

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 2908
STATE OF NEW JERSEY
219th LEGISLATURE

DATED: NOVEMBER 13, 2020

SUMMARY

Synopsis: Increases child care provider payments and revises hourly limits on child care for school-aged children under subsidized child care assistance program during 2020-2021 school year.

Type of Impact: One-Year Increase in State Expenditures, General Fund.

Agencies Affected: Department of Human Services.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2021</u>	<u>FY 2022</u>
State Expenditure Increase	Indeterminate	\$0

- The Office of Legislative Services (OLS) lacks the informational basis to quantify the bill's one-year State expenditure increase. The added costs in FY 2021 would accrue because of two aspects of the bill: a) the temporary higher child care subsidy rates the Department of Human Services (DHS) would pay to child care providers for eligible school-aged children who require care during the school day due to a hybrid or remote school schedule, and b) the higher demand for subsidized services prompted by the temporary rise in the number of hours for which subsidized child care for school-aged children would be available.
- The program expansion would be in effect from the bill's date of enactment through June 30, 2021 and any associated costs would first be charged to federal Child Care and Development Block Grant (CCDBG) funds with the State General Fund responsible for any residual amount.

BILL DESCRIPTION

This bill increases the subsidized child care assistance program reimbursement rates for licensed child care providers that enroll school-aged children and the limits on the daily number of subsidized child care hours that may be provided to school-aged children. The changes become effective upon enactment and expire on June 30, 2021.

Under the bill, providers that enroll school-aged children on a part-time basis would receive a daily subsidy rate of \$28.90 per eligible child, rather than the current \$14.65, for up to six, rather than three, hours of care. Providers would be paid a daily subsidy rate of \$48.80 per eligible child, rather than the current \$29.30, for school-aged children who are enrolled on a full-time basis, which would range from 6.25 hours to ten hours of care per day. Under current law, only during the summer months, as well as recognized holidays and vacations during the school year, are providers paid for a full day of care for school-aged children.

The bill first charges the cost of the program expansion to available federal CCDBG funds, to the extent permitted under federal law. The State General Fund is to pay for the residual cost.

The DHS is directed to apply for any State plan amendments or waivers required to ensure continued federal financial participation for the State's subsidized child care assistance program.

The program supports low- to moderate-income families with the cost of child care in State-licensed child care centers or registered family child care homes. Eligible families have an annual income up to 200 percent of the federal poverty level and assets below one million dollars. By way of reference, during the 2020-2021 school year, a family of three can earn up to \$43,300 and qualify for a child care subsidy. Subsidies are available for part-time or full-time child care services for children under the age of 13 years and for special needs children and children under protective supervision by the Division of Child Protection and Permanency in the Department of Children and Families who are under age 19.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS lacks the informational basis to quantify the bill's one-year State expenditure increase. The added costs in FY 2021 would accrue because of two aspects of the bill: a) the temporary higher child care subsidy rates the DHS would pay to child care providers for eligible school-aged children who require care during the school day due to a hybrid or remote school schedule, and b) the higher demand for subsidized services prompted by the temporary rise in the number of hours for which subsidized child care for school-aged children would be available. The changes would apply to child care services furnished from the bill's date of enactment through June 30, 2021.

The OLS is unable to quantify the FY 2021 expenditure increase because several key variables are unknown: the start date of the temporary program expansion, which would depend on the bill's date of enactment; the number of school-aged children for whom higher part-time subsidy rates would be paid; and the number of school-aged children for whom full-time rates would be paid when under current law school-aged children only qualify for part-time subsidy rates outside of the summer months, school vacations, and school holidays.

According to the DHS' response to an OLS FY 2021 budget question, in September, there were 21,000 school-aged children enrolled in the subsidized child care assistance program who were eligible for care during the school day. However, the number of school-aged children who will receive subsidized child care during the school day at any point during the 2020-2021 school year is likely to fluctuate appreciably as school schedules and family incomes change in response to the spread of coronavirus disease 2019 (COVID).

