

Revised based on new information

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

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2024-25</b>		<b>FY 2025-26</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
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 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. In compliance with federal regulations, DHHS currently allows providers to bill up to five absence days per month for each child. The Administration for Children and Families (ACF) defines paying by enrollment as paying for the authorized enrollment of a child which ranges based on the family. Households' authorized enrollment permits them to be billed for either a partial day unit or a full day unit. DHHS calculations assume all households will move to fulltime care no matter the authorized status which is inconsistent with federal policy.

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 and point in time case counts from November 2023 for 9 months of school-time and July 2023 for 3 months of summer, DHHS estimates the changes would result in \$136 million total cost per year, an increase of \$25 million to the Office of Economic Assistance. The average daily rate used for school age child care is \$36.42, lowest rate, whereas infant care is \$47.07, the highest non-special needs category. Based on this observation, it can be deduced that the total hours of care based on authorization are incorporated into the agency's estimate. School age kids utilize fewer hours at child care as they are at school most of the day. A preferable method for calculating the cost of implementing this proposal would be evaluation of data on actual absences by authorized enrollment however data is not available to this end.

Additionally, childcare is a Title IV-E eligible expense for children who receive foster care, adoption, and guardianship subsidies. 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. DHHS notes that this estimate does not include any partial days that would be moved to full days which is consistent with federal policy therefor a true estimate rather than a low estimate.

DHHS indicates needing one additional FTE Program Specialist starting in October 2024 to monitor and ensure accuracy of billing and proper authorizations. There is no reason to disagree with the estimate of administrative cost.

Note that effective April 2024, new rules issued by the ACF require States and territories to pay child care providers based on a child's authorized enrollment, to the extent practicable. The rule requires Lead Agencies who determine they cannot pay based on enrollment, to describe their alternative approach in the CCDF Plan, provide evidence that the proposed alternative reflects private pay practices for most child care providers in the State or Territory, and does not undermine the stability of child care providers participating the CCDF program. The ACF indicates limited approved for alternative approaches will be granted, only where a distinct need is shown. Unless Nebraska shows a distinct need, DHHS will be required by federal rule to comply with the provisions of LB946.

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>				
LB: 946	AM:	AGENCY/POLT. SUB: Nebraska Department of Health & Human Services		
REVIEWED BY:	Ann Linneman	DATE:	2-21-2024	PHONE: (402) 471-4180
COMMENTS: Concur 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) John Meals

Date Prepared 2-21-2024

Phone: (5) 471-6719

	<u>FY 2024-2025</u>		<u>FY 2025-2026</u>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
<b>GENERAL FUNDS</b>	\$26,689,659		\$26,714,542	
<b>CASH FUNDS</b>				
<b>FEDERAL FUNDS</b>				
<b>OTHER FUNDS</b>				
<b>TOTAL FUNDS</b>	\$26,689,659	\$0	\$26,714,542	\$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 \$135.8 million per year. This is an estimated increase of \$24.8 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 individuals receiving a childcare payment 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 difference in number of individuals receiving a childcare payment 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	1675	47.07	19,868,247	1609	-66	-195,717	
TODDLER CARE	2410	43.07	26,157,272	2373	-37	-100,396	
PRESCHOOL CARE	3634	40.79	37,354,177	4287	653	1,678,060	
SCHOOL AGE CARE	5386	36.42	49,431,846	4958	-428	-982,029	
CC SPECIAL NEED	102	91.15	2,342,920	145	43	246,925	<b>Total</b>
			135,154,462			646,843	135,801,305

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.....			\$26,627,453	\$26,627,453
Capital Improvements.....				
<b>TOTAL.....</b>			<b>\$26,689,659</b>	<b>\$26,714,542</b>