

Status of SFY 03-04 Subsidized Child Care Funding January 2004

- During the SFY 02-03, \$15M in non-recurring state funding was appropriated for child care to serve children that were on the subsidized child care waiting list. Upon approval of the budget, these funds were allocated in October, 2002. At that time there were 21,336 children waiting for subsidy services. Funds from this source were allocated on a prorated basis to counties with children on this waiting list. Between October, 2002 and the end of the SFY 02-03 SFY, the child care waiting list was reduced by over 15,000 children and reached 6,199 in June, 2003. Over this same period, the number of children receiving subsidized child care services increased by a similar count increasing from 92,421 in October, 2002 to 106,069 in June, 2003.
- The \$15M in non-recurring funding was not reauthorized for SFY 03-04. In addition, counties that received reductions in Smart Start funds also had fewer funds available for subsidized child care services. For many counties, this created a need to reduce service levels. However, the rate of attrition (leaving slots unfilled as they become vacant), moves much more slowly than the rate of growth when children are coming into care from the waiting list. For this reason, in many instances, counties have found that reducing services through attrition alone, has not allowed them to reach spending levels that will allow them to finish the year within their county allocation. This has forced many counties to look at terminating services to families and children already in care to reduce spending to meet allocated funding levels by the end of the year.
- Currently we are seeking funds that would allow counties to continue to reduce their levels of spending without requiring the termination of services to children already in care. Through December, statewide, if these counties maintained current spending levels for subsidized child care services for the remainder of the SFY, spending would exceed existing allocations by \$16.7M. However, these counties are working to reduce their spending through attrition of services. Over the remainder of SFY 03-04, attrition could potentially reduce overspending to **\$8.3M statewide**.
- The Division of Child Development (DCD) completed a reallocation of funds in October of 2003. This process moved allocated subsidy funds from counties who were not on pace to utilize all of their subsidy funds for the SFY, to counties in need of funding to avoid service terminations. DCD will complete a second reallocation of funds in February of 2004. At this point, we are estimating that a potential of **\$2.6M** in funds may be available from reverting counties for reallocation. This would reduce the overall need for additional funding to **\$5.7M**. We anticipate being able to use unexpended TANF funds to fund the short fall.
- Time is the most critical factor in holding off the termination of services to children. Some counties have already notified families that their services will be terminating at the end of January. Many additional counties have contacted us to notify us of their plans for terminating services within the next one to two weeks. These counties have agreed to hold off sending notifications pending word of possible additional funding.