

## **Effect of Increased Child Care Licensing Fees on Child Care Facilities**

### **Issue:**

As of January 1, 2010, due to the severe economic downturn in general and the state budget specifically, the legislature reduced the General Fund dollars appropriated to the Division of Licensing Services, but gave the agency the authority to increase licensing fees, not to exceed \$5 million for the period 1/1/2010 thru 6/30/2010, across all licensing programs.

These increased fees may create an insurmountable hurdle for many child care facilities. Many child care providers are small businesses already impacted by the economic downturn. If there is no remedy offered to some of these child care providers, they may find they are forced to seek ways to preserve capital by decreasing safeguards or standards, increasing the fees charged to families, continuing to care for children but in an unregulated setting or eventually going out of business. Subsequent reduction in the number of licensed child care providers will only increase the list of families waiting for placement in a licensed child care facility, a list already too long.

### **Background:**

The ADHS Division of Licensing Services, Office of Child Care Licensing regulates and monitors licensed child care facilities, public school child care programs and certified child care group homes statewide. Compliance inspections, follow-up surveys, and complaint investigations are conducted to protect the health and safety of children and ensure that rules are met for facility operation and maintenance.

The mission of the Office of Child Care Licensing (OCCL) is: "To monitor the health, safety and well-being of children in licensed child care facilities and certified child care group homes throughout Arizona by establishing appropriate rules, monitoring for compliance, offering technical assistance and training to caregivers and providing consumer education."

The primary focus of the OCCL is health and safety. During compliance inspections, the OCCL identifies many conditions that could seriously jeopardize the health and safety of our children. During FY 2009 alone, the major deficiencies noted, related to health and safety, were:

- Staff criminal history affidavit incomplete or missing,
- Toxic/flammable materials not stored in locked area inaccessible to children,
- Electrical outlets not covered,
- Buildings, premises, and indoor and outdoor play equipment not in good repair,
- Resilient surface under swings and climbing equipment not adequate,
- Floor coverings not clean or free from damage or odors and hazardous materials not clearly labeled and/or not locked,
- Staff file(s) missing or incomplete,
- Missing or incomplete Emergency Information and Immunization Record Cards,
- Child's sign-in/sign-out records not complete and

- Daily attendance roster not updated.

These issues could mean the difference between life and death for the children who spend a significant part of their day in child care centers or homes.

The time and manpower spent on these critical surveys comes at an expense. The ADHS has not raised OCCL licensing fees since 1976. Due to the General Fund reduction for the Division of Licensing Services, the Department must increase fees to licensed childcare providers, effective 1/1/2010. It is important to note that not all centers or homes will be required to pay the increase the first year. Only 856 of the approximately 2,700 will renew their license in 2010.

First Things First has changed the culture of early childhood in the state of Arizona. From its inception in 2006, and building on the work of the School Readiness Board, improving the quality of child care settings was one of the founding principles of First Things First. Through support of innovative, evidence-based programs like Quality First!, TEACH, REWARDS\$ and child care health consultants, FTF raised the bar for quality in child care in Arizona.

It is true that the initiative that resulted in the establishment of First Things First and through which tobacco tax funds were made available was meant to build on the foundation for early childhood that had been established in the state. These funds were not to pay for services or programs which were already the responsibility of the state.

The situation we find ourselves in today was not envisioned four years ago. The quality enhancement of child care settings was meant to build on state licensing standards. In fact, in order to qualify to participate in Quality First!, a center or home must be licensed by the state.

As many of these centers operate on a slim profit margin, raising the capital for the increased fees may well require them to reduce services. If the centers pass on the fee increase to families, many families will be negatively impacted. Some, as we have already seen, will choose to find other alternatives to care for their children, perhaps an older child at home. With the increase in fee, compounded by the potential for reduction in clients, some centers will likely make the decision to close entirely. Finally, there is the real concern for children who will find themselves in situations where the child care provider will continue to provide services but without a license.

### **Potential Solutions:**

Support for child care facilities is critical to maintain the positive momentum that has been built around the quality issue. The increase in fees should not be a barrier to accomplishing this. Arizona cannot afford to have this increase in licensing fees be a road block that changes the course of improving child care facilities where our children can not only be safe but thrive.

## **Option 1**

Provide a grant, scholarship or incentive program, modeled after the FTF TEACH or REWARD\$ to child care centers seeking a Quality First rating by either:

- presenting this as a scholarship to a facility
- linking the scholarship to a particular family who cannot afford a fee increase associated with the licensing fee increase. This can be a teachable moment. In return, that family would be asked to demonstrate some tangible evidence of increased knowledge of a child's normal growth and development. The center can offer early childhood educational material resources.

## **Option 2**

Initiate a system of loans for centers unable or having difficulty in paying for licensing fees

## **Option 3**

Seek other sources of funding both on a statewide and regional level. While it is difficult, there may be other sources of funding to assist centers which might have difficulty with the new fees. This may work even better in the regions where an appeal can be made to the local philanthropic or business community.

## **Benefit**

Assisting the designated centers with the cost of the increased licensing fees, will serve to maintain the enhanced system of early childcare for which First Things First has worked so long. Children would be cared for in a center or home that is not only safe but where they receive care by a person who understands how a young brain grows and is nurtured. We know that early childhood experiences literally shape a child's brain architecture, for the good or for the bad. The centers and homes who are interested in improving the quality of the care they offer and the knowledge of those who care for children need assistance as they are faced with this increased but unavoidable cost. In the end however, the assistance we can give to these centers and homes will show great returns as we see the next generation and subsequent generations of Arizona's kindergarteners healthy and ready to learn on their first day of school.