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Appropriations Committee  
March 14, 2011

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[LB93 LB464]

The Committee on Appropriations met at 1:30 p.m. on Monday, March 14, 2011, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB93, LB464, and agency budgets. Senators present: Lavon Heidemann, Chairperson; John Harms, Vice Chairperson; Danielle Conrad; Tony Fulton; Tom Hansen; Heath Mello; John Nelson; Jeremy Nordquist; and John Wightman. Senators absent: None.

SENATOR HEIDEMANN: I think we're going to go ahead, get started. Welcome to the Appropriations Committee. We are going to start with introductions. Over to my right I will start out. Way to the right is Senator Jeremy Nordquist from Omaha, District 7, will be joining us in a little bit. Sitting next to his left is...self-introductions.

SENATOR HANSEN: Oh. Tom Hansen from District 42, Lincoln County.

SENATOR CONRAD: Danielle Conrad, north Lincoln.

SENATOR WIGHTMAN: John Wightman, District 36, Dawson and Buffalo County.

SENATOR HEIDEMANN: Sitting next to my right is Liz Hruska, the fiscal analyst at the present time. Sitting way over to the left is Anne Fargen, who is our committee clerk. Our page for today and every day is Christina. If you need help, she's always willing to do that. I am Senator Lavon Heidemann from Elk Creek, District 1. And sitting to my left is...

SENATOR HARMS: John Harms, 48th Legislative District, Scottsbluff.

SENATOR NELSON: John Nelson, District 6, central Omaha.

SENATOR FULTON: Tony Fulton, District 29 here in Lincoln.

SENATOR MELLO: Heath Mello, District 5, south Omaha and Bellevue.

SENATOR HEIDEMANN: At this time, we would like to remind you if you have cell phones to please shut them off as not to be disruptive later on. Testifier sheets are on the table or near the back doors. We ask that you fill them out completely and put them in the box on the table when you testify. At the beginning of your testimony, we ask that you would please state and spell your name. Nontestifier sheets near the back doors if you do not want to testify but would like to record your support or opposition, you only need to fill this out if you will not be publicly testifying. If you have printed materials to distribute, please give them to the page at the beginning of your testimony. We will need 12 copies. I think this is going to be very important today. In an effort to be fair to all who

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want to testify on the budget this year, the Appropriations Committee will be using the light system. The principal introducer or principal agency representative will not have a time limit. We do urge you, though, to keep your testimony concise and on topic. All testifiers following will be given four minutes. We're going to see how many people are testifying today. If there's quite a few, it might go down to three minutes. On the light system sitting on the testifier table you will notice a green light when you start your testimony. When you have one minute left the yellow light will turn on. When the red light turns on we ask that you just wrap it up. Following the principal introducer on bill hearings, we will take testimony first from proponents, then opponents, and then in the neutral capacity. For agency budget hearings, we will take general comments on the agency budget proposal following the principal agency's representative. With that, we are going to start today with the public hearing on LB93, Senator Howard.

SENATOR HOWARD: Good afternoon, Senator Heidemann and members of the committee. For the record, I am Senator Gwen Howard, H-o-w-a-r-d, and I represent District 9. LB93 is a very straightforward bill which would reduce the salaries of administrators and supervisors in the Division of Child and Family Services of the Health and Human Services Department by 10 percent for the next budget cycle. I'm introducing LB93 because I believe it reflects the scaled-down responsibilities of administrators and supervisors after the child welfare reform. Case management duties in most areas have been shifted to the private agencies. It makes perfect sense that if supervisors and administrators do not actually supervise or administrate as many personnel or programs, they should not be paid as much. With much of the former line staff of Health and Human Services at KVC or NFC or having moved on elsewhere, these organizations should be responsible for paying the supervisors who are overseeing them. LB93 represents a significant savings in General Funds, nearly \$600,000. We're all well-aware of the problems our private agencies are having meeting the costs of running child welfare for this state. The last time I was before this committee, I told the story of a girl who couldn't get underwear that fit her because the agency didn't have sufficient funds to pay for clothes. We've all heard the stories of troubled foster parents who have been getting paid...who have not been getting paid enough to sufficiently meet the needs of their foster children. Health and Human Services keeps searching their own funding sources for a little money here, a little money there to put more into the lead agencies. LB93 would assist in dealing with these problems. I bring LB93 to you simply as an idea to save money and reflect reduced expectations of the department. We've asked workers across the state to share the pain, to forgo raises, take furloughs or look for employment someplace else. Perhaps it's time we asked supervisors and administrators to do the same. Thank you for your time and attention to LB93. And I think for me the kicker on this was when I had people contacting me and saying, you know, rather than do this we would agree to take some furlough days, which they hadn't done before. So thank you. [LB93]

SENATOR HEIDEMANN: Thank you for bringing us LB93. Are there any questions?

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Senator Fulton. [LB93]

SENATOR FULTON: Thank you, Mr. Chairman, a quick question. Thanks, Senator Howard. [LB93]

SENATOR HOWARD: Sure. [LB93]

SENATOR FULTON: I just want to get your response to, it seems to me that if we're going to be utilizing the private sector to accomplish some of the tasks that the public sector was previously accomplishing, in that respect this makes some sense. But I'll take it a step further and ask why didn't you just say that, you know, certain positions ought to be eliminated if indeed the work is being...you follow my logic there and I guess I... [LB93]

SENATOR HOWARD: Oh, sure I do, absolutely, but I see that as more your decision. I'm bringing you one idea. [LB93]

SENATOR FULTON: Okay. [LB93]

SENATOR HOWARD: You may have another one. [LB93]

SENATOR FULTON: Okay. Thank you. [LB93]

SENATOR HOWARD: Sure. [LB93]

SENATOR HEIDEMANN: Senator Conrad. [LB93]

SENATOR CONRAD: Thank you, Senator Howard. [LB93]

SENATOR HOWARD: Sure. [LB93]

SENATOR CONRAD: And just to clarify, I applaud the intent of this legislation because we've been on the same page for many years now in talking about equity and parity in terms of what we ask front-line workers at HHS to do and to ensure that the leadership is held to the same standard. And I really think that this legislation goes a long way in trying to ensure that. And what I wanted to ask, though, in the course of your research and following up on Senator Fulton's comments, have you seen, and we can get into it more on the budget later today, but have you seen a decrease in terms of management or leadership at HHS in the wake of child welfare reform, because we've definitely seen that with front-line caseworkers being laid off as child welfare reform is implemented? Do you know, just anecdotally or otherwise? [LB93]

SENATOR HOWARD: Are you referring to a reduction in the numbers of the

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supervisors? [LB93]

SENATOR CONRAD: Yes. [LB93]

SENATOR HOWARD: No, and that's...you bring up such a good point, actually the very essence of this. Where the case managers have been literally told that they won't have...chances are they won't have jobs or it's projected in the future that possibly with things changing they wouldn't have jobs, there's not been that message that's been given to the administration or the supervisory staff. [LB93]

SENATOR CONRAD: Thank you. [LB93]

SENATOR HEIDEMANN: Senator Harms. [LB93]

SENATOR HARMS: Senator Howard, thank you for coming and testifying. [LB93]

SENATOR HOWARD: Yes, sir. [LB93]

SENATOR HARMS: Senator Howard, what criteria did you use to determine 10 percent? [LB93]

SENATOR HOWARD: You know, it's not a scientific basis but it's in looking at our budget and the reductions and where we can be most effective. I thought 10 percent was a fair number. [LB93]

SENATOR HARMS: Okay. Thank you. [LB93]

SENATOR HEIDEMANN: Any other questions? Seeing none... [LB93]

SENATOR HOWARD: Thank you. I'm not going to stay for closing because I think this bill speaks for itself and no more needs to be said. So thank you. [LB93]

SENATOR HEIDEMANN: Thank you with that. Want to note that Senator Jeremy Nordquist from Omaha, District 7, has joined us. Is anybody wishing to testify in support of LB93? Is anybody wishing to testify in opposition on LB93? Is anybody wishing to testify in the neutral position on LB93? Seeing none, Senator Howard waived closing. We will close the bill hearing on LB93 and open up the bill hearing on LB464. Senator Campbell, welcome. [LB93]

SENATOR CAMPBELL: (Exhibit 1) Welcome. I appreciate being here, Chairman. This is, I think, the first time I've ever appeared before the Appropriations Committee so it's an auspicious occasion here. [LB464]

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SENATOR NELSON: Just catch your breath. (Laugh) [LB464]

SENATOR CAMPBELL: Catch my breath, yes. [LB464]

SENATOR NELSON: Okay. [LB464]

SENATOR CAMPBELL: Thank you very much. Chairman Heidemann and members of the Appropriations Committee, I am Senator Kathy Campbell, Kathy with a K-a-t-h-y, Campbell, C-a-m-p-b-e-l-l. This afternoon I am here to open on LB464 and I would like to thank the committee for prioritizing the bill. I think both of us listed it, coming from the Health and Services Committee also, but I much appreciate that. I'm here to...at the request of the Governor, we introduced LB464. It is a part of the Governor's biennial budget recommendations. The bill proposes to amend Nebraska Revised Statute 43-536 by repealing the requirements that childcare providers be reimbursed at a rate not less than the 60th percentile and not more than the 75th percentile of the current market rate survey. The Department of Health and Human Services will continue to conduct the market rate survey of childcare providers as required by federal law. The amendment that you have, and I also have copies, like to add that. In the proposed amendment, AM654 to LB464, this is the amendment that the Health and Human Services Committee also discussed and would bring forward and endorses. The purpose of the amendment is to effectuate the savings requested by LB464. In other words, the original intent of the Governor's bill to save that money and freeze would still remain in place. However, while LB464 would remove from statute the requirement to pay child provider rates at a percentile of market rate, the amendment would change that portion of the bill. The amendment would freeze the rates for the two years but then resume the standard. This amendment is congruent with past actions by the Appropriations Committee that froze rates from 2001 to 2003. So this same amendment, we are applying that same amendment. And I'd like to just mention a couple of facts to the committee this afternoon and that is childcare subsidies supports approximately 27 percent of the 47,689 at-risk children age zero to five in the state. Appropriate childcare provider rates are of paramount importance in providing high-quality environments for children. Studies have shown the importance of providing quality, developmental environments for young children to ensure children are prepared for kindergarten and have a solid education and social foundation to be successful. The Health and Human Services Committee discussed this amendment and wanted to continue the practice that the Appropriations Committee did in 2001 and '03 because, while we're very, very grateful for the frozen provider rates, we do understand that in two years we hope things are better and we can get back on track in terms of improving the quality of the childcare providers. And with that, Senator Heidemann, I'd take any questions you might have. [LB464]

SENATOR HEIDEMANN: Thank you for bringing us LB464. Senator Conrad. [LB464]

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SENATOR CONRAD: Thank you, Senator Campbell. And to be fair, I think it is helpful to note in providing some context for this legislation that you and your committee did put forward a variety of different ideas that were generated during our interim work, commonly referred to as the LR542 process in this body, and I believe that this is one of those initiatives that was identified during the course of that work as a potential cost savings to look at for this session. Is that correct? [LB464]

SENATOR CAMPBELL: That's correct. [LB464]

SENATOR CONRAD: Okay, because I know from a personal sense and also, by looking at your long and impressive career in terms of the child welfare arena, that you would probably be amongst the first to agree that when we hinder a family's ability to access quality childcare, that really can have detrimental effects for not only the children, the childcare providers, and the families but really the state as a whole. Would you say that's a fair assessment? [LB464]

SENATOR CAMPBELL: Absolutely. [LB464]

SENATOR CONRAD: Okay. [LB464]

SENATOR CAMPBELL: And we're dealing with children that it is certainly our hope that providing good, quality childcare for children at risk that when they reach that kindergarten age they are on a parity with other children who have gone through private programs, and really what you're trying to do here is ensure that everyone has the best start possible and that's what quality childcare development can do for you and the training of teachers. And I also have another bill in that would deal with that. We're going to hold that bill until we kind of see that situation improves, but we are going to begin working much more steadily on improving the training and education of childcare workers and I would be remiss not thanking Ms. Buffett for her private commitment to this whole endeavor to the state of Nebraska. We are very fortunate to have that. [LB464]

SENATOR CONRAD: Thank you, Senator Campbell. And just a little bit more commentary on what I believe to be a very, very important issue for this committee and this budget as we move forward, as you noted in your opening, the committee Chair has designated this as a priority bill for the committee and I think it's important to note that that was done by the committee Chair without consultation with the rest of the committee membership, as permitted under our rules. And I believe that the amendment that you brought forward does make this legislation more palatable. But I have a real problem with balancing the budget on the backs of Nebraska kids and when this issue is singled out as the only priority issue for this committee to look at, that sends the wrong message, in my mind. And I think that we need to work really hard to provide full funding for this program. If you'd like to respond, please do. [LB464]

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SENATOR CAMPBELL: I just wanted to make a comment that, I mean, I think we all recognize how difficult it is in the whole provider rate situation. You're going to wrestle with that, and I certainly understand that. The childcare provider rates and primary care provider rates and DD provider rates, is my understanding, were all frozen and singled out. I realize that frozen may not seem like a good thing but perhaps this year, as the university president indicated, frozen is a good thing. Senator, I certainly recognize what you are saying. I think I'm just grateful for the fact that we could put the amendment forward so that in two years we can keep going on the path we want to continue. [LB464]

SENATOR CONRAD: Uh-huh. Okay. Thank you, Senator. [LB464]

SENATOR HEIDEMANN: Senator Mello. [LB464]

SENATOR MELLO: Thank you, Chairman Heidemann, and thank you, Senator Campbell, for your work as HHS Chair. I know it's a very difficult committee right now regarding the budget issues we're facing. But also I thank you for your work on child welfare and children's issues in general. You alluded to it in your testimony that you have another piece of legislation, LB601,... [LB464]

SENATOR CAMPBELL: Uh-huh. [LB464]

SENATOR MELLO: ...that deals with...I'd say it deals with more the quality component of childcare as well as adding a little bit more accountability into the system. I know that's an issue that I looked at two years ago in a somewhat similar piece of legislation and I want to know if there's a way we can get there sooner than later and whether or not you'd be open for us somehow trying to fold that concept into your amendment that you provided the committee today. [LB464]

SENATOR CAMPBELL: I'm certainly open to it. I'm sure the committee would also be open to it. We just recently had the hearing on LB601 and I think we feel very committed to it. The thing, Senator, is that LB601...why the amendment is important here is that LB601 uses that formula and we fully intend to move forward, but we'd be open to discussions. You know, I want to harken back to a little bit what Senator Conrad brought forward and that is in much of the budget that we are seeing, I think we've had a number of children's programs not affected, which was certainly a relief, and LB603 comes to mind there. We took some cuts but some of those were self-suggested on the part of components of LB603. So for the protection of some of the children's programs that are in place, we should feel that we've made that stride, while we are not protecting them all. I appreciate Senator Conrad's comment. [LB464]

SENATOR HEIDEMANN: Any other questions? Seeing none, will you be closing?

