

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

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2019-20</b>		<b>FY 2020-21</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS				
CASH FUNDS		578,938		578,938
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See Below	578,938	See Below	578,938

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

This bill increases eligibility for the child care subsidy from 125% of the Federal Poverty Limit (FPL) to 165% of FPL. The bill extends transitional child care to 200% of FPL up from 185% and also removes a 24-month cap on transitional assistance. Criminal background checks would be required of all child care licensee, any member of the licensee’s household, staff and prospective child care staff. The fees for the background checks would be collected by the Department of Health and Human Services. Fees could not exceed the actual cost of processing and administration. The effective date of the bill is October 2019.

Approximately 12,750 child care providers would need the criminal background checks. The fees would be paid to the Department of Health and Human Services and the State Patrol conducts the checks. The cost per check is \$45.25. The revenue would be \$578,938 annually. Although the bill would be in effect for three-fourths of the fiscal year, a full year of revenue is assumed as individuals will need to be in compliance by October 1, 2019. The Department of Health and Human Services would need two part-time staff to process and track the criminal background checks.

The State Patrol would have increased revenue of approximately \$578,938 annually. Due to the anticipated volume, the Patrol will need to hire 14 additional staff, purchase additional scanners and equipment and rent additional space. Costs are expected to exceed revenue by \$509,553 in FY 2020 and \$205,853 in FY 2021. The General Fund would pay the costs that exceeds revenue.

The increase in eligibility to 165% of the Federal Poverty Level (FPL) is estimated to cover 9,500 additional families. The cost is estimated to be \$8,152,641 annually and \$6,114,480 in FY 20. The removal of the 24-month cap would retain eligibility for an average of 36 cases a month at an average cost of \$716. The annual cost will be \$1,959,858 and \$1,469,893 for a partial year in FY 20. The increase in the transitional child care eligibility to 200% of FPL would allow the 36 average cases per month to stay on the subsidy longer. The department estimates the costs would be \$357,523 in FY 20 and \$612,896 in FY 21. It is likely to be more depending on how long the cases remain open.

Additional staff to process the applications for new cases would be 15 case workers and 2 case aides and one supervisor. The costs would be 839,338 in FY 2020 and \$961,145 in FY 2021.

The Child Care Development Block Grant allotment to Nebraska was increased by \$12.4 million. Some but not all of the costs of this bill may be able to be covered by the federal block grant. It is unclear what the amount is. The primary reason for the federal increase is to assist states in coming into compliance with new federal requirements. The provisions of this bill exceed those requirements and there are other requirements not reflected in this bill that the State must meet that the federal funding will be used for.

Technical Note: The State needs to come into compliance with federal requirements for receipt of the Child Care Development Block Grant funds. The intent of this bill is to meet that compliance, but as written does not fully meet those requirements.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 329 AM: AGENCY/POLT. SUB: Department of Health and Human Services (DHHS)

REVIEWED BY: Elton Larson DATE: 2/5/2019 PHONE: (402) 471-4173

COMMENTS: No basis to disagree with DHHS estimate of fiscal impact to the agency.

**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 Michalski

Date Prepared 1-23-19

Phone: (5) 471-6719

	<u>FY 2019-2020</u>		<u>FY 2020-2021</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
<b>GENERAL FUNDS</b>	\$6,897,174		\$10,122,330	
<b>CASH FUNDS</b>	\$309,768	\$309,768	\$400,531	\$400,531
<b>FEDERAL FUNDS</b>	\$992,409		\$1,959,858	
<b>OTHER FUNDS</b>				
<b>TOTAL FUNDS</b>	<b>\$8,199,351</b>	<b>\$309,768</b>	<b>\$12,482,719</b>	<b>\$400,531</b>

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

**Explanation of Estimate:**

**Impact to Division of Public Health (DPH):**

Currently, applicants must provide the Department with a copy of a criminal history check that was performed by either local law enforcement or the Nebraska State Patrol, if requested. The department only verifies the validity of the documents presented. The process of performing a local, state wide or national criminal background check is submitted, paid and governed entirely by the applicant and/or licensee. Child Care Centers have an additional requirement. Regulations require licensee to conduct a “prior to hire” check on prospective employees. That prior to hire check consists of the child and adult abuse registry check.

