

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2023-24		FY 2024-25	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See below		See below	
CASH FUNDS	\$100,000,000	\$100,000,000		
FEDERAL FUNDS				
OTHER FUNDS		(\$100,000,000)		
TOTAL FUNDS	See below	\$0	See below	

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

This bill creates two new funds to support child care.

The bill transfers \$10 million from the Cash Reserve Fund to the newly created Child Care Wages Fund, administered by the Department of Education, to be used for the Child Care WAGE\$ Nebraska program to be used for providing salary supplements to child care and early education providers working with children five years of age or less in licensed child care programs. The Child Care WAGE\$ program funds are to be expended by the end of FY27. The Department of Education does not indicate any administrative costs associated with the bill however additional work is anticipated.

The bill also transfers \$40 million from the Cash Reserve Fund to the newly created Child Care Capacity Expansion Fund, administered by the Department of Health and Human Services (DHHS), to be used for contracts with a statewide nonprofit organization for the purpose of state aid. DHHS is to establish procedures and criteria for purposes of providing grants to increase child care capacity in areas of need or expand child care programs for children from birth through five years of age. The grants from the Child Care Capacity Expansion Fund are also to be expended by the end of FY27. DHHS indicates additional funds are needed to administer the new agreements. DHHS works with 2,000 childcare providers therefore if only 10% apply for a grant there would be 200 resulting applications. DHHS would need 1.0 FTE Program Manager to establish procedures and oversee the process as well as 3.0 FTE Federal Aid Administrators to monitor contracts, review invoices for payments, and conduct audits. DHHS also indicates the incentives of the program may result in an increase in child care programs which would necessitate additional inspection and licensing personnel: 2.0 Child Care Inspection Specialists and 1.0 Admin Specialist. The cost of the Program Manager, Inspection Specialists, and Admin Specialist are included in the agency's fiscal note but the 3.0 Federal Aid Administrators, \$161,477 in FY24 and \$226,067 in FY25, are not included in their total. The comprehensive personnel cost would be \$389,034 in FY24 and \$514,148 in FY25

In addition to these new funds, the bill transfers \$50 million from the Cash Reserve Fund to the Early Childhood Education Endowment Cash Fund on or after July 1, 2023 but before June 15, 2024.

The bill contains an emergency clause.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE				
LB:	319	AM:	AGENCY/POLT. SUB: Nebraska Department of Education	
REVIEWED BY:	Gary Bush	DATE:	1/30/23	PHONE: (402) 471-4161
COMMENTS: Agree that the bill intends one-time transfer of General Funds to cash funds. The amount shown by the agency is incorrect. Additionally, they did not show a reduction in General Fund revenues and an increase in cash fund revenues. The agency is silent on the costs to implement the programs being funded by these transfers. There, it is assumed there is no additional costs to the agency.				

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

LB: 319 AM: AGENCY/POLT. SUB: Department of Health and Human Services

REVIEWED BY: Gary Bush DATE: 3/13/23 PHONE: (402) 471-4161

COMMENTS: No basis to degree with the estimate provided by the agency given the assumptions used.
The need for support staff appears to be reasonable given the limited information on what is expected to be done by the agency. The bill is silent on how administrative costs are to be paid so it is reasonable to assume General Funds would be required.

Please complete ALL (5) blanks in the first three lines.

2023

LB⁽¹⁾ 319 UPDATED

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Education

Prepared by: ⁽³⁾ Lane Carr Date Prepared: ⁽⁴⁾ 1.26.23 Phone: ⁽⁵⁾ 4024193012

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2023-24</u>		<u>FY 2024-25</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	<u>\$100,000,000</u>	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>\$100,000,000</u>	<u>0</u>	<u>0</u>	<u>0</u>

Explanation of Estimate:

LB319 transfers \$50 million from Cash Reserve to Early Childhood Education Endowment, \$10 million from the Cash Reserve to create the Child Care Wages Fund to be administered by the NDE. These funds are to be used for contracting with a statewide organization to supplement wages of early education providers.

