

HHS/ED COMMITTEE #2
December 3, 2012
Update

MEMORANDUM

November 29, 2012

TO: Health and Human Services Committee
Education Committee

FROM: Vivian Yao, Legislative Analyst 

SUBJECT: **Update -- Child Care Subsidies**

The Health and Human Services and the Education Committees will receive an update on the State child care subsidy program, formerly called Purchase of Care (POC), and the County Working Parents Assistance (WPA) child care subsidy program. Kate Garvey, Chief, Children, Youth and Families (CYF), Department of Health and Human Services (DHHS), and JoAnn Barnes, Deputy Chief, CYF, DHHS, will present to the Committees. DHHS responses to Council staff questions are attached at ©1-4.

BACKGROUND

In its recently issued annual report, the Montgomery County Commission on Child Care emphasized the need and importance of adequately funding child care subsidies. The Commission reports that "[m]any families in Montgomery County still cannot afford the high cost of quality child care. As a result, many children miss out on educational and social opportunities critical to school readiness." The Commission report cites a recent study in *Child Development* that confirms the importance of child care subsidies for working families: "[F]amilies receiving child care assistance have access to better quality care accessed by comparable families who are unable to get help." The report also highlights that "a body of research supports that subsidies increase the likelihood of stable employment and increased earnings." The Commission concludes that subsidy programs are not only critical to the well-being of children, but also improve the socio-economic status of the families and expand the tax-base, thus benefitting the whole community.

The State and WPA programs are the two child care subsidy programs that serve Montgomery County residents. In recent discussions about the status of the child care subsidy programs, the Committees learned that the State instituted a wait list for its program on February 28, 2011, and as a result of growing demand and limited funding, the County's WPA program implemented a wait list effective on July 1, 2011. Committee members also heard about the substantial co-pays required of families to participate in the WPA program and expressed the need to revisit childcare subsidy policies when the economy rebounds.

During consideration of the Department's FY13 Operating Budget, the Committees reviewed child care subsidy use trends and the magnitude of the wait lists for the POC and WPA program. The following table shows the increase in the WPA and POC wait lists from August 31, 2011 to March 2, 2012 as reviewed by the Committees.

	POC		WPA	
As of 8/31/11	670 families	1,116 children	39 families	56 children
As of 2/29/12	1,152 families	1,904 children	94 families	147 children

Councilmembers expressed concerns about the growing wait list numbers, the inability for working parents to access resources needed to access quality child care, and the potential negative effect on the educational outcomes for children without quality child care options. **As a result, the Council approved an increase of \$500,000 for Working Parents Assistance child care subsidies in FY13, bringing the total amount available for subsidies to \$2,292,210.**

PROGRAM UPDATE

As of October 26, 2012, the State's subsidy program had a total of 1,467 families or 2,544 children from Montgomery County on its wait list. The State partially lifted the wait list in late November for eligible families within the first three levels of income per household size according to program regulations. **It is not clear to what extent this partial lifting will affect Montgomery County families.** The Department reports that it would cost the State approximately \$1.053 million per month to eliminate the wait list state-wide assuming all families remained eligible. The Commission on Child Care annual report emphasizes that because the State program remains underfunded, challenges in accessing quality care will remain for income eligible families in Montgomery County.

The Department reports that there is no wait list for the WPA program; the wait list ended in April 2012. The following chart reports enrollment, average monthly subsidy and application information, as available, for the two programs in FY11 and FY12.

	FY12		FY11	
	State CCSP	WPA	State CCSP	WPA
# of children served (paid) monthly average	1229	287	1829	345
# of children enrolled	MSDE not available	374	Not available	447
average monthly subsidy	\$414	\$462	\$407	\$433
# of applications received - total	3,220 *	486 *	4,002 *	809 *
# of applications approved - total	901 *	127 *	1,274 *	334 *

* numbers not an unduplicated count

The Department also reports that there was a remaining balance in FY12 of \$157,600 for WPA subsidies. Although the Department accepted many wait listed POC families into WPA, the unspent amount resulted from factors including the balancing of program expansion with the ability to sustain the program growth into the next fiscal year (FY13) and the ability to project expenditures when not all issued vouchers are used. The Department is planning to address the ongoing dynamic of families not using vouchers because of the high cost of care by increasing the total monthly subsidy for each family. In addition, outreach will be done to ensure that more families are reached.

The Committees may want to discuss with the Department whether there are other mechanisms that can be used to ensure that available funding is used to help working families access to quality child care, e.g., supplemental subsidy checks for enrolled families or factoring in recent trends in voucher use. This is particularly important at a time when there are significant numbers of waiting families and a recognized need for increased subsidy funding.

During discussion of the FY13 Operating Budget for DHHS, Committee members expressed interest in reviewing the policy requiring child care subsidy recipients to pursue child support payment and requesting that the Department consider whether policy improvements are recommended. The Department considered the request of the Committees and does not recommend removing the child support requirement (see ©3-4 for background information on the child support requirement.) The Department reports that it is willing to explore alternative approaches to achieve a greater level of economic security for children in the subsidy program.

DHHS Child Care Subsidy Responses to Council Staff Questions

November 2012

- Please provide a status update on POC and WPA waitlist. How many individuals are currently on the waitlist for the POC and WPA programs? Has there been a waitlist for the programs since the beginning of the fiscal year for WPA? If not, please identify any period when a waitlist existed? What is the approved State funding for child care subsidies in FY13 (and increase/decrease from FY12 level)? How much funding is needed to eliminate the State POC waitlist? Any WPA waitlist?

