Department of Planning and Budget
2015 Fiscal Impact Statement

1. **Bill Number:** SB 1123

   House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

   Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron:** Barker, George L.

3. **Committee:** Rehabilitation and Social Services

4. **Title:** Child care subsidy; license required

5. **Summary:** The proposed legislation requires licensure for any child day center or family day home, other than those located on federal property and operated or certified by the U.S. Department of Defense, that contracts with the State Department of Social Services or a local department of social services to provide child care services funded by the Child Care and Development Fund.

6. **Budget Amendment Necessary**: See Below. The introduced budget includes $2.7 million general fund to support the anticipated licensure cost associated with this legislation. The remaining fiscal impact is associated with the increased cost of child care subsidies as outlined below.

7. **Fiscal Impact Estimates:** Preliminary

   Expenditure Impact:

Fiscal Year	*Dollars*	*Positions*	*Fund*
2015	-	-	-
2016	$14,322,428	28.0	Indeterminate*
2017	$14,177,864	28.0	Indeterminate*
2018	$14,177,864	28.0	Indeterminate*
2019	$14,177,864	28.0	Indeterminate*
2020	$14,177,864	28.0	Indeterminate*
2021	$14,177,864	28.0	Indeterminate*

*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 or all of this bill's fiscal impact. However, once the CCDF balance is expended, additional general fund would be required to support the bill's cost as well as the cost of continuing the subsidy rate increase. For example, if CCDF funds are fully utilized to support this bill, it is estimated that the reserve would be fully expended by FY 2018 and approximately $18.3 million general fund in FY 2019 and $20.7 million each year thereafter would be required to maintain child care subsidy and licensure operations if no other federal funds are provided for this purpose.

8. **Fiscal Implications:** This bill requires any child day center or family day home that contracts with the Department of Social Services (DSS) to provide child care services to obtain a license to operate. It is assumed that making licensure a condition of participating in the child care subsidy program will increase the overall number licensed providers, while forcing other unregulated providers to forego contracting with DSS.

   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 Families (TANF); and 4) a public relations media campaign and information referral to inform the public about this new licensing requirement.

   Licensing Staff
   There is no way of knowing exactly how many of these unregulated child care 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 1,908 unlicensed providers receiving payments through the VIEW and at-risk child care programs. This number includes 739 providers regulated by local ordinance, 399 voluntarily registered family day homes, 319 religiously exempt centers and 451 unregulated family homes. Based on programmatic data, the department estimates that 1,429 of these providers would opt for licensure.

   Based on an annual inspection rate of 61.5 facilities per inspector, the department estimates that 24 additional inspectors with an average annual salary of $59,453 will be needed as a result of the increased number of licensed family day homes. Two licensing administrators with an average salary of $68,371 and two administrative support staff with an annual salary of $40,000 based on a 10:1 inspector to staff ratio will be needed as well. 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 $2,768,732 in the first year and $2,624,168 each year thereafter.

   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 and any increased costs would be supported first with any available resources. At-risk child care is not a mandated program; therefore, the agency has indicated that it would address any funding shortfall by adjusting enrollment downward. The fiscal impact in item 7 reflects the cost of fully funding the existing caseload.

Temporary Assistance for Needy Families (TANF)
As the cost and difficultly of operating child care centers and homes increase; the supply of lower cost childcare providers could also decrease. It is assumed that requiring DSS licensure will have an impact on unlicensed providers. While it cannot be determined, it is assumed that some existing providers will cease operations instead of becoming a licensed provider 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 parents leave the work force they could 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
As the department currently has a contractual relationship with all of the potentially impact child care providers, it is assumed that methods of disseminating information and answering questions are already in place. Informing any impacted providers can be handled with minimal fiscal or programmatic impact. Therefore, this statement does not assume any additional cost for a media campaign and information referral.

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	$2,768,732
Child Care Subsidy	$11,553,696
Temporary Assistance for Needy Families	-
Media Campaign and Information Referral	-
Total	$14,322,428

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 HB 2023.

Date: 1/20/15