

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See below		See below	

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

This bill requires that Nebraska file a state plan amendment for the Child Care Subsidy program to pay providers based on a child's enrollment or authorized hours rather than the child's attendance. The [fiscal note](#) for LB 946 (2024) notes that new Child Care Development Fund (CCDF) rules issued by the Administration of Children and Families will require states to pay providers based on enrollment rather than attendance. The agency, the Department of Health and Human Services, notes that they have received a temporary two-year extension to implement these provisions therefore Nebraska will be subject to the new rule effective August 2026.

This newly required policy will have increased costs as providers will benefit from increased claimable hours under Nebraska's Child Care Subsidy Program. Current policy permits claiming of up to 5 absent days. DHHS utilizes current Child Care households count of 9,000 figured by enrollment status of either part-time (<20h/week) or full-time (≥21h/week) to estimate the cost of this policy. Using actual expenditures in Federal Fiscal Year (FFY) 2024, the basis of the Child Care Development Grant, the agency approximates that implementation of this policy would have resulted in an additional need of \$17,762,085. In FFY24, DHHS expended a total of \$123,546,799 on Child Care Subsidy therefore the increase would be 14.4%. There is no basis to disagree with the agency estimate which is prorated for 11 months of FY27 due to the start date of August 2026.

Additionally, childcare is a Title IV-E eligible expense for children who receive foster care, adoption, and guardianship subsidies. Actual expenditures on Child Care for this population amount to \$260,635 therefore a 10% increase would amount to \$26,000. The agency indicates ability to absorb the increased cost of this population.

DHHS indicates operational expenses associated with this policy would be technical in nature and would not necessitate additional staff. The total cost to implement system changes to NFOCUS amount to \$46,200 in FY26 to comply with the start date of August 2026. There is no reason to disagree with the estimate of administrative cost.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE				
LB:	13	AM:	AGENCY/POLT. SUB: Nebraska Dept of Health & Human Services	
REVIEWED BY:	Ann Linneman	DATE:	1-17-2025	PHONE: (402) 471-4180
COMMENTS: Concur with the Nebraska Department of Health & Human Services assessment of fiscal impact.				

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

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

Prepared by: (3) John Meals

Date Prepared 1-16-2025

Phone: (5) 471-6719

	<u>FY 2025-2026</u>		<u>FY 2026-2027</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$46,200		\$16,281,911	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$46,200		\$16,281,911	

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

Explanation of Estimate:

LB13 requires the Department of Health and Human Services (DHHS) to pay childcare subsidy providers based on a child’s enrollment or authorized hours rather than a child’s attendance. This bill will have a fiscal impact on both DHHS Children & Family Services (CFS) and DHHS Office of Economic Assistance (OEA) and will require the department to submit an amendment to the state plan.

The federal requirement that was released on March 1st, 2024, with an implementation date of April 30th, 2024, allowed temporary waivers for states to extend the period of implementation and the final rule changes for up to 2 years. Nebraska was granted this waiver, which allows additional time to implement this bill. Nebraska must be in compliance with the federal requirements by August 2026, or corrective actions could be implemented. With this federal rule change, Title 392 NAC 3-004.01(A) and 3-001.01(A)(i) regulations are currently being revised, which will remove payment by attendance and the five-absent-day allowance.

Enactment and implementation of this bill would require OEA to change the billing structure for the childcare subsidy program from partial and full-day units to part-time and full-time enrollment based on the number of hours a child is eligible for each week.

Currently, foster care, adoption, and guardianship families can qualify for the childcare subsidy program without regard to income. The funding is sourced from OEA through the Child Care Development Funds (CCDF) and State General Funds. When a child is IV-E eligible, the Administration for Children and Families (ACF) allows to claim IV-E dollars. Additionally, CFS pays for childcare expenses for certain families who do not qualify for the Child Care Subsidy Program related to child safety and/or case plan needs.

CFS has inquired with ACF whether Title IV-E funds can be drawn down for the enrollment hours. If ACF does not allow IV-E claiming based on enrollment, the cost of the state general fund will increase slightly. The exact fiscal impact of changing payment based on enrollment cannot be determined. For estimation purposes, CFS paid \$260,635 in childcare costs for youth who were not eligible for the Childcare Subsidy Program, and a 10% increase would result in \$26,000 in additional expenses in the state general fund. The department will absorb this cost.

Currently, approximately 9,000 households receive childcare assistance. The households are eligible to be billed for either full-day or partial-day units based on the number of hours within the day the child attends, up to their authorized amount. LB13 would require that all households receive either part-time or full-time care for the cost of enrollment up to a set number of hours per week based on the seventy-fifth percentile of the Market Rate Survey (MRS), which is up to 60 hours per week. Data from (MRS) will be updated to reflect the cost of care at a weekly or monthly rate. The new regulations utilize weekly rates where part-time enrollments are 20 hours or less and full-time enrollments are 21 hours or more.

DHHS is utilizing the current childcare subsidy rates figured by enrollment rather than attendance for this estimate. For services rendered in FFY2024, the children served by Child Care Subsidy would incur an estimated \$141,308,884 in Child Care Subsidy expenses, a \$17,762,085 increase from \$123,546,799. If this change is implemented by the current federally mandated deadline of August 1, 2026, the cost would be for 11 months of the fiscal year 2027, thus making the initial fiscal impact \$16,281,911. The annual cost beginning in fiscal year 2028 would be \$17,762,085.

Initially, the department may be able to cover a portion of these costs with existing federal funds, but that is not a long-term solution. Ultimately, this will be a state general fund cost and that is reflected in this fiscal note.

The change in structure would require updates to the NFOCUS system. IS&T would need to remove partial and full-day units in NFOCUS and add weekly enrollment units. Resource Developers (RD) would need to manually update over 1,800 childcare provider rates to reflect the weekly rates versus having day and partial day units. The current RD staff would absorb the cost. The billing portal will need to be updated to allow providers to bill by enrollment rather than partial and full-day units. A verification process will also need to be implemented to verify whether a child still attends the program prior to billing for the child. Over 20,000 authorizations would need to be manually updated to reflect these changes. It takes an average of 2 minutes to update one authorization. It would take approximately 670 hours to complete this task using Program Staff or through a contract with the External Call Centers. In addition, the childcare subsidy guidance document and job aid will need to be updated. Training will need to be developed and delivered for field staff, RD, and childcare providers. The department will utilize existing staff time to complete the rate, authorization, and training updates.

The department would be unable to meet the operational date of October 1, 2025, due to the time it would take to promulgate regulations and make system changes to NFOCUS and the billing portal. This fiscal note assumes the federally required start date of August 1, 2026.

NFOCUS Update Costs			
Resource	Rate	Hours	Cost
Expert System Technical Analyst	\$ 100.00	110	\$11,000
Gen Technical Analyst	\$ 100.00	120	\$12,000
Batch Technical Analyst	\$ 100.00	180	\$18,000
Business Analyst	\$ 80.00	65	\$5,200
Total		415	\$46,200

MAJOR OBJECTS OF EXPENDITURE				
PERSONAL SERVICES:				
POSITION TITLE	NUMBER OF POSITIONS		2025-2026 EXPENDITURES	2026-2027 EXPENDITURES
	26-26	26-27		
Benefits.....				
Operating.....			\$46,200	\$0
Travel.....				
Capital Outlay.....				
Aid.....			\$0	\$16,281,911
Capital Improvements.....				
TOTAL.....			\$46,200	\$16,281,911