

HHS/ED COMMITTEE #1
October 22, 2015
Update

MEMORANDUM

October 20, 2015

TO: Health and Human Services Committee
Education Committee

FROM: Vivian Yao, Legislative Analyst 

SUBJECT: Update—Child Care Subsidy programs

The Health and Human Services and the Education Committees will receive an update on the State and County child care subsidy programs. The following individuals are expected to participate in the discussion:

- Uma Ahluwalia, Director, Department of Health and Human Services (DHHS)
- JoAnn Barnes, Chief, Children, Youth, and Families DHHS

Child Care Subsidy Programs

The State Child Care Subsidy Program (SCCSP), formerly known as Purchase of Care (POC), and the County's Working Parents Assistance (WPA) programs are the two child care subsidy programs that serve Montgomery County residents. The Joint Committee has monitored the use of child care subsidies by Montgomery County residents for many years. Because available funding for subsidies has fluctuated as a result of economic conditions, wait lists for the State and County programs have affected the ability of Montgomery County families to participate in subsidy programs. During the most recent economic downturn, Committee members heard about the substantial co-pays required of families to participate in the WPA program and the need to revisit child care subsidy policies.

In response to Council Resolution 17-9345 requesting that the Executive convene a work group to review the WPA program, the Executive convened the WPA Work Group which first reported its recommendations in the spring of 2014. The WPA Work Group also reconvened at the request of the Council to review the State and County child care subsidy programs and make recommendations to address the disparity that would be exacerbated from the Work Group's

earlier recommendation for updating the WPA subsidy tables. The State program serves the County's lowest income families. The County's WPA legislation requires that families first apply for the State program; those who qualify for the State program are not eligible to receive WPA subsidies. **Updating the WPA subsidy tables would result in higher income families receiving a higher level of subsidy than lower income families who are restricted by County law to participating in the State program.**

For FY16, the Council approved \$3,181,760 in funding for child care subsidies. This funding included \$2,630,880 to support the County's WPA program and \$550,880 to increase the subsidies available to the County's most vulnerable families, that participate in the State Child Care Subsidy Program. **Because of limited funding, the Council targeted the funding for supplemental payments for children ages 2-5 whose families are in the lowest incomes brackets.**

State SCCSP Wait List

Currently, Executive reports that the State SCCSP has 2 out of 10 income brackets in frozen/wait list status. The frozen income brackets allowed the SCCSP to pay a 2.5% subsidy increase to providers that went into effect on January 1, 2015. The Department reports that as of September 30, the SCCSP waitlist has 706 children and 286 families from Montgomery County. The number of children from the County is the highest in the State.

WPA Waitlist and Implementation of the 2014 WPA Workgroup Recommendations

The Department implemented a waitlist on the WPA program effective June 22, 2015 to freeze program growth at a level that would allow implementation of revised subsidy tables for residents who qualify for WPA. The Department reports that it will submit draft changes to WPA regulations by April 30, 2016.

The Department reports that as of September 30, the WPA waitlist has 71 families and 103 children. The Department will use a replacement mode for managing the WPA waitlist. When one child's enrollment in the program ends, another child will be enrolled in the program from the waitlist.

In the July 17 Memorandum from the DHHS Director to the Council President (©1), Director Ahluwalia requested flexibility to allocate a portion of the FY16 increase in funding for child care subsidies to the WPA program, if necessary. The Department Director explained that the flexibility would help meet the following goals: (1) improving access to quality care and school readiness; (2) creating equity between children served by the SCCSP and WPA program, and (3) updating the WPA subsidy tables.

The Department has proposed redirecting \$250,000 of the funding approved by the Council to support the children to the WPA program by implementing the proposed subsidy table beginning in November 2015. The remaining funding of \$300,000 will be used as directed by Council to supplement families with children ages 2-5 in the State Child Care Subsidy Program

who would otherwise meet WPA program requirements. The Department expects to supplement payments to providers twice per fiscal year starting in December 2015.

Council staff notes that the Council added funding to increase subsidy payments for the most vulnerable County residents. Although Council staff acknowledges that there continues to be a problem of under-funding and under-utilization of the WPA program because families cannot afford to participate, funding approved by the Council should not be redirected for a purpose other than what the Council intended. If the Executive is interested in adjusting WPA subsidy levels, then he should provide the needed resources instead of using resources targeted by the Council for a different purpose.

The Council will have the opportunity to consider in the context of FY17 budget discussions whether additional funding is available to provide greater access to child care subsidies. If the plan to implement revised WPA subsidy tables moves forward, the Council will need to balance the interest in addressing the WPA waitlist with the interest in addressing equity issues for low-income SCCSP participants, i.e., bringing their subsidy closer to what they would receive if they were allowed to participate in WPA.

WPA Use Update

To address concerns about growing wait list numbers, the inability for working parents to access quality child care, and the potential negative effect on the educational outcomes for children without quality child care options, the Council has increased the funding level for WPA in recent years. The following table shows four-year trend data for WPA subsidy use.

