

A blue-tinted photograph of a man and a woman looking at a young child. The man is on the left, leaning in towards the child. The woman is on the right, also looking at the child. The child is in the center, looking up and to the right with a slight smile. The background is a soft, out-of-focus light blue.

# First Things First Update

September 19, 2024



# AZ's Early Childhood Landscape

**First Things First:** Public funding source dedicated exclusively to birth to age 5

FTF coordinates & collaborates with:

- Arizona Department of Economic Security
  - Arizona Early Intervention Program
  - Child Care Assistance
  - Temporary Assistance for Needy Families (TANF)
- Arizona Department of Health Services
- Arizona Health Care Cost Containment System
- Arizona Department of Education
- Arizona Department of Child Safety
- Cities, towns, counties across AZ - including Pima County PEEPS



# Arizona's Investments in Early Childhood





# First Things First investments statewide:

Quality Child Care & Preschool	\$65,515,483
Strengthening Families	\$28,021,225
Preventive Health	\$11,969,668
Workforce Development & Training	\$4,053,865
Research & Evaluation	\$3,005,744
Family/Community Engagement	\$3,602,767
System Coordination	\$206,516

\* Programs and services delivered by nearly 70 community-based non-profit organizations, school districts, local governments & institutions of higher learning funded by FTF

\*\* Pima County FTF regional investments for SFY25 = \$19.1M



# FTF Funding

- Created by Arizona voters in 2006
- Funding sources (SFY25 budget):
  - Tobacco tax-related revenue: 94.4%
    - About 40% of all collected tobacco tax
  - Appropriation: 0%
  - Gifts: 0.1%
  - Grants: 5.5%

# Declining Tobacco Revenues



FTF 2024 tobacco revenues: **37.9% less** (\$62.5 million lower) than 2008

State Fiscal Year	FTF Tobacco Revenue Collections	+/- Change from Prior Year	% Difference from Baseline	\$ Change from Baseline
2008	\$164,805,113			
2009	\$159,974,131	Decrease	-2.9%	-\$4.8 million
2010	\$132,269,028	Decrease	-19.7%	-\$32.5 million
2011	\$130,701,444	Decrease	-20.7%	-\$34.1 million
2012	\$128,314,293	Decrease	-22.1%	-\$36.5 million
2013	\$125,768,040	Decrease	-23.7%	-\$39.0 million
2014	\$124,621,734	Decrease	-24.4%	-\$40.2 million
2015	\$122,115,615	Decrease	-25.9%	-\$42.7 million
2016	\$125,856,241	Increase	-23.6%	-\$38.9 million
2017	\$125,338,281	Decrease	-23.9%	-\$39.5 million
2018	\$121,746,973	Decrease	-26.1%	-\$43.1 million
2019	\$115,337,473	Decrease	-30%	-\$49.5 million
2020	\$120,672,218	Increase	-26.8%	-\$44.1 million
2021	\$118,117,184	Decrease	-28.3%	-\$46.7 million
2022	\$116,456,931	Decrease	-29.3%	-\$48.3 million
2023	\$101,247,800	Decrease	-38.6%	-\$63.6 million
2024	\$102,331,875	Increase	-37.9%	-\$62.5 million
2032 Projected	\$95,000,000		-42.4%	-\$69.8 million



# Thinking Ahead

- Revenue decline means organizational fund balance decreasing faster than anticipated
  - Expected to be zeroed out by SFY2029
- Current spending levels unsustainable beyond current funding plan cycle
  - FTF Board will consider spending reductions up to 15% beginning in SFY2028
- FTF is pursuing long-term early childhood funding solutions to reduce impacts on children and their families



# The State of Child Care In Arizona

 FIRST THINGS FIRST





## Arizona's **working families**

- **66%** of young children live in households where all adults work in Pima County (compared to 60% average statewide).
- In Arizona, there are about **474,000** working parents with children under 6.

