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PREPARED BY:
DATE PREPARED:
PHONE:

Liz Hruska
February 28, 2011
471-0053

LB 601

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2011-12		FY 2012-13	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See Below		See Below	

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

This bill changes the reimbursement rates for child care. Currently child care reimbursement rates are adjusted every odd-numbered year at a rate not less than the 60th percentile or more than the 75th percentile of the market rate survey. Under this bill, a child care provider who is a qualified licensed child care provider would be paid at the current rate beginning on January 1, 2013. For those who are not qualified licensed providers, the rate range would be between the 50th and 75th percentile. A qualified licensed child care provider is defined as a provider who or which obtains a minimum of 24 clock hours of in-service training in the preceding 12 months of which at least 12 hours are in-person training. The provision applies to those who complete the required hours on or before December 31, 2012 or within the first 12 months after becoming licensed, whichever is later.

Based on current statute, there would either be no additional cost to the child care subsidy program if rates remained at the 60th percentile or could potentially save general funds, if rates for child care providers were reduced to the 50th percentile. The savings would be \$1,802,406 in FY 12 and potentially \$1,351,804 in FY 13, assuming 25% of child care providers are qualified for payments at the 50th percentile.

Development of the training requirements to be a qualified licensed child care provider could be handled within existing resources. The Department of Health and Human Services indicates a need for an additional Community Resource Development Specialist to verify training. It would depend on the number of providers who seek to become qualified. Assuming 25%, this position could be half-time at a cost of \$16,928 (\$8,464 GF and FF) in FY 13.

There would be additional costs to develop a database to track in-service hours. The cost is unknown. The department has put a placeholder amount of \$75,000 (\$37,500 GF and FF). These costs would be incurred in FY 13.

The Governor introduced LB 464 which removes the requirement that rates be adjusted to the between the 60th and 75th percentile. The preliminary recommendation of the Appropriations Committee does not contain the increase. For rates to be paid at the 60th percentile, an increase of \$2,808,923 is required. For rates to be paid at the 50th percentile, \$1,006,517 in additional funding is needed.

If LB 464 passes in its current form, the cost of LB 601 would be \$1,006,517 in FY 12. Continuing to pay all providers at the 50th percentile through the middle of FY 13, the cost for a half year of payments would be \$503,258. For the second half of the fiscal year, assuming 25% of the all child care providers meet the requirements to be a qualified licensed child care provider, the costs would be \$728,559. The total cost for rates in FY 13 would be \$1,231,817. All child care cost would be paid from the General Fund.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Elton Larson	DATE	3/1/11	PHONE	471-2526
COMMENTS					
DEPARTMENT OF HEALTH AND HUMAN SERVICES: Agency estimates appear reasonable.					

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LEGISLATIVE

LB⁽¹⁾ 0601

FISCAL NOTE

2011

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

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

Prepared by: (3) Willard Bouwens

Date Prepared: (4) February 25, 2011

Phone: (5) 471-8072

	FY 2011-2012		FY 2012-2013	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$1,050,816		\$2,862,317	
CASH FUNDS				
FEDERAL FUNDS	\$47,698		\$63,161	
OTHER FUNDS				
TOTAL FUNDS	\$1,098,514	\$0	\$2,925,478	\$0

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

Explanation of Estimate:

This act would initially result in an increase in child care subsidy for SFY2012 resulting from the implementation of a rate adjustment for child care rates to at least the fiftieth (50th) percentile. For the latest child care market rate survey conducted in 2010, for rates that would be in effect starting July, 2011, an overall rate adjustment would require an estimated increase of \$1,006,517 (GF) for Child Care (Subprogram 44) and \$16,997 (\$6,799 GF, \$10,198 FF) for Title IV-E (Subprogram 30) child care based on SFY10 expenditure levels. Note that not all rates would be increased since the rates are set by geographic, facility type, and age factors and some rates are already at the fiftieth percentile or greater.

The further provision of the act requiring an increase in rates to the sixtieth (60th) percentile for "qualified licensed child care providers" where providers are defined as "persons" and not child care facilities is confusing since the wording might be interpreted to mean that another rate increase was intended for only those child care facilities operating as single-person child care providers if that person should obtain the requisite in-service training as specified in the act.

However, for purposes of this fiscal note, it is assumed that the intent of the act was to provide an avenue for all persons and/or facilities that achieved "qualified licensed child care provider" status to be reimbursed at child care rates set at least up to the sixtieth (60th) percentile level.

Assuming that all persons and/or facilities achieved status as "qualified licensed child care providers" by the start of SFY2013 this act would also require a further increase in child care subsidy resulting from the implementation of new child care rates to at least the sixtieth (60th) percentile. The child care market rate survey indicates that, for rates that would be in effect starting July, 2012, it would require \$1,802,406 additional funding for Child Care (Subprogram 44) and \$31,847 additional funding for Title IV-E (Subprogram 30) child care based on SFY10 expenditure levels. The total estimated cost increase for Child Care (Subprogram 44) would be \$2,808,923 (GF) and \$48,844 (\$19,538 GF, \$29,306 FF) for Title IV-E (Subprogram 30) in SFY2013.

The act does not specify how child care providers would receive the requisite training to become "qualified licensed child care providers" nor does it provide specific details on the content of such training. It is assumed that provision of training would not be the Department of Health and Human Services (DHHS) responsibility.

It would be necessary for DHHS to establish procedures and standards to determine what training would qualify in order to justify a rate increase. The cost of this could be absorbed within current operations.

As part of the licensure procedure it would be necessary to verify the required training. There are currently 2,925 licensed Family Child Care Home I & II and 948 Child Care Centers however the number of facilities actually providing services for the Child Care Subsidy Program is actually about 1,283 FCCH I and II and 693 Child Care Centers (FFY2010 data). DHHS Community Resource Development Specialists during licensure investigations would need to obtain evidence of the provider's training which will require some additional staffing. It is estimated that the verification of training would require the equivalent of at least one (1) new Community Resource Development Specialist at a cost of \$67,711 (\$33,856 GF, \$33,855 FF) for SFY2013 (assuming that most new training verification would begin to occur by the start of SFY2013).

DHHS would also need to develop a database to track of in-service hours required by the act since the hours of training would be used in determining the appropriate child care rates. The cost to develop and maintain a database with a tie-in to the NFOCUS eligibility system is unknown but for purposes of the fiscal note a cost estimate 'placeholder' of \$75,000 (\$37,500 GF, \$37,500 FF) for SFY2012 (assuming that the database would need to be in place by the start of SFY2013) is assumed.

The total estimated fiscal impact to the Department of Health and Human Services is \$1,098,514 (\$1,050,816 GF, \$47,698 FF) for SFY2012 and \$2,925,478 (\$2,862,317 GF, \$63,161 FF) for SFY2013.

MAJOR OBJECTS OF EXPENDITURE				
PERSONAL SERVICES:				
POSITION TITLE	NUMBER OF POSITIONS		2011-2012 EXPENDITURES	2012-2013 EXPENDITURES
	11-12	12-13		
DHHS Community Resource Development Specialist		1		\$33,307
Benefits.....				\$13,323
Operating.....			\$75,000	\$8,645
Travel.....				\$6,216
Capital Outlay.....				\$6,220
Aid.....			\$1,023,514	\$2,857,767
Capital Improvements.....				
TOTAL.....			\$1,098,514	\$2,925,478