



DEPARTMENT OF ECONOMIC SECURITY

Your Partner For A Stronger Arizona

Janice K. Brewer
Governor

Neal Young
Director

Mr. John Arnold
Governor's Office of Strategic Planning and Budgeting
1700 West Washington
Phoenix, Arizona 85007

Dear Mr. Arnold:

The Arizona Department of Economic Security is submitting the Child Care Report as required by A.R.S. § 46-810.

If you have any questions, please contact Brad Willis, Program Administrator, Child Care Administration, Division of Employment and Rehabilitation Services, at (602) 542-1958 or me at (602) 542-5757.

Sincerely,

Neal Young
Director

Enclosure

cc: Members of the Joint Legislative Budget Committee
Richard Stavneak, Director, Joint Legislative Budget Committee
Gladys Ann Wells, Director, Arizona State Library, Archives, and Public Records

ANNUAL JLBC CHILD CARE REPORT

Pursuant to A.R.S. § 46-810, the annual report for members of the Joint Legislative Budget Committee is provided. The information reflects statewide data for state fiscal year 2010, and provides comparative information from state fiscal year 2009.

1. **The number of families served and total number of children served by each of the child care programs administered by the Department of Economic Security.**

In state fiscal year 2010, the total number of children served on an average monthly basis was 33,352 and the total number of families served in all programs on an average monthly basis was 17,679 (see Table 1). This represents approximately a 27 percent decrease in terms of children and approximately a 30 percent decrease in terms of families over fiscal year 2009.

2. **The total number of dollars spent on child care for each of the child care programs administered by the Department of Economic Security.**

In fiscal year 2010, the estimated¹ total number of subsidy dollars spent for the Department's child care programs was \$136,242,000 (see Table 1). This is approximately a 30 percent decrease over fiscal year 2009 spending, which was \$193,751,400. These figures do not include operating expenditures and quality expenditures.

3. **The number of recipients eligible for Transitional Medical Assistance and Child Care benefits.**

All Transitional Medical Assistance (TMA) eligible recipients are enrolled in AHCCCS. As of June 2010, there were a total of 44,754 children eligible and receiving TMA benefits, approximately a 24 percent increase compared to June 2009 figures.

As of June, 2010, there were 6,039 children eligible for Transitional Child Care (TCC). That is approximately a 14 percent decrease from fiscal year 2009.

4. **The number of recipients who accept Transitional Medical Assistance and Child Care benefits specifying how many recipients have received these services for less than 12 months and those who have received these services for more than 12 months.**

In June 2010, the number of recipients of TMA in the first 12 months of eligibility was 44,754 approximately a 24 percent increase compared to June 2009 figures (see Table 2). Beginning October 2002, TMA was no longer provided for the second 12 months of the transition period. The second year of TMA coverage was a part of the EMPOWER waiver that expired November 1, 2002. Since state statute A.R.S. § 36-2924 was passed to not extend the availability of the second 12 months, TMA went to a maximum of 12 months effective October 1, 2002.

¹ Based on information from the Arizona Child Care Automated Tracking System report, a cash basis report intended for use as a management tool report only and is not intended for use as a financial report.

As of June 2010, there were 5,377 children, 3,205 in the first 12 months of eligibility and 2,172 in the second 12 months of eligibility, receiving Transitional Child Care (TCC). This is approximately a 12 percent decrease of children served from fiscal year 2009. Table 2 shows the number of children utilizing service throughout the year.

5. **The number of applicants waiting for services under the state child care subsidy and federal child care programs for working families.**

A waiting list was put in to place on February 18, 2009. There were approximately 10,400 children on the waiting list as of June 30, 2010.

6. **Co-payment levels for each of the child care programs administered by the Department of Economic Security.**

Child care assistance is a key component in helping families achieve and maintain self-sufficiency. It not only supports families in their transition off of Cash Assistance but also is a vital service to those who, without childcare, would potentially need to apply for Cash Assistance. Child care must be affordable to meet a family's needs.

