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MEMORANDUM

Date: November 21, 2007
To: Home-Based Child Care Study Committee
From: Lisa Burk
Re: Fiscal Estimates for Potential Recommendations

Description

This memo discusses the fiscal impact of various cost items being studied by the Home-Based Child Care Interim Study Committee. The LSA derived the fiscal estimates with assistance from the Department of Human Services (DHS) using various assumptions. The estimates are subject to change depending on policy decisions, such as increasing provider reimbursement rates.

Fiscal Impact of HF 922

The fiscal impact of HF 922 is related to the provision that requires child care home providers to register if they care for four or more children. As a result, it is estimated that the DHS would register 2,060 providers that would be eligible for higher payment rates after registration. The difference in the current rates for registered versus non-registered home providers is outlined in the table below.

<u>Age Group</u>	<u>Registered Home Rate</u>	<u>Non-Registered Home Rate</u>	<u>Difference</u>
Infant and Toddler	\$ 12.00	\$ 8.19	\$ 3.81
Pre-School	11.25	7.19	4.06
School-Age	10.00	7.36	2.64

The providers would receive an additional \$124 per month under the current rate structure for a total increased cost of \$3.1 million. This includes \$2.3 million in FY 2009, assuming nine months of implementation, and \$766,000 to annualize costs in FY 2010. The \$3.1 million would be paid with 100.0% State funds as additional federal Child Care Development Funds (CCDF) are not expected to be received.

In addition, the DHS would pay for criminal record checks for the 2,060 providers, plus two additional household members each (a total of 6,180) at \$13 per check (State only) for an estimated cost of \$80,000. It is assumed the provider turnover rate will be one-third; therefore, the DHS would pay for criminal record checks on another 687 providers plus two additional household members

each year (a total of 2,061) at \$13 per check for an estimated cost of \$27,000.

There would also be an estimated increase for the State share of administrative costs under Field Operations of \$93,000 and 2.0 FTE positions to cover the registration, spot checks, and background checks for these providers.

The total impact of HF 922 would be an increase in General Fund expenditures of an estimated \$2.5 million in FY 2009, and an additional \$766,000 to annualize costs in FY 2010.

Provider Reimbursement Increase

Current provider reimbursements under the State Child Care Assistance Program are based on the 75th percentile of the 2004 Market Rate Survey (MRS), which became effective on January 1, 2007. The total estimated cost for increasing provider rates to the 2006 MRS level is \$15.6 million, assuming an implementation date of July 1, 2008, and that non-registered family providers remain at current rates, which are based on the 1998 MRS. The table below provides a comparison of the current basic provider rates with the rates that would apply if the 2006 MRS rates were implemented.

**Child Care Half-Day Provider Rates
Basic Care**

Age Group	Licensed Center			Registered Home Category C		
	2004	2006	% Change	2004	2006	% Change
	Infant & Toddler	\$ 15.50	\$ 16.60	7.1%	\$ 11.50	\$ 12.50
Pre-School	12.50	13.93	11.4%	11.25	12.50	11.1%
School-Age	11.25	11.90	5.8%	10.00	11.25	12.5%

Age Group	Registered Home Category A, B			Non-Registered Home		
	2004	2006	% Change	1998	2006	% Change
	Infant & Toddler	\$ 12.00	\$ 12.50	4.2%	\$ 8.19	\$ 8.19
Pre-School	11.25	12.00	6.7%	7.19	7.19	0.0%
School-Age	10.00	11.25	12.5%	7.36	7.36	0.0%

The provider rates paid by the State cannot exceed what a provider receives for private pay rates. The 75th percentile is used to increase equal access to child care for eligible families by assuring that at least 75.0% of all providers' private pay rates are at or below the State maximum. While the DHS conducts a MRS every two years, provider rates are not guaranteed to increase based on the survey, but are established in the annual Health and Human Services Appropriations Act.

Pre-Registration Site Visits

Current Requirement – The estimated cost would be \$191,000 and 3.0 FTE positions for visits for an estimated 1,520 new providers each year.

