



Arizona State Senate Issue Brief

July 10, 2015

Note to Reader:

The Senate Research Staff provides nonpartisan, objective legislative research, policy analysis and related assistance to the members of the Arizona State Senate. The *Research Briefs* series is intended to introduce a reader to various legislatively related issues and provide useful resources to assist the reader in learning more on a given topic. Because of frequent legislative and executive activity, topics may undergo frequent changes. Additionally, nothing in the *Brief* should be used to draw conclusions on the legality of an issue.

CHILD CARE ASSISTANCE

FEDERAL FUNDING AND GUIDELINES

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, with a mandatory copay (sometimes called transitional child care); 3) foster parents and relatives caring for children under the supervision of the Department of Child Safety (DCS); 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 *non-mandatory* category because the states exercise discretion in defining the categories and income eligibility requirements.

ARIZONA'S PROGRAM

In Arizona, the Department of Economic Security (DES) administers the child care assistance program for families with children 12 years of age or younger. Depending on the category, the length of time for which families are eligible to receive child care subsidies is restricted by statute. Families are limited to receiving child care assistance for six children per household. There is no specified time limit, however, for children in foster care or families referred by DCS.

Families in the non-mandatory 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. DES initiated a waiting list on February 18, 2009. As of May 2015, approximately 770 children are on the waiting list. Pursuant to the FY 2016 budget, the Legislature intends that the combined number of children authorized for the non-mandatory category be maintained throughout the year at a minimum of 8,500 children. DES projects that it will have the resources to exceed the minimum requirement and serve 10,500 children within that population.

ARIZONA ASSISTANCE RATES AND PAYMENTS

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.

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 2016, the average amount of assistance paid to child care providers per child is projected to be approximately \$326 per month. Actual assistance rates vary based on geographic area, the age of the child and the type of child care.

Child care providers must contract with DES to provide child care to children eligible for child care assistance. They 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, except under certain circumstances. 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.

ADDITIONAL RESOURCES

- Department of Economic Security Child Care Administration
www.azdes.gov/childcare
- Child Care Services Statutes: Arizona Revised Statutes, Title 46, Chapter 7
- Annual Appropriations Report, Joint Legislative Budget Committee
www.azleg.gov/jlbc.htm