

Department of Planning and Budget 2015 Fiscal Impact Statement

1. Bill Number: HB 2046

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

2. Patron: Filler-Corn, Eileen

3. Committee: Health, Welfare and Institutions

4. Title: Family day homes; licensure

5. Summary: The proposed legislation requires all family day homes that provide care for one or more children for compensation to be licensed by the Department of Social Services. Currently, only family day homes providing care for six or more children must be licensed. The bill also provides that, for the purposes of determining the number of children receiving care, the provider's own children and any children residing in the home shall be counted.

6. Budget Amendment Necessary: Yes. The introduced budget includes \$2.7 million general fund to support costs associated requiring licensure as a condition of participating in the child care subsidy program.

7. Fiscal Impact Estimates: Preliminary

Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2015	-	-	-
2016	\$135,207,387	1,246	General*
2017	\$128,024,089	1,246	General
2018	\$128,024,089	1,246	General
2019	\$128,024,089	1,246	General
2020	\$128,024,089	1,246	General
2021	\$128,024,089	1,246	General

*The agency has accrued a significant one-time federal Child Care Development Fund (CCDF) balance that is estimated to be \$55.4 million at the end of FY 2016. The introduced budget appropriates a portion of this anticipated balance to support the on-going cost (through FY 2022) of recent a child care subsidy rate (effective October 1, 2014) increase. As this balance is available in the current year, CCDF dollars could be used to offset some of the bill's first fiscal impact. However, assuming all available CCDF was utilized in FY 2016, at least \$79.8 million general fund would still be necessary. The full future cost would need to be supported with general fund.

8. Fiscal Implications: A family day home is a child day program offered in the residence of the provider or the home of any of the children in care for one through twelve children under the age of thirteen, when at least one child receives care for compensation. Under current law, family day homes providing care for six or more children exclusive of the provider's

own children and any child who resides in the home must be licensed. The intent of this legislation is unclear. While HB 2046 provides that for purposes of determining the number of children receiving care in a family day home, the provider's own children and any children residing in the home shall be counted, it is unclear if it is the intent of this bill that all family day homes that provide care for one or more children for compensation be licensed by the Department of Social Services (DSS).

For purposes of this analysis, it is assumed that the proposal requires all family day homes with more than one child in care, including the provider's own child, to be licensed. By reducing the number of children in care required for licensure and removing the exclusion for the provider's own children, more family day homes will be subject to DSS licensure requirements. Therefore, it is assumed that additional providers will need to be licensed by DSS while other unregulated family day homes forego licensure and cease operation.

The primary costs associated with the proposed legislation are 1) additional licensing staff; (2) increased child care subsidy costs; 3) the impact on Temporary Assistance for Needy Families (TANF) and other benefit programs; and 4) a public relations media campaign to inform the public about this new licensing requirement.

Licensing Staff

This legislation will impact unlicensed family day home providers who care for one or more children for compensation to be licensed by the Department of Social Services. There is no way of knowing exactly how many unlicensed family day home providers would now require and seek licensure as a result of this bill. The department estimates that as of June 30, 2014, there were approximately 63,049 unlicensed family day home providers in Virginia. Based on the bill, it is presumed that all of these providers will now require licensure. It is unknown as to whether this population would be comprised of currently unlicensed family day homes or new child care providers (i.e. child day centers) entering the market; however, it is assumed DSS would ultimately have to license either.

Based on an annual inspection rate of 61.5 facilities per inspector, it is estimated that 1,025 (63,049/61.5) additional licensing inspectors with an average annual salary of \$59,453 will be needed as a result of the increased licensed family day homes. One hundred and three licensing administrators with an average annual salary of \$68,371 and 103 administrative support staff with an average annual salary of \$40,000 based on a 10:1 inspector to staff ratio will be needed as well. Ten senior program consultants with an average salary of \$68,371 will be needed in the home office to provide guidance, training and technical assistance to the field. Five program technicians with an average annual salary of \$35,000 will be needed in the central registry unit to process child protective services registry checks. In addition, non-personnel services are estimated at \$14,368 (\$16,299 for inspectors) in the first year and \$9,205 (\$11,136 for inspectors) each year thereafter for each staff person. The non-personnel services of inspectors are greater due to their increased travel costs. Therefore, total annual cost for additional licensing staff is estimated to be \$122,903,691 in the first year and \$116,470,593 each year thereafter.