If LB 0329 is enacted, existing staff would need to develop additional resource materials for applicants and licensees that describes the process and where they would need to obtain their fingerprints. Also, the excess workload created above 1.0 FTE per Table 5 will be carried by existing Staff Assistants. The estimated labor costs associated with implementation of LB 0329 that will be absorbed by the existing staff are:

**TABLE 1: LABOR COSTS TO BE ABSORBED BY EXISTING STAFF**

<b>Position</b>	<b>Task</b>	<b>Hours</b>	<b>Rate</b>	<b>Total</b>
Staff Assistant I	Develop written instructions	8.0	\$ 14.68	\$ 117
Program Manager II	Review and approve instructions	2.0	\$ 29.50	\$ 59
Staff Assistant II	Review, prepare and upload content to website	2.0	\$ 16.99	\$ 34
Staff Assistant I*	.48 FTE work overflow processing background checks	990.0	\$ 14.68	\$ 14,533
	<b>Total</b>			<b>\$ 14,744</b>

\*See Table 5 for FTE calculations.

The estimated cost of a national criminal history record check and fingerprinting is \$47 per check. The department would serve as a pass-through for these costs. Estimate is based on the intent of LB 0329 to only apply to programs that have a new license issued and to all prospective employees. The number of employees have been calculated using the average number of child care workers per classification as provided by the Nebraska Department of Labor.

**TABLE 2: ESTIMATED NO. OF CHILD CARE STAFF FOR CENTERS IN NEBRASKA**

Program Type	Average # Staff	# of Licensed Facilities	Total # of Estimated Employees
Operating Child Care Centers	12	728	8,736
School Age Only	6	288	1,728
	<b>Totals</b>	<b>1016</b>	<b>10,464</b>

The estimated number of checks that would need to be completed per classification are based upon the number of new provisional and operating licenses issued in calendar year 2018:

**TABLE 3: TOTAL ESTIMATE OF QUANTITY AND COSTS/REVENUE OF BACKGROUND CHECKS FOR NEW PROGRAMS ANNUALLY**

Program Type	Licenses Issued * Avg No. Employees	Quantity	Rate	Total
Provisional & Operating Family Child Care Home I & II	375 licenses issued * 3 Employees (licensee, household member, employee)	1125	\$ 47.00	\$ 52,875
Provisional & Operating Child Care Center	120 licenses issued * 13 employees (licensee, 12 employees)	1560	\$ 47.00	\$ 73,320
Provisional & Operating School Age Only Child Care	45 licenses issued * 7 Employees (licensee, 6 employees)	315	\$ 47.00	\$ 14,805
	<b>Totals</b>	<b>3000</b>	<b>\$ 47.00</b>	<b>\$ 141,000</b>

Nebraska does not have specific data regarding staff turnover rates, however, nationally, the rate is approximately 30% as published by the National Association for the Education of Young Children. Using the National rate of 30% and the data shown in TABLE 2, the number of checks that would need to be completed for prospective employees are:

**TABLE 4: TOTAL ESTIMATE OF QUANTITY AND COSTS/REVENUE OF BACKGROUND CHECKS FOR PROSPECTIVE EMPLOYEES OF EXISTING PROGRAMS**

Program Type	Licenses Issued * Avg No. Employees	National Child Care Worker Turnover Rate	Quantity	Rate	Total
Provisional & Operating Family Child Care Home I & II	Not included in calculations	N/A	0	\$ 47.00	\$ -
Provisional & Operating Child Care Center	728 existing licenses * Average 12 employees = 8,736	30%	2621	\$ 47.00	\$ 123,187
Provisional & Operating School Age Only Child Care	288 existing licenses * Average 6 employees = 1728	30%	518	\$ 47.00	\$ 24,346
	<b>Totals</b>		<b>3139</b>	<b>\$47.00</b>	<b>\$ 147,533</b>

