

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



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

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> June 4, 2013	11:08 AM	<b>Author:</b> THOMPSON, J
<b>Dept./Agy.:</b> Revenue/Education		<b>Analyst:</b> Deborah Vivien
<b>Subject:</b> Repeals Child Care Credits / Authorizes New BESE Credit		

TAX CREDITS

EN SEE FISC NOTE GF RV See Note

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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 adds the definitions of Tiered Kindergarten Readiness Improvement System, Early Childhood Care and Education Network, and eligible learning centers to the School Readiness Tax Credit statute. The Department of Children and Family Services (DCFS) may be replaced by an unnamed agency as administrator of the program or to promulgate rules relating to the quality rating system. The designated agency will also act as lead agency of 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.

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

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

**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. Presumably, the agency designated to administer the program will also be afforded the funds utilized for the current program. However, this bill does not change the basic parameters of the credit, unless the Early Childhood Care and Education Network conforms to the star quality rating system and assigns ratings to centers substantially different than those currently in place.

**REVENUE EXPLANATION**

The bill allows a designated agency to take over administration of the School Readiness Tax Credit and act as lead agency for the Child Care Development Fund. The bill also adds definitions related to the Early Childhood Care and Education Network. BESE will provide recommendations for legislation by January 1, 2015, that will align the credits to the new Uniform Accountability System utilizing letter grades of the learning centers under rules promulgated by the designated agency and the Department of Revenue. This bill does not change the basic parameters of the School Readiness Tax Credit, unless the Early Childhood Care and Education Network conforms to the star quality rating system and assigns ratings to centers substantially different than those currently in place. In this case, the credits could increase or decrease, depending on the comparison of current law and any new treatment of learning center quality. Otherwise, the fiscal impact will reside with any new legislation, possibly arising from the recommendations of BESE and the chosen department.

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 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 federal Maintenance of Effort requirements, and this bill will allow that maintenance to continue without threatening 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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