

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 698** HLS 13RS 1362

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

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Dept./Agy.: Revenue/Education		Analyst: Deborah Vivien
Subject: Repeals Child Care Credits / Authorizes New BESE Credit		

TAX CREDITS

OR SEE FISC NOTE GF RV

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Provides relative to the School Readiness Tax Credits

Current law provides a refundable income or franchise tax credit for those involved with care of children under 5, including those purchasing the care, providers, directors, staff and businesses paying for child care expenses. The credits vary in base and rate and increase depending on the quality rating of the facility. The base measures of the credits are administered by the Department of Children and Family Services, and the Department of Revenue issues the credits.

Proposed law repeals current law pertaining to School Readiness Credits on July 1, 2015, and authorizes on the same date a non-refundable income tax credit to be defined in the Administrative Code by the Board of Elementary and Secondary Education (BESE). Eligibility is to be based on performance achievements under the uniform accountability system established by BESE. The bill does not stipulate which agency will administer the program except that it will be the same agency that administers the Child Care Development Fund. BESE will promulgate rules establishing qualifications, amount, distribution, administration, etc., with oversight by House Ways & Means and Senate Revenue & Fiscal Affairs Committees.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.		\$0	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0				\$0

EXPENDITURE EXPLANATION

Presumably, this bill is associated with Act 3 of 2012 which pursues the alignment of early childhood education with those of elementary and secondary education. This measure may be an anticipated component of the overall plan and included in BESE budgetary planning for FY 16, when the credit change will occur, though the bill does not specify this. While a DCFS program will no longer determine tax credit awards, the Dept will still be responsible for regulating child care facilities. Thus no cost savings are expected from the credit changes proposed by this bill.

REVENUE EXPLANATION

This bill repeals a measurable and calculable tax credit for those involved in child care of children under 5 and replaces it with a general credit to be created by rule by BESE, based on performance achievements attained using the uniform accountability system. The repeal and new authorization are effective on July 1, 2015, which affects FY 16 revenue. The current school readiness credits claimed were \$3.4 in FY 09, \$7.4 in FY 10, \$11.3M in FY 11 and \$14.6 M in FY 12. Without this bill, credits issued under this program would be expected to continue to increase as public knowledge and use spread. The bill states that BESE will strive to maintain equitable eligibility of applicants and amounts of credits available. To the extent that occurs, there will be minimal impact to the budget. However, the open-ended parameters of the bill make it impossible to reasonably predict a fiscal impact, and assure an impact similar to existing School Readiness Credits, without additional statutory guidelines. There is no cost cap associated with this program to indicate a maximum exposure. Repealing the Child Care School Readiness Credits will have a delayed impact due to the presence of carry-forward balances that could last into FY 18.

The Department of Children and Family Services currently administers the federal Child Care Development Fund and the School Readiness Tax Credits. The agency contends that the current School Readiness Tax Credits are considered part of its Maintenance of Effort requirements to continue receiving TANF funding. Any change would have to be structured in a way that preserves this effort in order to maintain TANF funding. This bill does not mandate a structure that fulfills federal maintenance of effort requirements, and could impair state receipts of federal TANF funding.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost {S}
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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