraged to still apply for children care assistance. The waiting list is used to measure the need and there could still be releases from the waiting list during next year.

ACCA will actively monitor the matching arrangement and the DES subsidy caseload. As more current information is received, we will pass it on to our members.

SUMMARY OF THE SUBSIDY NUMBERS

Prior to the budget cuts of the past two years DES was spending over \$200 million on child care subsidy.

The maximum number of children was served was 48,300 children in February 2009, before the waiting list.

The 12 month fiscal year ending June 30, 2009 reflected a monthly average of 46,000 children.

The peak number of children on the waiting list was 11,000 on February 5, 2010

In February 2010, DES began redetermining eligibility for families who had been on the waiting list for twelve months and as a result the number on the waiting list declined.

After two years of attrition due to the waiting list, the number of children receiving subsidy was 28,000 in September 2010.

FTF agreed to let DES use \$10 million of FTF expenditures to claim federal match in September 2010. No funds were transferred to DES.

DES began to contact families with 1,342 children and authorize some of the children on the waiting list on October 30, 2010. The lowest income levels (mostly Fee level 1) were the priority. Four other "releases" from the waiting list occurred on November 30 (1,000 children) December 30 (2,000 children), January 15 (2,000 children) and March 1 (500 children)

Of the total 6,842 children released, 2,924 were ultimately authorized (42%)

No further releases are planned at this time.

There are 4,974 children currently on the waiting list.

DES Subsidy paid for 30,297 children for February 2011. The projected number of children for March is essentially the same, perhaps a few hundred children higher.

Even if the full match is found, ACCA estimates that 3-4,000 fewer children will be served next year (July 2011 thru June 2012). DES has not released the actual number to be served.

Therefore, approximately 26,000 children might be served on an average monthly basis in SFY 2012, a 12 % reduction over the prior year and a 44% reduction from 2009.

It is not clear if and when a "hard cap" will be put in place, (eliminating more releases from the waiting list).

Once DES determines the number of children to be served next year, it is possible that once that number is reached there could be waiting list releases to maintain that level.