

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 2465
STATE OF NEW JERSEY
220th LEGISLATURE

DATED: DECEMBER 14, 2022

SUMMARY

Synopsis: Requires DHS to establish quality-based reimbursement system for registered family child care providers participating in Grow NJ Kids.

Type of Impact: Annual State expenditure net impact.

Agencies Affected: Department of Human Services.

Office of Legislative Services Estimate

Annual Fiscal Impact	
State Expenditure Net Impact	Indeterminate

- The Office of Legislative Services (OLS) determines that the bill would have an indeterminate net fiscal impact on annual State expenditures based on the current subsidy rates paid to child care providers by the Department of Human Services. Under the bill, some registered family child care providers would experience a reduction in their reimbursements from the State, while others will experience an increase. The OLS notes that prior to March 1, 2022, only State-licensed child care centers, Head Start programs, and school-based or center-based preschool programs were paid an enhanced child care subsidy under the Grow NJ Kids system. As of this date, the Department of Human Services expanded access to the Grow NJ Kids enhanced quality-based subsidy to include family child care providers.
- Based on the child care subsidy rates established by the department in effect as of March 1, 2022, certain registered family child care providers currently receive enhanced subsidies under the Grow NJ Kids system that are greater than those paid to licensed child care center providers with the same quality rating. Consequently, these registered family child care providers would experience a reduction in their subsidy payments under the bill, thereby reducing State payments to these providers and resulting in a State cost savings.
- Alternatively, certain family child care providers will receive a higher subsidy under the bill, thereby increasing State payments to these providers and increasing State costs.

- The magnitude and direction of the net fiscal impact from these two countervailing outcomes cannot be ascertained due to uncertainty in the following factors: (1) the number of family child care providers with a high quality rating under the Grow NJ Kids system; (2) the number of these high-quality providers that also participate in the State's subsidized child care assistance program; (3) the licensed capacity of each of these providers; and (4) the mix of age and disability status of the children enrolled with family child care providers.
- The OLS notes that the department typically publishes the maximum child care payment rates for registered family child care providers and licensed child care centers annually during the first half of the calendar year. To the extent that the current rates are updated in 2023, this fiscal estimate will change accordingly.

BILL DESCRIPTION

This bill permits registered family child care providers that participate in the State's subsidized child care assistance program and in the Grow NJ Kids program to receive enhanced payments under the tiered, quality-based reimbursement system for child care providers, known as the Grow NJ Kids program. The bill additionally requires the Department of Human Services to increase state subsidies paid to family child care providers that participate in the Grow NJ Kids system, based upon the quality rating of the provider, by the same percentage as the subsidy increase paid to center-based child care providers with the same Grow NJ Kids quality rating. The magnitude of the available quality-based rate enhancement, when compared with the baseline subsidy for a family child care provider, will depend on whether the eligible providers receive a three, four, or five star quality rating under Grow NJ Kids. Prior to March 1, 2022, only State-licensed child care centers, Head Start programs, and school-based or center-based preschool programs that earned a Grow NJ Kids three, four, or five star quality rating were paid an enhanced child care subsidy rate. As of this date, the Department of Human Services expanded access to the Grow NJ Kids quality-based subsidy enhancement to include family child care providers.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS determines that the bill would have an indeterminate net fiscal impact on annual State expenditures based on the current subsidy rates paid to child care providers by the Department of Human Services. Under the bill, some registered family child care providers would experience a reduction in their reimbursements from the State, while others will experience an increase.

Although the department has recently adopted a policy of augmenting child care subsidy payments to registered family child care providers that are highly-rated under the Grow NJ Kids program, this policy has not yet been codified, and the amount of the subsidy rate enhancement varies with a child's age and disability status and the provider's quality rating. When compared to baseline child care subsidies paid to family child care providers, the newly-adopted subsidy

enhancements for family child care providers with high quality ratings under Grow NJ Kids range from a 0.5 percent increase for full-time care rendered for a special-needs infant by a three star provider, to a 29.5 percent increase for full-time care for a preschooler by a five star provider.

Based on the child care subsidy rates established by the department in effect as of March 1, 2022, certain registered family care providers currently receive enhanced subsidies under the Grow NJ Kids system that are greater than those paid to licensed child care center providers with the same quality rating. Under the bill, these registered family child care providers would experience a reduction in their subsidy payments, thereby reducing State payments to these providers and resulting in a State cost savings. For example, a five star family child care provider that cares for a preschooler on a full-time basis would realize a 14.6 percent reduction in the child care subsidy paid by the State for that child. Moreover, the bill's parity provision would reduce current subsidies paid to three, four, and five star family child care providers for all age groups, except for the subsidies paid for full-time and part-time care for infants and toddlers with special needs. These family child care providers will receive a higher subsidy under the bill, thereby increasing State payments to these providers and increasing State costs.

The OLS is unable to calculate the total costs or savings to the State under the bill due to uncertainty regarding the distribution of family child care providers in the Grow NJ Kids program's five quality ratings (one through five stars), and which of the highly-rated providers also participate in the State's child care subsidy program. The licensed capacity of each Grow NJ Kids family child care provider, and the age and disability status of each child enrolled with these providers, will also determine the magnitude of the bill's fiscal impact.

Grow NJ Kids reimburses child care providers based on a set of objective quality measures. Under this initiative, State-licensed child care centers, school-based or center-based preschool programs, Head Start programs, and registered family child care providers may request to be evaluated and rated on the quality of child care services provided for infants, toddlers, and preschoolers. Depending upon the outcome of the evaluation, the Grow NJ Kids system may award the provider a quality rating that ranges from one through five stars. Those providers with a three, four, or five star rating receive enhanced child care subsidy payments from the Department of Human Services.

Section: Human Services

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).