Fiscal Year	Budgeted Amount	Actual Amount Spent	Variance – Budget to Actual	% Variance
FY12	\$1,792,210	\$1,607,739	+\$184,471	10.3%
FY13	\$2,292,210	\$2,557,510	-\$265,300	-11.6%
FY14	\$2,630,880	\$1,977,853	+\$653,027	24.8%
FY15	\$2,630,880	\$2,530,878	+\$100,002	3.8%

Council staff notes that the fluctuations in funding actually spent compared to what was budgeted underscore the challenges involved in managing WPA subsidies and projecting their use. It appears that underspending of the program in FY14 may be attributable, at least in part, to limited use of the program as a result of unaffordable co-pays.

The Department has outlined the following strategies for ensuring that all FY16 child care subsidy funding is spent:

- Implementing the 70% proposed subsidy tables.
- Utilizing a WPA WL Replacement Mode (when one child’s enrollment on the WPA Program ends, another child is enrolled into care from the WPA WL) to manage natural attrition and to fully utilize WPA funding.
- The amount of the subsidy to the children on the SCCSP would be increased in the unlikely event that the WPA enrollment were to decline.

The following table shows the average monthly data trend data related to the WPA program in FY14, FY15, and FY16 through August 2015.

Average Monthly Amount	FY14	FY15	FY16 to date
Subsidy per Child	\$498	\$511	\$524
# children served (paid)	326	411	334
# vouchered children	416	542	N/A

HHS



VY
CC
SBF
LL
LAM

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Isiah Leggett
County Executive

July 17, 2015

Uma S. Ahluwalia
Director

Honorable George Leventhal
President Montgomery County Council
100 Maryland Avenue
Rockville, Maryland 20850

RECEIVED
MONTGOMERY COUNTY
COMMUNITY

2015 JUL 23 AM 8:56

Dear Mr. Leventhal:

During the deliberation of the FY16 county budget, the Department of Health and Human Services (DHHS) Children, Youth and Family Services (CYF) received an additional \$550,880 as part of the reconciliation process to provide additional subsidies to the lowest income families with children ages 2 to 5. Though the language from the approved budget directs the entire \$550,880 to the lowest income families on the State Child Care Subsidy Program (SCCSP), We are asking for flexibility to allocate a proportion of this funding to the Working Parents Assistance (WPA) if necessary. This flexibility will help ensure that we meet the goals of (1) improving access to quality care and school readiness, (2) creating equity between children served by the SCCSP and WPA program, and (3) updating the WPA subsidy tables.

Due to the changing demand of both the SCCSP and WPA program, flexibility on the use of funds will allow CYF to make appropriate adjustments in order to meet critical needs. CYF has temporarily placed a Wait List on the WPA program effective June 22, 2015, in order to freeze the program growth at a level that would allow program revisions within budget. CYF is currently examining various cost scenarios and a start date that would allow programmatic changes within the existing WPA appropriation. CYF will monitor the impact of the Wait List and provide the Council with an update in December and prior to the FY17 budget season.

Supplementing families on the SCCSP and having flexibility to add funding to the WPA program will reduce the out-of-pocket expenses paid by low-income families attempting to access early education. We will continue to monitor both child care subsidy programs and ensure effective measures are implemented to meet our goals. These actions will allow us to ultimately support both the Council's and County Executive's anti-poverty and workforce development priorities.

Sincerely,

Uma S. Ahluwalia
Director

USA:kw

c: Vivian Yao
Pofen Salem

Office of the Director

401 Hungerford Drive • Rockville, Maryland 20850 • 240-777-1275 • FAX 240-777-1494 • MD Relay 711
www.montgomerycountymd.gov/hhs

1

1. How many Montgomery County children are currently on the WPA and POC waitlist?

The Montgomery County Working Parents Assistants (WPA) Program implemented a Wait List (WL) effective June 22, 2015. As of September 30, 2015, the WPA has 71 Families and 103 Children on the WPA WL.

The State Child Care Subsidy Program, formerly Purchase of Care (POC) has 286 Montgomery County Families and 706 Children on the SCCSP WL. Montgomery County has the highest number of children (706) on the State Child Care Subsidy Program Wait List. We have the third highest number of families (286) on the SCCSP WL, with Baltimore having the highest number of families (402) and Prince Georges County having the second highest number of families (369).

2. What is the Department's plan for distributing the additional funding added by the Council for child care subsidies in FY16? Has the Department begun to issue supplemental payments to SCCSP participants? If not, when will it begin? In the Director's July 17 memo to the Council President, the Director requested flexibility to allocate a portion of the funding to the WPA program if necessary. What amount of the additional funding does the Department anticipates would be allocated to WPA and SCCSP recipients?

The Department has divided the additional funding added by the Council as follows:

- WPA - \$250,000 to the WPA annual appropriation to implement the proposed subsidy tables, within budget beginning November 2015.
- SCCSP - \$300,000 to supplement families with children ages 2-5 on State Child Care Subsidy Program (SCCSP). The families must meet the following WPA requirements: a minimum participation hours of 25 per week, with court-ordered child support and are using a licensed child care provider. CYF expects to supplement payments to providers twice per fiscal year starting in December 2015.

