

PREPARED BY: Mikayla Findlay  
 DATE PREPARED: January 09, 2024  
 PHONE: 402-471-0062

**LB 1078**

Revision: 00

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

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2024-25</b>		<b>FY 2025-26</b>	
	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 states legislative intent to appropriate funds for a 5% increase in provider rates for child welfare services in fiscal year 2023-2024 through the Department of Health and Human Services (DHHS) and the Nebraska Supreme Court. There are administrative concerns with implementing a rate change in the middle of a fiscal year. It may be costly to reevaluate claims and enhance the rate.

The Nebraska Supreme Court estimates the fiscal impact of the bill on their agency to be \$2.7 million. There is no basis to disagree.

DHHS provides estimates for implementing the rate increase in either FY24 or FY25 only, noting that additional funding would be needed to maintain the rate enhancement in future years. If the rate increase is done in FY24 additional personnel would be needed to amend contracts and correct payments for claims. If the rate increase is done in FY25 the total increase in this year would be 7% as a 2% increase for FY25 was included in the existing budget. The total estimate to implement the 5% increase in FY24 would cost \$13,863,884 (\$12,354,513 General Funds and \$1,509,331 Federal Funds) whereas implementing the 5% increase in FY25 would cost \$14,498,799 (all General Funds). There is no basis to disagree.

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>			
LB:	1078	AM:	AGENCY/POLT. SUB: Nebraska Supreme Court
REVIEWED BY:	Ann Linneman	DATE:	2-9-2024
		PHONE:	(402) 471-4180
COMMENTS: The Nebraska Supreme Court's assessment of fiscal impact seems reasonable given the assumptions used.			

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 2-12-2024

Phone: (5) 471-6719

	FY 2024-2025		FY 2025-2026	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See Below	\$0	See Below	\$0

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

Explanation of Estimate:

In LB1078 Section 1, line 3 states that the funds are appropriated for the 2023-2024 fiscal year. This fiscal note will show the 2023-2024 costs, but in this explanation, we will also describe the impact if the intention was for this to be appropriated in 2024-2025 instead.

**If the bill was meant for FY 2023-2024:** The 5% increase will result in an anticipated need of \$12,459,723 for Program 354. The anticipated need for Program 359 is \$117,857. Adding those together gives a total estimate of \$12,577,580 in additional spending for FY2023-24.

Some of the increased spending will be offset by additional Title IV-E federal claiming. Increasing rates for some services also increases the amount of federal claiming or reimbursement. DHHS will be able to recoup about \$1,509,331 in federal IV-E and the remaining \$11,068,249 will be state fund expenditures.

In this scenario CFS would have to amend prior child welfare contracts to reflect the 5% rate increase from July 1, 2023, through September 30, 2023, in addition to amending current child welfare contracts to reflect the 5% rate increase from July 1, 2023 – June 30, 2024. This would require Contract Monitoring Resource Development 50 hours of work; Procurement staff and program specialist will require an indeterminable number of hours to update and amend contracts. Additionally, Billing team would require 41,155.5 total hours to issue underpayments (246,933 Claims X 10 minutes per claim) Which would equate to 20 FTE staff. Since these wouldn't be needed permanently, the department would attempt to complete this work with temporary staff. The cost of the 20 FTE in additional staff would be \$1,286,264 and would utilize state funds. This makes the total expenditures for FY 2023-2024 \$13,863,844, \$1,509,331 in federal funds and \$12,354,513 in state funds.

DHHS would not continue the rate increase in 2025. If the rate increase would continue, then there would need to be additional funding in SFY 2025 and beyond to maintain the 5% rate increase.

**If the bill was meant for FY 2024-2025:** In 2023 LB814 increased rates 2% effective 7/1/24; this bill will increase rates another 5% for a total of a 7% rate increase this year. LB1078 includes every service that is currently provided to children and families in Program 354 which encompasses approximately 300 agreements. The 5% increase will result in an anticipated need of \$16,474,692 for Program 354. Increasing foster care rates also affects rates for the Bridge to Independence program (Program 359). The anticipated need for Program 359 is \$167,357 Adding those together gives a total estimate of \$16,642,049 in additional spending for FY2024-25.

Some of the increased spending will be offset by additional Title IV-E federal claiming. Increasing rates for some services also increases the amount of federal claiming or reimbursement. DHHS will be able to recoup about \$2,143,250 in federal IV-E and the remaining \$14,498,799 will be state fund expenditures. The state fund expenditures amount includes the 5% required increase to services including those that receive flat

federal funding; increases in those contracts would not result in additional federal funding so all expenditures would be state funds.

Additionally, Contract Monitoring Resource Development will require 50 hours of work, Procurement staff and program specialist will require an indeterminable number of hours to update and amend current contracts, and Billing & Payment staff will require 100 hours to make updates to NFOCUS service authorizations and update the service rates available on the internet. The cost of these hours would be absorbed by the department.

DHHS would not continue the rate increase in 2026. If the rate increase would continue, then there would need to be additional funding in SFY 2026 and beyond to maintain the 5% rate increase.

**MAJOR OBJECTS OF EXPENDITURE**

**PERSONAL SERVICES:**

POSITION TITLE	NUMBER OF POSITIONS		2024-2025	2025-2026
	24-25	25-26	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....				
Travel.....				
Capital Outlay.....				
Aid.....				
Capital Improvements.....				
<b>TOTAL.....</b>				

Please complete ALL (5) blanks in the first three lines.

**2024**

**LB<sup>(1)</sup> 1078**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> 05 Supreme Court

Prepared by: <sup>(3)</sup> Eric Asboe Date Prepared: <sup>(4)</sup> 2/7/2024 Phone: <sup>(5)</sup> 402-326-9215

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

	<u>FY 2024-25</u>		<u>FY 2025-26</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

LB1078 intent is to increase provider rates for the current fiscal year. If appropriated, the estimated fiscal impact for Program 437, Juvenile Probation, for a 5% rate increase would be \$2,700,000.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024-25</u>	<u>2025-26</u>
	<u>24-25</u>	<u>25-26</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____