

MEMORANDUM

October 20, 2009

TO: Health and Human Services Committee
Education Committee

FROM: Vivian Yao, Legislative Analyst 

SUBJECT: **Child Care Subsidies Update with Discussion of Commission for Women's Single Mothers and Poverty Recommendations**

Today, the Health and Human Services Committee and the Education Committee will have an update on child care subsidy programs and discuss the recommendations of the Commission for Women's Single Mothers and Poverty report as they relate to the County's childcare subsidy program. Kate Garvey, Chief, Children, Youth and Families, Department of Health and Human Services (DHHS), and JoAnn Barnes, Administrator, Income Supports and Child Care Subsidy Programs, DHHS, will present to the Committees. In addition, representatives of the Commission for Women (CFW) are expected to attend today's session.

During budget, the Committees requested a mid-year worksession to review child care subsidy enrollment trends, projections on spending out FY10 subsidy amounts, any anticipated wait lists for service, and efforts to increase subsidy levels for the Working Parent Assistance (WPA) program participants.

BACKGROUND ON STATE PURCHASE OF CARE (POC) AND COUNTY WPA ENROLLMENT

Because of disruption in the State POC subsidy program in January 2003, enrollment in WPA peaked at 618 children that year, and the program exhausted all of its funds within nine months. As a result, a WPA waiting list was instituted in October 2003 and continued until 2005. During this period, the Council added significant funding in several increments to reduce the waiting list. Since the POC program re-opened in 2005, WPA enrollment has increased steadily, but because of underutilization of WPA subsidies, the WPA budget sustained cuts in FY08 (\$550,000) and FY09 (\$311,360). The expenditures for WPA in FY09 slightly exceeded the budgeted amount of \$1,842,210 by \$893. The current funding for WPA subsidy dollars available for FY10 is level with FY09 amounts.

In the fall of 2008, the State Board of Public Works cut \$5.3 million from the State child care subsidy program. Enrollment in the program was not frozen because of downwardly revised estimates of enrollment for FY09, despite increased use of POC subsidies in Montgomery County that year.

CURRENT UTILIZATION TRENDS

Working Parent Assistance Program

Use of WPA subsidies has increased in the 1st quarter of FY10 by over 30 children per month on average compared to the previous year. According to DHHS, current projections suggest that there is funding to cover the existing WPA caseload and an additional 16 children at the current subsidy rate. A wait list may be instituted as early as January 2010 without additional funding. However, Council staff understands that the variance in monthly subsidy expenditures can be significant. Assuming the rate of expenditure stays at the same level as the first three months (\$389,087) of this fiscal year, the amount of subsidies generated would be \$1,556,348 or \$285,862 less than the budgeted \$1,842,210. See ©1-4.

Council staff notes that enrollment between FY09 and FY10 has decreased on average by 9 families per month. The receipt of WPA applications for the first three months has also fallen by about 13 applications per month on average. The application denial rate, which continues to be high at about 58%, has held fairly constant for the last several years. There also continues to be a variance between the number of children who are enrolled in WPA and the number of children for whom a subsidy is paid.

Purchase of Care Program

Use of the State's POC program has increased substantially in Montgomery County. On average, active cases are up by 345 children per month and 117 more children per month have been paid POC subsidies compared to the same time last year. Moreover, assuming the rate of expenditure stays at the same level as the first three months of the fiscal year (\$2,340,749), the amount of subsidies generated would be \$9.1 million, or \$2.2 million more than the amount expended last year.

DHHS representatives do not know whether the increased use of POC is a trend state-wide. Nor are they aware of any State plans to institute a wait list for POC or cut POC funding at this time.

Council staff recommends monitoring the use of WPA and POC and receiving quarterly reports through the end of the fiscal year to determine whether the program is on track to spend out its allocation for the year or whether existing funding is sufficient to support eligible clients. If the State freezes enrollment in POC due to increased enrollment or further cuts to the program, it is likely that WPA expenditures will increase based on historical usage trends.

INCREASING SUBSIDIES FOR ELIGIBLE FAMILIES

Even with subsidies, families with modest incomes must spend a significant portion of their income on licensed child care. The following chart is extrapolated from data provided by DHHS at ©5-8 and shows different scenarios of what families would pay to participate in the WPA program:

Family Composition	Type of Child Care	Gross Income	Monthly Tuition	Monthly Subsidy	Annual Co-Pay	% of Gross Income
1 Adult/1 Child	Infant	\$38,060	\$1,105	\$118	\$11,844	31%
1 Adult/1 Child	FT Preschool	\$28,946	\$890	\$198	\$8304	29%
2 Adults/2 Children	FT Preschool	\$34,024	\$1,834	\$949	\$10,629	31%
1 Adult/5 Children	1FT Preschool/4 Before After Care	\$54,187	\$890 \$3,108	\$1,056	\$35,304	65%

In the scenarios presented, the percentage of gross income that families pay for childcare ranges from 29%-65%. Council staff notes that the tuition figures are based on the average monthly cost of

care that is part of the WPA subsidy calculations. It is a weighted cost of care based on the number of WPA participating centers and homes. The actual costs to a family may be lower if it finds a lower-cost qualified provider or if the provider absorbs some of the costs through scholarships.

