

**N00D01**  
**Child Care Administration**  
**Department of Human Resources**

***Operating Budget Data***

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(\$ In Thousands)

	<b>FY 02</b>	<b>FY 03</b>	<b>FY 04</b>	<b>Change</b>	<b>% Change</b>
	<b><u>Actual</u></b>	<b><u>Approp.</u></b>	<b><u>Allowance</u></b>	<b><u>FY 03-04</u></b>	<b><u>FY 03-04</u></b>
General Funds	\$38,163	\$39,633	\$49,697	\$10,064	25.4%
Contingent & Back of Bill Reductions	0	-8	-5,050	-5,042	
<b>Adjusted General Funds</b>	<b>\$38,163</b>	<b>\$39,625</b>	<b>\$44,648</b>	<b>\$5,022</b>	<b>12.7%</b>
Special Funds	139	0	0	0	
Federal Funds	115,591	139,468	93,733	-45,736	-32.8%
Contingent & Back of Bill Reductions	0	-2	-39	-37	
<b>Adjusted Federal Funds</b>	<b>\$115,591</b>	<b>\$139,466</b>	<b>\$93,693</b>	<b>-\$45,773</b>	<b>-32.8%</b>
<b>Adjusted Grand Total</b>	<b>\$153,893</b>	<b>\$179,091</b>	<b>\$138,341</b>	<b>-\$40,750</b>	<b>-22.8%</b>

- The fiscal 2004 allowance shrinks by \$40.8 million, or 22.8% below the 2003 working appropriation.
- Over half of the reduction, \$25.4 million, is related to Purchase of Care (POC) cost containment and overestimation of federal fund costs.
- Other reductions are made to after school programs and quality enhancement activities.

***Personnel Data***

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	<b>FY 02</b>	<b>FY 03</b>	<b>FY 04</b>	<b>Change</b>
	<b><u>Actual</u></b>	<b><u>Working</u></b>	<b><u>Allowance</u></b>	
Regular Positions	218.00	226.50	226.50	0.00
Contractual FTEs	0.00	0.00	0.00	0.00
<b>Total Personnel</b>	<b>218.00</b>	<b>226.50</b>	<b>226.50</b>	<b>0.00</b>

***Vacancy Data: Regular Positions***

Budgeted Turnover: FY 04	9.06	4.00%
Positions Vacant as of 12/31/02	8.00	3.53%

- The fiscal 2004 allowance includes no new regular or contractual positions.

Note: Numbers may not sum to total due to rounding.

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## ***Analysis in Brief***

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### **Major Trends**

***Health and Safety Performance:*** Critical health and safety standards were maintained in about 95% of all regulated child care facilities in fiscal 2002.

***Affordability of Child Care:*** The proportion of eligible families participating in the purchase of care (POC) subsidy program appears to be decreasing. According to the Department of Human Resources (DHR), this is mostly attributable to an increased pool of eligible families resulting from raised income eligibility limits.

***Quality of Child Care:*** Poor performance reflects low participation by providers in the new credentialing system.

### **Issues**

***DHR Moves to Waiting List for POC:*** DHR made several funding switches among its administrations to close out the fiscal 2002 budget without a deficit. One of these switches, moving \$40 million in Temporary Assistance for Needy Families (TANF) funding out of the Child Care Administration (CCA), helped fill a gap in the budget but caused another hole in CCA's fiscal 2003 working appropriation. As a result, DHR started a waiting list for POC as a cost containment measure.

***POC Caseload Reflects Growing Number of Families with Higher Earnings:*** Over the past few years, Maryland increased the income eligibility limit for POC, allowing more working poor families to receive subsidies. As a result, the caseload consists mostly of non-cash assistance families.

***Welfare Reform II May Significantly Increase Demand for Child Care:*** An indicator of what is to come during reauthorization of welfare reform, Congressional proposals debated during last year's session required stricter work participation requirements, thereby significantly increasing the demand for child care assistance. As a result, DHR may face greater demand for child care subsidies.

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**Recommended Actions**

	<u><b>Funds</b></u>
1. Reduce funding for the After School Opportunity Program.	\$ 5,000,000
2. Reduce travel to reflect fiscal 2002 actual expenditures plus 2% inflation in fiscal 2003 and 2004.	43,246
<b>Total Reductions</b>	<b>\$ 5,043,246</b>

**Updates**

***Child Care Credential Stalled:*** In July 2001 DHR initiated the Maryland Child Care Credential system for child care providers. However, due to low participation in the new system and projected deficits for POC, DHR shifted funding away from credentialing and toward POC.

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**N00D01**  
**Child Care Administration**  
**Department of Human Services**

## ***Operating Budget Analysis***

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### **Program Description**

The Child Care Administration (CCA) sets standards to ensure the safety of children in child care; regulates all child care centers and family child care homes; and encourages the development of additional child care facilities and quality improvements through collaboration with other agencies and community organizations.

