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FISCAL IMPACT STATEMENT

LS 6562
BILL NUMBER: SB 2

NOTE PREPARED: Jan 29, 2024
BILL AMENDED: Jan 18, 2024

SUBJECT: Child Care.

FIRST AUTHOR: Sen. Charbonneau
FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: **GENERAL**
DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: *Reporting Requirements:* The bill requires the Indiana Economic Development Corporation to annually report to the General Assembly regarding funds dedicated to supporting child care under specified state and federal programs.

The bill also requires the Office of the Secretary of Family and Social Services (FSSA) to publish on the FSSA website a dashboard providing monthly information regarding state and federal child care subsidies available to Indiana residents.

Child Care and Development Fund (CCDF) Voucher Program: The bill provides that a household is eligible to begin receiving assistance under the federal Child Care and Development Fund (CCDF) voucher program if the household, at the time of FSSA's initial determination of the household's income eligibility:

- (1) has a household income that does not exceed 85% of Indiana's state median income for the household's family size;
- (2) includes an individual who is employed by a licensed child care center, a licensed child care home, or a licensed or registered child care ministry; and
- (3) otherwise meets federal eligibility requirements for the CCDF program.

On My Way Pre-K Voucher Program: The bill amends provisions regarding the On My Way Pre-K voucher program (OMWP) to:

- (1) provide eligibility for children of child care employees; and
- (2) amend references to funds provided to children under the OMWP as prekindergarten vouchers, rather than grants.

Cardiopulmonary Resuscitation (CPR): It provides, with respect to the individual with certification in cardiopulmonary resuscitation (CPR) required to be present at all times when a child is in the care of a child care provider that is eligible to receive reimbursement through the CCDF program, that the individual is not required to be recertified in CPR annually.

Early Learning Advisory Committee (ELAC) Survey and Evaluation: It provides that:

- (1) the ELAC must commission a third party evaluation to assess existing regulations for child care providers not later than May 1, 2024 (rather than July 1, 2024, under current law); and
- (2) FSSA must initiate the process of amending FSSA's rules in consideration of the findings of the third party evaluation not later than July 1, 2024. It also requires the ELAC to complete a study of early childhood educator compensation in Indiana not later than September 30, 2024.

Micro Facility Pilot Program: The bill requires the FSSA to establish a Micro Facility Pilot Program, under which FSSA shall:

- (1) develop a regulatory model that:
 - (A) is applicable only to certain licensed or registered child care providers that provide child care for not less than three children and not more than 30 children for at least four hours per day (micro facilities); and
 - (B) incorporates waivers or variances from FSSA's rules applicable to certain child care providers;
- (2) apply the regulatory model to at least three micro facilities and evaluate the operation of the micro facilities under the regulatory model; and
- (3) not later than October 1, 2026:
 - (A) make a determination as to whether FSSA will adopt rules specific to micro facilities that incorporate some or all aspects of the regulatory model; and
 - (B) submit to the general assembly a report regarding the pilot program.

FSSA Rules: The bill requires FSSA to do the following:

- (1) Amend FSSA's rules to define a "substitute educator" caregiver type for purposes of FSSA's rules pertaining to all categories of child care providers regulated by FSSA.
- (2) Amend FSSA's rules to allow an employee of a child care provider who:
 - (A) is 16 or 17 years of age;
 - (B) is assigned to a lead caregiver who supervises the employee at all times during which the employee is supervising a child;
 - (C) is never left alone with a child; and
 - (D) meets specified qualifications; to be counted in child/staff ratios for school age child care rooms.
- (3) Amend FSSA's rules to allow an employee of a child care provider who:
 - (A) is at least 18 years of age; and
 - (B) meets specified qualifications; to serve as the staff person in charge of an infant/toddler room.
- (4) Issue a report to the General Assembly not later than October 31, 2024, documenting the results attributable to:
 - (A) the employer sponsored child care fund; and
 - (B) the employer child care expenditure credit.
- (5) Study, in collaboration with other specified state agencies, opportunities for resource sharing across state agencies and local units of government to facilitate the fingerprinting

of individuals for purposes of conducting national criminal history background checks and issue a report to the Governor and the General Assembly regarding the results of the study.

