PREPARED BY: Liz Hruska
DATE PREPARED: March 20, 2017
PHONE: 402-471-0053

LB 335

Revision: 02

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised based on new information

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES **(See narrative for political subdivision estimates)**

	FY 2017-18		FY 2018-19	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	($7,432,169)		($1,858,042)	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	($7,432,169)		($1,858,042)	

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

This bill suspends the requirement that child care rates be adjusted to between the 60th and 75th percentile of the market rate survey for the biennium of FY 20117-18 and FY 2018-19.

The bill suspends the requirement for the biennium, but does replace the current minimum and maximum percentile range. The bill gives discretion to the Department of Health and Human Services to set the rates for this two-year period. Based on the fiscal note submitted by the Department, it is their intent to hold the rates at the same level as the current biennium which were set at the 60th percentile of the 2015 market rate survey.

New child care regulations take effect on October 1, 2018 which includes nine months of Nebraska's second year of the biennium. The guidance published on September 30, 2016, requires State Child Care Development Fund (CCDF) plans to show that subsidy payment rates 1) are sufficient to ensure equal access for eligible children to child care services that are comparable to child care services provided to children whose parents are not eligible to receive child care assistance referred to as the Access Rule and 2) enable child care providers to meet health, safety, quality and staffing requirements. The guidance states a preference for states to set rates at the 75th percentile, but does not require them to be set at that level. Rates lower than the 75th percentile after October 1, 2018, require further evidence that the rates ensure the Access Rule is met.

The agency has contracted for the market rate survey. The survey has not been finalized and no information on the survey has been provided to the Legislative Fiscal Office at this time. The savings shown in the Department's fiscal note are based on the average of historical increases set at the 60th percentile. Based on the September 30, 2016 federal guidance from U. S. Department of Health and Human Services Administration of Children and Families (ACF) and email communication from the Kansas City Regional Program Manager of the ACF who received guidance from the central office of the ACF, the State CCDF Plan is unlikely to be approved if rates are held flat at the 60th percentile of the 2015 market rate survey after the new regulations take effect on October 1, 2018. The email communication states: "If there is no re-examination or adjustment to the rates for four years (July 1, 2015 through June 30, 2019), Nebraska's CCDF Plan would not be in compliance with the new CCDF final rule regulations." Based on this information, the rates can be held flat through the first quarter State Fiscal Year 2018-19. Rates would need to be adjusted for the last three quarters. The savings would be $7,432,169 GF in FY 2017-18 and $1,858,042 GF in FY 2018-19. If the Child Care Development Plan is not approved, the State would not receive approximately $30 million in federal funds.

Note: The rate increases based on the market rate survey were not included in the agency's budget request, pending the analysis of the market rate survey that has not been finalized, and are also not included in the Appropriations Committee's preliminary recommendation.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 335	AM:	AGENCY/POLT. SUB: DHHS
REVIEWED BY: Elton Larson	DATE: 1/24/2017	PHONE: (402) 471-4173
COMMENTS: I concur with fiscal impact identified by DHHS. Governor's recommendation for 2017 – 2019 biennium includes the reductions indicated in the DHHS fiscal note.		

LB(1) 0335 FISCAL NOTE 2017

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

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

Prepared by: (3) Pat Weber | Date Prepared:(4) 1-13-17 | Phone: (5) 471-6351

	FY 2017-2018		FY 2018-2019	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	($7,432,169)		($7,432,169)	
CASH FUNDS				
FEDERAL FUNDS	($282,880)		($282,880)	
OTHER FUNDS				
TOTAL FUNDS	($7,715,049)		($7,715,049)	

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

Explanation of Estimate:

LB 0335 excludes 2017 from the requirement that the Department of Health and Human Services (DHHS) adjust the reimbursement rate for child care providers every odd-numbered year, based on the results of a market rate survey. The past four market rate surveys (2009, 2011, 2013, and 2015) have resulted in an average annual increase of $7,715,049 ($7,432,169 GF, $282,880 FF). Eliminating the requirement for DHHS to adjust child care rates in 2017 will result in a cost avoidance of this amount. It should be noted that these funds are not included in the DHHS budget request for SFY18 or SFY19.

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES:

POSITION TITLE	NUMBER OF POSITIONS 17-18	18--19	2017-2018 EXPENDITURES	2018-2019 EXPENDITURES
Benefits				
Operating				
Travel				
Capital Outlay				
Aid			($7,715,049)	($7,715,049)
Capital Improvements				
TOTAL			($7,715,049)	($7,715,049)