CCA also supports the delivery of Purchase of Care (POC) services by Family Investment staff in local departments of social services. The POC program provides child care subsidies to eligible families to enable them to achieve and maintain economic self-sufficiency and avoid dependency on public assistance. Until December 2002 families with an income up to 50% of the State Median Income (SMI) were eligible for immediate assistance. However, due to a projected deficit in fiscal 2003 and 2004, discussed in Issue 1, families not on cash assistance or those that have been off cash assistance for over one year are now placed on a waiting list.

Key goals for CCA include:

- child care is safe;
- child care is available and meets the needs of children and families;
- child care is accessible to low-income families; and
- child care providers pursue professional development to improve the quality of child care.

### **Performance Analysis: Managing for Results**

CCA's vision is that families easily find quality child care that is convenient, affordable, and meets the needs of their children. Performance in these three areas was generally maintained during fiscal 2002. However, changes to the POC program and start-up of new quality-focused programming had a negative effect on performance results.

- **Safety:** CCA's first objective is that at least 95% of all regulated child care facilities comply with critical health and safety needs. Performance in this area was maintained at slightly above 95% between fiscal 2000 and 2002 and is estimated to be maintained at that level in fiscal 2003 and 2004.
- **Quality:** In fiscal 2001 CCA implemented several quality-focused programs, specifically the Maryland Child Care Credential system and related financial incentive and training programs. In fiscal 2002, 1,071 credentials were issued. However, less than 1% of children in the POC program – those least

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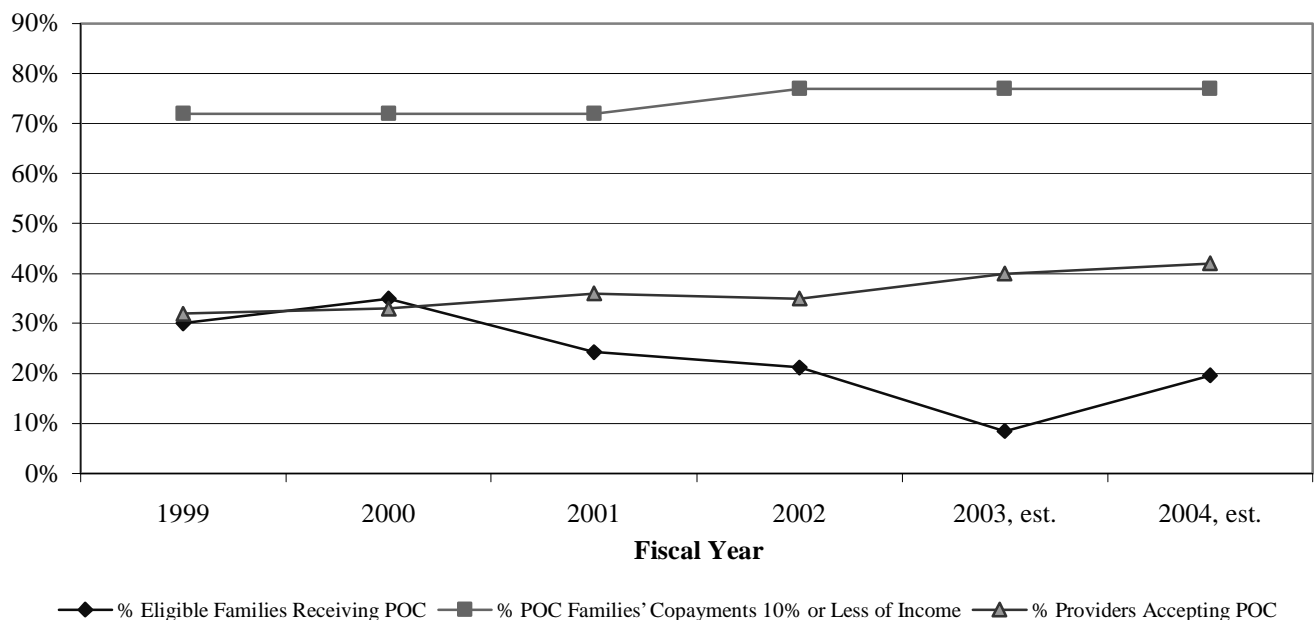
likely to have access to quality child care – were served by providers with advanced credentials. This was far below the estimate of 11% and is attributable to a slow ramp up of the credentialing system as well as its complex and time-consuming procedures discussed more in the Update section.

- **Affordability:** POC helps low-income families purchase child care through the provision of subsidies. **Exhibit 1** demonstrates performance in this area.

**Exhibit 1**

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**Child Care Is Accessible to Low-income Families**



Note: POC eligibility rose from 45% to 50% of SMI January 2002.

