

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2009-10		FY 2010-11	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See below		See below	

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

This bill states legislative intent that the Department of Health and Human Services enter into contracts with qualified licensed child care providers in addition to the voucher system. Qualified licensed child care provider is defined as a child care provider who: 1) is or will be accredited by the National Association for Family Child Care or the National Association for the Education of Young Children by the end of the initial contract period or 2) has met or will meet the quality indicators developed by the Early Childhood Education Endowment Fund by the end of the initial contract period and is working toward improved levels of quality according to such indicators. The department is required to enter into contracts with qualified licensed child care providers for purposes of providing a set payment for at least one year for a predetermined number of children eligible for the child care subsidy. The bill requires a graduated increasing amount of the General Fund appropriation for the child care subsidy to be spent on contracts to qualified child care providers until the amount reaches 100%. The amounts are as follows: in FY 10, the amount is not less than 25%; in FY 11, not less than 50%; in FY 12, not less than 75% and in FY 13 not less than 100%. The bill requires an annual progress report to the legislature and the Early Education Endowment Fund Board of Trustee through 2013. The income eligibility for the child care subsidy is increased on a phased-in basis through 2013, starting at 135% of the federal poverty guidelines in FY 10, increasing to 150% in FY 11, to 175% in FY 12 and to 185% in FY 13. The bill has the emergency clause.

This bill requires that 25% of the General Fund appropriation be spent on contracts to qualified providers. Based on the preliminary estimate for FY 10, this amount would be \$9,366,508. Fifty percent of the current estimated General Fund amount in FY 11 would be \$19,717,092. In addition to the set aside amounts, costs would increase under a contract payment system. Under the current voucher payment system in the child care program, payment is made only for the actual time child care is provided. If the service is paid by a contract for a set payment for a predetermined number of children, it is assumed that the purpose of the contract is to guarantee payment for the slots whether used or not used on any given day or part of a day. Using this assumption, the department estimates the phased-in costs would be \$7,491,532 in FY 10 and \$14,983,064 in FY 11. These amounts are in addition to general fund set aside amounts required in the bill.

An additional program specialist would be needed to establish and monitor the contracts. The cost would be \$60,376 GF in FY 10 and \$61,531 GF in FY 11. The annual progress report/evaluation could be paid from targeted federal funds. The cost for an outside evaluator would be \$10,000 annually.

The graduated increase in income eligibility would increase the number of children served by 445 and expenditures by \$1,693,087 in FY 10 and by 794 children in FY 11 at a cost of \$2,996,348.

The American Recovery and Reinvestment Act of 2009 increases the state's federal child care allocation by an estimated \$11.8 million. Any criteria, conditions or restrictions on the use of the money is unknown except that the federal law states that the funds must be used to supplement, not supplant state general revenue funds for child care assistance for low-income families. It is possible on a two-year basis that some or all of these federal funds could be used for the purposes in this bill.