N.C. GENERAL ASSEMBLY LEGISLATIVE FISCAL NOTE

Fiscal Research
733-4910

Prepared By: Manny Marbet Approved By: Tom L. Covington	Date Prepared 6/2/89	Bill No. H 1290	Edition: 1 Sponsor: Rep. Easterling
Short Title: Day Care Ratio Change Phased In			

TYPE OF FISCAL IMPACT	State Gov't	County/ Local Gov't
No Fiscal Impact	( )	( )
Increase Expenditure	(X)	( )
Decrease Expenditure	( )	( )
Increase Revenue	( )	( )
Decrease Revenue	( )	( )
No Estimate Avail.	( )	( )

FUNDS AFFECTED: (X) General ( ) Highway ( ) Local ( ) Other:

State Fiscal Impact	FY 89-90	FY 90-91	FY
State Total Req'ments			
Receipts/Revenues	(See costs range below)		
Net State Expend./Rev.			
No. of Positions			

Local Fiscal Impact	FY	FY	FY
Local Total Req'ments			
Receipts/Revenues			
Net Local Expend./Rev.			
No. of Positions			

Description of Legislation

1. Summary of Legislation   To phase in the changes to staff/child ratios and group sizes in child day facilities.

2. Effective Date   January 1, 1990

3. Fund or Tax Affected   General Fund

4. Principal Department/Program Affected   Department of Human Resources/Office of Child Day Care

Cost or Revenue Impact on State

	FY 89-90	FY 90-91
1. Non-Recurring Costs/Revenues		

		FY 88-89	FY 89-90
2. Recurring Costs/Revenues		$245,000-$490,000	$490,000-$981,000

3. Fiscal/Revenue Assumptions

Cost/Revenue Impact on County or Local Government

	FY 88-89	FY 89-90
1. Non-Recurring Costs/Revenues		
2. Recurring Costs/Revenues		

3. Fiscal/Revenue Assumptions

Sources of Data for Fiscal Note

Department of Human Resources

Technical Considerations/Assumptions

HB 1290, if enacted, will require an increase in expenditures of state funds. It is important to consider that estimating the cost of new ratios is a problem, at best, because the estimates must be based on statewide averages and totals. Also, day care providers vary widely, and this makes it difficult to predict what the impact will be on a particular provider.

Ideally, a sample survey which compares the cost of centers currently serving subsidized children under the proposed higher standards to the cost for those centers currently serving subsidized children but not meeting the higher standards, would be suggested. However, because of time constraints and other factors, this approach was not used in estimating costs.

The Department of Human Resources has estimated that the cost for the proposed increases in the staff/child ratio will be approximately $981,000 in fiscal year 1989-90, and over $25.3 million by fiscal year 1993-94. It is important to note that these figures assume that there will be increases in staff, space, equipment, food, utilities, etc. However, if additional staff is not a very significant factor, then the estimated increase in expenditure would be closer to $490,000 in fiscal year 1989-90, to over $12.6 million by fiscal year 1993-94. It is again important to emphasize that day care providers vary, and therefore their costs to implement higher standards will vary. A cost study conducted in 1983, by the Department of

Administration and included in an operational audit report published by the Office of State Auditors, concluded that the "additional cost to day-care users resulting from the increase in minimum standards may be very small". The thought, at the time, was that "staff/child ratios actually in effect in A licensed centers are higher (fewer children per care giver) than those required under current A license requirements and are higher than the current requirements for Level I standards".

The Department of Human Resources in estimating the fiscal impact of HB 1290, treated each age group separately. This is necessary not only because the ratios differ across age groups but because children are not distributed equally across age groups. It was assumed that a given reduction (expressed as a percent) in the ratio would result in the same reduction in the total number of children which would be cared for in the age group. It was also assumed that it would cost the same amount for a displaced child as it does for a subsidized child currently in care, in order to continue providing care for the displaced children. Other assumptions that were made in estimating costs included:

1. Impact is assessed based on current staff/child ratios.

2. All centers are operating now at the minimum staff/child ratios; if a center has more staff than is required, the impact of the changes will be smaller.

3. The same number of subsidized children in care after staff/child ratio changes are made, i.e., more funds are put into the program.

4. The distribution of children across age groups will remain the same as staff/child ratios are changed. If funds are made available with which to keep children in care, this assumption would be more or less true. If funds are not made available, the distribution across age groups, mathematically at least, will change. The change has only a small effect on the cost estimates.

5. A three percent annual inflation rate has been applied to the average cost of subsidized day care in order to calculate the 1/1/92 and 1/1/94 estimates. The current average payment is $167.52 per month so $177.73 was used for 1/1/92 and $188.55 for 1/1/94.

6. The cost of care figure is the average monthly payment made by the State Child Day Care Section for subsidized children in day care centers. The figure is not the same as the actual cost of care, the average cost of full-time care or the average cost of care for unsubsidized children.

Attachment #1 shows for each of the three reductions in the staff/child ratios, the number of children who would no longer be provided care, if the total number of caregivers in day care did not increase. Columns 5, 6, 7, 8 are used in computing the estimates provided in Attachment #2. Attachment #2 shows the total number of displaced children from column 9, multiplied by the average annual costs of keeping a child in day care.

CALL MANNY MARBET IN THE FISCAL RESEARCH DIVISION FOR ATTACHMENT 1.