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[LB464]

SENATOR CAMPBELL: No, Senator, I will not. I'm going to try to go over to the exchange briefing on behalf of the committee. Do you need copies of the amendment or do you have? [LB464]

SENATOR HEIDEMANN: We actually have copies that we printed out and distributed to the committee so... [LB464]

SENATOR CAMPBELL: Okay. We brought them just in case but... [LB464]

SENATOR HEIDEMANN: ...but thank you anyway. [LB464]

SENATOR CAMPBELL: I'll waive closing. [LB464]

SENATOR HEIDEMANN: All right. Thank you. [LB464]

SENATOR CAMPBELL: Thank you. [LB464]

SENATOR HEIDEMANN: Out of curiosity, how many people plan on testifying in support of LB464? How many people? Okay. How many people testifying in opposition of LB464? Okay. How many people in the neutral position on LB464? All right. Thank you. With that, we will take any testimony now in support of LB464. Welcome. [LB464]

TODD RECKLING: (Exhibit 2) Good afternoon, Senator Heidemann and members of the Appropriations Committee. My name is Todd Reckling, R-e-c-k-l-i-n-g, and I'm the director for the Division of Children and Family Services within Health and Human Services. I'd like to thank Senator Campbell for introducing LB464 on behalf of the Governor. I'm here today to testify in support of this bill. This proposal will amend Nebraska Revised Statute Section 43-536 which currently requires the department to adjust the reimbursement rate for childcare providers every odd-numbered year at a rate not less than the 60th percentile and not more than the 75th percentile of the current market rate survey, with accredited providers receiving higher rates. Federal regulations require the department to complete the market rate survey biennially so the survey will continue in future years. By removing this language, the department has greater flexibility in setting rates. Based on results of the most recent market rate survey, provider rates will result in increased expenditures of approximately \$2.8 million for state fiscal year '11-12 and '12-13. I want you to know that the decision to propose this bill was not made lightly. The department understands the importance of this program to families across Nebraska. However, to my knowledge, this is the only provider rate that is determined by statute. I'd also like to remind you that the Governor's, as well as this committee's, recommendations include a 5 and 4 percent reduction respectively for a number of other providers. I believe that level funding for

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childcare services is a reflection of the importance of this program to the Governor and to this committee. We would ask that you support LB464 and forward it out of committee. Thank you. And I'm happy to answer any questions. [LB464]

SENATOR HEIDEMANN: Thank you, Todd. Senator Conrad. [LB464]

SENATOR CONRAD: Thank you for your testimony. If you could, please provide just a little historical perspective for the committee in terms of how long the department has been conducting the market rate survey. [LB464]

TODD RECKLING: My understanding is it's been a number of years. It's required by federal regulation that we conduct the market rate survey. [LB464]

SENATOR CONRAD: So that might indicate a policy basis for why we do set this provider rate in statute as compared to other provider rates, correct? [LB464]

TODD RECKLING: Yeah. Again, the federal government requires us to conduct the market rate survey and then be informed by it, but it doesn't establish, as the Nebraska statute does, a certain percentile of which we have to actually comply with. [LB464]

SENATOR CONRAD: But it would be fair to say that the legislative history from this institution and as prompted by the federal government recognizes the critical importance of this program and that's why it's treated a little bit differently than other provider rates. Is that correct? [LB464]

TODD RECKLING: That certainly could be. [LB464]

SENATOR CONRAD: Okay. [LB464]

TODD RECKLING: And as Senator Campbell talked about, in times of fiscal problems or constraints there has been a freeze on the provider rates as well. [LB464]

SENATOR CONRAD: Could you tell me, in terms of the information that you have available from the department's perspective, how many disabled children this program provides access to childcare for? [LB464]

TODD RECKLING: I don't have those numbers in front of me. I can certainly see if we could break those out. We have the categories marked by like preschool, toddler, infant, but I don't know that we separated it out by disability, but I could certainly find out for you, Senator. [LB464]

SENATOR CONRAD: Okay, because in albeit a very quick turnaround from when this bill was designated as a priority bill by this committee, or more accurately by the

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committee Chairman, in trying to identify some research on this topic I think it would be important to put in the record at this stage, if you could help me, talk about really what this program looks like in Nebraska. And my research indicated, according to statistics put forward by the National Women's Law Center, that Nebraska currently has the lowest eligibility rate for this program in the entire country at 120 percent of federal poverty level. Is that your understanding? [LB464]

TODD RECKLING: I don't know if it's the lowest but I can certainly talk a little bit about the program. We currently are serving about a little over 19,500 recipients per month as of January 11. We have seen an increase in our utilization over the last several years. Of those, we have different types of providers which I'm sure you'll hear more later about from the other testifiers that either talk about the type of homes or the childcare centers that we utilize. Those different makeups also then take into account for different rates that are being paid based on the child's age, whether the facility or home is licensed or unlicensed and some other factors. So there's a range of payments based on the setting and/or the child's age and facility specifications that play into the actual rate that's paid. Certainly we are at...we work also with like the ADC, TANF Program. There's opportunities there where if somebody...part of this, our Employment First with TANF, also has a connection with our childcare. We certainly want folks to become self-sufficient and as part of that work requirement through Employment First, they have some eligibility for childcare and those rates are set a little bit differently for like the transitional settings. For folks that are actually on some type of ADC, we have a different requirement. One of the factors for like the sliding fee scale is actually set at the 120 percent of the federal poverty level. The transitional piece is set at 185. So again, we try to allow childcare to support and enhance a person's desire and efforts toward self-sufficiency through employment opportunities and/or achievement. [LB464]

SENATOR CONRAD: And thank you for that description. And just because sometimes we can get caught in the policy weeds on the different eligibility requirements and otherwise, I just want to make sure that we can establish really a clear understanding about who utilizes this program and who it's available to at the outset. And it's my understanding that this is available only to families who are either not receiving public benefits or who are transitioning off of public benefits. Is that right? [LB464]

TODD RECKLING: Yeah, those are kind of the two broad categories I've referenced. The transitional are the people that are receiving ADC. The sliding fee scale would be for people that, for example, weren't on ADC and then the eligibility income factors vary. For example, one of them set at, you know, like \$2,000, \$2,200 per month; the other one is about \$3,400 based on those circumstances. [LB464]

SENATOR CONRAD: And so then it is fair to say that this isn't, you know, just helping families who are on welfare or public assistance, but it's really a critical work support program in helping families who are working or transitioning off public assistance. Is that

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right. [LB464]

TODD RECKLING: I agree. You know, the budget for this is \$86 million so I think that, in and of itself, says that there's a lot of need for it as well as utilization of that. [LB464]

SENATOR CONRAD: Uh-huh. And what the projected cost savings is...would be with LB464, I understand, is about \$2.8 million a year. Is that right? [LB464]

TODD RECKLING: Yes. [LB464]

SENATOR CONRAD: So do you know what percentage that is of HHS's overall budget, which is over \$1 billion in federal and state funds? [LB464]

TODD RECKLING: Our total HHS budget, inclusive of all the divisions, is approximately \$2.9 billion. [LB464]

SENATOR CONRAD: Right. So what would...I mean I don't have a calculator in front of me and I'm not going to ask you to do math off the top of your head, but I think it's fair to say that \$2.8 million savings, while not insignificant, is definitely not going to solve the budgetary problems of the state of Nebraska. Is that right? [LB464]

TODD RECKLING: I guess I'd just respond to say I think it is one of those difficult decisions that you as the ultimate policymakers are going to have to make. We certainly, my division in particular, I think we serve probably some of the most needy families and children in Nebraska so difficult decisions about where to either make cuts and/or freeze rates at the particular point in time certainly are very difficult policy decisions that you're faced with. [LB464]

SENATOR CONRAD: Do you think that we should start with programs that affect vulnerable children and working families in every community across the state? [LB464]

TODD RECKLING: Again, I think my division in particular, we serve most of the needy families in probably some of the most needy programs, and so this is again not the magic or silver bullet to balance the budget but it is one part in concert with many other factors that we felt were in the best interests of the many choices that had to be made. And ultimately, you'll make those choices. [LB464]

SENATOR CONRAD: But you are here today in support of this legislation, so... [LB464]

TODD RECKLING: That is correct. [LB464]

SENATOR CONRAD: ...you do think this is an appropriate place to start balancing the budget. Is that correct? [LB464]

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TODD RECKLING: I do think this is one avenue to do that, yes. [LB464]

SENATOR CONRAD: Don't you find it inconsistent though, as somebody who administers the programs for Nebraska's children and families, that you're offering up critical work support programs as the first place to start balancing the budget? [LB464]

TODD RECKLING: I do not. [LB464]

SENATOR CONRAD: What does that say about the priorities of this administration? [LB464]

TODD RECKLING: I do not. Part of the request under LR542 was for me to offer what would constitute up to 10 percent budget modifications and I had to make those difficult choices. We went through every one of our programs. Where do you start? I serve childcare, I serve child support, I serve child welfare, I serve juvenile services, I have adult protective services, child protective services. I think they're all very important. And when I'm required to propose what I think are the best options and opinions, I put those proposed modifications forward, and then again it's up to you as the Legislature to make those final policy decisions. It's a very difficult choice and I appreciate the position that you're in. [LB464]

SENATOR CONRAD: Thank you. [LB464]

SENATOR HEIDEMANN: Senator Harms. [LB464]

SENATOR HARMS: Thank you, Mr. Reckling, for coming here. I appreciate it. I have a couple questions I want to ask you. Do I understand that this bill...that the department can set its rates wherever it wants with the bill we have now, with LB464? [LB464]

TODD RECKLING: If LB464 passes then, yes, the department would not have to continue to stay within the 60 to 75th percentile. However, as you will see, the budget and the way the bill is drafted is to basically keep the rates where they're at. And then I just am briefly familiar with the amendment as well that would put them back into place after the next biennium. [LB464]

SENATOR HARMS: So why would providers serve at-risk kids given the level of the reimbursement, not knowing for sure where we're going to be and when you have the ability to change it however you want to change it? I think it puts us at risk. I think it almost creates an atmosphere that they don't want to participate anymore. [LB464]

TODD RECKLING: Well, let me clarify. For the next two fiscal years, we're proposing that we leave it as is and not to have to then impose the increase as proposed in the

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market rate survey. [LB464]

SENATOR HARMS: Okay. We know that at-risk numbers are growing from birth to five-year-old children. Does the department have any strategy to address this issue? [LB464]

TODD RECKLING: A... [LB464]

SENATOR HARMS: The at-risk numbers are growing from five...from birth to five years with our children in this great state. What I'm asking is do we have any strategy how to address this issue? [LB464]

TODD RECKLING: A couple of things I can speak from my division. I think the issue cuts across all of the department's divisions or most of them. For example, public health, they have the Women, Infants and Children's Program to help feed young children. Part of my division, in particular from zero to age three or five, as you referenced, part of what we're trying to do at least through child welfare is to recognize that the most young children in the system are the ones that absolutely need permanency. So there are some efforts through like Honorable Doug Johnson up in Omaha that we've participated in some of those trainings and so forth to practice a little bit differently with kids zero to three. We are putting together, through our childcare programs, as Senator Campbell mentions, different quality aspects. We fundamentally believe as well that quality of care is something that we want to continue to improve and the providers do a great job of doing that. So the recognition is there that those are our most vulnerable population to serve and how do we look at them differently. [LB464]

SENATOR HARMS: Thank you. Is the current system able to measure outcomes that we have? [LB464]

TODD RECKLING: Can you give me a little bit of... [LB464]

SENATOR HARMS: Well,... [LB464]

TODD RECKLING: ...related to childcare in particular... [LB464]

SENATOR HARMS: Yes. [LB464]

TODD RECKLING: ...or broader than that? As a matter of fact, when I testified the other day, a couple weeks ago on LB601, Senator Krist had also asked some questions about the quality aspect metrics. There was an evaluation study done a couple years back and I'd be happy to make that study available to this committee as well. It is a nice summary of the evaluation that was formally done to talk about some of the quality indicators, the responses that were actually put together and summarized and analyzed