LB319 also transfers \$40 million to DHHS to create the Child Care Capacity Expansion Fund to increase child care capacity.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2023-24</u>	<u>2024-25</u>
	<u>23-24</u>	<u>24-25</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	<u>\$100,000,000</u>	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	<u>\$100,000,000</u>	_____

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 3-10-2023

Phone: (5) 471-6719

	<u>FY 2023-2024</u>		<u>FY 2024-2025</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$227,557		\$288,081	
CASH FUNDS	\$40,000,000			
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	40,227,557		\$288,081	

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

Explanation of Estimate:

LB319 would provide DHHS with \$40,000,000, from the Cash Reserve Fund, to establish the Child Care Capacity Expansion Fund. DHHS shall contract with a statewide nonprofit organization to increase capacity in areas of need for children birth through five years and establish procedures and criteria to provide grants to increase capacity. This would require DHHS to develop and release a Request for Proposal (RFP) to contract with a statewide nonprofit organization. Once an organization has been selected, DHHS would develop a contract to enter into an agreement with the organization. It is unclear if the intent is for the \$40,000,000 to go directly to the selected statewide nonprofit organization or if DHHS, in collaboration with the selected statewide nonprofit organization, shall provide grants to increase childcare capacity. Money from the Cash Reserve Fund will be transferred to the Child Care Capacity Expansion Fund on July 1, 2023, on such date as directed by the budget administrator of the budget division of the Department of Administrative Services.

LB319 does not specify if the intent is to have the \$40,000,000 spent over four years at \$10,000,000 per year or to have all funding available in year 1. For the purposes of this fiscal note, the department requested cash authority for the full \$40,000,000 in year 1 without knowing more detail of intent.

Section 5 of LB319 includes a transfer of \$50,000,000 million dollar from the Cash Reserve Fund to the Early Childhood Education Endowment Cash Fund (also known as Sixpence). While the bill does not include language to address how these funds will be used, it is known that Sixpence is intended to promote quality care for children from birth through 3 years of age.

If the intent of LB319 is for DHHS to contract with a single non-profit entity and allow that entity to sub-contract with community organizations, entities, and childcare providers, staffing needs would be limited to 1 Program Manager I to oversee this process.

If the intent of LB319 is that DHHS enter these agreements directly with community organizations, entities, and childcare providers, additional staffing would be needed to develop and monitor contracts, review invoices for payments, and conduct audits of spending. The department works with over 2,000 childcare providers so assuming even 10% of those apply for a grant as detailed in LB319 would result in 200 new agreements. In this case the department would request 1 Program Manager 1 to oversee the process of establishing procedures and criteria to provide grants and 3 Federal Aid Administrator IIs to monitor contracts, review invoices for payments, and conduct audits of spending. The cost of the additional federal aid administrator II FTEs would be \$161,477 in FY24 and \$226,067 in FY25.

It is unclear if funds from the \$40,000,000 Cash Reserve Funds would support DHHS staffing or if DHHS funds would be needed for staffing. DHHS funding related to Child Care would come from Child Care and Development (CCDF) funds available through the Child Care and Development Block Grant Act of 1990, 42 U.S.C. 9857 et seq. However, the Child Care Block Grant has a cap on administrative costs that the

department already utilizes so administrative costs would need to come from the cash reserve funds or state general funds.

No action will be required by the DHHS Division of Public Health (DPH) to implement LB319, but this legislation may create incentives to child care providers to expand services and may result in an increase in child care programs that will need to be inspected and licensed by DPH.

An increase in inspection and licensure activity will require the following additional staffing to perform new work: 2 new Child Care Inspection Specialists will be required to take on the new inspection and complaint investigation caseload associated with new or expanded child care programs. 1 new Administrative Specialist will be required to take on the new work of reviewing applications for licensure and issuing licenses to new or expanded child care programs.

MAJOR OBJECTS OF EXPENDITURE				
PERSONAL SERVICES:				
POSITION TITLE	NUMBER OF POSITIONS		2023-2024	2024-2025
	23-24	24-25	EXPENDITURES	EXPENDITURES
R78791 - DHHS Program Manager I	1.00	1.00	\$53,889	\$56,583
R62710 - Child Care/Services Inspection Specialist	1.50	2.00	\$59,439	\$83,215
R01014 - Administrative Specialist	0.75	1.00	\$27,400	\$38,360
Benefits.....			\$49,255	\$62,355
Operating.....			\$37,574	\$47,568
Travel.....				
Capital Outlay.....				
Aid.....			\$40,000,000	
Capital Improvements.....				
TOTAL.....			\$40,227,557	\$288,081