

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2022-23		FY 2023-24	
	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 allows child care providers participating in the child care subsidy program to bill for the full authorized amount for times the child is absent.

Until the pandemic, child care providers were not allowed to bill for absent days. Beginning in April 2020 through September 2020, the Governor issued an executive order that allowed child care providers to bill for all absent days. In September 2020, a permanent regulatory change was made to allow providers to bill for up to five absent days. The average monthly cost while the executive order was in effect was \$644. The Child Care Market Rate Survey resulted in cost increases for 5%. Using the average monthly cost during the time the executive order was in place and inflating those costs by 5% each year would result in average monthly costs for \$676 in FY 2023 and \$710 in FY 2024. Additionally, the Department of Health and Human Services is projecting enrollment to increase by 3% each year. Year to date in FY 2022, there is an average of 12,827 child enrolled in the child care subsidy program. Increasing the enrollment figure by 3% each would put enrollment at 13,212 in FY 2023 and 13,608 in FY 2024. Under this bill, using the same assumptions as the Department of Health and Human Services', the average monthly cost would be \$577,231 higher in FY 2023 or \$6,926,767 for the fiscal year. In FY 2024 the average monthly cost would be \$624,275 higher or \$7,491,299 for the fiscal year. The Department of Health and Human Services' fiscal note increased the projected average monthly costs and the average annual enrollment costs under the provision in LB 1107, but did not inflate the projected costs under the current policy of allowing only five absent days paid.

The calculations of the cost for this bill are shown on the next page.

		Without LB 1107		
		Monthly Cost	Total	Total
	Recipients	Per Recipient	Monthly Cost	Annual Cost
SFY22	12,827	\$604	\$7,750,429	\$93,005,148
SFY 23 Est	13,212	\$634	\$8,356,595	\$100,279,144
SFY 24 Est	13,608	\$666	\$9,037,658	\$108,451,894
		Monthly Cost	Total	Total
	Recipients	Per Recipient	Monthly Cost	Annual Cost
SFY22	12,827	\$644*		
SFY 23 Est	13,212	\$676	\$8,933,826	\$107,205,911
SFY 24 Est	13,608	\$710	\$9,661,933	\$115,943,193
		Monthly Cost	Annual Cost	
		Difference	Difference	
SFY 23 Est	\$577,231	\$6,926,767		
SFY 24 Est	\$624,275	\$7,491,299		

*The average monthly cost when providers were allowed to bill for absences

The American Rescue Plan Act was enacted on March 11, 2021. This federal law provides Nebraska with \$89,286,000 in supplemental funding. The funds are to carry out the program authorized under the Child Care and Developmental Block Grant Act (CCDBG). According to Section 2201(c), "The amounts made available to carry out this section shall be used to supplement and not supplant other Federal, State, and local public funds expended to provide child care services to eligible individuals." The funds must be obligated by September 2023 and liquidated through September 30, 2024. Any ARPA funds that will not be used under the existing program can be applied to the costs in this bill through September 2023.

If no ARPA child care specific funds are available, the costs can be paid from the TANF Block Grant rainy day funds. The TANF Block Grant allocation for Nebraska is \$56,627,264 annually. The rainy day balance on September 30, 2020 was \$92,177,255. It grew to \$108,461,983 on September 30, 2021 and the Department of Health and Human Services projects it to grow to \$110,767,481 by September 30, 2022.

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

LB: 1107 AM: AGENCY/POLT. SUB: Nebraska Department of Health and Human Services

REVIEWED BY: Ann Linneman DATE: 2-22-2022 PHONE: (402) 471-4180

COMMENTS: No basis to disagree with the Nebraska Department of Health and Human Services' analysis and estimate 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 1-20-2022

Phone: (5) 471-6719

	<u>FY 2022-2023</u>		<u>FY 2023-2024</u>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$14,170,596		\$17,382,948	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$14,170,596		\$17,382,948	

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

Explanation of Estimate:

LB 1107 would require the Department of Health and Human Services (DHHS) to pay child care providers based on the fully authorized amount as permitted by federal regulations under 45 C.F.R 98.45.

Title 392 Child Care Subsidy Program regulations allow childcare providers to bill up to 5 absence days per child per month, per a revision that occurred in September of 2020.

During the COVID-19 pandemic, Governor Ricketts issued an executive order on April 16, 2020, to temporarily allow providers to bill based on authorized enrollment rather than attendance. This executive order was in effect until September 2020, when DHHS's Title 392 Child Care Subsidy Program regulations were changed to allow providers to bill up to 5 absence days per month. Billing based on authorized enrollment allows an unlimited number of paid absent days.

The fiscal note includes annual increases of current recipients at 3% per year (pre-pandemic levels). The current number of average monthly recipients is 12,827 per month. With the 3% annual increase, the average number of recipients was calculated at 13,212 for the state fiscal year 2023 and 13,608 for the state fiscal year 2024. The average cost per recipient between April 2020 and September 2020, when the executive order was in place to allow providers to bill by enrollment instead of current regulations, was approximately \$644 per recipient. Rates were increased 5% due to the recent Child Care Market Rate Survey completed in FY 2021 to estimate the new rate at approximately \$676 cost per recipient. It is estimated that monthly costs would be \$8,931,312 for FY23 and \$9,199,008 for FY24, compared to current monthly cost of \$7,750,429. The current monthly cost was calculated using the combined average cost of FY21 and FY22. The difference between current costs and estimated costs for FY23 would be \$1,180,883 per month for a total of \$14,170,596. The difference between current costs and estimated costs for FY24 would be \$1,448,579 per month for a total of \$17,382,948.

Fiscal Year	# of Recipients	Cost per Recipient	New Monthly Cost	Current Monthly Cost	Monthly Increase	Annual Increase
FY22	12,827	\$644				
FY23	13,212	\$676	\$8,931,312	\$7,750,429	\$1,180,883	\$14,170,596
FY24	13,608	\$676	\$9,199,008	\$7,750,429	\$1,448,579	\$17,382,948

Due to system limitations, DHHS cannot identify if a provider is billing based on enrollment rather than attendance. Because DHHS already obligates all federal funds for the child care program, the ongoing costs

would need to be general fund dollars. Any increase to rates or cases above the pre-COVID amounts would require additional general funds to be appropriated to the budget.

If the intent for LB1107 is for DHHS to follow regulations to pay at the current 5 absent days in place, the fiscal note impact would be \$0.

MAJOR OBJECTS OF EXPENDITURE				
PERSONAL SERVICES:				
POSITION TITLE	NUMBER OF POSITIONS		2022-2023	2023-2024
	22-23	23-24	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....				
Travel.....				
Capital Outlay.....				
Aid.....			\$14,170,596	\$17,382,948
Capital Improvements.....				
TOTAL.....			\$14,170,596	\$17,382,948