

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

| ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates) | | | | |
|---|---------------------|----------------|---------------------|----------------|
| | FY 2024-25 | | FY 2025-26 | |
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | \$26,888,354 | | \$26,913,237 | |
| CASH FUNDS | | | | |
| FEDERAL FUNDS | | | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | \$26,888,354 | | \$26,913,237 | |

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

This bill would require the Department of Health and Human Services (DHHS) to amend the state plan for the Child Care Subsidy program to pay providers based on a child's enrollment rather than a child's attendance.

DHHS indicates that approximately 9,000 households receive childcare assistance. Currently, households are eligible to be billed for either a partial day unit or a full day unit depending on attendance. This bill would require all households to receive fulltime care for the cost of enrollment up to 60 hours per week. For services rendered in SFY 2023, \$111 million was paid for childcare costs. Using average daily rates for the number of children that providers are billing for childcare, DHHS estimates the changes would result in \$136 million total cost per year, an increase of \$25 million to the Office of Economic Assistance.

Additionally, childcare is a Title IV-E eligible expense for children who receive foster care, adoption, and guardianship subsidies. DHHS would not be able to access federal funds to pay for childcare when the child is not attending childcare therefore state general funds would need to be used. Using 233 child care claims for foster care, 9 state-only adoption, and 565 with guardianship, DHHS estimates a total annual increase of \$1,826,148 to Children and Family Services.

Finally, DHHS would need one additional FTE Program Specialist starting in October 2024 to monitor and ensure accuracy of billing and proper authorizations. There is no basis to disagree with the estimate of the agency.

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

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

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Date Prepared 2-20-2024

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| | <u>FY 2024-2025</u> | | <u>FY 2025-2026</u> | |
|----------------------|---------------------|---------|---------------------|---------|
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | \$26,888,354 | | \$26,913,237 | |
| CASH FUNDS | | | | |
| FEDERAL FUNDS | | | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | \$26,888,354 | \$0 | \$26,913,237 | \$0 |

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

Explanation of Estimate:

LB946 requires the Department of Health and Human Services (DHHS) to pay childcare subsidy providers based on a child’s enrollment rather than a child’s attendance. This bill will have a fiscal impact on both DHHS Children & Family Services (CFS) and DHHS Office of Economic Assistance (OEA). It would require the department to submit an amendment to the state plan.

Currently, approximately 9,000 households receive childcare assistance. Those households are eligible to be billed for a full day unit or partial day unit depending on how many hours per day the child attends, up to their authorized amount. LB946 would require that all households receive fulltime care for the cost of enrollment up to a set amount of hours per week based on the seventy-fifth percentile of the market rate survey, up to 60 hours per week.

DHHS has estimated the costs associated with this change utilizing the current childcare subsidy rates figured by enrollment rather than attendance. For services rendered in SFY 2023, \$111 million was paid for childcare costs. Using the average daily rates and the number of children that providers are billing for childcare as of November 2023, or July 2023 to capture children receiving care during the summer, and utilizing those rates to determine enrollment costs, it’s estimated the annual cost would be approximately \$136 million per year. This is an estimated increase of \$25 million would be paid with State General Funds. There is also a potential change in costs associated with enrollment structures, but DHHS is unable to determine without additional information.

This calculation is based on the number of youths in childcare x the average daily rate x 21 working days per month x 12 months per year. For the summer months there is an additional number of children that is calculated based on the number of additional youths in childcare x average daily rate x 21 working days per month x 3 months per summer.

| Service Type | Youth | Avg. Daily Rate | Amount | Summer Youth | Difference | Summer Amount |
|-----------------|-------|-----------------|------------|--------------|------------|---------------|
| INFANT CARE | 1,421 | 47.07 | 16,855,390 | 2,065 | 644 | 1,909,724 |
| TODDLER CARE | 2,079 | 43.07 | 22,564,718 | 3,003 | 924 | 2,507,191 |
| PRESCHOOL CARE | 3,148 | 40.79 | 32,358,544 | 5,642 | 2,494 | 6,409,006 |
| SCHOOL AGE CARE | 4,764 | 36.42 | 43,723,230 | 7,907 | 3,143 | 7,211,488 |
| CC SPECIAL NEED | 84 | 91.15 | 1,929,463 | 164 | 80 | 459,396 |

Total

117,431,345

18,496,805

135,928,15

Currently, DHHS pays for childcare based on the hours the youth attends childcare. For children who meet the program requirements for foster care, adoption, and guardianship subsidies, childcare is a Title IV-E eligible expense which means that DHHS draws down Title IV-E federal funds. DHHS will not be able to draw down Title IV-E funds for hours when the child was not in childcare; State general funds would have to be used.

In the month of September 2023, CFS Child Welfare paid 233 childcare claims for Foster Care (total \$158,417), 9 with State-Only Adoption (\$4,387), and 565 with IV-E Adoption (\$198,184) with a daily frequency. There were 20 working days in September. Foster Care paid 14.7 days, State Adoption paid 13.1 days, and IV-E Adoption paid 9 days. Under LB946, this means that CFS would have had to pay an additional 5.3 days for Foster Care, 6.9 days for State Adoption, and 11 days for IV-E Adoption. Using the percentage difference based on 20 days, CFS is estimating additional costs of \$152,179 per month or \$1,826,148 per year. This is a low-end estimate and does not include any partial days that would be moved to a full day. This would be paid with state general funds. Any cost above the estimate would be additional needed state general funds.

The change in structure would require additional staff to monitor the change and ensure accuracy of billing procedures. The childcare and development team would require an additional Program Specialist to monitor quality control of the Child Care Subsidy program with these changes to ensure providers are billing accurately and authorizations are set up appropriately to avoid overpayments or underpayments. Also, the department would require 1 Resource Developer for 150 hours to implement the changes associated with this bill and update the authorizations. The department will absorb the work by the Resource Developer.

MAJOR OBJECTS OF EXPENDITURE

| PERSONAL SERVICES: | NUMBER OF POSITIONS | | 2024-2025 | 2025-2026 |
|----------------------------------|---------------------|-------|---------------------|---------------------|
| | 24-25 | 25-26 | EXPENDITURES | EXPENDITURES |
| C73210 – DHHS Program Specialist | 0.75 | 1 | \$36,368 | \$50,916 |
| | | | | |
| | | | | |
| | | | | |
| Benefits..... | | | \$12,729 | \$17,820 |
| Operating..... | | | \$13,109 | \$18,353 |
| Travel..... | | | | |
| Capital Outlay..... | | | | |
| Aid..... | | | \$26,826,148 | \$26,826,148 |
| Capital Improvements..... | | | | |
| TOTAL..... | | | \$26,888,354 | \$26,913,237 |