

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2015-16</b>		<b>FY 2016-17</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS	2,400,000		2,400,000	
OTHER FUNDS				
TOTAL FUNDS	2,400,000		2,400,000	

**Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.**

In the reauthorization of the Child Care Block Grant (CCBG), the amount allocated for quality initiatives was increased from a minimum of 4% to 7% in FY 16 and FY 17; 8% in FY 18 and 9% in FY 19. Also included in the reauthorization was a requirement that a minimum of 3% must be spent on quality initiatives for infants and toddlers.

This bill requires that the required increases in allocations for quality initiatives to be transferred into the Early Childhood Education Endowment to provide grants to school districts and cooperatives of school districts that enter into agreements with child care providers for early childhood education programs for at-risk children from birth to age three. The increased allocation is approximately \$2.4 million each year in FY 16 and FY 17.

The Department of Health and Human Services fiscal note does not acknowledge the requirement in the reauthorization that additional funding must be allocated for quality initiatives. In this bill the Legislature is directing the manner in which the required additional allocation is to be handled. If the funding is not transferred to the Early Childhood Education Endowment, the same amount of funding would need to be spent on quality in another manner. If the federal funds are not increased, the funding on quality initiatives would be diverted from child care payments regardless of the provisions in this bill.

<b>ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSES</b>		
LB: 547	AM:	AGENCY/POLT. SUB: Department of Education
REVIEWED BY: Elton Larson	DATE: 2/20/2015	PHONE: 471-4173
COMMENTS: NDE analysis and estimate of fiscal impact appear reasonable.		

Please complete ALL (5) blanks in the first three lines.

**2015**

**LB<sup>(1)</sup> 547**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup>

Nebraska Dept. of Education

Prepared by: <sup>(3)</sup> Melody Hobson

Date Prepared: <sup>(4)</sup> 1/28/15

Phone: <sup>(5)</sup> 402-471-0263

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2015-16</u>		<u>FY 2016-17</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	0	0	0	0
CASH FUNDS	0	0	0	0
FEDERAL FUNDS	0	2.4 million	0	2.4 million
OTHER FUNDS				
<b>TOTAL FUNDS</b>		<b>2.4 million</b>		<b>2.4 million</b>

**Explanation of Estimate:**

NDE should not be fiscally impacted by this bill. Slight possible cost to NDE might come from tracking additional grant payments. If DHHS chooses to grant the money directly instead of working through NDE, then NDE will have no foreseeable fiscal impact.

Selected school districts would receive grant funds to employ staff to provide technical assistance. Child care providers would receive technical assistance and funding support.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2015-16</u>	<u>2016-17</u>
	<u>15-16</u>	<u>16-17</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
<b>TOTAL.....</b>			<b>0</b>	<b>0</b>

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

State Agency or Political Subdivision Name:(2) Department of Health and Human Services

Prepared by: (3) Mike Mason

Date Prepared:(4) 2-25-15

Phone: (5) 471-0676

	<u>FY 2015-2016</u>		<u>FY 2016-2017</u>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
<b>GENERAL FUNDS</b>	\$3,874,228		\$3,874,228	
<b>CASH FUNDS</b>				
<b>FEDERAL FUNDS</b>				
<b>OTHER FUNDS</b>				
<b>TOTAL FUNDS</b>	\$3,874,228		\$3,874,228	

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

**Explanation of Estimate:**

There is a fiscal impact to the Department of Health and Human Services associated with LB547.

Section (3)(a) of LB 547 seeks to allocate a greater percentage of the Child Care and Development Block Grant (CCBG) to activities related to improving the quality of child care services (commonly referred to as Quality Improvement, or QI). Table 1 shows the allocations proposed in LB 547 Section (3)(a) as a percentage of the CCBG (column C). Using the CCBG of \$58,051,187 from Federal Fiscal Year 2013 (FFY13), the allocation to QI at the 4% level is \$2,322,047. The allocation to QI per LB 547 is estimated for SFY16 through SFY20 as a percentage of the CCBG for FFY13 (column D). Because the CCBG is a fully expended block grant, the increase in federal fund allocation to QI results in a commensurate increase in state general fund expenditures (column E, which is equal to column D minus \$2,322,047) for direct aid for child care as these services must be provided as a condition for receipt of the CCBG. In addition, at this point in time the Department has not been informed by the Administration for Children and Families (ACF) of increased grant authority to carry out the higher percentage of funding going to QI; therefore, this fiscal note assumes 100 percent state general funds.

**Table 1: Estimated Increase in Expenditures for LB547**

A - Fiscal Year	B - Current Allocation to QI (as % of CCBG)	C - LB 547 Allocation to QI (as % of CCBG)	D - LB 547 Allocation to QI (\$)	E - Increase in General Fund Expenditures (\$)
FFY13 (Base)	4%	Not Applicable		
SFY16	Not Applicable	7%	4,063,583	1,741,536
SFY17		7%	4,063,583	1,741,536
SFY18		8%	4,644,095	2,322,047
SFY19		8%	4,644,095	2,322,047
SFY20		9%	5,224,607	2,902,559

Section (3)(b) requires an allocation of 3% of the CCBG to activities which improve the quality of care for infants and toddlers (QI-I&T). Expenditures for QI-I&T FFY13 were \$608,844. This represents 1.05% of the FFY13 CCBG. Increasing the allocation to 3% would increase expenditures to an estimated \$1,741,536 in SFY16 and every fiscal year thereafter. For the same reasons noted in the previous paragraph, the increase in federal fund allocation to QI-I&T would result in a commensurate increase in state general fund expenditures of \$1,132,692.

Currently, approximately \$1,600,000 of QI funds are used by the Division of Public Health to pay for child care licensing and inspection. Section (4) requires the allocation of all but 1% of QI funds to the Early Childhood Education Endowment Cash Fund (ECEECF). This designation will reduce the QI funds available for child care

and licensing to approximately \$600,000 per year for SFY16 through SFY20 which would result in an estimated increase of \$1,000,000 in state general funds.

It is noted by the Division of Children and Family Services (CFS) that Federal Regulation 45 CFR 98.11 requires that CFS ensure that all subgrantee recipients receiving funds from ECEECF meet all eligibility criteria of the Child Care Development Fund Program. Because CFS would neither issue the grant awards nor manage the day-to-day operations of the ECEECF under the provisions of LB 547, there is substantial risk for regulatory non-compliance associated with this provision.

Adding the fiscal impacts of Section (3)(a), Section (3)(b), and Section (4), the total fiscal impact to DHHS is estimated as an increase of \$3,874,228 of state general funds in both SFY16 and SFY17.

<b>MAJOR OBJECTS OF EXPENDITURE</b>				
<b>PERSONAL SERVICES:</b>				
POSITION TITLE	NUMBER OF POSITIONS		2015-2016	2016-2017
	15-16	16-17	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....				
Travel.....				
Capital Outlay.....				
Aid.....			\$3,874,228	\$3,874,227
Capital Improvements.....				
<b>TOTAL.....</b>			<b>\$3,874,228</b>	<b>\$3,874,227</b>