

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	\$56,400	\$210,974,646	\$287,482,254	\$290,582,413
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$56,400	\$210,974,646	\$287,482,254	\$290,582,413

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

This bill creates a separate state general-fund child care subsidy program funded for families with income between 130% up to 400% of the Federal Poverty Level funded by a 0.52% payroll tax. The bill requires the program to be operational by October 1, 2026. The bill also requires childcare employees to receive a subsidy for their own children if alternative reasonable accommodations cannot be arranged. The administering agency, the Department of Health and Human Services (DHHS), notes various technical concerns with the legislation including but not limited to conflicting statutory authority to administer such a program lack of clarity on how the new program interacts with the existing subsidy program which is federally regulated and is funded with a combination of federal and state funds.

Administrative expenses to implement the program include additional staff (1 Program Specialist, 2 Social Services Lead Workers, 2 Social Services Supervisors, and 22 Social Services Workers beginning in FY27) and IT updates to NFOCUS (\$56,400 in FY26). The cost of the additional staff amounts to \$2,014,556.

Aid expenses are estimated based on an assumed total population of 9.2% of 250,376 families, 23,035, and average monthly cost of \$1,377. The population is based on a total number of families under 400% of FPL 257,526 less 7,150 families currently on child care subsidy and a utilization assumption of 9.2% based on average uptake of such programs. The total monthly cost for 23,035 families is \$31,718,633. The estimated aid cost for FY27, \$285,467,698, represents nine months based on the implementation date of October 1, 2026. The cost for a full fiscal year is \$380,623,598.

The bill requires a new payroll tax of 0.52% to fund the program but does not specify which governmental entity would administer such a tax nor the process in which DHHS would receive the funds. The Department of Revenue reported that the total payroll income in 2022 was \$48,278,894,000. The Bureau of Labor Statistics indicates wage growth across all sectors in Nebraska between 2022 and 2023 increased by 3.3% and the same growth factor of wages is assumed each year thereafter. It is assumed the payroll tax begins October 1, 2025 due to the effective date of the bill being three months following adjournment.

Because the new tax is not directed to a specific fund it is assumed that the tax would be directed to the General Fund. The tax base in FY26 is \$54,096,063,101 therefore 9 months of payroll taxes would yield \$210,974,646. The tax base in wages for FY27 is assumed to be \$55,881,233,183. A payroll tax rate of 0.52% would yield \$290,582,413. Assuming an additional 3.3% annual growth in wages, including for administrative expenses for DHHS staff, the FY28 revenue would be \$300,171,632 and a full year of aid expenditures is \$380,623,598.

Technical note: If a fund source is not specified, the default fund source is assumed to be the General Fund. The bill states that General Funds shall not be used for this program, therefore there the provisions are incongruent.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE				
LB:	442	AM:	AGENCY/POLT. SUB: Nebraska Department of Revenue	
REVIEWED BY:	Ann Linneman	DATE:	3-12-2025	PHONE: (402) 471-4180
COMMENTS: Concur with the Nebraska Department of Revenue's assessment of no fiscal impact.				

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

LB: 442 AM: AGENCY/POLT. SUB: Nebraska Department of Labor

REVIEWED BY: Ann Linneman DATE: 3-13-2025 PHONE: (402) 471-4180

COMMENTS: Concur with the Nebraska Department of Labor's assessment of no fiscal impact.

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

LB: 442 AM: AGENCY/POLT. SUB: Nebraska Department of Health & Human Services

REVIEWED BY: Ann Linneman DATE: 3-13-2025 PHONE: (402) 471-4180

COMMENTS: Concur with the Nebraska Department of Health and Human Services' assessment of fiscal impact.

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

2025

LB⁽¹⁾ 442 Revised

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Department of Labor

Prepared by: ⁽³⁾ Rea Easton Date Prepared: ⁽⁴⁾ 3/12/2025 Phone: ⁽⁵⁾ 402-416-6809

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2025-26</u>		<u>FY 2026-27</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate: There is no fiscal impact to the Nebraska Department of Labor for LB442.

TECHNICAL NOTE: LB442 provides for a payroll tax to fund the State Childcare Subsidy Program; however, there is no provision in the bill that designates which governmental entity levies or enforces the payroll tax. The terms employer and employee are not defined in the bill, so it is unclear who is subject to the tax.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2025-26</u>	<u>2026-27</u>
	<u>25-26</u>	<u>26-27</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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 3-13-25

Phone: (5) 471-6719

	<u>FY 2025-2026</u>		<u>FY 2026-2027</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS	\$56,400		\$287,482,254	
TOTAL FUNDS	\$56,400		\$287,482,254	

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

Explanation of Estimate:

LB442 would create a separate state general-fund child care subsidy program funded through payroll tax with an operational date of October 1st, 2026. However, effective October 1st, 2025, there is a requirement within the bill to allow childcare employees to receive a subsidy for their own children. These newly eligible families would begin their benefits effective October 1st, 2026, for this new state-funded program. The bill specifies that the Department of Health and Human Services (DHHS) shall provide assistance to families with income from 130% Federal Poverty Level (FPL) to 400% FPL but does not outline families who are under 130% FPL and does not provide eligibility criteria beyond income limits. Furthermore, the bill does not distinguish families who may be eligible for the federal childcare subsidy program versus the state general-funded childcare subsidy program. Currently, the Office of Economic Assistance (OEA) does not have a methodology for eligibility determination for those families who may fall under both federal and state-funded childcare subsidy programs.