Source: Maryland State Budget

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The top line on the chart demonstrates that in fiscal 2002 a higher percentage of families receiving subsidies paid co-payments equal to or less than 10% of their income, a nationally accepted standard for the cost of care. At the same time, the percentage of providers accepting vouchers declined slightly after two years of growth. The percentage of eligible families receiving subsidies also declined, from 24.3% to 21.2% in fiscal 2002. This rate is expected to decline again in fiscal 2003 but then increase slightly in fiscal 2003. According to the Department of Human Resources (DHR), this decline can be explained by the higher income eligibility limit begun in 2002, thereby increasing the overall pool of eligible families, rather than a decrease in overall participation.

**Fiscal 2003 Actions**

### **Impact of Cost Containment**

Cost containment reduces the fiscal 2003 working appropriation by \$10,010 in general and federal funds related to the employee transit subsidy program. The reduction is contingent upon enactment of a provision in the Budget Reconciliation and Financing Act (BRFA) of 2003.

### **Governor's Proposed Budget**

**Exhibit 2** shows that the CCA's budget shrinks by \$40.8 million, or 22.8% below the 2003 working appropriation.

### **Impact of Cost Containment**

The fiscal 2004 allowance reflects the elimination of the appropriation for matching employee deferred compensation contributions up to \$600, contingent upon enactment of a provision in the 2003 BRFA.

There is also a \$5 million reduction in the After School Opportunity Program, contingent upon the enactment of legislation reducing the funding for the After School Opportunity Fund. The contingency language appears unnecessary since there is no statutory requirement that funding be included in the allowance for the After School Opportunity Program.

As part of cost containment, there is a \$3.8 million reduction in the Child Care Resource and Referral Network. This is a 68% reduction compared to the fiscal 2003 working appropriation. Average State support for this program over the past three years was \$4.9 million. This reduction will force the statewide network to consolidate its services. According to DHR, one option would be to have all network services consolidated into one central coordinating site. Another option would be to have two regional child care resource centers and one centrally located network site for the remaining 11 regions.

**The department should discuss the impact of this reduction on services currently provided by the Child Care Resource and Referral Network.**

### **Making Child Care Accessible to Low-income Families**

Over half of the reduction in CCA's budget, \$25.4 million, is attributed to the POC subsidy program. During fiscal 2003 DHR plans to realign the fiscal 2003 federal fund appropriation to reflect actual POC expenditures and cost containment measures, discussed in Issue 1. After accounting for these transactions, POC spending decreases by \$1.5 million between fiscal 2003 and 2004 as a result of additional cost containment. Other reductions are made in the areas of after school programs and quality enhancement initiatives.

**Exhibit 2**

**Governor's Proposed Budget  
Child Care Administration  
(\$ in Thousands)**

	<b>FY 02 <u>Actual</u></b>	<b>FY 03 <u>Approp.</u></b>	<b>FY 04 <u>Allowance</u></b>	<b>Change <u>FY 03-04</u></b>	<b>% Change <u>FY 03-04</u></b>
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**Where It Goes:**

**Personnel Expenses**

Increased employee and retiree health insurance and retirement contributions.....	\$466
Lower cost containment and turnover offset by other personnel adjustments.....	184

**Child Care Is Available and Meets the Needs of Children and Families**

Contingent budget bill language reducing half of the total funding for the After School Opportunity Program. Approximately \$4.4 million in new federal funds related to the No Child Left Behind Act of 2002 would help partially restore this reduction .....	-5,000
Reduced support of the Child Care Resource and Referral Network by 68% over the fiscal 2003 working appropriation.....	-3,830
Elimination of funding for the Baltimore City After School Program .....	-2,500
Reduced quality enhancement activities, including initiatives to increase employer support for child care; loans to child care centers; training and technical assistance to providers; and other quality expansion projects .....	-2,146

**Child Care Is Accessible to Low-income Families**

Realignment of federal Child Care Development Fund (CCDF) dollars in fiscal 2003 to reflect estimated spending on POC .....	-15,000
POC waiting list implemented in fiscal 2003 to address projected deficit.....	-8,900
Reduction in POC expenditures due to continued waiting list in fiscal 2004 .....	-1,497

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**Where It Goes:**

**Child Care Providers Pursue Professional Development to Improve Quality**

Office of Credentialing financial incentives eliminated.....	-2,091
<b>Decreased Telephone and Clerical Costs</b>	-430
<b>Other</b>	-6
<b>Total</b>	<b>-\$40,750</b>

Note: Numbers may not sum to total due to rounding.

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## Issues

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### 1. DHR Moves to Waiting List for POC

DHR made several funding switches among its administrations to close out the fiscal 2002 budget without a deficit, discussed in the DHR Overview analysis. One of these switches, moving \$40 million in Temporary Assistance for Needy Families (TANF) funding out of CCA, helped fill a gap in foster care/subsidized adoption expenses but caused another hole in CCA's fiscal 2003 working appropriation. As a result, for the first time in ten years DHR started a waiting list December 2002 for POC as a cost containment measure. POC will be limited to cash assistance recipients and those who have been off cash assistance for no more than one year. Non-cash assistance families receiving POC as of December 2002 will be taken off the program through regular attrition.

