

Department of Legislative Services
 Maryland General Assembly
 2022 Session

FISCAL AND POLICY NOTE
 Enrolled - Revised

House Bill 993 (Delegates Ebersole and Solomon)
 Ways and Means and Appropriations Budget and Taxation and Education, Health,
 and Environmental Affairs

Child Care Capital Support Revolving Loan Fund - Established

This bill establishes a Child Care Capital Support Revolving Loan Fund for the purpose of providing no-interest loans for capital expenses to child care providers who participate in the Child Care Scholarship (CCS) Program. The fund is a special, nonlapsing fund administered by the Department of Commerce, with support from the Maryland State Department of Education (MSDE). For fiscal 2023, the Governor must include in the annual budget bill an appropriation to the fund of \$15.0 million; for fiscal 2024, the Governor must appropriate \$10.0 million. **The bill takes effect July 1, 2022.**

Fiscal Summary

State Effect: General fund expenditures increase by \$15.0 million in FY 2023 and \$10.0 million in FY 2024 to reflect the specified appropriations; special fund revenues and expenditures are assumed to increase commensurately. The FY 2023 budget includes \$15.0 million in general funds for this purpose. Special fund revenues and expenditures increase by indeterminate amounts in future years, as discussed below. General fund administrative expenditures increase by \$266,900 in FY 2023; future years reflect annualization. **This bill establishes a mandated appropriation in FY 2024.**

(\$ in millions)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
SF Revenue	\$15.00	\$10.00	-	-	-
GF Expenditure	\$15.27	\$10.32	\$0.33	\$0.34	\$0.35
SF Expenditure	\$15.00	\$10.00	-	-	-
Net Effect	(\$15.27)	(\$10.32)	(\$0.33)	(\$0.34)	(\$0.35)

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

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: Commerce, in consultation with MSDE, must establish application procedures and eligibility criteria for loans from the fund. In addition to requiring that the child care provider be a participant in the CCS Program, MSDE must give priority to child care providers, in the following order, that (1) are located in underserved communities or areas lacking child care slots; (2) are located in rural communities; (3) serve primarily low-income populations in areas of high poverty; (4) serve children with special needs; and (5) serve children ages 2 and younger. Commerce must work with MSDE to publicize the availability of loans from the fund and provide support to child care providers in applying for loans from the fund.

Allowable expenses for the loans include acquisition, expansion, renovations, and new construction related to a child care facility. Child care providers must repay loans from the fund within five years of receiving a loan. However, Commerce may establish a financial hardship exemption to allow a child care provider additional time to repay a loan from the fund. If a hardship exemption is not granted, Commerce must apply its normal policy regarding assisting child care providers with past due loan payments.

Current Law: The CCS Program (formerly known as the Child Care Subsidy Program) is administered by the Division of Early Childhood within MSDE. The program provides financial assistance for child care costs to families who meet income eligibility requirements. For each child needing care, the family receives a voucher to purchase child care directly from the provider of their choice that participates in the program.

Commerce may provide loans to child care providers through the Maryland Economic Development Assistance Authority and Fund to finance the expansion or improvement of child care services at child care facilities in the State.

State Fiscal Effect:

Child Care Capital Support Revolving Loan Fund

General fund expenditures increase by \$15.0 million in fiscal 2023 and by \$10.0 million in fiscal 2024, according to the bill's specified appropriations to the Child Care Capital Support Revolving Loan Fund. The fiscal 2023 budget includes \$15.0 million for this purpose, contingent on the enactment of the bill (or its cross file). General fund expenditures *may* increase by indeterminate amounts in future years to the extent any additional general fund appropriations are made to the fund. Special fund revenues correspondingly increase to reflect the revolving loan fund's receipt of general funds. Special fund revenues also increase by indeterminate amounts in future years to reflect loan repayments. Although precise special fund expenditures depend on the loans awarded each

year, this fiscal and policy note assumes that the special fund expenditures correspond with each year's specified appropriation amounts and increase by indeterminate amounts in future years as loan repayments allow for additional loans to be made.

Administrative Costs

Commerce advises that it requires three new positions to administer the program (a program manager, a finance specialist, and a portfolio specialist). Accordingly, general fund expenditures increase by \$266,904 in fiscal 2023, which assumes a 90-day start-up delay from the bill's July 1, 2022 effective date. This estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	3.0
Salary and Fringe Benefits	\$244,875
One-time Start-up Costs	19,644
Ongoing Operating Expenses	2,385
Total FY 2023 State Expenditures	\$266,904

Future year expenditures reflect annualization, elimination of one-time expenditures, annual salary increases, and employee turnover as well as annual increases in ongoing operating expenses.

MSDE's responsibility to provide specified support to Commerce can be met using existing resources.

Small Business Effect: Certain small business child care providers benefit from no-interest loans that may be used to improve and/or expand child care facilities, potentially leading to enhanced capacity to provide services.

Additional Information

Prior Introductions: None.

Designated Cross File: SB 919 (Senator King) - Budget and Taxation and Education, Health, and Environmental Affairs.

Information Source(s): Department of Commerce; Maryland State Department of Education; Department of Budget and Management; Department of Legislative Services

Fiscal Note History:
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