

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY, No. 4746

STATE OF NEW JERSEY 219th LEGISLATURE

DATED: JUNE 21, 2021

SUMMARY

Synopsis: Requires that certain provider subsidy payments for child care services be based on enrollment

Type of Impact: State expenditure increase.

Agencies Affected: Division of Family Development, Department of Human Services.

Office of Legislative Services Estimate

| Fiscal Impact | <u>Two-Year Period</u> |
|-----------------------------------|-------------------------------|
| State Expenditure Increase | Indeterminate |

- The Office of Legislative Services (OLS) concludes that this bill will result in the Division of Family Development (DFD) in the Department of Human Services (DHS) incurring an indeterminate increase in expenses under the Child Care Subsidy Program as a result of switching from a largely attendance-based payment system to an enrollment-based payment system. Costs under this bill will be limited to the two-year period following the federal approval of the State's waiver or State plan amendment application, or the department's implementation of the revised child care subsidy rates for qualified providers, whichever occurs first.
- The OLS lacks the data to quantify this increase but notes that the distribution of ages of children served under the Child Care Subsidy Program will be a significant cost-driver in this initiative, as infants generally receive the highest subsidy payment and school-aged children receive the lowest subsidy payment.
- Currently, the DFD is providing a temporary coronavirus child care subsidy enrollment-based payment until December 31, 2021. To the extent that the child care subsidy rates established under this bill overlap with this existing policy, the cost of the bill will be reduced.

BILL DESCRIPTION

Under the bill, in addition to any other criteria set forth by the DFD in the DHS to determine a provider's subsidy payment for child care services, the division is required to determine the subsidy payment for child care services issued to a licensed child care provider based on the number of children enrolled with the provider who are eligible for child care services. Under the bill, "child care services" means those services provided to eligible children, as certified by the DFD, for which the division receives and administers State and federal funding to provide subsidy payments to licensed child care providers.

The provisions of the bill require that the division, within 24 months following the effective date of the legislation, submit a written report to the Governor and to the Legislature comparing the costs of basing provider subsidy payments on the number of children eligible for child care services enrolled with the provider versus basing such subsidy payments on the attendance of children eligible for child care services.

The provisions of the bill are to take effect immediately, and shall expire two years after the earlier of federal approval of the State's waiver or State plan amendment application, or departmental implementation of the revised child care subsidy rates for qualified providers.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that this bill will result in the DFD in the DHS incurring an indeterminate increase in expenses under the Child Care Subsidy Program as a result of switching from a largely attendance-based payment system to an enrollment-based payment system. Costs under this bill will be limited to the two-year period following the federal approval of the State's waiver or State plan amendment application, or the department's implementation of the revised child care subsidy rates for qualified providers.

The OLS lacks the data to quantify this increase but notes that the distribution of ages of children served under the Child Care Subsidy Program will be a significant cost-driver in this initiative, as infants generally receive the highest subsidy payment and school-aged children receive the lowest subsidy payment. Other factors include the number of providers within the Grow NJ Kids program, which received a higher per child subsidy rate in exchange for participating in the State's Quality Rating Improvement System.

Currently, the DFD is providing a temporary coronavirus child care subsidy enrollment-based payment. As required under the bill, this payment is based on the number of children enrolled with the provider who are eligible for child care services. The division is funding this policy, implemented in response to the COVID-19 pandemic, with a mixture of federal funds received under the Coronavirus Relief Fund and the Consolidated Appropriations Act. After December 31, 2021, the division will revert to determining subsidy payments to all providers based on the attendance of eligible children. To the extent that the child care subsidy rates established under this bill overlap with this existing policy, the cost of the bill will be reduced. Further, the OLS notes that if the bill is enacted prior to December 31, 2020, this existing policy will trigger the commencement of the two-year period under the bill.

Section: Human Services

*Analyst: Sarah M. Schmidt
Senior Research Analyst*

*Approved: Thomas Koenig
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.).