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from the respondents, and I think that would bring some light to some of the quality, as well as my letter to him, again that I can provide a copy of, talks about some of the ongoing and future efforts to continue to work with the providers and other agencies interested in childcare to continue to refine and enhance the quality around our childcare programs. [LB464]

SENATOR HARMS: Given what we know about brain development up to five years old, is there something we can do with our public funds to make sure we're bringing about more accountability to the current system? [LB464]

TODD RECKLING: Again, I think, as I heard Senator Mello talk about earlier, we have a collective interest in continuing improving those quality aspects. I think if we look at some of those different priorities related to those quality metrics, that can continue to propel us around the quality initiatives. There's been quite a difference over the last several years, and I certainly think all of us want continued enhancement of those quality indicators. [LB464]

SENATOR HARMS: Thank you. [LB464]

SENATOR HEIDEMANN: Senator Nordquist. [LB464]

SENATOR NORDQUIST: Mr. Chairman. Thank you for being here, Director. Senator Harms's questions kind of promoted a thought in my mind. Has the department conducted any kind of analysis or I mean anything to give us an idea of the degree to which access and quality are going to be impacted by freezing rates for the next biennium? [LB464]

TODD RECKLING: I've not done anything in particular related to that other than looking at where we've been in the past, what the current market rate survey does. Part of what we need to continue to assess is we need to make sure that the accessibility is still available. So again by our current network of providers, hopefully freezing rates versus us having to cut rates will allow us to have the continuation of the current network of providers that are available. [LB464]

SENATOR NORDQUIST: So even with looking over that you're confident that we're not going to have a negative impact on access or you're hopeful that we're not? [LB464]

TODD RECKLING: Now I certainly can't look into the crystal ball and foresee what exactly is going to happen again. I hope that, again, that our current network will remain and sustain. I think the providers are going to have to make a choice if they can continue as is today or whether or not they're not going to be able to go forward with a rate increase. [LB464]

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SENATOR NORDQUIST: Okay. And I just want to clarify the administration's position. Senator Campbell brought the amendment which would freeze rates but I guess I haven't seen that language. I'm not exactly clear on the difference between that and the bill. Said it would return us to the 60th percentile after the next biennium. Is that everyone's understanding roughly? So is the department supportive of that change, too, to maintain the current language and just freeze them for two years and return to that formula? [LB464]

TODD RECKLING: Yeah, I just recently saw the amendment myself. [LB464]

SENATOR NORDQUIST: Oh. [LB464]

TODD RECKLING: I've not had the conversation with Senator Campbell. I'd just like to point out that basically what that would do is obviously put a freeze for the next...this biennium,... [LB464]

SENATOR NORDQUIST: Uh-huh. Uh-huh. [LB464]

TODD RECKLING: ...for the next two years. [LB464]

SENATOR NORDQUIST: Yeah. [LB464]

TODD RECKLING: However, it puts us back into the same position in the future related to that and I guess, as Senator Campbell said, it's a question as to what the economy will be like at that point in time. [LB464]

SENATOR NORDQUIST: Uh-huh. Uh-huh. [LB464]

TODD RECKLING: So the amendment again will put us, after the two years, back into the range of having to comply between the 60th and 75th percentile. So potentially what happens in the next two years could even be a further, as we do our next market rate survey, a further increase in what the rate differential may be. [LB464]

SENATOR NORDQUIST: I don't...I agree with you there. We don't know what two years off will be and we need to set our priorities now and make sure we are able to maintain those into the future. Thank you. [LB464]

TODD RECKLING: Thank you. [LB464]

SENATOR HEIDEMANN: Senator Mello. [LB464]

SENATOR MELLO: Thank you, Chairman Heidemann, and thank you, Director Reckling. Kind of dovetailing off an answer you gave to Senator Conrad, why do you

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think there has been an increase in utilization over the last several years in this program? [LB464]

TODD RECKLING: You know, I can't tell you anything definitively through empirical research. I can tell you through...anecdotally, from operating multiple programs that affect children and families for the last several years, I certainly think it's the economy. It's kind of interesting, over the last two and a half or so years our ADC rate hadn't increased maybe as quickly as other states' had, but it had started to pick up. And so part of that we've also seen then the increase in the childcare expenditures. I think in part, especially related to childcare, that we're seeing the economy and the effect on our families (inaudible) in particular. We also have one of the lowest unemployment rates in the nation, which we're obviously very proud of and it's good for Nebraska, but I do think related to childcare we also see a lot of families trying to work maybe two or three jobs to put food on the table and, as such, the utilization around childcare has increased while they continue to try to kind of skirt around those federal poverty levels and continue to support their families. [LB464]

SENATOR MELLO: With the poverty level, and I know Senator Conrad mentioned it, we do have the lowest eligibility in the country. Do you see to some extent the unique correlation between the state having the lowest eligibility of any state in the country as well as seeing a significant utilization increase over the last several years? Is there a way...I mean is there anything the department has done to try to look into how we rectify those two somewhat conflicting issues? Because with the eligibility being as low as it is, that means people, obviously as a work support, these are people who are earning, off the top of my head I can't think of what the 120 percent eligibility is of a family of three but I know it's got to be well below \$24,000 a year. Has the department looked at all into that to try to find some research or data behind maybe those two correlations? [LB464]

TODD RECKLING: Yeah, there are some national studies that have come out that you may be referencing that we talk about and put into relation how the different states are doing based on their actual delivery of childcare as well as where they rank as far as kind of the outreach to their populations. Certainly Nebraska is lower than other states. We have in the past also looked at whether to change those poverty levels and the dollar amounts associated with it, however, the last few years with the economy hasn't been conducive to doing that. So certainly we look across how we're comparing with other states. I think there's, you know, some different factors also again that we can continue to look at. [LB464]

SENATOR MELLO: Do you...and this might be anecdotally, but I know...and Senator Nordquist posed the question in regard to the access of childcare depending upon the actions we take with LB464. Does the department track at all the average wages or hourly average wages of childcare workers in this state in regards to how much people make from...who might be affected by this program, not just I would say those who

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receive it but the childcare workers actually? [LB464]

TODD RECKLING: I certainly think that information is available. I don't know if we have it offhand, but part of it is looking at those different providers that we work with and the different rates that they're able and have to pay certainly makes a difference even in the rates. They're able to pay their workers differently based on the rates that they receive, and there's a difference even between the urban and rural areas. So in part, just like some of the other employment for other sectors, it depends on kind of the job market, the competitiveness and the location across the state. But they in turn then have to, you know, make sure that they have enough money to operate as a business and then that trickles into what they're able to pay employees. [LB464]

SENATOR MELLO: I guess one last question that I have, that I might have some later depending on other members, I know two years ago when we had, as a committee, had discussed the American Recovery and Reinvestment Act that your division received over \$11 million in childcare block grant dollars essentially, childcare development block grant dollars. And as one of the few committee members who opposed providing that money in your budget to essentially supplement General Fund dollars, what did you do with that \$11 million over the last two years that now kind of leave us in a position where we have LB464 because we don't have that federal money? [LB464]

TODD RECKLING: Yeah, I appreciate the question. Basically, those dollars were federal dollars and they replaced General Funds, so that was the intent and the use of that was instead of state General Funds. [LB464]

SENATOR MELLO: So...but two years ago we weren't debating or essentially we didn't have this debate as much I guess about a piece of legislation that would have changed the market rate. We essentially used...would it be safe to say that you utilized and we, through the budgeting process, utilized that \$11 million in federal funds to pay for the market rate increase? Is that essentially safe to say what we did with that money since we removed General Funds and replaced it with federal dollars, because we didn't reduce, we didn't freeze rates the last two years? We increased them, I believe. [LB464]

TODD RECKLING: Yeah, I don't know that rates were actually increased. I don't know exactly if the...I think if you're asking the question, they replaced General Fund dollars. And certainly happy to get you additional information related to that. I don't know that the...that the money necessarily followed because of the market rate survey. The money was used for ongoing utilization as it had been to replace those General Funds that were being expended. [LB464]

SENATOR MELLO: But the market rate survey though, so the market rate survey came back and said we did have an increase then when the last time we did the market rate survey? [LB464]

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TODD RECKLING: Yeah, there was. The market rate survey last time did say an increase. [LB464]

SENATOR MELLO: That's what I'm getting at. [LB464]

TODD RECKLING: Yeah, that's correct. [LB464]

SENATOR MELLO: I believe two years ago when we had federal dollars, we said this was fine. We said we want to give an increase because we're utilizing federal dollars. Now it appears that with that federal dollars leaving us that this is not a priority of us, so to speak, as a Legislature or at least the Governor, in the sense of wanting to give that market rate increase again. And I just want to double-check my facts here because I distinctly remember this was a debate we had within the Legislature a little bit of not wanting to utilize those funds to essentially make these decisions and just delay them two years if this was going to be the decision of the administration. That essentially is what happened. Am I incorrect in that assessment that we utilized those federal funds to give the rate increase two years ago but now those dollars are no longer here, we're not...you're going back to try to remove an increase? [LB464]

TODD RECKLING: I need to double-check on how the dollars translated into both current utilization as well as the market rate survey. I'd be happy to get that information. I don't recall exactly how the translation happened between current utilization and how the market rate survey factored in the last time. [LB464]

SENATOR MELLO: Okay. [LB464]

TODD RECKLING: Now I will find out for you, Senator. [LB464]

SENATOR MELLO: Okay. And I guess my lone last question is, and Senator Harms alluded to it and you mentioned it, following Senator Campbell's LB601 focuses on quality and accountability, money aside from LB601, just from your perspective, does the department view that as a good idea still in the sense of trying to move our childcare program to inject more quality and more accountability measures in the program regardless of funding? [LB464]

TODD RECKLING: To answer your question, LB601, as far as the quality aspect, I certainly don't have any problems with. There were some other factors in LB601 that didn't necessarily relate to quality. So overall, certainly the department is not...we don't have any opposition to continue to work with providers and others interested in childcare to improve the quality for our young kids. [LB464]

SENATOR MELLO: Okay. Thank you, Todd. [LB464]

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SENATOR HEIDEMANN: Senator Conrad. [LB464]

SENATOR CONRAD: Thank you, Director. Sorry, I have a few more questions while you're here because you're in the best position to answer them. So anyway, thank you for continuing this dialogue and I just want to ask a couple of questions about it was stated earlier that the state of Nebraska chose to freeze these rates in 2001 and 2003 to achieve cost efficiencies along the same lines, which I'm not really sure if that's right or not and I know it was a little before your time and before our time here. But I think that most of the changes in that time period happened with a change in eligibility but maybe it was a market rate survey freeze. Do you know? Could you clarify that? [LB464]

TODD RECKLING: If...I don't know but, if I could, when I respond to Senator Mello, let me go back maybe for ten-plus years and try to talk to you about where the market rate survey and the impacts and how we implemented those things. I can add that to it. [LB464]

SENATOR CONRAD: Okay. That would be helpful. And as you're compiling that research, here are some other issues that I think that would be helpful for the committee to look at. If in fact we did freeze provider rates for this childcare assistance program during the 2001 and 2003 biennium or at any other time, for information that you have available, could you also please let us know how many childcare providers dropped out of the program as a result of that action? Could you also please let us know how many children or families were no longer able to access childcare as a result of those actions? And then could you also let us know how many families or children, because they lost access to this program, then had to quit their jobs and go back on full public assistance or welfare benefits and what fiscal impacts that action had on the state budget as a whole, because I would contend, would be common sense indeed that paying full public assistance benefits for a family is much, much more expensive than paying for transitional childcare. Is that correct? [LB464]

TODD RECKLING: Yeah, I would be happy to. [LB464]

SENATOR CONRAD: Appreciate that information. [LB464]

TODD RECKLING: Your statement is correct and I don't know what information we have but I'll try to go back and put some of that information together. [LB464]

SENATOR CONRAD: Because I think that's missing from the fiscal note on this legislation and I think that, in fact, it could have a great cost impact to the state of Nebraska if we move forward with this wrongheaded policy. Thank you. [LB464]

SENATOR HEIDEMANN: Any other questions? Seeing none, thank you. [LB464]

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TODD RECKLING: Thank you. [LB464]

SENATOR HEIDEMANN: Is anyone else wishing to testify in support of LB464? Seeing none, is anybody wishing to testify in opposition on LB464? Welcome. [LB464]