LB 329 requires the Department to be responsible for routing and obtaining the national criminal background check on applicants and licensees. One (1) additional Staff Assistant would be needed to process, track, and

monitor the national criminal background checks and (1) Accounting Clerk to process all receipts and distributions for all new licensee applicants, employees and prospective staff. Current staffing workloads would allow the .48 FTE to be absorbed by existing staff (represented in TABLE 1). The estimated amount of FTEs required are calculated as follows:

**TABLE 5: ESTIMATE OF ADDITIONAL MANHOURS REQUIRED TO PERFORM WORK SPECIFIED**

<b>Position</b>	<b>No. of Background Checks &amp; Payments Processed</b>	<b>Estimated Hours Per Check</b>	<b>Total Hours</b>	<b>Total / 1 FTE Hours</b>
Staff Assistant I	6139	0.5	3070	1.48*
Accounting Clerk II	6139	0.33	2026	0.97
<b>Totals</b>	<b>6139</b>	<b>0.83</b>	<b>5095</b>	<b>2.45*</b>

\*Table 1 includes cost of the .48 FTE being absorbed by existing staff.

Total funds received as cash revenue and paid out for national criminal background check fees to others are estimated at \$288,533 per year. The estimate of additional staff costs are \$111,998 per year. Based upon the total cost of the \$400,531 per year and 6,139 national background checks completed per year, the fee collected would be set at approximately \$65.00 each.

Estimate is based on legislation taking effect on October 1, 2019. Operations setup to occur during the month of September, 2019. Therefore FY2019-2020 estimates have been adjusted to 75% of annual number of background checks or 4,605 and additional personnel costs have been adjusted to 83% of annual costs.

**Impact to Division of Children and Family Services (DCFS):**

LB 329 will increase the income eligibility limit for child care to 165% of the Federal Poverty Level (FPL). Increase the transitional child care limit to 200% FPL and remove the 24 month time limit. This will allow households to remain eligible for transitional child care at redetermination should their income remain under 200% FPL.

LB 329 will allow the Department to conduct national criminal history record checks for all child care licensees, household members, staff, employees, and prospective staff. 45 CFR 98.43 requires states to conduct criminal background checks on all licensed and non-licensed CCDF providers.

If income eligibility limit for child care is increased to 165% of the FPL, the estimated annual aid for additional child care will be \$4,755,707 (\$923,019 Federal Funds and \$3,832,688 General Funds) for FY20 and \$8,152,641(\$1,822,823 Federal Funds and 6,329,818 General Funds) thereafter. Voices for Children in Nebraska 2017 report estimates that there are approximately 498,517 children in Nebraska, and 38% (or 189,436) of those children live under 200% of the Federal Poverty Level. It is presumed that 50% (or 94,718) of the children who live under 200% FPL will not need child care. Of the 94,718 children, approximately 18,612 are currently receiving child care subsidy, reducing the total of children to 76,106. There are an average of 2 children per household, totaling 38,053 households. Of the 38,053 households, it is presumed 50% (or 19,027) would submit a new application for child care subsidy. Of the 19,027 households applying for child care subsidy, 50% (or 9,513) would be eligible for child care subsidy and have an active caseload. The average child care cost per case in FY18 was approximately \$857.

If the transitional child care limit is increased to 200% of the FPL, the estimated annual aid for additional transitional child care will be \$357,523 (\$69,391 Federal Funds, \$288,132 General Funds) for FY20 and \$612,896 (\$137,035 Federal Funds and \$475,861 General Funds) thereafter.

