



**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**

1717 W. Jefferson • P.O. Box 6123 • Phoenix, AZ 85005

Janet Napolitano  
Governor

Tracy L. Wareing  
Director

**SEP 22 2008**

The Honorable Robert L. Burns  
Chairman, Joint Legislative Budget Committee  
Arizona State Senate  
1700 West Washington  
Phoenix, Arizona 85007

Dear Senator Burns:

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, Acting Program Administrator, Child Care Administration, at (602) 542-1958 or me at (602) 542-5757.

Sincerely,

Tracy L. Wareing  
Director

Enclosure

cc: James Apperson, Deputy Chief of Staff, Finance and Budget, Governor's Office  
Richard Stavneak, Director, Joint Legislative Budget Committee  
Members of the Joint Legislative Budget Committee

## 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 2008, and provides comparative information from state fiscal year 2007.

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 fiscal year 2008, the total number of children served on an average monthly basis was 45,367 and the total number of families served in all programs on an average monthly basis was 24,723 (see Table 1). This represents approximately a 2 percent increase in terms of children and families over fiscal year 2007.

Note: The average number of children served (paid for) in a given month was approximately 85 percent of the number authorized for service in that month in fiscal year 2008.

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 2008, the estimated<sup>1</sup> total number of subsidy dollars spent for the Department's child care programs was \$192,109,000 (see Table 1). This is approximately an 8 percent increase over fiscal year 2007 spending, which was \$177,077,100. These figures do not include operating expenditures and quality expenditures. This increase was, in part, a result of an increase in reimbursement rates that occurred during fiscal year 2008. Prior to fiscal year 2008, maximum reimbursement rates were based on the 75th percentile of the 2000 market rate survey. Effective July 1, 2007, the Arizona Legislature appropriated \$9 million to increase maximum payment rates for child care providers by adjusting them to reflect the 75th percentile of the 2000 market rate survey plus 5 percent.

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 2008, there were a total of 41,819 children eligible for and receiving TMA benefits, approximately a 2 percent decrease compared to June 2007 figures.

As of July 8, 2008, there were 8,624 children eligible for Transitional Child Care (TCC). That is approximately a 10 percent decrease from fiscal year 2007. Based on fiscal year 2008 data, on average, approximately 85 percent of the authorized Transitional Child Care children actually utilized child care assistance at any given point each month.

---

<sup>1</sup> 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.

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 2008, the number of recipients of TMA in the first 12 months of eligibility was 41,819, approximately a 2 percent decrease compared to June 2007 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.

As of June 2008, there were 7,734 children, 4,532 in the first 12 months of eligibility and 3,202 in the second 12 months of eligibility, receiving Transitional Child Care (TCC). This is approximately an 8 percent decrease from fiscal year 2007. 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 not necessary in fiscal year 2008.

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 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 sliding fee scale (see Table 3), effective July 1, 2007, consists of six fee levels, wherein parents are required to pay between \$1 and \$10 per day for the first child, and a lesser daily co-payment for any additional child(ren) in the family. Child care assistance for families eligible under the block grant eligibility categories (low-income working, teen parent, and unable/unavailable for work) 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. 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 2008, the total amount of required co-payment paid by families to providers for all programs was \$15.5 million. In fiscal year 2007, the total required co-payment paid by families was \$15.2 million (see Table 1). This represents an increase of approximately 2 percent. The increase is attributable to the overall increase in the number of children served and a shift away from children in 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 2008, 8,481 children received child care assistance for care received from relatives, which is approximately a 2 percent decrease in the number of children from fiscal year 2007. The total dollars reimbursed for relative care in fiscal year 2008 was \$8.8 million. This amount represents approximately a 3 percent increase from fiscal year 2007 figures. This increase was, in part, a result of an increase in reimbursement rates that occurred during fiscal year 2008. Prior to fiscal year 2008, maximum reimbursement rates were based on the 75th percentile of the 2000 market rate survey. Effective July 1, 2007, the Arizona Legislature appropriated \$9 million to increase maximum payment rates for child care providers by adjusting them to reflect the 75th percentile of the 2000 market rate survey plus 5 percent.

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 was one change to the rate schedule during the fiscal year. The rate schedule in fiscal year 2008 was adjusted to reflect the new FPL guidelines (see Table 3).

Prior to fiscal year 2008, maximum reimbursement rates were based on the 75<sup>th</sup> percentile of the 2000 market rate survey. Effective July 1, 2007, maximum payment rates for child care providers for fiscal year 2008 were adjusted to reflect the 75<sup>th</sup> percentile of the 2000 market rate survey plus 5 percent (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 amended by Public Law 109-171, identifies 12 activities as allowable work activities in reference to individuals receiving Temporary Assistance for 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.