Community advocates have expressed concern about the obstacles to accessing quality, licensed care created by high co-payments. The Commission for Women in its report on Single Mothers and Poverty and the Universal Preschool Implementation Work Group recommended that the County modify its child care subsidy program so that eligible families are required to spend no more than 10% of family income for child care. Childcare providers in the County have also expressed concern that co-pays for child care subsidy programs are too high.

The Committees have also previously expressed concern about the level of family contributions and asked to hear the Department's recommendations on how to lower WPA co-payments. During budget discussions, the Department reported that effective for March 2009 payments, the WPA program would issue supplemental subsidy checks to families for the remainder of FY09 while WPA payment tables were being updated. Depending on income, a family received a 10-20% supplemental increase. **The Department did not continue issuing supplemental subsidy checks to families in FY10, nor did it implement updated WPA payment tables, which would have required additional subsidy funding of \$2.7 million and resulted in a subsidy rate 148% higher than current tables. See ©9.**

The Department developed the table at ©9 to show various approaches for limiting the amount of family childcare payments, including the approach of updating the WPA tables. All new approaches require increased funding from \$368,000 to \$3.6 million and would likely result in a wait list. The chart also shows how much each approach would increase subsidies to families. The most costly alternative is limiting payments to 10% of family income, recommended in the CFW report.

Although it may be difficult to achieve the subsidy level recommended by the CFW in the near term, the Committees may be interested in discussing the pros and cons of the various approaches outlined by DHHS and highlight any preferences that may inform FY11 budget discussions. In any case, monitoring the status of current subsidy funding will provide information relevant to the decision to offer higher subsidies to families, e.g., whether there is an increase in subsidy use rates, whether a waitlist is implemented; and whether projections suggest that existing funding will not be spent.

REMOVAL OF CHILD SUPPORT COOPERATION REQUIREMENT

The CFW Single Mothers and Poverty report recommended that the County modify its child care subsidy program to remove the child support cooperation requirements. In response to this recommendation, the Department reports that the WPA and POC programs both provide waivers to the requirement to actively pursue child support if cooperation is reasonably anticipated to result in physical or emotional harm, as in the case of domestic violence. The program also reduces the applicant's responsibility if the absent parent cannot be found. These two exceptions allow families to access benefits when pursuing child support is not reasonable. This approach keeps the requirement to pursue child support in place where the absent parent is financially able to provide support.

The Department believes that it is important to continue the current approach which makes allowances for special situations to protect vulnerable families and recognizes that child support increases the economic stability of children.

**Working Parents Assistance Program
Responses to Council Staff Questions
Session Date: 10/22/09**

Could you provide monthly program data for FY09 and FY10 for POC and WPA including # of children served (paid), # of children enrolled, average monthly subsidy, # applications received, # eligible, reasons for application denials and FY10 expenditures to date?

	POC		WPA	
	FY09	FY10 (As of 9/30)	FY09	FY10 (As of 9/30)
# of children served (paid) (average monthly)	1357	1321*	337	347
# of families enrolled	1386	1630	285	273
# applications received	3483	1220	790	199
# applications approved	1335	359	312	84
Average monthly subsidy (low/high)	\$382/\$404	\$487/\$530	\$389/\$477	\$434/\$460
Expenditures	\$7,134,773	\$2,340,749	\$1,843,103	\$389,087

* FY10 payments include summer months which are historically lower enrollment.

Primary Reasons for Denials:
15% of denials are for over scale income. This is currently the highest reason for denials. Other reasons include failure to return documents, moved to another area, no longer employed.

Is the program on track to spend out its FY10 appropriation for WPA? Does the Department anticipate needing supplemental funding to carry currently enrolled families through the end of the fiscal year? If additional funding is not available, does the Department anticipate needing to implement a wait list for services?

Based on current projections, there is enough funding to cover the existing WPA caseload and an additional 16 children at the current subsidy rate. It is anticipated that a wait list could occur as early as January 2010. Unfortunately, after just re-building the caseload through aggressive outreach, a waitlist will re-start the cycle that caused many parents to seek options other than licensed quality care. We have witnessed that it is very difficult to draw families back into the program.

