

Revised based on amendments adopted through 4-21-17

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

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2017-18</b>		<b>FY 2018-19</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	(\$1,464,770)		(\$366,193)	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	(\$1,464,770)		(\$366,193)	

**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 60<sup>th</sup> and 75<sup>th</sup> percentile of the market rate survey for the FY 2017-18 and FY 2018-19 biennium; and as amended this bill sets rates at the 50<sup>th</sup> percentile, with a hold harmless provision that the rates are no less than the rates paid in the prior fiscal year during the FY 2017-18 and FY 2018-19 biennium.

The Department of Health and Human Services’ fiscal note addresses paying rates at the 50<sup>th</sup> percentile of the 2017 market rates survey with the hold harmless provisions for the FY 2017-18 and FY 2018-19 biennium. This fiscal note incorporates costs associated with new federal child care regulations that take effect on October 1, 2018. This 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. If the Child Care Development Plan is not approved, the State would not receive approximately \$30 million in federal funds.

The guidance states a preference for states to set rates at the 75<sup>th</sup> percentile, but does not require them to be set at that level. Rates lower than the 75<sup>th</sup> percentile after October 1, 2018, require further evidence that the rates ensure the Access Rule is met. The agency contracted for the market rate survey and recently released the results. Based on this information, rates can be held constant at the rates paid in FY 2017 through the first quarter State Fiscal Year 2018-19. Rates would need to be adjusted for the last three quarters of FY 2018-19. The amount needed in FY 2017-18 is \$1,338,513 GF. In FY 2018-19, the cost shown is for rates set at the 60<sup>th</sup> percentile for the last three quarters of the fiscal year. The amount is \$2,437,090 GF. Rates set this level will minimize the risk that the state plan is not approved.

Without this bill, rates would be set at the 60<sup>th</sup> percentile each year at an annual cost of \$2,803,283 GF; this bill reduces costs by \$1,830,964 GF over the biennium.

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSES</b>		
LB: 355	AM: 703	AGENCY/POLT. SUB: Dept of Health and Human Services (DHHS)
REVIEWED BY: Elton Larson	DATE: 4/25/2017	PHONE: (402) 471-4173
COMMENTS: DHHS analysis and estimate of fiscal impact appear reasonable.		

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

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

Prepared by: (3) Karen Gatherer

Date Prepared: 4-20-2017

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	<u>FY 2017-2018</u>		<u>FY 2018-2019</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
<b>GENERAL FUNDS</b>	\$1,338,513		\$1,338,513	
<b>CASH FUNDS</b>				
<b>FEDERAL FUNDS</b>				
<b>OTHER FUNDS</b>				
<b>TOTAL FUNDS</b>	\$1,338,513		\$1,338,513	

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

**Explanation of Estimate:**

LB 0335 AM703 reinstates the requirement for the Department of Health and Human Services (DHHS) to conduct a Child Care Market Rate Survey every odd-numbered year and adjust the reimbursement rate for child care providers. DHHS is required to adjust rates to no lower than the fiftieth percentile of the market rate survey or no less than the rates for the preceding fiscal year, whichever is higher. The rate adjustment to level set to the 2017 market rate survey would result in increase of \$1,338,513 GF in both SFY18 and SFY19.

**MAJOR OBJECTS OF EXPENDITURE**

**PERSONAL SERVICES:**

POSITION TITLE	NUMBER OF POSITIONS		2017-2018 EXPENDITURES	2018-2019 EXPENDITURES
	17-18	18-19		
Benefits.....				
Operating.....				
Travel.....				
Capital Outlay.....				
Aid.....			\$1,338,513	\$1,338,513
Capital Improvements.....				
<b>TOTAL.....</b>			<b>\$1,338,513</b>	<b>\$1,338,513</b>