

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

| ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates) | | | | |
|---|---------------------|----------------|---------------------|----------------|
| | FY 2020-21 | | FY 2021-22 | |
| | 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 maintains the eligibility for the Child Care Subsidy Program at 130% of the Federal Poverty Limit (FPL) in FY 2021 through FY 2027 and each fiscal year thereafter and 150% of FPL for FY 2022 through FY 2026. It states legislative intent to utilize carryover funding from the Temporary Assistance for Needy Family federal funds, including for administrative costs. It also states legislative intent to measure the impact of the change in eligibility and provide the following data: number of newly eligible participants, and the need for service of the newly eligible adults by service type. The increase to 150% of FPL terminates on June 30, 2026.

It is assumed in this fiscal note that the eligibility increase to 150% of FPL would be for the years FY 2022 through FY 2026.

The Legislative Fiscal Office looked at many different inputs in projecting the cost of the increase from 130% of FPL to 150%. The increase would not be until FY 2022 and would return to 130% of FPL in FY 2026. The bill directs the additional costs by paid from the carryover balance of the federal Temporary Assistance for Needy Families funding. The current income limit for a family of three is \$28,236 annually. This bill increases the limit to 150% of FPL which is a 13% increase to \$32,580. It is difficult to project the impact. There is a recent history of an income eligibility increase. In FY 2014 and FY 2015, there were two incremental increases in child care eligibility. The first was from 120% of FPL to 125% and the second was from 125% of FPL to 130%. The Department of Health and Human Services projected at the time the number of children covered by the subsidy would increase by 176 children for each incremental increase. The actual number of children decreased by 508 from FY 2013 to FY 2014 and by another 562 in FY 2015, even though eligibility increased. Other factors clearly caused the decline. This is an indication that there likely was not a large increase in the number of families receiving the child care subsidy, but does not provide sufficient information to determine how much the eligibility change increased the number of children covered.

Since ACCESSNebraska shares eligibility information between Economic Assistance and Medicaid, the Legislative Fiscal Office requested the number of children between the ages of six weeks and 13 years of age on Medicaid with a family income below 130% of FPL and those between 130% and 150% in FY 2019. This is the age range of children who potentially are eligible for the child care subsidy. Nineteen percent of the current children on Medicaid or CHIP received child care assistance. Assuming the same percent of children would be on the subsidy in the income range between 130% of FPL and 150% as those below 130% of FPL, the additional number of children would be 1,879. Families in this income range are required to contribute 7% of their income towards child care costs. Using the current average cost for transitional families the average cost would be \$358 per month per child. The costs the first year would be \$8,070,165. Families would remain on the subsidy as long as the family income remained below 185% of FPL or \$40,182 or the child no longer needs child care. Assuming a 3% cost increase and 10% would continue under transitional coverage, in FY 2023 would be \$8,877,181. Assuming an annual 3% increase for utilization and cost increases, the projected costs from FY 2024 through FY 2026 would be \$9,143,497 in FY 24; \$9,417,802 in FY 25 and \$9,700,336 in FY 2026.

The fund directs TANF funding to cover the additional subsidy costs. The State receives \$56,627,234 annually. For many years, the program has: 1) underspent the projected spending when the agency's budget was set and 2) spent below the annual block grant amount. For example, expenditures in FY 2018 were \$47.9 million, but the projected budget was \$65.5

million. Similarly, in FY 2019, expenditures were \$49.7 million, but the budgeted amount was \$63.9 million. Both years' spending is well below the annual block grant amount of \$56.6 million. This consistent underspending has resulted in the carryover balance growing each year to \$79,769,813 on September 30, 2019.

The chart below shows the actual TANF expenditures for FY 2018 and FY 2019 referenced above and the projected expenditures provided by the Department of Health and Human Services. The chart shows the addition of many programs not included in the agency's current appropriation. Due to this expansion of the TANF funding, the funding may not be adequate to cover the expanded child care costs. Based on the DHHS projections, the carryover balance would be depleted before the end of FFY 2025. However past history of projections indicate that projected expenditures are likely to be overstated and the balance would not be drawdown as quickly.

