

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

Senate Bill 920

(Senator King, *et al.*)

Education, Health, and Environmental Affairs

Ways and Means

Early Childhood Development - Child Care Scholarship Program - Alterations
and Study

This bill requires the Maryland State Department of Education (MSDE) to establish a process for granting presumptive eligibility for a subsidy under the Child Care Scholarship (CCS) Program and establishes a Child Care Scholarship Program Presumptive Eligibility (CCSPPE) Fund, administered by MSDE. Among other provisions, the bill also establishes requirements for MSDE and the Comptroller to process and distribute CCS payments within a specified timeframe and requires MSDE to award a subsidy to an individual in an amount sufficient to ensure that an individual will not have to pay a copay for child care under certain circumstances. MSDE must study and make recommendations on specified aspects of the CCS program, including the amount of funding necessary to provide payment of the subsidy amount for which an individual who is presumptively eligible qualifies. Beginning in fiscal 2024, the Governor must appropriate in the annual budget bill an amount to the CCSPPE Fund at least equal to the amount recommended by MSDE in the study. **The bill's provisions generally take effect July 1, 2022; presumptive eligibility provisions take effect July 1, 2023.**

Fiscal Summary

State Effect: General fund expenditures for the Comptroller may increase significantly in FY 2023 and potentially annually thereafter to comply with the bill's provisions related to provider payments. Federal fund expenditures increase by approximately \$2.0 million in FY 2023 to cover the cost of waiving certain parental copays (consistent with funding included in the FY 2023 budget) and by a minimum of \$50,000 to complete the required study. General/federal fund expenditures for MSDE further increase, *significantly* beginning in FY 2024 (perhaps exceeding \$10.0 million annually), to meet the bill's requirements, including the mandated funding amount for the newly established special fund. Special fund expenditures and revenues increase accordingly, as discussed below. General fund revenues increase minimally from interest beginning in FY 2024. **This bill establishes a mandated appropriation beginning in FY 2024.**

Local Effect: The bill does not materially affect local government operations or finances.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary:

Provisions Effective July 1, 2022

Copayments: MSDE must award a subsidy in an amount sufficient to ensure that an individual will not be required to pay a copay for child care if the individual provides proof – as determined by MSDE – of (1) participation in one of several programs (the Special Supplemental Food Program for Women, Infants, and Children, the Supplemental Nutrition Assistance Program, the federal Housing Choice Voucher Program, Supplemental Security Income (SSI) Benefits, and Temporary Cash Assistance (TCA)) and (2) employment or enrollment in an education or career training program.

Child Support: MSDE may not require an individual to pursue or receive child support payments or apply for services from a child support agency to be eligible for a subsidy under the program.

Program Payments: MSDE must notify the Comptroller within ten days after receiving an invoice from a child care provider. The Comptroller must pay a child care provider within five days after receiving notification from MSDE.

Required Study: MSDE must, in consultation with stakeholders and national experts, study and make recommendations on a process to expand access to subsidies under the CCS Program. The study must generally include an analysis of the effects of changes to the program under the bill. The study must also include an investigation into (1) a method to grant presumptive eligibility to an initial applicant for a subsidy under the program, as specified; (2) the creation of a simplified form to be used by an individual applying to the program; and (3) methods of aiding applicants to the program in completing the application process. Furthermore, MSDE must study and make recommendations on (1) the extent to which federal and State matching funds can be used to accomplish specified goals of the CCS program (as established in the bill) and the extent to which the State must provide separate funding; (2) the need to alter or renegotiate any contracts used in the operations of the CCS program; (3) any necessary statutory changes; and (4) any additional State funding that is needed to continue to offer robust support through the CCS program for all individuals eligible under federal law. By December 1, 2022, MSDE must report on the results of the study to the Governor and the General Assembly.

Provisions Effective July 1, 2023

Presumptive Eligibility: To facilitate the presumptive eligibility process, an individual must attest that the individual meets the eligibility requirements for a subsidy by completing and electronically submitting a form provided by MSDE, including a statement of the individual's estimated annual household income. The individual is then eligible to receive a subsidy beginning on the day on which the form is submitted and for a minimum of 60 days, regardless of program eligibility status. To continue to receive a subsidy beyond 60 days, an individual who has submitted a form must submit a program application within 15 days after the date on which the form was submitted (and MSDE must either have determined that the individual is eligible or not yet made an eligibility determination).

Except for suspected fraud, neither MSDE nor the Comptroller may seek reimbursement or repayment of a subsidy provided to an individual if MSDE determines that the individual does not qualify for the subsidy.

Special Fund: The CCSPE Fund is a special, nonlapsing fund, administered by MSDE. The fund may be used only to award a subsidy under the CCS Program in an amount sufficient to provide child care for an individual granted presumptive eligibility until (1) the individual either fails to complete the full application within 15 days or is found *ineligible* and the timeframe for provision of funds to the individual lapses or (2) the individual is found eligible to participate in the program. If an individual is found eligible to participate in the program, federal and matching State funds available under the federal Child Care Development Fund must be used to reimburse the CCSPE Fund for its subsidy awards. Beginning in fiscal 2024, the Governor must appropriate in the annual budget bill an amount to the CCSPE Fund at least equal to the amount recommended by MSDE (pursuant to the study described above).