JEN HERNANDEZ: (Exhibits 3, 4, and 5) Good afternoon, Chairman, members of the Appropriations Committee. My name is Jen Hernandez, H-e-r-n-a-n-d-e-z, and I'm here representing the Nebraska Children and Families Foundation. I think I also have there are about 40 childcare providers in the room here and I don't believe they're all going to speak but I just wanted to let you all know that they have all signed in and wanted their presence noted in opposition to this bill, but I believe they are also supportive of the amendment that Senator Campbell has brought forward today. I don't envy the position that you're in and I really appreciate the opportunity to come before you. I appreciate your thoughtful consideration of all of these issues and I want to thank Senator Campbell for her amendment. LB464 does irreparable damage to a program serving children at risk. We have a growing number of at-risk children, birth to five, across the state and that number is growing faster in rural Nebraska than it is in urban Nebraska. Very technically, this bill changes the current statute so that publicly funded childcare rates are no longer based on the results of the market rate survey and I also want to mention that I believe there are legal considerations that need to be weighed. You already know that the market rate survey is federally required but it is also the primary way to determine whether the payment rates established provide equal access to childcare services. The real implication of this piece of legislation is that LB464 will result in fewer providers accepting this childcare subsidy, leaving many of our at-risk children still eligible for care with nowhere to go. But AM654 offers a temporary and realistic solution and I want to make sure I'm very clear on the record that I am supportive of this amendment. It's something that we can live with. Certainly doesn't do everything that I believe we need to do for prioritizing the first five years but it does freeze rates where they are with no fiscal implication and no change in the number of childcare providers in your district who care for children at risk. It also gives us the opportunity to bring more accountability into the program at the time the rates are unfrozen, and these discussions, as Senator Campbell mentioned, are already underway. As you know, the Education Committee has already prioritized the importance of investing in the first five years and protected the early childhood funding in their LR542 process. We also know that parents are a child's first and most important teacher, yet we know there is an alarming rate of children who are starting school unprepared in Nebraska. That failure to get it right in the first five years costs us a lot of public money for the rest of that child's life. The sheet you have in front of you shows you how many children, birth to five, in your district are at risk and how many of those children rely on a childcare provider who can take the subsidy as payment. This issue is bigger than all of us and it takes us stepping outside of siloed agency programs to see it. I've got a red light here so I just want to thank you for your time and recognize that we

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have strong private partners that are willing to relief some of the pressure facing state government and what we have in place needs to be accountable and measurable. So would ask that you adopt AM654 as a committee amendment. [LB464]

SENATOR HEIDEMANN: Thanks, Jen. Senator Nordquist. [LB464]

SENATOR NORDQUIST: Thank you, Mr. Chairman. Thanks, Jen. You mentioned in your testimony your concern over potential negative impact to access. You have your ear to the ground. How do you think providers are going to absorb this freeze for the next two years? [LB464]

JEN HERNANDEZ: Well, there are already a lot of disincentives to taking the childcare subsidy... [LB464]

SENATOR NORDQUIST: Uh-huh. [LB464]

JEN HERNANDEZ: ...and I think in the long term this makes it even more difficult for them. I think the realistic choices before them will be taking less children at risk on the subsidy or potentially shutting their doors. And I think there is a childcare provider behind me who is also going to testify who would be able to speak to that issue. [LB464]

SENATOR NORDQUIST: Okay. Okay. Great. Great. I appreciate that. And I guess I just want to express my concern for putting it off two years and the reason being I think we have to make the tough choices now and prioritize what's important now. In the coming weeks we're going to be debating legislation that will in two years take a significant amount of money out of our General Fund. And should that legislation pass, I don't think we'll be in a position to restore rates at that time, and all we're doing is kicking the can down the road. So I would much prefer that we make the investment now, find the funds in our budget to maintain the status, funding status that we've been at, just a comment. [LB464]

JEN HERNANDEZ: Thank you, Senator. [LB464]

SENATOR HEIDEMANN: Senator Fulton. [LB464]

SENATOR FULTON: Thank you, Mr. Chairman. Thank you for being here. I want to give you an opportunity maybe to expound on some of your rationale. As I understand it, your organization that you're representing or organizations that you represent wouldn't stand a cut under our present budget, yet you have opposition to the bill and I sense there's probably a reason for that, but could you expound on that some more? [LB464]

JEN HERNANDEZ: Correct. The agency that I represent doesn't win or lose in terms

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of... [LB464]

SENATOR FULTON: Right. [LB464]

JEN HERNANDEZ: ...LB464 as introduced or the amendment or anything like that, but we do care about what happens to kids and the first five years are of critical importance. And we base our policy positions based on what the science says and what we know very clearly about the development that happens in the child in the first five years. And this piece of legislation would make it much more difficult for families to find access to quality, early childhood programs that at-risk children can access in their first years, and so we are against limiting access in those ways. [LB464]

SENATOR FULTON: Thank you. [LB464]

SENATOR HEIDEMANN: Senator Mello. [LB464]

SENATOR MELLO: Thank you, Chairman Heidemann. Thank you, Ms. Hernandez, for your testimony. Could you...and I was looking through this, the form you passed out here and I couldn't find it. Could you provide a little background on what you consider to be the definition of at risk? [LB464]

JEN HERNANDEZ: Right. At risk, there are four criteria. It's a measure of poverty; English as a second language; being born of low birthweight, which is 2,500 grams or less; or being a child of a teen parent or a parent who has not completed high school. That is the definition that the Department of Education has used for a number of years and has been indicators of failure in school. [LB464]

SENATOR MELLO: Okay. And I'm looking here not just in my district but statewide, and Senator Campbell mentioned it too. Over 47,000 children, Nebraska children statewide, are classified as at risk. [LB464]

JEN HERNANDEZ: That's correct and we go to great length to make sure that number is not duplicated. [LB464]

SENATOR MELLO: What happens, I guess, for all practical purposes? I believe Director Reckling stated that the current program serves about 19,000 children. [LB464]

JEN HERNANDEZ: Right. [LB464]

SENATOR MELLO: What happens to the rest of...what happens to the other 28,000 children? [LB464]

JEN HERNANDEZ: Families choose between food, medicine. They're in tough spots

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and we don't reach nearly all of them. We know in this budget climate we can't reach all of them and we know in this budget climate that we may not even be able to get a handle on the increasing numbers, the growth in numbers, but at a minimum we're hoping that we don't go backwards. [LB464]

SENATOR MELLO: What...and maybe I think Senator Conrad alluded to it, the sense of sometimes the hidden costs of inaction, I would say. With 28,000 at-risk children essentially possibly getting services, possibly not getting services, what kind of impact does that have on our K-12 school district? I know that's an ongoing issue we have with funding through our TEEOSA formula. But how does our inaction, so to speak, on this childcare-related subsidy issue impact our K-12 education funding system? [LB464]

JEN HERNANDEZ: Senator, the research is very clear that when a child arrives at kindergarten at five years of age or maybe six, if they are behind they do not catch up, and we pay greater costs later in special ed and remediation. And we are here today because the first five years matters and there is no greater return. [LB464]

SENATOR MELLO: So it's a safe assessment to say, and I think I've heard actually Senator Harms mention this before in the committee as well, that the lack of prioritizing early childhood related education or programming similar to the childcare subsidy can inherently only cost us more down the long run or down the long road, so to speak. [LB464]

JEN HERNANDEZ: I believe that is the case. [LB464]

SENATOR MELLO: Okay. Thank you. [LB464]

SENATOR HEIDEMANN: Senator Harms. [LB464]

SENATOR HARMS: Thank you, Mr. Chairman. Thank you very much for coming and testifying. [LB464]

JEN HERNANDEZ: Thank you. [LB464]

SENATOR HARMS: You know, I've always been a real believer that early intervention makes a big difference in what happens to our children. I have a growing concern as I watch just in my own district. We have about 1,219 children at risk and publicly we're only serving 334. I guess my concern is we seem to be finding more and more children at risk. Is that because we are in poverty? Is that because we have a better way to identify these children as being at risk? Is this because parents previously have been on drugs, whatever, or we haven't had appropriate prenatal care? I mean it's a growing concern. And can you give me some idea or some thoughts of any research that's available that leads us to what's really happening to us? [LB464]

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JEN HERNANDEZ: Absolutely. I think probably there's not just one answer to that question,... [LB464]

SENATOR HARMS: I understand that. [LB464]

JEN HERNANDEZ: ...not one reason. I would suggest that really that measure of poverty and that working poor number has been growing in Nebraska for quite some time and I think that that is a very big reason why we have more at-risk children now. There may be some ability that we have now to calculate and capture those numbers better than before. I suppose that's also a possibility. [LB464]

SENATOR HARMS: Yeah, I was surprised to learn some time ago that the rate of poverty in rural Nebraska is increasing tremendously and the number of children that are in our rural environment are at greater risk. I would always would have bet that it might be in a larger urban area but we see more of that trend now. Is that simply because we don't have the appropriate jobs, we just...parents are trying to work two different jobs? I mean what do you see happening in rural Nebraska that creates this? [LB464]

JEN HERNANDEZ: Well, one of the things that we're really excited about, and this is going to be an answer to your question, is that we have a private sector who is really willing to step forward and say we recognize that this is not just an Omaha issue, this is not just an urban Nebraska issue, and they are willing to put their own time and resources on the line, not just to start a program that will serve 200 kids in Scottsbluff or 200 kids in Lexington but really to become hubs and reach out to other providers in the area and make sure that we are providing good training to providers and also experiences for those children in the first five years. And so we do have an increasing number of at-risk children and I think families are just in very difficult times, and I just don't think there's any way around that. But we have a lot of good things going on statewide and partners that we need to keep involved in this effort. [LB464]

SENATOR HARMS: What data do you have that shows that after five years old, kindergarten, six or seven, I've forgotten the age anymore when children enroll, that they don't do well and that you follow through to see what actually happens to these children once they're in the public school system or private school? [LB464]

JEN HERNANDEZ: Uh-huh. [LB464]

SENATOR HARMS: Do you have any data that shows just exactly what's occurring, how many of those children we have that are failing? [LB464]

JEN HERNANDEZ: I have some data, yes, that I will make sure I send to you and to the

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entire committee on what happens when children start behind. And we also have some limited Nebraska-specific information, which I think is what you're really asking for,... [LB464]

SENATOR HARMS: That's really what I'm after is the Nebraska. [LB464]

JEN HERNANDEZ: ...about what happens to Nebraska kids and if they are behind. [LB464]

SENATOR HARMS: Will you be able to show that to us geographically by location the breakdown, because I think that's really important? I have a high interest in all the children,... [LB464]

JEN HERNANDEZ: Uh-huh. [LB464]

SENATOR HARMS: ...but I also have a real interest in rural Nebraska and what's happening there because it gives me... [LB464]

JEN HERNANDEZ: Absolutely. [LB464]

SENATOR HARMS: ...an opportunity to go home, use that data and whatever I have to be in...have discussions with people who live in my community or who live in my region about maybe it's time we step to the plate here. So that's what I'm really looking for. [LB464]

JEN HERNANDEZ: Great. I'll get that to you. [LB464]

SENATOR HARMS: Okay. Thank you. Thank you, Mr. Chairman. [LB464]

SENATOR HEIDEMANN: Senator Hansen. [LB464]

SENATOR HANSEN: Thank you, Mr. Chairman. Thank you for being here today. I have a question about K-12 and pre-K-12 school systems. Do you know how many school systems in the state have a pre-K program for low-income and at-risk children? [LB464]

JEN HERNANDEZ: Senator, I don't know the exact answer off the top of my head but I believe it is about 40 schools, 40 school districts... [LB464]

SENATOR HANSEN: Forty school districts. [LB464]

JEN HERNANDEZ: ...that, uh-huh, receive public funds to operate their pre-K program. [LB464]

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SENATOR HANSEN: Does that take some of the pressure off of the numbers that you handed out? [LB464]

JEN HERNANDEZ: Yes, those children are in good quality environments, receiving good interactions in those first five years, which is what's really critical. And so, yes, some of those 47,000 children are receiving services through the school district, not very many of them. I mean while there are, I think, about 40, in the neighborhood of 40 school districts offering those, the childcare subsidy program is the program that by far, far outweighs the numbers of at-risk children that are being reached. No other early childhood program, birth to five, comes close to reaching the same amount, the same number of children that the childcare subsidy reaches. [LB464]

SENATOR HANSEN: In the North Platte school system we have a preschool for four-year-olds,... [LB464]

JEN HERNANDEZ: Uh-huh, right. [LB464]

SENATOR HANSEN: ...and they continue to do that and the numbers keep growing, I mean as they can afford to do that. [LB464]

JEN HERNANDEZ: Yes. [LB464]

SENATOR HANSEN: But they also have a summertime... [LB464]

JEN HERNANDEZ: Uh-huh. [LB464]

SENATOR HANSEN: ...school lunch program... [LB464]

JEN HERNANDEZ: Uh-huh. [LB464]

SENATOR HANSEN: ...in North Platte and I don't know how widespread that is either but these children, I think up to age 18 or 19, can...any child can go in there and have lunch, and I think that's at three different elementary schools within our district too. [LB464]

JEN HERNANDEZ: Uh-huh. [LB464]

SENATOR HANSEN: Just the point I'm trying to make is that the school districts, if they choose to, can make a difference in these numbers. [LB464]

JEN HERNANDEZ: Absolutely, yes. [LB464]

SENATOR HANSEN: Thank you. [LB464]

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SENATOR HEIDEMANN: Senator Conrad. [LB464]

SENATOR CONRAD: Thank you, Ms. Hernandez. It's always a pleasure getting so much positive information from your group. And I do want to just talk about a couple different policy issues that surround this and then I also want to make sure that we're really crystal, crystal clear for the record since you're testifying on behalf of so many here today. And if I don't understand your position, please clarify it. But you're here in opposition to LB464. You do feel like the amendment presented to the committee makes it more palatable, but your ultimate perspective would be that this legislation and the amendment be killed in committee and not be included in the budget. Is that correct? [LB464]

JEN HERNANDEZ: Yeah, if resources were available, that's absolutely... [LB464]

SENATOR CONRAD: Well, that's why we get the big bucks, to make that work. (Laughter) But I did want to make sure that we were clear about that because I didn't want to let any members on this committee or on the floor off the hook and say, well, these 40 childcare providers showed up and said we could absorb these costs and we can live with it with this amendment, because I don't think that is the case. Is that right? [LB464]

