

**Maryland General Assembly
Department of Legislative Services**

**Emergency Regulation
State Board of Education**
(DLS Control No. 14-296)

Overview and Legal and Fiscal Impact

This emergency regulation implements a 2.5% rate increase to licensed child care providers under the Child Care Subsidy Program.

The regulation presents no legal issues of concern.

The regulation increases the department's general and federal fund expenditures by a combined estimated \$997,276 in fiscal 2015 and by approximately \$2.0 million annually thereafter by increasing rates for child care providers by 2.5% beginning January 1, 2015. This increase was anticipated with the fiscal 2015 budget based on an agreement between the Governor, the Service Employees International Union, and the Maryland State Department of Education.

Regulation of COMAR Affected

State Board of Education:

Child and Family Day Care: Child Care Subsidy Program: COMAR 13A.14.06.09

Legal Analysis

Background

The Child Care Subsidy Program, formerly known as the Purchase of Care Program, provides vouchers to help with child care costs for eligible low-income working families through local departments of social services. Vouchers are given to a regulated or informal care provider, and the provider submits them to the Maryland State Department of Education (department) for reimbursement. Voucher recipients pay a copayment, unless they are eligible for Temporary Cash Assistance or Supplemental Security Income. The program is funded through both federal and State money, with the State required to match 70% of the federal amount invested.

On January 16, 2014, the Governor approved a Memorandum of Agreement (MOA) executed between the department and the Service Employees International Union. This MOA obligates the State to begin paying a 2.5% rate increase to licensed child care providers under the Child Care Subsidy Program beginning on January 1, 2015.

Summary of Regulation

The regulation implements a 2.5% rate increase to licensed child care providers under the Child Care Subsidy Program.

Legal Issue

The regulation presents no legal issue of concern.

Statutory Authority and Legislative Intent

The department cites §§ 5-550, 5-551, and 5-573 of the Family Law Article as well as 45 CFR 98, 99 as statutory authority for the regulation. Section 5-551 requires the department to adopt regulations that relate to the registration of family child care homes and § 5-573 requires the State Superintendent of Schools to adopt regulations for licensing and operating of child care centers. 45 CFR 98, 99 describe the federal Child Care Subsidy Program. This authority is correct and complete. The regulation complies with the legislative intent of the law.

Reason for Emergency Status

The department has requested emergency status to begin on January 1, 2015 and to continue until April 1, 2015. This period is within normal timeframes approved by the committee. The department reports that emergency status is needed in order to effectuate the rate increase in the MOA by January 1, 2015.

Technical Corrections and Special Notes

Since submitting the regulation to the Division of State Documents, the department has amended the authority line to include only §§ 5-550, 5-551, and 5-573 of the Family Law Article and 45 CFR 98, 99.

Fiscal Analysis

The regulation increases the department's general and federal fund expenditures by a combined estimated \$997,276 in fiscal 2015 and by approximately \$2.0 million annually thereafter by increasing rates for child care providers by 2.5% beginning January 1, 2015. This increase was anticipated with the fiscal 2015 budget based on an agreement between the Governor, the Service Employees International Union, and the Maryland State Department of Education.

Agency Estimate of Projected Fiscal Impact

The department advises that combined general and federal expenditures increase by \$997,276 in fiscal 2015 and by approximately \$2.0 million annually thereafter. The estimate is based on 16,813 children receiving formal care annually and 2,293 children receiving informal care. It also assumes that the average cost of providing formal care increases to \$4,601 annually

and the average cost of providing formal care increases to \$1,926 annually. The Department of Legislative Services concurs with this estimate.

Impact on Budget

The department advises that the rate increases are assumed in the fiscal 2015 budget; thus, there is no material impact to the State operating or capital budget in fiscal 2015. The fiscal 2015 budget includes a total of \$83.0 million for the Child Care Subsidy Program, of which \$45.1 million is federal funds and \$37.9 million is general funds. The Department of Legislative Services concurs.

Agency Estimate of Projected Small Business Impact

The department advises that the regulation has a meaningful impact on the regulated child care industry, which is composed almost entirely of small businesses. The 2.5% rate increase provided by the regulation will increase total revenues for child care providers by approximately \$997,276 in fiscal 2015 and by approximately \$2.0 million annually thereafter. The Department of Legislative Services concurs.

Contact Information

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