The enactment of this bill would only allow for the adoption of rules and regulations related to subdivision (b) and not for the rest of the bill. The department would need new statutory authority to modify regulations for subdivisions (b)(ii) and (b)(iii). Under Nebraska Revised Statute § 68-1202, Section (2)(a), the department must provide childcare assistance to families within the parameters of the approved Child Care and Development Fund State Plan (CCDF). Currently, families are eligible for assistance with incomes from 0% to 185% of the Federal Poverty Level (FPL) initially and up to 200% FPL at redetermination. Federal regulations state that income limits cannot exceed 85% of State Median Income (SMI) and less than 400% FPL. The bill also does not address the existing statute § 68-1206(2)(b)(i), which contradicts its income thresholds for eligibility. It also omits the language about ongoing eligibility and Transitional Child Care Assistance (TMA) as well. Furthermore, Section 3 allows for varying rates for infants and children with special needs but lacks regulatory authority for the department to define these categories or eligibility requirements. Therefore, the bill would require appropriate regulations to be in place.

This bill would require the Office of Economic Assistance (OEA) to establish a new childcare subsidy program and differentiate it from the existing federal program. Families applying for the state subsidy would not be required to demonstrate a need for care based on employment or other circumstances. The new program would be included in Economic Assistance (EA) application forms, necessitating updates to training materials for Social Service Workers (SSWs) and the Department of Health and Human Services (DHHS) website. The Nebraska Family Online Client User System (NFOCUS) would also need modifications to separate this program from the current childcare subsidy. Eligibility would range from 130% to 400% of the Federal Poverty Level (FPL), with a 10% income disregard still in effect. This bill would provide significant childcare assistance to qualified apprentice workers, exempting them from sliding fees. NFOCUS would also track these apprentices and waive their fees. To implement this program, the addition of one Program Specialist, two Social Services Lead Workers, two Social Services Supervisors, and 22 Social Services Workers would be required.

Furthermore, childcare providers who want to participate in the state child care subsidy program must also comply with the criminal history check requirements of the Child Care Licensing Act (CSL), administered by the

Division of Public Health's Occupational Licensure Unit. CSL would work with the Office of Early Childhood (OEA) to provide accurate information to these providers. Background checks would need to be conducted for staff involved in federal or state subsidy programs, which could increase the number of licensed and license-exempt childcare providers, thereby would increase the workload for CSL staff.

There are 257,526 families with incomes between 0% and 400% of the Federal Poverty Level (FPL). As of January 2025, 7,150 of these families already receive childcare subsidies. With the expansion of eligibility up to 400% of the FPL, an additional 250,376 families could qualify for this new childcare program. However, it is uncertain how many of these families would actually apply for the subsidy. According to U.S. Census data, the participation rate in Nebraska for families utilizing childcare subsidies is 9.2%. If we apply this percentage to the potentially eligible families, approximately 23,035 might apply for benefits. Given that the average monthly cost of childcare is \$1,377, the estimated total cost for these subsidies would be approximately \$380,623,598.

Additionally, the bill proposes funding the program through funds generated by a payroll tax but does not specify in what form the department will receive the funds. The bill states that General funds shall not be used for this program so this fiscal note lists the funds as Other Funds. The Department of Revenue reported that the total payroll income in 2022 was \$48,278,894,000, with a payroll tax rate of 0.52%. This would yield around \$251,050,248.80 available for the new childcare subsidy program.

In State Fiscal Year 2024 (SFY), 1,500 childcare applications were denied due to over income. Out of the 1,500 childcare applications, 1,300 were initial applications with income up to 185% FPL, and 200 were at redetermination with income over 200% FPL. These families would not be eligible for the federal childcare subsidy program but may become eligible for a state-funded program.

The NFOCUS system will also need to be updated to add assistance code/fund code to the existing child care program, update the code tables, update the child care budgeting logic, and allow for service authorizations/claims for the new population. The total Information Systems & Technology (IS&T) cost to make these changes would be \$56,400.

MAJOR OBJECTS OF EXPENDITURE				
PERSONAL SERVICES:				
POSITION TITLE	NUMBER OF POSITIONS		2025-2026 EXPENDITURES	2026-2027 EXPENDITURES
	26-26	26-27		
C73210 - DHHS Program Specialist		1		\$51,933
C72173 - Social Services Lead Worker		2		\$95,790
V72174 - Social Services Supervisor		2		\$117,958
C72172 - Social Services Worker		22		\$980,179
Benefits.....				\$436,051
Operating.....			\$56,400	\$332,645
Travel.....				
Capital Outlay.....				
Aid.....				\$285,467,698
Capital Improvements.....				
TOTAL.....			\$56,400	\$287,482,254

State Agency Estimate

State Agency Name: Department of Revenue	Date Due LFO:
Approved by: James R. Kamm	Phone: 471-5896
Date Prepared: 03/11/2025	

	FY 2025-2026		FY 2026-2027		FY 2027-2028	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds		\$ 0		\$ 0		\$ 0
Cash Funds						
Federal Funds						
Other Funds						
Total Funds		\$ 0		\$ 0		\$ 0

LB 442 would establish a state child care subsidy program to be administered by the Department of Health and Human Services.

It is estimated that this bill will have no impact on General Fund revenues.

It is estimated that there will be no cost to the Department of Revenue to implement this bill.

The operative date for this bill is three months after adjournment of the Legislature.

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	FTE			Expenditures		
		<u>25-26</u>	<u>26-27</u>	<u>27-28</u>	<u>25-26</u>	<u>26-27</u>	<u>27-28</u>
Benefits.....							
Operating Costs.....							
Travel.....							
Capital Outlay.....							
Capital Improvements.....							
Total.....							