

Department of Legislative Services
 Maryland General Assembly
 2014 Session

FISCAL AND POLICY NOTE

Senate Bill 180 (Senator Gladden)
 Finance

State Personnel - Child Day Care Financial Assistance Program

This bill requires the Secretary of Budget and Management to establish, by regulation, a program that provides child day care subsidies to eligible employees in the State Personnel Management System (SPMS). Eligible employees are those who have completed 12 months of continuous employment with the State and do not include temporary employees. Financial assistance is available only for child day care provided to children younger than age four.

The bill takes effect July 1, 2014.

Fiscal Summary

State Effect: General fund expenditures by the Department of Budget and Management (DBM) increase by at least \$1.3 million in FY 2015 to provide child day care subsidies to eligible employees; higher subsidy or participation levels than those assumed for this analysis result in higher expenditures. Out-year costs reflect inflation. DBM may incur additional expenses for program administration, but any such costs cannot be estimated in the absence of details about program parameters and structure.

(in dollars)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	1,300,000	1,313,000	1,326,100	1,339,400	1,352,800
Net Effect	(\$1,300,000)	(\$1,313,000)	(\$1,326,100)	(\$1,339,400)	(\$1,352,800)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law/Background: SPMS includes most employees in the Executive Branch, except those employed by the University System of Maryland (USM) or the Maryland Department of Transportation (MDOT), which each have independent personnel management systems. SPMS also does not include any employees in the Legislative Branch or the Judiciary.

The State does not subsidize child day care expenses for State employees. However, it does offer dependent care flexible spending accounts (FSAs), which allow all State employees to withhold money from their paychecks on a pre-tax basis for eligible child care expenses. The number of employees in SPMS and MDOT combined who have contributed to dependent care FSAs over the past three years has ranged from 1,464 in fiscal 2011 to 1,808 in fiscal 2013. DBM advises that there are 4,675 children younger than age four enrolled as dependents in the State's employee health plan.

Despite these figures, an accurate number of eligible children younger than age four cannot be determined. The number of employees participating in FSAs includes some with school-age children because dependent care FSAs can be used for before- and after-school care as well as summer camps for school-aged children of working parents. The number of children younger than age four in the health plan includes some who have stay-at-home parents or caregivers, and it also includes dependents of employees who are not in SPMS (USM, MDOT, the Legislative Branch, and the Judiciary).

State Fiscal Effect: In the absence of a mandated level of subsidy or a reliable estimate of participation in the program, a definitive estimate of State costs is not feasible. However, an estimate of the likely minimum cost is possible. Based on data from the National Association of Child Care Resources and Referral Agencies, DBM estimates the annual cost of full-time child day care in Maryland to be \$13,000. The Department of Legislative Services (DLS) concurs with this estimate. DBM further assumes that the program would provide a subsidy of 10% of the total cost for each participating employee. Based on the figures provided above, DLS assumes that 1,000 children would be eligible for the program. According to these assumptions, the program would cost \$1.3 million (general funds) in fiscal 2015, and increase by 1.0% each year to reflect the rising cost of child day care. Higher levels of participation or subsidy would increase the cost of the program.

Given the bill's July 1, 2014 effective date, it is assumed that any child day care expenses incurred after that date are eligible for the subsidy, even if there is a delay in setting up the program.

In the absence of clear parameters for the program, DBM cannot estimate whether it requires additional staff to administer the program or how many additional staff it needs. To the extent that additional staff members are needed to manage registration for the program, verify eligible child day care expenses, and administer payments, there may be additional costs for program administration.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Budget and Management, Department of Legislative Services

Fiscal Note History: First Reader - January 28, 2014
ncs/ljm

Analysis by: Michael C. Rubenstein

Direct Inquiries to:
(410) 946-5510
(301) 970-5510