**Exhibit 3** shows the POC and discretionary child care spending for fiscal 2002 through 2005. Fiscal 2002 ended with a balance of \$8.0 million, accounting for the TANF transfer to child welfare. However, this balance, combined with the annual grant of approximately \$80 million, left only \$88 million in revenues for fiscal 2003, compared to \$142.5 million in planned expenditures. To solve the problem, DHR intends to use \$17.7 million in new TANF dollars to help fill the gap, bringing total revenues to \$104 million. Also, several cost containment actions will be taken (\$17.8 million), including institution of a POC waiting list and reduced quality enhancement initiatives. The department will save another \$15 million as the fiscal 2003 budget overstated anticipated expenditures. Even with these actions, DHR is still projecting a \$5.8 million deficit in fiscal 2003. **DHR should discuss how it plans to deal with the projected deficit in fiscal 2003.**

### Fiscal 2004 OK but Deficit Projected for Fiscal 2005

The allowance includes \$23.6 million in TANF for POC to avoid a projected deficit in fiscal 2004. However, estimates show that by fiscal 2005 there will be another deficit of \$6.1 million if spending for POC continues at fiscal 2004 levels and there is no increase in federal funding. This is due primarily to the fact that DHR is required to spend 4% of its Child Care Development Fund (CCDF) block grant, \$4.2 million, on quality enhancement activities, and also to set aside a portion of its CCDF block grant for infant and toddler care, school-age care, and other quality expansion efforts. Estimates for fiscal 2005 demonstrate there will be no CCDF balance left for these earmarks.

To the extent that the waiting list continues, and more non-Temporary Cash Assistance (N-TCA) families come off the POC roles, the fiscal 2005 deficit will diminish. If possible, DHR can use TANF to address the deficit, but this would mean reducing TANF expenditures elsewhere in the budget. Also, DHR can reduce its expenditures on quality enhancement activities in fiscal 2004, allowing for a CCDF balance to carry forward to fiscal 2005. DHR is waiting to see whether reauthorization of the welfare reform law will increase federal fund revenues before taking any immediate actions. **DHR should discuss its options in light of the projected deficit for fiscal 2005 should increased federal funds not materialize.**

**Exhibit 3**

**POC and Discretionary Spending  
Fiscal 2002 through 2005**

	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
	<b><u>Actual</u></b>	<b><u>Estimate</u></b>	<b><u>Estimate</u></b>	<b><u>Estimate</u></b>
CCDF/TANF Balance	\$93,910,807	\$8,005,538	\$0	\$0
CCDF Grant	78,196,064	78,196,064	79,754,880	79,754,880
TANF	0	17,737,994	23,597,446	0
<b>Total Revenues</b>	<b>\$172,106,871</b>	<b>\$103,939,596</b>	<b>\$103,352,326</b>	<b>\$79,754,880</b>
Purchase of Care	\$115,350,210	\$104,673,713	\$79,276,360	\$79,276,360
Quality Enhancement Projects/Administration	7,913,318	37,853,970	24,075,966	6,595,849
TANF Transfer to Child Welfare	40,837,805	0	0	0
POC Waiting List	0	-8,900,000	0	0
Reduced Quality Initiatives	0	-8,900,000	0	0
Realignment of POC Federal Fund Appropriation	0	-15,000,000	0	0
<b>Total Expenditures</b>	<b>\$164,101,333</b>	<b>\$109,727,683</b>	<b>\$103,352,326</b>	<b>\$85,872,209</b>
<b>Balance</b>	<b>\$8,005,538</b>	<b>-\$5,788,087</b>	<b>\$0</b>	<b>-\$6,117,329</b>