Based off of current transitional child care subsidy eligibility cases, it is presumed that an additional 1,703 children or a total of 856 households (each household has an average of 2 children) will now be eligible for transitional child care by expanding the Federal Poverty Level from 185% to 200%. One hour of processing

time would take place on these cases to move them to the transitional child care category. The average transitional child care cost per case in FY18 was approximately \$716.

LB 329 would require existing Department of Health and Human Services (DHHS) staff to manage approximately 19,027 new applications. Each new application requires approximately 2 hours of case work processing and each new child care household will require 5 hours of ongoing case work annually. The processing time for additional transitional child care cases is one hour. Hours of work are based on current ACCESSNebraska time studies for case work completion. The new work resulting from this bill is 85,618 hours. To accommodate the increases in case applications and ongoing case management, DHHS will need to hire 41 Social Service Workers, 4 Social Services Supervisors, and 4 Case Aides. The total cost for the additional personnel is \$2,763,873 (General Funds) in FY20 and \$3,316,651 (General Funds) in SFY21. The additional one time estimated cost for technology/NFOCUS (Nebraska Family Online Client User System) enhancements is \$12,480 (General Funds). It is anticipated that new staff would start in mid-September 2019.

There is no fiscal impact to DHHS to conduct national criminal history record checks for all child care licensees, household members, staff, employees, and prospective staff. This bill does not meet federal compliance for Graduated Phase-out (transitional child care) or criminal history checks.

Estimated total impact to Division of Children and Family Services (DCFS) of DHHS will be \$7,889,583 (\$992,409 Federal Funds & \$6,897,174 General Funds) for FY20 and \$12,082,188 (\$1,959,858 Federal Funds, \$10,122,330 General Funds) for FY21.

DHHS will be required to complete a minor rule and regulation change as a result of LB 0329. DHHS will absorb the estimated costs listed below to complete this regulation change.

Title	Hour(s)	Hourly Cost	Absorbed Cost
Director	1	72.115	\$ 72
Deputy Director	1	51.923	\$ 52
Administrator I	1	29.354	\$ 29
Program Specialist	2	21.466	\$ 43
Program Analyst	4	20.869	\$ 83
Attorney 3	10	32.213	\$ 322
<b>Total Costs</b>	<b>19</b>		<b>\$ 602</b>

**Total Impact to Department of Health and Human Services (DHHS):**

If LB 329 passes the estimated total cost to DHHS will be \$8,199,351 for FY20 and \$12,482,719 for FY21.

<b>MAJOR OBJECTS OF EXPENDITURE</b>				
PERSONAL SERVICES:				
POSITION TITLE	NUMBER OF POSITIONS		2019-2020	2020-2021
	19-20	20-21	EXPENDITURES	EXPENDITURES
Staff Assistant I	0.83	1.00	\$26,718	\$32,061
Accounting Clerk II	0.83	1.00	\$25,222	\$30,266
Social Service Worker	34.17	41	\$1,253,474	\$1,504,169
Social Service Supervisor	3.33	4	\$156,492	\$187,791
Case Aide	3.33	4	\$86,029	\$103,235
Benefits.....			\$606,821	\$728,186
Operating.....			\$918,885	\$1,131,474
Travel.....				
Capital Outlay.....				
Aid.....			\$5,113,230	\$8,765,537
Capital Improvements.....			\$12,480	
<b>TOTAL.....</b>			<b>\$8,199,351</b>	<b>\$12,482,719</b>

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2019

LB<sup>(1)</sup> 329

FISCAL NOTE

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

Nebraska State Patrol

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

Carol Aversman

Date Prepared: <sup>(4)</sup>

2-4-2019

Phone: <sup>(5)</sup>

402-471-4545

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2019-20</u>		<u>FY 2020-21</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
<b>GENERAL FUNDS</b>	<u>\$866,022</u>	<u></u>	<u>\$443,034</u>	<u></u>
<b>CASH FUNDS</b>	<u>\$724,000</u>	<u>\$724,000</u>	<u>\$452,500</u>	<u>\$452,500</u>
<b>FEDERAL FUNDS</b>	<u></u>	<u></u>	<u></u>	<u></u>
<b>OTHER FUNDS</b>	<u></u>	<u></u>	<u></u>	<u></u>
<b>TOTAL FUNDS</b>	<u>\$1,590,022</u>	<u>\$724,000</u>	<u>\$895,534</u>	<u>\$452,500</u>

