

Department of Planning and Budget 2014 Fiscal Impact Statement

1. Bill Number: SB 195

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Stanley, William M. Jr.

3. Committee: Rehabilitation and Social Services

4. Title: Child care; services for TANF and low-income families

5. Summary: The proposed legislation directs the Department of Social Services (DSS) to provide financial assistance to pay a portion of the cost of child care services for Temporary Assistance for Needy Families (TANF) recipients and other individuals whose incomes are at or below 185 percent of the federal poverty level who are employed or participating in job placement, job training, or education services and who require financial assistance with the costs of child care to enable continued employment or participation in job placement, job training, or education services. The bill also requires the department to identify strategies to obtain the maximum amount of federal funds available for child care services for TANF recipients and families whose incomes are at or below 185 percent of the federal poverty level and to annually report on these activities

6. Budget Amendment Necessary: Yes

7. Fiscal Impact Estimates: Preliminary

Expenditure Impact*:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2014	-	-	-
2015	\$68,833,634	2.0	General
2016	\$137,480,931	2.0	General
2017	\$137,480,931	2.0	General
2018	\$137,480,931	2.0	General
2019	\$137,480,931	2.0	General
2020	\$137,480,931	2.0	General

*Amounts do not include the local share (15.5 percent) of local staffing costs (see item 8)

8. Fiscal Implications: The bill requires DSS to pay a portion of the child care costs for TANF recipients enrolled in the Virginia Initiative for Employment Not Welfare (VIEW) program and other employed individuals whose income is at or below 185 percent of the federal poverty level. Currently VIEW participation, in most localities, is limited to working TANF recipients whose annual income at or below 20 percent of the federal poverty level. This legislation would effectively raise that income ceiling to 185 percent of the poverty level for

child care subsidies and also include anyone outside of the VIEW program who otherwise qualifies.

Individuals participating in VIEW already receive child care subsidies as part of that program. Therefore, there will be no additional cost associated with serving this population. The remaining population of employed individuals whose income falls below 185 percent of the federal poverty level would be included in the fee-based child care subsidy program operated by DSS. Fee-based subsidies are currently a non-mandated service that provides assistance with the cost of child care to eligible families, to the extent that funding is available. The fee-based program provides child care subsidies on a sliding fee scale basis to income eligible working families and those attending school who are at risk of becoming recipients of public assistance. Currently, the maximum income for families participating in this program, in most localities (105), is 185 percent of the federal poverty level. The remaining localities have set higher income maximums. This legislation would expand mandated child care services from VIEW participants to all children of employed families with incomes at or below 185 percent of the federal poverty level.

Subsidy/Service Cost

The proposal does not define “portion of the cost of child care services”; however it is assumed that the legislation does not intend to significantly alter the subsidy amount (\$351 average cost per child per month) being provided to families currently participating in the fee-based subsidy program. Therefore, the additional cost of providing child care subsidies to the expanded population assumes that any newly eligible children would receive the average subsidy currently being provided.

It is assumed that this bill would not have a significant fiscal impact in the 15 localities where the income maximum for participation in the fee-based child care program is higher than 185 percent of the federal poverty level. In the remaining 105 localities, there are currently 216,247 Virginia children at or below 185 percent of the federal poverty level under the age of 13 (according to the 2011 American Community Survey). Of this number, 32,757 children are already receiving subsidies in these localities. Therefore, it is assumed that an additional 183,490 (216,247 – 32,757) children would be potentially eligible for child care subsidies based solely on family income. The department does not have any data as to how many of these children would have working parents; however, the Kids Count Data Center, a project of the Annie E. Casey Foundation, indicates that approximately 67 percent of children, under the age of 12, in Virginia have their resident parents in the civilian labor force. Using this statistic, 122,938 (183,490 x .67) of the potentially eligible children have working parents.

The department reports that 24 percent of the currently eligible population participate in the subsidy program; therefore it is assumed that 24 percent or 29,505 (122,938 x .24) of the new potentially eligible population would opt for services. In FY 2013, the average cost per child per month for child care was \$351. It is assumed that the children requiring services would receive an average of approximately six months of child care subsidies in the first year and 12 months of child care subsidies each year thereafter. As a result, the assumed cost to provide fee-based child care subsidies per the provisions of this bill is estimated at

\$62,137,934 (29,505 x \$351 x 6) in FY 2015 and \$124,275,869 (29,505 x \$351 x 12) in FY 2016 and each year thereafter. The state does not account for any increase in the population of eligible children in out years.

Administrative Cost

The proposal is expected to have an impact on central office staff. The department estimates that two additional positions would be needed to handle the extra workload created by the bill. The new staff would provide technical assistance to the increased number of childcare providers; provide technical assistance to local departments that will have increased child care caseloads; and provide education and awareness about the program. Using an average salary of \$54,308 for each position, it is estimated that an additional \$176,011 would be needed for salaries, benefits and other operating costs in FY 2015; and \$165,685 in FY 2016 and each year thereafter.

This bill would also increase the workload on local departments of social services and it is assumed that additional staffing would be required. In FY 2013, DSS spent approximately \$23 million on local child care staffing costs and served 43,476 children. This equates to an average administrative cost per child of \$523 annually. Due to the increased caseload, additional administrative costs are estimated not to exceed \$7,715,608 (29,505 x \$262 for six months) in FY 2015 and \$15,431,215 (29,505 x \$523) in FY 2016 and each year thereafter. Localities would be expected to provide a 15.5 percent match to these amounts (\$1,195,919 in FY 2015 and \$2,391,838 FY 2016 and thereafter). The remaining general fund cost would be \$6,519,689 in FY 2015 and \$13,039,377 each year thereafter.

The state costs associated with legislation will have to be covered with general fund dollars as DSS reports that all available federal grant funding is fully allocated.

9. Specific Agency or Political Subdivisions Affected:

Department of Social Services
Local departments of social services

10. Technical Amendment Necessary: No

11. Other Comments: None

Date: 1/23/14