House File 922 – The estimated cost would be \$287,000 and 4.5 FTE positions for visits for an estimated 2,060 providers.

Together, the estimated cost would be \$478,000 and 7.5 FTE positions.

Annual Inspections

Current Provider Level – The State share of the estimated cost to increase the number of State inspections of registered child development homes from the current average of 20% to 100% for the 5,500 current registered providers would be \$759,000 and 15.0 FTE positions.

House File 922 – The State share of the estimated cost to increase the number of State inspections for the 2,060 providers is \$259,000 and 5.0 FTE positions.

Together, the estimated cost would be \$1.0 million and 20.0 FTE positions. The cost could be divided over two fiscal years by implementing a two-year phase-in approach that would increase the average to 40-50% in the first fiscal year and the remainder in the second year.

Fingerprint-Based National Criminal History Check

Currently, the State pays \$13 for each State-only criminal record check. The cost to conduct fingerprint-based national criminal history checks would be an additional \$24.

The annual increased estimated cost to conduct fingerprint history checks for 5,500 current child care development homes with bi-annual renewal, plus 1,520 new providers entering the system annually is \$102,000.

The annual increased estimated cost to conduct fingerprint history checks for 34,500 child care center staff and volunteers at \$24 each is \$828,000. (If federal law caps the cost to conduct a fingerprint history check for volunteers at \$18 per check, this cost could be lower).

Change in Basic Income Eligibility

For FY 2006, the General Assembly expanded eligibility for the Child Care Assistance Program from 140% of the federal poverty level (FPL) to 145% for basic care and from 175% of the FPL to 200% for special needs cases at a cost of approximately \$2.7 million.

The table below provides the FY 2009 increased cost to expand eligibility for basic care under the Program at various levels from 155% up to 200% of the FPL. It is assumed these costs will be paid with 100.0% State funds. The State cost to expand eligibility may be decreased by increasing the co-payment fees paid by families. The savings the State would recognize at the various levels as a result of higher co-payments is also provided in the table below.

Attachment A provides the co-payment amounts that would need to be implemented to achieve the savings.

	Number of Children		Annual Cost - FY 2009		
	Average Monthly Number of Children	Cumulative Monthly Increase	Cumulative Annual Increase	Annual Savings with Increased Co-Payments	Revised Cost Estimate
155% FPL	22,570	1,723	\$ 7,135,106	\$ 444,374	\$ 6,690,732
165% FPL	24,121	3,274	\$ 13,553,648	\$ 1,435,183	\$ 12,118,465
175% FPL	25,671	4,824	\$ 19,972,190	\$ 3,281,491	\$ 16,690,699
185% FPL	26,964	6,117	\$ 25,323,411	\$ 5,647,235	\$ 19,676,176
200% FPL	28,254	7,407	\$ 30,664,886	\$ 9,041,937	\$ 21,622,949

The DHS will also have increased costs under Field Operations if caseload increases due to expanded eligibility. The cost will depend on the expansion level and would range from an estimated \$100,000 at 155% of the FPL to \$841,000 at 200% of the FPL.

Additional Child Care Home Consultants in Child Care Resource and Referral (CCR&R) Regions

Current Provider Level – The average cost of a Regional Home Consultant is \$51,000. The estimated cost to achieve a 1:75 ratio for 5,500 child development homes would be \$3.7 million for 73 Regional Home Consultants.

HF 922 – The estimated cost to achieve a 1:75 ratio for the 2,060 new registered providers would be \$1.4 million for 27 Regional Home Consultants.

Together, the estimated cost to achieve a 1:75 ratio for all child development homes would be \$5.1 million for 100 Regional Home Consultants.

Child Care Inclusion Specialists – The estimated cost to provide a Child Care Inclusion Specialist to assist providers in setting up appropriate environments for special needs children in each CCR&R region is \$50,000 each for a total cost of \$250,000 each year.