| | Actual | Actual | Estimated |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | FFY 2018 | FFY 2019 | FFY 2020 | FFY 2021 | FFY 2022 | FFY 2023 | FFY 2024 | FFY 2025 | FFY 2026 |
| Beginning Balance | 64,033,505 | 72,793,131 | 79,769,813 | 77,840,885 | 71,370,528 | 56,180,811 | 37,188,950 | 16,531,936 | (4,470,017) |
| Annual Grant | 56,627,234 | 56,627,234 | 56,627,234 | 56,627,234 | 56,627,234 | 56,627,234 | 56,627,234 | 56,627,234 | 56,627,234 |
| TANF Administration | (3,525,246) | (4,897,156) | (5,450,000) | (5,450,000) | (5,450,000) | (5,450,000) | (5,450,000) | (5,450,000) | (5,450,000) |
| TANF Child Care | (11,368,264) | (14,044,384) | (14,838,170) | (14,838,170) | (14,838,170) | (14,838,170) | (14,838,170) | (14,838,170) | (14,838,170) |
| TANF Information Systems | (214,232) | (399,031) | (500,000) | (500,000) | (500,000) | (500,000) | (500,000) | (500,000) | (500,000) |
| TANF Child Welfare Services | (4,174,113) | (3,196,083) | (5,000,000) | (5,000,000) | (5,000,000) | (5,000,000) | (5,000,000) | (5,000,000) | (5,000,000) |
| TANF Work Activities | (8,846,828) | (8,821,492) | (9,300,000) | (9,300,000) | (9,300,000) | (9,300,000) | (9,300,000) | (9,300,000) | (9,300,000) |
| TANF Cash Assistance | (19,027,589) | (17,820,799) | (18,000,000) | (19,033,992) | (20,067,984) | (21,101,976) | (22,135,968) | (22,135,968) | (22,135,968) |
| TANF Cash Assistance LB89 | | | (1,033,992) | (1,033,992) | (1,033,992) | (1,033,992) | (1,033,992) | (1,033,992) | (1,033,992) |
| TANF Family Focused Case Management | (126,972) | | (450,000) | (450,000) | (450,000) | (450,000) | (450,000) | (450,000) | (450,000) |
| TANF SSBG St. Monica's Women are Sacred Program | | | | (450,000) | (450,000) | (450,000) | (450,000) | (450,000) | (450,000) |
| TANF SSBG Community Response Program | | | (1,700,000) | (1,700,000) | (1,700,000) | (1,700,000) | (1,700,000) | (1,700,000) | (1,700,000) |
| TANF Supportive Services and Work Supports for Child Welfare Families | | | (450,000) | (480,000) | (480,000) | (480,000) | (480,000) | (480,000) | (480,000) |
| TANF Home Visiting Program | | | (1,000,000) | (1,500,000) | (2,000,000) | (2,500,000) | (3,000,000) | (3,000,000) | (3,000,000) |
| TANF SNAP Employment and Training | | | (104,000) | (483,896) | (1,414,886) | (2,942,621) | (2,942,621) | (2,942,621) | (2,942,621) |
| TANF Emergency Assistance | | | (480,000) | (510,000) | (510,000) | (510,000) | (510,000) | (510,000) | (510,000) |
| TANF JAG Program | | | (250,000) | (350,000) | (350,000) | (350,000) | (350,000) | (350,000) | (350,000) |
| TANF Subsidized Employment | (450,249) | | | | | | | | |
| TANF SSBG FFY 18 | (134,115) | (471,607) | | | | | | | |
| LB 1049 | | | | (2,017,541) | (8,271,919) | (9,012,336) | (9,143,497) | (9,488,436) | (7,275,252) |
| Ending Balance | 72,793,131 | 79,769,813 | 77,840,885 | 71,370,528 | 56,180,811 | 37,188,950 | 16,531,936 | (4,470,017) | (23,258,786) |

Note: The projected child care expenditures in the chart have been converted to federal fiscal years.

Four workers would be needed. The costs would be \$238,144.