**TABLE 1**

**FAMILIES AND CHILDREN SERVED AND TOTAL PAYMENTS BY CHILD CARE PROGRAM  
State Fiscal Year 2008**

<b>Child Care Program</b>	<b>Families Served <sup>(1,3)</sup></b>	<b>Average Children Served <sup>(1,3)</sup></b>	<b>Expenditures <sup>(2,3)</sup></b>	<b>Copayment Collected <sup>(2,3)</sup></b>
<i>TANF Cash Assistance Related</i>				
<i>Employed Child Care</i>	587	1,167	\$ 4,820,888	\$ -
<i>JOBS Child Care</i>	1,449	2,726	\$ 10,803,232	\$ -
<i>Transitional Child Care</i>	2,248	4,444	\$ 18,680,417	\$ 1,532,203
<i>Transitional Child Care Extension</i>	1,634	3,337	\$ 14,033,861	\$ 1,360,810
<i>Low Income Working</i>				
	14,506	26,298	\$ 108,021,343	\$ 12,343,256
<i>Special Circumstances</i>				
<i>Child Protective Services</i>	3,629	6,299	\$ 31,096,020	\$ -
<i>Others</i>	670	1,096	\$ 4,653,031	\$ 228,383
<b>Totals</b>	<b>24,723</b>	<b>45,367</b>	<b>\$ 192,108,793</b>	<b>\$ 15,464,652</b>

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 2008**

<b>FY 2008 Month</b>	<b>TMA 01 - 12 Months <sup>(1)</sup></b>	<b>TMA 13 - 24 Months <sup>(1,3)</sup></b>	<b>TCC 1 - 12 Months <sup>(2,4)</sup></b>	<b>TCC 13 - 24 Months <sup>(2,4)</sup></b>
July	42,183	-	4,631	3,477
August	42,466	-	4,455	3,390
September	42,263	-	4,500	3,380
October	43,116	-	4,526	3,350
November	42,775	-	4,405	3,345
December	43,492	-	4,386	3,391
January	44,774	-	4,300	3,334
February	43,947	-	4,364	3,356
March	43,195	-	4,445	3,289
April	42,950	-	4,361	3,239
May	41,866	-	4,421	3,292
June	41,819	-	4,532	3,202

**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 85.0% 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.

Table 3

ARIZONA DEPARTMENT OF ECONOMIC SECURITY  
**CHILD CARE ASSISTANCE GROSS MONTHLY INCOME ELIGIBILITY CHART AND FEE SCHEDULE**

EFFECTIVE JULY 1, 2007

Family Size ↓	FEE LEVEL 1 (L1) INCOME MAXIMUM EQUAL TO OR LESS THAN 85% FPL*	FEE LEVEL 2 (L2) INCOME MAXIMUM EQUAL TO OR LESS THAN 100% FPL*	FEE LEVEL 3 (L3) INCOME MAXIMUM EQUAL TO OR LESS THAN 135% FPL*	FEE LEVEL 4 (L4) INCOME MAXIMUM EQUAL TO OR LESS THAN 145% FPL*	FEE LEVEL 5 (L5) INCOME MAXIMUM EQUAL TO OR LESS THAN 155% FPL*	FEE LEVEL 6 (L6) INCOME MAXIMUM EQUAL TO OR LESS THAN 165% FPL*
1	0 – 724	725 – 851	852 – 1,149	1,150 – 1,234	1,235 – 1,320	1,321 – 1,405
2	0 – 970	971 – 1,141	1,142 – 1,541	1,542 – 1,655	1,656 – 1,769	1,770 – 1,883
3	0 – 1,217	1,218 – 1,431	1,432 – 1,932	1,933 – 2,075	2,076 – 2,219	2,220 – 2,362
4	0 – 1,463	1,464 – 1,721	1,722 – 2,324	2,325 – 2,496	2,497 – 2,668	2,669 – 2,840
5	0 – 1,710	1,711 – 2,011	2,012 – 2,715	2,716 – 2,916	2,917 – 3,118	3,119 – 3,319
6	0 – 1,956	1,957 – 2,301	2,302 – 3,107	3,108 – 3,337	3,338 – 3,567	3,568 – 3,797
7	0 – 2,203	2,204 – 2,591	2,592 – 3,498	3,499 – 3,757	3,758 – 4,017	4,018 – 4,276
8	0 – 2,449	2,450 – 2,881	2,882 – 3,890	3,891 – 4,178	4,179 – 4,466	4,467 – 4,754