JEN HERNANDEZ: We can live with the amendment. It's not our ideal. [LB464]

SENATOR CONRAD: Okay, because I do want to again be clear that I've been receiving a variety of communications from concerned families and childcare providers who can't live with the amendment and think that it is the wrong policy to look at. So that's something that other members who are here today may want to clarify for the record and we have the time to do so. Finally, I know that your organization looks at families holistically and that's very important. And my research indicates that Nebraska consistently has one of the highest percentage of women in the work force, one of the highest percentages of both parents in the work force, and we also have, you know, right now the second lowest unemployment rate in the country at a little over 4 percent. And I just wanted to see if that matches what some of your research shows and how that impacts programs like the childcare subsidy program and really then how important this is for, again, working families in Nebraska, and if you'd like to respond. [LB464]

JEN HERNANDEZ: Yeah. No, that is our understanding. Nebraska consistently ranks in the top five states year after year of children with their mothers in the work force and children who have all available parents in the work force. We're a hardworking state. [LB464]

SENATOR CONRAD: Yes. And then does your research indicate in terms of what costs

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are out there, fixed cost or costs that are tied to inflationary issues, that childcare providers have to deal with? I'm thinking of utilities, gas, food,... [LB464]

JEN HERNANDEZ: Uh-huh. [LB464]

SENATOR CONRAD: ...anything that a family or small business would otherwise have to grapple with in a changing economy. And so is that right? Are those the major cost drivers, wages, benefits, those kinds of issues, or are there other things I'm missing there? [LB464]

JEN HERNANDEZ: No, I would imagine those are the costs. I've not been a childcare provider myself,... [LB464]

SENATOR CONRAD: Me either. [LB464]

JEN HERNANDEZ: ...but I know that they have to have their lights on no matter how many kids are there and those kinds of things. And so making a provider rate no longer tied to the market rate survey and just kind of out there at the whim of whatever we might decide could make it very difficult than it already is, very difficult for them to be able to serve those kids. Because when you take an at-risk child and you accept the childcare subsidy as payment, you are taking a slot in your program and you're giving it to that at-risk child and that means a private pay family doesn't have access to that slot. And I would suggest that it probably makes more sense businesswise to take that private pay family than it does to take an at-risk child that's on the subsidy. And so without being able to know for certain what a rate may be, it may make it increasingly difficult for providers to serve those children at risk. [LB464]

SENATOR CONRAD: Right, because I think we've all read the headlines and see it on our grocery bills or when we go to the gas station that we're seeing gas prices climb, we're seeing record food prices hit the grocery store shelves, and all of these costs are going to have to be absorbed by the families and the childcare providers, and freezing rates at this level while costs continue to rise really causes a huge disparity and effect. So I'm just looking at some of your materials here where you estimate, even with the amendment, we're not going to see a change in the number of childcare providers who are going to participate in the program and I just don't believe that. I just can't believe that when we know costs are rising and we're going to freeze rates,... [LB464]

JEN HERNANDEZ: Uh-huh. [LB464]

SENATOR CONRAD: ...people are going to stop participating in the program I think, and I think history proves that to be true. But if you have other information that this literature is based on, you know, please provide it to the committee at any time because... [LB464]

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JEN HERNANDEZ: Uh-huh. [LB464]

SENATOR CONRAD: ...I think we're on the same page in terms of what we want for Nebraska's kids and we need strong advocates... [LB464]

JEN HERNANDEZ: Absolutely. [LB464]

SENATOR CONRAD: ...to help us on the outside do our job here on the inside. Thank you. [LB464]

SENATOR HEIDEMANN: Senator Mello. [LB464]

SENATOR MELLO: Thank you, Chairman Heidemann. And, Jen, you started to kind of go through...my question was, and you touched a little bit on it. Could you walk us through, I think some of the committee members who might not be as familiar with the childcare subsidy program, could you walk us through just how the program works just for our purposes here a little bit of the private slot versus the public slot and just the host of...and I would say a very abbreviated version for the committee? [LB464]

JEN HERNANDEZ: I was going to say I don't know that you want me to get into too much detail. But assistance is given to very low-income families who are working and that assistance is provided in the form of a voucher. It's paid directly to the childcare provider so the family doesn't ever see any of that assistance but it goes directly to the childcare provider. That childcare provider turns in their forms and submits their reimbursement for the days that the child is in attendance and those rates are paid, based on age of the child and geography of the state, roughly 60 days after the services have been delivered. [LB464]

SENATOR MELLO: And you kind of elaborated on it, I guess I don't want to make it so much as a statement but a reiteration of what you stated in Senator Conrad's questions in the sense of, from a provider's perspective, there's fixed costs in regards to operating a business, but the bigger question is why would providers choose to take publicly the childcare subsidy vouchers positions when they're paid significantly less compared to a private family slot? And as we further, I would say, reduce and/or even freeze what we're paying for this public slot, won't providers somewhere down the long run, unless we find another way of looking to do this, that they'll just...they'll stop taking these public slots eventually because businesswise it makes no sense for them to lose that significant amount of money. Otherwise, they just charge higher rates for private, nonpublic users? [LB464]

JEN HERNANDEZ: No, I think that's exactly right. I mean it's difficult for providers, it has been difficult for providers for a long time. And I think the providers are taking children at

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risk now not because current policy reimburses them adequately,... [LB464]

SENATOR MELLO: Uh-huh. [LB464]

JEN HERNANDEZ: ...but because they are vested in their communities. These are their kids. These are all of our kids, but these are their kids and they want to be that important influence and that stabilizing factor in their first five years. And they have made sacrifices for a number of years already. This is not the first year that they will be doing so. But I believe they take these children because they care about the kids and it's their community and they're doing what they know is right, even amidst losing money because...in the face of doing so. [LB464]

SENATOR MELLO: Okay. Thank you. [LB464]

SENATOR HEIDEMANN: Senator Wightman. [LB464]

SENATOR WIGHTMAN: Thank you, Chairman Heidemann. Thank you for being here, Jen. As I look through the figures and I'm going to go back a little bit to what Senator Hansen asked you. I think you said 40 different school districts provide school district aid in the form of a preschool program. Is that correct? [LB464]

JEN HERNANDEZ: I believe that it's somewhere around that number. I don't have that number in front of me. [LB464]

SENATOR WIGHTMAN: And do they provide services to a number of these 47,000 that you're talking about being at risk or... [LB464]

JEN HERNANDEZ: In some cases they do. They offer a part-day, usually a part-day program. Few schools are able to offer kind of a typical school day which would end at 3:00 but usually is not the hours that a family really needs care. If a parent is working, a lot of times, you know, they're working until 5:00. So in some cases, some of the children that are on the childcare subsidy program may also receive a few hours of care in a preschool program. But again, most preschool programs are not operating full day, year-round in terms of what a working family's needs would be. [LB464]

SENATOR WIGHTMAN: I'm assuming it's the bigger school districts that offer the services, is that correct then, for early childhood. [LB464]

JEN HERNANDEZ: I think that's, yeah, I think that's the case, Senator. [LB464]

SENATOR WIGHTMAN: When we talk about the 47,000 and you show the number for each district on this Advancing Early Childhood Policy,... [LB464]

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JEN HERNANDEZ: Uh-huh. [LB464]

SENATOR WIGHTMAN: ...is the figure up there, if we totalled them all up for the districts, going to be 47,000 in number or not? [LB464]

JEN HERNANDEZ: It will be, Senator. The district numbers that you have in front of you are based on counties, not legislative district, so it has your counties listed there. It has Buffalo County, etcetera. [LB464]

SENATOR WIGHTMAN: So if you looked across the state and there should be about 1,000 per school district on average, obviously that's almost exactly what we have at 47,000-plus, so that it would average about 1,000 per district, so if you're substantially above 47,000 on this, your district is, then you're above the average I'm assuming. [LB464]

JEN HERNANDEZ: Well, I don't know if I follow that exactly but I do want to just clarify that the numbers are calculated based on county lines, not legislative district lines. So for those senators in... [LB464]

SENATOR WIGHTMAN: So that could vary a little. [LB464]

JEN HERNANDEZ: ...Lincoln or Omaha, for example, don't add all of those up but they're not portrayed as just specific to one legislative district. The counties are listed there. So we try to make sure that everyone is aware that those numbers are calculated on a county level. [LB464]

SENATOR WIGHTMAN: But at any rate, the at-risk children would only show up in that person's district. Is that correct? [LB464]

JEN HERNANDEZ: That's correct. That's correct. [LB464]

SENATOR WIGHTMAN: And the only reason I'm getting to the 1,000 is that there are 49 legislative districts which, divided into 47,000, is almost 1,000 per. So if you're... [LB464]

JEN HERNANDEZ: So that may be a good way to keep a... [LB464]

SENATOR WIGHTMAN: ...two and a half times that then you have two and a half times the number at risk but that does not take into account the number that are getting some form of subsidization through their school district. [LB464]

JEN HERNANDEZ: Right. We don't have that on this sheet. We have all that information and so if you'd like to have both of those pieces of information side by side, I

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can certainly get that for you. [LB464]

SENATOR WIGHTMAN: Obviously, you're counting a lot more children than could be served by the...could be served by the schools because they're looking at age of four or possibly ages three and four. Is that correct? [LB464]

JEN HERNANDEZ: Right, the schools usually serve four-year-olds, sometimes three- and four-year-olds, not so many infants and toddlers. [LB464]

SENATOR WIGHTMAN: And maybe five-year-olds. Okay. Thank you. That answers my questions. [LB464]

JEN HERNANDEZ: Okay. [LB464]

SENATOR HEIDEMANN: Thanks, Jen, for coming in today. Are you for sure on that 40 school district number? I just...I just have in my mind how many school districts in my area that are doing that. [LB464]

JEN HERNANDEZ: Those are the ones, I believe, I'll go back and check that number and make sure that's accurately submitted to the committee, those are the ones I think that are receiving public funds out of the Department of Education to offer those services, so there certainly are other school districts that offer it that don't get any funds out of the Department of Ed to do so but find some other way to pay for it. But I believe there are around 40. I will check that number and make sure that I get that correct number to you. [LB464]

SENATOR HEIDEMANN: Is there any way to find out how many school districts actually serve it in total? That would be interesting to me because... [LB464]

JEN HERNANDEZ: That's a number that actually we've been trying to...you ask a great question. We've been trying to get at that number for a number of years and it is difficult because school districts, unless they're getting public funds, they have no requirement to report to the Department of Education and disclose that they have that program and that they are serving those number of children. So I think we have some schools operating a program that may not have to tell the Department of Ed that they're doing that and disclose how many numbers of children they're serving. Does that makes sense? [LB464]

SENATOR HEIDEMANN: It makes sense. It just...with what you're providing because you was talking about 40 and I was just under the assumption that it was a lot more than that. In recognition of what happens in my district, it just didn't seem quite right. But I think there might be more access there than what we might be aware of. [LB464]

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JEN HERNANDEZ: Uh-huh. I'll go back and check that number. [LB464]

SENATOR HEIDEMANN: Thank you. [LB464]

JEN HERNANDEZ: Yeah. [LB464]

SENATOR HEIDEMANN: Seeing no further questions, thank you. [LB464]

JEN HERNANDEZ: Thank you very much. [LB464]

SENATOR HEIDEMANN: Welcome. [LB464]

JOHN CAVANAUGH: (Exhibit 6) Mr. Chairman, members of the committee, my name is John Cavanaugh, J-o-h-n C-a-v-a-n-a-u-g-h. I'm the executive director of Building Bright Futures, which is a nonprofit organization in Douglas and Sarpy Counties focused on improving academic performance in the 11 school districts of those two counties and improving educational outcomes, improving high school graduation rates and the readiness to succeed in postsecondary education or employment. I'm here today in opposition to LB464, which would really have a devastating effect on the mission of Building Bright Futures and the purpose of Building Bright Futures. We spent two years before beginning a programmatic effort, and I have a summary of our opposition in a letter from Fawn Taylor, who is the executive director of the Early Childhood Services Program, in partnership with the Buffett Early Childhood Foundation. We spent two years examining what are the major causes of academic failure and number one by far, which became our highest priority, was the inequality of opportunity in the first three years of life and developmental opportunities in early childhood. If we look at our kindergarten entering class, we have in our area about 3,500 children who start with serious disadvantages to the majority or the overwhelming majority, more than 75 percent, of the class in terms of their cognitive development, in terms of their vocabulary. That cohort, in our area about 3,500, translates into the overwhelming 85 percent of 3rd graders who will advance from 3rd grade not reading at 3rd grade level, 4th graders advancing not on math level, 6th graders with serious behavior and attendance problems, and 9th and 10th graders who will drop out of school. So this is the first domino to disaster when we do not address the needs of children during that critical first three years when 95 percent of their brain development occurs. This LB464, by eroding what the Legislature has clearly identified as a floor, a priority, that we would not fall below 60 percent of the market rate for childcare services, can have no other but disastrous consequences for the lives of those children throughout their entire life. I'm very encouraged at this committee's focus on the impact of this legislation on the K-12 and even post-K-12, because it will certainly impact the number of children who are graduating, prepared for postsecondary education or prepared even for meaningful employment. I'm encouraged that there's a broad recognition of that fact and consequence of this legislation among this committee and I commend you for your

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diligence here today. [LB464]

SENATOR HEIDEMANN: Thank you for coming in and testifying. Are there any questions? Seeing none, thank you. [LB464]