Technical Note: The dates in the bill are in conflict. The current eligibility at 130% continues indefinitely, but the change to 150% of FPL is for FY 2022 through FY 2026.

| | | | |
|---|--------------|--------|--|
| ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE | | | |
| LB: | 1049 | AM: | AGENCY/POLT. SUB: Nebraska Department of Health and Human Services |
| REVIEWED BY: | Ann Linneman | DATE: | 2-18-20 |
| | | PHONE: | (402) 471-4180 |
| COMMENTS: No basis to disagree with the Nebraska Department of Health and Human Services' analysis and estimate 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 1-21-2020

Phone: (5) 471-6719

| | <u>FY 2020-2021</u> | | <u>FY 2021-2022</u> | |
|----------------------|---------------------|----------------|---------------------|----------------|
| | <u>EXPENDITURES</u> | <u>REVENUE</u> | <u>EXPENDITURES</u> | <u>REVENUE</u> |
| GENERAL FUNDS | \$69,871 | | \$10,064,650 | |
| CASH FUNDS | | | | |
| FEDERAL FUNDS | | | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | \$69,871 | | \$10,064,650 | |

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

Explanation of Estimate:

LB 1049 will increase the income eligibility limit for child care subsidy from 130% of the Federal Poverty Level (FPL) to 150% FPL, starting fiscal year 2021-22 through fiscal year 2025-26 and then restore the FPL back to 130% for fiscal year 2026-2027 and each fiscal year thereafter. LB 1049 proposes using carryover funding for the Temporary Assistance for Needy Families (TANF) program to offset expenses.

The State may transfer a total of up to 30% of its TANF funds for a fiscal year to the Child Care Development Fund (CCDF) and the Social Services Block Grant program (SSBG). However, no more than 10% of the grant amount can be transferred each fiscal year to SSBG.

Currently Nebraska transfers 28% of the annual TANF grant to CCDF and 2% to SSBG. Once the State transfers funds to CCDF, the funds must be used in accordance to CCDF rules. If the TANF funds are not commingled with CCDF funds to pay for childcare services then TANF requirements will apply.

All TANF carryover funds are obligated for other community services and programs. Any expenditures that are the result of LB 1049 will need to be paid with General Funds.

According to 2017 US Census data, there are 460,664 children in Nebraska and 16,200 of those children are living between 130% and 150% FPL. Per DHHS data, in January 2020 there are 1,297 children (719 families) currently receiving transitional child care (TCC) subsidy from DHHS whose income is between 130% to 150% FPL. This leaves an estimated of 14,903 potential children who could be eligible for child care subsidy.

It is presumed that 50% or 7,452 of the children will not need child care. There are an average of 2 children per household, totaling 3,726 households. Of the 3,726 households, it is presumed 50% or 1,863 will submit a new application for child care subsidy. Of the 1,863 households applying for child care subsidy, 50% or 932 households or 1,863 children will be eligible for child care subsidy and have an active caseload.

LB1049 will require existing DHHS staff to manage approximately 1,863 new applications. Each new application requires approximately 2 hours of case work processing and each new accepted child care household will require 5 hours of ongoing case work annually. Hours of work are based on current ACCESSNebraska time studies for case work completion.

The work resulting from this bill is 8,386 hours and will require 4 Social Service Workers. The expected start date for the new employees will be April 1, 2021. There is a one-time NFocus change required to change the FPL in the system. It is estimated at \$210. This change will also be needed in SFY 2025 to revert the program.

Based on SFY 2019 data, the average monthly cost of child care per case is \$875. For 932 cases the costs per year will be \$9,786,000.

Note: Once a child is approved as eligible, they will continue to receive child care subsidy as long as their income is under 185% FPL or 85% of the State Median Income (SMI). This new population indicated in LB 1049 will not lose child care once the eligibility is reduced from 150% FPL to 130% FPL. The change will only be for those newly applying for child care subsidy. Those already enrolled in the program will remain in TCC as long as their age and income are allowable. The aid costs for this population will continue after SFY 2026 until they age out or have income that exceeds the allowable limits.

MAJOR OBJECTS OF EXPENDITURE

| PERSONAL SERVICES: | | | | |
|---------------------------|---------------------|-------|-----------------|---------------------|
| POSITION TITLE | NUMBER OF POSITIONS | | 2020-2021 | 2021-2022 |
| | 20-21 | 21-22 | EXPENDITURES | EXPENDITURES |
| Social Service Worker | 4 | 4 | \$37,238 | \$148,953 |
| | | | | |
| | | | | |
| | | | | |
| Benefits..... | | | \$15,297 | \$61,190 |
| Operating..... | | | \$17,336 | \$68,507 |
| Travel..... | | | \$0 | \$0 |
| Capital Outlay..... | | | \$0 | \$0 |
| Aid..... | | | \$0 | \$9,786,000 |
| Capital Improvements..... | | | \$0 | \$0 |
| TOTAL..... | | | \$69,871 | \$10,064,650 |