**Explanation of Estimate:**

LB 329 requires that the State Patrol undertake a search for finger-print based criminal history record information for all licensed child care program licensees, staff, and applicable household members. The bill includes in-home daycares. This includes transmittal of the fingerprints to the FBI for a national finger-print based criminal history record information check. It is estimated that the number of record checks in the first year will be 16,000, as all existing providers will initially need to undergo this requirement. It is estimated that in the second year this number will drop to 10,000, as the amount of processing for existing providers will gradually decrease and only new providers will be required to undergo a record check going forward. The Agency estimates that it will need to hire approximately 19 additional employees in the first year of the biennium to be able to process this increase in volume. Based on recent experience, the State Patrol estimates that it will take at least 16 to 18 months to hire and train the new employees and process the existing pool of providers. During the first year of the biennium, the State Patrol has estimated 10 months of salaries and benefit costs for these new employees, as it was assumed that the hiring process will take 2 months. It is estimated that in the second year of the biennium, the number of employees needed would be reduced to a total of 17. Further additional staffing reductions beyond this level will gradually occur as the initial upfront processing of existing providers reaches completion, and only new providers require processing going forward thereafter. However, it is contemplated that most of the staff reductions will occur in the third year after the enactment of the bill (Fiscal Year 2021-2022). This will result in additional cost reductions beyond the upcoming biennium, which are not reflected in this fiscal note. In conjunction with the increase in volume during the 2019-2020 and 2020-2021 fiscal years, the Patrol estimates that it will need to purchase four additional live-scan machines and two additional AFIS ten-print work stations, as well as basic IT and office equipment/furniture for these employees. These capital outlay costs are estimated at approximately \$266,400 in the first year only. Subsequent years will require maintenance costs on the equipment at \$5,000 each, for a total of \$30,000 per fiscal year. Additionally, as the fingerprints are required to be transmitted to the FBI, a charge of \$13.25 per transmission will also be incurred. These fees total \$212,000 in the first year and \$132,500 in the second year. Note that the current workspaces would not be adequate to house the personnel and equipment that would be needed, so estimated costs for expansion of office space has been included, as well as some moving expenses to relocate some employees. These costs are estimated at a total of \$325,000 in the first year only (\$315,000 for renovations and \$10,000 for moving costs). Additional rental facility costs are estimated at \$87,680 per year with \$24,000 estimated per year for utilities, janitorial and maintenance costs. Currently, the State Patrol charges a fee of \$45.25 for each finger-print based criminal history record information check. The revenues reflected in this fiscal note were computed based upon this fee.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20</u> <u>EXPENDITURES</u>	<u>2020-21</u> <u>EXPENDITURES</u>
	<u>19-20</u>	<u>20-21</u>		
State Patrol Criminal Identification Records Technician	8	7	\$176,176	\$184,985
State Patrol Records Analysis Supervisor	1	1	\$38,180	\$45,816
Staff Assistant I	7	6	\$178,117	\$183,207
IT Infrastructure Support Analyst	1	1	\$38,553	\$46,263
IT Business Systems Analyst/Coordinator	1	1	\$42,831	\$51,397
State Patrol Fingerprint Technician	1	1	\$26,100	\$31,320
<b>Benefits</b> .....			\$174,985	\$190,046
<b>Operating</b> .....			\$333,680	\$162,500
<b>Travel</b> .....				
<b>Capital outlay</b> .....			\$266,400	
<b>Aid</b> .....				
<b>Capital improvements</b> .....			\$315,000	
<b>TOTAL</b> .....			\$1,590,022	\$895,534