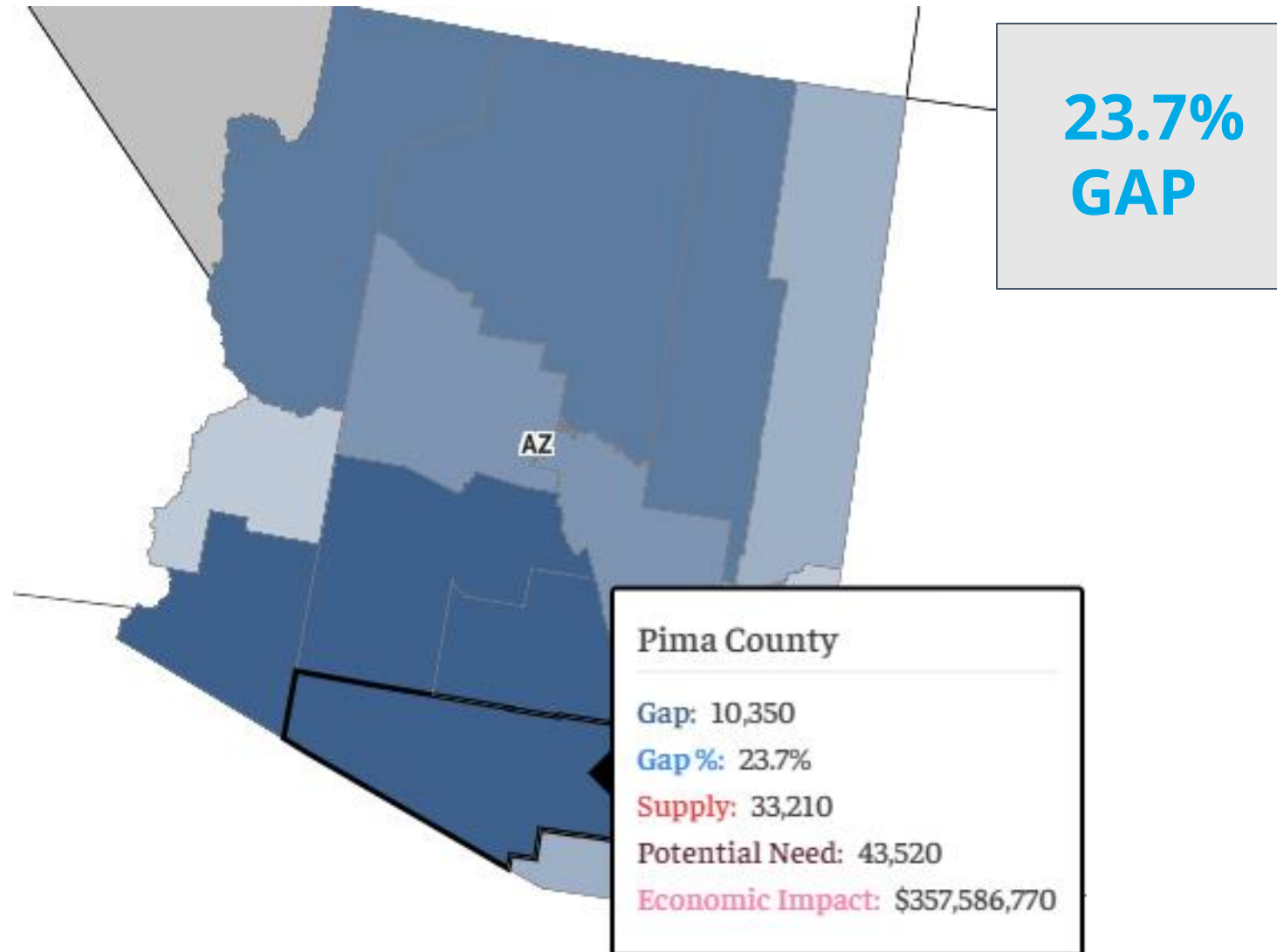


**Demand exceeds supply:** 304,000 may need child care, but only 230,000 slots exist.

**Child care employee pay is among lowest:** National median is \$14.60/hr.

**Families can't afford more:** 12-32% of income is spent on child care; 7% is considered affordable.

# Pima County: Child Care Need vs. Available Slots





## Child care needs to be:



Affordable



Accessible



Reliable



High-Quality

## Child care settings can include:



Center-based care



In-home child care providers



Family, friend, or neighbor care providers

\$1.3 billion in  
federal assistance  
was a **lifeline**.