Source: Department of Human Resources; Department of Legislative Services

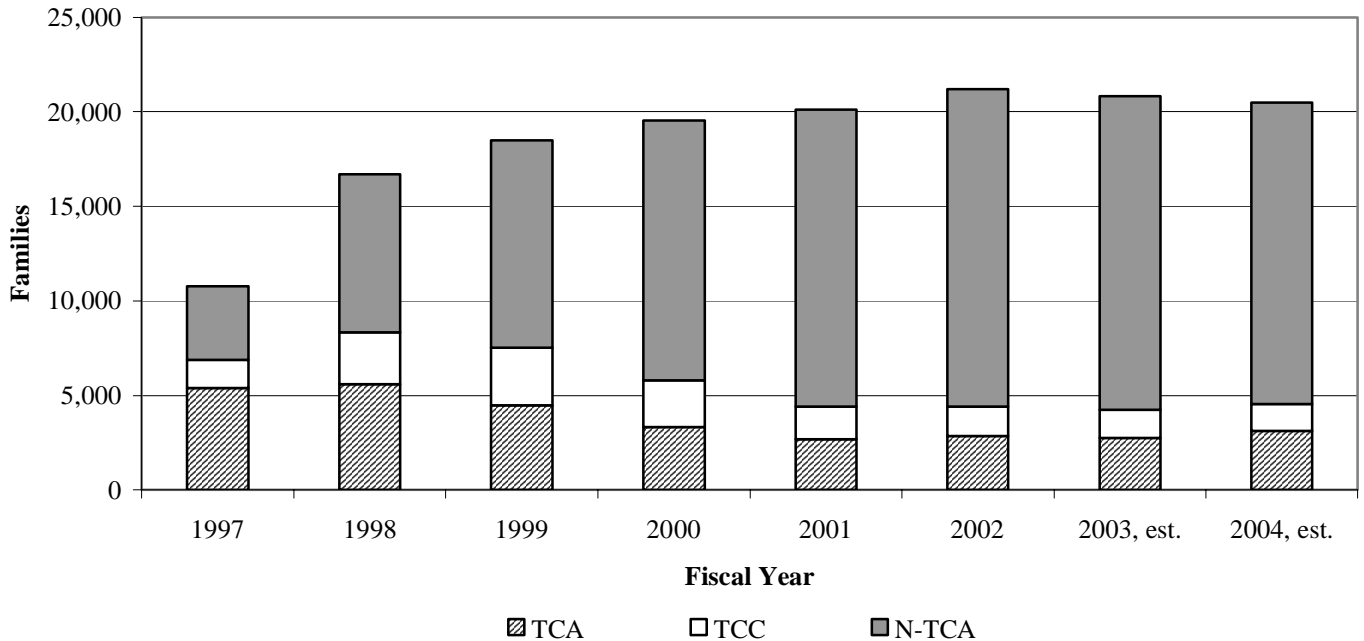
**2. POC Caseload Reflects Growing Number of Families with Higher Earnings**

Over the past several years, Maryland has increased the income eligibility limit for POC, allowing more working poor families to receive subsidies. Not accounting for the waiting list, families with incomes at or below 50% of SMI are eligible (\$29,990 for a family of three). Since these changes, the caseload has become composed mostly of non-cash assistance (N-TCA) families. Many of these families are transitioning off welfare or are low-income families previously ineligible for POC because their earnings were too high.

**Exhibit 4** shows the distribution of the caseload by income level. Beginning in 1997 when welfare reform began, over half of the POC caseload was composed of cash assistance recipients. As the Temporary Cash Assistance (TCA) caseload declined, so did the number of families on cash assistance receiving POC. Many of these families qualified for transitional child care assistance (TCC), which explains the larger TCC caseload between 1998 and 2000. After one year of TCC, these families then

**Exhibit 4**

**POC Caseload by Income  
Fiscal 1997 to Estimated 2004**



Source: Department of Human Resources

moved to the N-TCA category. As a result, the TCC caseload declined while the N-TCA caseload increased. In fiscal 2002, TCA cases made up approximately 13% of the caseload; N-TCA and TCC caseloads combined made up approximately 87% of the caseload.

**POC Caseload Will Soon Change Due to Budget Shortages**

As discussed in Issue 1, DHR began a waiting list as a cost containment measure to address the projected deficit in fiscal 2003. Under the waiting list, TCA and TCC families are given first priority. Those families currently on the rolls as of the beginning of the waiting list will continue to receive benefits; the caseload will decline through normal attrition and no new admittances for N-TCA families. During fiscal 2003 and 2004 it is expected that the caseload will shift from families not receiving cash assistance to those who do.

**DHR should provide an update on the waiting list, including how many families are now on the list and projections for the future. DHR should also discuss how and when it will go about taking families off the waiting list.**

### 3. Welfare Reform II May Significantly Increase Demand for Child Care

Through a joint resolution, Congress extended the 1996 welfare reform law through September 30, 2003, with no programmatic or funding changes. An indicator of what is to come, Congressional proposals for reauthorization debated during last year's session required stricter work participation requirements. This would significantly increase the demand for child care assistance and related expenditures for child care subsidies. The POC program may face a longer than expected waiting list period should these stricter requirements be adopted.

#### **Proposed Work Requirements Are Stricter Than Current Program**

There are three major provisions of the 1996 welfare reform law that relate to work requirements. Proposed changes to the provisions will consequently have an effect on child care demand.