Current Law: The CCS Program (formerly known as the Child Care Subsidy Program) is administered by the Division of Early Childhood within MSDE. The program provides financial assistance for child care costs to families who meet income eligibility requirements. For each child needing care, the family receives a voucher to purchase child care directly from the provider of their choice that participates in the program. The State pays the subsidy to providers, while the parent pays the required copayment and any remaining balance between the actual rate charged by the provider and the voucher amount. Eligibility for the program and the size of a family's copayment are primarily determined by family income, which places the family in an income eligibility scale in 10 categories. Families eligible for TCA and SSI recipients are exempt from copay requirements.

State Fiscal Effect: State expenditures related to the CCS Program increase *significantly* beginning in fiscal 2023.

Elimination of Copays for Certain Families

Beginning July 1, 2022, the bill prohibits MSDE from assessing a parental copay for families that qualify for other specified means-tested programs and are employed/enrolled in an education or career training program. MSDE estimates the cost of waiving copays for additional families increases annual expenditures by approximately \$2.0 million. The estimate is based on an average copay of \$77 per month for approximately 2,150 children. The fiscal 2023 budget includes \$2.0 million in federal funds for this purpose (that was contingent on the enactment of the bill or its cross file).

Payment Processing Standards

The Comptroller's Office advises that while current staffing and operations allow for a turnaround time of approximately 30 days, increased staffing as well as computer programming changes are needed to meet its five-day payment processing requirement in the bill. The Comptroller's Office was unable to provide a specific estimate but anticipates that the costs associated with comprehensive programming changes could exceed \$40.0 million in fiscal 2023, perhaps by a significant amount. While the Department of Legislative Services (DLS) generally agrees that the bill's requirements cannot be met by the existing resources of the Comptroller's Office, it is unable to verify (1) that programming costs are of the magnitude indicated or (2) the extent to which another method of implementation, such as more robust staffing levels instead of comprehensive programming changes, could be used to meet the bill's requirements at a lower cost.

Elimination of Child Support Requirement

Beginning July 1, 2022, the bill prohibits MSDE from requiring an individual to pursue or receive child support payments or apply for services from a child support agency to be eligible for a subsidy under the CCS Program. To the extent that families qualify for a subsidy when they would have otherwise been ineligible due to failure to pursue or receive child support payments, CCS Program expenditures increase to serve those families.

Study on Expanding Access to Subsidies under the CCS Program

Federal fund expenditures also increase in fiscal 2023 by an estimated \$50,000 to \$100,000 due to contractual costs incurred for MSDE to complete the required study.

Presumptive Eligibility Provisions

The bill requires MSDE, by fiscal 2024, to establish a process for assuring presumptive eligibility to individuals who attest to their eligibility. This results in (1) funding being provided sooner than under current practice for those applicants who are later verified to be eligible for funding under the program and (2) potential funding for some individuals who may attest to eligibility but later be determined to be ineligible for program services. A precise estimate of the effect on annual expenditures cannot be made at this time, due to the lack of reliable data. However, *for illustrative purposes only*, for every 1,000 children that are presumed eligible for the program and receive services for one additional month each year, State expenditures increase by *a minimum* of \$656,000 annually; *if each month* services are being provided to 1,000 additional children, State expenditures increase by a minimum of \$7.87 million annually. These examples are based on an average monthly cost per child of \$656 (which *only* reflects the fiscal 2021 monthly cost per child estimate as prepared by the Regional Economic Studies Institute at Towson University and does not account for the impact of higher provider reimbursement rates that are presumed to take effect in the last quarter of fiscal 2022).

The bill requires the Governor, annually beginning in fiscal 2024, to include an appropriation to the CCSPPE fund that is at least equal to the amount deemed necessary (as a result of the required study) to provide payment of subsidies to individuals who are presumptively eligible. Accordingly, State expenditures (general/federal funds) increase significantly beginning in fiscal 2024 to (1) initially capitalize the CCSPPE fund that is used to provide subsidies during the presumptive eligibility period and (2) reimburse the CCSPPE fund for expenditures made for individuals who were awarded subsidies during a period of presumptive eligibility, but later deemed eligible for services. Special fund expenditures and revenues increase commensurately.

Funding Source

DLS generally notes that considerable federal funding from the Child Care and Development Block Grant (CCDBG) has been made available to the CCS Program and that unspent federal funds can be reserved or carried forward into future years. Accordingly, any net impact on the general fund for provisions specific to the CCS program (*i.e.*, excluding those associated with the Comptroller's Office) may be mitigated, particularly in the first several years of the bill's implementation, depending on the extent of federal funds available for these purposes. The fiscal 2023 budget includes \$217.8 million in total funds for subsidies under the CCS Program (\$159.3 million federal funds/\$58.5 million general funds).

MSDE advises that in the event a family is found to be ineligible for the CCS program based on federal eligibility requirements, federal law prohibits the use of CCDBG funds, including State matching funds, to be used to provide a subsidy. Thus, MSDE anticipates that the State will need to use State funds (via the special fund established by the bill) rather than available CCDBG matching funds to pay for any child care services that were rendered under those circumstances.

Small Business Effect: Small business child care centers may benefit from faster payments from the State and to the extent that children are enrolled in child care programs sooner due to the presumptive eligibility provisions of the bill.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 995 (Delegates Solomon and Palakovich Carr) - Ways and Means.

Information Source(s): Maryland State Department of Education; Department of Housing and Community Development; Maryland Department of Labor; Regional Economic Studies Institute – Towson University; Department of Legislative Services

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