Both federal Child Care Development Fund (CCDF) regulations and Arizona statute require the Department to develop a sliding fee scale, which maintains child care cost sharing between the state and families.

Laws 2005, Chapter 328, required that co-payments be imposed for all children in non-mandatory categories, including low-income working, teen parent in high school, and special circumstances, but not child protective services (CPS) referred families receiving child care assistance.

The child care co-payment required of DES eligible parents must be reasonable and affordable, and enable low and moderate income families access to good quality child care. Families at lower income levels must spend an increasingly high percentage of family income on necessities such as rent, utilities, food and clothing. The percentage of family income available for child care is less than families at higher income levels.

The DES sliding fee scale (see Table 3), effective April 1, 2009, consists of six fee levels, wherein parents are required to pay between \$1 and \$10 per day per child. Parents must pay the same co-payment per child regardless of the number of children in the family.

Child care assistance for families eligible under the block grant eligibility categories (low-income working, teen parent, and unable/unavailable) will be limited to six children in the eligible family at any given point in time and co-payments will be assigned to all eligible children who require assistance (A.R.S. § 46-803.K2). For families receiving Transitional Child Care (TCC), there is no co-payment assigned beyond the third child in the family and no limit to the number of eligible children who may be authorized for assistance.

In addition, families must pay any difference in cost between the maximum that the Department pays and the amount the child care provider actually charges.

7. **The amount of co-payment money collected for each of the child care programs administered by the Department of Economic Security.**

In fiscal year 2010, the total amount of DES required co-payment paid by families to providers for all programs was \$10.6 million. In fiscal year 2009, the total required co-payment paid by families was \$15.7 million (see Table 1). This represents a decrease of approximately 32 percent. The decrease is attributable to the overall decrease in the number of children served and a shift of children in to mandated service eligibility categories that do not require co-payments. As noted in the previous section and in addition to the required co-payments, families must pay any difference in cost between the maximum that the Department pays and the amount the child care provider actually charges.

8. **The total number of payments to relatives for child care and the number of children served.**

In fiscal year 2010, 5,544 children received child care assistance for care received from relatives, which is approximately a 32 percent decrease in the number of children from fiscal year 2009. The total dollars reimbursed for relative care in fiscal year 2010 was \$5.7 million. This amount represents approximately a 34 percent decrease from fiscal year 2009 figures.

9. **Any changes in payment rate schedules and maximum provider rates from the previous fiscal year and the reason for those changes.**

Eligibility for child care services continues to be set at 165 percent of the federal poverty level (FPL) as specified in A.R.S. § 46-803. There were no changes to the rate schedule during the fiscal year. The rate schedule for fiscal year 2009 remains in effect (see Table 3) as the Department of Health & Human Services (DHHS) has not yet published federal poverty level guidelines for 2010.

Maximum reimbursement rates for fiscal year 2010 were the same as the rates for the fiscal year 2009, which reflect the 75th percentile of the 2000 market rate survey (see Table 4).

10. **The number of families providing child care as a work activity in order to meet the Federal Work Participation Rates established pursuant to Public Law 104-93.**

Public Law 104-193, as was modified by Public Law 109-171, identifies 12 activities as allowable work activities in reference to individuals receiving Temporary Assistance to Needy Families (TANF) Cash Assistance. This list includes “the provision of child care services to an individual who is participating in a community service program.” This activity is distinguished from *unsubsidized employment* as an allowable work activity in the law, and refers to the provision of child care services by Cash Assistance recipients to other Cash Assistance recipients as an unpaid work activity, solely for the purpose of meeting the work participation rate. A.R.S. § 46-101.24 does *not* include this as a countable work activity; therefore, the Department does not promote or track the provision of unpaid child care services by Cash Assistance recipients for the children of other Cash Assistance recipients for the purpose of meeting the work participation rate.

