



# Arizona State Senate Issue Brief

December 6 2022

## 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 *Issue 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. 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 reformed the nation's welfare system by changing the focus from distributing benefits to helping families become self-sufficient through employment through federal funding from the Temporary Assistance for Needy Families (TANF) block grant, a portion of which is set aside for child care assistance.<sup>1</sup> 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 parents in the following four categories through to qualify for child care assistance: 1) TANF clients engaged in employment activities through the state's Jobs Program; 2) with a mandatory copay, former TANF clients who are working and whose income is at or below 165 percent of the federal poverty level (FPL), referred to as 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 states exercise discretion in defining the categories and income eligibility requirements.<sup>2</sup> In 2021, in response to the COVID-19 pandemic, additional eligibility categories were added to temporarily provide child care assistance to qualified emergency personnel, as well as to families transitioning off of unemployment insurance benefits and returning to work.<sup>3</sup>

### ARIZONA'S PROGRAM

In Arizona, the Department of Economic Security (DES) administers child care assistance for families with children who are 12 years or younger. Depending on the category, the length of time for which families are eligible to receive child care subsidies is restricted to:

<sup>1</sup> [P.L. 104-193, 104th Congress \(1996\)](#)

<sup>2</sup> [U.S. Social Security Administration: Compilation of Social Security Laws](#)

<sup>3</sup> [DES: Child Care for Returning Workers Program](#)

1) a cumulative 60-months per child, for the low-income working population; 2) 24 months for the Transitional Child Care benefit; and 3) for the TANF Child Care benefit, as long as the family is receiving TANF Cash Benefits, which has a 24-month cumulative lifetime limit. Families are limited to receiving child care assistance for six children per household. However, there is no time limit for children in foster care or families referred by the Arizona Department of Child Safety (DCS).<sup>4</sup>

For families in the non-mandatory category to be eligible for child care assistance, the family's gross monthly income must be at or below 165 percent of the FPL and cannot exceed 85 percent of the state median income (SMI). Statute allows DES to specify by rule how long families can receive child care assistance but requires benefits to end immediately upon a family exceeding 85 percent of the SMI.<sup>5</sup> Furthermore, families in this category 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, prioritized by income level. The DES child care assistance waiting list was suspended in 2019 and has yet to be restarted.

In addition to DES resources, child care services are also available through the Arizona Early Childhood Development and Health Board, otherwise known as First Things First, and DCS. First Things First's primary function is to provide fully funded child care and preschool scholarships. The DCS program provides subsidies for children in Arizona's child welfare system, whether in foster care or residing in their own home.<sup>6</sup> To qualify for child care through First Things First, a family must: 1) have an income that is at or below 200 percent of the FPL; 2) have children who are five years old or younger; 3) include parents who are employed; 4) accept a DES child care subsidy, if available; and 5) not be receiving duplicate funding from other programs.<sup>7</sup>

## 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. During the annual appropriations process, the Legislature sets the child care assistance rate for the next fiscal year, based on market rate surveys conducted by DES. For FY 2021, the average amount of assistance paid to child care providers per child is ranged from \$503 for families eligible through TANF to \$614 for emergency personnel families. Actual assistance rates vary based on geographic area, the age of the child and the type of child care.<sup>8</sup>

In addition to assistance for families, DES contracts with child care providers to provide child care to children eligible for child care assistance. Providers 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.<sup>9</sup>

<sup>4</sup> [A.R.S. § 46-803](#)

<sup>5</sup> [A.A.C. R6-5-4919](#)

<sup>6</sup> [JLBC: Child Care Program Summary](#)

<sup>7</sup> [First Things First](#)

<sup>8</sup> [JLBC: Child Care Program Summary](#)

<sup>9</sup> [DES Division of Child Care, Provider Contracts Unit](#)

---

### ***ADDITIONAL RESOURCES***

- Department of Economic Security  
[Division of Child Care](#)
- U.S. Department of Health and Human Services  
Administration for Children and Families,  
Office of Child Care  
<https://childcare.gov/>
- Joint Legislative Budget Committee  
[Child Care Program Summary](#)  
[Current Budget Updates](#)
- JLBC FY 2023 Appropriations Report:  
[Department of Child Safety](#)  
[Department of Economic Security](#)  
[First Things First](#)
- Child Care Services Statutes:  
[A.R.S. Title 46, Chapter 7](#)