JOHN CAVANAUGH: Thank you. [LB464]

SENATOR HEIDEMANN: Welcome. [LB464]

AUBREY MANCUSO: (Exhibit 7) Good afternoon. My name is Aubrey Mancuso, A-u-b-r-e-y M-a-n-c-u-s-o, and I'm here on behalf of Voices for Children in Nebraska also in opposition to LB464. I'll be careful not to repeat what you've already heard today. I know you have a lot to get to. But at a time when many families are already struggling to meet basic needs, even a two-year moratorium on investments in children is bad policy, and these are our future Nebraskans who are at a critical stage in their development and ultimately decreasing investments in them will likely result in increases in future costs to other public services. And just a few points for clarification, actually in 2002 the eligibility levels for childcare subsidies in our state were reduced from 185 percent of the federal poverty level to 120 percent, and over the course of the past decade we also have seen a decrease in the number of licensed childcare providers in the state. In 2000 we had 4,195, in 2009 we had 3,896, and it has been up just a little over the last two years but we've still seen a decreasing trend over the last decade. And I'll also point out that the federal government recommends that these rates be set at, at least, the 75 percentile of market rate, so Nebraska is already setting rates at below the recommended level and there is, I believe, only two other states in the nation that don't put any statutory language on where these rates are set. And there was also a study in 2007 that found that at least 2,500 low-income single mothers in Nebraska were able to work because of these subsidies and would otherwise not have been able to afford the high cost of childcare. And with that, I will take any questions. [LB464]

SENATOR HARMS: Thank you for your testimony. Do we have any questions? Senator Conrad. [LB464]

SENATOR CONRAD: Thank you for being here today. Thank you, Senator Harms. And maybe if there's a childcare provider coming afterwards they could answer more specifically. But I think one thing that's been left out of the dialogue thus far is...and since you're kind of a policy expert with how the program works at Voices for Children, is just this kind of misunderstanding or disconnect about we're not talking about actually fully funding or fully reimbursing... [LB464]

AUBREY MANCUSO: Right. [LB464]

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SENATOR CONRAD: ...childcare providers for what... [LB464]

AUBREY MANCUSO: Right. [LB464]

SENATOR CONRAD: ...it costs to provide childcare but, rather, we're saying we're going to give you 60 percent... [LB464]

AUBREY MANCUSO: Uh-huh. [LB464]

SENATOR CONRAD: ...of what it costs in the market to provide childcare. And you know, so... [LB464]

AUBREY MANCUSO: Right. [LB464]

SENATOR CONRAD: ...I think that there's just so many things that are unclear about this program and that the committee and the Legislature maybe doesn't have a familiarity or understanding with about this program and poverty programs in general and work support programs in general. And, you know, any other information that you have or want to share, we really appreciate it and we'd really appreciate if you could make sure to educate your membership and networks about this legislation too. [LB464]

AUBREY MANCUSO: Okay. Thank you, Senator. [LB464]

SENATOR HARMS: Thank you, Senator Conrad. Do we have any other questions? Thank you for your testimony. [LB464]

AUBREY MANCUSO: Thank you. [LB464]

SENATOR HARMS: See anyone else who'd like to speak in opposition of LB464? Welcome. [LB464]

JAMES GODDARD: (Exhibit 8) Good afternoon, committee members. My name is James Goddard, that's G-o-d-d-a-r-d. I'm a staff attorney at the Nebraska Appleseed Center for Law in the Public Interest. Nebraska Appleseed is a nonprofit, nonpartisan legal advocacy organization that works for equal justice and full opportunity for all Nebraskans. I'm here today to oppose LB464. First, we would like to recognize the difficult budget situation that we're in and that this committee and the entire Legislature is faced with some pretty hard decisions. It's precisely for that reason that we want to ensure that the committee has all the information it needs to make informed decisions on legislative priorities. I'm here today to share information about Appleseed's constituents and how they could be affected by this bill. The federal Child Care Development Fund, or CCDF, provides low-income families with financial resources to find and afford quality childcare. Under CCDF, each state gets funding to reimburse

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childcare providers for services to eligible children. One CCDF requirement is that states must ensure equal access to childcare provision. In other words, low-income working parents must have a full range of providers from which to choose childcare. As a means of demonstrating equal access, states do market rate surveys that show provider rates in given geographic areas. Reimbursement rates can then be adjusted to reflect changes in the market rate. LB464 makes some significant changes to subsidize childcare in Nebraska. It would eliminate both the biennial reimbursement rate adjustments and setting reimbursement rates based on a market rate survey. These changes raise some serious concerns. First, childcare providers that accept subsidized low-income children already accept a modest rate for their services. If rates are not adjusted regularly and they are not based on the market rate, it's more likely that the subsidy will be lower than the market rate for the service. Lower rates would mean fewer childcare providers accepting subsidized children and fewer providers would mean fewer choices. Consequently, low-income families could have unequal access to childcare providers. That could put Nebraska out of compliance with federal requirements and it would be harmful to low-income Nebraskans that need childcare subsidies in order to be part of the work force. For all these reasons, we oppose LB464. We believe that the proposed amendment to LB464 is an improvement. However, it could create the risk that reimbursement rates will lag behind market rates. The better policy is to continue to adjust rates as dictated by the market rate. Thank you. [LB464]

SENATOR HARMS: Any questions? Seeing none, thank you very much for your testimony. [LB464]

JAMES GODDARD: Thank you. [LB464]

SENATOR HARMS: Is there anyone else who would like to speak against LB464? Welcome. Thank you for coming. [LB464]

GALE HENDERSON: Thank you. Good afternoon. My name is Gale Henderson, last name is H-e-n-d-e-r-s-o-n. I am a childcare provider from Omaha, Nebraska. I'm a part of the early childcare community as owner of three centers in Omaha, Nebraska. I am a corporation. I represent an LLC and also the sole proprietor. I've been in business for the last 20 years and over the 20 years I've seen a lot of variations in programs, and from the subsidy program I've seen a fluctuation in attendance and parents' situations regarding their eligibility status and their copay that they're required to do. And as stated earlier, as a Title XX recipient, we're already asked to operate on a modest budget and we're already expected to operate with limitations and restrictions; that most companies that have to maintain their budget and set their operating expenses, we're not allowed to do that because we're, for the most part, we're operating with payment from the program 45 days in arrears each month. We have to give our services, and 45 days to 60 days after that we receive payment, which presents a hardship. And then we have parents that I call the working poor. Some of these parents are at McDonald's and

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Burger King and if they get a quarter raise they go from zero payment to 100 percent payment. They lose their subsidy. And so the eligibility guidelines, the income eligibility guidelines and everything is like there's no standard. There's no standard across the state, I feel. It just depends, like they said, what district you're in, what setting you're in and the people that you serve. I'm opposed to LB464 for that reason because I believe that it would cause irreparable harm to all of the providers in the state because we would have no way to factor in our costs. We won't be able to say what our revenues, our incomes would be. We would have to depend on the whim of the government and that already presents a great disadvantage. I think if I had to choose between LB464 and the amendment, I would choose the amendment for the simple fact of keeping my doors open, of keeping my employees employed and keeping my parents on the forward...having them moving forward in their education and in their job improvements. And so I think it's very important that we consider the fact that we already operate as a Title XX center and we already operate at a disadvantage. We're not...but we choose to do this, like they said in the past, that I am invested in this community. I'm invested in these children. And I have a degree and I can go other places and I can do other things, but I'm very concerned about my staff. I employ 42 people and they don't have a lot of options. And so if we were to continue with this bill, it's going to present a hardship for them and they depend on getting their pay raises and for their lifestyles. And so I think this bill, if we had a choice I would choose the amendment, but if we could do something better or something different it would be better for our providers and our parents. [LB464]

SENATOR HARMS: Well, thank you for your testimony. Senator Fulton. [LB464]

SENATOR FULTON: Thank you, Mr. Vice Chairman. I want to thank you for coming down, testifying. Thank you for your work too. I just want to just get a sense, in the years that you've done this has there ever been a time where...has there ever been a sliding scale? I mean what I'm understanding is that if a parent who has their child utilizing this program, receiving day care, receive a raise of 10 cents or 15 cents, it can automatically disqualify them from...and so there's...this is what we...a disincentive to accepting a raise or to...has there ever been a time where there is a sliding...a scale somewhere in between here and here where a parent could access at least part of this program? Have you ever known anything like that to occur? [LB464]

GALE HENDERSON: No, I don't know of a sliding scale. They have their income eligibility guidelines and, based on those guidelines, if they fall outside of that, and it can...most of them are like minimum wagers to begin with, I don't know exactly what the top wages are, but if they fall outside the guidelines then they can...if they fall within they can go to a copay, but I've seen clients go from zero to 100 percent payment and I don't understand that. I don't understand how they decide that. [LB464]

SENATOR FULTON: Okay. Okay. Thanks. [LB464]

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SENATOR HARMS: Well, thank you, Senator Fulton. Senator Nordquist. [LB464]

SENATOR NORDQUIST: Thank you, Senator Harms, and thank you for being here and thank you for your service to the community in providing childcare. I guess just maybe a little more specifically, how would you absorb this over the next two years? [LB464]

GALE HENDERSON: It would be very challenging to absorb it over the next two years. Currently, I have staff that are in line for a pay raise because we...generally, when we get our increase, I give my staff an increase, and so we have. And we have required our staff to continue their education to seek formal training to become certified so that we can become accredited, so we're requiring more of our staff as far as education and training so that we can become of greater quality for our children, but at the same time we're asking them to make sacrifices without pay. [LB464]

SENATOR NORDQUIST: Uh-huh. [LB464]

GALE HENDERSON: And...because some of these classes that they're taking there is on Saturday or in the evening and they're not paid to do that but they're willing to do that because they know the importance of having training and being educated. These children come with greater needs and greater risk than ever before because our children that we consider at risk are children of teenage moms, of grandmothers that are forced to take care of their grandchildren, and then there's more and more children that are in the foster care system, so we have the numbers increasing there and to no fault of their own. So I feel that the children are the victims and ultimately they suffer more than anyone because they don't have a voice and they don't have a choice, and we are the voice. [LB464]

SENATOR NORDQUIST: Yeah. Uh-huh. I appreciate that and I spoke to a gentleman on Friday afternoon that serves a large part of south Omaha and serves a number of children down there and he expressed the same concern about your commitment to your staff and how you try to enhance quality by providing, giving them the tools to further their skills, and how this could set that back. So I appreciate that. One point that just kind of came in my mind and maybe...I guess maybe it's another hindrance, you get paid based on the actual days that the child is there. There's no guarantee. [LB464]

GALE HENDERSON: There's no guarantee. [LB464]

SENATOR NORDQUIST: Okay. [LB464]

GALE HENDERSON: We get paid on attendance. [LB464]

SENATOR NORDQUIST: Okay. [LB464]

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GALE HENDERSON: And there's even been times when we've had attendance, we've confirmed attendance. We have a time clock and our parents punch in and out and we can confirm the attendant, but the caseworker for some reason can go back and discontinue the service and prorate it, go backwards, and then we have to have a discussion with their supervisors and we have to go higher up. So we have to fight a lot of times for our reimbursements. [LB464]

SENATOR NORDQUIST: Sure. Uh-huh. I certainly understand that that could be a challenge, especially when a lot of other people, except solely private providers or, you know, demand a guarantee of so many hours, so many weeks or days of...they're guaranteed an amount of... [LB464]

GALE HENDERSON: Right. [LB464]

SENATOR NORDQUIST: Yeah. You mentioned, too, the payment lag of 45 to 60 days. Have you, I guess just in general another issue that I've been working on, have you seen that change much or has that been fairly stable? Have you see it slow down at all, take longer? [LB464]

GALE HENDERSON: It's taking longer. [LB464]

SENATOR NORDQUIST: Yeah. [LB464]

GALE HENDERSON: Initially, when I began childcare, we could get paid like within 35 days. [LB464]

SENATOR NORDQUIST: Uh-huh. [LB464]

GALE HENDERSON: You know, we do our service, 30-day service, and then 5 to 6, 7 business days we would get payment. But in the last couple of years, they've extended it to 14 days after the 30-day service. [LB464]

SENATOR NORDQUIST: Uh-huh. Okay. [LB464]

GALE HENDERSON: And so it's been extended. [LB464]

SENATOR NORDQUIST: Okay. Thank you so much. [LB464]

SENATOR HARMS: Thank you, Senator Nordquist. Senator Wightman. [LB464]

SENATOR WIGHTMAN: Thank you, Vice Chairman Harms. Thank you for being here. You talked about having 42 employees. [LB464]

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GALE HENDERSON: Yes. [LB464]

SENATOR WIGHTMAN: And you said you were degreed, may be an advanced degree. I don't know. [LB464]

GALE HENDERSON: Bachelor's. [LB464]

SENATOR WIGHTMAN: Bachelor's. [LB464]

GALE HENDERSON: Uh-huh. [LB464]

SENATOR WIGHTMAN: How many of your 42 employees, do a lot of them have degrees in early childhood training or... [LB464]

GALE HENDERSON: No. Out of my 42 employees, I have 5 that are degreed. [LB464]

SENATOR WIGHTMAN: Okay. [LB464]

GALE HENDERSON: And I have a couple that have associate degrees. And I currently have 7 people that are in school now working towards an associate in early childhood ed. [LB464]

SENATOR WIGHTMAN: An associate would, what, require two years of... [LB464]

GALE HENDERSON: Yes, two years of training. [LB464]

