



REPORT ON KEY ISSUES FROM THE HOUSE APPROPRIATIONS COMMITTEE

BUDGET BRIEFING

DWIGHT EVANS, DEMOCRATIC CHAIRMAN

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2009/10 Budget: Early Childhood Programs in DPW

Pennsylvania offers various early childhood programs for children birth through five years of age. Programs are provided through the Office of Child Development and Early Learning (OCDEL), spanning both the departments of Public Welfare (DPW) and Education (PDE). **This budget briefing will focus on the early childhood initiatives within DPW: child care programs; Early Intervention for children birth through age three; and Nurse-Family Partnership.**

Child Care Programs in Pennsylvania

Pennsylvania provides funding assistance to eligible families who need child care services in order to hold sustainable employment. In addition, funding is provided to ensure quality early childhood programs in the commonwealth. Total funding (state and federal) for child care programs represents only 3.5 percent of the overall DPW budget.

Child Care Assistance

Pennsylvania recognizes the importance of providing safe, affordable child care for families who are currently enrolled in or have recently moved from the Temporary Assistance for Needy Families (TANF) program, in order to help families move from government dependence to self-sufficiency. Under the **Child Care Assistance appropriation**, the commonwealth uses state and federal funds to subsidize the cost of care for children whose parents are participating in employment, education or training activities.

Temporary Assistance for Needy Families (TANF)

The federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 ended the 60-year federal welfare entitlement program known as Aid to Families with Dependent Children (AFDC). The Act replaced AFDC with the TANF block grant program that provides time-limited assistance for needy families. On March 3, 1997, Pennsylvania began the TANF program, which implemented the welfare reforms included in state and federal law. Act 35 of 1996 amended the Public Welfare Code, requiring individuals to participate in work or work-related activities as a condition for receiving cash assistance in Pennsylvania. The federal Deficit Reduction Act (DRA) of 2005 reauthorized the TANF program through 2010. Effective October 2006, states needed to meet more strict federal requirements regarding the work activities of families receiving TANF assistance.

Since 1996, the federal government has provided states a block grant to operate welfare programs. This is a flat dollar amount that is not adjusted for changes in caseload (the number of people receiving services) or inflation. Pennsylvania's TANF block grant amount of \$719 million has not changed since TANF funds were first allocated to states in 1996. In order to receive TANF funds, states must spend some of their own funds on programs for needy families. This is known as the "maintenance of effort" (MOE) requirement.

States may use their TANF funds for a wide range of programs and services, as long as they "reasonably" address any of the four broad purposes set forth in the federal Act.

1. Provide assistance to needy families so children may be cared for in their own homes or in the homes of relatives.
2. End the dependence of needy parents on government benefits by promoting job preparation, work, and marriage.
3. Prevent and reduce the incidence of out-of-wedlock pregnancies.
4. Encourage the formation and maintenance of two-parent families.

Child Care Assistance: 2009/10 Budget

The 2009/10 budget provides **\$198 million in state and \$185 million in federal funds for child care assistance**. Total funding (state and federal) for Child Care Assistance represents only 1.6 percent of the DPW budget. Available funds are expected to support a monthly average of: 24,500 children of TANF families; 39,500 children of former-TANF families; and 4,200 children of food stamp eligible families. Please note that in recent years, the program has seen an increased cost per child as families have had greater access to information about their child care options, and about the impact of early learning on their child's development. Families are selecting higher quality child care, such as centers participating in Keystone STARS. These options tend to cost more than other options. Also, note that families are partners in helping to pay for child care.

The child care assistance appropriation also includes funding for the **Early Learning Network (ELN)**. The ELN is Pennsylvania's electronic data system for gathering information on early childhood programs and children's development in those programs. The purpose of the ELN is to provide teachers with tools to improve children's progress and OCDEL with information for future program planning.

Child Care Services

The **Child Care Services appropriation** provides subsidized child care to low-income working families on a sliding fee scale. Participation in the program is dependent on available funds. Since July 2006, the waiting list for subsidized child care has fluctuated between approximately 6,000 to 16,000 children. As

of October 2009, the waiting list had approximately 16,389 children.

Working families with incomes up to 200 percent of the federal poverty guidelines (\$44,100 for a family of four) could qualify for a subsidy. Families can remain in the program until their incomes reach 235 percent of the federal poverty guidelines (\$51,818 for a family of four).

A parent may choose any lawfully operating child care provider of his/her choice. This includes a center, a small family day care home, a group day care home or a relative or neighbor. Most families pay between \$5 and \$25 per week for child care, regardless of the number of children who receive care. In general, the family's annual co-payment cannot exceed 11 percent of annual income. However, families with incomes at or below 100 percent of the federal poverty guidelines pay no more than eight percent of annual income.

This appropriation also funds the **Keystone STARS** program; a comprehensive, voluntary, early learning quality improvement initiative that has received national recognition. Keystone STARS is Pennsylvania's largest school readiness initiative, reaching over 170,000 children. Through Keystone STARS, program staff may access higher education so that they are better prepared to meet the needs of the children that they serve. A popular, and effective, effort included in this work is the T.E.A.C.H. initiative, a scholarship program to assist staff currently working in the early childhood field to attain a degree in early childhood education.

Child Care Services: 2009/10 Budget

The enacted 2009/10 budget provides nearly \$172 million in state funds and nearly \$245 million in federal funds under the child care services appropriation. Total funding (state and federal) for Child Care Services represents only 1.8 percent of the DPW budget.