During budget, DHHS reported that it issued supplemental WPA subsidy checks to parents at the end of FY09 to lower the contribution that families need to make to participate in the program while payment tables were being updated. Did the Department carry this effort forward in FY10 or complete the process of updating its payment tables?

The increased subsidy payments that were made during March through June have not continued into the new Fiscal Year due to the increased caseload and limited budgeted funds. The subsidy tables were updated, but the cost of care and the increase in regional Consumer Price Index (CPI) resulted in a table that increased subsidies to a rate 148% higher than the current tables. These rates have not been implemented at this time pending a review of other alternatives.

Please provide updates to the scenarios that were presented to the Committees last fall that reflects what families must currently contribute to participate in the WPA program factoring in supplemental subsidies or updated payment tables.
Please see the attached scenarios.

Has the WPA workgroup met or worked on any issues since last fall? If so, please provide an update on their efforts.

The WPA Workgroup met in May 2009 and focused primarily on the issue of co-payments and the true out-of-pocket costs for low income families receiving subsidies. The recommendations from that meeting helped to formulate various options for restructuring the subsidy tables. The attached table shows the implications for each of the subsidy formulas.

The Commission for Women in its report on Single Mothers and Poverty recommended that the County modify its child care subsidy program (1) so that an eligible family is required to spend no more than 10% of its income for child care and (2) to remove the child support cooperation requirements from Montgomery County's child care subsidy program. What is the Department's response to these recommendations?

The attached table shows the potential cost of limiting co-payments for families. We will continue to explore the feasibility of these various approaches, with the hope that we can meet the growing needs of families while continuing to serve the increased number of new families.

Regarding the recommendation to remove the child support requirement, the WPA program and the POC program both have an allowance to remove this requirement related to the endangerment of the applicant or his/her family, usually due to domestic violence. The program also reduces the applicant's responsibility if they can not find the absent parent. These two exceptions allow families to access the benefits when pursuing child support is not reasonable. This approach does keep the requirement in place for families where the absent parent is financially able to support his or her child.

CCSP Case Mgmt Statistics

FY09

POC	Applications		Active Cases
	# New Apps.	# New Apps.	
	Taken	Approved	
July	288	97	1154
August	374	123	1213
September	381	137	1272
October	311	136	1314
November	231	84	1280
December	218	94	1206
January	258	94	1236
February	252	108	1282
March	303	128	1302
April	312	123	1398
May	279	96	1381
June	276	115	1386
YTD	3483	1335	

WPA	Applications		Active Cases
	# New Apps.	# New Apps.	
	Taken	Approved	
July	57	20	270
August	95	29	276
September	92	38	286
October	73	27	292
November	51	31	292
December	52	24	291
January	62	14	284
February	76	20	270
March	55	24	279
April	60	27	279
May	60	21	277
June	57	37	285
YTD	790	312	

CCSP Case Mgmt Statistics

FY10

POC	Applications		Active Cases
	# New Apps.	# New Apps.	
	Taken	Approved	
July	342	102	1465
August	469	126	1607
September	409	131	1630
October			
November			
December			
January			
February			
March			
April			
May			
June			
YTD	1220	359	

WPA	Applications		Active Cases
	# New Apps.	# New Apps.	
	Taken	Approved	
July	73	32	262
August	66	31	269
September	60	21	273
October			
November			
December			
January			
February			
March			
April			
May			
June			
YTD	199	84	

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FY2009

WPA

Payment Month FY09	Paid Case Count	Children Paid
August	208	314
September	205	315
October	219	304
November	260	379
December	247	362
January	250	367
February	247	262
March	227	325
April	228	336
May	224	335
June	244	356
July	260	385
Average Per Month	235	337

FY2010

WPA

Payment Month FY10	Paid Case Count	Children Paid
August	292	385
September	227	342
October	211	313
November		
December		
January		
February		
March		
April		
May		
June		
July		
Average Per Month	243	347

The POC Number of Children Paid is below (We do not have an unduplicated number of cases (families))

POC

Payment Month FY09	Paid Case Count	Children Paid
August	Not Available	1222
September	"	1187
October	"	1202
November	"	1342
December	"	1314
January	"	1374
February	"	1340
March	"	1277
April	"	1340
May	"	1373
June	"	1361
July	"	1449
Average Per Month	N/A	1351

POC (corrected)

Payment Month FY10	Paid Case Count	Children Paid
August	Not Available	1369
September	"	1282
October	"	1313
December	"	
January	"	
February	"	
March	"	
April	"	
May	"	
June	"	
July	"	
Average Per Month	N/A	1321

