

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 modifies a provision of the Step Up to Quality Child Care Act to allow for higher reimbursement rate for child care subsidy at step two or higher. The current statute allows for higher reimbursement at step three or higher. The Department of Health and Human Services (DHHS), which administers the Child Care Subsidy program, provides a 5% rate increase with each Step advancement starting at Step 3. DHHS indicates that, if this bill were to pass, the agency would need to update the Child Care Development Block Grant state plan no later than 60 days from the effective date which would be three months following passage sans emergency clause.

Due to the permissive nature of the provisions, that centers with step up to quality rating of two or higher *may* be reimbursed at higher rates, the fiscal impact of the legislation depends on the regulatory actions of the agency. DHHS presents a fiscal estimate which assumes that providers at Step 2 would receive the 5% increase, which would match the current increase between Steps 2 and 3, and continue additional increases for the subsequent steps. The bill does not address rate increases for higher Steps, for which DHHS has the authority to increase rates by regulatory processes. If DHHS opts to increase the rates of Steps 3, 4, and 5 by 5% to maintain the stepped rate increases, the estimated aid cost amounts to \$2,227,846 in General Funds. The agency provides alternative options to lessen the fiscal impact including moderating the percentage increase between steps to an increase of less than 5%. The agency fiscal note also details some of the requirements to move between Steps in the Step Up to Quality program that participating child caring providers must adhere to.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE				
LB:	71	AM:	AGENCY/POLT. SUB: Nebraska Dept of Health & Human Services	
REVIEWED BY:	Ann Linneman	DATE:	1-21-2025	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 1-17-25

Phone: (5) 471-6719

	FY 2025-2026		FY 2026-2027	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$2,227,846		\$2,227,846	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$2,227,846		\$2,227,846	

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

Explanation of Estimate:

LB71 would allow Child Care Subsidy programs rated Step 2 in Step Up to Quality (STUQ) to also receive a rate increase from their base subsidy rate. Currently, the Child Care Subsidy programs are required to be at either Step 3 or greater to receive a 5% rate increase with each Step advancement. With the enactment and implementation of this bill, the Department of Health and Human Services (DHHS) would be required to update the Child Care Development Block Grant state plan no later than 60 days from the effective date.

If providers in Step 2 receive the same 5% increase in their base subsidy rate, their rate will match that of current Step 3 providers. The bill does not mandate DHHS to raise the rates for Step 3, 4, or 5 providers. However, this situation could create disparities between providers who participated before the bill's implementation and those who entered the SUTQ program afterward. DHHS has the authority to increase rates for SUTQ without needing to change the statutes, which means the Department could choose to raise the step rates for all Step 3, 4, and 5 providers by an additional 5%. This option would align with the current SUTQ processes but would have a high fiscal impact on OEA as this would increase the general fund cost by \$2,227,846.

Since DHHS is not mandated to increase all steps, leaving steps 3, 4, and 5 static would decrease the fiscal impact. Also, the department could choose to provide a lower percentage increase for Step 2, also decreasing the fiscal impact. The intention of this fiscal note is to provide an estimate of high-end costs, but the department would look at several factors when making a final determination, including the difference in requirements to reach Step 2 versus Step 3.

In order to advance from Step 1 to Step 2, the director or lead designee must complete the following trainings:

1. Special Care
2. At least 4 out of 7 Early Learning Guidelines domains (a degree in Early Childhood Education earned after 2005 fulfills this requirement). (24 hours)
3. Family childcare homes: introductions to Family Child Care Environment Rating Scale-3 (FCCERS-3) or Introduction to Toddler CLASS (4 hours)
4. Childcare centers: Introduction to Infant/Toddler Environment Rating Scale-3 (ITERS-3)/ Early Childhood Environment Rating Scale-3 (ECERS-3) or an Introduction to CLASS (4 hours)
5. Complete GO NAPSACC initial self-assessments

To advance to Step 3, you must participate in an onsite rating review and score 50 or greater on the quality standard rating tool. The tool rates the following standards:

1. Program Administration
2. Child Outcomes
3. Professional Development
4. Family Engagement and Partnership
5. Learning Environments and Program Curriculum

Additionally, each provider would receive an amendment to their subsidy enrollment agreement reflecting the new rates. The Guidance Document and Rate Chart would also need to be updated. DHHS will collaborate with the Nebraska Department of Education to ensure their Step Up to Quality Guidance Documents align with the updated changes.

MAJOR OBJECTS OF EXPENDITURE				
PERSONAL SERVICES:				
POSITION TITLE	NUMBER OF POSITIONS		2025-2026 EXPENDITURES	2026-2027 EXPENDITURES
	26-26	26-27		
Benefits.....				
Operating.....				
Travel.....				
Capital Outlay.....				
Aid.....			\$2,227,846	\$2,227,846
Capital Improvements.....				
TOTAL.....			\$2,227,846	\$2,227,846