Increased Child Care Subsidy

The Child Care and Development Fund (CCDF) Subsidy Program provides subsidies for eligible parents to help pay for child care while they work or participate in approved education and training programs. Currently, licensed child care providers participating in the Subsidy Program are paid higher rates than unlicensed providers. The average monthly payment for a licensed child care provider is \$472 per child while the average monthly payment for an unlicensed child care provider is \$241 per child, a difference of \$231.

If all children currently receiving subsidies at the lower unlicensed rate (monthly average is 4,168) were placed in licensed care, per the requirements of this bill, the department estimates an annual increase in subsidy payments of \$11,553,696 (4,168 children x \$231 difference x 12 months). The cost of mandated and non-mandated child care will increase if the current enrollment in subsidized child care is maintained. Approximately 49 percent or \$5,661,311 of this increase is due to subsidies for mandated child care with the remaining 51 percent or \$5,892,385 due to subsidies for at-risk child care. Mandated child care costs must be funded. If additional funding is not provided for the increased subsidized child care costs, enrollment in at-risk child care will need to be adjusted downward.

Impact on TANF and other benefit programs:

As the cost and difficulty of operating a family day home increases; the availability of lower cost childcare providers will also decrease. It is assumed that requiring DSS licensure will have a dramatic impact on an unregulated family day home providers. While it cannot be determined, it is assumed that many existing family day home providers will cease operations or limit the number of children instead of becoming a licensed facility under the provisions of this bill. This assumption is based on some of the current licensure requirements that may be difficult for a currently unregulated provider to meet. For example, a licensed provider must:

- Meet minimum staff qualifications (includes: must speak, read, write English, have a high school diploma or GED, hold first aid and CPR certifications, 16 hours of annual training);
- ensure building and equipment standards;
- provide age appropriate and approved activities and toys; and
- provide meals according to the Child and Adult Care Food Program of the USDA

Should the number of low cost family day homes decline, the ability of middle and lower income families to find affordable child care would be significantly impacted. This in turn could force parents to leave the work force and potentially become eligible for public assistance programs (TANF, SNAP, etc.). Furthermore, if any of those parents are currently receiving TANF assistance, an additional impact to the Commonwealth is possible. The federal government requires that at least 50 percent of Virginia's TANF population, under certain criteria, engage in an approved work activity. If TANF parents stop working, Virginia could be in danger of not meeting the federal work participation requirement. The penalty for failing to maintain work participation requirements is a loss of approximately \$7.9 million in TANF funding, as well as an \$8.0 million increase in the state's maintenance

of effort requirement. Since the potential impact on the TANF program cannot be determined; no fiscal implications are included in item 7.

Media Campaign and Information Referral

Although the bill does not include a specific requirement for the dissemination of information, it is assumed that one would be necessary to effectively implement the bill's provisions. Many of the providers impacted by this legislation do not have any interactions with the DSS or other state agencies with regard to child care and would have no way to understand the new licensure expectations. Based on previous experience, DSS estimates the cost of a statewide bilingual media campaign to be \$750,000. This estimate is based on approximately \$40,000 per week in radio and print ads that run between \$750 and \$5,000 depending on the publication, and print materials such as flyers, pamphlets and posters that cost between \$0.35 and \$2.50 per piece. This estimate also includes an estimated \$1,000 in production costs. However, television ads were not included in the estimate because they are prohibitively expensive.

Fee Revenue

Additional fee revenue will be generated as the number of applications for child care licensure increases. The exact amount of revenue generated cannot be determined; however, the Code of Virginia requires that licensing application fee revenue be used for training. Therefore, it is assumed that none of this revenue is available to offset the cost of this bill.

Summary Table	FY 2016
Licensing Staff	\$122,903,691
Child Care Subsidy	\$11,553,696
Temporary Assistance for Needy Families	-
Media Campaign and Information Referral	\$750,000
Total	\$135,207,387

9. Specific Agency or Political Subdivisions Affected:

Department of Social Services

10. Technical Amendment Necessary: No

11. Other Comments: This bill is a companion to SB 818.

Date: 1/26/15