

Department of Planning and Budget 2015 Fiscal Impact Statement

1. Bill Number: SB 780

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

2. Patron: Favola, Barbara A.

3. Committee: Rehabilitation and Social Services

4. Title: Family day homes; licensure

5. Summary: The proposed legislation provides that the children of a family day home provider and any children who reside in the family day home where care is provided shall be included in determining the number of children receiving care for the purpose of licensure.

6. Budget Amendment Necessary: See Below. 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. All or a portion of this funding may be used to offset the cost of this bill. However, as this is not a dollar for dollar offset, this funding could not be assumed if legislation related to other aspects of child care regulation, along with this bill, is passed.

7. Fiscal Impact Estimates: Preliminary

Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund*</i>
2015	-	-	-
2016	\$7,427,276	63.0	Indeterminate*
2017	\$6,352,007	63.0	Indeterminate*
2018	\$6,352,007	63.0	Indeterminate*
2019	\$6,352,007	63.0	Indeterminate*
2020	\$6,352,007	63.0	Indeterminate*
2021	\$6,352,007	63.0	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 2019 and approximately \$15.2 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. 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. While this bill also excludes from licensure a family day home that is the residence of six or more children in care, the department reports, based on available data, that the impact of this exclusion is expected to be negligible and have no impact on the overall fiscal implications.

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

This legislation will impact unregulated family day home providers who will be serving six or more children when all children residing in the home 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 that five percent or 3,152 new family day home providers would require licensure as a result of SB 780. 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 51 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. Five licensing administrators with an average salary of \$68,371 and 5 administrative support staff with an annual salary of \$40,000 based on a 10:1 inspector to staff ratio will be needed as well. Two 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 \$6,239,300 in the first year and \$5,914,031 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.

Of the estimated 3,152 family day homes that would seek licensure as a result of this legislation, the department estimates that approximately one percent, or 158 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 \$437,976 (158 x 231 x 12) as a result of SB 780.

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 \$214,608 of this increase is due to subsidies for mandated child care with the remaining 51 percent or \$223,298 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 difficulty 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.

Summary Table		FY 2016
Licensing Staff		\$6,239,300
Child Care Subsidy		\$437,976
Temporary Assistance for Needy Families		-
Media Campaign and Information Referral		\$750,000
	Total	\$7,427,276

9. Specific Agency or Political Subdivisions Affected:

Department of Social Services

10. Technical Amendment Necessary: No

11. Other Comments: This bill is similar to HB 1929 and SB 1124.

Date: 1/20/15