SENATOR WIGHTMAN: ...advanced training... [LB464]

GALE HENDERSON: Yes. [LB464]

SENATOR WIGHTMAN: ...or beyond high school at least. [LB464]

GALE HENDERSON: Yes. [LB464]

SENATOR WIGHTMAN: Is that correct? [LB464]

GALE HENDERSON: Yes. [LB464]

SENATOR WIGHTMAN: And with a specialty toward the early childhood. [LB464]

GALE HENDERSON: Early childhood development. [LB464]

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SENATOR HANSEN: They have to go to Southeast Community College to get that. [LB464]

SENATOR WIGHTMAN: Would this be typical of I guess an early childhood agency such as yourself that they'd have about this number of degreed employees or this percentage of degreed employees or do you have an idea on that? [LB464]

GALE HENDERSON: I can't speak for everyone. It's very difficult to attract qualified individuals for early childhood education. I think a lot of people don't esteem childcare as a professional organization or they...a lot of people don't esteem children to the level that they should. So I don't know what the numbers are as far as the number of people that are degreed in early childhood but it's not very many in private, in the private sector I would say. [LB464]

SENATOR WIGHTMAN: When you get to the ones who have degrees, are they salaried or are they treated...are all of your employees hourly, all your staff? [LB464]

GALE HENDERSON: All my staff is hourly at this time. I have had salaried people but it didn't work out because in childcare we have a schedule for parents and we have scheduled hours of operation, however, there are so many variances that cause us to have to be more flexible because of the people that we serve just because of the single moms that don't have a support group. We're called upon to do things that other organizations would not have to do or may not want to do. I've had instances where I've had to go to a parent-teacher conference with a child, you know, go to the doctor with a child because the parent was unable to leave work because they were a new employee or because the type of employment didn't allow very much flexibility so... [LB464]

SENATOR WIGHTMAN: Thank you. [LB464]

GALE HENDERSON: Uh-huh. [LB464]

SENATOR HEIDEMANN: Senator Conrad. [LB464]

SENATOR CONRAD: Thank you so much for being here, really appreciate it. And since you have such a long experience in the industry, I hope that maybe you'd provide us with just a few more answers. [LB464]

GALE HENDERSON: Yes. [LB464]

SENATOR CONRAD: And we really, really value your perspective. But can you talk just a little bit generally about the changes that you've seen in society and, thus, your industry in the past 20-25 years that you've been working in early childhood and in childcare, because I think it's sometimes hard for people to realize that today how

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important childcare is for families. And when you have both parents working or you have a single-parent family, unless you are really, really lucky to have family available to watch your children for you, you have to have childcare and it's very, very expensive. If you want to talk just generally about that or changes you've seen. [LB464]

GALE HENDERSON: Over the years, I've seen parents become younger and younger. It seems like there's been a breakdown in morality and that brings issues in itself. But we have more and more children having children, and they have less education and they don't have the support group of past generations where I had my mom and my grandmother and people there. In my day we didn't have childcare but nowadays people rely on childcare very heavily as not only like a work support but also we're educators. They really look to us to provide the kindergarten readiness skills that their children require when they go to school. They really look to us as counselors a lot of times, you know, in their personal situations. You can be a counselor, you can be a legal adviser. There's many hats that we wear as providers. But the need is growing stronger for quality, that we have the skills, that we have the training and the education that's necessary to make a difference so that we can turn the direction of these children. Recently, there was a film called Waiting for Superman and I got to see that film and it speaks so clearly about the times that we live in and the educational crisis that our children are in that are in low-income areas. And again, they didn't get to choose what family they were born to and to what circumstances they were born in. And so I think it's our duty as citizens and just families and parents. We have to extend ourselves beyond our families and we have to give to those that are less fortunate, and that's why I'm in the business. [LB464]

SENATOR CONRAD: Well, I really appreciate your passion and your information. And you mentioned morality in your response and that's part of a decision-making process that the... [LB464]

GALE HENDERSON: Yes. [LB464]

SENATOR CONRAD: ...Legislature utilizes when we as senators have to cast our vote on any number of topics. And do you think it's moral for the state of Nebraska to balance the budget on the backs of childcare providers and working families and kids? [LB464]

GALE HENDERSON: No, I do not. I totally agree with you that there should be another way to balance our budget and not on the backs of the children because they don't have a choice and they don't have a voice. [LB464]

SENATOR CONRAD: Uh-huh. [LB464]

GALE HENDERSON: And it's our duty. And people say that they're our future but really

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they're our today and if we don't front load, if we don't fund them today then we're going to pay a great price later in the future. [LB464]

SENATOR CONRAD: And do you find it hypocritical when you hear politicians talk about how important children are or education is, and then they turn around and they cut services for children and education? Do you think that's hypocritical? [LB464]

GALE HENDERSON: I think it's very hypocritical. [LB464]

SENATOR CONRAD: Do you think that we have a clear opportunity to say no to this legislation and show what we think about children and education in Nebraska? [LB464]

GALE HENDERSON: I believe we have a clear opportunity to say no. [LB464]

SENATOR CONRAD: Thank you. [LB464]

GALE HENDERSON: And we should say no. [LB464]

SENATOR CONRAD: I really appreciate it, really do. Thank you. [LB464]

GALE HENDERSON: Thank you. [LB464]

SENATOR HEIDEMANN: Are there any other questions? Seeing none, thank you. [LB464]

GALE HENDERSON: Thank you. [LB464]

SENATOR HEIDEMANN: Welcome. [LB464]

DAEMON STEVENSON: Good afternoon. My name is Daemon Stevenson, S-t-e-v-e-n-s-o-n. I have been in childcare in some form or fashion for my entire life, which is 35 years, so I'm relatively young but I've been in it because my mother was a childcare provider since I was a child and before. I also had the opportunity to have been in the childcare services as a child, but also I went on to be a teacher and the maintenance man and then on to an administrator and now the owner. And I'm honored to say that I have a childcare center in the south Omaha area of Omaha as well as getting ready to open up another one in the north Omaha area of Omaha, and I'm honored and privileged to do it on a regular basis. Just as a clearance to Senator Conrad's comment, we don't want this bill to pass at all. It should not go forward in any form or fashion with any amendments or any attachments whatsoever. It should die where it lays. The simple fact of the matter is that it should die where it lays because it will affect us in great fashion and form in every area of what we do on a regular basis. Just for clarification, you all received a packet when Mr. Cavanaugh was up here with

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over 800 signatures of childcare providers, of childcare parents, of childcare staff members who are all in opposition to this bill, as well as the individuals that are sitting behind me, because we believe in what we do. It's not a simple formula to come up with what we do on a regular basis and I apologize to anybody who does not understand what is the rigors it takes to be a childcare provider in this society. I personally feel that we're in the best position for children overall. I think that we're an elite group of individuals that have to deal with dealing with the nose wipings and changing of diapers on a regular basis. And I have the comment in my mind that we are not just providers. We are developers. We are developers of their minds. We're developers of their minds from the beginning. The babies come into our facilities at zero years of age, six weeks of age, and sometimes they stay until they're five years old. And what we have the opportunity to do in that time and in that fashion is to mold them into what they are going to be before they get to school, before they get to kindergarten and all the places that they will go from us. We are the gatekeepers. We are the master architects to where they're going to become because we work with them from the beginning. And let me be abundantly clear, our job isn't just to the children. We're also responsible to our staff members. Our staff members are some of the very people that we're servicing and they need our services as well. I don't like paying the minimum wage. I believe that I need to lift as I climb. I believe that I need to give them as much investment as they're giving to these children on a regular basis. I believe that they need to go to school. I believe that we need to help them get homes and get educations just like we're trying to help and educate the young people that come into our facilities. Now let me be abundantly clear. I understand that the Governor is trying to fix his budget. Well, that's good, but you don't put it, as Senator Conrad has said, on the backs of children. I want to be clear that I understand that the committee has prioritized this bill because it is of an imperative mission that we find a way to fix the budget, but I have one thought process in my final moments, as my time is over, and I think about a story that my family told me when I was younger about staple goods, and when I think about staple goods I think about staple goods like this. She said that it's necessary. If you have nothing else in your cupboard, you need some sugar, some flour, some salt, some baking powder, some baking soda, and a bag of potatoes. And I didn't understand why she said that. She said that it was necessary because at the end of the day if you have those things in your cabinet you can all survive. Now let's be abundantly clear, we're dealing with children. We're dealing with children from zero to five. We need a safe place for them to go to, a safe place where they know that they are cared for outside the extension of their homes because their parents sometimes cannot take care of them because they are in the work force. So we are there to provide that for them. Secondly, we need to feed them a hot meal and make sure that they are taken care of on a regular basis and that through the food program and a number of other agencies that affords us the opportunity. Thirdly, we need to provide them with quality education. We need to be the people that are helping them socially, morally, and functionally to move into kindergarten. We are not an extra to the program; we are the beginning of the program of taking them to kindergarten and getting them through high school. And I submit would

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you rather them not get the quality from zero to five and have to deal with truancy when they get into kindergarten through 12th grade, have to deal with them dropping out of school? Would you rather have them in jails, and you are appropriating money and that appropriation goes to jail cells, or make the true investment at the beginning to keep them out of those things so that the money that we spend when they get out of high school is on scholarships and building business and skyscrapers and things like that, making them become the very developers that we were at the beginning of their lives? Thank you so very much. [LB464]

SENATOR HEIDEMANN: Senator Nordquist. [LB464]

SENATOR NORDQUIST: Thank you, Mr. Chairman. Thank you for being here today and thank you for your service to south Omaha and helping to develop the minds of young children down there. And you're right on the money with your comments you just made there. As Judge Johnson, a juvenile judge in Douglas County, says, you either invest in the playpen or the state pen, and you're exactly right. I asked the same question of Ms. Henderson. Maybe if you can just elaborate on if this freeze goes forward what it will mean specifically to your operation and what you're going to have to...how you're going to have to adjust your budget to make ends meet. [LB464]

DAEMON STEVENSON: Very basically put, Senator Nordquist, and it's an honor to finally get to meet you, very simply put, it would freeze everything that we do right now and make us have to dramatically downsize how we approach what we're doing. The viability of our budgets, as Ms. Henderson had so verily put out, is based upon us knowing where our money is coming from, and if our budgets increase but our revenues do not, we're not going to be able to give the same services. I personally don't like giving minimum wage. I personally feel that in order to help the staff become better people we need to give them more than minimum wage. They can go to McDonald's and get minimum wage. And literally, with the way that the childcare component is running right now, if they make an extra dime at McDonald's, they lose childcare subsidy. So if we want to be positive in influencing them, we have to look at the overwhelming effect on our budget. Are we going to have to take into consideration how much we pay our staff, how we buy our materials, how we have to deal with our overwhelming budget for just regular basic items such as going to the grocery store, you know, and things like that, that we have to consider on a regular basis, or do we need to close our doors? And honestly, some facilities would have to close their doors if we have to deal with the rigors of being limited in the fact that we're providing the same services, but I pause to say we're not even providing the same services. I provide quality on a regular basis. I expect our children to excel. And every one of the people that's behind me, along with the partnerships with Building Bright Futures and early childhood services and Appleseed and Family Services and all those areas, are trying to promote excellence. But if we're promoting excellence and not receiving the funding for excellence, something has to give. And we shouldn't have to sacrifice anything at all

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because we are the beginning. And I have to make a point in saying that after doing it for all of these years and seeing it from every aspect, the parents look at us as a component of their village and a lot of our parents that are with us usually try to stay for a long period of time, so we've seen them through their ups and their downs. And if we understand that and if the committee understands that you all play an important part in that, it will make a difference if we're stopped, if we're halted and we can't proceed forward in the very fundamental things that we're doing from the beginning. [LB464]

SENATOR NORDQUIST: Under the bill as proposed by the Governor here, LB464, if that floor were gone, if we were no longer hitting that 60th percentile and it was just up to whatever money we could throw at you in a given year, in a budget crisis it would probably be a lot less, how long could you sustain your business? [LB464]

DAEMON STEVENSON: Well, let's go back to the very semblance of what I said. You got to keep the staple items going. And I'm sorry, I think that this is a convenience measure. I think that I kind of get tickled because I applaud what Senator Howard submitted as them freezing administrator's budgets when we need to be more concerned about taking care of the kids. The kids are important and a lot of centers would close down because we wouldn't ever know what we're going to get. I mean it's just like Forrest Gump said, life is like a box of chocolates. If you leave it up to Health and Human Services to make the decision, they're going to pick out of the chocolates the cheapest measure that they can in the season that they're in. I'm sorry, we do need to tighten our belts at times and sometimes it can become very hard, but this is not the thing to make it hard on. We need to shave the money somewhere, I agree, but this is not the place to shave it at because it will cost more down the road in how they interact in school, in how they are a productive member of society. I literally think to my mind just very simply about a young girl who had spinal meningitis at birth and she came to our facility, very same facility that I own now, and she didn't understand the fact that she had spinal meningitis but we understood that it wasn't about her malady that we should be focused on. We should be focused on her productivity and the ability to make her better. She's 20 years old now. I don't think that we were negative in what we gave her. I think we were positive because now she is a productive member of society even though she's handicapped. These individuals behind me are about looking at the excellency in children in spite of any handicaps that they may have. [LB464]

SENATOR NORDQUIST: Okay, thank you. Thanks for taking time out of your schedule to be here today. [LB464]

SENATOR HEIDEMANN: Senator Conrad. [LB464]

