

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington St., Suite 301
Indianapolis, IN 46204
(317) 233-0696
iga.in.gov

FISCAL IMPACT STATEMENT

LS 6930

BILL NUMBER: SB 292

NOTE PREPARED: Jan 4, 2024

BILL AMENDED:

SUBJECT: Various Child Care Matters.

FIRST AUTHOR: Sen. Pol

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
DEDICATED
 FEDERAL

IMPACT: State & Local

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

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

Child Care and Development Fund (CCDF) Voucher Program: The bill provides that a household is eligible for 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.

National Criminal History Background Check: The bill requires FSSA to provide mobile facilities at which an individual may, at no charge to the individual, have the individual's fingerprints taken for purposes of a national criminal history background check required under regulations governing employees of child care centers, child care homes, and child care ministries. The bill also provides that the results of a national criminal history background check of an individual conducted for purposes of the individual's presence on the premises of a provider's child care center, child care home, or child care ministry apply for purposes of

the individual's presence on the premises of any child care center or child care ministry, respectively, operated by the provider.

Early Learning Advisory Committee: The bill provides that:

- (1) the Early Learning Advisory Committee 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 conformance with the findings of the third party evaluation not later than July 1, 2024.

Licensed Child Care Center Employees: The bill provides that a licensed child care center may allow an employee who is:

- (1) at least 18 years of age to supervise a child who is less than 12 months of age; and
- (2) 16 or 17 years of age to supervise a child who is 12 months of age or older if the child is also supervised by an employee who is at least 18 years of age.

Prekindergarten: It provides that a child is eligible for the prekindergarten grant program if the child resides in a household with an annual income that does not exceed 400% of the amount required for the individual to qualify for the federal free or reduced price lunch program.

The bill also allows a provider that is eligible to participate as a provider in the prekindergarten grant program to lease or purchase a vacant school building in the same manner, and under the same terms, as a charter school or state educational institution.

High Value Workforce Ready Credit-Bearing Grant: The bill provides that an individual enrolled in an educational program leading to a degree, certificate, or credential necessary to meet the educational requirements for: (1) employment in any capacity by a licensed child care center or a licensed or registered child care ministry; or (2) licensure to operate a child care home; is eligible for a high value workforce ready credit-bearing grant.

Reporting: The bill requires FSSA, in collaboration with the Department of State Revenue, to submit a report to the Legislative Council not later than October 31, 2024, documenting the results attributable to:

- (1) the Employer Sponsored Child Care Fund; and
- (2) the Employer Child Expenditure Credit.

It also requires FSSA to evaluate the micro center model and submit a report summarizing its findings and recommendations to the Legislative Council.

The bill makes conforming amendments and technical corrections.

Effective Date: Upon passage.

Explanation of State Expenditures: Expenditures for the FSSA would increase between \$450,000 and \$970,700 to provide fingerprinting services at no charge for employees of child care facilities.

The bill will make the CCDF voucher program 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.

Additionally, the bill expands the number of children eligible for the On My Way Pre-K Program (OMWP). The number of children actually participating in these programs will depend upon the appropriation 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 for the Early Learning Advisory Committee. 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.

High Value Workforce Ready Credit-Bearing Grant: This categorical eligibility potentially increases the number of grants made and may result in a more rapid expenditure of the money appropriated for the program. However, program grants are made after other applicable scholarships or grants are used. The Commission for Higher Education may have additional workload to approve programs for use of the grants.

Department of Education and State Board of Education: This bill allows eligible providers to petition the DOE to initiate proceedings that determine whether a school building meets utilization criteria for closure. Current law also allows a petition to be filed with the State Board to review DOE's decision. To the extent this bill increases the number of petitions filed to DOE or to the State Board, the bill's provisions represent a workload increase that are within the agencies' routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary staffing and resource levels. Current law only allows charter schools and state educational institutions to petition DOE for purchase of vacant school buildings.

Additional Information - Fingerprinting: There were 34,729 child care workers as of December 2023. The Indiana State Police (ISP) contract for fingerprint services with online appointment scheduling at centers throughout Indiana and direct submission to ISP for processing. The cost estimate assumes that FSSA would use a similar contract or work with the ISP and its third party vendor. The fingerprinting services fee is \$12.95 for the vendor and \$15 for ISP processing, with the ISP processing fee waived for state agency employees. The fingerprinting and processing fees are deposited in the state General Fund and federal fees of between \$9.25 and \$11.95 are not included.

Prekindergarten Grants: Using U.S. Census data and the income eligibility provisions of the bill and an income eligibility equal to 400% of the income eligibility level for free and reduced lunch (740% of the federal poverty level (FPL)), approximately 94% of 4 year olds would be income eligible for OMWP grants. Applying the current percentage of children receiving OMWP grants to simulate the other non-income based criteria for families receiving OMWP grants, there would be between 10,000 and 14,400 new OMWP grants. The award amount is statutorily required to be between \$2,500 and \$6,800.

CCDF Voucher Program and OMWP: Each state develops its CCDF voucher program requirements and benefits within the federal program framework. The number of eligible children under this bill will increase to the extent that child care workers do not meet the current 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 in three ways, mandatory, matching, and discretionary appropriations. 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: The bill could reduce revenue to the state General Fund from ISP processing of national criminal background checks for child care workers working at multiple locations. The change in revenue is expected to be minimal.

Explanation of Local Expenditures: *School Corporations:* School corporations that are required to sell or lease a school building for \$1 to an eligible provider, as outlined in this bill, will have reduced costs associated with maintaining and operating a school building. These savings are offset by additional administrative costs to school corporations from compiling data to support their claims in an appeals process in the event that a building’s utilization status is disputed. Any fiscal impact to school corporations is ultimately dependent on local action.

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

School Corporations: If a school corporation sells or leases a building for \$1 to an eligible provider as allowed under this bill, the school may experience a revenue decrease dependent upon how much the school

would have otherwise received if it had sold or leased the building at a market rate. If a provider that buys or leases a school building in this manner does not use the building to provide qualified early education services to eligible children within two years after acquiring the building, the school corporation is allowed to sell or otherwise dispose of the building at a market rate.

State Agencies Affected: Indiana Economic Development Corporation; Office of Early Childhood and Out-of-School Learning; Family and Social Services; Early Learning Advisory Committee; Department of Education; State Board of Education; Indiana State Police.

Local Agencies Affected: Locally owned child care providers; School corporations.

Information Sources: Bureau of Labor Statistics, Department of Labor, Occupational Employment and Wage Statistics Survey, May 2022; Legislative Services Agency, *Indiana Handbook of Taxes, Revenues, And Appropriations*, FY 2023; Kayla Skinner, FSSA; 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>.

Fiscal Analyst: Karen Rossen, 317-234-2106; Kelan Fong, 317-232-9592.