

MEMORANDUM

February 8, 2011

TO: Health and Human Services Committee
Education Committee

FROM: Vivian Yao, Legislative Analyst 

SUBJECT: **Child Care Subsidies Update**

The Health and Human Services Committee and the Education Committee will receive an update on the State Purchase of Care (POC) and the County Working Parents Assistance (WPA) child care subsidy programs. 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.

During consideration of the Department's FY11 Operating Budget, the Committees requested a mid-year worksession to review child care subsidy trends and any impact of changes to the State's POC program on childcare providers and families. Update information provided by the Department is attached at ©1-2.

I. BACKGROUND

Differences between the POC and WPA Programs

Both the State POC and County WPA programs provide assistance to income-eligible families with child care payments while parents work or attend school. Not all children who are eligible for POC are eligible for WPA. The eligibility rules for the WPA and POC programs differ in several areas:

- **Child Support:** WPA requires stricter standards for pursuing child support than POC; the child support must be enforced by a court order. Voluntary agreements are not acceptable.
- **Work Activity:** WPA requires participants to have 30 hours of an approved work activity to be eligible for a subsidy, while POC does not set a minimum number of hours and can issue a part time voucher.
- **Informal Care:** POC subsidizes some forms of informal care, while WPA allows only licensed care.

Prior POC Waiting List Impact on WPA

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.

In the absence of a freeze in POC enrollment, the number of children who have received WPA subsidies has remained relatively steady since FY08 at monthly averages ranging from 323 to 342 children served.

Funding Reductions to POC and WPA

Because of underutilization of WPA subsidies, the WPA budget sustained cuts in FY08 (\$550,000) and FY09 (\$311,360). The Department fully spent the amounts budgeted for WPA subsidies in FY09 and FY10. The current funding for WPA subsidy dollars available for FY11 at \$1,842,210 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 at that time because of downwardly revised estimates of enrollment for FY09, despite increased use of POC subsidies in Montgomery County. During FY10, the Department received notice that a POC waitlist was to be implemented on February 15, 2010, but the State reversed its decision before the start date.

II. CURRENT UTILIZATION TRENDS

POC

Use of the State's POC program has increased substantially in Montgomery County over the last fiscal year. In July 2009, POC subsidies were paid for approximately 1584 children, and by June 2010, that number grew to 1821 children, a 15% increase. During the Committees' review of the Department's FY11 Operating Budget, the Department explained that during this fiscally challenging time more clients were qualifying for and being directed to the State POC program. As a result, the WPA program had averaged fewer clients per month in FY10. POC usage data for current fiscal year is not available at this time.

The Department reports that the State will begin a waiting list for the POC program effective on February 28, 2011. Council staff notes that based on historical usage trends, the State's decision to freeze enrollment in POC will likely result in increased expenditures for the local WPA program. If current WPA subsidy funding levels cannot absorb a potential influx in enrollment of eligible families that have been wait listed for POC subsidies, a WPA program waitlist may need to be implemented locally.

The Department notes that the Governor's FY12 State proposed budget indicates a possible increase of approximately \$9.3 million over the current year's appropriation for child care subsidies, which if approved, may obviate the need to continue the POC waiting list into FY12. The Department is monitoring these developments closely.

Shifting Responsibility of Making POC Payments

During consideration of the Department's FY11 Operating Budget, the Committees learned that the State would be assuming the responsibility of cutting POC checks, a function previously performed by the County. The County would retain programmatic and fiscal responsibilities related to the program. The Committees requested a status update on the impact of the transition.

The Department reports that there were minor issues related to the transition. In particular, providers had more difficulty connecting directly with a person to answer questions or resolve issues. Since the transition, no significant issues have surfaced and the volume of complaints has been relatively small.

WORKING PARENT ASSISTANCE PROGRAM

Use of WPA subsidies has remained relatively steady in the last several years with a slight downward trend in the last two years. The following chart shows the monthly average of children who received subsidies by fiscal year:

Fiscal Year	Average Number of Children Served Per Month
FY08	337
FY09	342
FY10	324
FY11 to date	323

The Department's Monthly Trends Report shows that for December 2010, 359 children were supported with WPA subsidies. As of December 31, the Department reports that 419 children were enrolled in the program. **The Department reports that the program is on track to spend its subsidy allocation for FY11. The program has enough funds to provide subsidies to the currently enrolled families through the end of the fiscal year and estimates being able to add an additional 22 new children into WPA during the remainder of FY11.**

The Committees will have the opportunity to review the status of POC and WPA enrollment during budget. If the Department decides that a waiting list must be implemented for the WPA program, the Committees should request notification in writing from the Department at the time it makes the decision to implement a waiting list.

