

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

House Bill 563
 Appropriations

(Delegate King, *et al.*)

Purchase of Child Care - Appropriation

This emergency bill prohibits the Department of Human Resource’s (DHR) Purchase of Child Care fiscal 2005 budget appropriation from being used for any other purpose. General funds unspent at the end of fiscal 2005 must not revert to the general fund and must remain available for program expenditures in fiscal 2006. Likewise, program federal funds must remain available for program expenditures in fiscal 2006.

Fiscal Summary

State Effect: General fund expenditures could increase by \$23 million in FY 2005. No effect on revenues. No effect on revenues or expenditures in the out-years.

(\$ in millions)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	23.0	0	0	0	0
Net Effect	(\$23.0)	\$0	\$0	\$0	\$0

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: None applicable.

Background: DHR, through the Purchase of Care (POC) program, 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 budget (\$74.1 million federal/\$37.7 million general). This assumes an average annual cost per child per year of \$3,839.

State Fiscal Effect: At the close of fiscal 2005, DHR plans to transfer \$23 million (\$6.5 million general/\$16.5 million federal) from POC to help fund the budget shortfall in foster care. However, the transfer could occur at any time during the remainder of fiscal 2005, including prior to the enactment of the bill. If the bill is effective in preventing the planned transfer, DHR would either need to transfer \$23 million in fiscal 2005 appropriations from other programs to foster care or receive a deficiency appropriation in the same amount to cover the projected foster care budget shortfall. Legislative Services advises that a \$23 million transfer from DHR programs other than POC is unlikely.

Additional Information

Prior Introductions: None.

Cross File: SB 569 (Senator Lawlah, *et al.*) – Budget and Taxation.

Information Source(s): Department of Human Resources; *Joint Committee on Children, Youth, and Families 2004 Interim Report*, Department of Legislative Services

Fiscal Note History: First Reader - February 18, 2005
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