



**House
Legislative
Analysis
Section**

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CHILD CARE ASSISTANCE

House Bill 4640 with committee amendments

Sponsor: Rep. Barb Vander Veen

House Bill 4641 with committee amendments

Sponsor: Rep. Belda Garza

First Analysis (5-10-01)

**Committee: Family and Children
Services**

THE APPARENT PROBLEM:

Assistance for families who need help with child care costs has increased during the past decade. For example, many families in Michigan now receive financial help with child care expenses from the Family Independence Agency's (FIA) Child Day Care Services Program. Specifically, this program helps families who work, but whose incomes are below 185 percent of the poverty level. Assistance is based on a sliding scale that takes into account family size and income, as well as location. For example, a family of two earning up to \$17,958 is eligible for a subsidy that equals 95 percent of its child care costs, while a family of seven earning between \$44,971 and \$45,942 is eligible for a subsidy equal to 30 percent of its costs. Moreover, assistance is available to all eligible applicants, whether or not they receive other forms of FIA assistance (some families, such as foster parents and those who receive cash assistance or food stamps, receive 100 percent of their child care costs). However, it has been suggested that the current period of economic uncertainty is an opportune time to establish a new child care assistance program – one that could be funded by voluntary donations collected from citizens while they are at secretary of state offices to obtain vehicle registrations. Legislation has been introduced to establish such a program.

THE CONTENT OF THE BILL:

The bills would establish a child care assistance fund to provide low income families with child care expenses, and would require that the secretary of state collect contributions for deposit in this fund. House Bill 4640 would add a new section to the Social Welfare Act (MCL 400.57m) to establish a child care assistance fund in the state treasury, which

would be used to assist certain families who needed assistance with child care payments. House Bill 4641 would amend the Michigan Vehicle Code (MCL 257.801) to require that the secretary of state establish a program that would allow vehicle and renewal registration applicants to donate money to the proposed child care assistance fund. House Bill 4641 would also make technical amendments to revise outdated provisions and delete archaic language in current law. The bills are tie-barred to each other. House Bill 4640 would be repealed on December 31, 2004, and the bill would require that the secretary of state end the program to collect contributions for the fund on the same date.

Child Care Assistance Fund. House Bill 4640 would require that the fund be administered by the FIA in accordance with the requirements of the bill, and that the FIA make money from the fund available to eligible families. Money in the fund at the close of the fiscal year would remain in the fund and would not lapse to the general fund.

Eligibility Criteria. House Bill 4640 would also require that the FIA establish eligibility criteria for receiving assistance under the fund. Under this criteria, both of the following requirements would have to be met:

- The parent, legal guardian, or other caretaker would have to be unavailable to provide child care due to employment.
- The family group's income would have to exceed the eligibility limits for child care assistance established by the FIA.

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Annual Report. Under House Bill 4640, the FIA would be required to provide an annual report to the legislature specifying the following:

- The amount of money received annually in the fund, and
- The number of families that received assistance from the fund.

Child Care Assistance Donations. House Bill 4641 would require that the secretary of state create a program allowing each vehicle registration and renewal registration applicant to donate between \$1.00 and \$5.00 to the Child Care Assistance Fund established under House Bill 4640. The secretary of state could retain not more than three percent of the money received in any quarter to cover the cost of administering these requirements. The balance of the money received would be deposited into the fund on a quarterly basis.

BACKGROUND INFORMATION:

The Family Independence Agency's (FIA) Child Day Care Services Program provides financial help with child care day costs for any parent or foster parent who works. In general, families receiving public assistance do not pay for child care costs unless the costs exceed the maximum amount allowed by FIA. Most other families contribute based on factors such as their family income and the type of day care setting. The FIA pays the actual cost, up to a maximum amount per hour of care provided, ranging from \$1.35 per hour for care by a day care aide for one child, to \$3.00 per hour for care in a day care center for a child under two and one-half years of age. According to available statistics from the FIA, the program grew rapidly during the 1990's: in 1993 the program served 18,434 families, and it is projected that it will serve more than 75,000 families by 2002. The total amount of funding has also increased dramatically, from \$36 million in 1992 to \$427 million in 2000.

FISCAL IMPLICATIONS:

The House Fiscal Agency (HFA) estimates that the provisions of House Bill 4641 would result in an indeterminate increase in state costs. Under the bill, the secretary of state would collect contributions to the proposed Child Care Assistance Fund, and would be allowed to retain three percent of the money it collected to cover the costs of administering the provisions of the bill. However, according to the HFA, the department's administration costs for

increased transactions at each branch office would exceed three percent. In addition, it is anticipated that increased start-up costs for computer programming and staff training would be incurred at each branch office. The department estimates that, for each \$1.00 collected in contributions, its actual cost would be \$0.08. (5-7-01)

The HFA estimates that the provisions of House Bill 4640 would result in an indeterminate increase in state costs. (5-9-01)

ARGUMENTS:

For:

Currently, many low-income families depend on the Family Independence Agency's Child Day Care Program for assistance with high child care expenses. The program grew dramatically during the 1990's: in 1993 it served 18,434 families; and by 2002 it is projected that it will serve 75,400 families. However, should the current economic slowdown continue, it is likely that funds for the Temporary Assistance to Needy Families (TANF) block grant program for the 2002-2003 fiscal year will be reduced. Consequently, rather than expanding the current program, it makes sense to pursue other funding methods to assist low-income families with child care expenses. According to the Department of State's report on license plate transactions for fiscal year 1999-2000, there were 9,667,991 transactions for original, renewal, corrected, and replacement vehicle registrations for fiscal year 1999-2000. If one third of these registrants donated the minimum amount of \$1.00 to the proposed fund, more than \$3 million would be collected. If one-third of the registrants were to donate the maximum allowable amount of \$5.00, then almost \$16 million would be collected.

Response:

At present, approximately 3,000 automobile dealers in Michigan process registrations and title transfers on the automobiles they sell. It is unlikely that these businesses would want to participate in the proposed program. This would greatly reduce the total number of registrants who could reasonably be expected to donate money to the fund. In addition, many people wait until the last day of their birth month to pay for registration fees, either because they resent the cost, or because they cannot afford it. It is unlikely that these people would contribute to the proposed fund.

Against:

In testimony before the House Family and Children Services Committee, a representative of the secretary of state voiced several concerns with the provisions

of House Bill 4641. First, the representative observed that the bill doesn't specify *how* the secretary of state should inform registrants and collect the money from donations. For example, should it be done verbally, should there be a promotional sign in each branch office, would there be a drop box, or would registrants be informed of the program by mail? Second, secretary of state offices have been focusing on eliminating long lines at branch offices for some time. However, soliciting and processing donations would add to the time spent with each registration applicant, and result in longer lines. Third, secretary of state branch offices do not give change, which would complicate matters for those wanted to donate \$2.50, \$3.50, or \$4.50. And last, the secretary of state would not be able to recover its actual costs for handling contributions for the proposed fund.

POSITIONS:

Michigan's Children (a child advocacy organization) has no position on the bill. (5-9-01)

The Michigan League for Human Services (MLHS) has no position on the bills. (5-9-01)

The Department of State opposes House Bill 4641. (5-9-01)

Analyst: R. Young

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.