Estimates of the possible range of State costs under this bill are highly sensitive to assumptions about participation rates among subsidy-eligible school-aged children. For purposes of illustrating the potential cost impact of the temporary program expansion, the OLS presents several scenarios.

Table 1 indicates that the cost of the bill, were it in effect from January 1, 2021 through June 30, 2021, assuming a stable enrollment of 21,000 children, would be an extra \$35.9 million if all children remained enrolled part-time. If all children switched to full-time enrollment, in turn, the additional cost would be \$86.1 million. If half the children continued to be enrolled part-time and the other half switched to full-time, the additional cost would total \$61.0 million.

Table 1: Cost Impact of Bill Stable Enrollment of 21,000 Children, Effective January 2021 through June 2021		
Scenario	Total Cost	Additional Cost
Baseline Cost, Current Program Parameters	\$36,918,000	0
Cost of Bill, Higher Part-Time Rate Only	\$72,828,000	\$35,910,000
Cost of Bill, All Children Switched to Full-Time	\$122,976,000	\$86,058,000
Cost of Bill, 50% of Children Higher Part-Time Rate, 50% Switched to Full-Time	\$97,902,000	\$60,984,000

Table 2 shows the cost using the same assumptions as in Table 1, except that the OLS assumes that the increased hours of subsidized day care for school-aged children would grow enrollment by 25 percent. The program expansion would cost \$54.1 million if the bill were in effect from January 1, 2021 through June 30, 2021 and if all children were enrolled part-time. If all children were enrolled full-time, the additional cost would be \$116.8 million. If half the children were enrolled part-time and the other half full-time, the additional cost would equal \$85.5 million.

Table 2: Cost Impact of Bill Enrollment of 21,000 Children plus 25 Percent Increase Because of Bill, Effective January 2021 through June 2021		
Scenario	Total Cost	Additional Cost
Baseline Cost, Current Program Parameters	\$36,918,000	0
Cost of Bill, Higher Part-Time Rate Only	\$91,035,000	\$54,117,000
Cost of Bill, All Children Full-Time Day Care	\$153,720,000	\$116,802,000
Cost of Bill, 50% of Children Higher Part-Time Rate, 50% Full-Time Day Care	\$122,377,500	\$85,459,500

In assuming that the bill would take effect on January 1, 2021, the OLS avoids any interaction between this bill and the State’s School-Age Tuition Assistance Program, which provides subsidized child care during the school day for children who are attending school remotely, either on a full- or part-time basis. This child care subsidy, which is funded from New Jersey’s allocation from the federal Coronavirus Relief Fund, is available to families with an annual gross household income of \$150,000 or less with federal funding for the program ceasing on December 30, 2020.

The bill first charges the cost of the temporary program expansion to available federal CCDBG funds, to the extent permitted under federal law. The State General Fund is to pay for the residual cost. Therefore, it is unclear to what extent State funds would be required to supplement federal funding for the temporary program expansion. According to the federal Administration for Children and Families, New Jersey received \$170.8 million in CCDBG funding in 2020. This

allocation does not include the additional \$63.1 million in federal COVID-19 assistance for child care services, allocated pursuant to the federal Coronavirus Aid, Relief, and Economic Security Act. Given that the CCDBG is a block grant program, the program enhancements established under the bill would not increase the grant amount the State can expect to receive from the federal government. However, as of the date of this analysis, the DHS has approximately \$21 million in uncommitted federal block grant balances from FY 2020, perhaps because many parents had scaled back their use of subsidized child care services during the COVID-19 pandemic. These otherwise uncommitted federal funds could potentially be utilized to support the temporary program expansion under the bill.

Section: Human Services
Analyst: Anne Cappabianca
Assistant Fiscal Analyst
Approved: Thomas Koenig
Assistant Legislative Budget and Finance Officer

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).