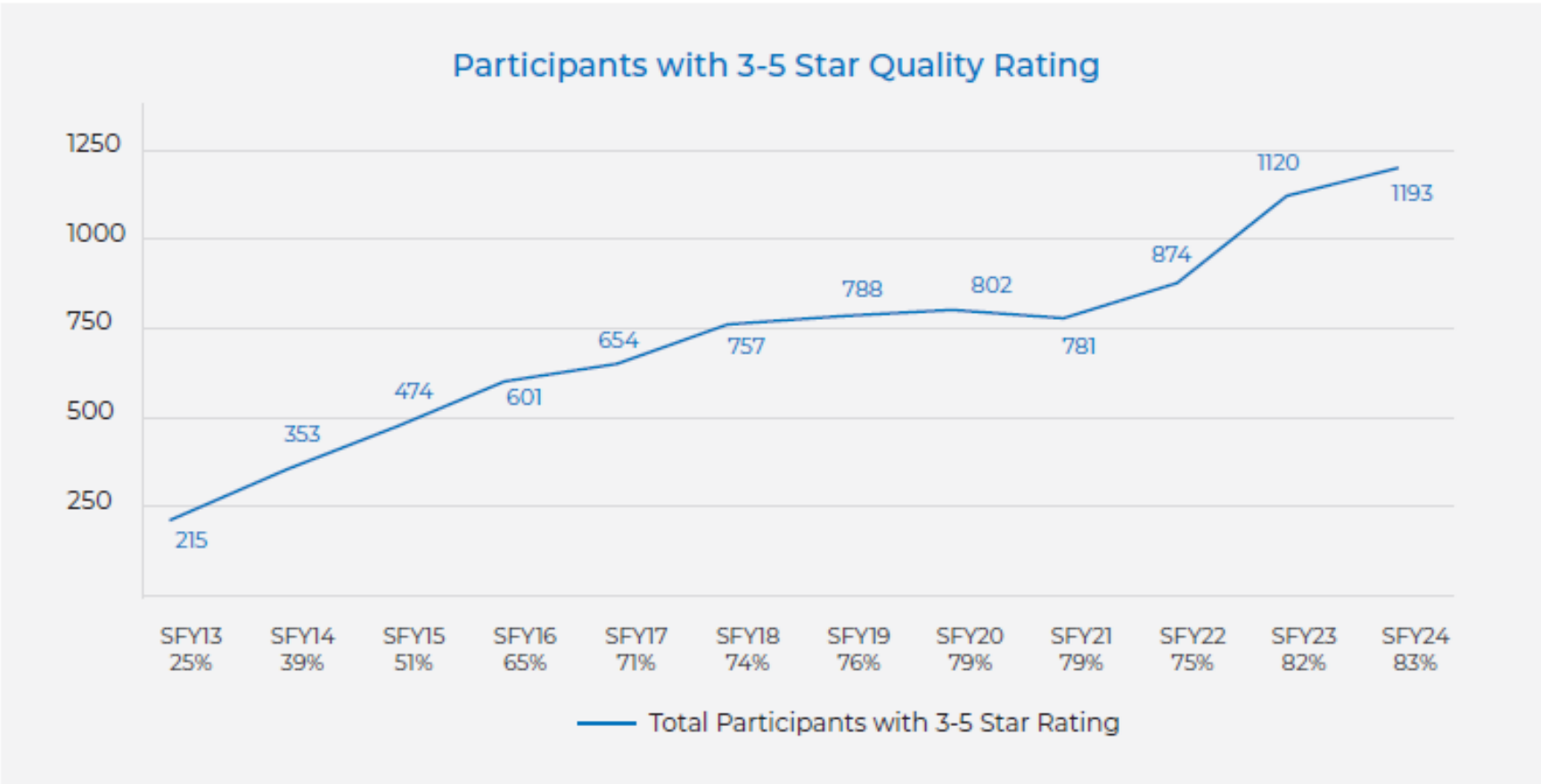
## Impact of federal stabilization funds:

### 2:1 ROI

- Saved families about \$1,250 per child per year by slowing the rise of child care prices.
- Increased mothers' employment by 3%.
- More than 3,000 AZ child care providers received grants to help raise worker wages and keep their doors open.



