



**ARIZONA STATE SENATE**  
*Forty-ninth Legislature, First Regular Session*

**PROGRAM PRESENTATION**  
Child Care Assistance

Background

The federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193) reformed the nation's welfare system by changing the focus from distributing benefits to helping families become self-sufficient through employment, with federal funding from the Temporary Assistance for Needy Families (TANF) block grant. A portion of the TANF block grant is set aside for child care assistance. Additionally, the federal government provides funding to improve the affordability, availability and quality of child care through the Child Care and Development Fund (CCDF) block grant.

The federal TANF and CCDF grants provide matching funds to states for four categories through which a parent may qualify for child care assistance: 1) TANF clients engaged in employment activities through the Jobs Program; 2) former TANF clients who are working but earn less than 165 percent of the federal poverty level, or \$34,980 per year for a family of four, with a mandatory copay (sometimes called transitional child care); 3) foster parents and relatives caring for children under the supervision of Child Protective Services; and 4) at the state's option, teen parents in school, parents in homeless shelters and working clients with low incomes may receive assistance, with a mandatory copay. This fourth category is sometimes called the "nonmandatory" category because the states exercise discretion in defining the categories and income eligibility requirements.

In Arizona, the Department of Economic Security (DES) administers the child care assistance program for families with children 12 years of age or younger. Each child is limited to 60 months of cumulative child care assistance, and families are limited to receiving child care assistance for six children per household. Families in the nonmandatory category must earn less than 165 percent of the federal poverty level and receive child care assistance only to the extent that funding is available. To avoid exceeding appropriated funding levels, DES periodically establishes a waiting list for this category. Statute requires the waiting list to be prioritized by income level, regardless of the amount of time spent on the list.

Federal law and Arizona statutes require child care assistance payment rates to provide equal access for eligible families to comparable child care services provided in the private market. DES conducts a biennial market rate survey of child care rates to comply with federal requirements to receive CCDF funding. According to the Joint Legislative Budget Committee, the average rate of inflation for child care market rates from one biennial survey to the next is approximately eight percent.

## PROGRAM PRESENTATION

### Child Care Assistance

Page 2

Child care providers must contract with DES to provide child care to children eligible for child care assistance, and must either be licensed or certified as a child care facility or group home by the Arizona Department of Health Services, or certified as a family child care home by DES. Contracted providers receive up to the maximum child care assistance rate directly from DES and collect the required copay from each client. Failure to pay a copay to the provider may cause a client to lose child care assistance. In addition to any required copay, clients are responsible for any child care expenses the provider charges above the allowable state reimbursement maximums.

#### Fiscal Information

During the annual appropriations process, the state Legislature sets the child care assistance rate for the next fiscal year, based on one of the market rate surveys conducted by DES. For FY 2008-2009, the maximum child care assistance rate is the 75th percentile of the 2000 market rate survey, plus a five percent increase provided by the state's budget. At this rate, the average amount of assistance paid to child care providers per child is projected to be approximately \$351 per month in FY 2008-2009. Actual assistance rates vary based on geographic area, the age of the child and the type of child care. According to JLBC, the budget provides \$162,289,000 for Child Care Subsidy in FY 2008-2009. This amount consists of \$82,920,100 from the state General Fund, \$64,285,800 from the federal CCDF block grant and \$15,083,100 from the federal TANF block grant. The budget also provides \$36,193,000 from the federal CCDF block grant for transitional child care in FY 2008-2009. The FY 2008-2009 appropriation is expected to fund about 44,700 children.

#### FY 2008-2009 Budget Action

The FY 2008-2009 budget, passed by the Legislature on January 31, 2009, allows DES to reduce maximum income eligibility levels for Child Care Assistance in order to manage the program within appropriated and available monies, but requires DES to notify JLBC within 15 days of implementing a change.

Prepared by Senate Research

February 3, 2009

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