The State's Child Care Subsidy Program, formerly called Purchase of Care (POC), had a total wait list for Montgomery County of 1,467 families or 2,544 children as of 10/26/12. The State imposed a wait list in February 2011. The wait list will be partially lifted effective November 19, 2012 with the State serving those eligible families within the first 3 levels of income per household size according to program regulations. Based on the FY12 monthly average cost per child it would cost the State \$1,053,216 per month to eliminate the wait list *assuming* all families remained eligible.

There is no wait list in the County Working Parents Assistance Program (WPA). The WPA wait list which began July 2011 ended April 2012.

The Maryland State Department of Education (MSDE) does not issue a yearly allocation at the local level. They monitor expenditures through the statewide automated system and pay all vouchers authorized by Montgomery County. State Child Care Subsidy expenditures totaled \$6,112,001 in FY12 and \$8,937,127 in FY11. The WPA appropriation for FY12 was \$1,792,210. In FY13, the WPA appropriation is \$2,292,210.

- Could you provide the monthly program data for FY11 and FY12 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 FY12 expenditures to date?

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average monthly subsidy	\$414	\$462	\$407	\$433
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The most common reasons for application denials are:

WPA

- activity less than 30 hours per week
- failed to return documentation
- over income
- unwilling to pursue court ordered child support
- desire to use informal child care

POC

- failed to return documentation
- over income
- no activity
- withdrew TCA application
- moved to another county

- Did the program fully spend its FY12 appropriation for WPA? Is the program on track to spend out its FY13 appropriation? Does the Department anticipate needing supplemental funding to carry currently enrolled families through the end of the fiscal year?

Currently, there is not enough expenditure data to estimate the FY13 expenditures for the State Child Care Subsidy program. The State database has a five month lag in expenditure data. Since the State will pay all vouchers submitted for payment, as described above, there is not a concern that current families will be served.

Even after accepting many wait listed POC families into WPA, the FY12 WPA appropriation wasn't fully expended largely because of the efforts to balance the ability to expand the program and to sustain that growth in FY13. Another factor complicating the ability to project expenditures precisely was the number of vouchers issued to families and not actually used. As a result, there was a remaining balance in FY12 of \$157,600.

The dynamic of families receiving vouchers but not utilizing them has continued into this fiscal year. In order address this issue, which is caused largely by the high cost of care, the program is planning to increase the total monthly subsidy for each family this fiscal year. In addition, outreach will be done to ensure that increased families are reached. With these strategies WPA will be on track to fully expend the FY13 appropriation. As of this date, the Department does not anticipate needing more funding to provide subsidies to eligible families in FY13.

- During discussion of the FY13 Operating Budget for DHHS, Committee members expressed interest in re-visiting the policy of requiring child care subsidy recipients pursue child support payments discussing how the policy is implemented, understanding to what extent it prevents families from accessing needed supports, and hearing from the Department, whether it has suggestions for policy improvement. Would DHHS be able to provide a short summary of the policy, the history of how the policy was developed, and whether the Department has suggestions for policy improvement?

The POC and WPA child support requirements call for a parent to be willing to pursue child support. Actual establishment of a court order and receipt of child support is not mandatory for either program. It is recognized that parental responsibility is an obligation of both custodial and non-custodial parents. Establishment of paternity is a cornerstone for children, giving them a sense of identity and a connection to both sides of their family, while ensuring lifelong protections through insurance, access to medical history and even survivor benefits.

In 1986, when WPA was created it supported the program goal of providing assistance so that families could move towards self-sufficiency. The philosophy of WPA was that both parents – custodial and non-custodial – were financially responsible for their child(ren). The parent applying for WPA had to provide enough identifying information about the absent parent for the Office of Child Support Enforcement (OSCE) to pursue court ordered child support with the custodial parent. The child support requirements at that time were quite stringent.

There was no exception to the requirement for good cause at that time, nor was there an exemption to the pursuit of child support if the custodial parent reported that the absent parent was out of the country. WPA had a designated staff person to work with Child Support Enforcement and a dedicated trainer to educate parents about the benefits and process for pursuing child support through legal channels. If OCSE closed their case then the WPA case was closed also.

HHS recognized that it is not always possible to pursue child support, so in 2004, WPA was codified in County regulations and included a waiver for “good cause.” Section 2-Eligibility 2.1 General Eligibility (e) Pursuit of child support states that the “applicant or client must be receiving or actively pursuing child support for all children in the household, if the applicant or client is not living with the other parent of the children.”

The regulations allow the program administrator to waive the child support requirement for good cause. Good cause means circumstances in which cooperation of the applicant or client in pursuit of child support may be contrary to the interest of the child for whom support is being sought. These circumstances are:

- (A) when cooperation is reasonably anticipated to result in physical or emotional harm to an identifiable person;
- (B) when the child was conceived as a result of incest or rape;

(C) when legal proceedings for the child's adoption are pending before a court of competent jurisdiction; or

(D) when the applicant or client is currently being assisted by a public or licensed private social service agency to resolve the issue of whether to keep the child or relinquish the child for adoption and the discussions have not gone on for more than three months.

Currently, a WPA case will not close if OCSE closes their case with reason of "unable to locate" or if custodial parent is reported to live in country where there is no reciprocity.

Child support has a significant impact on the economic status and quality of life for children. Studies indicate greater involvement of non-custodial parents in the lives of their children when child support is paid. Child Support exists to raise the standard of living for children by enforcing their right to receive financial support from both of their parents. Additionally, the case managers in the program provide information to the parent of the other benefits of establishing paternity that go beyond the provision of funds. HHS does not recommend removing the child support requirement but is willing to explore alternative approaches to achieve a greater level of economic security for the children in the program.