# Department of Planning and Budget
# 2015 Fiscal Impact Statement

1. **Bill Number:** SB 1168

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

2. **Patron:** Hanger, Emmett W. Jr.

3. **Committee:** -

4. **Title:** Child welfare agencies, etc.; regulation

5. **Summary:** The substitute bill amends the definition of a family day home to remove the exclusion for the provider's own children and children who reside in the home. The provider's own children and any children who reside in the home who are under the age of six must now be included in determining the number of children receiving care for the purpose of licensure. This bill also requires the commissioner of revenue or other local business licensing officials to report semi-annually to the Department of Social Services (DSS) the name, address, and contact information for any business license issued for a child day center or family day home. In addition, the bill requires unlicensed and unregistered family day homes to submit to DSS prior to operation and as required by the department thereafter a statement of intent to operate an unlicensed, unregistered family day home. This bill includes a delayed effective date. The bill's provisions will not become effective unless the 2014 General Assembly includes an appropriation, which effectuates the bill's purposes, in the Appropriation Act.

6. **Budget Amendment Necessary**: Yes. For the bill to become effective, the 2015 General Assembly must provide an appropriation that effectuates the bill's purposes.

7. **Fiscal Impact Estimates:** Preliminary

**Expenditure Impact:**

| ***Fiscal Year*** | ***Dollars*** | ***Positions*** | ***Fund*** |
|---|---|---|---|
| 2015 | - | - | - |
| 2016 | - | - | - |
| 2017 | $3,802,480 | 29.0 | Indeterminate* |
| 2018 | $2,902,753 | 29.0 | Indeterminate* |
| 2019 | $2,902,753 | 29.0 | Indeterminate* |
| 2020 | $2,902,753 | 29.0 | Indeterminate* |
| 2021 | $2,902,753 | 29.0 | 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 that relate to the licensure of additional child care providers. 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 2019 and approximately $11.8 million general fund would be required to maintain child care subsidy and licensure operations if no other federal funds are provided for this purpose.

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 serving six or more children exclusive of the provider's own children and any child who resides in the home must be licensed. This bill eliminates the exclusion of the family day home provider's children and any children who reside in the home when determining licensure threshold. It requires that the provider's own children and any children who reside in the home who are under the age of six be included in determining the number of children receiving care for the purpose of licensure. Removing this exclusion will make more family day homes subject to Department of Social Services (DSS) licensure requirements. Therefore, it is assumed that additional providers will need to be licensed by DSS while other unregulated family day homes will forego licensure and cease operation. In addition, this legislation requires the commissioner of revenue or other local business licensing officials to report to the department on a semi-annual basis the name, address, and contact information for any business license issued for a child day center or family day home and requires every unlicensed and unregistered family day home to provide DSS with a written statement of intent to operate an unlicensed and unregistered family day home.

   Licensing Staff
   This legislation will impact unregulated family day home providers who will be serving six or more children when all children residing in the home under the age of six are counted towards the state licensure requirement. There is no way of knowing exactly how many of these unregulated 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 unregulated family day home providers in Virginia. Of this number, it is conservatively estimated (based on available census data) that 2.3 percent or 1,450 new family day home providers would require licensure as a result of this bill. While it is unknown as to whether this population would be comprised of currently unregulated family day homes or new child care providers entering the market; however, it is assumed that DSS would ultimately have to license either.

   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. One senior program consultants with an average salary of $68,371 will also be needed in the home office to provide guidance, training and technical assistance to the field 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 $2,877,844 in the first year and $2,728,117 each year thereafter.

In addition, it is assumed that the two administrative support staff above would be responsible for entering the business license information and the statements of intent to operate for unlicensed and unregulated providers. While the agency would need to update its Division of Licensing Program Health and Information Network (DOLPHIN) system to include fields that capture the required data on unlicensed and unregulated family day home providers, it is assumed that this would be a minimal one-time cost as the necessary system changes could be included as part of annual revisions.

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.

Of the estimated 1,450 family day homes that would seek licensure as a result of this legislation, the department estimates that approximately one percent, or 63 of the children cared for by these providers would receive subsidies. Therefore, their average monthly subsidy payment would increase by $231. This equates to an increase in child care subsidies of $174,636 (63 x 231 x 12) as a result of this bill.

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 $85,572 of this increase is due to subsidies for mandated child care with the remaining 51 percent or $89,064 is 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

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 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 to conduct a one-time, statewide bilingual media campaign, along with information referral services, to be approximately $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.

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.

9. **Specific Agency or Political Subdivisions Affected:**
Department of Social Services

10. **Technical Amendment Necessary:** No

11. **Other Comments:** None

**Date:** 2/3/15