Registration Fee Revenues

It is estimated that 1,050 new child care providers would become registered child development homes and that 2,500 current providers would renew registrations on an annual basis for a total of 3,550 providers. The revenues that would be generated at various registration fee levels are outlined in the table below.

Fee	Revenue
\$ 25.00	\$ 88,750
\$ 50.00	\$177,500
\$ 75.00	\$266,250
\$ 100.00	\$355,000

Require All Child Care Providers to Notify the State

This concept involves the State knowing who is providing child care outside of the Child Care Assistance Program and regulatory system. The fiscal impact cannot be determined at this time. In order to estimate costs, a plan needs to be developed to determine the best approach for collecting information that will identify who and where these providers may be, which may include a public awareness campaign. In addition, incentives for these providers to register may be considered, as well as how this would be enforced and by whom.

Increasing Quality Rating System (QRS) Rewards

It is estimated that 1,100 child care providers will seek an initial renewal or upgraded QRS rating in FY 2009. The estimated average bonus amount for each provider will be \$1,044, for a total of \$1.1 million.

The minimum cost to provide a 5.0% increase in the average bonus for 1,100 providers is an estimated \$57,000; the cost to provide a 10.0% increase is \$115,000; and a 15.0% increase is \$172,000.

Register All Providers that Receive Payment under the Child Care Assistance Program

The DHS estimates that in addition to the 5,500 currently registered home providers, there are 6,100 unregistered providers that receive subsidy payments under the Program. The estimated annual cost for registering all providers that receive payment under the Program is \$9.5 million.

This includes \$465,000 and 8.0 FTE positions for administrative costs in the DHS, assuming the Department would assist 6,100 providers in the application process under the current registration process and complete required spot checks.

After registration, the 6,100 providers would receive an additional \$124 per month under the current rate structure for a total annual increased cost of \$9.1 million, which would be paid with 100.0% State funds as additional federal Child Care Development Funds (CCDF) are not expected to be received.

Annual Provider Training

Under the current registration system, providers are required to complete 12 hours of training each year during the two-year registration period, for a total of 24 hours. In the first year of registration, a provider completes 14 hours of training, which includes two hours of approved child abuse and neglect mandatory reporter training and certification in infant and child first aid that must be completed within the first three months of registration. Then, the provider must complete 12 hours of training, of which, two must be in the area of health and safety.

In the second year of registration and every year following, the provider must complete 12 hours of training. At least six hours must be received in a sponsored group setting, such as Child Care Resource and Referral (CCR&R) agencies, Iowa State Extension, or community colleges.

The cost to increase the annual provider training requirement from 12 to 24 hours is likely to be significant; however, it is difficult to determine as there are several methods used to obtain training. The registration certificate covers a two-year time period so the actual number of hours required during the registration period would be 48. Without a set required curriculum or a series of training to achieve these additional hours, the cost per provider or per hour is difficult to establish.

In costing out a series training example, ChildNet, a 25-hour, 10-module series, could be required and provided by the CCR&Rs. The estimated cost for currently regulated providers would be \$1.0 million. The Committee should consider the feasibility of relying solely on series trainings because the hours of training provided will not meet the demand for the required 48 hours every two years, and because providers will still need community-based options in future years after the available series have been taken.

Pre-Registration Provider Training

The requirement of 40 hours of training prior to initial registration may require a significant investment due to the development of a standardized curriculum and a contract with a training entity to ensure frequent and accessible training; however, the fiscal impact cannot be determined until specifics regarding the type of training and who will provide it are given.

Some considerations are when will the training occur – is this a pre-service set of trainings or is it to be completed within the first six months after registration? If it is to be a pre-service set of trainings, the training would have to be delivered at a minimum of four to six times per year. If the training occurs within the first six months of registration, there will be issues regarding who will care for the children in the absence of the provider, as well as determining the best schedule for training delivery.