3. What is the Department's plan for implementing the WPA Work Group recommendations and updated subsidy tables?

- A. Implement 70% subsidy tables in November 1, 2015.
- B. Implement additional payments to children ages 2-5 on the State Child Care Subsidy program whose families meet specific WPA eligibility guidelines.
- C. Submit draft changes for COMCOR by April 30, 2016.

4. How will the Department ensure that all FY16 funding allocated for Child Care Subsidies is fully spent?

The Department's plan for fully spending the FY16 child care subsidy allocation includes:

- 1) Implementing the 70% proposed subsidy tables
- 2) Utilizing a WPA WL Replacement Mode (when one child's enrollment on the WPA Program ends, another child is enrolled into care from the WPA WL) to manage natural attrition and to fully utilize WPA funding.
- 3) The amount of the subsidy to the children on the SCCSP would be increased in the unlikely event that the WPA enrollment were to decline.

5. Please provide updated monthly WPA expenditures figures for July, August, and September, if available, including paid household count, children paid, average cost per child, the total of children enrolled or vouchered, and total expenditures.

Service Month	Paid Household Count	Children Paid	Average Cost per Child	Vouchers Paid*	Average Cost per Voucher	Expenditures
July	235	336	\$524	399	\$441	\$175,927
August	233	332	\$524	441	\$394	\$173,807
September	data not available					
Total	468	668	\$524	840	\$416	\$349,734

Average	234	334	\$524	420	\$416	\$174,867
<ul style="list-style-type: none"> Includes supplemental vouchers for WPA implemented in FY15 						

6. If available, please provide average monthly numbers for FY16 for WPA and POC for children served, average monthly subsidy, number of children enrolled/vouchered, new applications received and new applications approved.
- WPA: see the Chart above

Number of new applications received during July, August and September 2015	564	SCCSP/WPA combined
Number of new applications approved	61	SCCSP
Number of new applications approved	11	WPA
<ul style="list-style-type: none"> other data requested for the SCCSP is not available. 		

7. Please confirm that \$2,382,611 was the total expended on WPA subsidies in FY15. Total Expenditures on WPA Subsidies was \$2,530,878 for FY15

Montgomery County Department of Health and Human Services
Children Youth and Family Services

Responses to Child Care Subsidy Questions from Council
July 10, 2015

Question 1: What is the amount actually expended in WPA subsidies in FY15.

- WPA subsidy amount expended (as of, July 8, 2015): \$2,382,611*
**This amount does not include accruals that have not been expended.*

Question 2: Explain how the WPA wait list will operate. Is it a one out/one in policy?

- The purpose of the Working Parents Assistance (WPA) Program Wait List (WL) that went into effect on June 22, 2015 was to maintain program growth with the goal of implementing the proposed WPA Work Group proposal within budget. The WPA program experienced a growth of 44 additional children during the last quarter of FY15. With this growth, to implement the proposed Work Group tables would result in a cost of approximately \$890,000 over the WPA FY16 budget.

The WPA WL is put into place to control program growth in FY15 while allowing CYF to develop measures of implementing needed programmatic change within budget in FY16. Once data indicates that the program can operate within budget, the WPA Program will operate in the Replacement Mode (one out/one in) until statics based on subsidies paid indicates the WPA WL can be fully lifted.

Question 3: What is the amount projected to be spent out in WPA subsidies in FY16 with the implementation of the wait list?

- FY16 projection is \$3,065,817 based on the implementation of the proposed 70% subsidy and revised income tables as of 9/1/15
- FY16 projection is \$2,949,061 based on the implementation of the proposed 70% subsidy and revised income tables as of 10/1/15

Question 4: What is the current number of Montgomery County children on wait lists for WPA and for POC?

- Current number of children on the WPA WL (as of June 2015): 12
- Current number of children on the POC WL (as of June 2015): 692*
**Frozen status for top 2 income levels in POC, MSDE Operational Reports*

http://www.marylandpublicschools.org/MSDE/divisions/child_care/docs/WaitList.xlsx

Question 5: What are the monthly numbers for FY14 and FY15 broken out for POC program and for the WPA program: the total number of children served (paid) in each program, the average monthly subsidies for each program, the number of children enrolled or vouchered for each program, the number of new applications received, and the number of new application approved.

Total # Children Served (paid)

Average per month

FY14 POC	1,399
FY14 WPA	326
FY15 POC	1,341 (thru payment month Feb.)
FY15 WPA	411 (thru payment month June)

Average Monthly Subsidy

FY14 POC	\$429
FY15 POC	\$435 (thru payment month Feb.)
FY14 WPA	\$498
FY15 WPA	\$511 (thru payment month June)

Number of Children Enrolled/Vouchered

Average per Month

FY14 WPA	416
FY15 WPA	542

**Note that counties are no longer able to obtain the number of POC children enrolled/vouchered from the state automated system; this data is being requested from MSDE.*

Number New Applications Received

Average per Month

FY14 POC	272
FY15 POC	246
FY14 WPA	29
FY15 WPA	28

Number New Applications Approved

Average per Month

FY14 POC	117
FY15 POC	155
FY14 WPA	20
FY15 WPA	27