The rationale for not using this unpaid child care activity is described below:

- 1) Encouraging the use of untrained and uncompensated Cash Assistance recipients as child care providers could place the safety of children in jeopardy, and the Department in a position of liability for any resultant harm or injury.
- 2) Arizona operates a parental choice model with respect to the child care assistance program (in accordance with Child Care & Development Fund regulations). Requiring Cash Assistance recipients to utilize other Cash Assistance recipients in the provision of child care services would be inconsistent with the parental choice requirement which requires that the parent be allowed to select between different provider types.
- 3) Cash Assistance recipients who are not trained or compensated for the provision of child care services are not increasing their potential to become gainfully employed. Further, Cash Assistance recipients who express the interest and aptitude to pursue employment in the child care field should be encouraged to pursue short term child care training through the “Child Care Professional Training Program” (CCPT). The Department contracts with community-based agencies and community colleges throughout Arizona to deliver the 60-hour child care orientation and training curriculum. Upon completion of the CCPT course, the Cash Assistance recipient will be better prepared to pursue employment with child care facilities, Head Start programs, or become self-employed as a DES certified family child care provider. Cash Assistance recipients who are trained and compensated for the provision of child care services would be represented in the “unsubsidized employment” category.
- 4) Developing and managing a process to track the hours of unpaid child care activities would be administratively burdensome at best; it is doubtful whether the benefits of this proposition would outweigh the costs since the activity would not lead to gainful employment and would not assist the Cash Assistance recipient in becoming self sufficient.

ARIZONA DEPARTMENT OF ECONOMIC SECURITY
Division of Employment & Rehabilitation Services
Child Care Administration

MAXIMUM REIMBURSEMENT RATES FOR CHILD CARE
Based on the 75th percentile of the 2000 Child Care Market Rate Survey
(effective for services provided on or after 4/1/09)

CENTERS

Age Group	District I	District II	District III	District IV	District V	District VI
Birth < 1 yr:						
Full day	30.20	27.00	22.40	21.00	30.00	32.00
Part day	22.40	19.80	18.40	19.00	25.00	25.00
1 yr < 3 yrs:						
Full day	26.60	25.00	20.80	19.00	28.00	20.80
Part day	20.00	18.16	18.00	18.00	15.00	17.60
3 yrs < 6 yrs:						
Full day	23.80	22.09	20.00	18.00	20.00	19.00
Part day	17.00	16.00	15.00	16.00	12.40	13.00
6 yrs < 13 yrs:						
Full day	23.40	22.00	17.00	17.00	20.00	19.00
Part day	16.00	15.00	14.00	15.00	13.33	13.00

GROUP HOMES

Age Group	District I	District II	District III	District IV	District V	District VI
Birth < 1 yr:						
Full day	24.00	22.00	23.00	20.00	19.00	21.20
Part day	16.00	16.00	23.00	14.00	12.50	18.00
1 yr < 3 yrs:						
Full day	22.00	22.00	22.00	18.00	19.00	21.25
Part day	15.00	16.00	15.00	12.00	12.00	17.00
3 yrs < 6 yrs:						
Full day	20.00	20.00	22.00	18.00	19.00	18.50
Part day	15.00	16.00	13.95	12.00	12.00	16.00
6 yrs < 13 yrs:						
Full day	18.00	20.00	17.00	18.00	19.00	18.50
Part day	14.00	15.81	13.95	12.00	12.00	17.00

CERTIFIED FAMILY HOMES & CERTIFIED IN-HOME PROVIDERS

Age Group	District I	District II	District III	District IV	District V	District VI
Birth < 1 yr:						
Full day	20.00	19.00	18.00	18.00	20.00	18.00
Part day	14.00	12.00	10.00	10.50	12.00	10.00
1 yr < 3 yrs:						
Full day	20.00	18.00	17.00	17.00	20.00	17.00
Part day	13.00	12.00	10.00	10.50	11.00	10.00
3 yrs < 6 yrs:						
Full day	18.00	18.00	16.00	17.00	18.00	16.00
Part day	12.00	12.00	10.00	10.50	10.00	10.00
6 yrs < 13 yrs:						
Full day	17.00	18.00	16.00	16.00	18.00	16.00
Part day	12.00	11.00	10.00	10.00	10.00	10.00

The actual reimbursement amount is equal to the reimbursement rate minus any DES designated co-payment. However, in no event shall the amount reimbursed exceed the lesser of the provider's actual charges or the maximum reimbursement rate minus any DES designated co-payment.

