

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised due to updated calculations by the agency

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)					
EXPENDITURES	GENERAL	CASH	FEDERAL	REVOLVING	TOTAL
FY2025-2026	0	0	0	0	0
FY2026-2027	2,329,728	0	0	0	2,329,728
FY2027-2028	5,436,032	0	0	0	5,436,032
FY2028-2029	6,212,608	0	0	0	6,212,608
REVENUE	GENERAL	CASH	FEDERAL	REVOLVING	TOTAL
FY2025-2026	0	0	0	0	0
FY2026-2027	0	0	0	0	0
FY2027-2028	0	0	0	0	0
FY2028-2029	0	0	0	0	0

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

This bill changes provisions of the Child Care Subsidy program, removing the October 1, 2026 sunset on the eligibility cap of 185% of the Federal Poverty Level (FPL). The bill also removes the October 1, 2026 sunset on eligibility for transitional Child Care Subsidy of 200% FPL. Currently, the income cap would revert to the threshold of 130% FPL for regular subsidy and 185% for transitional subsidy.

The Department of Health and Human Services (DHHS), the administering agency, cites an average total of 89 families per month have qualified for expanded eligibility (131%-185% FPL) following the passage of LB485. The average cost of monthly subsidy for this population was \$1,358.07 monthly or \$16,296.84 annually. The total cost annualized cost of extending the provision indefinitely is \$1,450,419 for regular Child Care Subsidy for families within 131%-185% FPL. Additionally, DHHS cites an average total of 317 families that have been billed monthly above the 185% FPL limit, recipients of Transitional Child Care Subsidy. The average cost of monthly subsidy for this population was \$1,251.89 monthly or \$15,022.68 annually. The total annualized cost of extending the provision indefinitely is \$4,762,190 for transitional Child Care Subsidy for families above 185% FPL. The combined annual cost of extending the provisions amount to \$6,212,609.

The fiscal impact in FY27 is mitigated by two factors. First, in the status quo, families would continue to receive subsidy into FFY27 (October 1, 2026 through September 30, 2027), past the sunset date, until their eligibility is redetermined. DHHS assumes if the sunset is implemented, without LB 304, redeterminations would be evenly distributed in FFY27 resulting in approximately half the expenses of a full year to cover families until they are redetermined. As such, the cost to implement LB 304 is 50% less than \$6,212,609 or \$3,106,304. Second, the effective date is October 1, 2026 is three months into SFY27. The total cost in SFY27 is \$2,329,728. The total cost in SFY28 is \$5,436,032 due to the first mitigating factor, accounting for the last quarter of assumed redeterminations in FFY27. The total cost in SFY29 and beyond is the full estimate of \$6,212,609.

Unlike in previous fiscal years, DHHS does not have federal funds available to offset the added costs of maintaining the expanded eligibility. In 2023, DHHS noted in the fiscal note for LB227, which most recently extended the expanded Child Care Subsidy eligibility provisions: "if federal grant funding changes, general funds may be needed to cover a portion or the totality of this aid cost." At this point in time DHHS confirms that expenses for the Child Care Subsidy program exceed the amount of federal funds available therefore any additional aid costs would necessitate additional state funds.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 304	AM:	AGENCY/POLT. SUB: Nebraska Department of Health & Human Services
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REVIEWED BY: Ann Linneman	DATE: 1-23-2026	PHONE: (402) 471-4180
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COMMENTS: Concur with the Nebraska Department of Health and Human Services' assessment of fiscal impact.
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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 1/23/2026

Phone: (5) 471-6719

	FY 2025-2026		FY 2026-2027	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS			\$2,329,728	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$0	\$0	\$2,329,728	\$0

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

Explanation of Estimate:

LB304 changes the provisions relating to Child Care Subsidy assistance. It removes the sunset date of October 1, 2026, and extends it indefinitely, while maintaining the initial eligibility determination and transitional/redetermination requirements. This bill does not require any further regulations updates.

With the enactment and implementation of LB485 in August 2021, which temporarily changed the Child Care Subsidy initial eligibility income limits from 130% Federal Poverty Level (FPL) to 185% FPL and the redetermination/transitional eligibility income limits from 185% FPL to 200% FPL, the sunset date was scheduled to end October 1, 2023. However, in 2023, with the passing of LB227, the sunset date was extended to October 1st, 2026. LB304 proposes to remove the sunset date, which would leave the eligibility income limits as they currently are.

There has been an average of 89 new families that have been billed each month between 131% to 185% FPL with an average monthly child care family cost of \$1,358.07. This equals an annualized cost of \$1,450,419 that would otherwise be reduced as these families would no longer be eligible. Additionally, there has been an average of 317 families that have been billed each month above 185% FPL, with an average monthly child care cost of each newly eligible family of \$1,251.89. This equals an annualized cost of \$4,762,190 that would otherwise be reduced as these families would no longer be eligible. The total annual cost is \$6,212,609, assuming no annual growth. The impact occurs as individuals are annually redetermined – eligibility is not adjusted for each individual right on October 1, 2026. This fiscal note uses half of the annualized cost assuming individuals come up for redetermination evenly throughout the year and then further reduces to seventy five percent of that number due to the October 1, 2026, implementation.

The Department of Health and Human Services (DHHS) utilized American Rescue Plan Act (ARPA) funding to cover the increased costs of LB485 (2021) and LB227 (2023) through the expiration of that funding on September 30, 2024. Current child care subsidy costs exceed the annual value of the child care grants. Since available federal funds are already being utilized, state general funds will need to be appropriated to cover the cost of this program moving forward.

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES:

POSITION TITLE	NUMBER OF POSITIONS		2025-2026	2026-2027
	26-26	26-27	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....				
Travel.....				
Capital Outlay.....				
Aid.....				\$2,329,728
Capital Improvements.....				
TOTAL.....			\$0	\$2,329,728