Increasing Subsidies for Eligible Families

The Committees have previously expressed concern about the level of family contributions needed to participate in the WPA program. Even with subsidies, families with modest incomes must spend a significant portion of their income on licensed child care. The following chart¹ summarizes data provided which shows what families need to contribute based on different family scenarios:

¹ The Department provided information summarized in the chart and reviewed by the Committees in fall 2009. The Department confirmed that the scenarios presented earlier have not changed because incomes have remained stagnant, but noted that in some cases, the average cost of care factored into the scenarios increased slightly.

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, which 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.

The Department was able to provide supplemental WPA subsidy checks in FY09 to lower the cost of family contributions, but no supplemental amounts were provided in FY10 due to challenging budget circumstances. **For FY11, the Department had planned to expend approximately \$50,000 in supplemental payments, but the recent notification of the POC waiting list may prevent the issuance of supplemental checks.**

Although Community advocates have 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, this target has not been achievable as a result of recent budget constraints.

County Council Health and Human Services and Education Committees:
Child Care Subsidies Update
 February 10, 2011

Could you provide the monthly program data for FY10 and FY11 to date for POC and WPA including # of children served (paid), # of children enrolled, average monthly subsidy, # of applications received, # of application approved, reasons for application denials and FY11 expenditures to date?

	POC		WPA	
	FY10	FY11 (As of 12/31/10)	FY10	FY11 (As of 12/31/10)
# of children served (paid - average monthly)	1,710	1,745*	324	323
# of families enrolled	1,658	1,678	287	277
# of children enrolled	N/A**	N/A**	432	419
# of applications received	3,860	2077	618	304
# applications approved	1,254	731	252	131
Average monthly subsidy (low/high)	\$363/\$441	\$381/\$470*	\$386/\$455	\$344/\$443
Expenditures	\$8,187,217	\$2,281,550*	\$1,654,960	\$720,231

Notes

* POC children paid and expenditure data is as of 9/30/10 from MSDE; reporting is delayed.

** Data is not available for MSDE

Primary Reasons for Denials:

In the WPA program, more than 60% of denials are a result of applicants being over income for the program. The other major reasons for denial include required documents not returned, families moving out of the area, or loss or reduction in employment.

Is the program on track to spend out its FY11 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?

The program is on track to spend the subsidy allocation for FY11. We have monitored enrollment during the first six month of the fiscal year and the majority of new families applying for Child Care Subsidies are being determined eligible for the State funded Purchase of Care program. We have enough funds to provide subsidies to the currently enrolled families through the end of this fiscal year. On February 3, 2011, it was announced that the State funded Purchase of Care program will begin a waiting list effective February 28, 2011. We will be monitoring the situation closely.

To what extent did DHHS issue supplemental WPA subsidy checks to parents in FY10 or FY11 to lower the contribution that families need to make to participate in the program? If so, how many families received a supplement, how long did families receive supplemental checks, how much were family contributions lowered, and how much overall was spent on supplemental payments? If the Department has not issued supplemental checks in FY11, does it anticipate that it will do so later in the fiscal year?

There were no supplemental WPA subsidy checks issued in FY10 due to the very challenging budget circumstances. The department had planned to expend approximately \$50,000 in supplements to be paid over a period of 3 to 5 months in FY11, however, the very recent notification of the POC waiting list may keep us from issuing these supplements.

Are the scenarios that were presented to the Committees last up-to-date and do they reflect what families must currently contribute to participate in the WPA program? If not, can you provide updated scenarios?

The family scenarios for WPA and POC have not changed. Income has remained stagnant for the families, although in some cases, the average cost of care factored into these scenarios has increased slightly.

What is the status of the POC program? Is there any indication that the State will need to institute a wait list in FY11?

A waiting list will be instituted on February 28, 2011. The Governor's FY12 State proposed budget indicates a possible increase of approximately \$9.3 million over the current year's appropriation for child care subsidies, so there is hope that the waiting list will not continue in FY12.

Have there been any issues affecting POC clients or providers arising from the shifting of responsibility for cutting POC checks from the County to the State?

Initially, there were minor issues reported related to this major transition. Since the transition, there have not been any significant issues and the volume of complaints has been relatively small.