Payment Rates for Non-Certified Relative Providers (NCRPs) will be \$10.50 for Full day and \$6.00 for Part day, minus any DES designated co-payment. This rate will be paid to NCRPs statewide for care provided to children of all ages.

The maximum reimbursement rates may be increased by ten percent, for child care providers who are nationally accredited.

Full day = six or more hours per day. Part day = less than six hours per day.

DES defines six local areas based upon geographic proximity/common characteristics, as Districts. They are comprised of the following counties:

- | | |
|---|--|
| District I - Maricopa | District IV - La Paz, Mohave and Yuma |
| District II - Pima | District V - Gila and Pinal |
| District III - Apache, Coconino, Navajo and Yavapai | District VI - Cochise, Graham, Greenlee and Santa Cruz |

CHILD CARE ASSISTANCE GROSS MONTHLY INCOME ELIGIBILITY CHART AND FEE SCHEDULE

Effective April 1, 2009

FAMILY SIZE	FEE LEVEL 1 (L1) MAXIMUM INCOME EQUAL TO OR LESS THAN 85% FPL*	FEE LEVEL 2 (L2) MAXIMUM INCOME EQUAL TO OR LESS THAN 100% FPL*	FEE LEVEL 3 (L3) MAXIMUM INCOME EQUAL TO OR LESS THAN 135% FPL*	FEE LEVEL 4 (L4) MAXIMUM INCOME EQUAL TO OR LESS THAN 145% FPL*	FEE LEVEL 5 (L5) MAXIMUM INCOME EQUAL TO OR LESS THAN 155% FPL*	FEE LEVEL 6 (L6) MAXIMUM INCOME EQUAL TO OR LESS THAN 165% FPL*
1	0 – 737	738 – 867	868 - 1,171	1,172 - 1,258	1,259 - 1,344	1,345 - 1,431
2	0 – 992	993 - 1,167	1,168 - 1,576	1,577 - 1,693	1,694 - 1,809	1,810 - 1,926
3	0 – 1,247	1,248 - 1,467	1,468 - 1,981	1,982 - 2,128	2,129 - 2,274	2,275 - 2,421
4	0 - 1,502	1,503 - 1,767	1,768 - 2,386	2,387 - 2,563	2,564 - 2,739	2,740 - 2,916
5	0 - 1,757	1,758 – 2,067	2,068 - 2,791	2,792 – 2,998	2,999 - 3,204	3,205 - 3,411
6	0 – 2,012	2,013 - 2,367	2,368 - 3,196	3,197 - 3,433	3,434 - 3,669	3,670 - 3,906
7	0 - 2,267	2,268 - 2,667	2,668 - 3,601	3,602 – 3,868	3,869 – 4,134	4,135 - 4,401
8	0 - 2,522	2,523 - 2,967	2,968 – 4,006	4,007 - 4,303	4,304 - 4,599	4,600 - 4,896
9	0 - 2,777	2,778 - 3,267	3,268 - 4,411	4,412 – 4,738	4,739 – 5,064	5,065 - 5,391
10	0 – 3,032	3,033 - 3,567	3,568 - 4,816	4,817 – 5,173	5,174 - 5,529	5,530 - 5,886
11	0 - 3,287	3,288 - 3,867	3,868 – 5,221	5,222 - 5,608	5,609 - 5,994	5,995 – 6,381
12	0 - 3,542	3,543 – 4,167	4,168 - 5,626	5,627 – 6,043	6,044 – 6,459	6,460 – 6,876