Family #1

Gross Income	\$ 54,187.00				
Household size		6	Option A	Current Subsidy Tables	\$ 1,056.00
Parent		1	Option B	Current Tables plus 20%	\$ 1,267.00
Child		5	Option C	New Tiered Subsidy Table	\$ 1,600.00
Type and Average Cost of Care			Option D	Updated WPA Tables	\$ 3,453.00
- Infant Care			Option E	Limit Co-Pay to 10% of Income	\$ 3,546.00
1 Full time Preschool	\$ 890.00				
4 Before and After School	\$ 3,108.00				



Family #2

Gross Income	\$ 34,024.00			
Household size				
Parent	2	Option A	Current Subsidy Tables	\$ 949.00
Child	2	Option B	Current Tables plus 20%	\$ 1,139.00
Type and Average Cost of Care		Option C	New Tiered Subsidy Table	\$ 917.00
Infant Care		Option D	Updated WPA Tables	\$ 1,455.00
2 Full time Preschool	\$ 1,834.00	Option E	Limit Co-Pay to 10% of Income	\$ 1,550.00
Before and After School				

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Family #3

Gross Income	\$ 28,946.00
Household size	2
Parent	1
Child	1
Type and Average Cost of Care	
Infant Care	
1 Full time Preschool	\$ 890.00
Before and After School	

Description		Total Monthly Subsidy
Option A	Current Subsidy Tables	\$ 198.00
Option B	Current Tables plus 20%	\$ 238.00
Option C	New Tiered Subsidy Table	\$ 445.00
Option D	Updated WPA Tables	\$ 458.00
Option E	Limit Co-Pay to 10% of Income	\$ 649.00

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Family #4

		Description		Total Monthly Subsidy
Gross Income	\$ 38,060.00			
Household size	2	Option A	Current Subsidy Tables	\$ 118.00
Parent	1	Option B	Current Tables plus 20%	\$ 142.00
Child	1	Option C	New Tiered Subsidy Table	\$ 553.00
		Option D	Updated WPA Tables	\$ 539.00
Infant Care	\$ 1,105.00	Option E	Limit Co-Pay to 10% of Income	\$ 788.00
Full time Preschool				
Before and After School				



Updating WPA Tables - Summary of Scenarios

Improving the affordability of child care subsidies has been the focus of all WPA stakeholders and was re-emphasized in the May 2009 WPA Workgroup meeting. Sampling 18% of the caseload, we compared several models for improving the calculation of the WPA subsidy.

	Option A	Option B	Option C	Option D	Option E
	Current Subsidy Tables	Increase Current Tables by 20%	New Tiered WPA Proposal	Update WPA tables from FY06 to FY09	Limit Co-pay to 10% of Family Income
Description of Option	These amounts represent the current voucher amounts authorized by the three year old WPA Subsidy Table. One subsidy is calculated per family and distributed among the children until the amount is exhausted.	These amounts represent the current voucher amounts increased by 20%.	Families, if within the combination of household size and income, and in an approved worked activity, would be eligible for a subsidy. This is very similar to the construction of the POC rates table.	The primary reasons for the significant change over the three year old tables is the increase in the cost of child care. In addition, the CPI for the Washington Metropolitan region has increased significantly.	These amounts represent a scenario where eligible families only pay up to 10% of their gross income as a co-payment. The child care cost that exceeds 10% of the income would be covered by the WPA program.
Child subsidy or family subsidy	One subsidy is calculated per family and distributed among the children until the amount is exhausted.	One subsidy is calculated per family and distributed among the children until the amount is exhausted.	Each child receives a subsidy, the program would no longer calculate a family subsidy.	One subsidy is calculated per family and distributed among the children until the amount is exhausted.	Each child receives a subsidy, the program would no longer calculate a family subsidy.
Projected Number of Children Served	372	372	372	372	372
Estimated Cost - Annualized	\$1,842,210	\$2,210,652 Increase of \$368,442	\$3,131,757 Increase of \$1,289,547	\$4,568,681 Increase of \$2,726,471	\$5,434,520 Increase of \$3,592,310
Estimated Cost Nov 1 implementation	\$1,842,210	\$2,118,542	\$2,809,370	\$3,887,063	\$4,536,442
Result in a Wait List?	YES	YES	YES	YES	YES
Potential for Growth (additional children)	16	16	N/A	N/A	N/A
Estimated cost per additional child	\$413 mo/\$4,956 yr	\$495 mo/\$5,947 yr	\$701 mo/\$8,412 yr	\$1,023 mo/\$12,276 yr	\$1,217 mo/\$14,604 yr