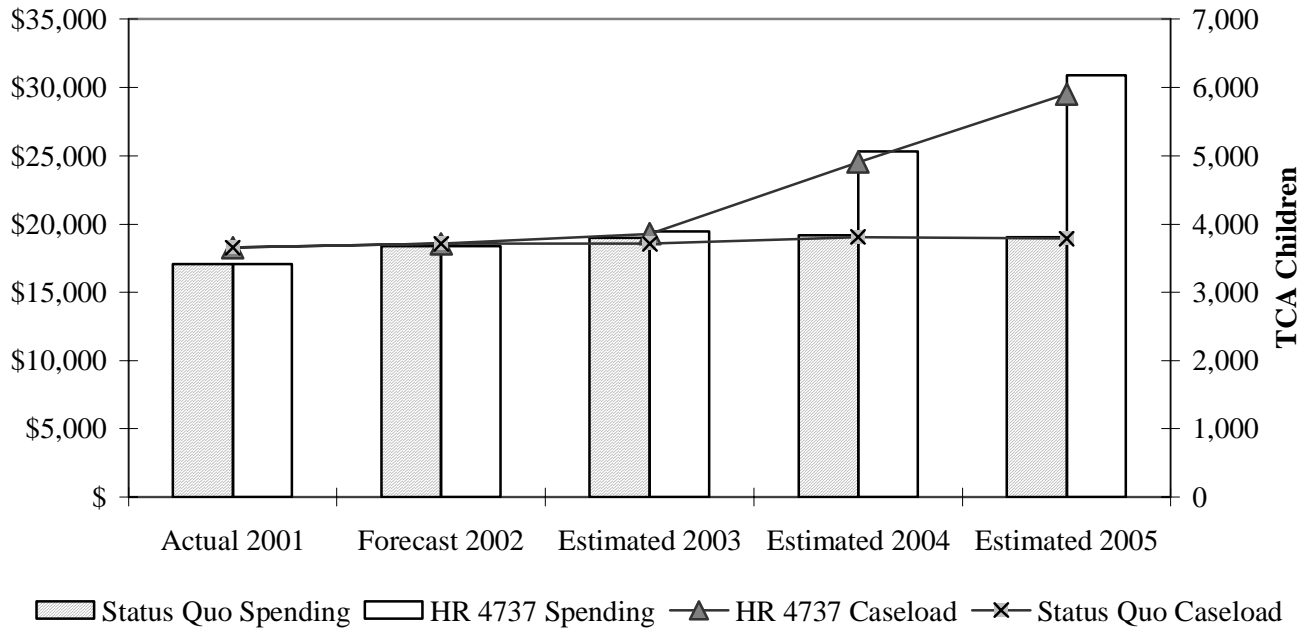
- **Universal Engagement:** Currently all eligible families are required to be participating in a work activity within two years of receiving cash assistance. These work activities may include job search activities, subsidized employment in either the public or private sector, grant diversion, on-the-job training, community service, and education directly related to employment. The proposals would replace this with a universal engagement requirement. All families would have to have a self-sufficiency plan and be involved in a work activity after one month of receiving assistance.
- **Higher Work Participation Rates:** The State's required work participation rate, which is set now at 50% of the total caseload, would be increased 5% annually until it reaches 70%. The House proposal would also increase the required work hours from 30 to 40 per week. Both the Senate and House proposal would give partial credit to hours earned below the limit, a provision not presently in the current law.
- **Adjusted Caseload Reduction Credit:** Under the House proposal, the caseload reduction credit, which currently reduces the State's required work participation rate based on caseload decline since 1997, would be based on more recent years. Since caseload declines have stabilized, the impact of the credit would be diminished.

#### **Demand for More Child Care Expected Under Reauthorization**

DHR hired Towson University to develop a cost projection model based on the proposed bills to assess how much more child care funding would be needed. **Exhibit 5** compares growth in caseload and expenditures under the stricter House proposal (H.R. 4737) and the status quo. As shown, the number of TCA children receiving POC subsidies would jump dramatically from an estimated 3,700 in fiscal 2003 to 4,900 in fiscal 2004 under the new law. A higher demand by TCA families, coupled with the fact that these families do not have co-payments, will increase expenditures under stricter work

**Exhibit 5**

**POC Caseloads and Expenditures  
Comparing Welfare Reform Reauthorization to the Status Quo  
(\$ in Thousands)**



Source: Department of Human Resources; Regional Economic Studies Institute, Towson University

requirements. POC expenditures on TCA families in fiscal 2004 would increase to \$25.3 million under new provisions, compared to only \$19.2 million under the status quo. Estimates for fiscal 2005 reach over \$30 million under the House proposal compared to slightly less than \$20 million under the status quo.

These projections are based on TCA cases only and do not take into account the recently implemented waiting list. Therefore, they would normally underestimate both the total caseload and expenditures. To the extent the caseload remains limited to TCA recipients and those just coming off assistance, however, these projections appear to be a reasonable indicator of the POC caseload and related expenditures under stricter work requirements. Furthermore, to the extent stricter work requirements put pressure on the budget, a waiting list might be needed for a longer than expected period.