Of those amounts, **for 2009/10, \$145.3 million in state funds and \$204.7 million in federal funds will be used to provide child care subsidies for low-income families**. The federal funds available for these subsidies include \$19 million in federal stimulus (ARRA) funds. The budget assumes an

average of 62,500 users at an average total cost per user of nearly \$470 per month.

The 2009/10 budget also provides approximately **\$66 million in total funds for the “Early Keys to Quality” initiatives (Keystone STARS and TEACH)**. This includes \$26.2 million in state funds and \$39.8 million in federal funds.

Child Care Funding and the American Recovery and Reinvestment Act (ARRA)

The American Recovery and Reinvestment Act (ARRA) provided additional funding through the Child Care Development Block Grant (CCDFBG) for states to supplement (not supplant) child care programming for low-income families. **Under ARRA, Pennsylvania is set to receive nearly \$60 million over three years**. As part of this additional funding, ARRA specifically targeted some funds for child care quality improvement and infant/toddler quality improvement.

In order to receive the funds, state funding for child care services for low-income families must be equal to or greater than the amount of state funds appropriated at the time of ARRA’s passage. This fulfills the non-supplantation requirement under ARRA.

For 2009/10, Pennsylvania will use approximately \$22 million in ARRA funds to improve child care services. This includes over \$19 million for subsidized child care, reducing the waiting list by nearly 4,000 slots. Nearly \$1.8 million will be used to further fund Keystone STARS. Lastly, over \$1 million will be used in accordance with the required infant/toddler quality earmark.

Impact of the 2009 Budget Impasse on Child Care Programs

During the budget impasse in 2009, funding was not authorized for child care programs in Pennsylvania. Therefore, providers who receive subsidies for enrolled children, Keystone Stars facilities, and participants in initiatives such as the T.E.A.C.H. program did not receive funding for several months. Several of the KEYS offices, which run the STARS initiative, as well as the Child Care Information Services, which are responsible for Child Care Works subsidy, had reduced greatly operations

due to the impasse. During the impasse, Child Care Information Services (CCIS) agencies continued to enroll TANF and former-TANF families on an as-needed basis. New enrollments were suspended for low-income subsidy families during the impasse since no funds were available from the commonwealth to pay the providers. Many aspects of the Keystone STARS program were suspended during the impasse due to the lack of financial resources.

Providers addressed the impasse in various ways. Through other funding sources (such as loans) some were able to continue operating without interruption. Others chose to reduce overall capacity which led to reduced staffing as well. Because the state could not provide providers with payments, the child care providers were permitted to charge parents the full cost of services during the impasse. Some providers charged subsidized families for the full tuition amount during this time frame. If a provider did charge a full tuition for enrolled families during the impasse, once the state funding became available, the commonwealth required those providers to reimburse families for the difference in amount. Also, note that in some counties, the county provided resources to assist with provider payments.

The Office of Child Development and Early Learning (OCDEL) continues to assess the impact that the 2009 budget impasse may have had on the child care provider network in Pennsylvania. CCIS agencies have been notified of their enrollment targets for the programs and funding has been released.

The impact on the Keystone STARS program also is being reviewed. This program nearly had to be suspended entirely during the impasse since the contractors who provide the essential supports, such as higher education, technical assistance and professional development that assist the programs in meeting the STARS standards and demonstrating the necessary improvements in their services, could not deliver services without funding. OCDEL is reviewing the program and will work to make adjustments to timeframe, benchmarks and other programmatic components as it deems necessary.

Early Intervention Services

In accordance with federal law and regulation, through the Early Intervention appropriation under the Department of Public Welfare (DPW), Pennsylvania funds services and supports designed to help families with children up to age three years who have a developmental delay.

Additional services for children age three through kindergarten are provided by OCDEL through its affiliation with the Department of Education.

Early Intervention services include physical therapy, speech therapy, health services, family counseling, and family training. Counties administer local early intervention programs throughout the commonwealth. DPW allocates funds to counties based on the prior year and special needs identified by counties for the current year.

Early Intervention Services: 2009/10 Budget

The 2009/10 budget provides \$122 million in state (an increase of \$11 million) and nearly \$62 million in federal funds for early intervention services for children birth through age three.

Total funding (state and federal) for Early Intervention represents only 0.8 percent of the DPW budget. Because this is an entitlement program, the funding levels are calculated based on trends and anticipated need. For 2009/10, the budget assumes that over 1,800 additional children will need services. Please note that this program benefits from both the enhanced ARRA Federal Medical

Assistance Percentage (FMAP) and additional ARRA funding related to the Individuals with Disabilities Education Act (IDEA). In 2009/10, early intervention programs in DPW will receive over \$13 million total in IDEA funding related to ARRA.

Nurse Family Partnership

Under the **Nurse Family Partnership** appropriation, funding is provided for an intensive and comprehensive home visitation program for first-time pregnant teens and young women, starting with prenatal care and continuing through the child's infancy. The program is designed to serve low-income, at-risk pregnant women expecting their first child. Long-term studies have found that such programs reduce child abuse, welfare use, arrests and substance abuse, while improving education and employment rates.

Nurse Family Partnership: 2009/10 Budget

The 2009/10 budget provides nearly \$12 million in state funds for the **Nurse Family Partnership program**. Total funding (state and federal) for Early Intervention represents only 0.06 percent of the DPW budget. While this is an increase of \$2 million over the 2008/09 state appropriation, total funding for the program in 2009/10 is reduced by \$1.8 million due to the unavailability of federal funds. As a result, fewer families will be served in 2009/10.



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