




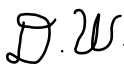
October 11, 2023

FISCAL AND POLICY NOTE

TO: Jennifer A. Jenkins
Council Administrator

William M. Hunt
Deputy Council Administrator

THRU: Josh Hamlin 
Director of Budget and Policy Analysis

FROM: David Williams 
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement
CB-094-2023 Local Business Childcare Grant Program

CB-096-2023 (*Proposed and presented by:* Council Member Oriadha)

Assigned to the Government Operations and Fiscal Policy (GOFP) Committee

AN ACT CONCERNING LOCAL BUSINESS CHILDCARE GRANT PROGRAM for the purpose of providing a program to incentivize local businesses to provide financial support to working families by offsetting the costs associated with childcare by offering County grants to participating local businesses.

Fiscal Summary

Direct Impact

Expenditures: Additional expenditures required, *subject to appropriation.*

Revenues: No anticipated revenue impact.

Indirect Impact

Potentially favorable.

Legislative Summary:

CB-096-2023, proposed and sponsored by Council Member Oriadha was presented on October 3, 2023, and referred to the Government Operations and Fiscal Policy (GOFP) Committee. This Bill will establish the Local Business Childcare Grant Program. The program will provide grant funding to local businesses that assist employees with financial contributions to childcare costs. The program is to be administered by the Office of Finance, and the Director will be charged with the implementation of the program as well as submitting an annual report to the County Council on the program's activities.

Background/Current Law:

In 2021, the Biden administration allocated \$39 billion through the American Rescue Plan (ARP)¹ to fill financial childcare gaps that were caused by the COVID-19 pandemic, called the Child Care Stabilization Fund. This initiative was meant to subsidize licensed childcare providers during the height of the pandemic by using a grant-based awards system made available by application.² Under the guidance of the Maryland State Department of Education, the grant funds were only available to businesses that were licensed childcare providers, and the funds could be utilized for all operational expenses and some health needs of children and employees. Since the ARP funds have been exhausted, there are no direct programs that provide businesses with grant opportunities to support employee childcare costs. Prince George's County does not currently have any programs dedicated to assisting businesses that do not provide childcare services with employee childcare assistance.

Resource Personnel:

- Tiffany N. Hannon, Chief of Staff, District 7
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¹ [Congress.gov-American Rescue Plan](https://www.congress.gov/american-rescue-plan)

² [Maryland State Department of Education-ARP Child Care Stabilization Fund](https://www.mde.state.md.us/child-care-stabilization-fund)

Discussion/Policy Analysis:

CB-096-2023

CB-096-2023 would amend Subtitle 10. *Finance and Taxation* by adding *Division 33 Childcare Grant Program* §10-148 through 10-149 to add the program and define pertinent terms within the legislation. It charges the Director of the Office of Finance, or the Director's designee, to create and administer the Local Business Childcare Grant Program. Under the bill, funding for the Program would come from the Economic Development Incentive (EDI) Fund.

While the Bill contains several definitions, the key operative definitions are the following:

- *Local business* is defined as both non-profit and for-profit entities that have their principal place of business in Prince George's County and has fifty (50) or less full-time employees.
- *Childcare contribution* is defined as an employer's contribution to an employee's dependent care flexible spending account under section 125 of the Internal Revenue Code.³

In order to receive grant awards, eligible businesses will have to enter a grant agreement directly with the County. This agreement would require businesses to:

- grant the County the right to audit the business's financial records;
- undertake reporting obligations to the Office of Finance; and
- agree to remit any unused funds back to the County.

The following stipulations shall apply to grant awardees:

- grant awards shall not exceed 50% of the amount of annual childcare contributions made to employees; and
- the grant funding shall exclusively be used for childcare costs for employees making less than \$42,000 annually or a combined Household income of less than \$87,000, whichever is greater.

The Office of Finance is required to submit an annual report to the County Council by March 31 of each year. The report must be composed of:

- the number of local businesses participating in the program;
- the number and dollar amount of the grants made; and
- an impact evaluation assessing the program's effect on economic development within the County.

³ [U.S. Internal Revenue Service, FAQs for government entities regarding Cafeteria Plans](#)

This program is unique in that it offers grant awards to businesses that do not provide childcare services. According to a childcare report created by the Maryland Child Care Resource Network, the annual cost of childcare for a standard two-parent household with two children is estimated at \$24,749.⁴ The median household income in Prince George's County is \$86,994,⁵ and under the household composition and expenditures laid out by the aforementioned report, households are spending 28% of their total income on childcare. Single-parent households have a larger financial burden as individual parents are reliant on one primary income and have greater time constraints and thus have greater childcare needs.

Potential Amendment:

The Bill requires a business receiving the grant to be a County-based business (as defined in the Bill) but does not require the employees who ultimately benefit from the support to be County residents. Council may wish to consider adding a definition of "eligible employees" which provides that the employees receiving grant funding must be County residents. Making such a change would (1) ensure that County dollars most directly benefit County residents, as recipients of the childcare contributions; and (2) result in a recycling of the Grant revenue within the County economy because it will most likely be spent with local childcare providers. In essence, this would allow the program to provide a double benefit to County businesses (both the employers and the childcare providers) and the employees.

Fiscal Impact:

- *Direct Impact*

Enactment of CB-096-2023 will have an adverse fiscal impact on County expenditures. Additional expenditures will likely be required for the administration of the Program, including any audits conducted under the terms of grant agreements. Also, grant awards themselves would represent additional expenditures.

The degree of the impact will depend on the amount appropriated to the Program and the number of qualifying businesses that elect to participate. It is unclear whether the grant agreement requirements will deter businesses from participating, but the administration, reporting, and funding of an effective program will likely require significant financial commitment from the County.

⁴ Maryland Child Care Resource Network-[Prince George's County Report](#)

⁵ Data USA- [Prince George's County](#)

- *Indirect Impact*

Enactment of CB-096-2023 may have a favorable indirect impact by increasing childcare subsidies available to working families through local businesses. The funds would likely be used at County childcare providers, at least to the extent that the employees are County residents, thereby further supporting local businesses. This program may also incentivize businesses to start childcare benefit programs to fill in gaps and take advantage of this program should it be enacted.

- *Appropriated in the Current Fiscal Year*

No.

Effective Date of Proposed Legislation

The Act shall take effect forty-five days (45) after it becomes law.

If you require additional information, or have questions about this fiscal impact statement, please reach out to me via phone or email.