

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2023-24		FY 2024-25	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$380,730		\$533,022	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$380,730		\$533,022	

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

This bill changes the provisions relating to child care assistance. The bill extends the current threshold for child care subsidy income eligibility of 185% of the Federal Poverty Level (FPL) and transitional or redetermination of child care income eligibility of 200% of the FPL beyond the current sunset date of September 30, 2023 until October 1, 2026. The bill states the federal Child Care Block Grant would be used first to cover the cost of the increase; the Temporary Assistance for Needy Families grant would be the second source of funding. General funds are prohibited from being used to cover the expanded eligibility costs through September 30, 2026. There is an issue with this stipulation, described below, due to the administrative costs associated with the bill.

With the passing of LB485 in 2021, the Department of Health and Human Services (DHHS) increased the gross income eligibility for the child care subsidy program from 130% of the FPL to 185% of the FPL for initial subsidy eligibility and increased the FPL from 185% to 200% for subsidy redetermination. This was enacted on August 28, 2021, and currently has a sunset date of September 30, 2023.

DHHS indicates that the number of families who became eligible since the enactment of LB 485 was 1,923 families. The average number of families who have billed for childcare between June 2022 and August 2022 is 1,201. The average monthly cost between July 2021 and August 2022 was \$523.75. Using these figures, the monthly amount needed to fund this increase in eligibility is \$629,018 per month or \$7,548,216 annually.

The funding would be, first, the Child Care Block Grant and then the Temporary Assistance for Needy Families Grant. DHHS indicates current federal fund appropriations and grant awards are sufficient to cover the \$7.5 million increase in state aid, therefore no additional expenditures are required for the direct aid. DHHS notes that if federal grant funding changes, general funds may be needed to cover a portion or the totality of this aid cost.

Administratively, DHHS indicates that the agency is already maximizing their administrative limit for the Child Care Block Grant. This means that the administrative costs would need to be general funds. Costs to update systems would be absorbed by DHHS. LB 485 used an annual admin cost of \$483,467 for FY23. Using this as the base, adjusting for the start date of LB 35 of October 1, 2023, and adjusting 5% annually for cost-of-living increases, the cost for FY24 is \$380,730 and the cost for FY25 is \$533,022.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE				
LB:	35	AM:	AGENCY/POLT. SUB: Nebraska Department of Health & Human Services	
REVIEWED BY:	Ann Linneman	DATE:	3-1-2023	PHONE: (402) 471-4180
COMMENTS: The Nebraska Department of Health and Human Services' analysis and estimate of fiscal impact to the department appears reasonable.				

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

State Agency or Political Subdivision Name:(2) Department of Health and Human Services

Prepared by: (3) John Meals

Date Prepared 2-28-2023

Phone: (5) 471-6719

	<u>FY 2023-2024</u>		<u>FY 2024-2025</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$380,730		\$533,022	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$380,730	\$0	\$533,022	\$0

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

Explanation of Estimate:

LB 35 proposes to keep the initial child care subsidy eligibility at 185% of the Federal Poverty Level (FPL) for initial eligibility determination and 200% of the FPL at redetermination of eligibility through September 30, 2026.

With the passing of LB485 in 2021, the Department of Health and Human Services (DHHS) increased the gross income eligibility for the child care subsidy program from 130% of the FPL to 185% of the FPL for initial subsidy eligibility and increased the FPL from 185% to 200% for subsidy redetermination. This was enacted on August 28, 2021, and currently has a sunset date of September 30, 2023.

This bill will continue the higher eligibility income levels through September 30, 2026, which will allow additional families to be eligible for child care subsidy with their initial eligibility determination and at redetermination. The FPL levels will revert to previous levels of 130% FPL for initial eligibility determination and 185% at redetermination effective October 1, 2026.

Families who become eligible during the expansion, proposed through September 30, 2026, would continue to remain eligible, through their eligibility period, if their income remains under 85% of the State Median Income (SMI). At their redetermination, their income will then need to be under 185% FPL, no longer 200% of the FPL. DHHS will need to make changes to NFOCUS to reinstate the previous FPL and have those income levels applied to all new applications.

Since the August 2021 enactment of LB485, 1,923 families have become eligible for child care subsidy with the expanded eligibility. There have been an average of 1,200 families that have billed each month. The average monthly child care cost of each newly eligible family is \$523.75 per month. The annual cost of this is \$7,548,215 assuming no annual growth.

LB 485 was funded by federal appropriations from the American Rescue Plan Act (ARPA) that will expire 9/30/2023. The aid costs would be eligible to be spent out of the Child Care Block Grant or TANF grant. The department believes federal grant funding levels are sufficient to cover these costs. Should that change for any reason in the future, general funds may be needed to cover a portion or all of these costs.

The administrative costs associated with LB 485 included \$483,467 in FY23. These costs were previously funded through the ARPA that will expire 9/30/2023. The Department already reaches the administrative cap within the Child Care Block Grant so should LB 35 pass, these administrative costs will need to be general funds. With 5% cost of living increases, the department estimates these general fund costs to be \$380,730 in FY24 and \$533,022 in FY25.

PERSONAL SERVICES:

POSITION TITLE	NUMBER OF POSITIONS		2023-2024	2024-2025
	23-24	24-25	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....			\$380,730	\$533,022
Travel.....				
Capital Outlay.....				
Aid.....				
Capital Improvements.....				
TOTAL.....			\$380,730	\$533,022