MINIMUM REQUIRED COPAYMENTS

Per child in care	full day = \$1.00 part day = \$0.50	full day = \$2.00 part day = \$1.00	full day = \$3.00 part day = \$1.50	full day = \$5.00 part day = \$2.50	full day = \$7.00 part day = \$3.50	full day = \$10.00 part day = \$5.00
-------------------	--	--	--	--	--	---

For families receiving Transitional Child Care (TCC) there is no co-pay assigned beyond the 3rd child in the family

Full day = Six or more hours; Part day = Less than 6 hours

Families receiving Child Care Assistance based on Child Protective Services/Foster Care, the Jobs Program or those who are receiving Cash Assistance (CA) and are employed, may not have an assigned fee level and may not have a minimum required co-payment. However, all families may be responsible for charges above the minimum required co-payments if a provider’s rates exceed allowable state reimbursement maximums and/or the provider has other additional charges.

* Federal Poverty Level (FPL) = US DHHS 2008 poverty guidelines. The Arizona state statutory limit for child care assistance is 165% of the Federal Poverty Level.

The Federal Child Care & Development Funds statutory limit (for eligibility for child care assistance) is 85% of the State median income.

ARE YOU ELIGIBLE FOR CHILD CARE ASSISTANCE AT FEE LEVELS L5 OR L6?

What does this mean to me?

Sometimes when families are eligible at L5 or L6, the DES required copayment per child can be equal to or greater than the DES payment rate. This means that no payment will be made for a child whose copayment is equal or greater than the DES payment rate (*because the family is responsible to pay the required copayment amount per child to the provider*).

All child care providers set their own rates, and DES pays providers up to a maximum amount. The maximum amount varies based on the provider you have chosen and the age of your child. If the DES required copayment for your child is less than the DES payment rate, DES will pay the difference. If the DES required copayment is equal to or greater than the DES payment rate, no DES payment will be made for the child.

How do I find out if this applies to me?

If you are eligible for Child Care Assistance at fee levels L5 or L6, this may apply to you. When you are selecting a provider, ask the provider how much their DES payment rate is for each full day of care, and for each part day of care. Rates vary based on the age of the child, so be sure the provider gives you their DES payment rate for your child's age.

If you will be using part days (*less than 6 hours per day*), the daily copayment amount will be lower and DES may pay a portion of the cost.

Find the DES required copayment for each of your children using the [Child Care Assistance Gross Monthly Income Eligibility Chart and Fee Schedule](#). Subtract the daily full or part day copayment amount from your provider's daily full or part day payment rate to see how much DES will pay per child per day.

Example:

If you are eligible at fee level L6, the copayment for each child in care is \$10.00 for a full day. If your provider's DES payment rate is \$10.00 for a full day for each of your children, DES will pay the following amounts for each full day of care per child:

DES payment rate:	Per Child-Full Day: \$10.00	Part Day: \$5.00	
Copayment:	\$10.00	- \$5.00	
DES payment to provider:	\$ 0.00 = No DES payment to provider	\$0.00 = No DES payment to provider	

How will this affect me?

If you are eligible at fee levels L5 or L6, and if you select a provider whose DES payment rate is less than or equal to your DES required copayment amount, no payment will be made to the provider for your child.

What are my options if I select a provider where no payment can be made for my child(ren)?

You can keep your Child Care case open. Your Child Care Specialist will continue to monitor your Child Care case. If you decide to keep your case open:

- ◆ You must continue to report all changes within 2 work days;
- ◆ You must comply with the review process at least every 6 months;
- ◆ If you later decide to change to a provider where payment can be made by DES, your Specialist will authorize services;
- ◆ If the Priority Waiting List goes into effect while your case is open, you will not have to wait on the list before receiving Child Care Assistance;

You can have your case closed. If you decide to have your case closed:

- ◆ Your Child Care Specialist will ask you to sign a voluntary withdrawal form;
- ◆ If you later reapply for Child Care Assistance when the Priority Waiting List is in effect, you will have to be placed on the list before receiving services.

