

Revised to include a revised agency fiscal note and correct errors

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2021-22		FY 2022-23	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See Below		See Below	

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

This bill increases the child care subsidy income eligibility from 130% of the Federal Poverty Level (FPL) to 185%. Transitional child care income eligibility would increase from 185% of FPL to 200%. The bill states the federal Child Care Block Grant would be used first to cover the cost of the increase; the Temporary Assistance for Needy Families grant would be the second source of funding and nothing would prohibit General Funds from being used.

Based on the 2019 American Community Survey of the U. S. Census, there are approximately 43,198 children under age 19 with incomes between 130% and 185% of poverty. Those under age 13 would be 28,511 or 14,255 cases assuming two children per case. Assuming 25% of those families are in need of child care, the number using the subsidy would be 7,128 kids or 3,564 cases. The average monthly cost per case in the last two months of 2020 was \$590. The cost for nine months in FY 2020 would be \$18,923,964. For a full year in FY 2023, the cost would be \$25,231,952. Assuming 72 cases per month continue on transitional assistance, the additional cost would be \$1,993,000 in FY 2022 and \$5,228,280 in FY 2023.

More families would apply than are eligible. Assuming 5,000 families apply and each application takes two hours, the department would need five eligibility workers and one supervisor. The costs would be \$265,163 in FY 2022 and \$331,884 in FY 2023. As the administrative costs under TANF are maximized, these costs would be from General Funds.

The federal child care block grant is fully allocated and general funds are used to supplement the program. The TANF Block Grant allocation for Nebraska is \$56,627,264 annually. Through years of underspending the allocation and the rainy day carryover funding, the balance on September 30, 2020 was \$92,177,255. This balance has consistently grown over many years. The Department of Health and Human Services' fiscal note indicates that TANF funds are currently obligated for the future biennium. The projection for use of the TANF funds shows \$62.9 million would be used in FFY 21; \$67.6 million in FFY 2022 and \$70.6 million in FFY 2023. These figures include a double counting of \$3.1 million over three federal fiscal years for the increases provided for in LB 89 which was passed in the 2016 Session. Additionally, the amounts include \$9.8 million over three federal fiscal years in new programs initiated by the department.

If passed state statute would prevail over the department's newly proposed initiatives. However, even removing the newly proposed initiatives planned by the department and the double counted LB 89 costs, there are only two years of TANF rainy day funds to cover the cost of this bill at which time it would need to be fully funded with General Funds.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE				
LB:	485	AM:	AGENCY/POLT. SUB: Nebraska Department of Health & Human Services	
REVIEWED BY:	Ann Linneman	DATE:	3-9-2021	PHONE: (402) 471-4180
COMMENTS: No basis to disagree with the Nebraska Department of Health & Human Services' assessment of fiscal impact.				

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 2-5-2021

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	<u>FY 2021-2022</u>		<u>FY 2022-2023</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$26,329,301		\$35,105,737	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$26,329,301		\$35,105,737	

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

Explanation of Estimate:

LB 485 increases the amount of initial eligibility in the Department of Health and Human Services (DHHS) Child Care (CC) program from 130% FPL to 185% FPL. This bill also requires the usage of federal funds for this increase in costs. The first requirement is the usage of Child Care and Development Funds (CCDF) and then Temporary Assistance for Needy Families (TANF) if CCDF funds are not available. Nebraska has currently obligated all CCDF and TANF funds for the future biennium. If the intent is to increase eligibility to 185% FPL, the only way to pay for this increase is to use general funds.

Based on US Census Bureau estimates of Nebraska population by FPL for 2019, it is estimated that there are 172,793 living between 130 and 185% FPL. It is assumed that 25% would be under 18 (43,198 individuals). It is assumed that 75% of those under 18 would be under 13 and could utilize child care (32,399 children or 16,200 households assuming 2 children/household). It is assumed that 50% do not need child care and would not apply. It is also assumed that only 50% of all who apply would be approved. The estimated amount of new child care cases would be 4,050 ongoing cases (8,100 children). Due to a change in regulations on September 15, 2020, providers can now bill up to 5 absence days, per month, per child. In the three full months after the absence day change (November 2020 to January 2021 paid months), the average cost per case was \$590 per month. It is assumed that will be the cost per month going forward. It is assumed that the increases in cases would begin October 1, 2021. The costs for the aid in year one would be \$21,505,500 and the amount in the second year would be \$28,674,000.

LB 485 also increases the FPL limit of transition child care (TCC) from 185% FPL to 200% FPL. Based off of current TCC 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 TCC. The average transitional child care cost per case per month in SFY20 was approximately \$515. It is assumed that in year 1, the TCC increase would not go into effect until October 1, 2021. The costs for year one would be \$3,967,560. The total cost would for year 2 and every subsequent year would be \$5,290,080 per year. All costs would need to use general funds as all federal sources are currently obligated.

For the 4,050 new cases due to initial eligibility, the number of administrative hours needed per case per year is 5 hours (due to initial assessment and ongoing eligibility redetermination). For the other 50% that would apply but likely not be eligible, those 4,050 cases would only require 2 hours of initial assessment. The total number of hours required is 28,350 hours. One hour of processing time would also be needed for the TCC cases for a total of 856 hours. The total hours worked per year would be 29,206 hours. To implement the change of LB 485, DHHS would need to hire 15 social service workers and 2 social service worker supervisors. Beginning start date would be October 1, 2021. All expenses for administration would need to be general funds.

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES:

POSITION TITLE	NUMBER OF POSITIONS		2021-2022	2022-2023
	21-22	22-23	EXPENDITURES	EXPENDITURES
Social Services Worker	11.3	15	\$418,930	\$558,574
Social Services Worker Supervisor	1.5	2	\$70,422	\$93,895

Benefits.....			\$175,431	\$233,910
Operating.....			\$191,458	\$255,278
Travel.....				
Capital Outlay.....				
Aid.....			\$25,473,060	\$33,964,080
Capital Improvements.....				
TOTAL.....			\$26,329,301	\$35,105,737