

October 1, 2009

Will Humble
Interim Director
Arizona Department of Health Services
150 North 18th Avenue
Phoenix, Arizona 85007

Dear Mr. Humble,

We appreciate the opportunity to express our concerns regarding the proposed increases by the Department of Health Services Division of Licensing Services. Although we agree that site licensure for childcare sites has remained low and unchanged for many years, we do not agree with the Department of Health Services significantly raising licensing fees based on the department's budget reduction in the Division of Licensing Services.

Please keep in mind that your decision to increase licensing fees comes not only during a profound economic recovery period for our Nation, but at a time when other State agencies have also passed on economic burdens to our school communities. The Department of Economic Security has denied any childcare assistance to over 7,000 new eligible low income working families thus making it difficult for families to enroll in quality childcare programs. In addition, the Arizona Department of Education is faced with over a one-hundred million dollar deficit for the 08-09 budget which the effects on school district budgets have yet to be determined. School districts are bracing for what the State figures to be a one billion dollar shortfall next year and the potential impact that will have on individual district budgets as educational funding may be affected. To cover these various budget deficits all these indicators point to a high potential of job loss through reduction of services which will compound the economic free-fall that has been created.

Given the state of the economy and the fact that we have no choice but to pass the cost on to our parents, we are asking that you not put childcare costs out of the reach of those who need it the most. As public schools, we respectfully ask to work with the Department in eliminating the redundancy caused by multiple regulatory agencies in licensing schools and school programs. We agree with the Governor that the regulations should be streamlined allowing all regulatory agencies increased efficiency resulting in cost savings to the public and to the respective regulatory agencies.

We acknowledge that the Arizona Department of Health Services has been dramatically impacted by the State's economic challenges and believe it would be prudent for the Department to focus on items most critical to child safety. We urge the Department to recognize that public school facilities, approved by the State Department of Education and the Arizona School Facilities Board, are deemed safe and appropriate to offer programs to enrolled students both before and after school.

History shows that public school based care has the lowest incidence of infractions at Levels 1-4 as per the Division of Licensing Services infraction reports and enforcement matrix. History also shows that public school entities were not required to be licensed for extended enrichment opportunities for the students enrolled. It was a legislative reform effort, driven by the private childcare industry that pushed this reform. However, in meeting multiple State and Federal Agency requirements, public school facilities show that they can operate without increased burdensome regulation and bureaucracy. It is time to institute sustainable reform in this area

which will not place the burden of multiple regulatory compliance on public schools and prove to be a long term cost saving to the Department.

Based on the information we have been given, the potential impact due to the increases are to mitigate the Departments \$4.5 million dollar budget reduction in the Division of Licensing Services. Rather than streamlining as was requested, the burden will be passed onto the families that rely on school based site programs for quality enrichment options for their children. Our sites are currently licensed at the rate of \$150.00 for a duration of three (3) years. The proposed "Child Capacity" formula will base licensure at the range of \$15.00 - \$25.00 per child per year which equates to \$1,500.00 to \$2,500.00 per site with a licensing capacity of 100 children. The assumption that there will be a range is due to the fact that there are too many unknown variables that exist in this formula. For example, does the per child fee increase if program capacities are reduced to take into account that fewer families will resort to childcare based on the additional financial burden? Additionally, this increased financial burden may adversely affect small centers and centers that operate in low socio-economic areas, thereby forcing them to close their doors. If programs are reducing capacities or worst case scenario, shutting down completely, does this present additional financial burden to other Department of Health Services licensed sites? If your target is to make up a fixed dollar amount deficit and the per child fee was established based on existing licensed capacities to that end, then it stands to reason that a decrease in capacity will result in an increase in the per child fee.

We too have concerns whether the concept of fully self-funded agencies should apply to child care facilities, given the historical safety and educational benefit to the public that these facilities have demonstrated and continue to serve. The proposed rate would grossly increase licensing fees in excess of 30 times the current practice and by way of comparison, equal or even exceed annual supply budgets that have been allocated to our programs.

We believe that any new initiative must include efficient use of current resources, involvement of licensees, and a thorough review of all impacts prior to implementation of any fee change. We also believe that any increases must be implemented in a reasonable and responsible manner and anything other than a phased-in or gradual approach will create undue hardship to children, families and providers with the only benefactor being the Department Health Services.

We understand that there are three options that the Department has under legal and financial review. However as of Monday, September 21, 2009 this information was not available at a stakeholders meeting. We understand there will be a 30 day comment period for the public to participate in and two public hearings prior to January, 2010. We value our relationship with the Department of Health Services Office of Child Care Licensing because prior to these budget cuts, we feel the focus was on the safety of the children served. In contrast, the interactions and services since seem seem focused primarily on revenue generation through enforcement rather than the needs of children and families. The responsibility of the Department of Health Services is unquestionably two fold: To make improvements in the efficiency and effectiveness as a regulatory system and to administer these regulations in a fair and responsible manner.

The Arizona Community Education Association and the Arizona Center for Afterschool Excellence respectfully ask for the opportunity to meet and work directly with the Department of Health Services on a systemic approach to resolving these issues. Our communities, Arizona's children and families, can not carry the burden of the recommendations in the Auditor General's report on their backs. Drastically increasing licensure fees to cover the Division of Licensing Services' spending is not the answer. We appreciate your focused attention to the challenges that

exist in the Division of Licensing Services and look forward to working together to resolve these challenges in a prudent, expedient, and responsible manner.

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AZCEA Members and Partners:

Amphitheater Public School District
Apache Junction School District
Arizona Center for Afterschool Excellence
AZ School Risk "The Trust"
Catalina Foothills School District
Cave Creek Unified School District
Chandler Unified School District
Deer Valley Unified School District
Dysart Unified School District
Flowing Wells Unified School District
Gilbert Public Schools
Glendale Elementary School District
Higley School District
J.O. Combs Unified School District
Kyrene Elementary School District
Liberty Elementary School District
Madison School District
Mammoth-San Manuel Unified School District
Marana Community Schools
Mesa Unified School District
Paradise Valley Unified School District
Peoria Unified School District
Phoenix Elementary
Phoenix Preparatory Academy
Phoenix Union High School District
Queen Creek Unified School District
Ruth Fisher Elementary School
Scottsdale Unified School District
St. Michael Indian School
Sunnyside School District
Tanque Verde Ext Care
Tempe Elementary School District
Tempe Union High School District
Tucson Unified School District
Vail School District
Washington Elementary School District

Cc: Mary Wiley
Lourdes Ochoa