Equal Opportunity Employer/Program ◆ Under Titles VI and VII of the Civil Rights Act of 1964 (Title VI & VII), and the Americans with Disabilities Act of 1990 (ADA), Section 504 of the Rehabilitation Act of 1973, and the Age Discrimination Act of 1975, the Department prohibits discrimination in admissions, programs, services, activities, or employment based on race, color, religion, sex, national origin, age, and disability. The Department must make a reasonable accommodation to allow a person with a disability to take part in a program, service or activity. For example, this means if necessary, the Department must provide sign language interpreters for people who are deaf, a wheelchair accessible location, or enlarged print materials. It also means that the Department will take any other reasonable action that allows you to take part in and understand a program or activity, including making reasonable changes to an activity. If you believe that you will not be able to understand or take part in a program of activity because of your disability, please let us know of your disability needs in advance if at all possible. To request this document in alternative format or for further information about this policy, contact (602) 542-4248; TTY/TDD Services: 7-1-1.

TABLE 1

**FAMILIES AND CHILDREN SERVED AND TOTAL PAYMENTS BY CHILD CARE PROGRAM
State Fiscal Year 2010**

Child Care Program	Families Served ^(1,3)	Average Children Served ^(1,3)	Expenditures ^(2,3)	Copayment Collected ^(2,3)
<i>TANF Cash Assistance Related</i>				
<i>Employed Child Care</i>	329	666	\$ 2,635,219	\$ -
<i>JOBS Child Care</i>	2,230	4,083	\$ 16,940,588	\$ -
<i>Transitional Child Care</i>	1,634	3,270	\$ 12,717,961	\$ 1,094,265
<i>Transitional Child Care Extension</i>	1,151	2,324	\$ 9,095,654	\$ 969,346
<i>Low Income Working</i>				
	8,775	16,837	\$ 65,258,173	\$ 8,436,548
<i>Special Circumstances</i>				
<i>Child Protective Services</i>	3,256	5,658	\$ 27,416,814	\$ -
<i>Others</i>	304	514	\$ 2,177,584	\$ 139,298
Totals	\$ 17,679	\$ 33,352	\$ 136,241,993	\$ 10,639,457

Notes:

(1) Monthly Average.

(2) Annual Total.

(3) This report is a summary of disbursements and caseload data made by the issuance of warrants from AzCCATS, the Arizona Child Care Automated Tracking System. This report is not intended for use as a financial report.

TABLE 2

**TRANSITIONAL MEDICAL ASSISTANCE (TMA) & TRANSITIONAL CHILD CARE (TCC)
State Fiscal Year 2010**

FY 2009 Month	TMA 01 - 12 Months ⁽¹⁾	TMA 13 - 24 Months ^(1,3)	TCC 1 - 12 Months ^(2,4)	TCC 13 - 24 Months ^(2,4)
July	35,300	-	3,662	2,166
August	35,005	-	3,633	2,328
September	35,896	-	3,547	2,323
October	36,452	-	3,375	2,368
November	38,879	-	3,261	2,496
December	40,858	-	3,156	2,438
January	42,921	-	3,004	2,385
February	44,226	-	2,978	2,403
March	44,796	-	3,087	2,308
April	45,853	-	3,110	2,257
May	45,463	-	3,222	2,248
June	44,754	-	3,205	2,172

Notes:

- (1) TMA eligibility recipients are all enrolled in AHCCCS. TMA figures are from the DES/FAA Statistical Bulletin.
- (2) TCC is the number of children served (utilization estimated at 88% of the number eligible).
- (3) In October 2002, a DHHS waiver that had been granted to Arizona expired. As a result of the expiration of this waiver, TMA was no longer available to families beyond 12 months after Cash Assistance case closure.
- (4) This report is a summary of disbursements and caseload data made by the issuance of warrants from AzCCATS, the Arizona Child Care Automated Tracking System. This report is not intended for use as a financial report.