When considering increasing the pre-registration training requirement for providers, the Committee may wish to examine potential unintended consequences that might arise, such as limiting the number of regulated providers available or creating a barrier that might cause providers to leave the field or delay them in becoming care options, especially if non-regulated care remains an option. The DHS can provide additional information on considerations for this training concept, as well as alternatives for working within the existing training hours framework, with more specific training required in relation to the ages of the children served by the provider or specific required topics.

The cost of providing a stipend of \$400-\$600 to providers that attend 40-hours of training. The estimate assumes that 1,050 providers will attend training each year and the cost to provide a stipend at various levels is outlined in the table below.

Stipend Amount	State Cost
\$ 400.00	\$420,000
\$ 500.00	\$525,000
\$ 600.00	\$630,000

Minimum Wage

Currently, basic child care provider rates for home providers are based on the child's age and are paid on half-day units comprised of up to five hours per unit.

As of January 1, 2008, the minimum wage will be \$7.25 per hour. If a child care provider works 10 hours per day at \$7.25, the daily rate would be \$72.50 or \$365.50 per week.

Under some scenarios, it would be to a provider's advantage to be paid under the minimum wage, and in others, it is more advantageous to be paid based on the half-day units of the current payment system.

For example, a registered provider who cares for one infant for 10 hours would be paid \$24.00 per day or \$120.00 per week, which is less than what would be paid under the minimum wage. A registered provider who cares for three infants for 10 hours would be paid \$72 per day or \$360 per week, which is about the same as would be paid under the minimum wage. A registered provider who cares for four infants for 10 hours would be paid \$96 per day or \$480 per week, which is greater than what would be paid under the minimum wage.

In general, a provider who cares for four or more infants on a weekly basis will be paid more under the current basic child care provider rates than by the minimum wage.

170.4(2) Fees. Fees for services received shall be charged to clients according to the schedules in this subrule, except that fees shall not be charged to clients receiving services without regard to income. The fee is a per-unit charge that is applied to the child in the family who receives the largest number of units of service. The fee shall be charged for only one child in the family, regardless of how many children receive assistance.

a. Sliding fee schedule. The fee schedule shown in the following table is effective for eligibility determinations made on or after July 1, 2007:

Level	Monthly Income According to Family Size										Unit Fee Based on Number of Children in Care		
	1	2	3	4	5	6	7	8	9	10	1	2	3 or more
A	\$808	\$1,084	\$1,359	\$1,635	\$1,910	\$2,186	\$2,461	\$2,737	\$3,012	\$3,288	\$0.00	\$0.00	\$0.00
B	\$851	\$1,141	\$1,431	\$1,721	\$2,011	\$2,301	\$2,591	\$2,881	\$3,171	\$3,461	\$0.20	\$0.45	\$0.70
C	\$875	\$1,173	\$1,471	\$1,769	\$2,067	\$2,365	\$2,664	\$2,962	\$3,260	\$3,558	\$0.45	\$0.70	\$0.95
D	\$899	\$1,205	\$1,511	\$1,817	\$2,124	\$2,430	\$2,736	\$3,042	\$3,349	\$3,655	\$0.70	\$0.95	\$1.20
E	\$924	\$1,239	\$1,553	\$1,868	\$2,183	\$2,498	\$2,813	\$3,128	\$3,442	\$3,757	\$0.95	\$1.20	\$1.45
F	\$949	\$1,272	\$1,596	\$1,919	\$2,243	\$2,566	\$2,889	\$3,213	\$3,536	\$3,859	\$1.20	\$1.45	\$1.70
G	\$976	\$1,308	\$1,640	\$1,973	\$2,305	\$2,638	\$2,970	\$3,303	\$3,635	\$3,968	\$1.45	\$1.70	\$1.95
H	\$1,002	\$1,344	\$1,685	\$2,027	\$2,368	\$2,710	\$3,051	\$3,393	\$3,734	\$4,076	\$1.70	\$1.95	\$2.20
I	\$1,030	\$1,381	\$1,732	\$2,083	\$2,434	\$2,785	\$3,137	\$3,488	\$3,839	\$4,190	\$1.95	\$2.20	\$2.45
J	\$1,058	\$1,419	\$1,779	\$2,140	\$2,501	\$2,861	\$3,222	\$3,583	\$3,943	\$4,304	\$2.20	\$2.45	\$2.70
K	\$1,088	\$1,459	\$1,829	\$2,200	\$2,571	\$2,941	\$3,312	\$3,683	\$4,054	\$4,424	\$2.45	\$2.70	\$2.95
L	\$1,118	\$1,498	\$1,879	\$2,260	\$2,641	\$3,022	\$3,402	\$3,783	\$4,164	\$4,545	\$2.70	\$2.95	\$3.20
M	\$1,149	\$1,540	\$1,932	\$2,323	\$2,715	\$3,106	\$3,498	\$3,889	\$4,281	\$4,672	\$2.95	\$3.20	\$3.45
N	\$1,180	\$1,582	\$1,984	\$2,387	\$2,789	\$3,191	\$3,593	\$3,995	\$4,397	\$4,799	\$3.20	\$3.45	\$3.70
O	\$1,213	\$1,627	\$2,040	\$2,453	\$2,867	\$3,280	\$3,694	\$4,107	\$4,520	\$4,934	\$3.45	\$3.70	\$3.95
P	\$1,246	\$1,671	\$2,095	\$2,520	\$2,945	\$3,369	\$3,794	\$4,219	\$4,643	\$5,068	\$3.70	\$4.00	\$4.30
Q	\$1,281	\$1,718	\$2,154	\$2,591	\$3,027	\$3,464	\$3,900	\$4,337	\$4,773	\$5,210	\$4.00	\$4.50	\$5.00
R	\$1,316	\$1,764	\$2,213	\$2,661	\$3,110	\$3,558	\$4,007	\$4,455	\$4,904	\$5,352	\$4.50	\$5.00	\$5.50
S	\$1,353	\$1,814	\$2,275	\$2,736	\$3,197	\$3,658	\$4,119	\$4,580	\$5,041	\$5,502	\$5.00	\$5.50	\$6.00
T	\$1,390	\$1,863	\$2,337	\$2,810	\$3,284	\$3,757	\$4,231	\$4,705	\$5,178	\$5,652	\$5.50	\$6.00	\$6.50
U	\$1,429	\$1,915	\$2,402	\$2,889	\$3,376	\$3,863	\$4,349	\$4,836	\$5,323	\$5,810	\$6.00	\$6.50	\$7.00
V	\$1,467	\$1,968	\$2,468	\$2,968	\$3,468	\$3,968	\$4,468	\$4,968	\$5,468	\$5,968	\$6.50	\$7.00	\$7.50
W	\$1,509	\$2,023	\$2,537	\$3,051	\$3,565	\$4,079	\$4,593	\$5,107	\$5,621	\$6,135	\$7.00	\$7.50	\$8.00
X	\$1,550	\$2,078	\$2,606	\$3,134	\$3,662	\$4,190	\$4,718	\$5,246	\$5,774	\$6,302	\$7.50	\$8.00	\$8.50
Y	\$1,593	\$2,136	\$2,679	\$3,222	\$3,765	\$4,307	\$4,850	\$5,393	\$5,936	\$6,479	\$8.00	\$8.50	\$9.00
Z	\$1,636	\$2,194	\$2,752	\$3,309	\$3,867	\$4,425	\$4,982	\$5,540	\$6,098	\$6,655	\$8.50	\$9.00	\$9.50
AA	\$1,682	\$2,256	\$2,829	\$3,402	\$3,975	\$4,549	\$5,122	\$5,695	\$6,268	\$6,842	\$9.00	\$9.50	\$10.00
BB	\$1,728	\$2,317	\$2,906	\$3,495	\$4,084	\$4,672	\$5,261	\$5,850	\$6,439	\$7,028	\$9.50	\$10.00	\$10.50

To use the chart:

- (1) Find the family size used in determining income eligibility for service.
- (2) Move across the monthly income table to the column headed by that number. (See subparagraph (5) if the family has more than ten members.)