**MINIMUM REQUIRED CO-PAYMENTS**

1st child in care	full day = \$1.00 part day = \$ .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
2nd child in care	full day = \$ .50 part day = \$ .25	full day = \$1.00 part day = \$ .50	full day = \$1.50 part day = \$ .75	full day = \$2.50 part day = \$1.25	full day = \$3.50 part day = \$1.75	full day = \$ 5.00 part day = \$ 2.50
3rd child in care	full day = \$ .50 part day = \$ .25	full day = \$1.00 part day = \$ .50	full day = \$1.50 part day = \$ .75	full day = \$2.50 part day = \$1.25	full day = \$3.50 part day = \$1.75	full day = \$ 5.00 part day = \$ 2.50
For families receiving Transitional Child Care (TCC) there is no co-payment assigned beyond the 3 <sup>rd</sup> child in the family						
4 <sup>th</sup> child in care	full day = \$ .25 part day = \$ .10	full day = \$ .50 part day = \$ .25	full day = \$ .75 part day = \$ .35	full day = \$1.25 part day = \$ .60	full day = \$1.75 part day = \$ .85	full day = \$ 2.50 part day = \$ 1.25
5th child in care	full day = \$ .25 part day = \$ .10	full day = \$ .50 part day = \$ .25	full day = \$ .75 part day = \$ .35	full day = \$1.25 part day = \$ .60	full day = \$1.75 part day = \$ .85	full day = \$ 2.50 part day = \$ 1.25
6th child in care	full day = \$ .25 part day = \$ .10	full day = \$ .50 part day = \$ .25	full day = \$ .75 part day = \$ .35	full day = \$1.25 part day = \$ .60	full day = \$1.75 part day = \$ .85	full day = \$ 2.50 part day = \$ 1.25

Full day = Six or more hours; Part day = Less than six hours.

Families receiving Child Care Assistance based upon involvement with Child Protective Services/Foster Care, the Jobs Program, the Arizona Works Program or those who are receiving Cash Assistance (CA) and who 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 2007 poverty guidelines.

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

**Table 4**

**MAXIMUM REIMBURSEMENT RATES FOR CHILD CARE**  
Based on the 75th percentile of the 2000 Child Care Market Rate Survey  
as indentified in the Fiscal Year 2007 Appropriation Report  
**(include 5% rate increase effective July 1 2007)**

**CENTERS**

Age Group	District I	District II	District III	District IV	District V	District VI
<b>Birth &lt; 1 yr:</b>						
Full day	31.71	28.35	23.52	22.05	31.50	33.60
Part day	23.52	20.79	19.32	19.95	26.25	26.25
<b>1 yr &lt; 3 yrs:</b>						
Full day	27.93	26.25	21.84	19.95	29.40	21.84
Part day	21.00	19.07	18.90	18.90	15.75	18.48
<b>3 yrs &lt; 6 yrs:</b>						
Full day	24.99	23.19	21.00	18.90	21.00	19.95
Part day	17.85	16.80	15.75	16.80	13.02	13.65
<b>6 yrs &lt; 13 yrs:</b>						
Full day	24.57	23.10	17.85	17.85	21.00	19.95
Part day	16.80	15.75	14.70	15.75	14.00	13.65

**GROUP HOMES**

Age Group	District I	District II	District III	District IV	District V	District VI
<b>Birth &lt; 1 yr:</b>						
Full day	25.20	23.10	24.15	21.00	19.95	22.26
Part day	16.80	16.80	24.15	14.70	13.13	18.90
<b>1 yr &lt; 3 yrs:</b>						
Full day	23.10	23.10	23.10	18.90	19.95	22.31
Part day	15.75	16.80	15.75	12.60	12.60	17.85
<b>3 yrs &lt; 6 yrs:</b>						
Full day	21.00	21.00	23.10	18.90	19.95	19.43
Part day	15.75	16.80	14.65	12.60	12.60	16.80
<b>6 yrs &lt; 13 yrs:</b>						
Full day	18.90	21.00	17.85	18.90	19.95	19.43
Part day	14.70	16.60	14.65	12.60	12.60	17.85

**CERTIFIED FAMILY HOMES & CERTIFIED IN-HOME PROVIDERS**

Age Group	District I	District II	District III	District IV	District V	District VI
<b>Birth &lt; 1 yr:</b>						
Full day	21.00	19.95	18.90	18.90	21.00	18.90
Part day	14.70	12.60	10.50	11.03	12.60	10.50
<b>1 yr &lt; 3 yrs:</b>						
Full day	21.00	18.90	17.85	17.85	21.00	17.85
Part day	13.65	12.60	10.50	11.03	11.55	10.50
<b>3 yrs &lt; 6 yrs:</b>						
Full day	18.90	18.90	16.80	17.85	18.90	16.80
Part day	12.60	12.60	10.50	11.03	10.50	10.50
<b>6 yrs &lt; 13 yrs:</b>						
Full day	17.85	18.90	16.80	16.80	18.90	16.80
Part day	12.60	11.55	10.50	10.50	10.50	10.50

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 \$11.03 for Full day and \$6.30 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 up to 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 |