



# ARIZONA CHILD CARE ASSOCIATION

## Brief Summary of the Status of the DES Child Care Subsidy May 14, 2011

**BUDGET BACKGROUND:** Over the past two years, the total amount of state and federal TANF funds used for child care has been reduced by \$75 million or 37% overall with a 5% rate reduction, increased co-pays, and the so called "waiting list" which drastically reduced the number of children subsidized. This past year there was only \$10.7 million of State General Funds used for child care but the state was still able to draw down all federal child care funds (\$115 million). The legislature's budget removed all remaining state General Funds and the Governor signed the budget.

**IMPACT:** 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 state mandated CPS and welfare-related children. 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.

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 licensing or the tobacco tax funded 0-to 5 initiative, First Things First (FTF), can be used to claim federal funds. 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. The Executive has not provided an official estimate.

**CONFUSION:** The status of funding for the DES child care subsidy and the number of children to be served is unclear because the budget does not include details, agreements reached behind closed doors. The budget passed all committees and the floor votes within one day of being made public; all members of the majority party voted for the budget. The uncertainty 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 is over, FTF and the Executive may discuss the match. This uncertainty and the media attention to the issue have understandably caused a tremendous amount of concern for parents and providers.

**CONCLUSION:** At this point there are no state plans to remove any children from subsidy. ACCA is 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. ACCA will actively monitor the matching arrangement and keep centers informed.