HB 2124 AND 2125 RAISE CHILD CARE SCHOLARSHIP RATES TO REDUCE OUT OF POCKET COSTS FOR PARENTS

Children in Arizona are losing access to quality learning in their earliest years. With rates for child care scholarships 19 years out of date, child care businesses cannot afford to meet quality requirements for low income families who rely on assistance. Businesses may close their doors to low income families, leaving them with no choices for child care. Arizona has received $56 million in new annual Federal Child Care Development Funds (CCDF) that can be targeted to address this problem.

- Child Care Assistance is a scholarship program that allows low income working parents to choose the type of child care provider that is best for their family, including center, faith based, in home, and district and charter schools.

- Child Care Assistance is funded across the country through a combination of state and federal dollars. In Arizona, the funding for this program comes from the federal CCDF.

- Child Care Assistance scholarships pay a portion of the cost of care and parents pay out-of-pocket for the difference between the scholarship amount and the actual tuition cost at the child care provider. Depending on the eligibility category, parents may also have a mandatory co-pay.

- The amount of the Child Care Scholarship in Arizona has not been increased in 18 years and is based on what it cost to provide care in the year 2000.

- The low scholarship rates mean that out-of-pocket costs parents must pay for child care are unaffordable – even after they receive assistance. Child care costs have risen by more than 50% since the year 2000, but scholarship rates paid by the state have stayed stagnant.

- In Arizona, parents who qualify for state child care scholarships still face monthly out-of-pocket costs of $200-$400 per month per child. As a large portion of their monthly income, this cost is unaffordable. Parents may not be able to keep their work hours or their jobs. The gap is even higher for infant care making it nearly impossible for parents with newborns to return to work.

- A growing number of families who are authorized for the child care scholarship can’t find an affordable, accessible child care provider, so the scholarship goes unused. In FY 2018, an average of 11,100 children each month who were authorized for a scholarship did not use it -- more than double the monthly average in FY 2010.
• Increasing child care scholarship rates will provide parents greater choice for quality early education, including center based, faith based, public school, and in-home providers to best meet the needs of their child.

• With the scholarship rates proposed in Governor Ducey’s budget, out-of-pocket costs for parents will remain $200-$300 per month per child – still out of reach for many families at 20% or more of their monthly income.

• The $56 million increase in federal funds can be used to increase the scholarship amount even further, therefore reducing the gap that parents must pay and helping parents continue in the workforce.

• According to data collected by the Center for American Progress, 48% of all Arizona residents live in a child care desert -- census tracts that lack any child care providers or have more than three children for every licensed child care slot. The supply of child care is especially low in rural areas. (*America’s Child Care Deserts in 2018*)

• The report finds that:
  - Child care supply is directly linked to the level of public investment.
  - Without a more robust public investment in child care, parents cannot afford the cost of care and supply declines in areas with higher concentrations of low-income households.
  - Child care deserts have, on average, maternal labor force participation rates that are 3 percentage points lower than those of communities where there is adequate child care supply.

As Parent Out of Pocket Costs for Child Care Rise, Fewer Children Can Use the Scholarship

![Graph showing the utilization and parent contribution of child care scholarships from 2009 to 2018.](image)

1. Parent Contribution based on rates for an infant enrolled in full-time care in Maricopa County

*source Arizona Department of Economic Security Budget Summary, Fiscal Year 2020

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