

Department of Legislative Services  
 Maryland General Assembly  
 2005 Session

FISCAL AND POLICY NOTE

House Bill 1492  
 Appropriations

(Delegate Marriott, *et al.*)

Department of Human Resources - Purchase of Child Care Program

This bill requires the Governor to include an appropriation to the Purchase of Child Care Program in the annual budget for fiscal 2007 through 2009 of at least the following amounts: \$113 million for fiscal 2007; \$122 million for fiscal 2008; and \$131 million for fiscal 2009. The bill codifies the Purchase of Care program (POC) and renames it.

The bill takes effect July 1, 2005.

Fiscal Summary

**State Effect:** No effect in FY 2006. The FY 2006 POC budget allowance is \$103.1 million. General fund expenditures could increase by \$9.9 million in FY 2007, \$18.9 million in FY 2008, and \$27.9 million in FY 2009, assuming the POC budget allowance would otherwise remain the same. No effect on revenues.

(\$ in millions)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
GF Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	9.9	18.9	27.9	0
Net Effect	\$0	(\$9.9)	(\$18.9)	(\$27.9)	\$0

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

**Local Effect:** None.

**Small Business Effect:** Meaningful for small business child care providers who may care for additional children as a result of this bill.

## Analysis

**Current Law:** POC is not codified in statute.

**Background:** The Department of Human Resources (DHR), through POC, provides child care subsidies for recipients of Temporary Cash Assistance (TCA) and low-income families who meet eligibility requirements. Non-TCA families must make copayments on a sliding scale based on family size and income. Generally, families with incomes above 40% of the federal poverty level are ineligible for TCA. The federal poverty level is \$15,670 for a family of three in 2004. Therefore, a family of three earning less than \$6,268 would be eligible for TCA.

In the last few years, it has become increasingly difficult for families not receiving TCA but who are eligible for POC to receive child care subsidies. The department began the waiting list for eligible families who do not receive TCA benefits in December 2002. Effective January 13, 2003, DHR froze all non-TCA POC applications and followed that in the next month by increasing the non-TCA copayments made by working families. As of June 2004, POC served 23,934 children from 17,702 families. The total number of children statewide on the POC waiting list since its inception was 18,683 as of January 1, 2005.

Although there were surplus POC funds available in fiscal 2004, they were not used to serve additional children in this program. DHR cancelled \$22.5 million in federal funds during the fiscal 2004 POC closeout to cover budget shortfalls in other areas. As a result, none of the \$22.5 million was carried over into fiscal 2005 for POC.

If the fiscal 2005 funds allocated for POC are not transferred to other areas within the department, DHR expects to serve an average of 23,747 children per month with a \$111.8 million fiscal 2005 appropriation (\$74.1 million federal/\$37.7 million general). This assumes an average annual cost per child per year of \$3,839.

**State Expenditures:** No effect in fiscal 2006. The fiscal 2006 POC budget allowance is \$103,064,217. General fund expenditures could increase by an estimated \$9,935,783 in fiscal 2007, \$18,935,783 in fiscal 2008, and \$27,935,783 in fiscal 2009. This analysis assumes that the fiscal 2006 POC budget allowance of \$103,064,217 would be the amount budgeted for the program in fiscal 2007 to 2009. Depending on the amount the Governor would have appropriated for POC in fiscal 2007 through 2009, general fund expenditures would vary from the estimated amount.

This analysis further assumes that the amount of federal funds received for POC would remain stable in fiscal 2007 through 2009 and that the additional funds appropriated as a

result of this bill would serve individuals eligible for POC who are not receiving TCA benefits for whom DHR could not receive federal funds.

This analysis also assumes that DHR would continue to administer POC. SB 759 of 2005 and its cross file HB 932 would transfer DHR's Child Care Administration (CCA) to the Maryland State Department of Education. POC is part of CCA.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Human Resources, Department of Legislative Services

**Fiscal Note History:** First Reader - March 15, 2005  
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