635 additional child care providers were able to participate in Quality First through relief funding (111 in Pima County)





# Impact of federal stabilization funds on Quality First scholarships:

- \$42.4M supported about 1,300 new QF scholarship slots in SFY24
  - Nearly doubled FTF's annual investment of about \$46M in QF scholarships
  - **Pima County:** An additional 223 QF Scholarship slots funded in SFY24 through federal relief funds
- Funded increased reimbursement rates





# Quality First Scholarships Have Decreased This Year

2 factors:

- End of federal relief funding = loss of 1,300 slots
- FTF continued increased Reimbursement Rate for providers from 2010 cost-of-quality rate to 2021 cost of quality.
  - 50% increase in cost of scholarships
  - Cut about 1,700 FTF-funded slots statewide



# Quality First Scholarships - Reimbursement Rates

- Cost of Quality Study
  - 2010
  - 2021

## 2010 Rates

Participant Type	Child's Age	Hours	2 Stars	3-5 Stars
Center and Family Child Care Home	Infant 0 - 12 months	Full Time, 12 Month	\$ 7,968.00	\$ 11,304.00
	Toddler 12 - 36 months	Full Time, 12 Month	\$ 7,968.00	\$ 11,304.00
	Preschool 3 – 5 years	Full Time, 12 Month	\$ 6,000.00	\$ 7,296.00

## 2021 Rates

Participant Type	Child's Age	Hours	2 Stars	3-5 Stars
Center and Family Child Care Home	Infant 0 - 12 months	Full Time, 12 Month	\$ 20,300.00	\$ 24,600.00
	Toddler 12 - 36 months	Full Time, 12 Month	\$ 12,700.00	\$ 15,000.00
	Preschool 3 – 5 years	Full Time, 12 Month	\$ 10,600.00	\$ 12,600.00



# Access to Quality - Pima County

*Average Total Quality First Scholarship Slots per Month per Year*

	<b>FY24</b>	<b>FY25</b>	<b>Change</b>
<b>DES/Federal Relief Funded</b>	<b>223</b>		<b>(223)</b>
<b>FTF QF Scholarships</b>	<b>582</b>	<b>375</b>	<b>(207)</b>
<b>PEEPS-funded</b>	<b>883</b>	<b>451</b>	<b>(431)</b>



# Access to Quality Child Care - Tuition Supports

About 51,275 Children Served Statewide Last Year

- 30,651 DES Child Care Assistance (SFY 24)
- 12,207 Head Start/Early Head Start (FFY23)
- 8,417 Quality First Scholarships (SFY 24)

A photograph of a young child with curly hair looking up at an adult woman, overlaid with an orange tint. The child is in the foreground, looking towards the woman on the right. The woman is partially visible in profile, looking down at the child. The background is slightly blurred, showing what appears to be a window with blinds.

**Long-term Solutions Needed**



***“Child care is a textbook example of a broken market.***

***Those who provide child care aren't paid well, and many who need it, can't afford it.”***

**Janet L. Yellen**  
*Secretary of the Treasury*

## Recent state investment

- \$12 Million in DES child care assistance for SFY2025.
- First investment in child care assistance for working families in 15 years.
- State eliminated annual funding of \$84M during Great Recession, never restored.
- Child care assistance waitlist began August 1.



## Community funding [navigator](#)

- Learn how states, cities and counties are tackling the crisis.
- Categories include:
  1. Infrastructure
  2. Dedicated funding streams
  3. Subsidy cost estimates
  4. Expansion
  5. Workforce





# Thank you.

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