The bill also makes technical corrections.

Effective Date: Upon passage.

Explanation of State Expenditures: The Family and Social Services Administration (FSSA) will have additional administrative costs of between \$80,000 and \$130,000 in total to implement the Micro Facility Pilot Program (MFPP). The bill expands the number of children eligible for the CCDF voucher program and the On My Way Pre-K Program (OMWP), but the number of children actually participating will depend upon appropriations made and administrative actions. The requirements for compensation review and rule setting may require additional meetings, resulting in minor expense increases for salary per diem or travel reimbursement.

Other provisions of the bill will have workload increases for the FSSA and the Indiana Economic Development Corporation that are expected to be within the routine administrative functions of the agencies and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Additional Information - MFPP: The estimated cost for one MFPP staff member was based on the three current OMWP staff positions and the average annual salary of all FSSA staff with similar job titles.

CCDF Voucher Program and OMWP: Each state develops its CCDF voucher program requirements and benefits within the federal program framework. The bill will make the CCDF voucher program and the OMWP available to child care workers at a higher initial income eligibility level as compared to other eligible families. The number of eligible children will increase to the extent that child care workers do not meet the current, lower income eligibility criteria for these programs. The annual median income for child care workers in Indiana is \$25,730. A family size of three or more earning the Indiana median income would meet the current income eligibility requirements. Additional vouchers may be funded through reduced award amounts or additional funding support.

As of July 2023, there were 31,482 families and 57,469 children authorized for CCDF vouchers. The average annual cost of care was \$13,548 per child, with the CCDF voucher program paying about \$12,207 (90.1%) of the cost. The OMWP support is statutorily required to be between \$2,500 and \$6,800.

CCDF Funding: Indiana received \$340.5 M in CCDF funding from all sources in grant year 2023. The federal CCDF program provides funds to the states for child care services through three appropriation types, mandatory, matching, and discretionary. The federal funds are allocated to the states by several formulas based on a historic federal program's spending and demographic and economic characteristics of the state. The states are required to provide matching and maintenance of effort funds, and have discretion to transfer funds from the Temporary Assistance to Needy Families block grant (TANF). In recent years, Indiana has transferred about \$62 M per year, the full amount available from TANF, maximizing the state's federal funding available for child care.

Income Eligibility: The federal CCDF voucher program allows for families to be income eligible up to 85% of state median income (SMI), which in Indiana is equal to 185% of the federal poverty level (FPL). Currently, Indiana uses 112% FPL for the initial eligibility. The OMWP has two income qualification levels,

up to 150 FPL for an eligible child and up to 185% FPL for a limited eligibility child. The following table shows annual income of a family of three at various income eligibility measures.

2023 Annual Income for a Family of Three	
100% FPL	\$24,860
112% FPL	\$27,843
150% FPL	\$37,290
185% FPL	\$45,991
100% SMI	\$69,900
85% SMI	\$59,412

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Locally owned child care providers could receive additional funding to the extent that they have unused capacity.

State Agencies Affected: Indiana Economic Development Corporation; Family and Social Services Administration, Early Learning Advisory Committee; Commission for Higher Education.

Local Agencies Affected: Locally owned child care providers.

Information Sources: Bureau of Labor Statistics, Department of Labor, *Occupational Employment and Wage Statistics Survey*, May 2022; LSA, *Tax and Revenue Handbook, FY 2023*; Office of Early Childhood and Out of School Learning, *CCDF Voucher and CCDF Centers Programs*, July 2023; <https://www.acf.hhs.gov/occ/data/gy-2023-ccdf-allocations-based-appropriations>.

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