SENATOR CONRAD: Thank you so much for being here and thank you for that last example because I think that's another part of the program that people maybe don't understand, that those families that are eligible for a childcare subsidy are those

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low-income working families and then also those families who have a disabled child, up to the age of 19 in some instances. So we're talking about very vulnerable populations here and I really appreciate that example. And I did just want to follow up and draw out one point that you made in your testimony here today about the recognition of the current economic status for Nebraska and beyond and how we all are aware of that, need to do our part. And I know this is going to sound sarcastic but I'm trying to be very, very serious because I want it to be clear on the record and it's not meant to be sarcastic. It's serious. But have you read or seen anywhere, in terms of economic news, saying the childcare subsidy program or childcare providers are what's caused this economic downturn and caused the balance to go...the budget to go unbalanced, because I have not seen anything like that? [LB464]

DAEMON STEVENSON: If you haven't seen it, I haven't seen it either. (Laughter)  
[LB464]

SENATOR CONRAD: Well, and I think that it's important though, as we identify cause and effect in some of those issues, why are we seeking solutions on programs that did nothing to get us to where we are today but instead have had a positive economic benefit for our state? And I really appreciate you taking the time to be down here and wish some of those other of the up to 4,000 providers that are out there would make sure to rally as well because, as far as I know, none of us are childcare providers in the Legislature and we really rely on people who are at the front lines of these policy issues to tell us and to let us know their perspective. And I really, really appreciate you. Thank you. [LB464]

DAEMON STEVENSON: Thank you. [LB464]

SENATOR HEIDEMANN: Senator Mello. [LB464]

SENATOR MELLO: Thank you, Chairman Heidemann. And thank you, Mr. Stevenson, for coming down today. And without repeating what Senator Nordquist or Conrad said, a couple questions and it kind of hits to some bigger points what the childcare subsidy is. We heard Director Reckling talk about over the last several years a significant increase in utilization of this service. Have you seen more families coming into your...at least your south Omaha facility, which...and potentially as you start looking to build a north Omaha facility, the last few years with the economic times we're in, have you seen an increase of people seeking your services? [LB464]

DAEMON STEVENSON: Well, Senator Mello, you have to take and to consider two things that are a component of the society that we live in. Number one, we are in more of a more prevalent society where we have babies having babies, so literally I'm in a situation where I literally have the opportunity where I'm watching both the parent and the child. And so when you take into consideration that the at risk, those four

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components that they take into consideration, sometimes is the simple fact that you have a 14- and a 15-year-old who are having babies. That raises your number up. And it requires eligibility because, let's be real, they don't have a job. And so since they are not working they need a place for their child to go while we're trying to get them into school. Now at the same time we're having a problem where it just is hard to keep them in school because the school district--I love Omaha Public Schools, I am a proud graduate of Central High School--has a problem with trying to control the attitudes and the tenor of the day where it's just so rampant that that creates another problem for us that we have to contend with. And so of course the number is going to raise if you have a mother who has a child that's in childcare and now she has a child that's in childcare. All of it is going to rise. And then the eligibility problem where, let's just be realistic, as Ms. Henderson said, you go to the fact that you have a parent that's doing good, that's coming to the component where they're trying to come off of the subsidies, where they're trying to come off welfare and food stamps and Medicaid and all those other stuff, and then they try to get a job. And as soon as they get their heads above water, their childcare subsidy is stripped. So they have a decision. They have four and five kids and they need to either care for the children or try to get their heads up. But by the time they honestly have to pay for those four children to go to childcare, they might as well literally, sadly to say, sit at home and just do Employment First and all those other things, where it only requires you to do 20 hours or something like that, instead of trying to get their heads above water. I have employees that are under the very same situation where they're scared that literally...and I've heard caseworkers say it, if they make one penny over this number they are through. It's not even a sliding scale anymore. It's zero or all, and that's not fair to them. So it must be a standardized system within Health and Human Services and, since I'm here, I should raise the question that I think that Health and Human Services should take more time to have discussions with childcare providers to tell what the rigors are that we have to contend with and maybe we can help them find a solution to that situation as well. [LB464]

SENATOR MELLO: What happens when a family has to...or when you have to turn away a family because of their ineligibility? [LB464]

DAEMON STEVENSON: Honestly, it's a hard decision each and every time. You try to work something out. You try to have the discussions with their caseworker trying to negotiate the appropriate way to look at it, saying that...I had a case where a parent was working over Christmas and was trying to make extra money for the Christmas season and because she went over her limit they dropped her completely. Well, that wasn't the case for her all year-round. So I did my best to attempt, as they say, I've learned that in this, the north, south Omaha area, I've become a caseworker. I become the case management resource specialist in and of myself to try to work out a negotiation system with them. Or I try to see if we can functionally budget out a way for them to continue to come to the childcare center because it's not just about their attendance. It's also about their development and putting them in a position where they can be educated. And so

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I'm trying to figure out a way to educate them as well. So if I can just say, okay, if you can come just for the time that we're doing the bulk of our development and pay me for that, we can work something out. [LB464]

SENATOR MELLO: And to some extent, and I think Senator Nordquist or Conrad asked somewhat similar to Ms. Henderson, the other childcare provider, with expenses...with expenditures going up, revenues, in theory, if LB464 becomes law, revenues essentially or provider rates go down or are frozen, since they won't keep up with inflation or the market rate, I should say, will you have to turn away families regardless of their eligibility solely because economically you can't provide the services you know you need to provide them because you're not going to get reimbursed or you're not going to be able to...essentially you lose money on these families by taking them as clients? [LB464]

DAEMON STEVENSON: The answer to that is, yes, because feasibly if you take into consideration that no matter what is said I still need to pay my staff, my mortgage still needs to be paid, my personal expenses need to be taken into consideration, and also we all almost come to the point where we're considered a Walmart where we're trying to get bargain basement discounts from Health and Human Services for basic needs instead of considering us to be more like a Von Maur or a specialty store that is one of the most preeminent components that you need to take into consideration. Yes, we will lose and we will have to turn them away, and it's sad to say but overall I'm not just the one that loses. Everybody loses if I have to turn that individual away, because not only will I just have to turn the individual away, I'll have to let my staff go. And so now you're increasing your unemployment rate because now they're going back to Workforce Development to get an unemployment check and going back to welfare and they're trying to figure it out for themselves because I simply cannot afford them anymore. So it's a domino effect. It's not just me. [LB464]

SENATOR MELLO: Uh-huh. [LB464]

DAEMON STEVENSON: It's everything that's connected to me. It's one great big web that we're dealing with and everything will fall if you take into consideration I didn't get into it for the money. And if I got into it for the money, this is surely not what I would have done (laughter) and my mother would not have done it for 35 years either. We got into it because of that spinal meningitis child. We got into it because of the countless individuals that I have been able to touch the lives of over the past 35 years and, truthfully, I guarantee you if you brought anyone up here that's been in it for a long period of time, it's worth it. It is definitely worth it, especially when you get to see a baby graduate from high school and then you get to see that high school student become a lawyer and an attorney and then come back to your facility and volunteer... [LB464]

SENATOR MELLO: Uh-huh. [LB464]

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DAEMON STEVENSON: ...to help influence the next generation that comes in behind them. [LB464]

SENATOR MELLO: I only have one...I guess one last question and I was thinking about it in between Ms. Henderson and yourself. With the action that's before us on LB464, if we...with no amendment or we just...we move on it as is, do you see it as essentially, because it involves the providers, not just the...I mean it involves the families and not just the providers, exactly what you just said where you're going to have to not provide service or turn families away, do you see it essentially just perpetuating the cycle of poverty by taking an action like this where we stick it to you and then you're left holding, you know,... [LB464]

DAEMON STEVENSON: The infamous bag. [LB464]

SENATOR MELLO: ...families' lives in the balance and at the end of the day economically just can't work? [LB464]

DAEMON STEVENSON: Senator, it's exponential. It's not just a simple one plus one equals two. It's taking ten to the tenth level because it will dynamically affect the lives of the people that I deal with on a regular basis for the simple fact that it's a money thing. It really is a financial thing for them. And I really believe that when you take into consideration childcare, I believe that it shouldn't be based upon a poverty level. It should be based upon the consideration that if we give them this one simple heads up I believe that we will have more young men and women that would go to school and that would get better jobs because they don't have to worry about the burden of having to deal with where my child is going to go while I'm away. I have a young lady who literally...she goes...she had to leave our facility because she lost subsidy, so every day that parent does not know where she's going to send her child. It's exponential in that it affects the child, it affects the parent, and it affects our community, because I really believe that if we don't do a good job of tending and maintaining them now, I get so many times where we have problem children that get kicked out of school for simple things and then I'm tired of seeing young people that drop out of school. I have hired two young ladies who dropped out of school and I told them that in order for you to keep your job, within 60 days you have to go back and at least get a GED because your education is free. And so if you just go ahead and get your GED, then you can stay because we're about educating. And if we lose, we lose overall, because if their mind isn't right they won't be productive to us at all and we're going to pay more in the end because they'll start stealing, they'll start figuring out ways to do other things, and then they'll start affecting the very kids that I'm affecting. So honestly, this is the sad part and I'm done with this thought. When I get to the point where I can no longer care for them, sometimes the very children that I had to release stand outside my facility heckling or talking or having conversations with the ones that are in it, because they are dejected from the system because of something very simply that Health and Human Services

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said--no. [LB464]

SENATOR MELLO: Well, I, too, would like to thank you for your service in south Omaha. I know where your facility is located at in my district at 30th and R, so I appreciate you taking time to come down today and share your stories with us. Thank you. [LB464]

SENATOR HEIDEMANN: Senator Wightman. [LB464]

SENATOR WIGHTMAN: Thank you, Chairman Heidemann. Thank you for being here today and for your testimony. We talked a little bit with Ms. Henderson about her agency and I think she said she had 42 staff members. How many staff members do you have in your... [LB464]

DAEMON STEVENSON: I have 20. [LB464]

SENATOR WIGHTMAN: Twenty, so in the two different locations, is that correct? [LB464]

DAEMON STEVENSON: I have 20 in just the one location and preparing to complete the project at the north Omaha location. [LB464]

SENATOR WIGHTMAN: Okay. So that I have a feel about where maybe your employees are with regard to state employees, can you tell us what a typical salary of a staff member would be? [LB464]

DAEMON STEVENSON: Typically, most centers try, if they possibly can, that I work with, I don't know the standards for everybody but I have a network of day-care centers that I work with on a regular basis, we try not to give them minimum wage. We try to start them at, at least, a wage of \$8 an hour. And then as they get more training, they get more development, they make a commitment to go to school, they take the in-service hours that we require, and our standards and all the facilities that I partner with and work with, we require more than the state standards. The state standards is 12. We require 24. And if LB601 goes through it will require 24. And so we're trendsetters so we're going to set ours at 36 as soon as they make the move and we're ready for the move. We're more than prepared for it. But as they make a commitment to betterment of them, we try to pay them more. So \$8 and then if they're educated we try to go as high as \$10, sometimes \$11. But we really can't go no higher than that because of budget restraints. Honestly, I would prefer, if possible, to hire the best team I possibly can or I would prefer to hire a group of individuals that have a passion for childcare but a willingness to become better, start them out at \$8 and eventually take them to \$10, \$15, or \$20 because of their excellence in caring for children. [LB464]

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SENATOR WIGHTMAN: So of your 20 current staff members, do any of them make \$15 to \$20 an hour now? [LB464]

DAEMON STEVENSON: I'm sorry, I don't have the budget for it right now, sir. [LB464]

SENATOR WIGHTMAN: Okay. Can you tell me what benefits your agency provides to the staff members. [LB464]

DAEMON STEVENSON: We are not able to provide any benefits. [LB464]

SENATOR WIGHTMAN: No health insurance. [LB464]

DAEMON STEVENSON: We are literally in a point where we are trying to figure out a way to come up with that expense, especially with the legislations that have been brought out by President Obama and the healthcare plan that is coming through. We're taking that into consideration and each and every one of...I have a regular directors' meeting where we're trying to figure out concepts and ways to give them those very fundamental benefits. Now let me be clear, we want to give them to them but the cost to us would diametrically affect my overall budget because it's very, very expensive based upon two factors. Number one is that healthcare is high. Also, the general dynamics of age that I deal with, with the staff that I have, most of our staff are of the 50- to 60-year-old age which is where they're dealing with more maladies of older age or, as they told me when I was looking at insurance, women of 21 to 40 years of age which they call the birthing pregnancy times where they can have a child, which is much, much more expensive. And so when you take those things into consideration, it can be very costly just to have that expense as a day-to-day function of your business. [LB464]

SENATOR WIGHTMAN: Okay. Thank you for being here and for providing us the information that you have. [LB464]

SENATOR HEIDEMANN: Are there any other questions? Seeing none, thank you. [LB464]

DAEMON STEVENSON: Thank you. [LB464]

SENATOR HEIDEMANN: Is anyone else wishing to testify in opposition of LB464? Seeing none, is anybody wishing to testify in the neutral position on LB464? Seeing none, at this time I do want to read into the record that we had a letter from Midwest Child Care Association in opposition to LB464 but does support the amendment to LB464; the director of the city of Lincoln Parks and Recreation opposes LB464; Nebraska Association of Young Children also oppose LB464. (Exhibits 9, 10, and 11) With that, we will close the public hearing on LB464 and open up the public hearing on Agency 25, the Department of Health and Human Services. [LB464]

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