## **Congressional Proposals Provide Some Hope for Financial Relief**

Congressional proposals included increased funding for child care. The Senate proposal increased mandatory funding by \$5.5 billion, with no required State match for the first three years. The House proposal increased funding by \$2 billion for mandatory and discretionary spending. DHR is taking a cautious step with its fiscal 2003 and 2004 budgets by not assuming any federal fund increases. As alluded to earlier, the resolution continuing the welfare reform law through September 2003 included no increases for child care. Furthermore, given recent federal focus on homeland security, the war on terror, and the potential war with Iraq, it is still possible proposed increases will not materialize.

**DHR should update the committees on the status of welfare reform reauthorization as it relates to funding for child care subsidies. DHR should also discuss the potential impact that stricter work requirements will have on the POC waiting list and projected deficits for fiscal 2003 and 2005.**

## ***Recommended Actions***

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	<b><u>Amount Reduction</u></b>	
1. Reduce funding for the After School Opportunity Program. This program was budgeted in fiscal 2003 at \$10 million because there were surplus Temporary Assistance for Needy Families (TANF) funds available to support this level of funding originally set in fiscal 2001. Now that the TANF surplus will be exhausted in fiscal 2003, and the State is facing a structural deficit, general fund support must be reduced. The budget bill includes language reducing the program's funding by \$5 million contingent on enacted legislation reducing the Maryland After School Opportunity Fund, although the funding mandate for the program has expired. This action would implement the reduction without requiring separate legislation. Approximately \$4.4 million in new federal funds related to the No Child Left Behind Act of 2002 is available and can complement additional State funding to boards of education to continue these initiatives if warranted.	\$ 5,000,000	GF
2. Reduce travel to reflect fiscal 2002 actual expenditures plus 2% inflation in fiscal 2003 and 2004.	43,246	GF
<b>Total General Fund Reductions</b>	<b>\$ 5,043,246</b>	

## *Updates*

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### **1. Child Care Credential Stalled**

In July 2001 DHR initiated the Maryland Child Care Credential for child care providers. Working in tandem with the Maryland State Department of Education's early childhood accreditation system, the credentialing system is designed to improve the quality of early childhood experiences through enhanced staffing and curriculum. However, due to low participation in the credentialing program and projected deficits for POC, DHR shifted funding away from credentialing and toward POC.

#### **Participation in Credential System Less Than Anticipated**

According to the most recent data collected in 2000 by the Maryland Child Care Resource Network, there are 13,420 child care providers in Maryland, which include 11,058 family child care providers and 2,362 licensed group programs. Yet, only 1,071 staff attained a child care credential in fiscal 2002. Therefore, there is approximately one credentialed staff person for every 13 child care providers.

DHR identified several reasons why participation in the system was less than anticipated.

- ***Overly Optimistic Projections:*** Original estimates of program participation were based on other states' participation in similar programs that had been running for several years, and thus were already fully developed. DHR is still in the process of ramping up its system.
- ***Poor Implementation Timing:*** The initiative began during the summer when most child care programs are on a more relaxed schedule and some are closed. However, since the program is beyond a full year of implementation, program participation should have picked up already in the nonsummer seasons.
- ***Programs Redirected to Other Activities:*** Since September 11, 2001, child care programs have concentrated on other priorities and activities, including safety and emergency preparedness.
- ***New System Confusing to Providers:*** The process to become credentialed and other related pieces of the system were confusing to many providers. DHR had to offer technical assistance and training as a result.
- ***Tiered Reimbursement Requires Time-consuming Accreditation Process:*** In order to be qualified to receive tiered reimbursement payments for POC children, providers must be nationally or State accredited, a lengthy and intensive process that can take many months.

Only \$76,204 of the appropriated \$2 million for financial incentives was distributed in fiscal 2002. According to DHR, only 31 child care facilities were approved to receive the tiered reimbursement incentive. Due to the lackluster participation in the credentialing system and the financial incentives, DHR plans to shift funding out of the Office of Credentialing and into the POC program.

***Current and Prior Year Budgets***

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**Current and Prior Year Budgets  
Child Care Administration  
(\$ in Thousands)**

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2002</b>					
Legislative Appropriation	\$40,696	\$0	\$129,129	\$0	\$169,825
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	-2,090	357	-8,539	0	-10,272
Reversions and Cancellations	-443	-218	-4,999	0	-5,659
<b>Actual Expenditures</b>	<b>\$38,163.00</b>	<b>\$139</b>	<b>\$115,591</b>	<b>\$0</b>	<b>\$153,893</b>
<b>Fiscal 2003</b>					
Legislative Appropriation	\$39,633	\$0	\$139,468	\$0	\$179,101
Budget Amendments	-8	0	-2	0	-10
<b>Working Appropriation</b>	<b>\$39,625</b>	<b>\$0</b>	<b>\$139,466</b>	<b>\$0</b>	<b>\$179,091</b>

Note: Numbers may not sum to total due to rounding.

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*N00D01 - DHR - Child Care Administration*

**Fiscal 2002**

The fiscal 2002 working appropriation decreased by approximately \$10.3 million through budget amendment. This decrease is attributed to moving the Child Care Administration Management Information System budget to the Office of Technology for Human Services and a decrease in TANF block grant dollars to help fund deficits in foster care/subsidized adoption. These decreases were offset by increases in local and headquarters administration plus unexpected special funds from local governments. The fiscal 2002 budget also decreased by \$5.6 million as a result of reversions and cancellations. Almost \$5 million in federal funds were cancelled due to less than anticipated expenditures for general administration contract costs, Office of Credentialing, and Health Systems Development. Also, \$442,285 in general funds were reverted for cost containment.

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Appendix 2

Object/Fund Difference Report  
DHR - Child Care Administration

<u>Object/Fund</u>	<u>FY 02 Actual</u>	<u>FY 03 Working Appropriation</u>	<u>FY 04 Allowance</u>	<u>FY 03 - 04 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	218.00	226.50	226.50	0	0%
<b>Total Positions</b>	<b>218.00</b>	<b>226.50</b>	<b>226.50</b>	<b>0</b>	<b>0%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 12,411,725	\$ 12,173,581	\$ 12,840,276	\$ 666,695	5.5%
02 Technical & Spec Fees	410,241	102,000	51,212	-50,788	-49.8%
03 Communication	278,102	702,209	342,142	-360,067	-51.3%
04 Travel	157,016	179,580	206,606	27,026	15.0%
07 Motor Vehicles	33,353	45,173	47,159	1,986	4.4%
08 Contractual Services	136,156,540	152,102,187	118,436,508	-33,665,679	-22.1%
09 Supplies & Materials	135,942	80,863	103,218	22,355	27.6%
10 Equip - Replacement	1,616	0	0	0	0.0%
11 Equip - Additional	15,529	0	0	0	0.0%
12 Grants, Subsidies, Contr	3,671,868	12,984,496	10,637,806	-2,346,690	-18.1%
13 Fixed Charges	620,822	731,211	764,873	33,662	4.6%
<b>Total Objects</b>	<b>\$ 153,892,754</b>	<b>\$ 179,101,300</b>	<b>\$ 143,429,800</b>	<b>-\$ 35,671,500</b>	<b>-19.9%</b>
<b>Funds</b>					
01 General Fund	\$ 38,163,198	\$ 39,632,925	\$ 49,697,212	\$ 10,064,287	25.4%
03 Special Fund	138,748	0	0	0	0.0%
05 Federal Fund	115,590,808	139,468,375	93,732,588	-45,735,787	-32.8%
<b>Total Funds</b>	<b>\$ 153,892,754</b>	<b>\$ 179,101,300</b>	<b>\$ 143,429,800</b>	<b>-\$ 35,671,500</b>	<b>-19.9%</b>

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.

Fiscal Summary  
DHR - Child Care Administration

<u>Unit/Program</u>	<u>FY 02 Actual</u>	<u>FY 03</u>		<u>FY 03 Working Appropriation</u>	<u>FY 04 - 03</u>		<u>FY 04 Allowance</u>	<u>FY 03 - 04 % Change</u>
		<u>Legislative Appropriation</u>	<u>Appropriation</u>		<u>% Change</u>	<u>% Change</u>		
01 General Administration	\$ 38,542,544	\$ 44,530,331	\$ 44,530,331	\$ 44,530,331	15.5%	\$ 34,256,184	-23.1%	
09 Purchase of Child Care	115,350,210	134,570,969	134,570,969	134,570,969	16.7%	109,173,616	-18.9%	
<b>Total Expenditures</b>	<b>\$ 153,892,754</b>	<b>\$ 179,101,300</b>	<b>\$ 179,101,300</b>	<b>\$ 179,101,300</b>	<b>16.4%</b>	<b>\$ 143,429,800</b>	<b>-19.9%</b>	
General Fund	\$ 38,163,198	\$ 39,632,925	\$ 39,632,925	\$ 39,632,925	3.9%	\$ 49,697,212	25.4%	
Special Fund	138,748	0	0	0	-100.0%	0	0.0%	
Federal Fund	115,590,808	139,468,375	139,468,375	139,468,375	20.7%	93,732,588	-32.8%	
<b>Total Appropriations</b>	<b>\$ 153,892,754</b>	<b>\$ 179,101,300</b>	<b>\$ 179,101,300</b>	<b>\$ 179,101,300</b>	<b>16.4%</b>	<b>\$ 143,429,800</b>	<b>-19.9%</b>	

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.